

FILED
MAR 28 2006
SURFACE
TRANSPORTATION BOARD

216098

NORFOLK SOUTHERN CORPORATION
THREE COMMERCIAL PLACE
NORFOLK, VA 23510



James R. Paschall
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ENTERED
Office of Proceedings

MAR 27 2006

Part of
Public Record

March 27, 2006

Via DHL Express

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

FILED

MAR 28 2006

SURFACE
TRANSPORTATION BOARD

Re: STB Docket No. AB-290 (Sub-No. 269X), Norfolk Southern Railway Company – Discontinuance of Rail Service - Petition for Exemption – Between Park Avenue and Tidewater Junction In the City of Norfolk, Virginia

Dear Mr. Williams:

Enclosed for filing with the Board in the subject docket are an original and ten copies of Norfolk Southern Railway Company's Petition for Exemption to discontinue service over a 1.63-mile line of railroad between Milepost VB-0.12 near Park Avenue and Milepost VB-1.75 at Tidewater Junction in the City of Norfolk, Virginia. Also, enclosed is a check in the amount of \$5,000 for the filing fee and three discs with copies of the petition in a format that is compatible with the Board's word processing programs.

Please acknowledge receipt of this filing on the enclosed copy of this letter and return it to me in the self-addressed, stamped envelope.

Yours very truly,

James R. Paschall

Enclosures

Mr. Vernon A. Williams
Re: AB-290, Sub-No. 269X
Page 2 of 3
March 27, 2006

cc w/ encl.:

Mr. William D. Barrett, President
H. B. Hunter Company
P. O. Box 1599
1512 Brown Avenue
Norfolk, VA 23501-1599

Mr. John Y. Richardson
City Attorney, City of Norfolk
City Hall
810 Union Street,
Norfolk, VA 23510

Corey W. Hill, Acting Director
Virginia Department of Rail and Public Transportation
1313 East Main Street, Suite 300
P. O. Box 590
Richmond, VA 23218-0590

Theodore V. Morrison Jr., Chairman
Virginia State Corporation Commission
1300 East Main Street
P.O. Box 1197
Richmond, VA 23218-1197

Mr. Vernon A. Williams
Re: AB-290, Sub-No. 269X
Page 3 of 3
March 27, 2006

cc w/encl:

United States Department of Defense
Military Traffic Management Command (MTMCTEA)
Transportation Engineering Agency
Railroads for National Defense Program
720 Thimble Shoals, Blvd., Suite 130
Newport News, VA 23606-2574

Mr. Tom Ross, Chief of National Recreation and Trails
U. S. Department of the Interior - National Park Service
Recreation Resources Assistance Division
P.O. Box 37127
Washington, D.C., 20013-7127

U. S. Department of Agriculture,
Chief of the Forest Service
4th Floor N.W., Auditors' Building
14th Street and Independence Avenue, S.W.
Washington, D.C. 20250

BEFORE THE
SURFACE TRANSPORTATION BOARD

216098

STB DOCKET No. AB-290 (Sub-No. 269X)
NORFOLK SOUTHERN RAILWAY COMPANY -
DISCONTINUANCE OF RAIL SERVICE - PETITION FOR EXEMPTION -
BETWEEN PARK AVENUE AND TIDEWATER JUNCTION
IN THE CITY OF NORFOLK, VIRGINIA

James R. Paschall
Senior General Attorney
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, VA 23510

(757) 629-2759

Attorney for Petitioner
Norfolk Southern Railway Company

Dated: March 27, 2006

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. AB-290 (Sub-No. 269X)

Norfolk Southern Railway Company -

Discontinuance of Rail Service - Petition for Exemption -

In the City of Norfolk, Virginia

Petition for Exemption

Norfolk Southern Railway Company ("NSR") hereby petitions the Surface Transportation Board (the "Board" or "STB"), pursuant to the provisions of 49 U.S.C. 10502, as amended, and the Board's regulations at 49 CFR 1152 Subpart F – *Exempt Abandonments and Discontinuances of Service* for exemption from the prior approval requirements of 49 U.S.C. 10903 for NSR to discontinue rail service over a 1.63-mile line of railroad between Milepost VB-0.12 near Park Avenue and Milepost VB-1.75 near Tidewater Junction in the City of Norfolk, VA (the "Line"). NSR previously discontinued service over 13.71 miles of connecting railroad line between Milepost VB-1.75 near Tidewater Junction (in Norfolk, VA) and Milepost VB-15.46 at Oldfield (in Virginia Beach, VA), pursuant to a notice of exemption in *Norfolk Southern Railway Company – Discontinuance of Service Exemption – in Norfolk and Virginia Beach, VA*, STB Docket

No. AB-290 (Sub-No. 258X) (STB served November 30, 2004).¹

One shipper, H. B. Hunter Company, is located near Milepost VB-0.12 at Park Avenue on the subject Line. H. B. Hunter Company received twelve (12) carloads of corn syrup, an average of one carload per month, during the Base Year ending September 30, 2005. (Exhibit 2) This traffic level is representative of the volume of traffic that NSR has moved over the Line for H. B. Hunter Company for the past several years. H. B. Hunter Company received 11 carloads of corn syrup in 2003, 13 carloads of corn syrup in 2004 and 12 carloads of corn syrup in 2005. (Exhibit 2) H. B. Hunter Company's business is unlikely to require any significant number of additional rail shipments per year.

NSR operated the Line at an avoidable loss from operations of \$8,381.00 during the Base Year ending September 30, 2005. (VS Kirchner, 4; Exhibit 3, Line 17) Considering past rail traffic levels, the size of H. B. Hunter Company's business and the lack of prospects for other rail business to develop along the Line, NSR estimates that the number of carloads that it would move over the Line would remain at the same level

¹ NSR originally planned to file for an exemption to permit abandonment of the subject Line and the line that previously had been discontinued in STB Docket No. AB-290 (Sub-No. 259X). NSR served Environmental and Historic Reports and published a newspaper notice based on the anticipated petition for exemption to abandon the 15.34-mile line. Due to recent developments, NSR has changed its plans, at least for the near term, concerning the abandonment of the 15.34-mile Line. Because NSR must imminently take the subject Line out of service or rehabilitate the Line at substantial and unrecoverable cost, NSR is filing for an exemption to permit it to take the lesser action to formally discontinue service over the subject shorter Line. The Board previously has permitted petitioners to request less authority or to shorten the length of the Line from that identified in preliminary reports or notices concerning discontinuance or abandonment petitions since that work or those notices would include information on and notice concerning the Line and relief sought in the petition that is ultimately filed in

in the Forecast Year of March 2006 through February 2007. Revenue from that traffic would increase only slightly due to expected rate increases or fuel surcharges. Thus, the avoidable loss from operations alone would be \$8,585.00 or \$715.00 per carload in the Forecast Year. However, NSR would incur a total avoidable loss from maintenance and operation of the Line, including subsidization and return on value of \$178,162.00 (Exhibit 3, Line 19) during that Forecast Year to continue operations over the Line because the Line requires immediate rehabilitation from excepted track status to FRA Class I track status at a projected cost of \$165,100.00 to remain in service. (VS Morrell, 3; Exhibit 3, Line 8) NSR does not need to calculate the full opportunity cost of retaining the Line for this proceeding, but shows in Exhibit 4 that the partial opportunity cost based on the current net liquidation of the track and structures alone would be \$7,481.00. Since NSR can not recover even the current costs of normalized maintenance and operation of the Line from the operating revenues derived from traffic handled over the Line, NSR obviously could not recover the required rehabilitation costs to keep the Line in service from the potential revenue from traffic reasonably projected to move over the Line in the Forecast Year or foreseeable future.

There is no overhead traffic on the Line. Little, if any, potential exists for additional railroad traffic to develop along the short, 1.63-mile Line because of the Line's length and location, a significant part of which is adjacent to Norfolk State University.

Section 10502 of Title 49 of the U. S. Code, as amended, directs the Board to exempt a transaction from the provisions of Title 49, Subtitle IV, Part A of the U. S.

the subject docket.

Code when the Board finds that the transaction satisfies certain statutory criteria. NSR demonstrates in this petition that an exemption to permit the discontinuance of service over the subject Line satisfies the statutory criteria.

Further Information

Further information supporting an exemption for the proposed abandonment of the subject Line is as follows:

(1) **Exact Name of Petitioner.** The petitioner is Norfolk Southern Railway Company ("NSR"). NSR is a common carrier by railroad which operates a railroad system in 20 States throughout the Eastern United States, including Virginia, and Ontario, Canada. NSR was formerly named Southern Railway Company. Norfolk and Western Railway Company and Pennsylvania Lines, LLC, a former subsidiary of Consolidated Rail Corporation, were merged into NSR, effective December 31, 1990 and August 27, 2004, respectively. NSR is a wholly-owned subsidiary of Norfolk Southern Corporation, a non-carrier.

(2) **Common Carrier Status.** Petitioner is a common carrier by railroad subject to the provisions of 49 U.S.C. Subtitle IV, Part A, Chapter 105.

(3) **Relief Sought.** Pursuant to 49 U.S.C. 10502, and the Board's regulations at 49 CFR 1152 Subpart F – *Exempt Abandonments and Discontinuances of Service*, NSR seeks an exemption from the prior approval requirements of 49 U.S.C. 10903 for NSR to discontinue rail service over a 1.63-mile line of railroad between Milepost VB-0.12 near Park Avenue and Milepost VB-1.75 near Tidewater Junction in the City of Norfolk, VA (the "Line").

(4) **Map.** A map of the subject Line is attached as Exhibit 1.

(5) **System Diagram Map.** NSR has not included this Line as a rail line to be abandoned or over which service is to be discontinued on NSR's system diagram map because NSR did not expect to file an application with the Board for authority to abandon or discontinue service over the Line.

(6) **Reasons for Petition.** This petition is being filed in order for NSR to obtain from the Board an exemption to permit formal discontinuance of service over the subject 1.63-mile Line, which cannot be rehabilitated and continue to be maintained and operated without NSR incurring a substantial and unrecoverable financial loss. Revenue from the minimal traffic volume on the Line, which has been the same for three or more years and is forecast to continue at current levels for future years, is clearly insufficient for NSR to recover its costs of maintaining and operating the Line, much less its costs of rehabilitation of the Line and return on value.

(7) **Counsel.** Counsel for Petitioner to whom correspondence may be sent is:

James R. Paschall
Senior General Attorney
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, Virginia 23510-2191

Counsel's Phone Number is: (757) 629-2759

(8) **Zip Codes; Stations.** The Line over which NSR proposes to discontinue rail service pursuant to an exemption in this proceeding traverses United States Postal Service Zip Codes 23502 and 23504 in the City of Norfolk, VA. The Line serves the station of Tidewater Junction in the City of Norfolk, VA.

Operations, Maintenance, Condition of Line; Rehabilitation and Repair Costs

There is no overhead train service over the Line. NSR provides local train service over the Line to H. B. Hunter Company, the only shipper of the Line, on an as needed basis. Although the shipper receives only one carload of traffic on average per month, because of the time between freight car deliveries at H. B. Hunter Company and the configuration of the track, a crew must make a second trip to pick up each empty car before another car is delivered. Thus, the delivery of 12 carloads per year to H. B. Hunter Company actually requires the crew to make 24 round trips per year. Service is provided over the Line by a 3-person crew, because of the location and condition of the track. Pro forma crew time spent on performing this operation is 0.83 hours on-line per trip. Due to the deteriorated condition of the excepted status track on the Line, however, the actual time of the operation exceeds this time that is used for cost calculation purposes. The crew that serves H. B. Hunter Company originates and terminates at Portlock Yard, approximately 5 miles from the Line.

NSR has maintained the Line at the minimal level necessary to keep it in service as excepted track for several years because of the small number of shipments over the Line each year. Now, the track condition is about to fall below the excepted track status level. NSR can no longer sustain operations even in that status without costly rehabilitation and maintenance. This means the track must be rehabilitated to the FRA Class I track standards, as permitted by the Board with respect to track that is the subject of line abandonment or discontinuance of service petitions or applications by a

railroad to the Board. NSR calculates that this rehabilitation would result in NSR incurring a one-time cost in the Forecast Year of \$165,100.00. (VS Morrell, 3; Exhibit 3, Line 8) Annual normalized maintenance cost for the Line was \$20,126.00 in the Base Year and would be \$20,770 in the Forecast Year. (VS Morrell, 3; Exhibit 3 Line 5a)

The imminently required rehabilitation and maintenance costs for the Line in the Forecast Year would be the largest component of subsidization costs for that Line. The Subsidization Year would be the same as the Forecast Year in this case so the revenues, costs, projected avoidable loss and projected subsidization costs also would be the same.

Details of the condition, maintenance and operation of the Line are in the attached verified statements of Marcellus C. Kirchner and Stephen H. Morrell and attached exhibits and workpapers.

Reasons for Abandonment

NSR has maintained service to the sole shipper on the Line, H. B. Hunter Company, by deferring rehabilitation and maintenance of the Line and sustaining an operating loss on the operation. The Line has been maintained only to the extent required to keep it in service in excepted track status. The Line can no longer be operated at all without costly rehabilitation to FRA Class I track standards. NSR calculates the cost of that rehabilitation at \$165,100.00 in the Forecast Year. (VS Morrell, 3; Exhibit 3, Line 8) NSR sustained an avoidable loss of \$8,381.00 from operation of the Line in the Base Year. (VS Kirchner, 2; Exhibit 3, Line 17) NSR

projects that the avoidable loss from operation of the Line would increase to \$8,585.00 in the Forecast Year (VS Kirchner, 2; Exhibit 3, Line 17), which should be sufficient to justify discontinuance of service over the Line even without including return on value and rehabilitation costs in the calculation. Adding those additional costs to the costs of maintenance and operation of the Line would cause NSR to incur a much larger avoidable loss, including rehabilitation or subsidization costs and return on value, of \$178,162.00 to keep the Line in operation in the Forecast Year. Revenue from any reasonable projection of traffic levels on the Line, which is forecast to be approximately \$33,092.00 (VS Kirchner 3; Exhibit 3, Line 1) in the Forecast Year, would not cover those costs. Thus, NSR would be required to absorb a substantial loss in order to keep an already unprofitable operation in service.

NSR's evidence clearly shows that an exemption to discontinue service over the Line is justified by the current unprofitable operation and the inability of NSR to recover imminently required rehabilitation costs from the revenue from the projected traffic of one carload of corn syrup over the Line each month, which does not cover current normalized maintenance and operating costs for the Line.

NSR's formal discontinuance of service over the Line will permit NSR to avoid incurring continuing losses from the maintenance and operation of the Line as well as the unrecoverable one-time cost imminently required to rehabilitate the Line to keep it in service. The discontinuance will permit NSR to use its resources and assets more productively in maintaining its core system and providing transportation service to the shipping public generally.

Summary of Key Traffic, Revenue and Cost Information; Net Liquidation Value; Opportunity Costs

The traffic, revenue and cost information for the rehabilitation, maintenance and operation of the Line is contained in Exhibits 2 and 3 and explained in the verified statements of Stephen H. Morrell and Marcellus C. Kirchner.

The estimated net liquidation value of the track and material on the Line is \$59,696, consisting of \$57,960 for 1.63 miles or 207 net tons of 80-pound rail at \$280 per net ton, \$22,406 for 85 tons of other track material at \$265 per net ton, \$6,000 for three turnouts and \$2,580 for 516 crossties valued at \$5.00 each for a gross value subtotal of \$88,946 minus removal and repair costs of \$29,250. These removal costs are comprised of \$24,450 to remove the track and material and repair grade crossings, \$1,500 to remove three turnouts and \$3,300 for handling costs for the removed material. (VS Kirchner, Exhibit 5) Scrap valuation is based on averages of Chicago Material Index prices per ton as published at the beginning of each month in the publication, *American Metal Market*, which are validated by polling current buyers of NSR scrap. Based on the value of the track and materials alone, the partial opportunity cost would be \$7,481.00.

The key revenue, cost, avoidable loss and rehabilitation cost information for the Line, from the verified statements and exhibits just cited, and mainly from Exhibit 3, follows. The Base Year is October 2004 through September 2005 and the Forecast Year is March 2006 through February 2007.

	Base Year	Forecast/Subsidization Year
Revenues		
Attributable to Line	\$31,902.00	\$33,092.00
Total Avoidable Costs	\$40,283.00	\$41,677.00
Total Return on Value		\$4,477.00
Avoidable Loss From Operations Only	\$8,381.00	\$8,585.00
Avoidable Loss From Operations Including Return On Value		\$13,062.00
Rehabilitation/Repair Costs		\$165,100.00
Avoidable Loss Including Subsidization Costs and Return On Value		\$178,162.00

The currently estimated rehabilitation cost of \$165,100.00 imminently required to keep the Line in service would be the principal element of any subsidization cost to keep the Line in operation for the Subsidization Year. NSR bases the Subsidization Year on the Forecast Year in this case.

Efforts to Continue Service; Alternate Service Options; Transportation Alternatives; Transportation Network

NSR has maintained service over the Line only by accepting an avoidable loss on the operation and by deferral of rehabilitation and maintenance. The track can no longer be operated over at all, even in excepted track status, without substantial and unrecoverable expenditures on rehabilitation to FRA Class I track status in the Forecast Year. H. B. Hunter Company is a low-volume customer that has no apparent need for

increased rail shipments nor is the company in a position to pay railroad rates high enough on its modest traffic volume for NSR to recover the costs of rehabilitation and normalized maintenance of the Line within a reasonable time to keep the Line in service. It would make more economic sense for this customer to use rail-motor transload service or direct truck service, even at somewhat higher rates, than to guarantee the volume of business and pay the higher rates NSR would require to recover the costs of rehabilitation and future maintenance of the Line. NSR has discussed future transportation options with H. B. Hunter Company, including the possibility that this customer might use rail-motor transload service or straight motor carrier service.

No additional railroad customers, much less any that would require frequent or high volume railroad freight service, are located on the Line or can be expected to locate on this short Line because of its length and location. Much of the Line is located adjacent to Norfolk State University on one side and Interstate Highway 264 on the other side.

Norfolk, Virginia is part of a major metropolitan area (including Virginia Beach, Portsmouth, Chesapeake and Suffolk, Virginia) with an extensive transportation network of roads and highways, terminals, overseas and coastwise shipping and railroads. The area is served by numerous general and specialized motor carriers, including Arthur Transportation Services, Estes Express Lines, Old Dominion Freight Line, Overnite Transportation Co., Roadway Express, Saia Motor Freight Line, Schwerman Trucking Co., Sterling Transport and Webb's Transfer, among others. H. B. Hunter Company is

located about one mile from east-west Interstate Highway 264, which in turn is within about two miles of the interchange with Interstate Highway 64. While I-64 is also designated as an east-west highway, it runs generally northwest to southeast in the City of Norfolk. Corn syrup is a commodity that is, and easily can be, transported via tank truckers or transported in railroad-motor carrier transload service. Thus, upon abandonment of the Line, H. B. Hunter Company's corn syrup shipments can be transported by rail-motor transload service or by direct truck service. The H. B. Hunter Company facility is located near the Norfolk State University Rise Center, currently under construction. An NSR representative has been told that the University's long-term plans call for redevelopment of this area into a high-tech support community for the university and relocation of the H. B. Hunter facility may occur in the future as part of the area's redevelopment. Therefore, possible relocation of H. B. Hunter Company's facility to another rail-served site may be another viable option for that company.

Communities on Line

The community on the Line is Norfolk, VA (population 237,835, U. S. Census Bureau, 2004 Population Estimates), which is part of a greater metropolitan area that includes among other cities, Virginia Beach, VA (population 447,000, U. S. Census Bureau, 2004 Population Estimates). Norfolk, VA is a major port and will continue to receive rail service at other locations after the discontinuance of service over the subject Line.

Statement Concerning Federally Granted Right of Way

Based on information in NSR's possession, the Line does not contain federally granted right-of-way. Any relevant documentation on this matter that is later found by NSR will be made available promptly to anyone requesting it.

Title Search

NSR owns the right-of-way upon which the Line is located. Dominion Virginia Power Company (formerly known as Virginia Electric Power Company or VEPCO) has a long-term lease with NSR that permits Dominion to maintain a power line along the right-of-way.

Passenger Service

There is no passenger service on the Line.

Draft Federal Register Notice

A draft notice of NSR's petition for exemption to be published by the Board in the Federal Register within 20 days of the petition's filing, and a copy of the draft notice contained on discs compatible with the Board's current word processing capabilities, are attached or included with the filing of this petition.

NSR's Petition Meets the Standards for the Board's Exemption of the Abandonment of the Line

Under 49 U.S.C. 10903, a railroad may not discontinue operations over or abandon a line of railroad without the Board's prior approval. Under 49 U.S.C. 10502,

however, the Board is directed to exempt a transaction or service from otherwise applicable regulatory requirements or procedures when the Board finds that: (1) continued regulation is not necessary to carry out the rail transportation policy of 49 U.S.C. 10101; and (2) either (a) the transaction or service is of limited scope, or (b) regulation is not necessary to protect shippers from the abuse of market power.

NSR clearly has demonstrated in this petition that continued operation of the Line is a burden on interstate commerce. NSR's evidence shows that the costs of rehabilitation, maintenance and operation of the Line exceed the revenues attributable to or that can be expected from traffic that moves or can reasonably be expected to move over that Line. NSR has shown that keeping the Line in service would impose a burden on NSR that outweighs the harm that would befall the single shipper on the Line of one carload of freight per month if rail service over the Line is discontinued. Because of the minimal amount of traffic moving over the Line, there will be no adverse impacts on the shipping public as a whole or impacts on rural and community development if rail service is discontinued over the Line.

In this case, detailed scrutiny of the proposed discontinuance of service under 49 U.S.C. 10903 is not necessary to carry out the rail transportation policy. If the sole active railroad customer on the Line, H. B. Hunter Company, opposes NSR's discontinuance of service over the Line, NSR believes that customer will be able to offer no concrete evidence to support a position that the Line should remain in service or to counter NSR's evidence that the revenues NSR can expect from handling the customer's traffic are and will be well below the costs to rehabilitate, maintain and

operate the Line. NSR has shown that the Line was operated at an avoidable loss from operations of \$8,381.00 in the Base Year and would be operated at an avoidable loss from operations of \$8,585.00 in the Forecast Year. NSR's avoidable loss in the Forecast Year would expand to \$178,162.00 if return on value and required rehabilitation costs to bring the track on the Line up to FRA Class I standards are included in its costs for the Forecast Year. NSR can not expect to recover the projected rehabilitation cost any time in the future with projected revenues from continued operations for the sole customer on the Line being only \$33,092.00 in the Forecast Year and having no reasonable possibility of increasing in the future. Those revenues do not cover even the ordinary costs of minimal normalized maintenance and operation of the Line. Accordingly, requiring NSR to expend significant funds to repair and provide service on the Line when there is an insufficient amount of traffic available to provide revenue to cover or support both rehabilitation of the track and continued freight service over the Line would be an unreasonable burden.

By minimizing the administrative expense of the application process, an exemption to permit NSR's discontinuance of service over the Line will reduce regulatory barriers to exit [49 U.S.C. 10101(7)]. An exemption will also foster sound economic conditions and encourage efficient management by allowing NSR to discontinue operations on a Line that generates minimal traffic and cannot be maintained and operated without NSR incurring financial loss [49 U.S.C. 10101(5) and (9)]. Other aspects of the rail transportation policy will not be affected adversely by the discontinuance of rail service. The discontinuance of maintenance and operation of the

Line will allow NSR to spend its maintenance funds and use its forces on more productive projects that will benefit the shipping public more generally.

Regulation of the transaction is not necessary to protect shippers from an abuse of market power. H. B. Hunter Company, the only active shipper on the Line, receives only one carload of corn syrup per month, on average. Due to its location near interstate highways in a major metropolitan area and the number of motor carriers that serve the area, some of which are identified in the petition above, this railroad customer has motor carrier and railroad-motor carrier transload transportation alternatives. Relocation of H. B. Hunter Company's operation to another location in the City of Norfolk that would continue to have direct rail service may be an option for that company.² However, assuming H. B. Hunter Company stays in its current location and has to incur higher transportation costs due to being required to switch to alternative forms of transportation for its inbound shipments of corn syrup, the Board has previously held that the fact that a shipper may incur inconvenience and increased shipping costs for alternate transportation is not a basis for denying abandonment or discontinuance of service authority or exemption that is supported by the railroad's filing is in the public interest because the abandonment or discontinuance of service will

² NSR understands that while H. B. Hunter Company currently may not wish to move its operation, the H. B. Hunter Company facility is located near the Norfolk State University Rise Center, currently under construction. An NSR representative has been told that the University's long-term plans call for redevelopment of this area into a high-tech support community for the university and relocation of the H. B. Hunter facility may occur in the future as part of the area's redevelopment. Therefore, possible relocation of the H. B. Hunter Company facility to another rail-served site may be a viable option for that company in the future in addition to other available transportation alternatives.

permit the railroad to cease operation of uneconomic and excess facilities, especially where alternative transportation to replace the railroad operation is available. *San Pedro Railroad Operating Company, LLC — Abandonment Exemption — In Cochise County, AZ*, STB Docket No. AB-1081X (STB served February 3, 2006); *Chicago and North Western Transp. Co.—Abandonment*, 354 I.C.C. 1, 7 (1977). It is well settled that a railroad will not be required to operate a rail line simply to prevent shippers from incurring higher transportation costs by truck. See *Wisconsin Central Ltd. — Abandonment — In Ozaukee, Sheboygan and Manitowoc Counties, WI*, STB Docket No. AB-303 (Sub-No. 27), (STB served October 18, 2004); *CSX Transportation, Inc.—Abandonment Exemption—In Harrison County, WV*, STB Docket No. AB-55 (Sub-No. 563X) (STB served Sept. 25, 1998).³

³NSR does not expect any party to come forward with the long discredited argument that increases in future traffic on the Line are likely, without providing any specifics or guarantees, and that the increased revenue from this expected increased traffic will justify keeping the Line in service. Mere speculation about future traffic is not a sound basis upon which to deny an abandonment exemption. See STB Docket No. AB-290 (Sub-No. 260X), *Tennessee Railway Company — Abandonment Exemption — in Scott County, TN*, served June 17, 2005; STB Docket No. AB-512X, *Sierra Pacific Industries — Abandonment Exemption — In Amador County, CA*, served February 25, 2005; STB Docket No. AB-433X, *Idaho Northern & Pacific Railroad Company — Abandonment Exemption — In Wallowa and Union Counties, OR*, served December 13, 2001, p. 5-6; STB Docket No. AB-57 (Sub-No. 46X), *Soo Line Railroad Company — Abandonment Exemption — In St. Paul, Ramsey County, MN*, served April 20, 1999, p. 7; STB Docket No. AB-6 (Sub-No. 370X), *Burlington Northern Railroad Company—*

Given the appropriateness of this market power finding in this case, the Board need not determine whether the proposed discontinuance of service transaction is limited in scope. However, based on numerous precedents, NSR believes that discontinuance of rail service over only 1.63 miles of railroad line for one shipper whose traffic level averages one carload of corn syrup per month, the revenue from which would not enable the railroad to recover its costs of holding, rehabilitation, maintenance and operation of the Line, should be found to be limited in scope. The shipper has transportation alternatives. NSR, and other railroads', rail service, including transload service, will remain available at other stations in the City of Norfolk.

