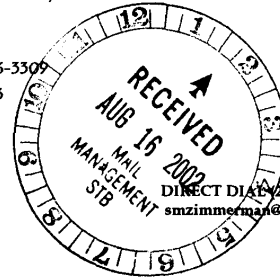


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SCOTT M. ZIMMERMAN



August 16, 2002

BY HAND

Hon. Vernon Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, D.C. 20423-0001

206052

Re: Finance Docket No. 33388 (Sub-No. 90) (Buffalo Rate Study)

Dear Secretary Williams:

Enclosed for filing in this proceeding on behalf of Norfolk Southern Corporation and Norfolk Southern Railway Company are the original and 25 copies of the Public version of NS-6, the "Fourth Report Of Norfolk Southern In The Buffalo Rate Study," along with a 3.5 inch computer diskette containing the Public version of the report.

Also enclosed separately under seal are the original and 25 copies of the Highly Confidential version of NS-6, along with a 3.5 inch computer diskette containing the Highly Confidential version of the report. The Highly Confidential version of NS-6 is so designated pursuant to Decision No. 1 in this proceeding and the protective order in Finance Docket No. 33388, and the use and disclosure of the Highly Confidential version of NS-6 therefore are restricted as set forth in that protective order with respect to Highly Confidential materials.

The Highly Confidential version of NS-6 is being served today on the U.S. Department of Transportation, and the Public version is being served on all parties of record in this proceeding.

ENTERED
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AUG 16 2002

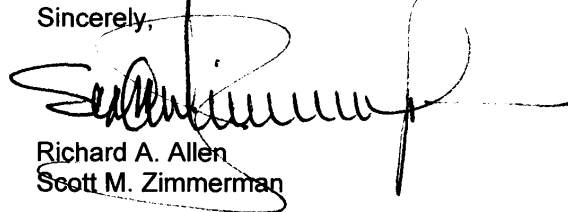
**Part of
Public Record**

ZUCKERT SCOUTT & RASENBERGER, L.L.P.

Hon. Vernon Williams
August 16, 2002
Page 2

Please feel free to call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard A. Allen", with a long horizontal flourish extending to the right.

Richard A. Allen
Scott M. Zimmerman

*Attorneys for Norfolk Southern
Corporation and Norfolk Southern
Railway Company*

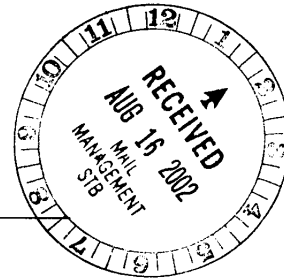
Enclosures

cc: Service list in Finance Docket No. 33388 (Sub-No. 90)

NS-6

PUBLIC VERSION -- REDACTED

BEFORE THE
SURFACE TRANSPORTATION BOARD



ENTERED
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AUG 16 2002

Part of
Public Record

FINANCE DOCKET No. 33388 (Sub-No. 90)

CSX CORPORATION AND CSX TRANSPORTATION, INC.
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
-- CONTROL AND OPERATING LEASES/AGREEMENTS --
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

(BUFFALO RATE STUDY)

**FOURTH REPORT OF NORFOLK SOUTHERN
IN THE BUFFALO RATE STUDY**

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*Attorneys for Norfolk Southern Corporation
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Date: August 16, 2002

PUBLIC VERSION -- REDACTED**FOURTH REPORT OF NORFOLK SOUTHERN
IN THE BUFFALO RATE STUDY****INTRODUCTION**

Norfolk Southern Corporation and Norfolk Southern Railway Company (collectively, NS) hereby submit their fourth report in the Buffalo area rate study initiated by the Board in Decision No. 1 in Finance Docket No. 33388 (Sub-No. 90). In this report, covering the final planned year of this proceeding, NS analyzes the trend in rates for NS major moves to and from the Buffalo Area for the third post-Split Year (June 1, 2001 – May 31, 2002, or “Year 3”) as compared with the second post-Split Year (June 1, 2000 – May 31, 2001, or “Year 2”). Additionally, in response to the Board’s direction that the present report should provide an “overview” of this proceeding, NS also examines the overall rate trend from the 12 months prior to the Conrail Split (June 1, 1998 – May 31, 1999, or “Year 0”) to Year 3, for those Year 3 major moves that have a Year 0 counterpart.

In sum, the data demonstrate that over the course of this proceeding rates for NS Buffalo Area traffic have not shown any overall increase and suggest no systemic transaction-related competitive problem. There is, therefore, no need for Board action or intervention, and no need to continue this proceeding beyond the originally-anticipated three-year term.

