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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34495



BUCKINGHAM BRANCH RAILROAD COMPANY – LEASE –
CSX TRANSPORTATION, INC.

COMMENTS OF NATIONAL RAILROAD PASSENGER CORPORATION
(AMTRAK)

ENTERED
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Dated: August 24, 2004

[Exhibits A and B Contain Color]

Comments of National Railroad Passenger Corporation (Amtrak)

Finance Docket No. 34495

The National Railroad Passenger Corporation (“Amtrak”) submits the following comments in the above-captioned proceeding, in which Buckingham Branch Railroad Company (“Buckingham”) and CSX Transportation, Inc. (“CSXT”) seek the Board’s approval for CSXT to lease to Buckingham an approximately 200-mile CSXT rail line, extending from AM Junction (Richmond), VA, to Clifton Forge, VA (“the C&O Line”). Applicants also seek approval for Buckingham to assume CSXT’s lease of a connecting 9-mile line between Orange, VA, and Gordonsville, VA (“the Orange Line”).

This proceeding is important to Amtrak. As depicted in the attached map (Amtrak Exhibit A), one of Amtrak’s long-distance routes, the New York-Washington-Cincinnati-Chicago *Cardinal*, operates three days per week in each direction over the Orange Line and the 116-mile portion of the C&O Line that runs from Gordonsville, VA to Clifton Forge, VA by way of Charlottesville, VA (“the Amtrak Segment”). Between Charlottesville and Indianapolis, the *Cardinal* provides the only intercity passenger rail service in predominantly rural areas of Virginia, West Virginia, Kentucky, Ohio and Indiana that, with the exception of the cities of Cincinnati and Charleston, have few other transportation options.¹

The C&O Line was formerly part of the Chesapeake & Ohio Railroad’s East-West main line from Washington, DC and the Virginia Tidewater region to Cincinnati.

¹ See generally “*Greyhound’s Last Bus Leaves Albany*”, Albany Democrat-Herald, Aug. 19, 2004 (noting that Greyhound is eliminating bus service this month in 260 communities in the Northwestern United States, and plans similar cutbacks in other regions of the country); “*22 U.S. Airports Have Lost All Airlines*”, USA Today, Aug. 4, 2004 (discussing reductions in air service to smaller communities over the past three years).

However, most of CSXT's East-West traffic now moves over other routes. As stated in the Application, the vast majority of the freight traffic that operates over the C&O Line today consists of empty CSXT unit coal and grain trains ("the CSXT Overhead Trains") that are returning west after operating (loaded) eastbound over CSXT's parallel James River Line between Clifton Forge, VA and Richmond, VA.

In this transaction, CSXT proposes to lease the 200 plus-miles of rail line at issue to Buckingham for a 20-year term, with Buckingham assuming CSXT's responsibility for track maintenance and operations. Buckingham is a small, family-owned business that currently operates a 17-mile Virginia short line.

Amtrak has met with the principals of Buckingham. We have no doubt about their commitment to operating successfully the C&O Line; to retaining existing Amtrak and freight services on the line (and improving local freight service); and to maintaining track conditions to at least the current level. However, it is clear from the Application and Applicants' Interrogatory Responses that achieving these objectives will be a formidable task for Buckingham:

- The C&O Line is nominally maintained to FRA Class 3 standards over much of its length: 60 mph maximum speed for passenger trains, 40 mph maximum for freights. However, the condition of the line has deteriorated in recent years. A significant number of slow orders restrict portions of the line (particularly east of Charlottesville) to 30 mph or less. Recent track work has been limited to emergency tie replacement and spot surfacing, and CSXT has not programmed any capital work on the line in the past three years.

Buckingham not identified any state or other governmental sources of funding

for the program tie replacement and surfacing that will be required to maintain the line's current condition. Any further deterioration in track conditions would threaten the continued operation of Amtrak's *Cardinal* over the line, which could result in the discontinuance of that train (since there appears to be no good alternative to its current route west of Charlottesville).