The filing of an application for discontinuance of service authority or the Board's conduct of a more formal proceeding is not needed in this case. The filing of an application or the conduct of extended formal proceedings would serve merely to delay the discontinuance of service over the subject Line and increase NSR's losses from the operation over the Line with little or no prospect of any party providing any additional information that would change the result. The continuing avoidable loss from operations over the Line and the large gap between the costs required to rehabilitate and keep the Line in service and the revenues that could be obtained by NSR from the movement of one carload of corn syrup per month over the Line sufficiently demonstrates that the exemption is justified and is beyond refutation in this proceeding or in a further application proceeding. NSR has based its demonstration of operating losses on all of

Abandonment Exemption--Between Mesa and Basin City, in Franklin County, WA, served January 27, 1997, p. 4.

the operations it has performed for H. B. Hunter Company in the Base Year. NSR has shown these operations are typical of the past three calendar years in which H. B. Hunter Company received 11, 13 and 12 carloads of corn syrup respectively.

NSR has provided two verified statements and several exhibits that constitute a detailed statement of the condition of the Line and a detailed estimate of the costs of rehabilitating, maintaining and operating the Line along with the revenues NSR has received or would receive from transportation provided over the Line. In addition, NSR has provided 29 pages of workpapers in support of its calculations. NSR expects that if any party opposes the discontinuance of service over the Line, that party will not be able to support its assertions with any critical analysis or refutation of NSR's costs or revenues that would yield a different result than that shown in and justified by this petition. NSR has already presented its costs and revenues in this petition in the same detail that it would present in an application proceeding. An application for discontinuance of service authority or a formal proceeding would afford a potential opponent of the petition for exemption no further relevant information and no greater opportunity to dispute NSR's costs, revenues or other bases for discontinuing service over the subject Line than that party will have had in this proceeding.

Service of Petition; Newspaper Notice

NSR has given notice to H. B. Hunter Company, the sole shipper on the Line, by serving H. B. Hunter Company with a copy of this petition for exemption so that company may place its representative's name on the Board's service list, receive Board

decisions or otherwise participate in this proceeding if it so chooses. Nonetheless, should the Board so order, NSR will serve a copy of the Board's decision on the merits on H. B. Hunter Company and certify to the Board that NSR sent a copy of the decision to H. B. Hunter Company.

Newspaper notice concerning the filing of the petition was published on March 10, 2006, in *The Virginian-Pilot*, which is a newspaper of general circulation and the principal daily newspaper in the City of Norfolk, VA, the local jurisdiction, through which the Line runs (see Exhibit 8).⁴

Offer of Financial Assistance; Public Use, Trail Use

The offer of financial assistance (OFA) provisions and procedures at 49 U.S.C. 10904 and 49 CFR 1152.27 to acquire the Line for continued rail service do not apply to a discontinuance although the OFA provisions for a subsidy to provide continued rail service for one year do apply to discontinuances of service.

Because this is a discontinuance of service proceeding and not an abandonment proceeding, the trail use/rail banking provisions and procedures of 16 U.S.C. 1247(d) (Trails Act) and 49 C.F.R. 1152.29 and for imposition of a public use condition under 49 U.S.C. 10905 and 49 C.F.R. 1152.28 are not applicable or appropriate.

Environmental and Energy Impact; Historical Report

No environmental or historical documentation is required in a discontinuance of service proceeding under the Board's regulations at 49 CFR 1105.6(c) and 49 C.F.R.

⁴ In Virginia Cities are not included in and do not overlap Counties.

1105.8(b), respectively.

NSR nonetheless submits with this petition the Environmental Report and Historic Report that NSR prepared and previously distributed to the appropriate Federal, State and Local agencies in accordance with the Board's regulations when NSR was considering filing of a broader proposal for abandonment of a longer line of railroad in this proceeding so that the Board may have the background and rationale for any comments submitted by those agencies in this proceeding.

NSR now plans to undertake no salvage operations because only an exemption to discontinue service over the Line is requested in this petition. The diversion of one carload per month of non-hazardous freight, which would be no more than one truckload of that traffic per week, to truck transport would not meet the thresholds for environmental review and quite obviously could not have any measurable adverse effect on the environment, local traffic patterns or public safety even if that diversion of traffic were subject to environmental analysis in this proceeding. In fact, the diversion would permit NSR to discontinue two train operations per month back and forth over four grade crossings, including a four-lane street with a median, and adjacent to the Norfolk State University campus so it would have some offsetting public benefits.

Historic Reports are not required in discontinuance of service proceedings. While the Virginia State Historic Preservation Officer has suggested that additional information should be presented, the Section 106 process is not applicable with respect to the petition as presented to the Board.

NSR requests that the Board find that inasmuch as its petition only asks for an

exemption to discontinue service, no Environmental and Historic Reports were required in this proceeding, that the facts show that the discontinuance of service would not have an adverse effect on the environment or historic resources in any event, and that no environmental or historic preservation process conditions are required with respect to the discontinuance of service over the subject Line.⁵

Employee Protection

Since under 49 U.S.C. 10502(g), the Board may not use its exemption authority to relieve a carrier of its statutory obligation to protect the interests of its employees,

⁵ NSR received a letter on March 16, 2006 from the Virginia Department of Historic Resources (State Historic Preservation Officer) asking for more information on the railroad's role in the development of Virginia Beach as a tourist destination and related information. While NSR has provided all the information it has available on this subject, and has cited a number of books that describe the history of Princess Anne County and Virginia Beach, including the railroad's role in that history, in greater detail, NSR will co-operate with the SHPO in determining whether other information may be available in the event NSR requests total abandonment authority for a line including the currently discontinued line segment in Virginia Beach, in a future proceeding. NSR believes that the railroad's role in the development of Virginia Beach was not as great as the SHPO apparently surmised from the Historic Report, which may reflect that it was not clear on this point. In any event, NSR's exemption request now only includes discontinuance of service to a short segment of Line in the City of Norfolk for which a Historic Report and the Section 106 process are not required.

NSR points out that the railroad line that once approached and ran along the beachfront already has been abandoned. The subject Line is merely part of the railroad line between Norfolk and Virginia Beach that once reached the tourist areas of Virginia Beach and is located entirely in the City of Norfolk. While it is a moot point in this proceeding, NSR does not see how this Line, even if it were added to the previously discontinued line between Tidewater Junction and Oldfield that was the subject of STB Docket No. AB-290 (Sub-No. 259X), possibly could be deemed historic in itself or how the ultimate abandonment of the entire Line could adversely affect any historic properties connected with the development of Virginia Beach as a tourist destination. The Line plus the adjacent Tidewater Junction-Oldfield segment ends before the entire remaining line between Norfolk and Virginia Beach reaches the beachfront and tourist

NSR is willing, as a condition to the Board granting the requested exemption, for the Board to order that the employee protective conditions set forth in *Oregon Short Line R. Co. -- Abandonment -- Goshen*, 360 I.C.C. 91 (1979), apply to NSR's consummation of the abandonment of the Line.

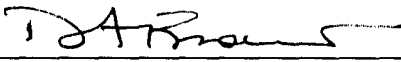
areas.

Conclusion

Therefore, Norfolk Southern Railway Company ("NSR") respectfully petitions the Board, pursuant to the provisions of 49 U.S.C. 10502, as amended, and the Board's regulations at 49 CFR 1152 Subpart F – *Exempt Abandonments and Discontinuances of Service*, for exemption from the prior approval requirements of 49 U.S.C. 10903 for NSR to discontinue operations over a 1.63-mile line of railroad between Milepost VB-0.12 near Park Avenue and Milepost VB-1.75 at Tidewater Junction in the City of Norfolk, Virginia.

Respectfully submitted

NORFOLK SOUTHERN RAILWAY COMPANY

BY 
David A. Brown
Vice President - Strategic Planning
Norfolk Southern Railway Company

Dated: March 27, 2006

Of Counsel: James R. Paschall
Senior General Attorney
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, VA 23510

(757) 629-2759

VERIFICATION

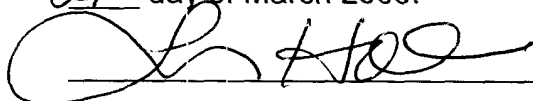
Commonwealth of Virginia)
) ss
City of Norfolk)

David A. Brown makes oath and says that he is Vice President-Strategic Planning of Norfolk Southern Railway Company; that he has been authorized by the petitioner Norfolk Southern Railway Company to verify and file with the Surface Transportation Board the foregoing petition in STB Docket No. AB-290 (Sub-No. 269X); that he has carefully examined all of the statements in the petition as well as the exhibits attached thereto and made a part thereof; that he has knowledge of the facts and matters relied upon in the petition; that he has obtained knowledge of certain facts from, and has relied in part upon, the business records of the company or persons with a business duty to keep those records accurately; and that all representations set forth in the petition and exhibits are true and correct to the best of his knowledge, information, and belief.



David A. Brown

Subscribed and sworn to before me, a notary public
in and for the State and City above named, this
24th day of March 2006.

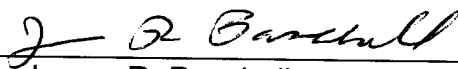


Notary Public

My commission expires: November 30, 2009

CERTIFICATE OF SERVICE

I certify that the foregoing petition in STB Docket No. AB-290 (Sub-No. 269X), has been served on Mr. William D. Barrett, President, H. B. Hunter Company, P. O. Box 1599, 1512 Brown Avenue, Norfolk, VA 23501-1599; Mr. John Y. Richardson City Attorney, City of Norfolk, City Hall, 810 Union Street, Norfolk, VA 23510; Corey W. Hill, Acting Director, Virginia Department of Rail and Public Transportation, 1313 East Main Street, Suite 300, P. O. Box 590, Richmond, VA 23218-0590; Theodore V. Morrison Jr., Chairman, Virginia State Corporation Commission, 1300 East Main Street, P.O. Box 1197, Richmond, VA 23218-1197; the United States Department of Defense, Military Traffic Management Command (MTMC TEA), Transportation Engineering Agency, Railroads for National Defense Program, 720 Thimble Shoals, Blvd., Suite 130, Newport News, VA 23606-2574; Mr. Tom Ross, Chief of National Recreation and Trails, U. S. Department of the Interior - National Park Service, Recreation Resources Assistance Division, P.O. Box 37127, Washington, D.C., 20013-7127; and U. S. Department of Agriculture, Chief of the Forest Service, 4th Floor N.W., Auditors' Building, 14th Street and Independence Avenue, S.W., Washington, D.C. 20250 on March 27, 2006, by first class mail, postage prepaid.


James R. Paschall

Dated: March 27, 2006

Federal Register: _____, 2006 (Volume 70, Number ____)]
[Notices]
[Page ____]

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board
[STB Docket No. AB-290 (Sub-No. 269X)]

Norfolk Southern Railway Company - Abandonment - Petition for Exemption - Between
Park Avenue and Tidewater Junction - In the City of Norfolk, Virginia

On March 28, 2006, Norfolk Southern Railway Company ("NSR") filed a petition with the Surface Transportation Board (the "Board" or "STB"), pursuant to the provisions of 49 U.S.C. 10502, as amended, and the Board's regulations at 49 CFR 1152 Subpart F – *Exempt Abandonments and Discontinuances of Service* for exemption from the prior approval requirements of 49 U.S.C. 10903 for NSR to discontinue rail service over a 1.63-mile line of railroad between Milepost VB-0.12 near Park Avenue and Milepost VB-1.75 in the City of Norfolk, Virginia. The Line traverses United States Postal Service Zip Codes 23502 and 23504. The Line serves the station of Tidewater Junction, VA.

The Line does not contain federally granted rights-of-way. Any documentation in NSR's possession will be made available promptly to those requesting it for purposes of this proceeding.

The interest of railroad employees will be protected by the conditions set forth in *Oregon Short Line R. Co.--Abandonment--Goshen*, 360 I.C.C. 91 (1979).

By issuance of this notice, the Board is instituting an exemption proceeding pursuant to 49 U.S.C. 10502(b). A final decision will be issued by _____, 2006.

The offer of financial assistance (OFA) provisions and procedures at 49 U.S.C. 10904 and 49 CFR 1152.27 to acquire the Line for continued rail service do not apply to a discontinuance of rail service although the OFA provisions for a subsidy to provide continued rail service for one year do apply. Any offer of financial assistance (OFA) under 49 C.F.R. 1152.27(b)(2) will be due no later than 10 days after service of a decision granting the petition for exemption. Each offer must be accompanied by a \$1,200.00 filing fee. See 49 C.F.R. 1002.2(f)(25).

Because this is a discontinuance proceeding and not an abandonment proceeding, trail use/rail banking and public use conditions are not appropriate.

All filings in response to this notice must refer to STB Docket Nos. AB-290 (Sub-No. 269X) and must be sent to: (1) Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001, and (2) James R. Paschall, Norfolk Southern Railway Company, Three Commercial Place, Norfolk, VA 23510.

Replies to the NSR petition are due on or before _____, 2006.

Persons seeking further information concerning abandonment procedures may contact the Board's Office of Public Services at (202) 565-1592 or refer to the full abandonment or discontinuance regulations at 49 C.F.R. part 1152. Questions concerning environmental issues may be directed to the Board's Section of Environmental Analysis (SEA) at (202) 565-1545. [TDD for the hearing impaired is available at 1-800-877-8339.]

Because this is a discontinuance proceeding and not an abandonment

VERIFIED STATEMENT
OF
STEPHEN H. MORRELL

My name is Stephen H. Morrell. I am employed by Norfolk Southern Corporation (NS) in the capacity of Director Engineering Cost and Systems. My office is in Atlanta, Georgia. I have been employed by NS or an NS subsidiary since 1979 and have occupied my present position since October 1993. I previously occupied the positions of Senior Cost Analyst, Manager Planning and Special Projects and System Manager Costs. I have a BA in Economics from Tufts University and an MBA in Finance from Northeastern University. Since October 2003, I have been responsible for the preparation of engineering cost estimates for abandonment applications filed by NS' railroad subsidiaries.

I prepared the engineering maintenance and rehabilitation cost estimates used in the financial exhibits to the Petition for Exemption of the discontinuance of service on Norfolk Southern Railway Company's line between MP VB 0.12 near Park Avenue and MP VB 1.75 at Tidewater Junction in Norfolk, Virginia and I am sponsoring those figures.

The line was laid with 80# jointed standard rail prior to 1970; the westernmost one-half mile was last timbered and surfaced¹ in 1975; the remainder in 1988. There is one bridge on the line segment, a 52 foot open deck timber trestle over Ohio Creek at milepost VB 0.90. There are four public crossings on Norfolk city streets at grade, three

¹ *Timbering* refers to the replacement of defective cross ties; *surfacing* refers to restoration of the track's cross level and vertical alignment.

of which are protected by flashing lights. At milepost VB 0.30 the line crosses Brambleton Avenue, a four lane street divided by a median.

This line is currently in excepted status, and has been since the early 1990's. In order to assess the condition of the line and accurately estimate the magnitude of the rehabilitation required, I inspected the entire line on January 11, 2006 with Frank Wall, the Assistant Track Supervisor. The Assistant Track Supervisor is responsible for scheduled inspections and minor maintenance on assigned track segments.

I will discuss below two separate estimates of engineering costs: First, the cost of the immediate rehabilitation of the line which, in our opinion, would be required if this line were to continue in operation; and second, the average annual cost of normalized maintenance required thereafter. Both of these cost estimates relate to the restoration and maintenance of the line to Federal Railroad Administration (FRA) Class I track safety standards set forth in 49 CFR Part 213, which would permit operation of the line at track speeds not greater than ten miles per hour.

The costs, production rates and other parameters embodied in these estimates were developed from company records maintained in the normal course of conducting business. Rehabilitation costs discussed below were calculated in accordance with 49 CFR § 1152.32(m)(1)(i).

Rehabilitation

Rehabilitation of the line is estimated to cost \$165,100. A detailed itemization is provided in Appendix 1. It will be necessary to timber and surface 1.63 miles of main track, using 600 new Grade 3 crossties and 1,000 tons of ballast per mile. This is within the FRA Class I standard which requires 5 to 7 good ties every 39 feet. The poor tie condition results from the majority of the segment not having been timbered and surfaced in 17 years. Normal timber and surfacing on a geographically similar segment with a density of 1 MGT per year would occur every 8 years. This work will be done by a production system gang using efficient track equipment. NS practice is to have a single mechanized gang perform both timbering and surfacing.

Normalized Maintenance

The Normalized maintenance projection for the line is Exhibit 6 to the Petition. Maintenance tasks itemized in the Projection are divided into two categories: Routine work and Program work. Program work typically involves more significant projects which provide a multi-year benefit, while routine work is smaller in scale and shorter in the duration of benefits. It encompasses day-to-day maintenance and periodic inspections of roadway, bridges and signals. The total estimated cost of all items over a ten year horizon is averaged to calculate an annual normalized cost.

Routine Work

Routine work includes weekly inspection of the line in accordance with FRA regulations, general track repairs, such as gauging, spot surfacing, sinkhole repair, periodic testing of the rail to detect internal defects, and vegetation control to prevent fouling of ballast. Various routine bridge repairs are also required, as are periodic testing and maintenance of the crossing signals at the three public crossings on the segment as required by FRA regulations.

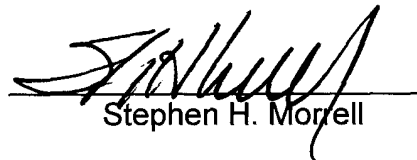
Program Work

Following rehabilitation of the line, a normal cycle for timbering and surfacing this line is 8 years, and thus timbering and surfacing is projected for year 8.

Verification

I, Stephen H. Morrell, verify under penalty of perjury that I am Director Engineering Cost and Systems of Norfolk Southern Corporation, that I have read the foregoing document and know its contents, and that the same is true and correct to the best of my knowledge and belief.

Executed on February 6, 2006



Stephen H. Morrell

**Norfolk Southern Railway Company
Norfolk, VA**

Appendix 1

Rehabilitation Estimate

CAPITAL REHABILITATION ESTIMATE

Virginia Division line VB 0.12 -VB 1.75

T&S	\$149,800
DITCHING	\$1,500
SWITCH TIES	<u>\$13,800</u>
TOTAL	\$165,100

T&S OPERATIONS - CAPITAL AFE ESTIMATE

Virginia Division line VB 0.12 -VB 1.75

MILES	1.63
	0.00
	1.63

T & S G A N G (37-MAN)

Production rate: (miles per day)
Number of days

0.60
3

1.63 miles

DIRECT COSTS:

TOTAL COST

Wages - BMW			\$22,600
Expense reimbursements			\$5,700
Crossties, new 6"	600 per mile	\$21.62	\$21,100
Crossties, relay	400 per mile	\$0.00	\$0
Ballast (97-111)	1,000 tons per mile	\$5.25	\$8,600
Plates-14 3/4 " New	6,500 per mile	\$6.77	\$0
Switch ties (incl in turnouts)	0 per mile	\$49.45	\$0
Track spikes	20 kegs per mile	\$71.54	\$2,300
Meals			\$2,800
Other material & expenses			\$11,300
Sub-Total			\$74,400

LABOR ADDITIVES / FRINGES

FREIGHT - TIES	53.10%	\$12,000
FREIGHT - BALLAST	6.64%	\$1,400
FREIGHT - OTHER	35.91%	\$3,100
Sub-Total	1.93%	\$0
		\$16,500

TOTAL

\$90,900

DIVISION SUPPORT

BMW

Unload ballast			\$500
T&S support, including switch-ties	1.63 miles		\$3,100
Fringes		53.10%	\$1,900
Small tools, miscellaneous expenses			\$400
Expense reimbursements			\$500
			\$6,400

TOTAL

\$6,400

T&S OPERATIONS - CAPITAL AFE ESTIMATE

Virginia Division line VB 0.12 -VB 1.75

MILES	1.63
	<u>0.00</u>
	1.63

C & S SUPPORT

Routine C&S work with production T&S gang	\$300 PER MILE	\$500
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GRADE CROSSINGS

0 FEET	0	PRIVATE XINGS @	10	FT / XING
48 FEET	2	EPFLEX PUBLIC XINGS @	24	FT / XING
160 FEET	2	EPFLEX PUBLIC XINGS @	80	FT / XING

MATERIAL

416 Feet Epflex Rubber	\$42.34	\$17,600
2 Tons Asphalt	\$38.00	\$100
275 Tons Asphalt (Temporary xings)	\$38.00	\$10,500
0 Xing Timbers	\$48.00	\$0
0 Drive Spikes	\$0.80	\$0
0 Tons Asphalt	\$38.00	\$0
		<u>\$28,200</u>

CONTRACTOR

Public	208 Rubber Feet Worked	\$51.73	\$10,800
	139 Crossties In/Out	\$12.17	\$1,700
	550 Haul Asphalt In/Out	\$11.16	\$6,100
	208 Feet Cribbing	\$10.14	\$2,100
Private	0 Feet Worked	\$46.00	\$0
	0 Crossties In/Out	\$12.17	\$0
	0 Haul Asphalt In/Out	\$11.16	\$0
	0 Feet Cribbing	\$10.14	\$0
			<u>\$20,700</u>

ASPHALT DISPOSAL	33.00%	91 TONS	\$27.00	\$2,500
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FLAGGING				\$500
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ADDITIVES				<u>\$100</u>
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TOTAL				\$52,000
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T&S OPERATIONS - CAPITAL AFE ESTIMATE

Virginia Division line VB 0.12 -VB 1.75

MILES	1.63
	<u>0.00</u>
	1.63

SUMMARY

(1)	TIMBER & SURFACE	\$90,900
(2)	DIVISION SUPPORT	\$6,400
(4)	COMMUNICATION & SIGNAL - TRACK WORK SUPPORT	\$500
(5)	GRADE CROSSING RENEWAL	\$52,000
	TOTAL	\$149,800

MISCELLANEOUS OPERATIONS - AFE ESTIMATE

Virginia Division line VB 0.12 -VB 1.75

DITCHING

1/2 mile would need to be done.

DIRECT COSTS

BMW - Wages	2 Days/2 men	\$600
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LABOR ADDITIVES	53.10%	\$300
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SUPPLIES/MAINT

Fuel	Gradall	\$265.00 /day	\$600
	Truck	\$25.35 /day	

TOTAL	\$1,500
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TURNOUTS AND SWITCH TIES

0 #10 Turnouts replaced
2 #10 Turnouts removed
4 Sets Switch Timber for #10 turnout

DIRECT COSTS

BMW - Wages	0 Day replacement 5 men	\$0
	2 Day ea removal 5 men	\$3,000
	2 Days ea Timber 5 men	\$5,900

LABOR ADDITIVES	Capital - Replace	53.10%	\$3,100
	Expense - Removal	60.00%	\$1,800

MATERIAL

Turnouts	0 each	\$23,200.00	\$0
Tie Sets	2 sets	\$3,444.00	\$6,900
Material Additive		4.05%	\$300

TOTAL	\$13,800
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VERIFIED STATEMENT
OF
MARCELLUS C. KIRCHNER

My name is Marcellus C. Kirchner. I am employed by Norfolk Southern Corporation (NS) in the capacity of Director Strategic Planning. My office is in Norfolk, Virginia. I have been employed by NS or an NS subsidiary since 1978 and have occupied my present position since January 1993. I previously occupied the positions of Director Human Resources and Director Labor Relations. I have a Bachelor of Arts degree, *cum laude*, from Duke University and a Master of Business Administration degree from Cornell University. Since April 2004, the responsibilities of my present position have included the preparation of economic exhibits to support abandonment filings made by NS' railroad subsidiaries.

My office prepared Exhibits 2, 3 and 4 (Financial Exhibits) to the Petition for Exemption of the discontinuance of service on Norfolk Southern Railway Company's line between MP VB 0.12 near Park Avenue and MP VB 1.75 at Tidewater Junction in Norfolk, Virginia and I am sponsoring those exhibits.

The Financial Exhibits illustrate the branch's revenues, expenses and opportunity costs for the Base and Forecast years, and are based on a *pro forma* operation of the line. The Financial Exhibits, as well as this statement, incorporate information gathered from a variety of NS departments which is maintained in the ordinary course of business by custodians who have a business duty to do so.

The branch serves a single low-volume customer located at the western end of the line at milepost VB 0.12. Exhibit 2 shows that the H. B. Hunter Company ("Hunter") receives approximately one car of corn syrup per month. As discussed in the verified statement of Stephen H. Morrell ("VS Morrell"), substantial rehabilitation of the branch would be required for it to continue in operation.

The Base Year is October 2004 through September 2005. In accordance with the Board's regulations found at 49 CFR §1152.2(h), the Forecast Year is March 2006 through February 2007.

Line 17 on Exhibit 3 shows that the branch's loss was \$8,381 for the Base Year and a loss of \$8,585 is projected for the Forecast Year. The opportunity cost for the branch totaling \$7,481 as shown in Exhibit 4 is not included in these losses. Also, in the forecast year, \$4,477 total return on value, which must be considered as a cost of operating this branch, is not included in the avoidable losses shown on Line 17.

I do not believe that this line can be operated profitably. The operating loss per revenue carload for the forecast year is \$715.¹ Moreover, this operating loss does not include any part of the rehabilitation costs of \$165,100 which would be required to be expended during the Forecast Year in order to for the branch to remain open to traffic. VS Morrell, page 2.

¹ Exhibit 3, line 17's \$8,585 loss projected during the forecast year divided by 12 revenue carloads equals \$715 loss per carload.

Revenue attributable (lines 1-4)

Revenues attributable to the branch were developed from sources that are available in the normal course of conducting business. The settled carload freight revenue of \$31,902 and each carload's related statistical information which includes the origin, destination, commodity, lading weight, car type, class of traffic and rail miles, were developed from NS' Traffic History databases. Carloads and tons for the 12 cars terminated during the Base Year are shown in Exhibit 2 which is attached to the Petition.

Forecast year carloads attributable to the branch are assumed to be the same as for the base year. Forecast year revenues were developed by indexing the base year revenues using the Gross Domestic Product Implicit Price Deflator, Seasonally Adjusted, Quarterly Series, 2000=100 (GDP Deflator). GDP Deflator values for the period encompassing the base year were derived from quarterly data published by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). Forecast year GDP Deflator values were derived from forecasted values for the four quarters ending with the quarter in which the forecast year terminates. Forecast year GDP deflator projected values were provided by Global Insight (formerly DRI). The composite GDP Deflators thus produced for the base and forecast years, respectively, are 111.3171 and 115.4682. The adjustment factor thus produced is 3.73%.² The indexed forecast year revenue is therefore \$33,092.

² $(115.4682/111.3171)-1$

Maintenance of Way and Structures expense (line 5a)

The calculation of the normalized maintenance expense included in Exhibit 3, line 5a, is discussed in VS Morrell. The Forecast Year expense, which is expressed in Exhibit 3 at 2006 levels, is \$20,770. The Base Year normalized maintenance expense of \$20,128 is calculated by indexing the Forecast Year figure using the GDP Deflator³.

Locomotive replacement cost

Locomotive replacement cost is determined in accordance with the Board's regulations found at 49 CFR §1152.32(o) (1). GMA Horsepower Classification Category 5 locomotives are used on the branch. The last acquisition by NSR of a locomotive in this category occurred in 1980. NSR's accounting department has supplied the original acquisition cost of this last unit, which is \$791,186. This original acquisition cost has been indexed to the base and forecast years using the U.S. Department of Labor, Bureau of Labor Statistics monthly Producer Price Index – Railroad Equipment, 1982=100 (PPI-RE). The composite PPI-RE for the months comprising the base year is 157.08. The average of forecasted values for PPI-RE for March through June 2006 as contained in the Association of American Railroads (AAR) submission to the Board for the first quarter 2006 Rail Cost Adjustment Factor (RCAF), which is 181.10, has been used as a proxy for the forecast year PPI-RE. The 1980 index value in the PPI-RE series 1982=100 is 90.4. The base and forecast year locomotive replacement costs thus produced are \$1,374,773⁴ and \$1,584,998⁵, respectively.