BACKGROUND

In Decision No. 1 in this proceeding, the Board instituted the three-year study of rates for movements into and out of the Buffalo, New York area¹ that it undertook to conduct in Decision No. 89 in STB Finance Docket No. 33388, which approved the application of CSX Corporation, CSX Transportation, Inc. (collectively, CSX) and NS to acquire control of Conrail Inc. and Consolidated Rail Corporation (collectively, Conrail).

On February 11, 2000, NS submitted its First Report, analyzing data covering the two years preceding the June 1, 1999 split of Conrail operations and the six month period following it (June 1 – November 30, 1999). That report showed that for the first six-months post-Split, rates for NS major movements into and out of the Buffalo area were, for the most part, the same as or lower than Conrail and/or NS rates for comparable movements before Split Date. *See* NS-1 at 2, 5-6.

In Decision No. 4 (served July 7, 2000), the Board discussed the results of the first phase of the study. The Board held that CSX and NS “appear to have set out and applied an acceptable methodology for measuring rail linehaul rate trends into and out of the Buffalo area,” and that, through the first six months following Split Date, “those rates have, on average, been reduced.” Decision No. 4 at 7-8.

On July 14, 2000 NS submitted its Second Report, which included data for the first full year following Split Date (June 1, 1999 through May 31, 2000). The Second Report

¹ Decision No. 1 defined the Buffalo area (hereafter, as defined, the “Buffalo Area”) as consisting of Erie and Niagara Counties and those parts of Chautauqua County north or east of CP 58. In the accompanying Verified Statement of John H. Williams, this defined area is referred to as the “Niagara Frontier Region.”

described NS' traffic to and from stations in the Buffalo Area during that first full post-Split Date year and compared the rates for those movements with rates for comparable pre-Split Date movements performed by Conrail and NS. NS' Second Report indicated that "rates for the majority of Norfolk Southern traffic to and from stations in the Buffalo Area ha[d] either remained constant or declined" since June 1, 1999. NS-3 at 2 and Williams V.S. at 3.

In Decision No. 6 in this proceeding (served February 2, 2001), the Board discussed the results of the study for the first full post-Split Date year. There, the Board reaffirmed that "CSX and NS have developed a reasonable methodology that enables them to use rail waybill data to calculate year-to-year rate changes" for linehaul movements into and out of the Buffalo Area, and rejected requests by certain other parties to expand or modify the data supplied by CSX and NS in the proceeding. Decision No. 6 at 10. The Board also concluded that NS had shown that "rates have declined or stayed the same for the majority of its major movements over the study period." *Id.* at 11.

NS submitted its Third Report, analyzing the second post-Split year (June 1, 2000-May 30, 2001) on August 20, 2001. In that report, NS demonstrated that in Year 2, the rates for a majority of NS' major movement traffic either remained steady or declined relative to rates in Year 1, and that rates for approximately 84% of NS' major movement traffic either remained constant or changed (either decreasing or increasing) by less than ten percent.

Decision No. 7 (served December 17, 2001) set forth the Board's findings with respect to Year 2. There, the Board found that NS' rates "ha[d] not changed significantly

over the past year,” and that “overall, and with no adjustment for inflation, Buffalo-area rail rates continue to be, on average, somewhat lower than those rates in effect for comparable movements prior to the June 1, 1999 division of Conrail's assets by CSX and NS.” Decision No. 7, *slip op.* at 8. The Board thus concluded that “the CSX/NS/Conrail transaction has not resulted in higher rates for Buffalo-area shippers.” *Id.* In establishing the schedule for this “third and final round” of the 3-year proceeding, the Board ordered that the carriers’ reports include their “final year's analysis as well as a full overview of this proceeding.” *Id.* at 9.

METHODOLOGY

Like each of NS’ previous reports, this Fourth Report presents an analysis performed by and under the supervision of John H. Williams, President of The Woodside Consulting Group, of the trend in rates for NS major movements into and out of the Buffalo Area. Mr. Williams’ present study employs essentially the same methodology as used in his study underlying NS’ Third Report, with the exceptions noted here. For this Fourth Report, Mr. Williams examined revenues from rail movements by NS in Year 3 (*i.e.*, June 1, 2001 – May 31, 2002) and compared them with the revenues from comparable movements by NS during Year 2 (*i.e.*, June 1, 2000 – May 31, 2001) to or from stations in the Buffalo Area that are currently accessible to NS, directly or by reciprocal switch.