- According to the Application, Buckingham intends to reduce the number of MOW employees on the line (not including signal maintainers) from the current 14 to 8.
- CSXT will retain overhead trackage rights over the C&O Line for the purpose of continuing to operate the CSXT Overhead Trains that account for the vast majority of the freight traffic on the line.² Given the relatively limited volume of freight traffic originated or terminated on the C&O Line, the continued operation of the CSXT Overhead Trains is obviously vital to its future viability. However, the agreement between CSXT and Buckingham contemplates that the number of such trains operated over the Line will decrease to approximately four per day.
- The Application also contemplates that the signal system on the portions of the line over which Amtrak operates will be removed. That proposed action is not at issue before the Board, but rather will be the subject of a separate proceeding before the Federal Railroad Administration.

The proposed transaction also has broader implications. As an operator of trains throughout the United States on all of the major Class I railroads, Amtrak has a unique

² CSXT will also retain local trackage rights that will allow it to continue to directly serve a major shipper on the portion of the line over which Amtrak does not operate.

perspective on the condition of the entire national rail network. That condition is not good. The on-time performance of Amtrak's long distance trains has averaged less than 30% during the summer months because of freight traffic congestion-related delays of which the Board is well aware.

At the same time that rail freight tonnage is rapidly increasing, the size of the Class I network continues to shrink, as the attached chart illustrates (Amtrak Exhibit B). The Class I railroads are continuing to reduce the number of track miles in which they must invest by selling, leasing, or abandoning secondary lines at the very same time that governmental and industry prognosticators are predicting unprecedented increases in demand for rail freight service. Because the Class I railroads are not earning their cost of capital, as the Board recently confirmed in its annual proceeding on that issue, they must focus investments on maintaining their current core main lines. This creates two extremes: an increasing number of trains are consolidated on a few, often-congested, core lines, while parallel lines over which through freight traffic formerly moved are downgraded or abandoned. The result is a loss of redundancy, and of the track capacity required to accommodate the continued growth in rail freight traffic.

CSXT has announced plans to sell or lease 1,200 miles of its 23,000 mile system by the end of this year, and that it is studying other lines for disposition in 2005. The National Network Appendix to Amtrak's recently issued Strategic Plan identifies 10 rail lines over which Amtrak operates, in addition to the C&O Line, that are at risk of abandonment or downgrade because the owning railroads are not in a position to fund the

investments necessary to maintain them.³ As a result, the Board can expect to see more transactions similar to this one presented for its approval. As it reviews such transactions, it is important that the Board carefully examine their impact on the national passenger and freight rail network, with particular attention to issues of present and future rail line capacity and to the impact the transactions will have on other rail lines that will experience increases in freight traffic volumes if the transactions are approved.

* * *

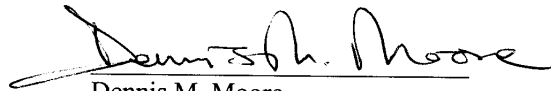
Amtrak takes no position as to how the Board should rule on the Application in this proceeding. However, in Amtrak's view, two very important considerations are that the proposed lease agreement between CSXT and Buckingham:

- (i) obligates Buckingham to continue to maintain track conditions on the C&O Line to at least the FRA track class standards existing as of the date on which the transaction is consummated; and
- (ii) gives CSXT the right to terminate the lease in the event that Buckingham fails to fulfill its obligations.

³ A map of these lines, and a discussion of this issue, can be found in the National Network Appendix to Amtrak's FY2005-2009 Strategic Plan, dated June 29, 2004, available at www.amtrak.com.

If this transaction is approved, both CSXT and the Board should be prepared to take necessary and appropriate actions to ensure that the rail lines to be leased to Buckingham are maintained to the levels required for continued passenger and freight operations if Buckingham is not able to maintain the track to existing FRA track class standards.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Dennis M. Moore", written over a horizontal line.

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Certificate of Service

I hereby certify that on this 24th day of August 2004, I caused to be served by first class mail, postage prepaid, true and accurate copies of Comments of National Railroad Corporation (Amtrak) in STB Finance Docket No. 34495, on the following:

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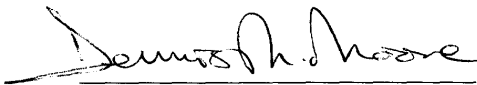
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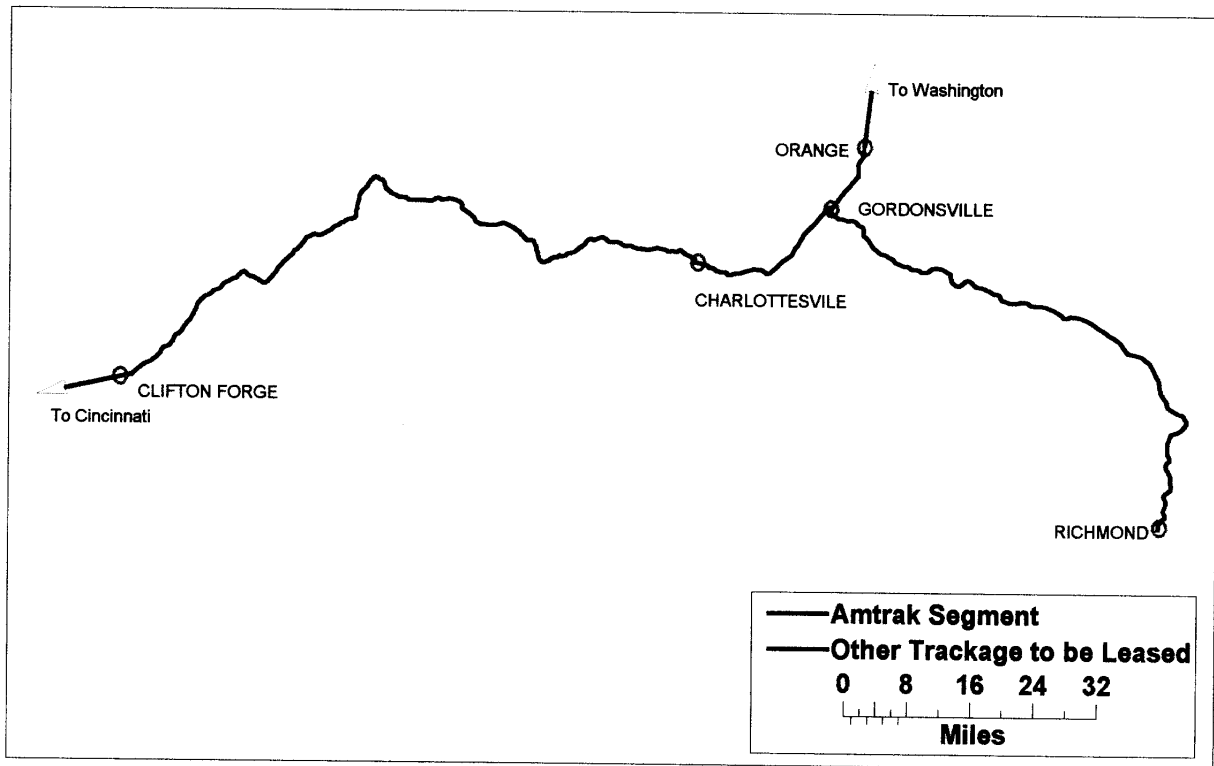
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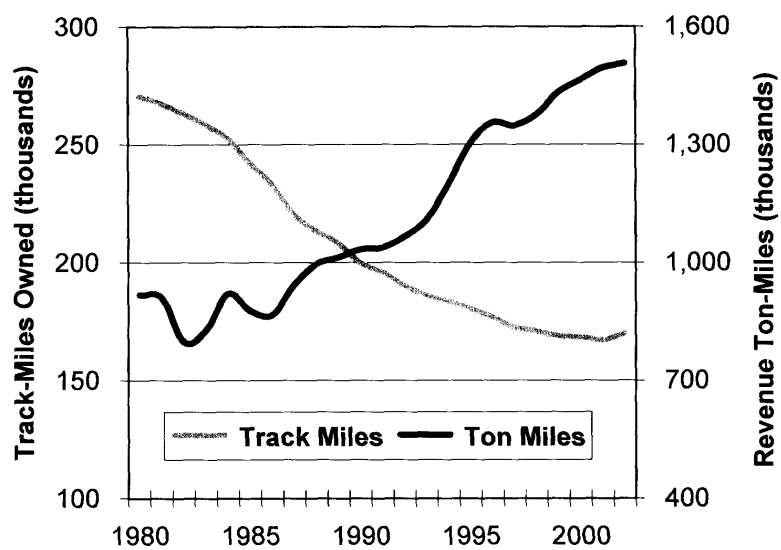

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Amtrak Operation Over C&O and Orange Lines



Amtrak Exhibit A

Rail Network Size vs. Traffic Class 1 Railroads (1980-2002)



Amtrak Exhibit B