³ The adjustment factor is -3.10%, produced using 111.3171, the Base Year composite GDP Deflator and 114.8785, the 2006 composite predicted GDP Deflator.

⁴ \$791,186x157.08/90.4

⁵ \$791,186x181.1/90.4

Maintenance of equipment (line 5b)

Maintenance of equipment expenses included in Exhibit 3 were developed in accordance with the Board's regulations found at 49 CFR §1152.32(o) and 49 CFR §1152.33(b) (1) (2) and (3). Train operations are discussed in the Transportation section below.

Locomotive repair and maintenance expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(b) (1).

The maintenance of equipment fringe benefits cost was calculated in accordance with 49 CFR §1152.33(b) (3). The fringe benefit rate thus calculated for the base year is 37.71%.

The locomotive depreciation expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.32(o) and 49 CFR §1152.33(b) (2). The NSR composite locomotive depreciation rate specified in 49 CFR §1152.32(o) (2) is 3.58% for 2004, the latest year for which Form R-1 data is available, and according to information developed from NSR's Locomotive Information System, the average age of Category 5 locomotives in 2005 was 31.2 years. As 3.58% times 31.2 exceeds 100%, Category 5 locomotives are considered fully depreciated and have a zero book value for the purpose of these calculations, and thus the depreciation expense is zero.

Transportation (line 5c)

Transportation expenses included in Exhibit 2 were developed for the *pro forma* train operations in accordance with the Board's regulations. During the base year Hunter, the sole customer on the line, was switched 24 times to deliver the twelve loaded cars and to pick up each resulting empty car. When service is required, Hunter usually is switched by job NP 44 which goes on and off duty at Portlock Yard. The job, which has a three-person crew and uses one four-axle locomotive, goes on and off branch at Tidewater Junction (milepost VB 1.75). Round trip *pro forma* time on branch to serve Hunter is fifty minutes, including switching at Hunter and round trip transit time at ten miles per hour, which is the maximum speed for FRA Class I track. In actuality, transit time on the branch is slower due to track conditions. The equivalent of 2.48 basic days was required in the aggregate for the 24 trips, and the base year crew cost of \$1,966 was calculated using the average daily compensation for that crew during the base year. Forecast year crew costs were developed by indexing base year costs by the GDP deflator

Expenses for engine and train crew materials, train inspection and lubrication labor and materials were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c)(1)(i). Forecast year expenses for engine and train crew materials, train inspection and lubrication labor and materials were developed by indexing base year expenses by the GDP deflator.

Locomotive fuel expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c) (1) (ii). Forecast year locomotive fuel expenses were developed by indexing base year expenses by the GDP deflator.

Locomotive servicing expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c) (1) (iv). Forecast year locomotive servicing expenses were developed by indexing base year expenses by the GDP deflator.

Transportation fringe benefit costs were calculated in accordance with the Board's regulations found at 49 CFR §1152.33(c) (4) (i). The fringe benefit rate thus calculated for the base year is 32.16%. Forecast year fringe benefit costs were developed by indexing base year expenses by the GDP deflator.

Freight car costs (lines 5g and 5i)

Freight car costs calculations required the development of separate unit mileage-based car cost factors by car type. The Costs Department developed those factors in accordance with the Board's regulations found at 49 CFR §1152.32(g).

My office developed the car miles on-branch for the line's traffic and calculated the mileage-based freight car costs applicable to the private cars used in this service. As only private cars were employed in this service, there are no time-based car costs. Forecast year freight car costs were developed by indexing base year costs by the GDP deflator.

Return on value for locomotives (line 5h)

Locomotive return on value expenses were calculated in accordance with the Board's regulations found at 49 CFR §1152.32(h). Locomotive purchase cost is discussed above in the section captioned, Transportation. Because book value for

Category 5 locomotives is zero for the purpose of these calculations, return on value expense for locomotives is also zero.

Off-branch costs (line 6)

The Costs Department developed off-branch unit costs and calculated the off-branch costs in accordance with the Board's regulations found at 49 CFR §1152.32(n). Forecast year off-branch costs were indexed by the GDP Deflator.

Valuation of property (lines 12a, b and c)

The valuation of property (lines 12a, b and c) is the sum of working capital and net liquidation value less income tax consequences.

Working capital expenses for the forecast year were calculated in accordance with the Board's regulations found at 49 CFR §1152.34(c)(1)(i) for the branch by calculating forecast year on-branch avoidable costs less locomotive depreciation and freight car depreciation and then multiplying the result by 15/365 or 0.0411 to produce 15 days' worth:

A. On-branch avoidable costs (Exhibit 3, line 5(l))	\$24,547
B. Locomotive depreciation	0
C. Freight car depreciation	<u>0</u>
D. Avoidable costs less depreciation (A-B-C)	24,547
E. Working capital (D x 0.041)	\$1,006

Income tax consequences are \$22,604, the estimated net liquidation value of the track at the end of the forecast year, \$61,092, multiplied by 37%, the composite federal and state tax income rate.

The net liquidation value is the sum of the net salvage value of the track and structures on the right-of-way plus the net liquidation value of the right-of-way land which is held in fee for the branch. The current net salvage value of the track and structures for the line is \$59,696 (Exhibit 5). Although the underlying land has considerable value, it is not included in the net liquidation value calculation as it is not necessary in this case. The total current net liquidation value of the track materials is \$59,696. The net liquidation value is adjusted for a holding gain projected to occur during the forecast year. A figure of 2.3%, developed using predicted changes in the GDP Deflator during the forecast year, was applied to the current net liquidation value to produce the estimated holding gain, \$1,369. The net liquidation value at the end of the forecast year is thus \$61,092 (\$59,696 + \$1,396).

Nominal rate of return and nominal return on road properties (lines 13 and 14)

The nominal rate of return, Exhibit 3, line 13, was calculated in accordance with the Board's decision in Railroad Cost of Capital – 2004, *Ex Parte* No. 558 (Sub-No. 8), served June 30, 2005 and the Board's regulations found at 49 CFR §1152.34(d). The current nominal before tax cost of capital rate thus calculated is 14.87%.

The nominal return on road properties, Exhibit 3, line 14, was calculated by multiplying the current valuation of property (line 12) by 14.87%.

Holding gain (loss) on road properties (line 15)

As discussed in the Valuation of Property section above, the estimated holding gain during the forecast year is \$1,396.

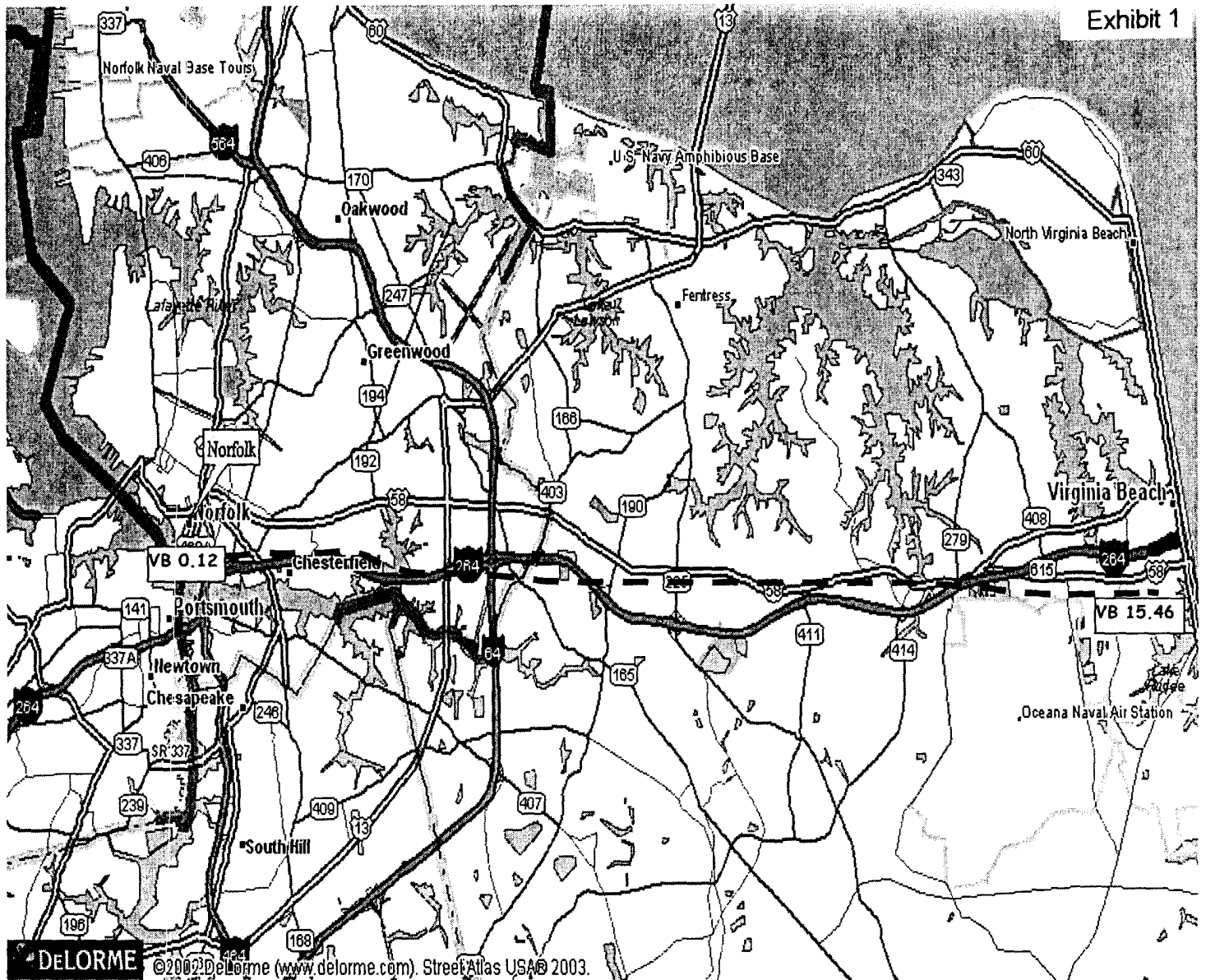
Verification

I, Marcellus C. Kirchner, verify under penalty of perjury that I am Director Strategic Planning of Norfolk Southern Corporation, that I have read the foregoing document and know its contents, and that the same is true and correct to the best of my knowledge and belief.

Executed on March 22, 2006

A handwritten signature in black ink, appearing to read 'M. Kirchner', written over a horizontal line.

Marcellus C. Kirchner



Norfolk Southern Railway Company
Abandonment: Norfolk – Virginia Beach, VA
Mileposts VB 0.12 to VB 15.46

Docket No. AB 290 (Sub-No. 269X)

COMMODITIES BY CARLOADS AND TONNAGE
49 C.F.R. § 1152.22(e)(2)

Commodity	2003		2004		Year Ending September 2005 (Base year)		2005	
	Cars	Tons	Cars	Tons	Cars	Tons	Cars	Tons
Corn Syrup, Unmixed	11	1,093	13	1,294	12	1,194	12	1,195
Totals:	11	1,093	13	1,294	12	1,194	12	1,195

Sole customer on line:

H. B. Hunter Company
 1512 Brown Avenue
 Norfolk, Virginia 23504
 (757) 664-5200

Docket No. AB 290 (Sub-No. 269X)
Norfolk Southern Railway Company
Pro Forma Income Statement

Railway operating revenues and expenses* based on operation at Norfolk, VA between Milepost VB 0.12 and Milepost VB 1.75, a distance of 1.63 miles.

	<u>BASE YEAR 1/</u>	<u>FORECAST YEAR 2/</u>
CARLOADS	12	12
REVENUES ATTRIBUTABLE FOR:		
1 Freight Originating and/or Terminating on branch	\$31,902	\$33,092
2 Bridge Traffic		
3 All other Revenue and Income	0	0
4 TOTAL ATTRIBUTABLE REVENUE (Lines 1 through 3) (a)	\$31,902	\$33,092
AVOIDABLE COSTS FOR:		
5 ON BRANCH COSTS:		
a. Way and Structures (b)	\$20,126	\$20,770
b. Equipment (c)	117	120
c. Transportation (d)	3,521	3,652
d. General and Administrative	0	0
e. Deadheading, Taxi and Hotel	0	0
f. Overhead Movement	0	0
g. Freight Car Costs (Other Than Return)	5	5
h. Return on Value - Locomotives	0	0
i. Return on Value - Freight Cars	0	0
j. Revenue Taxes	0	0
k. Property Taxes	0	0
l. TOTAL (Lines 5a through 5k)	23,769	24,547
m. Holding Gain (Loss) - Locomotives	0	0
n. Holding Gain (Loss) - Freight Cars	0	0
o. NET ON-BRANCH COSTS (Lines 5l - (5m + 5n))	\$23,769	\$24,547
6 OFF-BRANCH COSTS:		
a. Off-Branch Costs (Other Than Return)	16,514	17,130
b. Return on Value - Freight Cars	0	0
c. Holding Gain (Loss) - Freight Cars		0
d. NET OFF-BRANCH COSTS (Lines 6a + 6b - 6c)	16,514	17,130
TOTAL AVOIDABLE COSTS (Lines 5o + 6d)	\$40,283	\$41,677
SUBSIDIZATION COSTS FOR:		
8 Rehabilitation		\$165,100
9 Administrative Costs (Subsidy Year only) (See Note 1)		0
10 Casualty Reserve Account (See Note 1)		0
11 TOTAL SUBSIDIZATION COST (Lines 8 through 10)		165,100
12 Valuation of road properties (See Note 2)		
a. Working Capital		1,006
b. Income Tax Consequences		(22,604)
c. Net Liquidation Value		61,092
d. TOTAL (Lines 12a through 12c)		39,494
13 Nominal Rate of Return (See Note 3)		14.87%
14 Nominal Return on Value (Line 12d x Line 13)		5,873
15 Holding gain (Loss) on road properties (See Note 4)		1,396
16 TOTAL RETURN ON VALUE (Line 14 - Line 15)		4,477
17 AVOIDABLE LOSS (PROFIT) FROM OPERATIONS (Line 7 - Line 4)	\$8,381	\$8,585
18 AVOIDABLE LOSS (PROFIT) INCLUDING RETURN ON VALUE (Line 7 - Line 4 + Line 16)		13,062
19 AVOIDABLE LOSS (PROFIT) INCLUDING SUBSIDIZATION COSTS & RETURN ON VALUE (Line 7 - Line 4 + Line 11 + Line 16)		178,162

* Derived from Norfolk Southern Corporation (NS) combined railroad subsidiaries information.

1. October 2004 - September 2005 is the Base Year.

2. March 2006 - February 2007 is the Forecast Year. Subsidy Year figures are the same as for the Forecast Year.

Norfolk Southern Railway Company
Pro Forma Income Statement

Operation in Norfolk, Virginia between milepost VB 0.12 and Milepost VB 1.75

- (a) Base year attributable branch traffic and revenues are for 12 carloads which terminated on the branch. For an explanation of revenues attributable, please see the verified statement of Marcellus C. Kirchner (VS Kirchner), page 3.
- (b) The normalized annual Way and Structures (WS) expenses to operate the branch line from milepost VB 0.12 to milepost VB 1.75, at the FRA Class I track and safety standards for the forecast year are \$20,770. For an explanation of the derivation of the normalized WS expenses, please see the verified statement of Stephen H. Morrell. WS expenses to operate the line segment for the base year are \$20,126, derived from the forecast year expense adjusted using the GDP deflator as described in VS Kirchner, page 4.
- (c) Equipment includes repairs and maintenance of locomotives, totaling \$104, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(b)(1), and fringe benefits, totaling \$13, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(b)(3), totaling \$117 for the base year and \$120 for the forecast year, derived from the base year expense adjusted using the GDP deflator.
- (d) Base year transportation expenses include the train and engine crew labor, totaling \$2,599 (including fringe benefits), which is calculated based on the actual cost of the crew, train inspection and lubrication, totaling \$17, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(i), locomotive fuel, totaling \$879, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(ii), and servicing locomotives, totaling \$26, which is calculated in accordance with provisions of 49 C.F.R. §1152.33(c)(1)(iv), totaling \$3,521 for the base year.
- (d) Forecast year transportation expenses, include the train and engine crew labor, totaling \$2,695 (including fringe benefits), train inspection and lubrication, totaling \$18, locomotive fuel, totaling 912, and servicing locomotives, totaling \$27, totaling \$3,652 for the forecast year, derived from the base year expense adjusted using the GDP deflator. See VS Kirchner, page 6.

Note 1. Omitted in accordance with provisions of Footnote 2 in 49 C.F.R. §1152.36.

Note 2. Total valuation of properties is the sum of working capital, income tax consequences and net liquidation value (NLV). Working capital is calculated in accordance with provisions of 49 C.F.R. §1152.34(c)(1)(i). The forecast year estimated income tax consequences are \$22,604; 61,092, the net liquidation value at the end of the forecast year of the track and structures on the line between mileposts VB 0.12 and VB 1.75, multiplied by the 37% composite tax rate. The fair market value of right-of-way land is not included in the NLV calculation.

Note 3. The nominal before tax cost of capital rate of 14.87% is based on Railroad Cost of Capital - 2004, Ex Parte No. 558 (Sub-No. 8), Service Date June 30, 2005, decided June 21, 2005.

Note 4. Holding gain (loss) on road properties is calculated in accordance with provisions of 49 C.F.R.1152.34(e). See VS Kirchner, page 9.

Norfolk Southern Railway Company
Opportunity Cost Statement

Operation in Norfolk, Virginia between milepost VB 0.12 and Milepost VB 1.75

1.	Current net liquidation value	\$	59,696 ¹
2.	Cost of capital		x <u>.1487</u> ²
3.	Nominal opportunity cost (Line 1 times line 2)	\$	8,877
4.	Holding gain (loss)		1,396 ¹
5.	Opportunity cost (Line 3 less line 4)	\$	7,481

¹ \$59,696 is the current net liquidation value for the track and structures on the line. Using \$61,092 as the net liquidation value for the line at the end of the forecast year produces a holding gain of \$1,396.

² Based on Railroad Cost of Capital - 2004, Ex Parte No. 558 (Sub-No. 8), Service Date June 30, 2005, the nominal before tax cost of capital is 14.87%.

NET LIQUIDATION VALUE ESTIMATE

Exhibit 5

Norfolk, Virginia
VB 0.12 - VB 1.75

1.63 MILES OF MAIN TRACK

GROSS VALUE:	ITEM	QUANTITY	UNIT	UNIT VALUE	GROSS VALUE
	80 #RAIL:	1.63 MI.	207 NT @	\$280 /NT =	\$57,960
	#OTM :		85 NT @	\$265 /NT =	\$22,406
	TURNOUTS :		3 EA @	\$2,000 EA =	\$6,000
	CROSSTIES:	10 %	516 EA @	\$5.00 EA =	\$2,580
-					
GROSS VALUE SUBTOTAL =					\$88,946

REMOVAL COSTS:

REMOVE TRACK AND REPAIR					
	GRADE CROSSINGS:	1.63 MI. @	\$15,000 /MI.=		(\$24,450)
	REMOVE TURNOUTS:	3 EA @	\$500 EA =		(\$1,500)
	HANDLING COSTS:	330 NT @	\$10.00 /NT =		(\$3,300)
-					
REMOVAL COSTS SUBTOTAL =					(\$29,250)

ESTIMATED NET LIQUIDATION VALUE = \$59,696
Norfolk, Virginia

\$36,623 PER MILE

1.63 MILES OF MAIN TRACK

NLV OF TRACK MATERIALS ONLY

NOTE: Scrap valuation is based on averages of Chicago Market Index prices per ton as published at the beginning of each month in the publication, *American Metal Market*, which are validated by polling current buyers of NSR scrap..

EXHIBIT 7

ENVIRONMENTAL AND HISTORIC REPORTS

**ENVIRONMENTAL REPORT ON
PROPOSED RAIL LINE ABANDONMENT**

**NORFOLK SOUTHERN RAILWAY COMPANY
(BETWEEN MP VB 0.12 AND MP VB 15.46
FROM NORFOLK TO OLDFIELD, VIRGINIA)**

February 15, 2006
Revised March 23, 2006

.....
**NORFOLK SOUTHERN RAILWAY COMPANY
THREE COMMERCIAL PLACE
NORFOLK, VIRGINIA 23510-9207**

ENVIRONMENTAL REPORT ON PROPOSED RAIL LINE ABANDONMENT

**Abandonment of: 15.34 miles of track between Milepost VB 0.12 in Norfolk, and
Milepost VB 15.46 in Oldfield (Virginia Beach), Virginia**

1. PROPOSED ACTION AND ALTERNATIVES

Norfolk Southern Railway Company (hereinafter called NSR) proposes to abandon 15.34 miles of rail line between the stations of Norfolk and Oldfield, located in Norfolk, Virginia and Virginia Beach, Virginia respectively. A map delineating the line proposed for abandonment is attached as **Appendix A**.

The alternatives to abandonment of the entire line are:

1. to not abandon; or
2. to discontinue service over the active segment of the line and retain the track in place.

These alternatives are not satisfactory. Service on the portion of the line between Milepost VB 1.75 and Milepost VB 15.46 was discontinued effective December 30, 2004 in accordance with the Surface Transportation Board's Decision served November 30, 2004 in Docket No. AB-290 (Sub-No. 258X). There has been no traffic on this segment for over three years.. NSR would incur opportunity and other holding costs that would need to be covered by other customers were this segment of the line to be reactivated.

The remaining portion of the line between Milepost VB 0.12 and Milepost VB 1.75 is used to serve a single low-volume freight customer located at the western end of the line at Milepost VB 0.12. A substantial rehabilitation expense would be required to maintain service and continue operations.

The segment of the line located within the City of Norfolk, between Milepost VB 4.8 and its western terminus at Milepost VB 0.12, is the subject of a Memorandum of Understanding in which the City of Norfolk would acquire the right of way following abandonment for use as a public transit corridor. No salvage would occur on the Norfolk segment, as it would be acquired with track, bridges and other improvements intact. Once abandoned, the remainder of the line between Milepost VB 4.8 and its eastern terminus at Milepost VB 15.46 could be salvaged of track and materials and the property sold to be put to a more productive use. Such uses could include an extension of the planned light rail transit system or other public uses such as walking or biking trails, a trolley line or a dedicated bus lane. Any of these potential uses would produce long-term environmental and social benefits.

NSR has been in discussions with the City of Virginia Beach and the Virginia Department of Transportation for a considerable period of time concerning the appropriate handling of replacement of the crossing at grade where South Great Neck Road/London Bridge Road intersects the discontinued portion of the line at milepost VB 12.45. NSR recently has learned that one of the governmental entities apparently removed the rail at the crossing as part of their repair of the road without its consent.

Subsequent to the distribution of this report, the City Manager of Virginia Beach advised Norfolk Southern that the Virginia Department of Transportation (VDOT) managed the design and construction of the road project for which the crossing was removed and that the Richmond VDOT office could provide further information about the road project.

NSR's letter to federal, state and local government agencies is attached as **Appendix B**. Responses to the letter or other comments received as a result of consultations can be found in **Appendix C**.

2. TRANSPORTATION SYSTEM

Effects of the proposed action on regional or local transportation systems and patterns are expected to be negligible. The one active customer on the western end of the line receives approximately one car per month; consequently, very little traffic will be diverted to highway as a result of the abandonment. The implementation of a public transit corridor within the City of Norfolk, Virginia would improve local transportation options which may result in the diversion of street and highway traffic to passenger rail. In addition, the City of Virginia Beach would like to see the Virginia Beach segment of the right-of-way preserved for future use as a public transit corridor.

Subsequent to the distribution of this report, VDOT advised that it found no conflicts with current or future construction projects, but did request close coordination of land use, traffic control, and work zone safety issues.

3. LAND USE

(i) Land Use Plans

The proposed abandonment involves 15.34 miles of rail line located in the City of Norfolk, Virginia and the City of Virginia Beach, Virginia. The land along this line is 35% unimproved, 37% residential, 20% industrial and 8% forest. NSR believes impacts to land use by the proposed rail line abandonment will be negligible.

An outline of future land use plans has been requested from the Director of the Department of Planning and Community Development in the City of Norfolk. In addition, the agency was asked to comment on the consistency of the proposed abandonment with existing land use plans. The Department of Planning and Community Development in the City of

Norfolk responded favorably to the proposed action, stating that the action is consistent with city plans for the segment within Norfolk city limits from MP VB 0.12 to MP VB 4.8. The City Manager of Virginia Beach provided Norfolk Southern with excerpts from the City's 2003 Comprehensive Plan, a copy of the City's Master Transportation Plan Map, and excerpts from the City's 2004 Bikeways and Trails Plan. The segment within Virginia Beach city limits from MP VB 4.8 to MP VB 15.46 has been identified by the City as an area to be protected for future transportation options.

Subsequent to the distribution of this report, the City Manager of Virginia Beach advised Norfolk Southern of various utility facilities existing within or near the right-of-way and requested consultation prior to invasive work to prevent damage to water and sewage lines.

(ii) Prime Agricultural Lands

Based on consultation with the United States Department of Agriculture Natural Resources Conservation Service, no effects on prime agricultural land are anticipated as a result of the abandonment. There are no prime agricultural lands located near this segment of rail.

(iii) Coastal Zone

The line proposed for abandonment is within the Commonwealth of Virginia's coastal zone. The Virginia Coastal Program, a division of the Virginia Department of Environmental Quality, has been notified of the proposed rail line abandonment and consultation has been requested to ensure the action is consistent with Virginia's coastal zone management plan.

Subsequent to the distribution of this report, the Virginia Department of Environmental Quality Office of Environmental Impact Review evaluated the proposed abandonment under the Coastal Zone Management Act and did not state any concerns or inconsistencies with the coastal zone management plan and the proposed project.

(iv) Alternative Public Use

The right-of-way should be suitable for alternative use. As discussed above, the segment of the line located within the City of Norfolk, between Milepost VB 4.8 and Milepost VB 0.12, is the subject of a Memorandum of Understanding in which the City would acquire the right-of-way following abandonment for use as a public transit corridor. In addition, the City of Virginia Beach has identified the segment of the line located within the City MP VB 4.8 to MP VB 15.46 as suitable for public use for transportation purposes.

4. ENERGY

(i) Development and Transportation of Energy Resources

There has been no freight movement of energy resources on the line proposed for abandonment; therefore, there will not be an effect on the shipment of these commodities.

(ii) Movement/Recovery of Recyclable Commodities

There has been no freight movement or recovery of recyclable commodities on the line proposed for abandonment; therefore, there will not be an effect on the shipment of these commodities.

(iii) Impact on Energy Efficiency

Twelve and thirteen carloads, respectively, were received by the sole active customer on this line during the twelve month periods ending in September 2005 and September 2004. Diversion of this traffic to streets and highways would produce no significant energy impacts.

(iv) Diversion of Traffic to Motor Carriers

The diversion of traffic to motor carriers does not exceed the criteria stated in regulation 49 CFR §1105.7 (e)(4); therefore there is no need to produce data on diverted traffic or quantify the net change in energy consumption.

5. AIR

The proposed action does not exceed Surface Transportation Board thresholds set in regulation 49 CFR §1105.7 (e)(5). Therefore, the action does not require a quantified analysis of emissions impact.

(i) Effects on Air Emissions

Virginia State regulations administered through the State Air Pollution Control Board limit opacity caused by air pollutants requiring the sources of dust to take "reasonable precautions" to prevent particulate matter from becoming airborne. The regulations also prohibit odorous emissions that are "objectionable to individuals of ordinary sensibility." The board also regulates ambient concentrations of 189 pollutants. The United States Environmental Protection Agency (USEPA) also has National Ambient Air Quality Standards for pollutants (including ozone) as found in regulation 40 CFR Part 50. However, as the proposed action is abandonment and the action does not exceed the thresholds set in regulation 49 CFR

§1105.7 (e)(5), no adverse effects on Virginia's air quality are anticipated.

