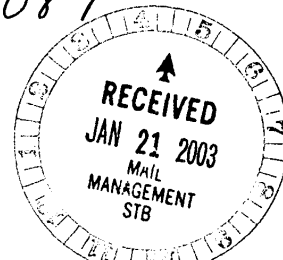


ORIGINAL

207087
BEFORE THE
SURFACE TRANSPORTATION BOARD
Washington, D.C. 20423



RAILROAD VENTURES, INC. - EXEMPT)
ABANDONMENT BETWEEN YOUNGSTOWN, OH)
AND DARLINGTON, PA IN MAHONING AND)
COLUMBIANA COUNTIES, OH AND BEAVER)
COUNTY, PA)

Docket No. AB 556 (Sub-No. 2X)

ENTERED
Office of Proceedings

JAN 22 2003

Part of
Public Record

**VERIFIED STATEMENT OF CHRISTENA NIELSEN
IN SUPPORT OF
CENTRAL COLUMBIANA & PENNSYLVANIA RAILROAD**

1. My name is Christena Nielsen. I am President of Nielsen Enterprises located at 1615 Belle Haven Road, Alexandria, Virginia 22307. Nielsen Enterprises is an economic consulting firm specializing in transportation issues. A copy of my qualifications is included as Exhibit CN-1 to this Verified Statement.

2. I have been requested by the Central Columbiana & Pennsylvania Railway, Inc. ("CCPR") to provide my expert opinion concerning invoices provided in support of the costs incurred in performing repairs and restoring service to the rail line extending between Youngstown, OH and Darlington, PA. Specifically, they have asked me to determine whether these costs are appropriately covered by the funds placed in escrow by Railroad Ventures, Inc. ("RVT") for this purpose.

3. In my opinion, the invoices provided by CCPR more than justify the use of the total \$375,000 held in escrow. In fact, a literal reading of the Surface Transportation

Board's ("STB" or "Board") decisions would require RVI to pay substantially more than this amount to correct the extensive damage caused by their neglect.

4. I first reviewed the Board's decisions in Docket No. AB 556 (Sub-No. 2X). The Board described the repairs to be covered by this account as follows:

We meant for the escrowed proceeds to be used to correct egregious misconduct, whether by RVI actively (by inviting road crews to pave over tracks) or passively (by failing to protect the property from others rendering the line unserviceable by paving over, removing, or destroying track or disconnecting signals). Contrary to RVI's allegations, expenditures necessitated by RVI's disregard for the common carrier obligation cannot be considered as capital expenditures, but rather as necessary repair expenses to restore the line to service and should be covered from the escrowed funds.

Further, in its November 9, 2001 decision the Board explains that the escrow funds are meant to be used "for repairs that are needed to make serviceable any segment of the Y&S line that RVI allowed to become unserviceable during its ownership."

5. Costs appropriately considered for reimbursement for repair and restoration of paved over tracks and reconnecting signals include, but are not limited to, the following; 1) if CCPR uses an outside contractor to perform the repair, the cost to CCPR equals the amount of the lowest bid for the total job (labor, materials, overheads, profits for contractor) plus CCPR's administrative and supervision costs; 2) if CCPR does the work, direct labor (including fringes) plus materials and supplies, which should be marked up by both a roadway maintenance departmental overhead (excluding any costs applied on a direct basis) and a general overhead ratio.

6. Based on my review of the invoices provided, all of the included costs represent reasonable rail repair and restoration work and are appropriate. CCPR's general overhead ratio (2001 administrative costs of \$160,865 plus 2002 administrative costs of \$48,791) represents only 10.4 percent of the total costs of \$2,009,529. By comparison, in 2001¹ the general overhead ratios for the four largest Class I carriers ranged from 7.8 percent to 20.8 percent (Union Pacific Railroad equaled 7.8 percent, Burlington Northern Santa Fe equaled 11.3 percent, CSX Transportation Inc. equaled 20.8 percent and Norfolk Southern equaled 17.5 percent.) In addition, in my opinion it would be appropriate for CCPR to apply a roadway maintenance and structures departmental overhead in each instance where the direct expenses do not account for these costs. The roadway maintenance departmental overhead ratios for the four largest Class I carriers in 2001 ranged from 22.2 percent to 42.9 percent (Union Pacific Railroad equaled 37.8 percent, Burlington Northern Santa Fe equaled 42.9 percent, CSX Transportation Inc. equaled 39.8 percent and Norfolk Southern equaled 22.2 percent.) Clearly, CCPR's limited general overhead of 10.4 percent is reasonable here.

7. Based on my review, the invoices provided are appropriately applied against the funds held in escrow. If anything, RVI should be made to pay a greater portion of the costs CCPR has incurred to make this line serviceable.

FURTHER SAYETH THE AFFIANT NOT.