In determining the trends in rates over the period of the study, Mr. Williams individually considered revenues from “major movements,” which he defined as

movements of a particular commodity (using a four-digit STCC code level of detail) between two points (*e.g.*, Buffalo Area and Atlanta) that produced linehaul revenues of more than \$20,000 during Year 3. For purposes of comparing Year 3 rates with Year 2 rates, Mr. Williams found that there were 272 such major movements, accounting for approximately 96 percent of the total linehaul revenues from NS' Buffalo Area traffic in Year 3.

Mr. Williams then compared the revenues per ton or per unit (as the case may be) of each of the major movements performed by NS during Year 3 with the revenues per ton or per unit of comparable NS movements during Year 2.

For Mr. Williams' present study, the Year 2 NS waybill data are the same as those noted in Mr. Williams' August 14, 2001 Verified Statement. For NS Year 3 data, Mr. Williams relied upon NS' Costed Record File for the period June 1, 2001 – March 31, 2002, and upon NS' Revenue History File for the period April 1, 2002 – May 31, 2002 (because NS' Costed Record File for that period will not be available until mid-September).

FINDINGS – YEAR 3 vs. YEAR 2

Total NS Linehaul Traffic in the Buffalo Area

In Year 3, NS' total traffic to and from stations in the Buffalo Area generated \$[] million in origin-to-destination linehaul revenue. The revenues of NS' ten most important commodities originating or terminating in the Buffalo Area were:

STCC

\$ Millions

[REDACTED]

Total
[]

Major Movement Revenues

As shown in Attachment JHW-4 to Mr. Williams' statement, revenues from the 272 major movements originating or terminating in the Buffalo Area in Year 3 were \$[] million, or about 96 percent of total linehaul revenue from NS' Buffalo Area traffic during the 12-month period.

Linehaul Rates

Attachment JHW-4 to Mr. Williams' verified statement shows the revenues per ton or per unit (as the case may be) of each of NS' major movements to or from the Buffalo Area during Year 3. As shown in Attachment JHW-4, there is a Year 2 counterpart for 221 of those movements. For each of those 221 major movements, Attachment JHW-4 compares the Year 3 rate with the rate for the corresponding Year 2 movement. This attachment shows that from Year 2 to Year 3, the rates for the vast majority — more than

79% — of the units of NS' major movement traffic in Year 3 with matching Year 2 moves either declined, remained steady, or increased by less than 5% as compared with Year 2.

Mr. Williams also found that dispersion of the data as to the approximately 800 non-major moves performed by NS in Year 3 prevented meaningful conclusions from being drawn about rate trends for those non-major moves. Such non-major moves, however, accounted for only approximately four percent of the total linehaul revenues from NS' Buffalo Area traffic during that period.

STUDY OVERVIEW

In Decision No. 7, the Board directed that the carriers' filings in this final scheduled year of the proceeding include not only "the final year's analysis," but also "a full overview of this proceeding." To fulfill this "overview" requirement in a manner that furthers the purpose of this proceeding (*i.e.*, to determine "whether Buffalo-area shippers will be subjected to higher rates because of the CSX/NS/CR transaction," Decision No. 89, *slip op.* at 178, 3 S.T.B. at 390), NS asked Mr. Williams to undertake an analysis similar to the year-to-year analyses discussed above and in previous NS reports, but spanning the full period from the 12 months immediately prior to the Conrail split (June 1, 1998 – May 31, 1999, or "Year 0") through Year 3.

The results of that study are discussed at pp. 7-8 of Mr. Williams' verified statement and are set out in detail in Attachment JHW-5. In short, of the 260 NS major

movements defined in Year 3 for purposes of the Year 3 vs. Year 0 analysis,² 158 moves (61 percent) had pre-Split Year 0 counterparts. Those matching moves represent 88 percent of NS' Year 3 Buffalo-area units of traffic.

Of the 158 matching major movements, rates for 61 movements (accounting for [] units of traffic) declined; rates for 92 movements (accounting for [] units of traffic) increased; and rates for 5 movements (accounting for [] units of traffic) did not change. Thus, as Mr. Williams notes, the rates for a majority of the Year 3 traffic units with a Year 0 match actually decreased from pre-transaction Year 0 to post-transaction Year 3. Moreover, over the three-year period of the study, rates for 77 percent, or [] units, of the total units of the Year 3 major movement traffic with comparable moves in pre-Split Year 0 either declined, remained constant, or increased by less than 5 percent compared with pre-transaction rates.