(ii) Class I or Non-Attainment Area

The Virginia Department of Environmental Quality website does not list the areas surrounding the proposed line for abandonment as a Class I or non attainment area under the Clean Air Act.

(iii) Ozone Depleting Materials

Not applicable. Transportation of ozone depleting materials (such as nitrogen oxide and Freon®) is not contemplated since the proposed action is abandonment.

6. NOISE

The proposed action does not exceed Surface Transportation Board thresholds set in regulation 49 CFR §1105.7 (e)(6). Therefore the action does not require a quantified analysis of noise levels. There are no known state or federal noise thresholds.

7. SAFETY

(i) Public Health and Safety

Abandonment of the captioned rail line will have no significant effect upon public health or safety. Any effect that does occur will be beneficial as several grade crossings will be eliminated within the Cities of Norfolk and Virginia Beach. These crossings are listed in **Appendix D**. In addition, implementation of a public transit corridor in the City of Norfolk would

provide citizens with a relatively safe and fuel efficient alternative transportation method in the local area.

(ii) Hazardous Materials Transport

Not applicable. Action proposed is abandonment.

(iii) Hazardous Waste or Hazmat Spill Sites

NSR has no knowledge of hazardous waste sites or sites where there have been known hazardous material spills on the right of way or in adjacent areas. A search of company records was conducted.

8. BIOLOGICAL RESOURCES

(i) Endangered Species/Critical Habitat

Through a search of public records, 55 threatened or endangered species were found that may exist throughout the state of Virginia. The complete list of species has been included in **Appendix E**. Although several species may exist throughout the state of Virginia, the United States Fish and Wildlife Service has advised Norfolk Southern that the proposed abandonment is not likely to adversely affect any of these species or critical habitats because none of them are known to exist within the project area.

(ii) Sanctuaries, Refuges and Parks

Based on the site investigation, the line segment proposed for abandonment does not pass through state parks or forests, national parks or forests, or wildlife sanctuaries. No adverse effects on wildlife

sanctuaries, National Parks or Forests, or State Parks or Forests are anticipated. Comments received from the United States Fish and Wildlife Service did not specifically address parks, forests, or wildlife sanctuaries; however, the agency did state that critical habitats were not likely to be adversely affected. This report has also been sent to the National Park Service and will be updated should pertinent information be received from this agency.

9. WATER

(i) Water Quality Standards

Salvage of materials would not be required on the segment between Milepost VB 0.12 and Milepost VB 4.8, as it would be acquired by the City of Norfolk with track, bridges and other improvements intact for use as a public transit corridor. Norfolk Southern does not intend to either appreciably remove or alter the contour of the roadbed underlying the remainder of the rail line to be abandoned. Since there are no plans to undertake in-stream work, or dredge and/or fill any materials in connection with the proposed abandonment, water quality impacts are not expected in connection with the proposed action. Consultation has been requested from the Virginia Department of Environmental Quality and from the Army Corps of Engineers.

Subsequent to this report, the Virginia Department of Environmental Quality Office of Environmental Impact Review evaluated the proposed abandonment under the Coastal Zone Management Act and the National Environmental Policy Act and found no requirements for the project within the City of Norfolk as no track and materials will be salvaged. However, depending on the scope of salvage operations for the line segment within Virginia Beach, there may be a need for erosion and storm water protection.

(ii) Wetlands/100-Year Flood Plains

The rail line proposed for abandonment does cross waterways, passes through 100-year flood plains, and is adjacent to wetlands, but there are no planned alterations to the roadbed. Given these circumstances the Army Corps of Engineers has determined that a Section 404 permit is not required, but further consultation is needed should the proposed work change

(iii) Section 402 Permit

To the knowledge of NSR, a permit under Section 402 of the Federal Water Pollution Control Act will not be required as there are no intentions to remove or alter the roadbed underlying the line to be abandoned, to undertake in-stream work or to dredge or use any fill materials. There should be no significant effects to water quality or the need to acquire a Section 402 permit under the Federal Water Pollution Control Act; however, consultation has been requested from the Environmental Protection Agency and from the Virginia Department of Environmental Quality.

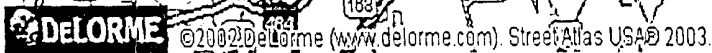
Subsequent to the distribution of this report, the Virginia Department of Environmental Quality stated that permits were not required for the project as there are no plans to alter the existing roadbed.

10. PROPOSED MITIGATION

Abandonment of the involved rail line is not expected to produce adverse environmental impacts. NSR will undertake all reasonable mitigation associated with these activities to assure the abandonment does not produce adverse environmental impacts.

APPENDIX A

Site Map



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APPENDIX B

Agency Letters

RECIPIENT LIST

Proposed Rail Line Abandonment of the segment of rail line between MP VB 0.12 and MP VB 15.46, a distance of 15.34 miles, located in Virginia Beach and Norfolk, Virginia.

Agency	Contact Name	Address
Virginia State Clearing House Department of Transportation	Mr. Stuart Waymack Division of Right of Way	1221 East Broad Street Richmond, VA 23219
United States Environmental Protection Agency	Ms. Dominique Lueckenhoff ATTN WT10	Region 3, Water Protection Division 1650 Arch Street Philadelphia, PA 19103-2029
Virginia Department of Environmental Quality	Ms. Ellen Gilinsky	Water Quality Division P.O. Box 10009 Richmond, VA 23240
Manager, City of Virginia Beach	Mr. James K. Spore	2401 Courthouse Drive Municipal Center, Building 1 Virginia Beach, VA 23456
Manager, City of Norfolk	Ms. Regina Williams	810 Union Street Norfolk, VA 23510
Department of Planning and Community Development	Mr. Stanley Stein Acting Director	810 Union Street, Room 508 Norfolk, VA 23510
U. S. Fish and Wildlife Service	Ms. Diane Lynch	Northeast Regional Office 300 Westgate Center Drive Hadley, MA 01035
U. S. Fish and Wildlife Service	Ms. Karen Mayne	Virginia Field Office 6669 Short Lane Gloucester, VA 23061
U. S. Army Corps of Engineers	Mr. Nick Konchuba	Norfolk District Regulatory Branch 803 Front Street Norfolk, VA 23510
U. S. Army Corps of Engineers	Ms. Lynnette Rhodes	Virginia Beach District Regulatory Branch 803 Front Street Norfolk, VA 23510
U. S. Army Corps of Engineers	Mr. Jim Parks	North Atlantic Division 302 General Lee Avenue Brooklyn, NY 11252
National Park Service	Mary Bomar Interim Regional Director	U.S. Custom House 200 Chestnut St, Fifth Fl. Philadelphia, PA 19106
USDA Natural Resources Conservation Service	Ms. M. Denise Doetzer State Conservationist	1606 Santa Rosa Road, Suite 209 Richmond, VA 23229-5014
USDA Natural Resources Conservation Service	Mr. Gene L. Crabtree District Conservationist	10 Shea Drive Chesapeake, VA 23322-5571
National Geodetic Survey N/NGS23	Frank Maida DOC/NOAA	1315 East/West Highway Station 8736 Silver Spring, MD 20910
Department of Environmental Quality	Ms. Laura McKay Virginia Coastal Program Manager	Division of Environmental Enhancement 629 East Main Street Richmond, VA 23219
Hampton Roads Transit (courtesy copy)	Ms. Jayne B. Whitney VP Development	3400 Victoria Blvd. Hampton, VA 23661
H.B. Hunter Co. (courtesy copy)	Mr. William D. Barrett	P.O. Box 1599 Norfolk, VA 23501-1599

Strategic Planning Department
Three Commercial Place
Norfolk, VA 23510-9207

February 15, 2006

RE: Docket No. AB-290 (Sub-No. 269x), Norfolk Southern Railway Company
Abandonment – in Virginia Beach, Virginia and Norfolk, Virginia

Dear Sir/Madam:

Norfolk Southern Railway Company (NSR) plans to request authority from the Surface Transportation Board (STB) to abandon the segment of rail line between Milepost VB 0.12 and Milepost VB 15.46, a distance of 15.34 miles, located between the stations of Norfolk and Oldfield in Norfolk, Virginia and Virginia Beach, Virginia respectively.

Enclosed is a Preliminary Environmental Report which describes the proposed abandonment and other pertinent information. A map of the proposed track abandonment can be found in Appendix A of this report.

NSR does not anticipate adverse environmental impacts; however, if you identify any adverse environmental effects please describe the actions that would assist in alleviating them. Please provide us with a written response indicating any concerns or lack thereof, which will be included in an Environmental Report and sent to the Surface Transportation Board (STB). Appendix D of this Preliminary Environmental Report lists the various agencies receiving this report and the type of information NSR anticipates receiving from those agencies.

This report is also being provided so that you may submit information that will form the basis for the STB's independent environmental analysis of the proceeding. If you believe any of the information is incorrect, if you think pertinent information is missing, or if you have any questions about the Board's Environmental Review process, please contact the Section of Environmental Analysis (SEA) by telephone at (202) 565-1552 or by mail to:

Surface Transportation Board,
1925 K Street, N.W., Room 3219
Washington DC 20423-001

Please refer to the above Docket when contacting the STB. Applicable statutes and regulations impose stringent deadlines for processing this action. For this reason your written comments (with a copy to us) would be appreciated within three weeks.

Your comments will be considered by the Board in evaluating the environmental impacts of the contemplated action. In order for us to consider your input prior to filing with the STB, NSR must

receive your comments within three weeks. Please provide information by telephone to Donna Braun at (757) 629-2889, by email at donna.braun@nscorp.com, or by mail to:

Donna L. Braun
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, VA 23510-9207

Sincerely,

Marcellus C. Kirchner
Director Strategic Planning
Norfolk Southern Railway Company

Appendix C

Agency Responses and Telephone Consultations



COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION

1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219-2000
VirginiaDOT.org

GREGORY A. WHIRLEY
ACTING COMMISSIONER

February 27, 2006

Mr. Marcellus C. Kirchner
Director Strategic Planning
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, Virginia 23510-9207

Dear Mr. Kirchner:

Subject: Docket No. AB-290 (Sub-No. 269X), Norfolk Southern Railway Company
Abandonment – in Norfolk, Virginia and Virginia Beach, Virginia – 804-861-6507

As requested in your February 15 letter, the Virginia Department of Transportation has reviewed the proposed abandonments shown above and has no objections or comments.

Thank you for the opportunity to comment.

Sincerely,

S. A. Waymack
State Director, Right of Way and Utilities

CC: Ms. Donna L. Braun
Norfolk Southern Railway Company
Three Commercial Place
Norfolk, Virginia 23510-9207



COMMONWEALTH of VIRGINIA

DEPARTMENT OF TRANSPORTATION

1401 EAST BROAD STREET
RICHMOND, VIRGINIA 23219-2000
VirginiaDOT.org

GREGORY A. WHIRLEY
ACTING COMMISSIONER

March 10, 2006

Mr. Marcellus C. Kirchner
Norfolk Southern Corporation
Three Commercial Place
Norfolk, VA 23510-2191

Re: Docket No. AB-290 (Sub-No. 269X), Norfolk Southern Railway Company
Abandonment – in Norfolk, Virginia and Virginia Beach, Virginia

Dear Mr. Kirchner:

The Virginia Department of Transportation has reviewed the information provided for the referenced project. Our review covers impacts to existing and proposed transportation facilities. After checking the Six Year Plan and the 2026 Plan, we have concluded that there are no conflicts with current or future construction projects.

Any land use requirements, lane closures, traffic control or work zone safety issues should be closely coordinated with affected counties and VDOT's Norfolk Residency (757-494-2451).

Thank you for the opportunity to comment on this project.

Sincerely,



Mary T. Stanley
Environmental Engineer
Virginia Department of Transportation
(804) 786-0868



City of Virginia Beach

VBgov.com

OFFICE OF THE CITY MANAGER
(757)-385-4242
FAX (757) 427-5625
TDD (757) 385-4305

MUNICIPAL CENTER
BUILDING 1
2401 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23456-9001

January 31, 2006

Donna Braun
Norfolk Southern
3 Commercial Place
12th Floor-Strategic Planning
Norfolk, Virginia 23510

Subject: Norfolk Southern Rail Line Proposed Abandonment
Docket No. AB-290, Sub-No. 269X

Dear Ms. Braun:

In response to Mr. Marcellus Kirchner's letter dated December 7, 2005, the City of Virginia Beach does not require the continued use of the Norfolk Southern right of way as a rail line, but the City does wish to preserve the Virginia Beach segment of the right of way for future use as a public transit corridor.

City planning documents support future use of this corridor for public transit purposes:

- The Norfolk Southern rail line is located within the Virginia Beach Boulevard corridor of the City. This corridor, in large degree, encompasses the areas identified by the City's Comprehensive Plan Strategic Growth Area #4, Pembroke Area, which recommends that the planning of structures on the property located adjacent to the railroad right of way should remain flexible enough to accommodate future connections to commuter transit systems that may emerge along this corridor.
- The Master Transportation Plan identifies the Norfolk Southern railroad right of way as an area to be protected for future transportation options.
- The Bikeways and Trails Plan for the City identifies the Norfolk Southern railroad right of way as an area to be protected for future transportation options.
- The City's Bikeways and Trails Plan for the City identifies the Norfolk Southern railroad right of way within the primary network route, which builds upon existing and programmed facilities and forms the framework of the bikeways and trails system. The Plan identifies the right of way as an important link in the

Ms. Donna Braun
January 31, 2006
Page 2

overall primary network and interjurisdictional planning, to accommodate a shared-use facility. The right of way provides an ideal avenue of travel for non-motorized and multi-modal travel across this highly urbanized section of the City.

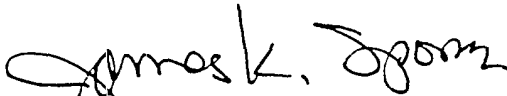
- There is a potential use with Southern Boulevard, which runs adjacent to the right of way, for a trail or bikeway or for park use.
- The right of way contains City utility lines and other public utilities, and the City expects continued future use of the line for such purposes.

I am enclosing for your reference, excerpts from the City's 2003 Comprehensive Plan, a copy of the City's Master Transportation Plan Map and excerpts from the City's 2004 Bikeways and Trails Plan.

The City remains interested in purchasing the segment of the railroad right of way once it has been abandoned.

Please do not hesitate to contact me if you have any questions.

Sincerely yours,



James K. Spore
City Manager

Cc: Mr. Marcellus Kirchner

JKS/amg

Enclosure



City of Virginia Beach

OFFICE OF THE CITY MANAGER
(757) 427-4242
FAX (757) 427-5626
TOD (757) 427-4305

VBga.com
MUNICIPAL CENTER
BUILDING 1, ROOM 234
2401 COURTHOUSE DRIVE
VIRGINIA BEACH, VIRGINIA 23456-9001

March 7, 2006

Ms. Donna Braun
Norfolk Southern
3 Commercial Place
12th Floor—Strategic Planning
Norfolk, Virginia 23510

Subject: Docket No. AB-290 (Sub-No. 269X)
Norfolk Southern Railway Company Proposed Abandonment in Norfolk,
Virginia and Virginia Beach, Virginia

Dear Ms. Braun:

This letter is in response to Marcellus Kirchner's February 15, 2006 letter regarding the Preliminary Environmental Report in connection with the above-referenced abandonment.

The City has utility facilities within the right-of-way to be abandoned, including a major water line that runs for several miles of the corridor and various smaller utilities at intersections or in other locations along the right-of-way. HRSD also has a major force main and other sewer facilities in the rail corridor. The City's water line and the HRSD force main are critical facilities, and there would be major disruptions if either line is damaged. The City requests that Norfolk Southern use care when taking up the rail track so as not to disturb the facilities. Please call Miss Utility at 1-800-552-7001 prior to starting any invasive work and notify Gary Jones at 757-385-8653 in the City's Department of Public Utilities to review removal plans, because heavy equipment can cause damage to underground water and sewer lines.

I would also like to address the statement in the Report on page 3 regarding the removal of rails at the South Great Neck / London Bridge Road crossing. The Virginia Department of Transportation ("VDOT") controls that road project, not the City of Virginia Beach. VDOT managed the design and construction for the road project and is

Ms. Donna Braun

Subject: Norfolk Southern Railway Company Proposed Abandonment in Norfolk,
Virginia and Virginia Beach, Virginia

March 7, 2006

Page 2

administering the construction contract with E.V. Williams, the construction contractor. Nevertheless, based on the City's monitoring of the project, it is our understanding that after an initial disagreement as to how the tracks would be handled, further discussions led to Norfolk Southern agreeing to let VDOT and E.V. Williams remove the tracks. For further information on this subject, please contact VDOT's Richmond office.

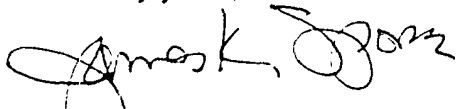
In addition, below are a few minor corrections to be made to the Report:

Page 4, paragraph 3 – "Director of Land Management in the City of Virginia Beach" should be "Director of Planning and Community Development in the City of Virginia Beach." Also make the above change on the Recipient List and the Environmental Report Certificate of Service attached to the Report.

Appendix D – Item No. 2 on the list of Public Crossings should be "Potters/London Bridge Road."

Please let me know if you have any questions.

Sincerely yours,

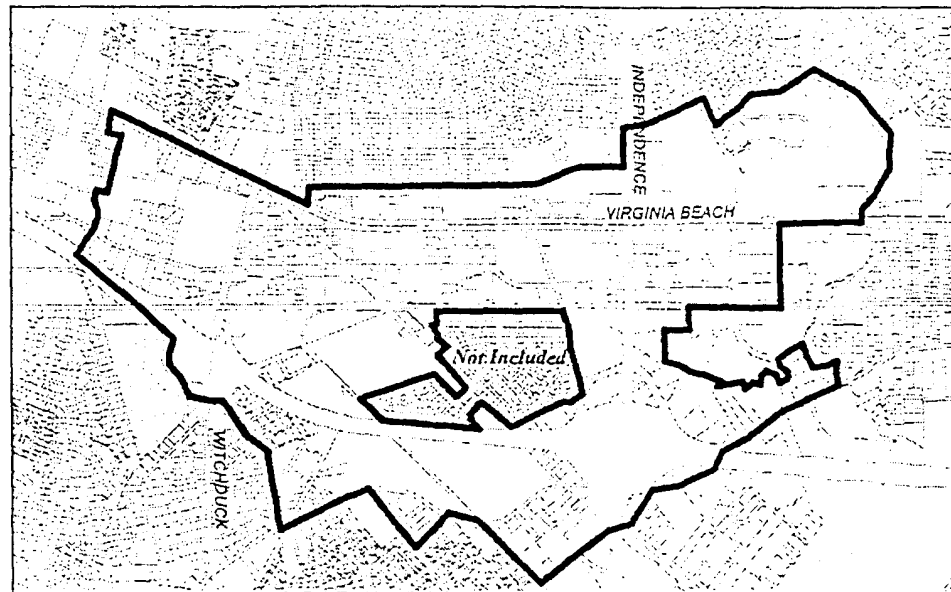
A handwritten signature in black ink, appearing to read "James K. Spore", with a stylized flourish at the end.

James K. Spore
City Manager

JKS/dsc

cc: Mr. Marcellus Kirchner, Norfolk Southern
Surface Transportation Board, Section of Environmental Analysis

Strategic Growth Area #4 Pembroke Area

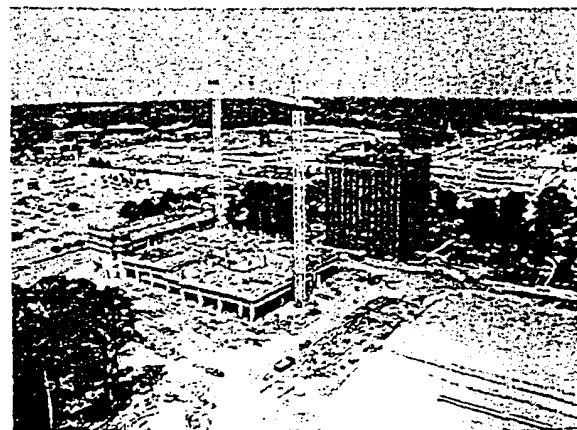


Description

The Pembroke Strategic Growth Area consists of many tracts of land that differ widely with respect to type, intensity, character and value of land use. This SGA enjoys a locational advantage within the City of Virginia Beach and the region. Significant investments and ongoing economic growth is occurring within many sectors of the Central Business District. This Strategic Growth Area is comprised of three subareas including the Town Center, West Pembroke Area and Bonney Road West Corridor.

Town Center Description

The Central Business District's Town Center encompasses the area bound by Independence Boulevard, Virginia Beach Boulevard, Constitution Drive and the railroad right of way. Recent development in this area has begun the transformation from a mostly wooded area dominated by a single 11-story building and other scattered buildings to an array of well-planned mid to high-rise structures within an attractive, mixed use, pedestrian-oriented urban setting. The planning goals envisioned in the 1991 Central Business District Master Plan are being realized.



Transforming from suburban to urban



Town Center Rendering

Photo courtesy of CMSS Architects

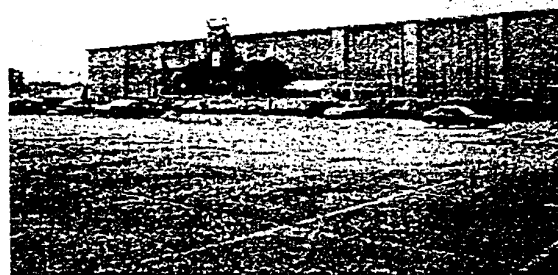
Town Center Recommendations

The planning and development policies for this area are embodied in the Pembroke Central Business District Master Plan, which is adopted as part of this Comprehensive Plan. The general goals and objectives of the Master Plan should be implemented by continuing the high quality, urban pattern of development. These goals and objectives should be accomplished, in part, through the provisions of conditional zoning and other appropriate land use planning and financing mechanisms to help advance the long term economic viability of this area. The Master Plan recommends the vertical and horizontal integration of urban designed uses including office, retail, restaurant, entertainment, residential, cultural, education, leisure and open space. Well designed, centralized parking structures coupled with urban streetscapes that are designed to accommodate pedestrian movement in a safe, interesting and attractive environment are also critical components of the Town Center's urban design strategy. The planning of structures on property located adjacent to the railroad right of

way should remain flexible enough to accommodate future connections to commuter transit systems that may emerge along this corridor.

West Pembroke Area Description

The West Pembroke Area is located between Witchduck Road, Independence Boulevard, Virginia Beach Boulevard and I-264. For the most part, the area consists of numerous, older and single-story commercial structures that occupy relatively small parcels of land on a modified grid street pattern. A few, large-size commercial buildings exist here. These include the former Builders Square and FX structures. Many of these structures are either vacant or have not realized their full economic potential. This area adjoins the Pocahontas Village neighborhood. Most of the uses in this sub-area include small commercial or industrial related businesses with outdoor storage, limited parking



Example of redevelopment opportunity site

- Continue to protect the Nimmo Parkway corridor east of General Booth Boulevard.

Virginia Beach Boulevard Corridor

This corridor, to a large degree, encompasses the areas identified as strategic growth areas. Consequently, the plan offers specific guidance with regard to future improvements. In many cases the exact nature of the proposed improvements are unknown. In those cases, a listing of the location suggests the need for a study to better identify specific transportation improvements.

- Improve Newtown Road and its intersection with Virginia Beach Boulevard.
- Improve Witchduck Road and its intersections with I-264 and Cleveland Street.
- Improve Cleveland Street and complete the connection of this roadway between Witchduck and Newtown Roads.
- Protect the Norfolk Southern Rail road right of way for future transportation options.
- Improve Rosemont Road and its intersections with I-264 and Virginia Beach Boulevard.
- Improve the accessibility of the Town Center.
- Realign Bonney Road to better serve Town Center and connections to Rosemont Road.
- Improve the accessibility of the Lynnhaven office and retail district.
- Improve the Lynnhaven Parkway interchange with I-264.
 - Construct I-264 interchange improvements at Great Neck Road.
 - Improve intersection at Lynnhaven and International Parkways.
- Improve Virginia Beach Boulevard from Laskin Road to Pacific Avenue.
 - Improvements in this corridor should include the following: access controls, aesthetic treatments, and safety improvements.
- Extend Norfolk Avenue west to connect with Southern Boulevard.
- Extend the Norfolk Avenue Trail to connect with Southern Boulevard.

Master Transportation Plan Map

(Note: Actual alignments may vary)

The purpose of the Master Transportation Plan Map is to set forth in general graphic terms the City's strategy for circulation, to aid in the prioritization of improvements, to preserve corridor options, and to provide a basis for the more detailed elements used in the implementation of this Plan.

For more information, either refer to the Master Transportation Plan Chapter of the Comprehensive Plan or contact the Planning Department at 427-4621.

The features shown on the Master Transportation Plan map depict facility improvements that are an essential part of the City's long range transportation strategy. This map does not specifically identify the location of planned improvements, but indicates their general and approximate locations. In many cases, more definitive alignments are set following further input from the public and other key stakeholders. With respect to land acquisition decisions and other necessary actions, it is the policy of the city to apply all reasonable and appropriate measures to ensure the city's transportation system is implemented in a systematic, timely and fiscally responsible manner.

Roads shown on this map are either major components of the circulation system already built to their ultimate plan description or proposed components that meet the following criteria:

- a) There is a reasonable chance of making appropriate improvements within the prescribed right-of-way in the foreseeable future.
- b) It is prudent to set aside right-of-way today for those improvements, even though there is a reasonable chance, and not an assurance, that the associated improvements will be made within the foreseeable future.

Where the corridor designation shown on this map exceeds the existing corridor condition, this represents the intention to acquire additional right-of-way to accommodate the designated future condition. For corridors that have been improved to their ultimate plan designation, no additional right-of-way is necessary except to create median cuts, turn lanes, or similar features. For corridors not shown, right-of-way acquisition may be required to accommodate proposed development, but no acquisition to expand the resulting right-of-way width above that necessary to accommodate four major vehicle lanes plus a bikeway, if designated, and necessary turn lanes or other traffic control features will be required.

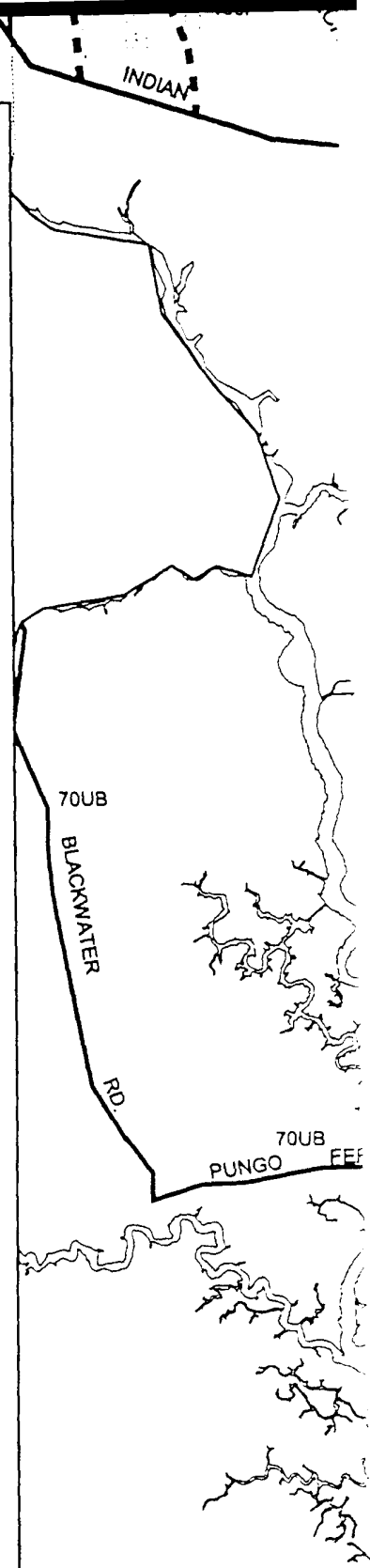
Any implementation of service or construction improvements is subject to the public hearing process.

