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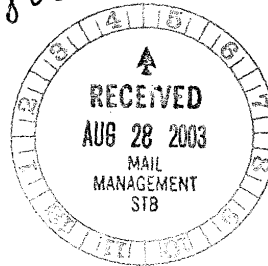
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GOVERNMENT RELATIONS

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AUG 28 2003

Part of
Public Record August 28, 2003

208800



Honorable Vernon A. Williams
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: *CSX Corporation, et al. – Control and Operating Leases/Agreements – Conrail, Inc. et al., (Petition for Supplemental Order)*
Finance Docket No. 33388 (Sub-No. 94)

Dear Sir:

I am enclosing for filing an original and ten (10) copies of each of: 1) Comments of New York City Economic Development Corporation, Acting on Behalf of the City of New York, NY; and 2) Motion of the New York City Economic Development Corporation, Acting on Behalf of the City of New York, NY for a Modification of the Procedural Schedule in this proceeding. An extra copy is enclosed for date stamp and return to our messenger. In addition, we are enclosing a 3.5 inch diskette with this document.

Thank you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Charles A. Spitulnik".

Charles A. Spitulnik

Enclosures

cc: All parties on attached Certificate of Service

ENTERED
Office of Proceedings

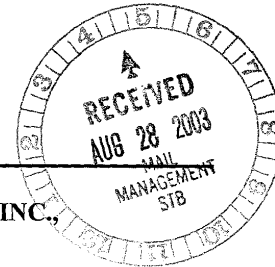
AUG 23 2003

Part of
Public Record

Before the
SURFACE TRANSPORTATION BOARD
Washington, D.C.

Finance Docket No. 33388 (Sub-No. 94)

EDC-1



**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
(PETITION FOR SUPPLEMENTAL ORDER)**

**COMMENTS OF
THE NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION,
ACTING ON BEHALF OF THE CITY OF NEW YORK, NY**

The New York City Economic Development Corporation ("EDC"), acting on behalf of the City of New York, NY ("the City"), hereby submits its Comments with respect to the proposed transactions described in the Petition for Supplemental Order filed in this proceeding on June 4, 2003 ("the Petition"), filed by CSX Corporation ("CSX"), CSX Transportation, Inc. ("CSXT"), Norfolk Southern Corporation ("NS"), Norfolk Southern Railway Company ("NSR"), Conrail, Inc. ("Conrail") and Consolidated Rail Corporation ("CRC") (collectively, "Petitioners"). By these Comments, EDC advises this Board and Petitioners that it cannot either support, oppose or remain neutral with respect to the proposed transactions based solely on the information provided in the Petition.

The Petition presents a useful summary of a complex series of transactions designed, according to Petitioners, to "preserve the existing rail operating structure in the Conrail "Shared Assets Areas" "... and preserve the balanced competitive rail service in the eastern United States that resulted from the creation of the Shared Assets Areas and otherwise from the Conrail

Transaction.” *Petition* at 3. The proposed transactions will “simplify the corporate structure of Conrail”, *id.* at 8, will remove the obligation for the payment of rental payments from the users of the Conrail properties to Conrail, and will “provide disentanglement of CSX and NS from unnecessary involvement in each other’s Allocated Assets operations and management, and promote the procompetitive outcome of the original transaction.” *Id.* at 11. Petitioners also assert, based on attached letters from two rating agencies, that the ratings of Conrail secured debt obligations will be at least equal to that of the present corresponding CRC debt obligations.” *Id.* at 13. Looking to the overall benefit of the transaction, Petitioners state that “[d]irect ownership of these properties will enable CSX and NS to eliminate inefficiencies in the current corporate structure, and to operate the Allocated Assets with the same freedom and efficiency as the rest of their respective systems, maintaining balanced competition throughout the eastern United States.” *Id.* at 18.

EDC applauds the efforts of the Petitioners to enhance efficiency with the ultimate goal of improving operations and as a result the cost-effectiveness of the services provided to shippers in the City and the greater New York metropolitan area. Unfortunately, though, the *Petition* is long on generalities but short on specifics as to how and why the projected results will be achieved. Shippers in the City depend on the continuing viability not only of CSXT and NSR but also of Conrail. While Petitioners imply, via the statements from the rating agencies, that Conrail will be in as sound financial condition as it is now, they have not yet secured the consent of Conrail’s creditors who might be affected by the transaction. Further, Petitioners provide scant information on which EDC can base a conclusion, leaving EDC to rely solely on the representations in the *Petition* that the proposed transaction will not have any effect on either the

ownership or operation of the Shared Assets areas owned and operated by Conrail (*see Petition* at 3 fn.4).

To that end, EDC requests that the Petitioners provide answers to the following questions in order to permit EDC and the City to make a determination as to whether to support, oppose or remain neutral with respect to the proposed transactions:

1. At the time of the original CSX/NS/Conrail transaction, the Petitioners went to great lengths to create the current corporate structure and series of transactions between and among members of the CSX-NS-Conrail corporate families. What were the reasons for the existing structure? What has changed to make this proposed structure more desirable?
2. What will Conrail's balance sheet look like after the proposed Restructuring? Other than the letters from Moody's Investors Services and Standard & Poor's that are attached to the Petition as Exhibits 5 and 6, respectively, has the financial community provided an opinion as to the financial viability of Conrail?
3. What are the respective long-term views of CSX/CSXT and NS/NSR with respect to Conrail and its future?
4. Are there additional financial and/or organizational changes planned for Conrail?
5. The documentation provided appears to indicate that Conrail will lose one of its most important missions (providing the allocated assets to CSX and NS) and its most significant revenue source ("rents" received from those assets). Is that correct?
6. What missions and cash flows remain with Conrail?
7. Are they adequate to guarantee commercial stability?

Because no time was provided for discovery in this proceeding, EDC requests the Petitioners to respond to these questions in their replies due on September 25, 2003. In addition, EDC is filing today a Motion for Modification of the Procedural Schedule, requesting an additional 15 days after Petitioners submit those replies in which to formulate an opinion as to

whether to support, oppose or remain neutral with respect to the proposed transactions described in the Petition, as supplemented by the requested information.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Charles A. Spitalnik", written over a horizontal line.

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Counsel for New York City Economic
Development Corporation

Dated: August 28, 2003

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused to be served a copy of the foregoing
Comments of the New York City Economic Development Corporation, Acting on Behalf of the
City of New York, NY to be served by first class mail (or by hand delivery for those counsel in
Washington, D.C.) upon the following counsel for Petitioners:

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Date: August 28, 2003



Charles A. Spitulnik