These overall results are consistent with the results of the year-to-year analyses in this and previous NS reports. Even assuming, for the sake of argument, that every individual rate increase reflected in the data is directly and wholly attributable to the Conrail transaction itself and not at all to system- or industry-wide factors (an assumption that most certainly is not true in fact) the data over the three-year period of the study in any event fail to show any overall upward trend in rates. Moreover, despite the availability of

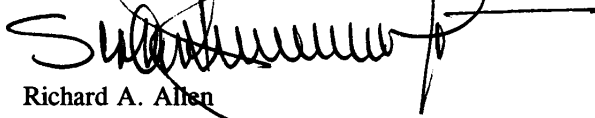
² In Mr. Williams' Year 3 vs. Year 0 study, the number of Year 3 major moves (260) differs slightly from the number of Year 3 major moves defined in the Year 3 vs. Year 2 analysis (272), for the reasons that Mr. Williams explains. See Williams V.S. at 7 n.2.

this proceeding, no Buffalo Area parties raised concerns or participated at all in the previous annual round of the study. These results suggest that the study has accomplished its purpose, that no intervention or action by the Board is necessary, and that the study can and should be discontinued as scheduled.

CONCLUSION

NS submits that the foregoing results of this year's study, as well as the results in each of the previous rounds of this proceeding, demonstrate that the CSX/NS/Conrail transaction has not resulted in any overall increase in rail rates in the Buffalo Area and has not created any systemic competitive problem in the Buffalo Area. There is no need for Board action or intervention, and no reason to continue this proceeding beyond the originally-anticipated three-year term. NS therefore respectfully requests that the Board so find and that the proceeding be concluded.

Respectfully submitted,



Richard A. Allen

Scott M. Zimmerman

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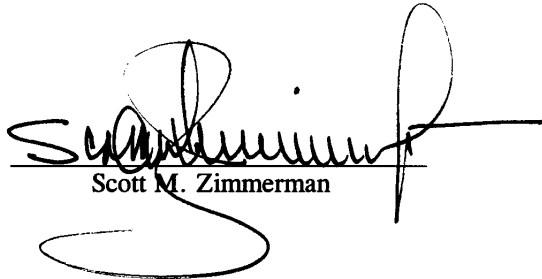
August 16, 2002

CERTIFICATE OF SERVICE

I certify that on August 16, 2002 a true copy of the Highly Confidential version of NS-6, the "Fourth Report of Norfolk Southern in the Buffalo Rate Study," was served by first-class U.S. mail, postage prepaid, or by more expeditious means, upon:

Paul Samuel Smith
U.S. Department of Transportation
400 Seventh Street, S.W.
Room 4102 C-30
Washington DC 20590

I further certify that on August 16, 2002 a true copy of the Public version of NS-6 was served by first-class U.S. mail, postage prepaid, or by more expeditious means, upon all parties of record in Finance Docket No. 33388 (Sub-No. 90) as reflected on the attached service list.



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PUBLIC VERSION -- REDACTED

VERIFIED STATEMENT

OF

JOHN H. WILLIAMS

I. INTRODUCTION

My name is John H. Williams. I am President of The Woodside Consulting Group, Inc., which is located in Palo Alto, California. On February 11, 2000, I presented a Verified Statement on behalf of Norfolk Southern Railway Company ("NS") in the first phase of this proceeding, which included a description of my qualifications and my experience, encompassing more than 35 years in the railroad industry and consulting. On July 14, 2000, I presented a second Verified Statement in the second phase of this proceeding. On August 14, 2001, I presented a third Verified Statement in the third phase of this proceeding.

I am providing this statement to describe the results of the fourth phase of the Buffalo Rate Study ("Study") conducted by me and under my supervision concerning the trends in rail linehaul rates to and from the State of New York's Niagara Frontier Region for traffic of the Norfolk Southern Railway Company ("NS") and its predecessor portion of Conrail.

My current Study encompasses the time period beginning June 1, 2001 and ending May 31, 2002, as specified by the Board. This Study focuses on linehaul rates on traffic to and from stations in the Niagara Frontier Region in which NS participated between June 1, 2001 and May 31, 2002 ("Year 3"), and on a comparison of those rates with rates for similar moves between June 1, 2000 and May 31, 2001 ("Year 2"). The Study thus reviews the third full year of NS' expanded operations in the Niagara Frontier Region since NS assumed operations of its portion of Conrail on the June 1, 1999 Split Date, and

compares it with the second full year of post-Split operations. In addition, in response to the Board's directive that the carriers this year provide an "overview" of this proceeding, my Study provides a longer term perspective of the trends in NS's linehaul rates in the Niagara Frontier Region by comparing the Year 3 rates with rates for comparable movements in the year between June 1, 1998 and May 31, 1999 ("Year 0"), the last full year prior to Split Date.

My current Study again considered only linehaul rates for traffic originated or terminated by NS at NS-served stations in the Niagara Frontier Region. I did not consider the rates of traffic of CSX that originated or terminated at CSX's Niagara Frontier Region stations.