Additional buffer footprints, such as for pedestrian and recreational trails, are described and delineated in the Bikeways and Trails Plan.

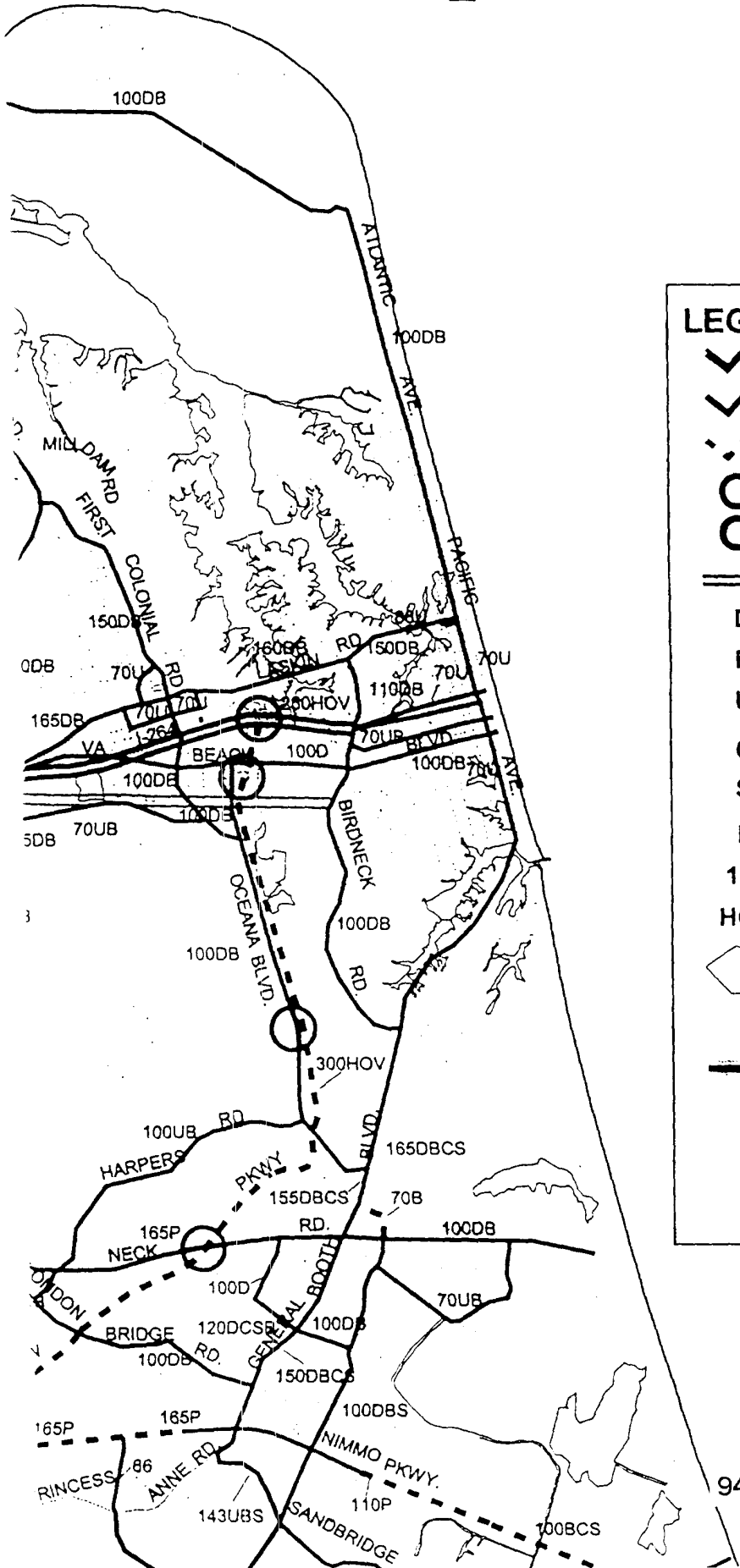
NOTE DISCLAIMER:

All warranties, UCC and otherwise, expressed or implied, including warranties as to accuracy of the data shown hereon and merchantability and fitness for a particular purpose are expressly disclaimed and all incidental, consequential or special damages arising out of or in connection with the use or performance of the data shown on this map are expressly disclaimed.

Note: Where planning policies, guidelines or other differences may exist between the content of this map and the Comprehensive Plan text, the text and the Bikeways and Trails Plan shall prevail.



on Plan Map



LEGEND:

- | | |
|-----|--------------------------------------|
| | Interstate |
| | Improved Facility |
| | Planned Facility |
| | Major Intersection Improvement |
| | Proposed New or Improved Interchange |
| | Transportation Corridor |
| D | Divided |
| B | Bikeway |
| U | Undivided |
| C | Access Control |
| S | Scenic Buffer |
| P | Parkway |
| 120 | Feet Right-of-Way |
| HOV | High Occupancy Vehicle Lanes |
| | Princess Anne / Transition Area |
| | Princess Anne Area Buffered Roadway |

This map is a component of
the City of Virginia Beach
Comprehensive Plan

Adopted December 2, 2003

Amended October 12, 2004

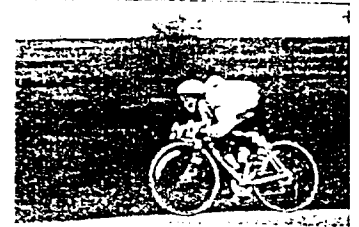
Bikeways & Trails Plan

for the

City of
Virginia Beach



Adopted by the City
Council of Virginia Beach
on October 12, 2004



Recommendations

Findings of the inventory and analysis of the existing system, along with the results of the Citizen Bike Survey, were utilized by a group of stakeholders to develop goals, facility type recommendations, and identify a prioritized system of facilities. Stakeholders included various City departments, adjoining jurisdictions, the Virginia Department of Transportation (VDOT), and the Hampton Roads Planning District Commission (HRPDC). The following three goals were established to guide the development of the network.

- *Establish Virginia Beach as the premier biking and trails destination in the mid-Atlantic region of the United States.*
- *Establish connectivity throughout the City with the designation and implementation of a safe, continuous, and coordinated system of bikeways and trails that provide access to recreational, employment, and commercial activity centers.*
- *Provide a variety of facilities (on-road, off-road, and shared use) to satisfy the transportation and recreation needs of different user types and abilities.*

The recommended network is comprised of three system components, a primary network, a secondary network, and specialized facilities. Each of these system components forms an important part in meeting the goals stated above.

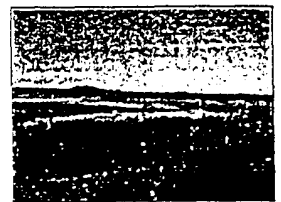
Primary Network



Town Center – Courtesy of
CMSS Architects, PC*

The primary network (see Figure 2, p. 27) builds upon existing and programmed facilities and forms the framework of the bikeways and trails system. It consists of a number of City streets and other rights of way designated as bikeways and trails. These corridors are the recommended priorities for facility funding and implementation. It is the arterial component of the City's bikeways and trails system, connecting major destination points throughout the City. Chosen destination points range from urbanized locations, such as the developing Town Center and Princess Anne Commons, to rural locations such as Munden Point District Park and Back Bay National Wildlife Refuge.

The primary network (see Figure 2, p. 27) builds upon existing and programmed facilities and forms the framework of the bikeways and trails system. It consists of a number of City streets and other rights of way designated as bikeways and trails. These corridors are the recommended priorities for facility funding and implementation. It is the arterial component of the City's bikeways and trails system, connecting major destination points throughout the City. Chosen destination points range from urbanized locations, such as the developing Town Center and Princess Anne Commons, to rural locations such as Munden Point District Park and Back Bay National Wildlife Refuge.



Back Bay N. W. R. -USFWS

Several connection points have also been established with adjoining jurisdictions. Through inter-jurisdictional planning, the potential to bike from the Oceanfront to Downtown Norfolk or from Sandbridge to the Greenbrier area of Chesapeake is possible. An important link in the overall primary network and inter-jurisdictional planning is the use of the Norfolk Southern Railroad right of way, that traverses east-west across the City, to accommodate a shared use facility. It provides an ideal avenue of travel for non motorized and multi-modal travel across this highly urbanized portion of the City where numerous vehicular conflicts and safety issues limit the viability of other routes.

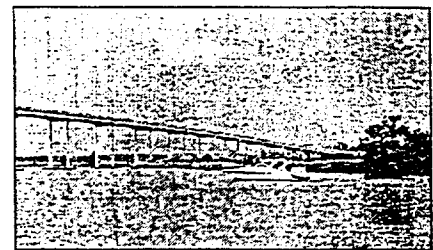
Six areas are highlighted on the primary network map as critical areas. These are areas where current conditions and uncertain future development or redevelopment patterns inhibit the designation of an appropriate facility at this time. Both public and private coordination is necessary in these areas to ensure that as roads are improved and areas redeveloped these important links are addressed.

Secondary Network

The secondary network (see Figures 5-1 to 5-9, pgs. 32 - 40) forms the inner web of the overall bikeways and trails system, providing access to destinations such as community parks, recreation centers, libraries, and neighborhood commercial areas. Several network guidelines and strategies have also been recommended in addition to the network maps, due to uncertain future development patterns and opportunities in which these localized facilities may need to be adjusted over time. These guidelines and strategies assure that local civic groups and community members are involved in the planning process on a continuous basis, and that during the evaluation of rezonings and development plans, opportunities to provide appropriate linkages are addressed.

Specialized Facilities

Specialized facilities provide unique venues for various bikeway and trail users and are intended to serve special events, users, and functions. Recommended facilities include a 50 mile on-road loop as a safe route for sponsored events and experienced bikers, an off-road unpaved soft path biking course, an off-road unpaved soft path trail system for equestrian use, a one mile off-road paved shared use path criterion bike course for special events and race training, and a specially designated Virginia Scenic Byway motor vehicle and bike route.

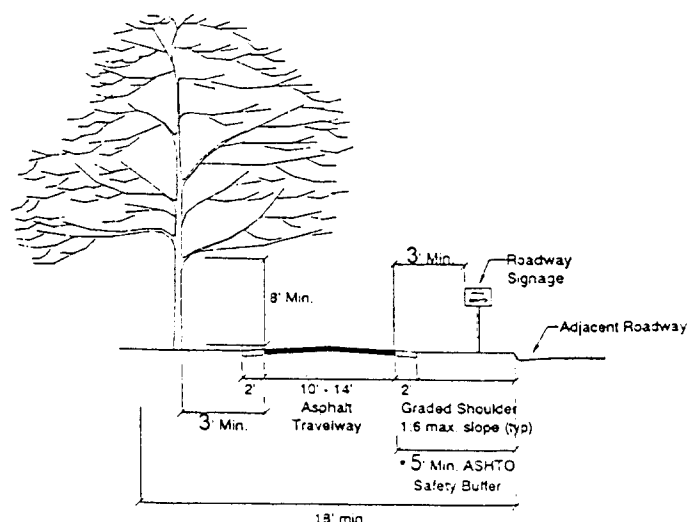


Pungo Ferry Bridge

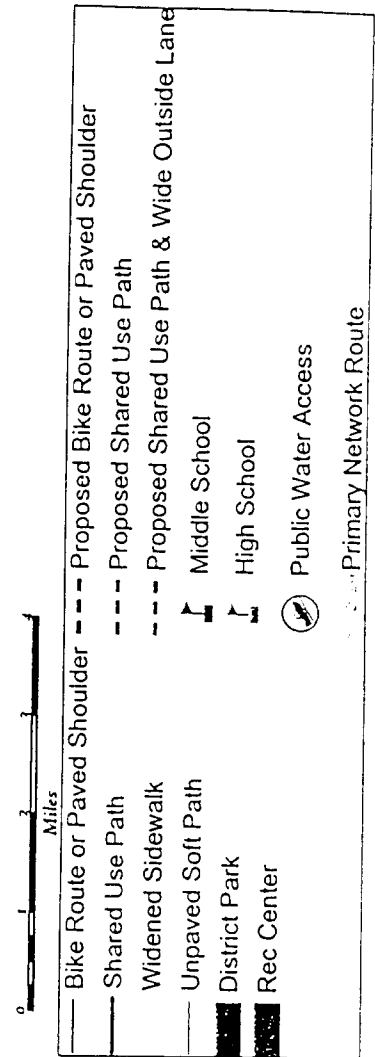
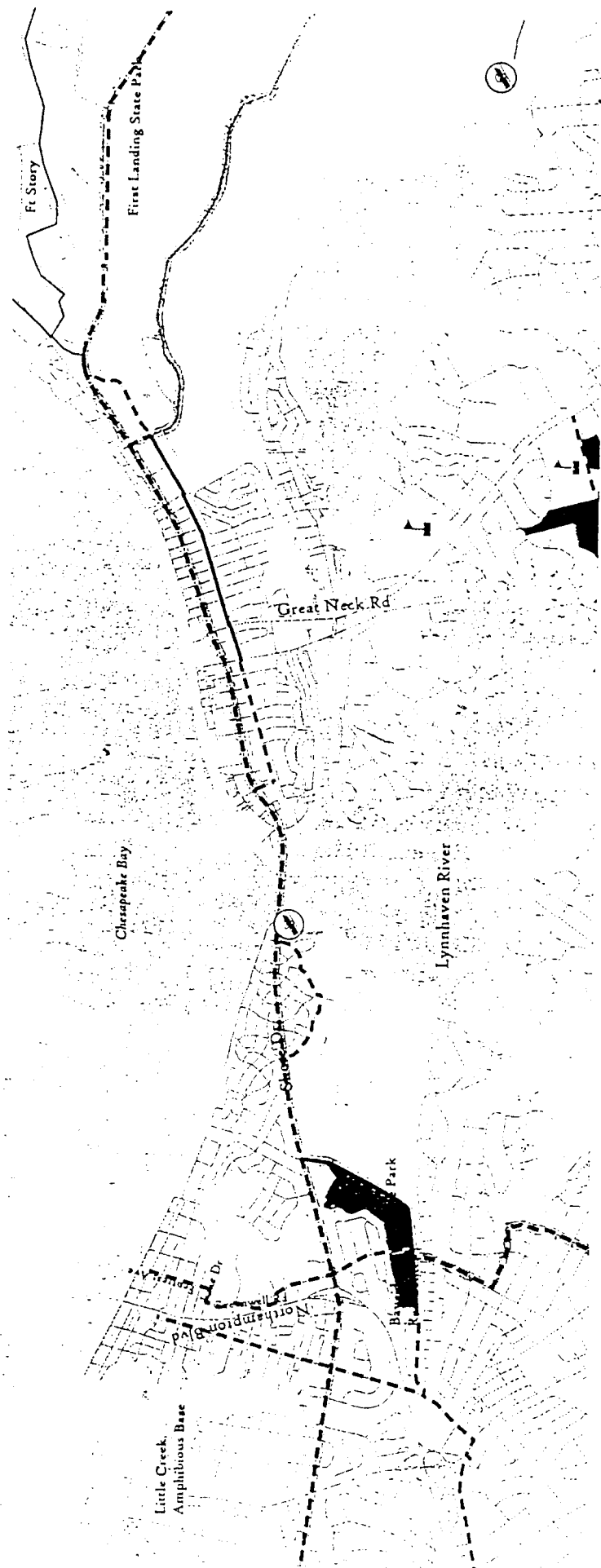
Facility Types

The development of appropriate, safe, and consistent bicycle and trail facilities requires standard design guidelines. Therefore, standards and guidelines taken directly from those developed by the American Association of State Highway and Transportation Officials (AASHTO) and the Virginia Department of Transportation (VDOT) are provided as reference in this document. Standards are included for the four types of on-road facilities: bike lane, paved shoulder, wide outside lane, and bike route; and one type of off-road facility: shared use path. These standards are considered sound guidelines for the development of safe bicycle and shared use facilities.

Shared Use Path



Existing & Proposed Network - Bicycle & Trails Planning Bayfront Planning Area

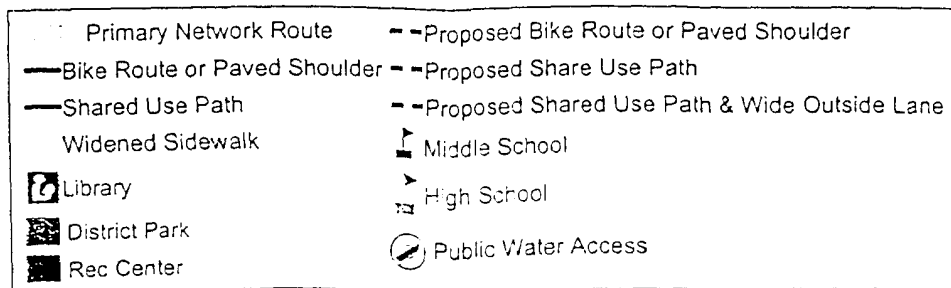
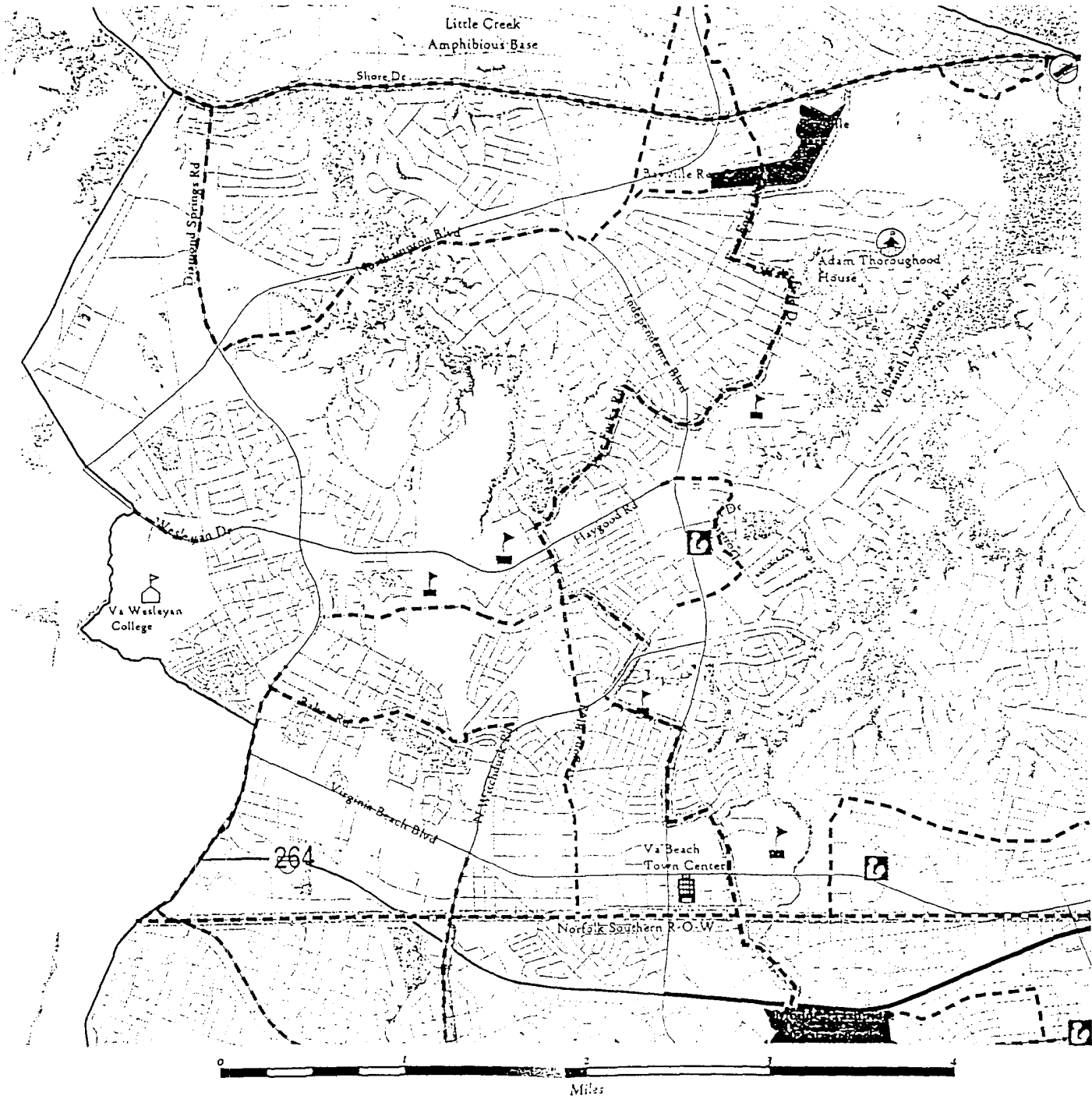


Prepared by the City of Virginia Beach
 Department of Planning

September 1, 2004

Figure 5-1

Existing & Proposed Network - Bicycle & Trails Planning
Bayside Planning Area





City of **Norfolk**

Department of Planning and Community Development

December 23, 2005

Ms. Donna Braun
Norfolk Southern Corporation
3 Commercial Place
12th Floor – Strategic Planning
Norfolk, VA 23510

RE: Docket No. AB-290 Sub-No. 269X
Norfolk Southern Railway Company
Proposed Abandonment

Dear Ms. Braun:

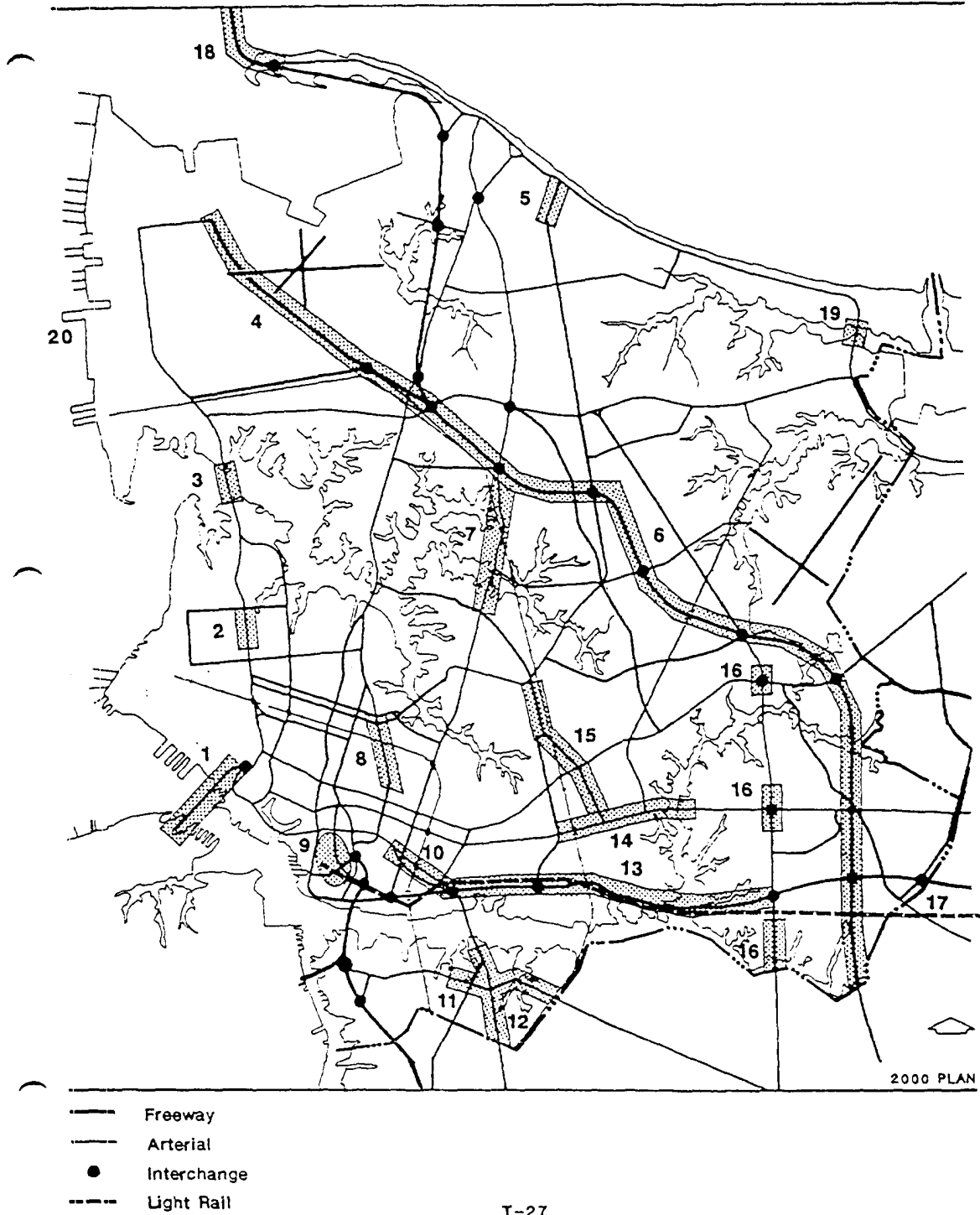
In response to Mr. Kirchner's recent letter on the above referenced subject, this letter confirms that Norfolk fully supports and endorses the proposed abandonment of Norfolk Southern's Virginia Beach rail line between milepost VB 4.8 and its western terminus at milepost VB 0.12 in the city. This proposed action is fully consistent with all officially adopted city plans and programs to convert this existing rail line into a new public transportation corridor. Specifically and as noted in Mr. Kirchner's December 7, 2005, the City of Norfolk recently entered into a Memorandum of Understanding with Norfolk Southern Corporation to purchase this corridor in support of the proposed Norfolk Light Rail project. Also, a copy of Map T-4 Planned Transportation Improvements from the General Plan of Norfolk (1992) officially designating this corridor in the City's long range plan as a passenger light rail line is attached here for your information and use.

Thank you for the opportunity to comment on this issue. Please advise if there are any questions or if we can be of further assistance at this time.

Sincerely,

Stanley Stein
Acting Director

T-4 PLANNED TRANSPORTATION IMPROVEMENTS



Braun, Donna L.

From: Crabtree, Gene - Chesapeake, VA [Gene.Crabtree@va.usda.gov]
Sent: Tuesday, December 13, 2005 12:46 PM
To: donna.braun@nscorp.com
Subject: NS Proposed Abandonment

Re: Docket No. AB-290 Sub-No. 269X

Ms. Braun,

This is in response to the above referenced project as received in a letter dated 12/7/2005 from Marcellus C. Kirchner.

There are no prime agricultural lands in the proposed abandon rail line segment.

Please contact our office if additional information is needed.

Gene Crabtree
District Conservationist

USDA-NRCS
310 Shea Drive
Chesapeake, VA 23322
PH: (757)547-7172 x3
FAX: (757)436-0285



United States Department of the Interior

FISH AND WILDLIFE SERVICE

Ecological Services
6669 Short Lane
Gloucester, VA 23061



Date: January 20, 2006

Project name: NORFOLK SOUTHERN LINE ABANDONMENT

Project number: SEC 7-9394 City/County, VA VA BOATZ

The U.S. Fish and Wildlife Service (Service) has reviewed your request for information on federally listed or proposed endangered or threatened species and designated critical habitat for the above referenced project. The following comments are provided under provisions of the Endangered Species Act (ESA) of 1973 (87 Stat. 884, as amended; 16 U.S.C. 1531 *et seq.*).

