

SURFACE TRANSPORTATION BOARD

Memorandum

205636



DATE: June 17, 2002

TO : Ron Douglas, Printing Officer
Section of Facilities Management
Office of Economics, Environmental Analysis, and Administration

FROM  Mel Clemens, Director
Office of Compliance and Enforcement

SUBJECT : STB FINANCE DOCKET NO. 33388 - OPERATIONAL MONITORING DATA

Attached are copies of the Conrail Acquisition Three Year Operational Overview prepared by the Office of Compliance and Enforcement and my letter granting the elimination of weekly and monthly reporting by CSX and NS, which are to be committed to the docket for public reference. Also included are copies of CSX and NS' joint request. I am providing three paper copies, two for the docket and one for Da 2 Da Legal. If there are any questions, please don't hesitate to contact Ed Nelson at 565-1574.

Attachments

cc: Chairman Morgan
Vice Chairman Burkes
Richard Armstrong
Charles Renninger

ENTERED
Office of the Secretary

JUN 17 2002

Part of
Public Record

Office of Compliance and Enforcement
Three Year Operational Overview - Conrail Acquisition
June 13, 2002

Background -

On June 1, 1999 (split date), CSX Transportation, Inc. (CSXT) and Norfolk Southern Railway (NS) began the operational implementation of the respective portions of the Consolidated Rail Corporation (Conrail) that each acquired.¹ In its decision approving the Conrail acquisition, the Board required its Office of Compliance and Enforcement (OCE) to monitor the implementation of operations by CSXT and NS over Conrail lines, and required CSXT and NS to report weekly on their operational performance. In addition, the Board approved the creation of three Shared Assets Areas (SAAs) (Detroit/North Jersey/South Jersey-Philadelphia) to be operated by Conrail, and required weekly reporting on those operations. While there were start-up problems affecting CSXT's and NS's operations over the acquired lines, CSXT and NS have overcome those problems.

Overview -

Under the Board's decision, applicants were required to furnish OCE with numerous performance metrics intended to measure operational performance and help OCE to identify current or potential problem areas. Three key performance measurements were established: Total Cars-on-line, Average System Train Velocity (MPH), and Average Terminal Dwell Hours. These metrics provide a clear picture of the railroads' operations and their ability to provide reliable service, and can provide evidence of an improvement or deterioration in operational efficiency. And such indicators, if unfavorable, can translate into reduced service levels for the shipping public. This report discusses the NS and CSXT operations over the last three years, and the specific data discussed herein contain publicly available performance information.

The statistics that follow compare the post-implementation start-up performance (excluding major holiday aberrations) to current performance, and clearly reflect the operational improvements made by CSXT and NS. NS's performance was poorest shortly after split date, but has shown continued improvement since then. CSXT's performance reached its poorest levels some months later, but has also shown significant improvement. In fact, the operational metrics, as well as discussions with CSXT and NS and others, suggest that service efficiency overall on both carriers exceeds pre-split levels on both the non-Conrail portions of their systems and the former Conrail lines.

¹CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company -- Control and Operating Leases/Agreements -- Conrail Inc. and Consolidated Rail Corporation, STB Finance Docket No. 33388, Decided July 20, 1998.

**DATA SUMMARY SHOWING POOREST PERFORMANCE
AND CURRENT LEVELS**

<u>Measurement</u>		<u>Poorest Measure Date</u>	<u>Current Measure Date</u>	<u>Percent Improvement</u>
Total				
Cars On-Line	CSXT	273,620 (11/07/99)	230,576 (06/10/02)	15.7
	NS	255,851 (06/25/99)	204,554 (06/10/02)	20.0
Average System				
Velocity (MPH)	CSXT	16.3 (11/05/99)	22.2 (06/07/02)	36.2
	NS	16.5 (07/02/99)	22.7 (06/07/02)	37.6
Average				
Terminal Dwell (Hours)	CSXT	37.2 (11/12/99)	27.9 (06/07/02)	25.0
	NS	31.5 (07/02/99)	21.7 (06/07/02)	31.1

Shared Assets Areas -

The three primary yards in the SAAs (North Yard in Detroit, Pavonia in South Jersey, and Oak Island in North Jersey) are key components in the competitive service provided by CSXT and NS to former Conrail customers. The SAAs have also achieved significantly improved service levels since split date. Average dwell-time improvements in the three yards range from 40% to 61%. On-time train originations have improved from a low of about 15% soon after split date to recent performance as high as 100%.