Except as described in this Verified Statement, this phase of my Study utilized the same methodology and data sources that were described in my February 11, 2000, July 14, 2000, and August 14, 2001 Verified Statements. For ease of reference, I have included in this Verified Statement as Attachments JHW-1 and JHW-2, respectively, the same definitions of "NS's Niagara Frontier Region Stations" and of the "Buffalo Rate Study-Selected Data Fields" that were included in my February 11, 2000, July 14, 2000, and August 14, 2001 Verified Statements.

In the present Study, I have again adopted the \$20,000 per year revenue threshold used by DOT for my review of "major movements," as discussed below. Moreover, because NS prices its rail transportation services on either a per ton or per carload basis by commodity, I have continued to use the appropriate pricing basis for each commodity when comparing rate changes between the two years in my Study, rather than comparing rates for all commodities on a unit basis.

The following new NS waybill data files were used in the fourth phase of my Study:

1. NS traffic data, June 1, 2001 – March 31, 2002: NS' Costed Record File (CAP); and
2. NS traffic data, April 1, 2002 – May 31, 2002: NS' Revenue History File (because NS' Costed Record File for that period will not be available until mid-September 2002).

The NS and Conrail waybill data files for earlier years to which I make comparisons in this Verified Statement are noted in my three prior Verified Statements dated February 11, 2000, July 14, 2000, and August 14, 2001.

II. CONCLUSIONS

As is discussed in Part III of my Statement, it is my conclusion that in Year 3, rates for a large majority – 79 percent – of Norfolk Southern units of traffic to and from the Niagara Frontier Region (for which there is a Year 2 counterpart) either declined, remained constant, or increased by less than 5 percent, compared with Year 2.

I reached generally similar conclusions from my comparisons of rate changes in other time periods in my earlier Verified Statements, as follow:

“...it is my conclusion that in Year 2, rates for a majority of Norfolk Southern traffic to and from the Niagara Frontier Region (for which there is a Year 1 counterpart) either remained constant or declined compared with the rates in Year 1. Moreover, during that same period, rates for about 84% of the total traffic either remained constant or changed (decreased or increased) by less than 10%.” (August 14, 2001 Statement)

“...it is my conclusion that [in Year 1] rates for the majority of Norfolk Southern traffic to and from the Niagara Frontier Region have either remained constant or declined since NS commenced operations of its portion of Conrail on June 1, 1999.” (July 14, 2000 Statement)

“...it is my conclusion that [in the first six months of Year 1] rates on Norfolk Southern traffic to and from the Niagara Frontier Region have, for the most part, either remained constant or declined since NS commenced operations of its portion of Conrail on June 1, 1999.” (February 11, 2000 Statement)

The evolution of NS’s Niagara Frontier Region traffic base precludes a direct comparison of all Year 3 rates with Pre-Split Year 0 rates, as is discussed in Part IV of my Statement. However, for those major movements in Year 3 that had comparable major movements in the Pre-Split Year 0, it is my conclusion that rates for the vast majority, or about 77 percent, of Norfolk Southern traffic to and from the Niagara Frontier Region, either declined, remained constant, or increased by less than 5 percent over that three-year period.

Accordingly, based on all of the rate comparisons that I have described in this Statement and in my prior Verified Statements, it is my opinion that the Conrail transaction has not resulted in higher rail rates overall for NS’s Niagara Frontier Region traffic.

III. NIAGARA FRONTIER REGION STUDY RESULTS, YEAR 3 vs. YEAR 2

The results of my Study that compares Year 3 with Year 2 NS rates are presented below, first in the aggregate for all of NS’ Niagara Frontier Region traffic, and then through a review of the major moves that comprise a large share of NS’ total traffic.

A. Total NS Traffic

Attachment JHW-3 shows “NS’s Niagara Frontier Region Total Traffic, June 2001 – May 2002.” Attachment JHW-3 shows originations and terminations of units, tons, and revenue by four-digit STCC and in total. It also shows, for each four-digit STCC, NS’ pricing basis as being either per unit or per ton.

As shown by Attachment JHW-3, NS' Niagara Frontier Region traffic for the one-year period from June 2001 through May 2002 generated \$[] million of origin-to-destination linehaul revenue. The ten most important commodities that NS originated or terminated in the Niagara Frontier Region were:

STCC

\$ Millions

[REDACTED]

Total
\$[]

As shown by Attachment JHW-3, each of these ten commodities generated more than \$[] of linehaul revenue. In combination, all ten commodities generated \$[] million, or about 91% of total revenues for NS' Niagara Frontier Region traffic in the one-year period, June 1, 2001 through May 31, 2002.