✓ We have reviewed the information you have provided and believe that the proposed action will not adversely affect federally listed species or federally designated critical habitat because no federally listed species are known to occur in the project area. Should project plans change or if additional information on listed and proposed species becomes available, this determination may be reconsidered.

_____ We recommend that you contact both of the following State agencies for site specific information on listed species in Virginia. Each agency maintains a different database and has differing expertise and/or regulatory responsibility:

Virginia Dept. of Game & Inland Fisheries
Environmental Services Section
P.O. Box 11104
Richmond, VA 23230
(804) 367-1000

Virginia Dept. of Conservation and Recreation
Division of Natural Heritage
217 Governor Street, 2nd Floor
Richmond, VA 23219
(804) 786-7951

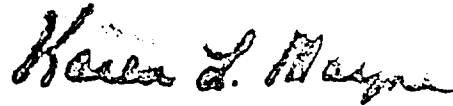
If either agency indicates a federally listed species **is present**, please resubmit your project description with letters from both agencies attached.

_____ If appropriate habitat may be present, we recommend surveys within appropriate habitat by a qualified surveyor. Enclosed are county lists with fact sheets that contain information the species' habitat requirements and lists of qualified surveyors. If this project involves a Federal agency (Federal permit, funding, or land), we encourage the Federal agency to contact this office if appropriate habitat is present and if they determine their proposed action may affect federally listed species or critical habitat.

_____ Determinations of the presence of waters of the United States, including wetlands, and the need for permits are made by the U.S. Army Corps of Engineers. They may be contacted at: Regulatory Branch, U.S. Army Corps of Engineers, Norfolk District, 803 Front Street, Norfolk, Virginia 23510, telephone (757) 441-7652.

Our website <http://virginiafieldoffice.fws.gov> contains many resources that may assist with project reviews. Point of contact is MIKE DRUMMOND at (804) 693-6694, ext. 114.

Sincerely,

A handwritten signature in cursive script, appearing to read "Karen L. Mayne".

Karen L. Mayne
Supervisor
Virginia Field Office

Braun, Donna L.

From: Edgar, Kathryn A NAO [Kathryn.A.Edgar@nao02.usace.army.mil]
Sent: Friday, February 10, 2006 3:31 PM
To: donna.braun@nscorp.com
Cc: Edgar, Kathryn A NAO
Subject: Docket No. AB-290 Sub-No. 269X

Ms. Braun,

We received a request from Marcellus Kirchner concerning the above referenced proposed abandonment of railway and requesting concerning Section 404 permits. I was the project manager that reviewed an environmental report associated with this proposed abandonment in 2003—I issued a letter following that review to Larry Western in Roanoke, Virginia. I believe a copy of that letter may satisfy your needs under this request as well, as it stated "So long as the rail track and other materials are removed within the right of way and the roadbeds are left intact in these locations, no further authorization will be required from this office. If your proposed work changes, please consult with this office before beginning work." Your most recent request indicates that the removal of the railway (if abandoned) is as described in that letter; therefore, I have made a copy of this letter and will be mailing it to you. If you should require any further assistance, please don't hesitate to contact me.

Sincerely,

Katie Edgar

=====

Kathryn A. Edgar

Environmental Scientist
US Army Corps of Engineers, Regulatory Branch
803 Front Street
Norfolk, VA 23510
Office: (757) 201-7389
Cell: (757) 376-8964
Fax: (757) 201-7678
e-mail: kathryn.a.edgar@usace.army.mil



U.S. Army Corps of Engineers
Norfolk District, Southern Virginia Regulatory Section
803 Front Street
Norfolk, VA 23510

October 23, 2003

Project Number: 03-R1851

Waterway: several

1. Participant:

Norfolk Southern Corporation
c/o Larry Western
110 Franklin Road, S.E.
Roanoke, VA 24042-0013

2. Authorized Agent:

None

3. Address of Job Site:

Railroad proposed to be abandoned is between Milepost VB 0.12 in Norfolk and Milepost VB 15.40 in Oldfield (near oceanfront in Virginia Beach)

4. Project Description:

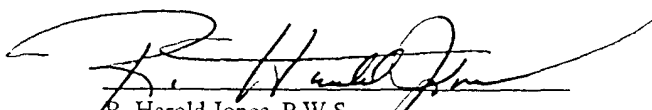
Review of environmental report associated with proposed abandonment of approximately 15 miles of railroad service

5. Findings

This is in response to your environmental report for the proposed abandonment of the Norfolk Southern railroad service between Milepost VB 0.12 in Norfolk and Milepost VB 15.40 in Oldfield, Virginia. Based on aerial photography and application of the National Wetland Inventory maps, the stretch of railroad that you propose to abandon crosses wetlands and waters of the United States at a minimum of 11 locations. These waters and wetlands are regulated under Section 10 of the Rivers and Harbors Act (33 U.S.C. 403) and Section 404 of the Clean Water Act (33 U.S.C. 1344) respectively. So long as the rail track and other materials are removed within the right of way and the roadbeds are left intact in these locations, no further authorization will be required from this office.

If your proposed removal methods change, please consult with this office before beginning work.

6. Corps Contact: Kathryn Edgar at (757) 441-7389


R. Harold Jones, P.W.S.
Chief, Southern Virginia Regulatory Section

NAO FL 13 REVISED DEC 90



COMMONWEALTH of VIRGINIA

L. Preston Bryant, Jr.
Secretary of Natural Resources

DEPARTMENT OF ENVIRONMENTAL QUALITY
Street address: 629 East Main Street, Richmond, Virginia 23219
Mailing address: P. O. Box 10009, Richmond, Virginia 23240
Fax (804) 698-4500 TDD (804) 698-4021
www.deq.virginia.gov

David K. Paylor
Director

(804) 698-4000
1-800-592-5482

March 21, 2006

Mr. Marcellus C. Kirchner
Director Strategic Planning
Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191

RE: Norfolk Southern Railway Company
Abandonment - in Norfolk, Virginia and Virginia Beach, Virginia

Dear Ms. Davis:

I have reviewed your request for scoping comments regarding the abandonment of the Norfolk Southern Railway. According to the report, the railway does cross waterways, and passes through wetland areas, but there are no plans to alter the existing roadbed. The proposed abandonment will occur within the existing right-of-way. Therefore, a Virginia Water Protection permit does not appear to be required.

In general, DEQ encourages the use of erosion and sediment control measures, adherence to storm water management regulations, and careful construction practices to minimize temporary impacts to surface waters during site construction activities. In addition, standard erosion and sediment control measures as presented in the *Virginia Erosion and Sediment Control Handbook* should be implemented to further reduce potential impacts to surface waters.

DEQ appreciates the opportunity to comment on this project. If I can be of any further assistance, please feel free to contact me at (804) 698-4007.

Sincerely,

Michelle Henicheck, PWS
Environmental Specialist II

cc: File

AGENCY TELEPHONE CONSULTATIONS

Virginia Beach and Norfolk, Virginia

Agency Mr. John Fisher
Virginia Department of Environmental Quality
Office of Environmental Impact Review
Richmond, VA 23240
804-698-4339

Date 2/21/2006
Time (E.S.T.) 4:00 PM

Comments Project reviewed under the Coastal Zone Management Act and the NEPA
Based on the nature of the project described there would be no requirements in Norfolk;
however, there may be some constraints for the sections in Virginia Beach to prevent
erosion and control of storm waters depending on what if any salvage activities. Should
the rail be salvaged in Virginia Beach, check before initiating activity. The agency will not
reply by written correspondence.

Agency Mr. Travis Campbell
Planning Department
City of Virginia Beach
757-385-8593

Date 2/28/2006
Time (E.S.T.) 10:00 am voicemail
10:09 am return call, message left

Comments Voicemail inquisition regarding the environmental report and our desired response.
Returned phone call and advised that we are required by the STB to serve the report to
interested parties so that those parties can comment, show support, or express concerns
about the proposed project.

Agency Ms. Dominique Lueckenhoff
Region 3 Water Protection Division
United States Environmental Protection Agency
1650 Arch Street
Philadelphia, PA

Date 3/21/2006

Time (E.S.T.) 2:26 PM

Comments Left voicemail advising that I was following up for concerns or questions related to Norfolk Southern's environmental report for a proposed rail line abandonment in Norfolk and Virginia Beach, VA.

Agency Ms. Mary Bomar
National Park Service
U.S. Customer House
200 Chestnut Street
Philadelphia, PA

Date 3/21/2006

Time (E.S.T.) 3:38 PM

Comments Left message advising that I was following up for concerns or questions relate to Norfolk Southern's environmental report for a proposed rail line abandonment in Norfolk and Virginia Beach, VA.

Agency Mr. Joe Evjen
National Geodetic Survey
1315 East/West Highway
Station 8853
Silver Spring, MD 20910

Date 3/21/2006

Time (E.S.T.) 4:00 PM

Comments Frank Maida has retired and his duties have not been reassigned. In the interim Mr. Evjen is responsible for finding someone to respond to inquiries relating to potential markers. Emailed Mr. Evjen a copy of the environmental report and advised him he could respond to the email with any comments.

APPENDIX D

At-Grade Crossings

Public Crossings:

1	First Colonial Road
2	Potters/London Bridge Road
3	S. Great Neck Road
4	Lynnhaven Parkway
5	Lynnhaven Road
6	Plaza Trail
7	Rosemont Road
8	S. Lynnshore Drive
9	Kentucky Avenue
10	Budding Avenue
11	Constitution Drive
12	S. Thalia Road
13	S. Fir Avenue
14	Constitution Drive
15	Garrett Drive
16	Independence Boulevard
17	S. Kellam Road
18	Euclid
19	Dorset Road
20	Witchduck Road
21	Greenwich Road
22	Lowther Drive
23	Freight Lane
24	Princess Anne Road
25	Newtown Road
26	Bristol Avenue
27	Kidd Boulevard

28	MP 3.9
29	MP 3.8
30	Selger Drive
31	Corporate Boulevard
32	Curlew
33	Ingleside Drive
34	Ballentine Boulevard
35	Clay Avenue
36	Brambleton Avenue
37	Park Avenue

Private Crossings

1	Sykes Avenue
2	MP 13.40
3	MP 13.28
4	MP 13.10
5	Lindsey
6	MP 8.50
7	MP 6.89
8	MP 5.77
9	MP 3.75

APPENDIX E

Federal and State Threatened and Endangered Species Listings

Endangered Species In Virginia

Virginia has 55 endangered species as of November 11, 2005

Animals -- 40

StatusListing

- E Bat, gray (*Myotis grisescens*)
- E Bat, Indiana (*Myotis sodalis*)
- E Bat, Virginia big-eared (*Corynorhinus (=Plecotus) townsendii virginianus*)
- E Bean, purple (*Villosa perpurpurea*)
- E Blossom, green (pearlymussel) (*Epioblasma torulosa gubernaculum*)
- T Chub, slender (*Erimystax cahni*)
- T Chub, spotfin Entire (*Cyprinella monacha*)
- E Combshell, Cumberlandian Entire Range; Except where listed as Experimental Populations (*Epioblasma brevidens*)
- E Darter, duskytail Entire (*Etheostoma percnurum*)
- T Eagle, bald lower 48 States (*Haliaeetus leucocephalus*)
- E Fanshell (*Cyprogenia stegaria*)
- E Isopod, Lee County cave (*Lirceus usdagalun*)
- T Isopod, Madison Cave (*Antrolana lira*)
- E Logperch, Roanoke (*Percina rex*)
- T Madtom, yellowfin except where XN (*Noturus flavipinnis*)
- E Monkeyface, Appalachian (pearlymussel) (*Quadrula sparsa*)
- E Monkeyface, Cumberland (pearlymussel) Entire Range; Except where listed as Experimental Populations (*Quadrula intermedia*)
- E Mucket, pink (pearlymussel) (*Lampsilis abrupta*)
- E Mussel, oyster Entire Range; Except where listed as Experimental Populations (*Epioblasma capsaeformis*)
- E Pearlymussel, birdwing Entire Range; Except where listed as Experimental Populations (*Conradilla caelata*)
- E Pearlymussel, cracking Entire Range; Except where listed as Experimental Populations (*Hemistena lata*)
- E Pearlymussel, dromedary Entire Range; Except where listed as Experimental Populations (*Dromus dromas*)
- E Pearlymussel, littlewing (*Pegias fabula*)
- E Pigtoe, finerayed Entire Range; Except where listed as Experimental Populations (*Fusconaia cuneolus*)
- E Pigtoe, rough (*Pleurobema plenum*)
- E Pigtoe, shiny Entire Range; Except where listed as Experimental Populations (*Fusconaia cor*)
- T Plover, piping except Great Lakes watershed (*Charadrius melodus*)
- E Puma (=cougar), eastern (*Puma (=Felis) concolor couguar*)
- E Rabbitsfoot, rough (*Quadrula cylindrica strigillata*)
- E Riffleshell, tan (*Epioblasma florentina walkeri (=E. walkeri)*)
- E Salamander, Shenandoah (*Plethodon shenandoah*)
- E Snail, Virginia fringed mountain (*Polygyris virginiensis*)
- E Spnymussel, James (*Pleurobema collina*)
- E Squirrel, Delmarva Peninsula fox Entire population, except Assawoman Wildlife Area in Sussex Co., DE (*Sciurus niger cinereus*)
- E Squirrel, Virginia northern flying (*Glaucomys sabrinus fuscus*)
- E Sturgeon, shortnose (*Acipenser brevirostrum*)
- E Tern, roseate northeast U.S. nesting pop. (*Sterna dougallii dougallii*)
- T Tiger beetle, northeastern beach (*Cicindela dorsalis dorsalis*)
- E Wedgemussel, dwarf (*Alasmodonta heterodon*)
- E Woodpecker, red-cockaded (*Picoides borealis*)

Plants -- 15

Status Listing

- T Joint-vetch, sensitive (*Aeschynomene virginica*)
- T Amaranth, seabeach (*Amaranthus pumilus*)
- E Rock-cress, shale barren (*Arabis serotina*)
- T Birch, Virginia round-leaf (*Betula uber*)
- E Bittercress, small-anthered (*Cardamine micranthera*)
- E Coneflower, smooth (*Echinacea laevigata*)
- T Sneezeweed, Virginia (*Helenium virginicum*)
- T Pink, swamp (*Helonias bullata*)
- E Mallow, Peter's Mountain (*Iliamna corei*)
- T Pogonia, small whorled (*Isotria medeoloides*)
- T Orchid, eastern prairie fringed (*Platanthera leucophaea*)
- E Harperella (*Ptilimnium nodosum*)
- E Sumac, Michaux's (*Rhus michauxii*)
- E Bulrush, Northeastern (*Scirpus ancistrochaetus*)
- T Spiraea, Virginia (*Spiraea virginiana*)

Environmental Report Certificate of Service

Pursuant to the requirements of 49 C.F.R § 1105.8(c), the undersigned hereby certifies that a copy of the Environmental Report in Docket No. AB-290 (Sub-No. 269X) was mailed via first class mail on February 15, 2006 to the following parties:

Agency	Contact Name	Address
Virginia State Clearing House Department of Transportation	Mr. Stuart Waymack Division of Right of Way	1221 East Broad Street Richmond, VA 23219
United States Environmental Protection Agency	Ms. Dominique Lueckenhoff ATTN WT10	Region 3, Water Protection Division 1650 Arch Street Philadelphia, PA 19103-2029
Virginia Department of Environmental Quality	Ms. Ellen Gilinsky	Water Quality Division P.O. Box 10009 Richmond, VA 23240
Manager, City of Virginia Beach	Mr. James K. Spore	2401 Courthouse Drive Municipal Center, Building 1 Virginia Beach, VA 23456
Manager, City of Norfolk	Ms. Regina Williams	810 Union Street Norfolk, VA 23510
Department of Planning and Community Development	Mr. Stanley Stein Acting Director	810 Union Street, Room 508 Norfolk, VA 23510
U. S. Fish and Wildlife Service	Ms. Diane Lynch	Northeast Regional Office 300 Westgate Center Drive Hadley, MA 01035
U. S. Fish and Wildlife Service	Ms. Karen Mayne	Virginia Field Office 6669 Short Lane Gloucester, VA 23061
U. S. Army Corps of Engineers	Mr. Nick Konchuba	Norfolk District Regulatory Branch 803 Front Street Norfolk, VA 23510
U. S. Army Corps of Engineers	Ms. Lynnette Rhodes	Virginia Beach District Regulatory Branch 803 Front Street Norfolk, VA 23510
U. S. Army Corps of Engineers	Mr. Jim Parks	North Atlantic Division 302 General Lee Avenue Brooklyn, NY 11252
National Park Service	Mary Bomar Interim Regional Director	U.S. Custom House 200 Chestnut St, Fifth Fl. Philadelphia, PA 19106
USDA Natural Resources Conservation Service	Ms. M. Denise Doetzer State Conservationist	1606 Santa Rosa Road, Suite 209 Richmond, VA 23229-5014
USDA Natural Resources Conservation Service	Mr. Gene L. Crabtree District Conservationist	10 Shea Drive Chesapeake, VA 23322-5571

National Geodetic Survey N/NGS23	Frank Maida DOC/NOAA	1315 East/West Highway Station 8736 Silver Spring, MD 20910
Land Management	Mr. Robert J. Scott Director	2405 Courthouse Drive Building 2, Room 115 Virginia Beach, VA 23456-9013
Department of Environmental Quality	Ms. Laura McKay Virginia Coastal Program Manager	Division of Environmental Enhancement 629 East Main Street Richmond, VA 23219
Hampton Roads Transit (courtesy copy)	Ms. Jayne B. Whitney VP Development	3400 Victoria Blvd. Hampton, VA 23661
H.B. Hunter Co. (courtesy copy)	Mr. William D. Barrett	P.O. Box 1599 Norfolk, VA 23501-1599



Marcellus C. Kirchner
February 15, 2006

Historic Report Proposed Rail Line Abandonment

Proposed Action and Alternatives

Norfolk Southern Railway Company (NSR) proposes to abandon 15.34 miles of rail line between milepost VB 0.12 and VB 15.46 between a point near Park Avenue in Norfolk, Virginia to a point near Birdneck Road at the railroad's Oldfield station in Virginia Beach, Virginia. An adjacent segment of the Virginia Beach Line totaling about 1.64 miles between Milepost VB 15.46 at Birdneck Road and a point around Mediterranean Avenue near the oceanfront at Milepost VB 17.1 was abandoned pursuant to authority of the Surface Transportation Board's (STB) predecessor agency, the Interstate Commerce Commission (ICC), in 1995. That segment of the right-of-way was sold to the City of Virginia Beach, VA for use as a bike and walking trail. Service over a segment of the line currently proposed for abandonment was previously discontinued between Tidewater Junction and Oldfield (mileposts VB 1.75 to VB 15.5), pursuant to authorization of the STB in Docket No. AB-290 (Sub-No. 258X), *Norfolk Southern Railway Company – Discontinuance of Service Exemption – in Norfolk and Virginia Beach, Virginia*. NSR continued to operate the remaining portion of the Virginia Beach Line serving H.B. Hunter Company near Park Avenue in Norfolk, VA as well as the main lines connecting to the south and east from Tidewater Junction near that location. NSR now proposes to abandon both the active segment between mileposts VB 0.12 and VB 1.75 between Norfolk and Tidewater Junction, and the previously discontinued segment to the east between mileposts VB 1.75

and VB 15.46. A map delineating the line proposed for abandonment is attached as **Appendix A.**

The segment of the line located within the City of Norfolk, between Milepost VB 4.8 and its western terminus at Milepost VB 0.12, is the subject of a Memorandum of Understanding in which the City of Norfolk would acquire the right-of-way following abandonment for use as a public transit corridor. No salvage would occur on the Norfolk segment, as it would be acquired with track, bridges and other improvements intact. Once abandoned, the remainder of the line between Milepost VB 4.8 and its eastern terminus at Milepost VB 15.46 could be salvaged of track and materials and the property sold to be put to a more productive use. Such uses could include an extension of the planned light rail transit system or other public uses such as walking or biking trails, a trolley line or a dedicated bus lane. Any of these potential uses would produce long-term environmental and social benefits.

The alternatives to abandonment are to retain the track in place over all portions of the line or to only maintain the track in place to service one active shipper; however these are not feasible alternatives. A large portion of the segment has been dormant with no active rail service and the abandonment of the entire line will provide the City of Norfolk with a corridor over which light rail service can be provided to the residents and visitors of Norfolk, Virginia.

Additional Information

U.S.G.S Topographic Map

Maps were furnished to the Virginia Department of Historic Resources.

Written Description of Right of Way

The width of the corridor is 64'. Property surrounding the right of way is 35% unimproved, 37% residential 20% industrial and 8% forest.

Photographs

Photographs were furnished to the Virginia Department of Historic Resources.

Date of Construction of Structures

Construction dates are shown on the Bridges and Structures Listing attached to this report in **Appendix B**.

History of Operations and Changes Contemplated

The Norfolk and Virginia Beach Railroad and Improvement Company constructed the Virginia Beach Line from a point just east of Broad Creek near downtown Norfolk, Virginia to the Virginia Beach Oceanfront from 1882-1883. After several corporate successions described below, the Virginia Beach Line became part of the property of the old Norfolk Southern Railway Company that was incorporated on September 19, 1939 as

successor in reorganization to Norfolk Southern Railroad Company. Norfolk Southern Railroad Company, which was incorporated in 1910, had been operated under receivership since 1932.

In 1974, the Norfolk Southern Railway Company that was incorporated in 1939 was acquired by Southern Railway Company and became part of Southern Railway Company's railroad system. Southern Railway Company and Norfolk and Western Railway Company, which had been consolidated as subsidiaries under Norfolk Southern Corporation in 1982, merged into a single operating railroad, Norfolk Southern Railway Company, in 1990. Thus, in 1990, the old Norfolk Southern Railway Company property that included the Virginia Beach Line became part of the property of the current, much larger Norfolk Southern Railway Company

Marshall Parks (1821-1900), a Norfolk, Virginia businessman who owned property on the Atlantic Ocean in Princess Anne County, Virginia which is east of Norfolk, organized the Norfolk and Sewells Point Railroad Company, incorporated by the Virginia General Assembly in March 1872. Princess Anne County was then a sparsely settled rural area with fewer than 9,000 residents. The Norfolk and Sewells Point Railroad Company had little capital and built no track in its nearly ten years of corporate existence. In 1882, Mr. Parks secured additional financing and changed the name of the Norfolk and Sewells Point Railroad Company to the Norfolk and Virginia Beach Railroad and Improvement Company. The Virginia General Assembly approved the reorganization of the company under the new name on January 14, 1882. Later that year, the company purchased the Seaside

Hotel and Land Company and that company's land holdings on the oceanfront approximately 6 miles south of Cape Henry.

In 1883, the Norfolk and Virginia Beach Railroad and Improvement Company built and opened a narrow gauge line of railroad approximately 17 miles long, soon thereafter consisting of about 18.9 total miles of track. The line originally ran between Broad Creek, a point about 3 miles east of downtown Norfolk, Virginia and the company's holdings of approximately 1,600 acres of real estate on the Atlantic Ocean at the eastern end of Princess Anne County, Virginia. The line also ran along the beach for approximately 2 ½ miles. The Virginia Beach Line was built in about seven months because the level terrain and the need to bridge only one waterway of consequence, the Lynnhaven River, made the construction relatively easy. The line originally had a 3-foot narrow gauge and was constructed of steel rail weighing 30 pounds per yard, which was quite light, even for that era. The company originally owned 3 locomotives, 15 passenger cars, 3 box cars and 6 platform cars.

Mr. Parks named the oceanfront area in Princess Anne County, which the Norfolk and Virginia Beach Railroad and Improvement Company owned and planned to develop, "Virginia Beach."

The trip to the oceanfront from downtown Norfolk originally required a short boat ride from a wharf in downtown Norfolk to a landing about three miles away at Broad Creek.

The trip to Virginia Beach from Norfolk originally took one hour but the company soon reduced the time to thirty-five minutes. In the summer of 1884, the company completed the line back across Broad Creek and into Norfolk, making possible an all-rail trip from Norfolk to the Atlantic oceanfront at Virginia Beach.

The Norfolk and Virginia Beach Railroad and Improvement Company encountered financial difficulties soon after its formation. The railroad carried 6,565 passengers over a total of 4,680 miles for the first summer season from July 28, 1883, when the line officially opened, to September 30, 1883. The company's total capital stock and debt outstanding on this date was \$255,612, of which \$197,000 was owed under 6 percent, 30-year mortgage bonds and \$12,000 was floating debt. The road's earnings of \$5,994.44 did not meet its expenses of \$9,250.00 in 1883. On December 19, 1884, Corporation Court Judge D. Tucker Brooke appointed a receiver for the company. Mr. Parks stepped down as president of the railroad.

In 1884, Pennsylvania Congressman James H. Hopkins of Pittsburgh, one of the company's original directors, replaced Marshall Parks as president of the Norfolk and Virginia Beach Railroad and Improvement Company. Mr. Hopkins could do no more than Mr. Parks had done to keep the company solvent.

On May 17, 1887, the railroad, and 1,500 acres of land were sold under foreclosure at public auction for \$170,000 to Mr. C. W. Mackey, also a Pennsylvania Congressman.

Mr. Mackey reorganized the company as the Norfolk and Virginia Beach Railroad Company.

In 1891, the Norfolk and Virginia Beach Railroad Company acquired the Danville and Seaboard Railroad Company, which had never constructed any track, and consolidated the two companies to form the Norfolk, Albemarle and Atlantic Railroad Company. The consolidation was motivated by the desire of the Norfolk and Virginia Beach Railroad to expand its gauge to standard gauge. The company's charter would not allow this without amendment by the Virginia General Assembly and the company did not want to spend time securing a charter amendment. The Danville and Seaboard Railroad chart enabled anyone with the necessary resources to build a broad-gauge line from Danville to anywhere in Virginia that they desired.

The Norfolk, Albemarle and Atlantic Railroad became insolvent by May 1893, putting railroad improvements and expansion that had been planned for four years on hold. The company had assumed the liability of the interest on bonds issued by its predecessor, which totaled \$25,000. Although the railroad carried a record 142,441 passengers to Virginia Beach for the year ending June 30, 1893, the company's net income of over \$10,000 was not enough to offset its liabilities. As a result, the company was placed in receivership. George S. Jones was named receiver and took possession of all the company's property and accounts on May 25, 1893.

After two years of staving off foreclosure, because of a default of interest payments

on certain bonds, the Norfolk, Albemarle and Atlantic Railroad Company suffered a foreclosure sale of its property by decree of court in 1896. The Norfolk, Albemarle and Atlantic Railroad Company was acquired at the public auction by the New York Vanderbilt interests on April 26, 1896 and reorganized as the Norfolk, Virginia Beach and Southern Railroad Company, which was incorporated under Virginia law in May 1896. The new company had the capital to make necessary improvements, in particular, to finally change the gauge of the track to standard gauge. The Norfolk, Virginia Beach and Southern Railroad soon arranged with the Norfolk and Western Railway Company to run a coach on its famed "Cannonball" train daily between Richmond, Virginia and the siding in Virginia Beach next to the Princess Anne Hotel. The Norfolk, Virginia Beach and Southern Railroad also provided for the sale of tickets from all principal points in the United States and Canada to the lobby of the Princess Anne Hotel at Virginia Beach. Within one year of broadening the gauge of the track in 1897, the number of passengers carried by the railroad between Norfolk and Virginia Beach increased from 113,190 to 148,817.