Chicago -

The performance of trains operating through the Chicago Gateway and being processed within the Chicago terminal area is critical to the flow of traffic nationally, due to the number of rail and intermodal connections occurring at Chicago. Chicago is also a key destination for shipments by rail. Chicago Terminal operations have improved significantly since the early months in the implementation of the Conrail transaction. During recent weeks, reported on-time performance for trains arriving at Chicago has been between 80% and 90%. Nonetheless, the operation of the Chicago Terminal will continue to be monitored closely by OCE.

Service -

Train performance in major traffic corridors for both CSXT and NS has trended positively since post-acquisition lows, as both carriers have actively revised their service plans. The operational improvements have had a positive effect on service reliability for shippers, as particularly evidenced by the absence of shipper complaints. Also, the "hot lines", established for Buffalo shippers by both CSXT and NS have not been used in more than a year. And the Conrail Transaction Council, which was established as a shipper/railroad forum at the suggestion of The National Industrial Transportation League to address service problems during the implementation of the transaction, has not met since December 2000.²

²A total of twenty rail user organizations were invited to participate. The Council formally met for the first time on March 3, 1998.

Traffic Levels -

During the period since split date, service demands and traffic volumes have fluctuated widely, and currently are down from earlier levels. The mix of traffic has also changed significantly. These changes in traffic volumes and demand characteristics can affect the performance statistics both favorably and unfavorably. Nevertheless, even in the face of changes in demand and traffic flows, CSXT and NS have continued to refine their operations, further rationalize their equipment needs, and move forward with major infrastructure improvements that have enhanced operating efficiency and growth potential.

Conclusion -

After reviewing the available data, it is the opinion of OCE that there are significant improvements in the level of service currently being provided to the shipping public by CSXT and NS, over both non-Conrail and Conrail segments of their respective systems, and in the operational efficiency of each carrier. Based on these conclusions, and considering the availability of relevant data on Class I railroad operations, it is apparent that the specialized reporting regimen established by the Board in approving the Conrail transaction and required of CSXT and NS is no longer necessary. Future monitoring by OCE will rely on reporting provided by the Class I railroads to the Association of American Railroads and on OCE's regular contacts with operating officials of the Class I carriers. The exception to the relaxation of the reporting requirement will be the reporting for the SAAs, which will continue as initially required. The SAAs are critical to the new competitive opportunities afforded Conrail shippers by the transaction, and therefore those operations will remain under a high level of scrutiny.



Surface Transportation Board
Washington, D.C. 20423-0001

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June 17, 2002

Office of Compliance and Enforcement

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500 Water Street (J150)
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George A. Aspatore
General Solicitor
Norfolk Southern Railway Company
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Norfolk, VA 23510-2101

Dear Messrs. Hitchcock and Aspatore:

This letter responds to your joint request dated May 3, 2002, regarding the continuing need to file certain operational monitoring reports and data required under Finance Docket No. 33388, Decision No. 89, involving the implementation of the Conrail acquisition. Specifically, you have requested that, with the exception of the weekly reporting for the Shared Assets Areas (SAAs), the Board eliminate the weekly and monthly reporting requirements covering operational monitoring and implementation issues.

As part of my responsibilities to oversee the implementation of the Conrail Transaction, I am required to assess each railroad's operating conditions, to review the current level of reporting, and to impose, to the degree I believe is necessary, additional data requirements. In addition, I must consider whether a reporting element is no longer indicative or reflective of operating conditions, and whether operational efficiency has reached a level such that required reporting is no longer necessary. Your request suggests that operating conditions on both railroads have reached a level that makes the required reporting unnecessary. Nevertheless, you have indicated that, should the required reporting be discontinued as you have requested, you will continue to report operational metrics to the Association of American Railroads (AAR) and to make those metrics publicly available on your respective web sites.

