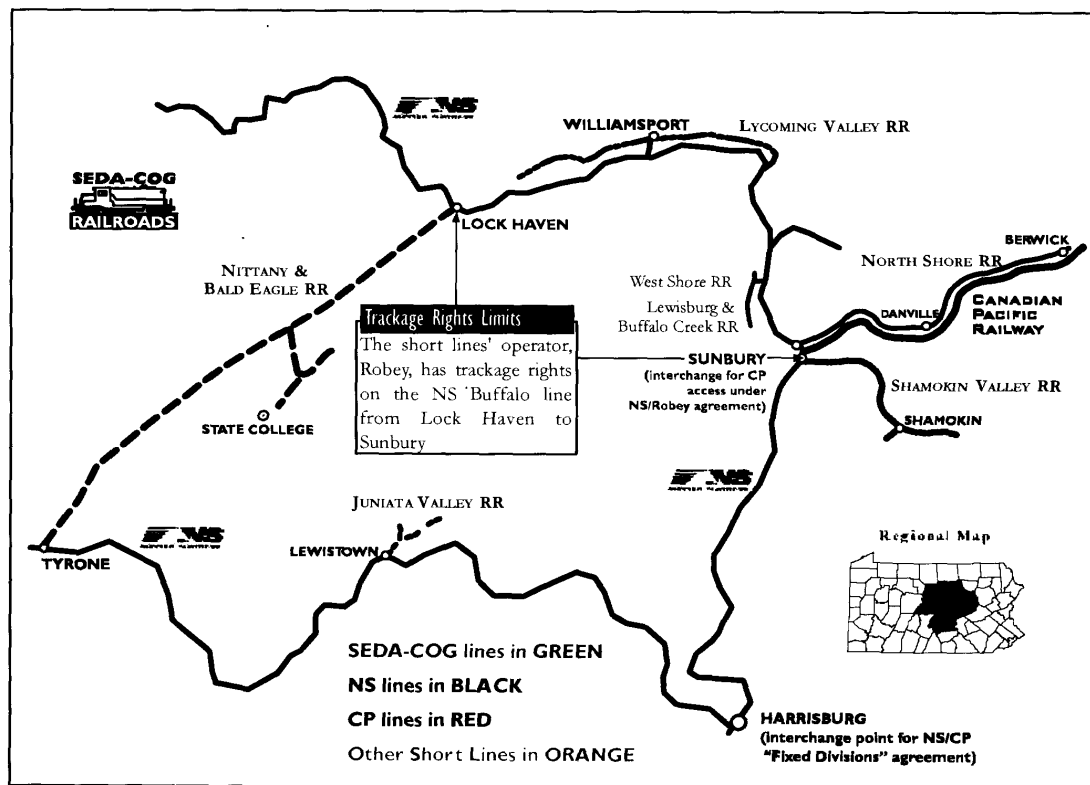


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Testimony before Surface Transportation Board
 May 3, 2004
 Washington, D. C.
 Submitted by:
 SEDA-COG Joint Rail Authority - Lewisburg, PA 17837

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My name is Jeffery K. Stover. I am Executive Director of the SEDA-COG Joint Rail Authority ("JRA") which is affiliated with the SEDA-Council of Governments. JRA is an eight county Pennsylvania municipal authority created in 1983 to acquire rail lines and preserve rail service on Conrail branch lines slated for abandonment.¹ Commencing with acquisition of two Conrail lines in 1984, the JRA now owns five operating rail lines totaling 195 route miles that handle approximately 30,000 carloads of traffic annually. The preservation and readily available rail service on the JRA lines has been instrumental in economic development activity and expansion of employment in Central Pennsylvania over the last twenty years. All our lines are operated by companies owned and managed by Mr. Richard D. Robey ("Robey") and his rail operations are financially self supporting.



¹ The counties which comprise SEDA-COG JRA include Centre, Clinton, Lycoming, Mifflin, Montour, Northumberland, Columbia and Union Counties.

The JRA is mindful that it has a residual common carrier service obligation. For this and other important reasons we value an effective working partnership with Norfolk Southern Corporation ("NS") as all our former Conrail lines now connect with NS. In addition we coordinate closely with Mr. Robey and his staff on economic and industrial development projects.

Since 1999, economic development related to rail infrastructure has continued to move forward despite early problems related to the split of Conrail. The first year after the "split date" was trying for all parties, but since then the quality of service we receive from NS is generally satisfactory. Further, the access to the Canadian Pacific Railway ("CP") that has been enjoyed since 1999 has allowed our region to compete effectively for new and expanded industrial development-providing for increased traffic and revenues for our five short lines and both Class 1 railroads in the region. The JRA's mission is furtherance of economic development through the retention, improvement and expansion of both rail infrastructure and rail service.