When the Norfolk, Virginia Beach and Southern Railroad Company acquired the Norfolk, Albemarle and Atlantic Railroad Company, its principal railroad asset was the Virginia Beach Line. The Norfolk, Virginia Beach and Southern Railroad proceeded to build a 22.14-mile branch line from Euclid, VA (near present-day Witchduck Road in Virginia Beach) on the Norfolk-Virginia Beach Line to Munden, VA on Currituck Sound in Princess Anne County, VA. This expansion gave the company a total of 41 miles of rail line. This was the extent of the company's railroad property when Norfolk & Southern

Railroad Company acquired the Norfolk, Virginia Beach and Southern in 1900.

Norfolk & Southern Railroad Company bought the property of the Norfolk, Virginia Beach and Southern Railroad Company in January 1900. Norfolk & Southern Railroad Company was a successor to an earlier company that was named Norfolk Southern Railroad Company. This latter name also became the name of the 1910 successor company. That company kept the Norfolk Southern Railroad Company name until it was reorganized in 1939 as Norfolk Southern Railway Company.

The earlier Norfolk Southern Railroad Company was successor, by change of name effective January 1, 1883 to The Elizabeth City and Norfolk Railroad Company. That company was chartered by special act of the North Carolina Legislature in 1870, to build a line between Elizabeth City, North Carolina, and Norfolk, Virginia. The company completed the line, along with additional mileage to Edenton, North Carolina, in 1881. The 1883 Norfolk Southern Railroad Company went into receivership in 1889. The Norfolk Southern Railroad Company property was sold under foreclosure in May 1891 to the Norfolk & Southern Railroad Company.

In 1904, Norfolk Southern Railroad Company acquired the Chesapeake Transit Company. The Chesapeake Transit Company was an electric, standard-gauge line that was built from Norfolk, Virginia to Cape Henry, Virginia in Princess Anne County on the Atlantic Ocean near the entrance to the Chesapeake Bay. It was then built down the

oceanfront to Virginia Beach, Virginia. The Chesapeake Transit Company line was opened for operation in November 1902. The Chesapeake Transit Company line was built to compete with the Norfolk & Southern Railroad Company's line to Virginia Beach, but separate operations of the two lines were not economically feasible and did not provide the best service to the public. The Chesapeake Transit Company line consisted of 26.3 miles of route mileage when taken over by the Norfolk & Southern Railroad Company in 1904. The combined trackage of the two companies then constituted a single-track loop enabling operations in both directions between Norfolk and the Virginia Beach resort area on to Cape Henry and finally back to Norfolk through the use of sidetracks. After the combination of the two companies' lines, the company had the loop trackage electrified.

In 1904, Norfolk & Southern Railroad built a 7.40 mile extension to connect Euclid, Virginia Beach, on the line eastward from Norfolk, Virginia to Providence Junction, Virginia, which was on a disconnected line running southward from Norfolk, Virginia. Other track building and acquisitions brought the total mileage of the "Beach Lines" (between Norfolk, Virginia and Virginia Beach, Virginia, most of which was then Princess Anne County, Virginia) and the two branches from Euclid, Virginia in Princess Anne County, to about 80 miles of line.

In 1906, Norfolk & Southern Railroad Company, Virginia & Carolina Coast Railroad Company, Raleigh and Pamlico Sound Railway Company and Atlantic and North Carolina Company consolidated to form Norfolk & Southern Railway Company. One of the other

predecessor companies included in the 1906 consolidation that formed Norfolk & Southern Railway Company was The Suffolk and Carolina Railway Company. Also in 1906, Bernard P. Holland, who had risen to the job of superintendent of the railroad at Virginia Beach by 1894 and who had assumed management of the Princess Anne Hotel on August 1, 1894, became the first mayor of the newly incorporated town of Virginia Beach, Virginia.

In 1906 the Norfolk and Southern Railway built Seaside Park, a vast amusement area at what is now 30th Street, in order to attract additional passengers. One source indicates the park did not open until 1912. Just as the railroad was trying to attract additional rider-ship, a severe loss was incurred when just before dawn on June 10, 1907, a fire broke out in the kitchen of the Princess Anne Hotel and it was destroyed. This loss hurt the railroad for many years to come because the line to Virginia Beach depended to a greater extent than many other lines on revenue from passenger traffic. It was about twenty years before a large, first-class hotel, the Cavalier Hotel, was again built at Virginia Beach.

In 1910, Norfolk & Southern Railway Company was reorganized and reincorporated as Norfolk Southern Railroad Company. Norfolk Southern Railroad Company then comprised a continuous connected system of 504 miles of railroad from Norfolk, Virginia and Suffolk, Virginia on the north to Raleigh, North Carolina on the west, and to New Bern, North Carolina on the south. The network also included branches from Norfolk, Virginia to Virginia Beach, Virginia and Munden, Virginia, from Mackey's Ferry, North Carolina to

Columbia, North Carolina and Belhaven, North Carolina and from New Bern, North Carolina to Oriental, North Carolina. In addition to this owned property, the company operated under lease the 95 miles of line of the Atlantic and North Carolina Railroad, which, with a disconnected piece of company owned track mileage between Morehead City, North Carolina and Beaufort, North Carolina gave the company a line westward from Beaufort, North Carolina through New Bern, North Carolina to Goldsboro, North Carolina.

In 1913, Raleigh, Charlotte and Southern Railroad Company merged into Norfolk Southern Railroad Company. By January 1, 1914, after absorption in 1913, of the Raleigh, Charlotte & Southern Railway Company, Norfolk Southern Railroad Company owned 787 miles of rail line and leased another 113 miles of rail line.

Beginning in June 1928, direct Pullman service over the lines of the Norfolk and Western Railway Company and the Norfolk Southern Railroad Company became available between Chicago, IL and the Cavalier Hotel in Virginia Beach. The Cavalier Hotel had opened in April 1927. Direct Pullman runs also started between New York and Washington and the Cavalier Hotel in that same month. The Pullman service continued until nearly the time the passenger service on the Virginia Beach Line ceased to operate in 1947. The segment of the Virginia Beach Line up the beachfront was abandoned in 1948.

Freight traffic on the Virginia Beach Line during the 1920s and 1930s consisted of food, mainly potatoes and produce, coal, lumber and sand and gravel. The line was never

very profitable. It became even more uneconomical to operate the line, especially the track along the oceanfront and to Pungo, Back Bay and Munden, with the rapid decline in passenger traffic in the 1930s that accompanied the rise of the automobile and the construction of good, paved roads.

In 1935, Norfolk Southern introduced "railbus" cars, similar to trolleys, for service on the line. Maintenance of track and equipment suffered during World War II in part due to wartime shortages of materials. Then in late 1947, passenger service on the Virginia Beach Line ceased and was formally discontinued on Norfolk Southern Railway Company lines in 1948.

In 1961, the Norfolk Terminal Station was razed and Norfolk Southern Railway Company moved its headquarters to Raleigh, NC.

Southern Railway Company acquired Norfolk Southern Railway Company, along with its Durham and South Carolina Railroad Company and Norfolk Southern Industrial Development Corporation subsidiaries, on January 1, 1974, pursuant to an ICC decision in ICC Finance Docket Nos. 27078 and 27079, for \$19,479,616 (374,608 shares of serial preference stock). Carolina and Northwestern Railway Company merged into Norfolk Southern Railway Company, January 1, 1974, pursuant to the same ICC decision in ICC Finance Docket Nos. 27078 and 27079.

On June 1, 1982, Norfolk and Western Railway Company, headquartered in Roanoke, Virginia, and Southern Railway Company, headquartered in Washington, DC with a substantial number of its offices also in Atlanta, Georgia, and their subsidiaries, consolidated as subsidiaries of Norfolk Southern Corporation, a non-carrier holding company, pursuant to authority granted by the Interstate Commerce Commission. Norfolk Southern Corporation made Norfolk, Virginia its corporate headquarters.

After the Norfolk and Western Railway Company and Southern Railway Company consolidation as subsidiaries of Norfolk Southern Corporation, the Carolina and Northwestern Railway Company name was revived when Norfolk Southern Railway Company's name was changed to Carolina and Northwestern Railway Company to prevent confusion of the name of the smaller Southern Railway Company subsidiary with that of the larger parent holding company.

Durham and South Carolina Railroad Company was merged into Carolina and Northwestern Railway Company on April 1, 1987. Danville and Western Railway Company was merged into Carolina and Northwestern Railway Company on July 1, 1987. Assets of Southern Railway Company's Blue Ridge Railway Company subsidiary was transferred to Carolina and Northwestern Railway Company and Blue Ridge Railway Company dissolved November 18, 1987. On June 1, 1988, Carolina and Northwestern Railway Company was merged into Southern Railway Company.

Effective December 31, 1990, Norfolk and Western Railway Company became a subsidiary of Southern Railway Company, which changed its name to Norfolk Southern Railway Company and remained as a subsidiary of Norfolk Southern Corporation. Norfolk and Western Railway Company thus became a wholly owned subsidiary of Norfolk Southern Railway Company rather than a subsidiary of Norfolk Southern Corporation.

Pursuant to a notice of exemption filed in STB Finance Docket No. 33648, *Norfolk Southern Railway Company--Merger Exemption--Norfolk and Western Railway Company*, served August 31, 1998, Norfolk Southern Railway Company (NSR) merged Norfolk and Western Railway Company (NW) into NSR, effective September 1, 1998. The transaction was undertaken to simplify NSR's corporate structure and eliminate costs associated with separate accounting, tax, bookkeeping and reporting functions.

Norfolk Southern Corporation ("NSC"), parent to Norfolk Southern Railway Company ("NSR"), entered into a Transaction Agreement (the "Conrail Transaction Agreement") among NSC; NSR; CSX Corporation ("CSX"); CSX Transportation, Inc. ("CSXT"), a wholly-owned subsidiary of CSX; Conrail Inc. ("CRR"); Consolidated Rail Corporation ("Conrail"), a wholly-owned subsidiary of CRR; and CRR Holdings LLC, dated June 10, 1997, pursuant to which CSX and NSC indirectly acquired all the outstanding capital stock of CRR. The Conrail Transaction Agreement was approved by the Surface Transportation Board ("STB") in a decision served July 23, 1998 in STB Finance Docket No. 33388, *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. The transaction was closed and became effective June 1, 1999.

On June 4, 2003, Norfolk Southern Corporation (NSC), CSX Corporation (CSX), and Consolidated Rail Corporation (Conrail) announced the joint filing of a petition with the STB for approval to establish direct ownership and control by CSX Transportation, Inc. (CSXT) and Norfolk Southern Railway Company (NSR), the railroad subsidiaries of CSX and NSC, respectively, of the two Conrail subsidiaries - New York Central Lines LLC (NYC) and Pennsylvania Lines LLC (PRR) that CSXT and NSR had been managing and operating, respectively, since June 1, 1999 under operating agreements approved by the STB in the 1998 Conrail Transaction decision. The STB approved the petition, subject to certain conditions, in a decision served on November 7, 2003. The effect of the transaction, which was concluded on August 27, 2004 by the merger of NYC and PRR into CSXT and NSR, respectively, was to replace the operating agreements and allow NSR and CSXT to operate the NYC and PRR lines via direct ownership.

Throughout the history of operations in the Virginia Beach, Virginia and Norfolk, Virginia areas, several abandonments have been consummated:

1. In 1943, pursuant to authorization received in 1942 from the Interstate Commerce Commission (ICC), predecessor of the Surface Transportation Board (STB), Norfolk Southern Railway abandoned 5.09 miles of line

between Back Bay (Pungo), Virginia and Munden, Virginia in Princess Anne County, Virginia.

2. In 1948, Norfolk Southern Railway Company abandoned 3.5 miles of the Beach Lines, 16.5 of the 16.9 miles of line between Euclid, Virginia and Back Bay, Virginia and 6.29 of the 7.31 miles of line between Euclid, Virginia and Providence, Virginia in Princess Anne County, Virginia
3. In 1950, Norfolk Southern Railway Company abandoned the two small remaining segments of 0.4 miles and 0.98 miles of the two Euclid branches.
4. Norfolk Southern Railway Company also abandoned 6.58 miles of the Beach Lines consisting of the Cape Henry-Virginia Beach-Lake Station segment. The 1948 and 1950 rail line abandonments facilitated the building or expansion of several roads, including Pacific Avenue, one block west of the closest street paralleling the Oceanfront in Virginia Beach.
5. In 1954, Norfolk Southern Railway Company abandoned another 8.35 miles of the Beach Lines between Little Creek and Cape Henry.
6. In 1955, Norfolk Southern Railway Company abandoned a 0.93-mile segment of the Beach Lines, reducing the railroad mileage operated in Norfolk and Princess Anne County, Virginia (Virginia Beach) to about half of its original size.
7. In 1971, Norfolk Southern Railway Company abandoned another 0.66-mile segment of the Beach Lines.
8. In 1977, Norfolk Southern Railway Company abandoned a 1.36-mile

segment of rail line between Diamond Springs, Virginia and Shelton, Virginia in the City of Virginia Beach, Virginia.

9. In 1995, Norfolk Southern Railway Company abandoned a 1.64-mile line between Milepost VB 15.46 near Birdneck Road and Milepost VB 17.1 near Mediterranean Avenue at Virginia Beach, Virginia at the Oceanfront. Norfolk Southern sold the property to the City of Virginia Beach for intended use as a bike and walking trail.

Two studies of the Norfolk and Western Railway Company and Southern Railway Company systems provide detailed information on their history. They are: E. F. Pat Striplin, *The Norfolk and Western: A History* (Roanoke, Va.: The Norfolk and Western Railway Co., 1981) and Burke Davis, *The Southern Railway: Road Of The Innovators* (Chapel Hill, N.C.: University of North Carolina Press, 1985). Historical information on many of the railroads is also provided in the early archives of these railroads which are now in the collections on deposit at Virginia Polytechnic Institute and State University.

Norfolk and Virginia Beach both lie on the Chesapeake Bay and are part of a broader area known as Hampton Roads, named to honor Henry Wriothesly, Earl of Southampton and Treasurer of the Virginia Company in London. The earliest known inhabitants and first known history of the area dates back to 9500 B.C. Prior to 1607 the Chesipean Indians inhabited the area with a settlement near Great Neck Point located in what is now known as Virginia Beach. This settlement was called the Chesepioc Settlement. A second settlement, the Skicoac Settlement, was located in what is now

known as Norfolk. By the time English colonists reached the area these Indian settlements had been destroyed by the Powhatan Indians. In 1607 the first English ships arrived at Cape Henry, located in Virginia Beach. In 1634 the area consisted of 8 shires or counties. Virginia Beach and Norfolk were both part of the Elizabeth City Shire. Sometime between 1634 and 1691 Norfolk County was created and named for a county in England. In 1691 the Lower portion of Norfolk County was taken to form Princess Anne County which was named in honor of the youngest daughter of King James. Princess Anne County later merged into the City of Virginia Beach.

Norfolk incorporated as a city in 1845 and has long been an important seaport and served as an early center of trade with England and the West Indies. The city has also been plagued with many catastrophes including complete destruction at the hands of Colonial troops to prevent the British from occupying the territory during the Revolutionary War. Norfolk was the only American town completely destroyed and rebuilt. The city also survived a large fire in 1804 which destroyed more than 300 homes and warehouses and the Yellow Fever in 1855 which claimed one-third of Norfolk's residents. During the Civil War Norfolk suffered destruction again, but its waterways and fertile farmland enabled it to quickly recover. Railroads opened the way for transportation of coal to the Norfolk port and enabled trade activities that made Norfolk a great world port.

The first landfall of the Jamestown colonists in 1607 was at Cape Henry, in the northeastern part of what is now called Virginia Beach; however, the settlers quickly left

the area because they were unable to grow food. Today, the site is within the boundaries of Fort Story, a U.S. Army installation used for training by the Army, Navy, and Marines. Since the 1880's Virginia Beach has been a popular resort destination, with passenger rail service beginning in 1883 to transport visitors from Norfolk to the oceanfront. Railroad operations are an integral part of the history of the area and have contributed to trade, commerce and overall economic success. The city is the most populous in the Commonwealth of Virginia and the fortieth largest city in the United States. Virginia Beach is listed in the *Guinness Book of Records* as having the longest pleasure beach in the world and it is located at the southern end of the Chesapeake Bay Bridge-Tunnel, the longest bridge-tunnel complex in existence. Virginia Beach incorporated as a town in 1908 and as a city in 1952.

Sources concerning the development of Virginia Beach, which contain some references to the railroad line between Norfolk and the oceanfront at Virginia Beach include Stephen S. Mansfield, *Princess Anne County and Virginia Beach: A Pictorial History* (Virginia Beach: Donning, 1989); The Virginia Beach Public Library (team of 5 writers), *The Beach, A History of Virginia Beach, Virginia*, revised edition, 1996; an Internet essay by J. Mark Souther, "Twixt Ocean and Pines: The Seaside Resort at Virginia Beach, 1880-1907" and an Internet site: "MEET MARSHALL PARKS, Founder of Virginia Beach by C. W. Tazewell, Editor, which in turn contains references to some stories in the *Virginian-Pilot* newspaper of Norfolk, VA, mainly from the 1980s.

Summary of Documents in Carrier's Possession that Might be Useful for Documenting a Structure that is Found to be Historic

While plans may be available for the structures on the line, it is most likely that any such plans are standard plans used for the construction of similar structures on the dates of construction.

Opinion Regarding Criteria for Listing in the National Register of Historic Places

NSR's opinion is that neither the structures on the line to be abandoned nor the line itself meets the criteria for listing in the National Register of Historic Places. The structures are small in nature and short in length, relatively modern and ordinary in design and construction. The structures are not distinguished in any way. The line passes through industrial, residential and unimproved areas. NSR has no reason to believe that there is any likelihood of finding historic properties on the line proposed for abandonment.

Subsurface Ground Conditions that Might Affect Archaeological Recovery

NSR is not aware of any prior subsurface ground disturbances or environmental conditions that would affect archaeological recovery. Moreover, abandonment of the line and any salvage of material from its surface which may occur will not affect any potential archaeological resources. The subsurface of the right-of-way was initially disturbed in the construction of the railroad line by grading and filling. Abandonment and any salvage of

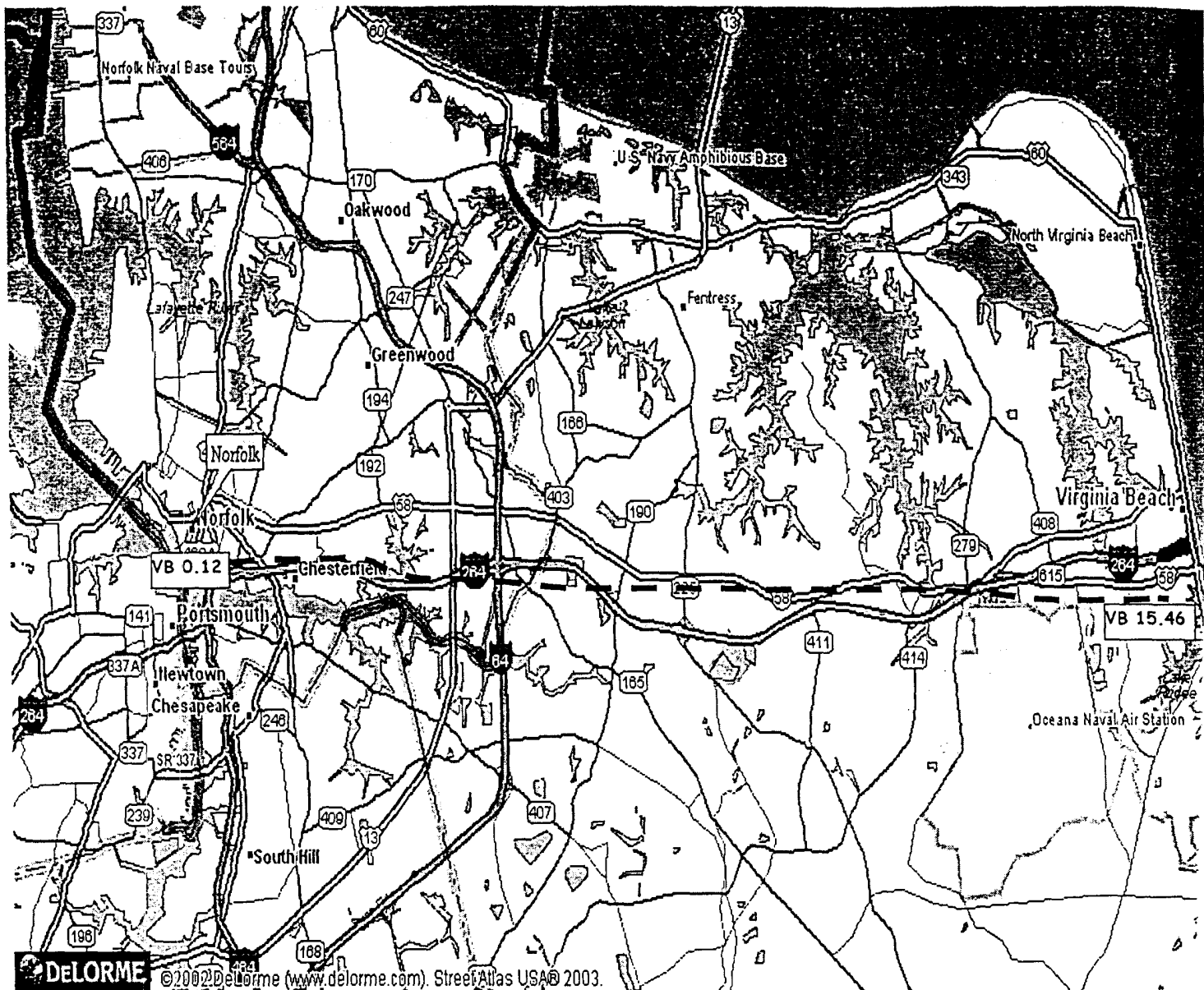
the line which may occur will not result in activities below the surface, or below the level of initial disturbance.

Follow-Up Information

NSR will provide any relevant and available additional information as required or appropriate.

Appendix A

Maps



NORFOLK SOUTHERN CORPORATION
PROPOSED LINE ABANDONMENT – VIRGINIA BEACH LINE
NORFOLK, VA TO VIRGINIA BEACH, VA
MILEPOSTS: VB 0.12 TO VB 15.46

Appendix B

Bridge List

Milepost	Station	Structure		Crossing	Type	Length	Date Blt
VB 0.90	End of line	Bridge		Ohio Creek	WTO	52	
VB 1.60	Tidewater Jct.	Bridge	OH	I-264 EB	Steel	286	1967
VB 1.60	Tidewater Jct.	Bridge	OH	I-264 WB	Steel	286	1967
VB 2.00	Tidewater Jct.	Bridge		Cedar Crk	WTO	74	
VB 2.80	Tidewater Jct.	Bridge		Broad Crk	MSO	1014	
VB 3.60	Glen Rock	Bridge	OH	US Rt 13	Steel	188	1966
VB 4.41	Glen Rock	Bridge		Waterway	CBB	20	
VB 4.50	Glen Rock	Bridge	OH	I-64	Steel	223	1967
VB 6.40	Euclid	Bridge	OH	I-264	Steel	224	1967
VB 8.30	Rosemont	Bridge		Thalia Crk	WTO	120	
VB 12.10	Lynhaven	Bridge		London Br.	WTO	162	
VB 12.34	Oceana	Bridge	OH	I-264	Steel	336	1967

Appendix C

Photographs

**Historic Report
Certificate of Service**

Pursuant to the requirements of 49 C.F.R § 1105.8(c), the undersigned hereby certifies that a copy of the Historic Report in Docket No. AB-290 (Sub-No. 269X) was mailed via first class mail on February 15, 2006 to the following party:

Ms. Kathleen Kilpatrick, SHPO
Department of Historic Resources
2801 Kensington Avenue
Richmond, VA 23221



Marcellus C. Kirchner
February 15, 2006



Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191

Marcellus C. Kirchner
Director Strategic Planning
(757) 629-2679
(757) 823-5807 FAX

February 15, 2006

Ms. Kathleen Kilpatrick, SHPO
Department of Historic Resources
2801 Kensington Avenue
Richmond, VA 23221

RE: Docket No AB-290 (Sub-No. 269X), Norfolk Southern Railway Company
Abandonment – in Norfolk, Virginia and Virginia Beach, Virginia

Dear Ms. Kilpatrick:

Norfolk Southern soon expects to file with the Surface Transportation Board a Notice of Exemption seeking authority to abandon approximately 15.34 miles of rail line between the stations of Norfolk and Oldfield, located in Norfolk, Virginia and Virginia Beach, Virginia respectively. The segment under consideration runs between mileposts VB 0.12 and VB 15.46. Enclosed is a Historic Report describing the proposed action and any expected historic effects, as well as a map of the affected area, topographical maps and a bridge information list.

We are providing this report so that you may review the information that will form the basis for the Board's independent environmental analysis of this proceeding. If you believe any of the information is misleading or incorrect, if you believe that pertinent information is missing, or if you have any questions about the Board's environmental review process, please contact the Section of Environmental Analysis (SEA), Surface Transportation Board, 1925 K Street, N.W., Washington, D. C. 20423-0001, Telephone (202) 565-1545, and refer to the above Docket. Because the applicable statutes and regulations impose stringent deadlines for processing this action, your written comments (with a copy to us) would be appreciated as soon as possible. Please refer your comments to Donna Braun by email at donna.braun@nscorp.com or by mail to:

Donna Braun
Norfolk Southern Railway Company
3 Commercial Place
12th Floor – Strategic Planning
Norfolk, VA 23510

February 15, 2006

Your comments will be considered by the Board in evaluating the historic impacts of the contemplated action. If there are any questions concerning this proposal, please contact Ms. Braun directly as indicated above.

Sincerely,

A handwritten signature in black ink, appearing to read 'MK', with a long horizontal flourish extending to the right.

Marcellus C. Kirchner

Enclosures



COMMONWEALTH of VIRGINIA

Department of Historic Resources

L. Preston Bryant, Jr.
Secretary of Natural Resources

2801 Kensington Avenue, Richmond, Virginia 23221

Kathleen S. Kilpatrick
Director

March 16, 2006

Tel: (804) 367-2323
Fax: (804) 367-2391
TDD: (804) 367-2386
www.dhr.virginia.gov

Donna Braun
Norfolk Southern Railway Company
3 Commercial Place
12th floor – Strategic Planning
Norfolk, VA 23510

Re: Abandonment of 15.34 miles of rail line, Norfolk to Virginia Beach
Norfolk Southern Railway Company
DHR file no. 2006-0268

Dear Ms. Braun:

Thank you for submitting a historic report on the above referenced project for our review pursuant to Section 106 of the National Historic Preservation Act. I understand that Norfolk Southern Railway Company proposes to abandon 15.34 miles of rail line between Norfolk and Virginia Beach, Virginia. The report indicates that a portion of the line from milepost VB 4.8 to VB 0.12 will be turned over to the City of Norfolk for use as a public transit corridor, while the remainder of the line could be salvaged of track and the property sold. Norfolk Southern Railway Company is of the opinion that neither the structures along the track, nor the line itself are eligible for listing on the National Register of Historic Places. We cannot concur with this opinion at this time.

