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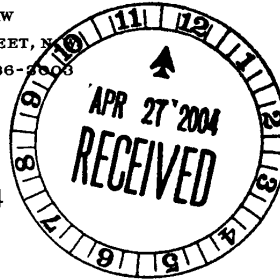
SLOVER & LOFTUS

ATTORNEYS AT LAW

1224 SEVENTEENTH STREET, N.W.
WASHINGTON, D. C. 20036-3803

WILLIAM L. SLOVER
C. MICHAEL LOFTUS
DONALD G. AVERY
JOHN H. LE SEUR
KELVIN J. DOWD
ROBERT D. ROSENBERG
CHRISTOPHER A. MILLS
FRANK J. PERGOLIZZI
ANDREW B. KOLESAR III
PETER A. PFOHL
DANIEL M. JAFFE
KAREN HASSELL HERREN
KENDRA A. ERICSON

April 27, 2004



TELEPHONE:
(202) 347-7170

FAX:
(202) 347-3619

WRITER'S E-MAIL:
cam@sloverandloftus.com

BY HAND DELIVERY

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board - Case Control Unit
1925 K Street, N.W.
Washington, D. C. 20423

ENTERED
Office of Proceedings

APR 27 2004

Part of
Public Record

Re: Finance Docket No. 33388 (Sub-No. 91)
CSX Corporation and CSX Transportation, Inc., Norfolk Southern
Corporation and Norfolk Southern Railway Company, et al. –
Control and Operating Leases/Agreements – Conrail Inc., et al.

Dear Secretary Williams:

Enclosed for filing are the original and ten copies of the Written Statement by Hammond, Indiana Mayor Scott L. King on behalf of the Cities of East Chicago, Gary, Hammond and Whiting, Indiana (collectively the "Four City Consortium"). Mr. King is scheduled to speak on behalf of the Four City Consortium at the hearing scheduled for May 3, 2004, in Washington.

Decision No. 12 in this proceeding served February 12, 2004, indicates that parties desiring to submit written statements for the May 3 hearing should do so by April 26, 2004. Due to difficulties receiving timely approvals from all members of the Four City Consortium, this Statement is being submitted one day late. The Four Cities respectfully request the Board to accept this filing notwithstanding that it is being submitted one day after the due date specified in Decision No. 12.

This letter will certify that on the date shown above the undersigned served copies of the enclosed statement upon counsel for the Applicants, as shown below.

Hon. Vernon L. Williams
April 27, 2004
Page 2

Please date-stamp the enclosed extra copy of this letter and return it to our messenger. Thank you for your attention to this matter.

Sincerely,



Christopher A. Mills
Attorney for the Four City Consortium

CAM:dmb
Enclosures

cc: Dennis G. Lyons, Esq.
Arnold & Porter
555 Twelfth Street, N.W.
Washington, D.C. 20004-1202
(Counsel for CSX)

Richard A. Allen, Esq.
Zuckert, Scoutt & Rasenberger, L.L.P.
888 Seventeenth Street, N.W., Suite 600
Washington, D.C. 20006-3939
(Counsel for NS)

STB Finance Docket No. 33388 (Sub-No. 91)

**CSX CORPORATION AND CSX TRANSPORTATION, INC.
NORFOLK SOUTHERN CORPORATION AND NORFOLK SOUTHERN
RAILWAY COMPANY – CONTROL AND OPERATING LEASES/
AGREEMENTS – CONRAIL, INC. AND CONSOLIDATED RAIL COMPANY
(General Oversight)**



**WRITTEN STATEMENT BY
GARY, INDIANA MAYOR SCOTT L. KING
ON BEHALF OF THE FOUR CITY CONSORTIUM
April 27, 2004**

ENTERED
Office of Proceedings

APR 27 2004

Part of
Public Record

I. INTRODUCTION

My name is Scott King. I am the elected Mayor of the City of Gary, Indiana. I am testifying on behalf of the Four City Consortium, also known as the “Four Cities,” which is an association of the Cities of East Chicago, Gary, Hammond and Whiting, Indiana. The Four City Consortium was formed for the purpose of analyzing the regional impacts of the Conrail control transaction and recommending solutions to the adverse impacts identified. The Four Cities are located in northwestern Indiana, directly east of Chicago which is the nation’s largest rail hub.

I appear on behalf of the Four Cities for two reasons. The first is to provide the Board with background on the impacts of the Conrail transaction on the highway transportation infrastructure in Northwest Indiana and the steps taken by CSXT, NS and the Four Cities to minimize the adverse impacts. The second is to request the Board’s continued assistance in minimizing the adverse impact of CSXT’s and NS’s rail operations in the Four Cities region on vehicular traffic (including police, school, fire and EMS vehicles) that must use the many rail/highway grade crossings in the region. In

particular, we request the Board to help facilitate the development of an alternative, high-volume, grade-separated rail corridor through the region and to encourage the railroads to move as much of their freight traffic as possible over the corridor when it comes to fruition.