B. Rate Trends for Major NS Movements

It is consistent with my experience that NS' Niagara Frontier Region traffic is concentrated in a limited number of major movements. Using the \$20,000 per year revenue threshold for the one-year period, I defined 272 major movements that originated or terminated in the Niagara Frontier Region between June 1, 2001 and May 31, 2002.

As shown by Attachment JHW-4, these major movements generated \$[] million, or about 96% of total linehaul revenues from NS' Niagara Frontier Region traffic.

As shown by Attachment JHW-4, I compared the rates for Year 3 with rates for comparable movements in Year 2. Of NS' 272 major movements in Year 3, 221 had Year 2 counterparts; those accounted for a total of [] units of traffic.¹ Of these 221 major movements, rates for 72 movements (accounting for [] units of traffic) declined; rates for 137 movements (accounting for [] units of traffic) increased; and rates for 12 movements (accounting for [] units of traffic) did not change. Rates for about 79 percent, or [] units, of the total units of Year 3 major movement traffic with comparable moves in Year 2 either declined, were unchanged, or increased by less than 5 percent compared with Year 2. This data demonstrate that rates for the vast majority of the total traffic experienced either decreases, no change, or relatively little increase in rates.

C. Non-Major NS Movements

In addition to NS's 272 major movements, about 800 other NS movements (accounting for [] units of traffic) generated the remaining \$[] million, or about 4%, of the total linehaul revenue from all of NS's Niagara Frontier Region traffic. These non-major movements were spread across numerous commodity groups. They were also geographically dispersed throughout NS' service territory, the western U.S., and Canada.

Separation of the non-major movements into groups with similar characteristics is important for the analysis of rate trends. Such characteristics include direction (origination or termination), STCC, and length of haul, and may include other factors, such as geographic region. As was the case in my February 11, 2000 Study in the first phase, in my July 14, 2000 Study in the second phase, and in my August 14, 2001 Study

¹ A unit is either a carload, or in the case of intermodal traffic, a container or trailer.

in the third phase of this proceeding, segregation of NS' non-major movements according to such factors in the present Study resulted in such widespread dispersion of the data that no meaningful conclusions concerning rate trends could be determined.

IV. NIAGARA FRONTIER REGION STUDY RESULTS, YEAR 3 vs. YEAR 0

For the Year 3 versus Pre-Split Year 0 comparison, and using the \$20,000 per year revenue threshold for the Year 3 one-year period, I defined 260 major movements² that originated or terminated in the Niagara Frontier Region between June 1, 2001 and May 31, 2002. As shown by Attachment JHW-5, these major movements generated \$[] million, or about 96% of total Year 3 linehaul revenues from NS' Niagara Frontier Region traffic.

As shown by Attachment JHW-5, I compared the rates for Year 3 with rates for comparable movements in Year 0 (between June 1, 1998 and May 31, 1999), the last full Pre-Split year. Of NS' 260 major movements in Year 3, 158 moves, or 61 percent, had Year 0 counterparts. Those 158 major movements accounted for a total of [] units

² This differs slightly from the 272 Year 3 major movements identified in the Year 3 vs. Year 2 analysis, although the total number of units of major move traffic is nearly identical in the two cases. This is because in doing the Year 3 vs. Year 0 analysis, it is necessary to omit the "road" fields from the data records when comparing post-Split Year 3 (NS) moves with pre-Split Year 0 (Conrail) moves, so that Year 3 NS moves will "match" Year 0 Conrail moves that are alike in all respects except the identity of the carrier. Omitting the "road" fields also has the effect, however, of slightly reducing the number of moves identified as "major movements" in Year 3, as illustrated by the following hypothetical example. Suppose two westbound Buffalo-to-Los Angeles moves originating on NS each exceed the "major movement" threshold of \$20,000 per year in revenue and are alike in all respects except that in one case, the Chicago-to-Los Angeles destination carrier is UP, and in the other it is BNSF. If the "road" designations are taken into account, the moves will be counted as two distinct "major movements," because the destination carriers are different. But if the "road" fields are disregarded, as they must be in the Year 3 vs. Year 0 analysis, the data records for the two moves will be read as identical in all respects, and thus will appear to be part of a single, albeit larger, "major movement." This slight difference between the number of the Year 3 moves identified as "major movements" in the Year 3 to Year 2 analysis, on the one hand, and the Year 3 vs. Year 0 analysis, on the other, does not significantly affect the results of the two analyses or change the overall conclusions to be drawn from them.

of traffic, or 88 percent of the [] total units of major movement traffic in Year 3. Accordingly, although the evolution of NS's Niagara Frontier Region traffic base precludes a direct comparison of all Year 3 rates with Pre-Split Year 0 rates, it is my opinion that the direct comparison of rates for 88 percent of the Year 3 traffic volume measured in units permits valid conclusions as to the trends in linehaul rates for NS' Niagara Frontier Region traffic during that time period.