I have considered your request. Based on my assessment of the current operations of both carriers, and after consultation with the Board, I believe that, with the exception of the weekly reporting for the SAAs, it is appropriate for the weekly and monthly reporting to be eliminated as you have requested. Therefore, effective with the submission of the weekly reports for the week ending June 28, 2002 and the monthly report for the period ending June 30th, I will discontinue the reporting requirement as described above. However, should operating conditions change unfavorably, I will determine whether the reporting requirements should be immediately reinstated.

Letter to Hitchcock/Aspatore, Page 2.

I commend you on the considerable operating efficiencies and service improvements that have been achieved. I will have your letter and my response placed in the official docket. Please contact me immediately if there are any questions related to this action.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Melvin F. Clemens, Jr.', with a stylized flourish at the end.

Melvin F. Clemens, Jr.
Director

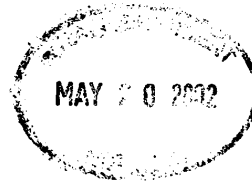
cc: Chairman Morgan
Vice Chairman Burkes

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May 3, 2002

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OFFICE OF COMPLIANCE
AND ENFORCEMENT
DIRECTOR'S OFFICE
Melvin C. Clemens
Director Office of Compliance and Enforcement
Surface Transportation Board
Washington, DC 20423-0001



RE: Reduction in STB Reporting

Dear Mr. Clemens:

In Finance Docket No. 33388, Decision 89, the Board imposed certain reporting obligations on CSX and Norfolk Southern as part of its approval of the Conrail Transaction and assigned monitoring responsibility to its Office of Compliance and Enforcement. We began submitting reports prior to June 1, 1999 (Closing Date) and have continued since that time to submit monthly and weekly reports. The metrics encompassed in those reports show steady improvement and have continued to trend favorably over a considerable period of time. As such, we believe that it would be appropriate at this point for CSX and NS to be relieved of most of those reporting obligations. The exception would be reporting that involves the Shared Assets Areas (SAA's). Even though operations in the SAA's are very fluid, we recognize that their unique nature makes it appropriate for us to continue to report to you on their operational efficiency.

The metrics and other information contained in the reports we seek to discontinue have served their purpose well. The primary purpose of these reports was to allow the Board, shippers and other interested parties to assess the implementation of the Conrail Transaction. Prior to the Closing Date, the reports provided a means of keeping the Board and others apprised of our preparation efforts and, after the Closing Date, they provided metrics by which our progress could be measured.

The reports provided a common frame of reference, which unfortunately was needed when implementation did not proceed as smoothly as we had anticipated. Whether meeting with you, the Conrail Transaction Council or individual customers, the reports provided a solid quantitative basis that made the discussion of anecdotal accounts more fruitful. The metrics also helped us focus on the problem areas, and as operations began to improve, helped us assure our customers and you that the transaction was being implemented successfully.

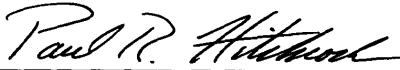
The initial implementation stage is well behind us and we therefore feel the reporting premised on oversight of that implementation should be discontinued. While we are requesting relief from the reporting imposed by the Board in Decision 89 (other than with respect to the SAA's), that does not mean CSX and NS will stop all public reporting. A number of the metrics formulated for reporting to the Board and in the Conrail Transaction have proven to have value to the shipping community and are included in the weekly metrics (including cars on line, average train speeds and dwell times) that NS and CSX make available to the AAR and on their individual websites.

Mr. Melvin F. Clemens, Jr.
May 3, 2002
Page 2

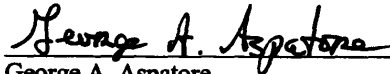
We believe that, with the significantly improved operations of both NS and CSX, operational reporting on the transaction should be a less formal process. In addition, as both CSX and NS seek to meet customer needs in a dynamic marketplace, we feel that with the publicly available AAR metrics, the press releases made by each carrier, informal briefings of Board Staff, our oversight filings and the continued SAA's reporting, there will be sufficient information available with which to monitor each carrier's operational efficiency.

We therefore respectfully request that you eliminate, except with respect to the weekly SAA reports and subject to reinstatement should the need arise, the Board's reporting requirement for monthly and weekly reports.

Sincerely,



Paul R. Hitchcock
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