II. BACKGROUND

The Four Cities participated actively in the Conrail control proceeding. They filed comments on the control application and requests for conditions designed to ameliorate expected adverse impacts of CSXT's and NS's post-Conrail operations on the highway transportation infrastructure in the Four Cities region. The primary focus was on delays at the region's numerous rail-highway grade crossings caused by increases in rail traffic.^a The conditions requested by the Four Cities were supported by our Indiana representatives in Congress, Senators Luger and Bayh and Congressman Visclosky.

The Board approved the Conrail control transaction in Decision No. 89, issued in July of 1998. In that decision the Board recognized the transaction's potential

^a The problems faced by residents of the Four Cities region due to grade crossing blockages were underscored by a Federal District Court Judge in his preface to a March 2003 order in litigation involving a challenge by NS to a Hammond blocked-crossing ordinance:

As the undersigned and any other person who regularly comes to the federal building in downtown Hammond, Indiana, know well, freight trains--sometimes stopped so that they are blocking a crossing--often make travel over Hammond streets difficult. This can be more than an inconvenience when it impacts fire and police vehicles, and a member of the undersigned's staff mentioned that on one occasion while driving to work he observed school-children climb between stopped railroad cars in order to continue walking to their destination.

adverse impacts on public health and safety, the provision of emergency services, and vehicular movements in the Four Cities region. Accordingly, the Board imposed some environmental mitigating conditions in favor of the Four Cities. These conditions required CSXT to undertake certain operational improvements to alleviate grade crossing delays and safety concerns in the Four Cities region. They also required CSXT and NS to meet regularly with representatives of the Four Cities to discuss issues of concern relating to grade crossing delays and other matters, and to provide periodic information on train movements over certain high-density rail lines traversing the Four Cities region. These lines include CSXT's "BOCT" line between Pine Junction, IN and Calumet City, IL, and NS's "Nickel Plate" line between Hobart and State Line Tower, IN.

However, the Board denied the most important condition requested by the Four Cities: an Alternative Routing Plan. This Plan would have required CSXT and NS to develop an alternative east-west freight rail corridor using a combination of the former Conrail Porter Branch (now owned by CSXT) and an elevated but little-used Indiana Harbor Belt ("IHB") line extending between Willow Creek, IN and Calumet City, IL. It would also have required the railroads to move as many freight trains as possible from the BOCT and Nickel Plate lines to the grade-separated Alternative Freight Corridor.

Freight traffic across the Four Cities region increased after consummation of the Conrail control transaction. As a result, during the first Conrail Oversight proceeding the Four Cities again requested the Board to impose elements of its

Alternative Freight Corridor plan as a new condition to its approval of the merger. This request was denied in General Oversight Decision No. 5 issued in February of 2001.

Since the Conrail transaction was implemented, CSXT and NS have cooperated with the Four Cities in attempting to minimize train blockages of key roads in the region. In late 1998, the Four Cities and CSXT entered a settlement agreement implementing and modifying, in certain respects, the environmental mitigating measures imposed by the Board as conditions to its approval of the Conrail control transaction. In early 2001, CSXT and the Four Cities entered a second settlement agreement providing for additional cooperation between the railroad and local communities to minimize grade crossing blockages by holding stopped trains short of critical crossings. In this agreement CSXT also stated that it would cooperate with the Four Cities in developing the Alternative Freight Corridor involving the Porter Branch/IHB lines, and would move some trains to this corridor if and when it is completed.

Until recently, the Four Cities' relationship with NS has not been as smooth. Starting in late 1999, as a result of increasing post-merger problems with trains blocking crossings on the Nickel Plate line, the City of Hammond issued numerous citations to NS for violating a municipal ordinance prohibiting the blockage of grade crossings by stopped trains for more than five minutes. In June of 2000, NS filed a lawsuit in federal district court seeking to have the Hammond crossing ordinance (and a companion Indiana State statute which prohibited crossing blockages by stopped trains for more than ten minutes) invalidated on grounds of federal preemption and conflict with

the Indiana Home Rule Act. In the March, 2003 order noted earlier, the District Court granted partial summary judgment to NS and issued a preliminary injunction against enforcement of the Hammond crossing ordinance due to preemption by the Indiana Home Rule Act. However, the District Court refused to enter summary judgment on the federal-preemption issues.

In the meantime, NS and Hammond had implemented an informal arrangement under which NS undertook not to stop trains on the Nickel Plate line where they would block four critical (high-volume) highway grade crossings, in return for which Hammond refrained from issuing any citations for the resulting blockage of other crossings. In December of 2003, the parties entered into a settlement agreement in which NS agreed to withdraw its court complaint without prejudice, Hammond agreed not to appeal on the Home Rule Act issue, and the parties agreed to supplement their informal arrangement so that NS would effectively hold trains outside Hammond until they have a clear signal to proceed through the city without stopping. The NS lawsuit was formally dismissed in February of this year, and cooperation between the Four Cities and NS has improved particularly with respect to NS's operations in Hammond and East Chicago.