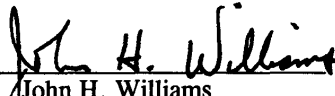
Of the 158 major movements, rates for 61 movements (accounting for [] units of traffic) declined; rates for 92 movements (accounting for [] units of traffic) increased; and rates for 5 movements (accounting for [] units of traffic) did not change. Therefore, although rates for a majority of the number of Year 3 major movements that had Year 0 counterparts increased, rates for a majority of the units of that Year 3 major movement traffic actually decreased over the three-year period of the Study.

As previously explained in my August 14, 2001 Verified Statement, the volume of traffic measured in units is a more meaningful measure than the number of movements, because the sizes of major movements can vary enormously. Using units as the better measure, I conclude that rates for the vast majority of NS's total traffic experienced either decreases, no change, or relatively little increase in rates between Year 0 and Year 3. Specifically, as shown in Attachment JHW-5, rates for 77 percent, or [] units, of the total units of the Year 3 major movement traffic with comparable moves in Pre-Split Year 0 either declined, remained constant, or increased by less than 5 percent over the full three-year period of the Study.

Verification

I, John H. Williams, verify under penalty of perjury that I have read the foregoing statement and know its contents, and that the same is true and correct. Further, I certify that I am qualified and authorized to file this statement.

Executed on August 7, 2002.



John H. Williams

ATTACHMENT JHW-1

NS's Niagara Frontier Region Stations*

<u>Station Name</u>	<u>NS FSAC</u>	<u>CR FSAC</u>
Buffalo	10003	75144
Buffalo Jct.	10002	NONE
Hamburg	10015	NONE
Angola	10022	NONE
Silver Creek	10032	NONE
Dunkirk	10042	NONE
Westfield	10058	NONE
Suspension Bridge	21060	NONE
Niagara Falls	71735	70256
Buffalo BMC	71736	60206
Buffalo NYLE	71759	85077
Gardenville	71738	10230
West Seneca	71757	10236
Cheektowaga	71739	54465
Cheektowaga DLWR	71760	85071
Ebenezer	71740	5120
Spring Brook	71741	5118
East Aurora	71742	5115
Holland	71743	5112
Chaffee	71744	5110
Lancaster	71705	70227
Depew	71706	70228

* Using the Board-adopted definition of Niagara Frontier Region as encompassing the New York State counties of Erie and Niagara and those parts of Chautauqua County that lie north or east of Conrail CP-58 near Westfield.

Source: Official Railroad Station List, OPSP 6000-T and Supplements Nos. 3,6,12,18, and 19.

ATTACHMENT JHW-2

Buffalo Rate Study - Selected Data Fields

<u>Item</u>	<u>Name</u>	<u>Form</u>
1	Waybill Number	N
2	Waybill Date	N
3	Number of Carloads	N
4	Commodity Code (STCC)	N
5	Origin Railroad	A
6	Origin FSAC	N
7	Termination Railroad	A
8	Termination FSAC	N
9	On Junction	A
10	Road From	A
11	Off Junction	A
12	Road To	A
13	Origin City	A
14	Origin State	A
15	Destination City	A
16	Destination State	A
17	Car Initial	A
18	Car Number	N
19	AAR Car Type	A/N
20	Car Ownership	A
21	Total Freight Revenue	N
22	Actual Weight	N
23	Total Distance (short line miles)	N
24	TOFC Indicator	A
25	Rebill Code	A

Attachment JHW-3
 NS's Niagara Frontier Region Total Traffic
 June 2001-May 2002

STCC	Pricing Basis: Unit or Ton	Originated			Terminated			Total		Freight Revenue
		Units	Net Tons	Revenue	Units	Net Tons	Revenue	Units	Net Tons	
REDACTED										

Attachment JHW-3
NS's Niagara Frontier Region Total Traffic
June 2001-May 2002

STCC	Pricing Basis: Unit or Ton	Originated			Terminated			Total		Freight Revenue
		Units	Net Tons	Freight Revenue	Units	Net Tons	Freight Revenue	Units	Net Tons	