In previous oversight proceedings, the JRA expressed serious concerns related to service issues during the transition from Conrail and in regard to unresolved interchange commitments that had been made by NS in connection with the acquisition proceeding. At this juncture, the service issues have been resolved or they are being managed to the extent that they no longer present serious problems for JRA.

However, not all of our previously expressed concerns relating to interchange expectations arising out of pre-acquisition commitments by NS have been resolved at this point. We hope on-going efforts will produce long term solutions and results that will prove to be both satisfactory and beneficial to all interested parties including NS, JRA and the rail dependant shippers in the region we serve.

To fully understand our current issues, however, we must look back to the breakup of Conrail and its subsequent events as they affected Central Pennsylvania.

With encouragement from JRA and its constituent shippers, and at the behest of NS, Robey supported NS in its quest to acquire major portions of the Conrail system including a direct connection with the Robey/JRA rail lines. The JRA was supportive of the NS acquisition as well. In recognition of this support, NS committed in June of 1997 to grant trackage rights to facilitate the connection of Robey's leased lines and to permit direct interchange with the CP at Sunbury for traffic originating or terminating at local points on CP or at points on carriers that connect only with CP. In a letter dated June 10, 1997, NS also stated that connecting the five Robey railroads and providing access to CP would be initial steps to grow business in the region. This letter was referenced by both Robey and JRA in prior submissions and statements to the Board.

JRA, its constituent shippers, and its connecting short lines were apprised of the NS commitments. Following the split of Conrail in June of 1999, NS encountered monumental operating problems and CP access at Sunbury, PA was crucial in keeping some industries going in Central Pennsylvania. No effort was made to formalize the NS commitment for many months. In reliance on this arrangement, the shippers grew new business in new traffic lanes. The result has been increased rail traffic for the JRA, CP, and significantly, the NS; all parties have realized a net gain in rail traffic and revenue. The region has also benefited from the creation of new jobs.

On September 1, 2001, NS and Robey entered into a complex trackage rights agreement purporting to formalize the NS commitment. The NS/Robey agreement substantially restricts access to CP and provides sanctions against Robey for traffic handled in violations of the strictures.

Central Pennsylvania shippers and their suppliers are not privy to the September 1, 2001 agreement. As a result of continuing expectations based on the June 1997 commitment, we understand numerous inbound shipments received via interchange with CP over the past three years are now claimed by NS to have been misrouted in violation of the private two party agreement. Many of these shipments were routed by Midwest grain brokers who had no knowledge of routing restrictions imposed by the private agreement. Simply put, the existing NS/Robey agreement differs from expectations of service users and is difficult to administer and which can actually foster misrouted cars resulting in violations of the existing agreement-a situation that none of the affected parties wants to see.

The problem has escalated to serious proportions in Central Pennsylvania as it threatens serious impacts on transportation service accessible to regional shippers and the JRA as well as two private short lines over which Robey also operates: the West Shore Railroad ("WTSE") and Lewisburg & Buffalo Creek Railroad ("LBCX").

The affected shippers and JRA seek to achieve five goals related to expectations from prior NS commitments:

- The agreement with NS should fulfill the access to CP promised by the 1997 NS letter to Robey.
- The agreement with NS should provide that the traffic that can be interchanged directly with CP at Sunbury is the same as the traffic that can be interchanged indirectly with CP via Harrisburg (the latter being their "fixed divisions" agreement whereby NS provides haulage from Harrisburg to the Robey interchange at Northumberland, PA).
- The agreement with NS should provide that all existing traffic should be meaningfully "grandfathered", even if it does not meet the new definition of covered traffic under the prevailing NS/Robey agreement.

- The agreement with NS should be permanent.
- The agreement with NS should apply to the owners (JRA, WTSE, LBCX) of the various rail lines, and to the Robey railroads and any successor operators of the lines. An agreement with a specific operator is temporal; the agreement needs to be able to be transferred to a different operator in the future.

The JRA is optimistic that further discussions and negotiations with NS regarding these issues and the regional rail network will be fruitful. The JRA recognizes the importance of continuing to be a valued partner with NS and will endeavor to do so. The JRA is currently engaged in discussions with NS which hopefully will result in constructive resolution of the access issue and other issues of mutual interest and concern. Since this matter has been identified as a serious concern during the oversight process we believe that continuation of oversight for an additional year would be helpful in facilitating a resolution in the interests of all concerned.

For further information:

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