III. REQUESTED BOARD ASSISTANCE

Notwithstanding the cooperation between the Four Cities and the railroads in attempting to minimize train blockages of key high grade crossings, rail freight traffic in the region has been on the increase and all indications are that it will continue to increase in the future. For example, during the Conrail control proceeding CSXT

projected that it would handle an average of 32 trains per day over the BOCT line through the Four Cities after the Conrail split date. In fact, CSXT is now operating more than 40 trains per day over this line. Similarly, during the Conrail control proceeding NS projected that the traffic moving over the Nickel Plate line through the Four Cities would decline from an average of 26 trains per day to 11 trains per day (largely because of NS's acquisition of Conrail's Lake Front line). In fact, NS is now operating about 19 trains per day over this line.

The environmental mitigating conditions imposed by the Board in favor of the Four Cities have helped alleviate grade crossing problems by facilitating ongoing communication between the Four Cities and the railroads as well as informal arrangements to avoid blocking the most critical grade crossings, particularly in Hammond and East Chicago. The Four Cities hope and expect that the recent level of communication and cooperation from the railroads will continue after the Conrail oversight period ends on May 31, 2004.

To this end, the Four Cities recently asked both railroads to continue their commitments to attend meetings with the Four City Consortium, provide information on train traffic volumes, and cooperate in minimizing train blockages of highway grade crossings in the region for at least three years after the formal oversight period ends. On April 26 NS responded very favorably to this request, and indicated its belief that "the cooperative spirit that now characterizes our relationship can continue to provide important benefits to each of us in the coming years." A copy of NS's response is

attached. The Four Cities have not yet received a written response from CSXT, although CSX has indicated that its response will be similar to NS's positive response. Given NS's response and CSXT's expected response, the Four Cities are not seeking a formal extension of the five-year oversight period. However, the Four Cities reserve the right to return to the Board if the present cooperative spirit changes.

The Four Cities also hope and expect that the railroads will cooperate with them in their continuing efforts to develop the grade-separated Alternative Freight Corridor through the region. The Four Cities believe that the Board has an important role to play by encouraging all interested parties to work together to achieve this solution including the obtaining of necessary federal and other public funding.

Chairman Nober has indicated recently that he encourages private-sector solutions to problems such as that faced by the Four Cities, and that the Board can act behind the scenes as a facilitator of such solutions. We understand that the Board has played such a role in helping to facilitate the Chicago Plan, which involves enhancement of the freight and passenger rail infrastructure in northeastern Illinois. On behalf of the Four Cities of East Chicago, Gary, Hammond and Whiting, Indiana, I urge the Board to become actively engaged in facilitating the Four Cities' Alternative Freight Corridor project in northwestern Indiana.

Representatives of the Four City Consortium would be pleased to meet with members of the Board and its staff to provide additional information on the status of the Alternative Freight Corridor project and what needs to be done to bring it to fruition.



Norfolk Southern Corporation
Law Department
Three Commercial Place
Norfolk, Virginia 23510-8241

John V. Edwards
General Attorney

Writer's Direct Dial Number

(757) 629-2838
(757) 533-4872 (Fax)
john.edwards@nscorp.com

April 26, 2004

Via Facsimile - 219-844-3400
and U.S. Mail

J. Justin Murphy, Chief of Staff
Four City Consortium
6949 Kennedy Avenue, Suite E
Hammond, IN 46323

Dear Mr. Murphy:

I am responding to your letter of April 20, 2004, which inquires as to the future of the relationship between Norfolk Southern and the Four City Consortium after the termination of the formal Conrail Transaction oversight. Before responding directly to that letter, I want to thank you and the Four City Consortium for the hard work, leadership and support that the Four City Consortium has provided over the past few years to help make the Conrail Transaction a success.

The formal processes set forth by the Surface Transportation Board have worked in forging a relationship that will outlast formal oversight. Both the railroad and the members of the Consortium have worked diligently at that relationship, and the once mandated process of meeting and specific reporting has now evolved into a voluntary, informal and cooperative process. We believe that the process works well to minimize the adverse effects on the communities you represent, and we know that it is of significant value to the railroad. Based on your letter, I take it you would agree.

Your letter asks whether Norfolk Southern is willing to continue to be engaged in this voluntary, informal and cooperative process, even after the end of formal oversight. Absolutely. With regard to blocked crossings, we have in place a settlement agreement reached in December 2003, and we reiterate our intention to comply with that agreement. (Of course, we do not mean for anything in this letter to be construed as modifying that agreement.) We believe it important to attend meetings with representatives of the Four City Consortium on matters of mutual concern, and to periodically provide information that may be of use in those discussions. We believe the cooperative spirit that now characterizes our relationship can continue to provide important benefits for each of us in the coming years.

Sincerely,

John V. Edwards