REDACTED

Attachment JHW-3
NS's Niagara Frontier Region Total Traffic
June 2001-May 2002

STCC	Pricing Basis: Unit or Ton	Originated		Terminated		Total	
		Units	Net Tons	Units	Net Tons	Units	Net Tons
			Freight Revenue		Freight Revenue		Freight Revenue

REDACTED

Attachment JHW-4

NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 2000-May 2001

Origin		Destination		Norfolk Southern June 2001-May 2002						Norfolk Southern June 2000-May 2001							
Road	FSAC Name	Road	FSAC Name	STCC	R	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis

REDACTED

Attachment JHW-4

NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 2000-May 2001

Origin		Destination		Norfolk Southern June 2001-May 2002						Norfolk Southern June 2000-May 2001							
Road	FSAC Name	Road	FSAC Name	STCC	R	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis

REDACTED

[illegible]

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Attachment JHW-4

NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 2000-May 2001

Origin		Destination		Norfolk Southern June 2001-May 2002						Norfolk Southern June 2000-May 2001							
Road	FSAC Name	Road	FSAC Name	STCC	R	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis

REDACTED

Attachment JHW-4
NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 2000-May 2001

Origin	Destination	Norfolk Southern June 2001-May 2002				Norfolk Southern June 2000-May 2001						
		Tons	Revenue	Miles PB	Revenue Per Price Basis	Tons	Revenue	Miles PB	Revenue Per Price Basis			
Road FSAC Name	Road FSAC Name	STCC	R	Units								

REDACTED

Attachment JHW-4

**NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 2000-May 2001**

Origin		Destination		Norfolk Southern June 2001-May 2002						Norfolk Southern June 2000-May 2001							
Road	FSAC Name	Road	FSAC Name	STCC	R	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis

REDACTED

Attachment JHW-4

**NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 2000-May 2001**

Origin		Destination		Norfolk Southern June 2001-May 2002				Norfolk Southern June 2000-May 2001			
Road	FSAC Name	Road	FSAC Name	STCC	R	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis

REDACTED

Attachment JHW-4

**NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 2000-May 2001**

Origin		Destination		Norfolk Southern June 2001-May 2002							Norfolk Southern June 2000-May 2001						
Road	FSAC Name	Road	FSAC Name	STCC	R	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis

REDACTED

Attachment JHW-5

NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 1998-May 1999

Origin SPLC Name	Destination SPLC Name	STCC	R	Units	Tons	Norfolk Southern June 2001-May 2002			Norfolk Southern and Conrail June 1998-May 1999			Revenue Per Price Basis	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis	Revenue/PB Change
						Revenue	Miles	PB	Revenue	Miles	PB								

REDACTED

Attachment JHW-5
NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 1998-May 1999

Origin SPLC Name	Destination SPLC Name	Norfolk Southern June 2001-May 2002				Norfolk Southern and Conrail June 1998-May 1999				Revenue Per Price Basis Change
		STCC	R	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis Units	

REDACTED

Attachment JHW-5

NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 1998-May 1999

Origin SPLC Name	Destination SPLC Name	STCC	R	Units	Tons	Norfolk Southern June 2001-May 2002		Norfolk Southern and Conrail June 1998-May 1999		Revenue Per Price Basis	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis	Revenue/PB Change
						Revenue	Miles	Revenue	Miles								

REDACTED

Attachment JHW-5

NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 1998-May 1999

Origin SPLC Name	Destination SPLC Name	STCC	R	Units	Tons	Norfolk Southern June 2001-May 2002			Norfolk Southern and Conrail June 1998-May 1999			Revenue Per Price Basis	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis	Revenue/PB Change
						Revenue	Miles	PB	Revenue	Miles	PB								

REDACTED

Attachment JHW-5

NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 1998-May 1999

Origin SPLC Name	Destination SPLC Name	STCC	R	Units	Tons	Norfolk Southern June 2001-May 2002		Norfolk Southern and Conrail June 1998-May 1999		Revenue Per Price Basis	Units	Tons	Norfolk Southern and Conrail June 1998-May 1999		Revenue Per Price Basis	Revenue/PB Change
						Revenue	Miles PB	Revenue	Miles PB				Revenue	Miles PB		

REDACTED

Attachment JHW-5

NS's Niagara Frontier Region Traffic Revenue Per Price Basis Change
June 2001-May 2002 Major Moves vs. June 1998-May 1999

Origin SPLC Name	Destination SPLC Name	STCC	R	Units	Tons	Norfolk Southern June 2001-May 2002		Norfolk Southern and Conrail June 1998-May 1999		Revenue Per Price Basis	Units	Tons	Revenue	Miles	PB	Revenue Per Price Basis	Revenue/PB Change
						Revenue	Miles	Revenue	Miles								

REDACTED