¹ The most current data available.

I, Christena Nielsen, hereby declare under penalty of perjury that the foregoing is true and correct. Executed on January 20, 2003.


Christena Nielsen

I. QUALIFICATIONS OF CHRISTENA NIELSEN

My name is Christena Nielsen. I am President of Nielsen Enterprises which is an economic consulting firm specializing in transportation issues. Prior to establishing Nielsen Enterprises, I worked with L.E. Peabody & Associates, Inc. (1989-1997), Snavely King Majoros O'Connor & Lee, Inc. (1997-1999) and most recently, Parrish, Blessing and Associates, Inc. (1999-2001). In each of those positions I have applied economic principles in the field of transportation economics. Prior to that time I was involved in marketing and business development in the aviation and real estate industries.

As an economic consultant, I direct and perform economic studies and prepare reports for railroads, shippers, telecommunication companies, pipeline companies, associations, state governments and other public organizations concerned with transportation, telecommunications and related economic issues. These efforts include: competitive market analyses, evaluation of merger-related issues, operational and cost analyses, assessment and valuation of properties and evaluation of equipment utilization.

I have examined the competitive impact of many of the recent rail mergers and prepared evidence for presentation before the Interstate Commerce Commission (now the Surface Transportation Board ("STB")) in UP/CNW,¹ BN/ATSF,² UP/SP,³ and most recently NS/CSXT/CR.⁴ I have also analyzed and prepared variable cost of service and stand alone cost evidence in Coal Trading,⁵ McCarty Farms⁶ and WTU.⁷ I have utilized

¹ Finance Docket No. 32133, Union Pacific Corporation, Union Pacific Railroad Company and Missouri Pacific Railroad Company – Acquisition and Control – Chicago and North Western Railroad Company, ("UP/CNW").

² Finance Docket No. 32549, Burlington Northern, Inc. and Burlington Northern Railroad Company – Control and Merger – Santa Fe Pacific Corporation and The Atchison, Topeka and Santa Fe Railway Company, ("BN/ATSF").

³ Finance Docket No. 32760, Union Pacific Corporation, Union Pacific Railroad Company, and Missouri Pacific Railroad Company – Control and Merger – Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSL Corp., and the Denver Rio Grande Western Railroad Company, ("UP/SP").

⁴ Finance Docket No. 33388, CSX Corporation and CSX Transportation, Inc., Norfolk Southern Railway Company – Control and Operating Leases/Agreements – Conrail Inc., and Consolidated Rail Corporation, ("CSX/NS/CR").

⁵ ICC Docket No. 38301S, Coal Trading Corporation v. Baltimore & Ohio Railroad, et al., ("Coal Trading").

the various formulas employed by the STB (Rail Form A (FRA) and the Uniform Railroad Costing System ("URCS")) extensively in the development of these costs. In addition, I have presented evidence before the STB developing the acquisition value of a short line railroad and calculated the interest applicable for trackage rights charges and damages.⁸

I have also prepared evidence for presentation to the Federal Energy Regulatory Commission ("FERC"), the Federal Communications Commission ("FCC") and a number of state Public Utility Commissions. These presentations include evaluation of the competitive impact of various pipelines charging market-based rates, cost based support for a newly merged telecommunication carrier's request to remain under rate-of-return regulation so as to protect consumers from extraordinary rate increases and cost of capital calculations used in determining reasonable rates of return.

In addition, I have advised rail shippers in transportation contract negotiations. Specifically, I have assisted shippers in gaining market-based contract rates and advised them on rate escalation and reopener provisions. I utilized RFA and URCS to develop transportation costs as a basis for judging the reasonableness of rates for these negotiations. These costs were also utilized as the foundation for cost-based contract rate escalation procedures.

I have worked with state governments to study the potential value of developing intermodal facilities and assisted with the analyses required to position such facilities to maximize their use and benefits.

⁶ ICC Docket Nos. 37809, 37809 (Sub-No.1) and 37815S, McCarty Farms, Inc., et al. v. Burlington Northern, Inc. ("McCarty Farms").

⁷ ICC Docket No. 41191, West Texas Utilities Company v. Burlington Northern Railroad Company ("WTU").

⁸ Finance Docket No. 32479, Caddo Antoine And Little Missouri Railroad Company – Feeder Line Acquisition – Arkansas Midland Railroad Company Line Between Gurdon and Birds Mill, AR. Finance Docket No. 32625, Dardanelle & Russellville Railroad Company – Trackage Rights Compensation – Arkansas Midland Railroad Company.

I graduated from the University of Southern California with a Bachelor of Arts degree in English. I have also taken graduate courses in Transportation and Economics from George Mason University and am a member of the Transportation Research Forum and the Association of Transportation Law, Logistics & Policy.