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To Correct Some Faults of the Conrail Sale
Presented Before the STB at Trenton, NJ April 2, 2004

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Conrail was sold hurriedly without concern to repay the Federal Government for the monies invested to overcome past subsidies to railroad's competitors which created the need to create Conrail in the first place. The sale of Conrail now paves the way for two transcontinental class one's to try to compete against road and air which are still heavily subsidized in the form of free infrastructure given on land free from real estate taxes. This hidden subsidy to rail's competition must be addressed before any meaningful solution to the railroad problem can take place.

The Fatal flaw in the Conrail firesale was the creation of Conrail Shared Assets, primarily in New Jersey. Shared Assets has no sales or industrial development department. In addition, Shared Assets very existence is anticompetitive as it favors both CSX and NS to locate shippers on their lines rather than Shared Assets. This has lead to abandoned sites and encouragement to offload freight cars in Pennsylvania and truck goods into and thru New Jersey at a ratio of as much as five trucks per carload. This also hurts our existing short line railroads as both class ones prefer to encourage this on line freight to the detriment of eveyone in the northeast with higher operating costs for industries.

A glaring example is the recent report of NS downgrading the former Erie line from Port Jervis to Binghamton reducing it to a 10-mph line. This will dry up NS business but also hurt regional NYSW which uses this line to link their New York and New Jersey segments. This will also hurt future passenger service as sought by New York to revitalize Delaware River towns. The general downgrading of Shared Assets will hurt other potential passenger operations. Oil is not forever and we must seek to restore lost passenger services as well.

In addition, NS, by word and deed has sought to abandon northern New Jersey, New York City and Long Island by making it the outer end of a branch line while seeking to entice all shipments into Pennsylvania with trucking beyond at higher costs and lack of industrial development so vital to the region.

One solution would be to create a full terminal operation from Shared Assets with marketing and industrial developments. There isn't a real way to totally divorce this terminal from CSX or NS. The only other equitable way would be to allow the existing shortlines full operations on their nearby portion of Shared Assets and transit agencies. They would then be allowed to connect at key points with both class one's so neither would control the inbound shipments. While there may be a cry of usurping the class one's rights. We must remember the class one's did not fulfill their role in repairing Shared Assets, using too much money to acquire Conrail.

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member of state, regional and county transportation advisory
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Department of Energy

Washington, DC 20585

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March 31, 2004

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Chairman Roger Nober
Office of Chairman
Surface Transportation Board
1925 K Street, NW, Suite 820
Washington, D.C. 20423-0001

RE: Docket Nos. 38302S and 38376S
Investigation and Suspension Docket No. 9205

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SURFACE TRANSPORTATION
BOARD
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OFFICE OF CHAIRMAN
NOBER

Dear Chairman Nober:

In a letter dated January 30, 2004, we proposed to update our report by the end of March 2004 on the status of the settlement negotiations between Union Pacific and the government parties. We have previously reported that, subject to final approvals, Union Pacific and the government parties had reached agreement to settle the above-captioned cases and dismiss Union Pacific as a defendant. We are pleased to report that this review process has now been successfully concluded. Accordingly, the parties plan shortly to submit the Settlement Agreement to the Surface Transportation Board via a joint motion with explanatory supporting memoranda from the parties, and a proposed order.

Sincerely,

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