The report indicates that a rail line was first constructed from Norfolk to the Virginia Beach Oceanfront in 1882-1883 by the Norfolk and Virginia Beach Railroad and Improvement Company. This company also owned and planned to develop the land at the end of the line in an area of Princess Anne County that they named "Virginia Beach." Though the company operating the line appears to have changed names and hands numerous times, it seems to have remained in operation well into the mid-20th century. It is our opinion that the rail line may be potentially eligible for listing on the National Register of Historic Places under Criteria A for its role in the founding and development of Virginia Beach as a tourist destination. We would recommend additional research into this aspect of the railroad's history. Is the current rail line on the same alignment as the line constructed in the 1880's? What happened with the Norfolk and Virginia Beach Railroad and Improvement Company's plans to develop Virginia Beach? Did the construction of the railroad line directly result in the residential and tourist related development of the town that became Virginia Beach? Are there any historic structures associated with the railroad - bridges, depots, etc.? We also request that you contact our Archives and request a site number for the rail line and discuss with them the procedure for completing a site form in our Data Sharing System computer-based inventory.

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Administrative Services
10 Courthouse Ave.
Petersburg, VA 23803
Tel: (804) 863-1624
Fax: (804) 862-6196

Capital Region Office
2801 Kensington Office
Richmond, VA 23221
Tel: (804) 367-2323
Fax: (804) 367-2391

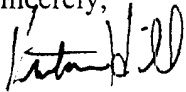
Tidewater Region Office
14415 Old Courthouse Way
2nd Floor
Newport News, VA 23608
Tel: (757) 886-2807
Fax: (757) 886-2808

Roanoke Region Office
1030 Penmar Avenue, SE
Roanoke, VA 24013
Tel: (540) 857-7585
Fax: (540) 857-7588

Winchester Region Office
107 N. Kent Street, Suite 203
Winchester, VA 22601
Tel: (540) 722-3427
Fax: (540) 722-7535

We look forward to receiving additional information on the history of this portion of the Norfolk Southern Railway so that we can provide you with meaningful comment on the eligibility of the resource and the potential effects of this undertaking on historic properties. If you have any questions about these comments, I can be reached at (804) 367-2323 ext. 111 or by email at Kristin.Hill@dhr.virginia.gov.

Sincerely,

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

Kristin Hill, Architectural Historian
Office of Review and Compliance

**NOTICE OF INTENT
TO
ABANDON RAIL SERVICE**

THE VIRGINIAN-PILOT
NORFOLK, VIRGINIA
AFFIDAVIT OF PUBLICATION

The Virginian-Pilot

NORFOLK SOUTHERN CORP
THREE COMMERCIAL PLACE
LAW DEPT. JAMES R. P
NORFOLK VA 23510

REFERENCE: 39052353
14772534 NOTICE OF INTENT TO AB

State of Virginia
City of Norfolk

This day, Dreema Johnson personally appeared before me and after being duly sworn, made oath that:

1) She is affidavit clerk of The Virginian-Pilot, a newspaper published by Landmark Communications Inc., in the cities of Norfolk, Portsmouth, Chesapeake, Suffolk, and Virginia Beach, Commonwealth of Virginia and in the state of North Carolina 2) That the advertisement hereto annexed has been published in said newspaper on the date stated.

PUBLISHED ON: 03/10

TOTAL COST: 807.52
FILED ON: 03/10/06

AD SPACE: 206 LINE

Legal Affiant:

Subscribed and sworn to before me in my city and state on the day and year
aforesaid this 13 day of March

Notary:

My commission expires January 31, 2008

Norfolk Southern Railway Company gives notice that on or about March 28, 2006, it intends to file with the Surface Transportation Board (STB), Washington, DC 20423, a petition for exemption under 49 U.S.C. 10502 and 49 CFR 1152 Subpart F-Exempt Abandonments from the prior approval requirements of 49 U.S.C. 10903, permitting the abandonment of a 15.34-mile line of railroad between milepost VB-0.12 near Tidewater Junction and milepost VB-15.46 near Oldfield, in the Cities of Norfolk and Virginia Beach, Virginia, which traverses through United States Postal Service ZIP Codes 23502 and 23504 in Norfolk, Virginia; and 23451, 23452 and 23454 in Virginia Beach, Virginia. The proceeding will be docketed as No. AB-290 (Sub-No. 269X).

The STB's Section of Environmental Analysis generally will prepare an environmental assessment in abandonment or discontinuance proceedings which will be served upon all parties of record and upon any agencies or other persons who commented during its preparation. Any other persons who would like to obtain a copy of the EA may contact the Section of Environmental Analysis, Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001 or by calling that office at 202-565-1545. The EA normally will be made available within 60 days of the filing of the petition. The deadline for submission of comments on the environmental and energy matters in the EA will generally be within 30 days of its service. Comments will be addressed in an STB decision.

The line does not contain federally granted rights-of-way. In connection with any offer of financial assistance, public use condition request or trail use condition request, parties should be aware that NSR will also request exemptions from the offer of financial assistance and public use condition provisions of 49 U.S.C. 10904 and 49 U.S.C. 10905 because NSR plans to convey that portion of the right-of-way located in the City of Norfolk between approximately Milepost VB-0.12 and Milepost VB-4.8 to the City of Norfolk for public purposes.

The interest of railroad-employees will be protected by the employee protective conditions set forth in Oregon Short Line R. Co. - Abandonment - Goshen, 360 I.C.C. 91 (1979).

Any offer of financial assistance will be due no later than 10 days after service of a decision granting the petition for exemption.

All interested persons should be aware that following abandonment of rail service and salvage of the line, the line may be suitable for other public use, including interim trail use.

Any request for a public use condition and any request for trail use/rail banking will be due no later than 20 days after notice of the filing of the petition for exemption is published in the Federal Register.

An original and 10 copies of any pleading that raises matters other than environmental issues (such as trails use, public use, and offers of financial assistance) must be filed directly with the STB's Office of the Secretary, 1925 K Street, N.W., Washington, DC 20423-0001 [See 49 CFR 1104.1(a) and 1104.3(a)], and one copy must be served on applicant's representative [See 49 CFR 1104.12(a)]. Questions regarding offers of financial assistance, public use or trails use may be directed to the STB's Office of Public Assistance at 202-927-7597. Copies of any comments or requests for conditions should be served on the applicant's representative: James R. Paschall, Senior General Attorney, Norfolk Southern Corporation, Three Commercial Place, Norfolk, VA 23510-9241, (757) 629-2759.

Persons seeking further information concerning abandonment procedures may contact the Surface Transportation Board or refer to the full abandonment or discontinuance regulations at 49 CFR Part 1152. Questions concerning environmental issues may be directed to the Board's Section of Environmental Analysis.

VP March 10, 2006

14772584

**STB Docket No. AB-290 (Sub-No. 269X)
Norfolk Southern Railway Company
- Discontinuance of Service -
In Norfolk, Virginia**

WORKPAPERS

- a. Locomotive Summary Information
- b. Financials – background
- c. Spreadsheet
- d. Locomotive ROI
- e. Locomotive Depreciation
- f. Crew materials
- g. Locomotive service
- h. Locomotive repairs
- i. Locomotive fuel
- j. Working capital
- k. Locomotive Holding
- l. Car cost
- m. Cost of capital
- n. GDP Implicit Price Deflator
- o. NSR R-1 data
- p. URCS off-branch costs
- q. Crew costs

Cat	GMA Horsepower Classification	Total*	Total Active	Average Age		Average Tons 2004	As of 2/22/2006				
				2004	2005		2003	2004	10/04 - 9/05	2005	3/06 - 2/07
1	999 HP and under	1	0								
2	1,000 HP - 1,499 HP	10	6	31.0	32.0						
3	1,500 HP - 1,749 HP	193	163	26.4	27.4	129.6	\$905,993	\$956,511	\$1,067,052		
4	1,750 HP - 1,999 HP	10	7	47.6	48.6	184.0					
5	2,000 HP - 2,499 HP	506	387	30.2	31.2	131.3	1,193,108	1,259,568	1,374,773	1,408,311	\$1,584,998
6	2,500 HP - 2,999 HP	0	0								
7	3,000 HP - 3,599 HP	753	653	25.9	26.9	174.5	1,388,981	1,466,429		1,635,899	
8	3,600 HP and over	1,873	1,849	8.4	9.4	200.9	1,461,336	1,542,819		1,721,117	
9	Booster	73	58	26.8	27.8	144.8	277,591	293,069		326,938	
	Grand Total:	3,419	3,123								

3/20/2006

Locomotive Cost

Category	GMA Horsepower Classification	Unit Initial and Number	Year of Last Purchase or Rebuild	Historic Cost	Indexed Cost		
					10/1/04 - 9/30/05	2005	3/1/06 - 2/28/07
1	999 HP and under						
2	1,000 HP - 1,499 HP						
3	1,500 HP - 1,749 HP	NS (SOU) 2403	1982	664,705		1,067,052	
4	1,750 HP - 1,999 HP	NS (NW) 0056	1957	222,575			
5	2,000 HP - 2,499 HP	NS (SOU) 5801	1980	791,186	1,374,773	1,408,311	1,584,998
6	2,500 HP - 2,999 HP						
7	3,000 HP - 3,599 HP	NS (SOU) 4641	1989	1,161,730		1,635,899	
8	3,600 HP AND OVER	NS (NS) 7512	2004	1,547,000		1,721,117	
9	Booster	NS (SOU) 0965	1990	241,543		326,938	

Locomotive Cost Indices

Category	GMA Horsepower Classification	Year of Last Purchase or Rebuild	Adjustment Required to 1982 Series	Adjustment Factor	2000	2001	2002	2003	2004	10/1/04 - 9/30/05	2005*	3/1/06 - 2/28/07
1	999 HP and under			28.87	135.70	135.20	134.90	136.30	143.90	157.08	160.53	181.10
2	1,000 HP - 1,499 HP			not calculated	4.70	4.68	4.67	4.72	4.98		5.56	6.27
3	1,500 HP - 1,749 HP	1982	none	100.00	1.36	1.35	1.35	1.36	1.44		1.61	1.81
4	1,750 HP - 1,999 HP	1957	not calculated	not calculated								
5	2,000 HP - 2,499 HP	1980	1980 to 1982	90.40	1.50	1.50	1.49	1.51	1.59	1.74	1.78	2.00
6	2,500 HP - 2,999 HP	None										
7	3,000 HP - 3,599 HP	1989	1989 to 1982	114.00	1.19	1.19	1.18	1.20	1.26		1.41	1.59
8	3,600 HP AND OVER	2004	2004 to 1982	144.29	0.94	0.94	0.93	0.94	1.00		1.11	1.26
9	Booster	1990	1990 to 1982	118.60	1.14	1.14	1.14	1.15	1.21		1.35	1.53

* Based in part on AAR RCAF forecast.

1980= 313.1 (1947=100)
1980= 90.4 (1982=100)
= 3.4635

Background

Norfolk, VA

Background Data:

(Numbers in red change once a year)
(Numbers in blue change for specific branch line)

Ending Quarter
10/04 - 9/05 2005 Q 3
3/06 - 2/07 2007 Q 1

Base Year:

Forecast Year:

Beginning Milepost:

Ending Milepost

Miles to abandon

Trips per year:

0.12
1.75
1.63
24

Number days per week serve branch line?

Crew size?

Roundtrip mileage crew taxied

Hours required to serve line (includes switching)?

Average number of trips per week?

Average number of days a car is on branch line?

Average MPH service on line?

Annualized Maintenance (Engineering)

Hours for loco ownership?

0.46
3
0
0.83
N/A
10
\$ 20,126
\$ 20,770
0.83

Base Year
2006

Cars Revenue Per Car

12 \$ 31,902 \$ 2,659

Traffic:

Orig or Term on branch

Switching

Bridge

Total

12 \$ 31,902

151

Crew Stats:

Minutes	Hours	Task
9.8	0.16	1.6 miles transit @ 10 mph
30.0	0.50	switching at H B Hunter
9.8	0.16	1.6 miles transit @ 10 mph
49.6	0.83	Total round trip time on branch

Equivalent

	Per Basic Day	Basic Days	Basic	Productivity	Fringe	TOTAL
Conductor	\$241.08	2.48	\$ 597		\$ 192	\$ 790
Brakeman	254.09	2.48	\$ 630		\$ 203	\$ 832
Engineer	298.36	2.48	\$ 739		\$ 238	\$ 977
Totals			\$ 1,966		\$ 632	\$ 2,599
Basic plus productivity				\$ 1,966		

Background

Loco Stats: (from loco master)

Category Loco Used: 5
 Number Used: 1
 Average Tons 131.3
 2005 Age 31.2

1. Loco Unit Hours

A. For ownership (Depreciation & ROI)

0.826 hrs/trip * 24 trips/yr = 19.824 hours/year

B. For Usage (fuel)

0.826 hrs/trip * 24 trips/yr = 19.824 hours/year

2. Loco Unit Miles

Running:

156
 Milepost 1.63
 3.26
 1.75 miles * 0.12 = 1.63 miles
 less MP 2 3.26 miles per round trip
 24 trips/yr = 78.24 miles

Switching:

0.50 hours * 6 MPH * 24 Trips/yr = 72 miles

TOTAL:

78.24 + 72 = 150.24 LUM

3. Loco Gross Ton Miles

150.24 LUM * 131.3 tons = 19,727 LGTM

Norfolk, VA
 3/20/2006

Norfolk, VA

	ACCOUNT NO.	BASE YEAR 10/04 - 9/05	FORECAST YEAR 3/06 - 2/07	Spreadsheet/Source
GDP deflator adjustment:			3.73%	From GDP Deflator Spreadsheet
Revenues:				
1 a. Freight Originated or Terminated on branch	101	\$31,902	\$33,092	
b. Switching	104	0	0	
c. Demurrage	106	0	0	
d. Other		0	0	
2 Bridge traffic (assignable to branch)		0	0	
3 All other revenue and income		0	0	
4 Total revenues attributable (Lines 1 through 3)		31,902	33,092	
Available cost:				
5 On-branch costs (from spreadsheets)				
a. Maintenance of way and structures		20,126	20,770	From Engineering
b. Maintenance of equipment				
1 Locomotives:				
Repairs & maintenance	11-21-41 L	35	36	Loco Repairs
	21-21-41 M	66	68	Loco Repairs
	41-21-41 P	3	3	Loco Repairs
	61-21-41 G	0	0	Loco Repairs
	12-21-00 G	13	13	Loco Repairs
Fringe benefits				
Depreciation	62-21-00 G	0	0	Loco Depreciation
Total Locomotives		117	120	
2 Other		0	0	
Total Equipment		117	120	
c. Transportation				
1 Train operations				
Engine crews	11-31-56 L	977	1,013	Transportation
	21-31-56 M	0	0	Crew Materials
Train crews	11-31-57 L	1,622	1,682	Transportation
	21-31-57 M	0	0	Crew Materials
Train inspect. & lubr.	11-31-62 L	17	18	Crew Materials
	21-31-62 M	0	0	Crew Materials
Locomotive fuel		879	912	Loco Fuel
Servicing locomotives	11-31-69 L	15	16	Loco Service
	21-31-69 M	7	7	Loco Service
	41-31-69 P	4	4	Loco Service
	61-31-69 G	0	0	Loco Service
Fringe benefits	12-31-00 G	0	0	Included in labor
Total transportation		3,521	3,652	
d. General administrative		0	0	
e. Deadheading, taxi and hotel		0	0	Transportation
f. Overhead movement		0	0	
g. Freight car costs (other than return on freight cars)		5	5	Car Cost
h. Return on value - locomotives		0	0	Loco ROI
i. Return on value - freight cars		0	0	Car Cost
j. Revenue taxes		0	0	
k. Property taxes		0	0	
l. Total (Lines 5a through 5k)		23,769	24,547	
m. Holding gain (loss)-locomotives			0	Loco Holding
n. Holding gain (loss)-freight cars			0	Car Cost
o. Net on-branch costs (Lines 5l-(5m+5n))		23,769	24,547	
6 Off-branch costs				
a. Off-branch costs (other than return on freight cars)		16,514	17,130	Cost Dept.
b. Return on value - freight cars			0	Cost Dept.
c. Holding gain (loss)-freight cars				Cost Dept.
d. Net off-branch costs (a+b-c)		16,514	17,130	
7 Total avoidable costs (Line 5o + 6d)		40,283	41,677	
Subsidization costs:				
8 Rehabilitation			165,100	
9 Administrative costs			0	
10 Casualty reserve account			0	
11 Total subsidization costs (Lines 8 thru 10)			165,100	
12 Valuation of road properties (Lines 12a thru 12c)				
(a) Working capital			1,006	Working Capital
(b) Income tax consequences			(22,604)	Working Capital
(c) Net liquidation value			61,092	Working Capital
Total valuation of properties			39,494	Working Capital
13 Nominal rate of return			14.9%	Pre Tax nominal rate
14 Nominal return on value (Line 12 * Line 13)			5,873	
15 Holding gain (loss) on road properties			1,396	
16 Return on value (Line 14-15)			4,477	
17 Avoidable loss (profit) from operations (Line 7 - 4) (excludes nominal return on value and opportunity cost, which are avoidable costs).		8,381	8,585	
18 Avoidable Loss Including Return on Value (Line 4-7+16)			13,062	
19 Avoidable Loss Including Subsidization Costs and Return on Value (Line 4-7+11+16)			178,162	

Norfolk, VA

3/20/2006

LOCOMOTIVE RETURN ON INVESTMENT
Norfolk, VA
Base Year
10/04 - 9/05

 GMA'S LOCO
 CAT 5

A. SYSTEM LOCO UNIT HOURS	10,817,203
B. SYSTEM LOCO UNITS	3,291.5
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,286
D. REPLACEMENT COST	\$1,374,773
E. DEPRECIATION RATE	3.58%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$49,217
G. LOCO AGE	31.2
H. ACCUMULATED DEPRECIATION (LINE F x LINE G)	\$1,535,570
I. NET INVESTMENT (LINE D - LINE H)	\$0
J. COST OF CAPITAL	14.87%
K. ANNUAL ROI (LINE I x LINE J)	\$0
L. LOCO UNITS BY CATEGORY (100% SAMPLE)	1
M. TOTAL LOCO UNITS IN SAMPLE	1
N. RATIO LOCO UNITS BY CATEGORY (LINE L / LINE M)	1.00
O. LOCO UNIT HOURS ON BRANCH	19.824
P. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE N x LINE O)	20.0
Q. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE P / LINE C)	0.006
R. ANNUAL ROI ON BRANCH (LINE K x LINE Q)	\$0
S. TOTAL ROI (SUM OF LINE R AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

Norfolk, VA
 3/20/2006

Forecast Year
3/06 - 2/07

GMA'S LOCO
CAT 5

A. SYSTEM LOCO UNIT HOURS	10,817,203
B. SYSTEM LOCO UNITS	3,292
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,286
D. REPLACEMENT COST	\$1,584,998
E. DEPRECIATION RATE	3.58%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$56,743
G. LOCO AGE	32.2
H. ACCUMULATED DEPRECIATION (LINE F x LINE G)	\$1,827,125
I. NET INVESTMENT (LINE D - LINE H)	\$0
J. COST OF CAPITAL	14.87%
K. ANNUAL ROI (LINE I x LINE J)	\$0
L. LOCO UNITS BY CATEGORY (100% SAMPLE)	1
M. TOTAL LOCO UNITS IN SAMPLE	1
N. RATIO LOCO UNITS BY CATEGORY (LINE L / LINE M)	1.00
O. LOCO UNIT HOURS ON BRANCH	19.824
P. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE N x LINE O)	20.0
Q. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE P / LINE C)	0.006
R. ANNUAL ROI ON BRANCH (LINE K x LINE Q)	\$0
S. TOTAL ROI (SUM OF LINE R AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

Norfolk, VA
 3/20/2006

LOCOMOTIVE DEPRECIATION

Norfolk, VA

Base Year
10/04 - 9/05
-----GMA'S LOCO
CAT 5

A. SYSTEM LOCO UNIT HOURS	10,817,203
B. SYSTEM LOCO UNITS	3,292
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,286
D. REPLACEMENT COST	\$1,374,773
E. DEPRECIATION RATE	3.58%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$0
G. LOCO UNITS BY CATEGORY (100% SAMPLE)	1
H. TOTAL LOCO UNITS IN SAMPLE	1
I. RATIO LOCO UNITS BY CATEGORY (LINE G / LINE H)	1.0
J. LOCO UNIT HOURS ON BRANCH	20
K. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE I x LINE J)	20
L. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE K / LINE C)	0.006
M. ANNUAL DEPRECIATION ON BRANCH (LINE F x LINE L)	\$0
N. TOTAL DEPRECIATION (SUM OF LINE M AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero
because the annual depreciation rate times the average age
exceeds 100%.

Norfolk, VA
3/20/2006

LOCOMOTIVE DEPRECIATION

Norfolk, VA

Forecast Year
3/06 - 2/07
-----GMA'S LOCO
CAT 5

A. SYSTEM LOCO UNIT HOURS	10,817,203
B. SYSTEM LOCO UNITS	3,292
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,286
D. REPLACEMENT COST	\$1,584,998
E. DEPRECIATION RATE	3.58%
F. ANNUAL DEPRECIATION (LINE D x LINE E)	\$0
G. LOCO UNITS BY CATEGORY (100% SAMPLE)	1
H. TOTAL LOCO UNITS IN SAMPLE	1
I. RATIO LOCO UNITS BY CATEGORY (LINE G / LINE H)	1.0
J. LOCO UNIT HOURS ON BRANCH	20
K. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE I x LINE J)	20
L. RATIO LOCO UNIT HOURS ON BRANCH TO SYS LOCO UNIT HOURS PER LOCO UNIT (LINE K / LINE C)	0.006
M. ANNUAL DEPRECIATION ON BRANCH (LINE F x LINE L)	\$0
N. TOTAL DEPRECIATION (SUM OF LINE M AMOUNTS)	

Net Investment for Category 5 locomotives is equal to zero because the annual depreciation rate times the average age exceeds 100%.

Crew Materials

CREW MATERIALS (TRAIN & ENGINE) AND TRAIN INSPECTION AND LUBRICATION

Norfolk, VA

Base Year
10/04 - 9/05

	ENGINE CREW MATERIAL (21-31-56)	TRAIN CREW MATERIAL (21-31-57)	TRAIN INSPECTION & LUBRICATION	
			WAGES (11-31-62)	MATERIALS (21-31-62)
A. SYSTEM EXPENSES	\$56,000	\$1,520,000	\$53,624,000	\$161,000
B. CAR MILE PORTION RATIO	69%	69%	69%	69%
C. SYSTEM CAR MILE EXPENSES (LINE A x LINE B)	\$38,640	\$1,048,800	\$37,000,560	\$111,090
D. SYSTEM CAR MILES L & E (RR OWN & LEA, PVT & NO PAY MI)	4,655,590,000	4,655,590,000	4,655,590,000	4,655,590,000
E. SYSTEM EXPENSES PER CAR MILE L/E (LINE C / LINE D)	\$0.0000083	\$0.0002253	\$0.0079476	\$0.0000239
F. BRANCH CAR MILES L & E	39	39	39	39
G. BRANCH CAR MILE EXPENSES (LINE E x LINE F)	\$0	\$0	\$0	\$0
H. CARLOAD PORTION RATIO	31%	31%	31%	31%
I. SYSTEM CAR LOAD EXPENSES (LINE A x LINE H)	\$17,360	\$471,200	\$16,623,440	\$49,910
J. SYSTEM CARLOADS (QCS-COST DEPT)	12,273,466	12,273,466	12,273,466	12,273,466
K. SYSTEM EXPENSES PER CARLOAD (LINE I / LINE J)	\$0.00141	\$0.03839	\$1.35442	\$0.00407
L. BRANCH CARLOADS	12	12	12	12
M. BRANCH CARLOAD EXPENSES (LINE K x LINE L)	\$0	\$0	\$16	\$0
TOTAL EXPENSES (LINE G + LINE M)	\$0	\$0	\$17	\$0

Loco Service

SERVICING LOCOMOTIVES

Norfolk, VA

**Base Year
10/04 - 9/05**

A. BRANCH LOCO UNIT MILES	150
B. SYSTEM LOCO UNIT MILES	174,442,542
C. RATIO (LINE A/ LINE B)	0.000001
D. SYSTEM LABOR EXPENSE (ACC 11-31-69) (R-1, Sch. 410, Line 411)	\$16,857,000
E. BRANCH LABOR EXPENSE (LINE C x LINE D)	\$15
F. SYSTEM MATERIAL EXPENSE (ACC 21-31-69)	\$7,966,000
G. BRANCH MATERIAL EXPENSE (LINE C x LINE F)	\$7
H. SYSTEM PURCHASED EXPENSE (ACC 41-31-69)	\$4,532,000
I. BRANCH PURCHASED EXPENSE (LINE C x LINE H)	\$4
J. SYSTEM GENERAL EXPENSE (ACC 61-31-69)	\$0
K. BRANCH GENERAL EXPENSE (LINE C x LINE J)	\$0

Norfolk, VA
3/20/2006

Loco Repairs

LOCOMOTIVE REPAIRS AND MAINTENANCE

Norfolk, VA

Base Year
10/04 - 9/05

A. BRANCH TONS PER UNIT	131
B. BRANCH LOCO UNIT MILES	150
C. BRANCH LOCO GTM (LINE A x LINE B)	19,727
D. SYSTEM LOCO GTM	31,979,527,000
E. RATIO (LINE C / LINE D)	0.000001
F. RATIO ROAD PORTION	0.929
G. SYSTEM LABOR EXPENSE (ACC 11-21-41)	\$61,530,000
H. BRANCH LABOR EXPENSE (LINE'S E x F x G)	\$35
I. SYSTEM MATERIAL EXPENSE (ACC 21-21-41)	\$115,262,000
J. BRANCH MATERIAL EXPENSE (LINE'S E x F x I)	\$66
K. SYSTEM PURCHASED EXPENSE (ACC 41-21-41)	\$5,442,000
L. BRANCH PURCHASED EXPENSE (LINE'S E x F x K)	\$3
M. SYSTEM GENERAL EXPENSE (ACC 61-21-41)	\$43,000
N. BRANCH GENERAL EXPENSE (LINE'S E x F x M)	\$0
O. FRINGE RATE	37.71%
P. TOTAL FRINGES (LINE H x LINE O)	\$13

Norfolk, VA
3/20/2006

LOCOMOTIVE FUEL

Norfolk, VA

Base Year 10/04 - 9/05	-----
	GMA'S LOCO CAT 5 -----
A. GMA'S REPAIR & SUPPLIES COSTS PER LOCO UNIT HR. (AS OF 7/1/82)	\$55.60
B. GMA'S FUEL PORTION	0.64
C. FUEL EXPENSE PER LOCO UNIT HR. (LINE A x LINE B)	\$35.58
D. AAR'S CRC INDEX - FUEL (ANNUAL 1982 TO CURRENT YEAR)	1.246
E. FUEL EXPENSE PER LOCO UNIT HR. (LINE C x D)	\$44.34
F. LOCO UNITS BY CATEGORY (20% SAMPLE)	1
G. TOTAL LOCO UNITS IN SAMPLE	1
H. RATIO LOCO UNITS BY CATEGORY (LINE F / LINE G)	1.00
I. TOTAL LOCO UNIT HOURS ON BRANCH	20
J. LOCO UNIT HOURS ON BRANCH BY LOCO CATEGORY (LINE H x LINE I)	20
K. FUEL EXPENSES BY CATEGORY (LINE E x LINE J)	\$879
L. TOTAL FUEL EXPENSES (SUM OF LINE K AMOUNTS)	

Norfolk, VA
3/20/2006

Working Capital

Norfolk, VA

Working Capital	3/06 - 2/07
	Forecast Year
On branch avoidable cost	24,547
less loco dep	0
less frt car dep	0
subtotal	24,547
@ 15 days on branch cash avoidable cost (provision 49 CFR 1152.34) 15/365= 0.041	
Working Capital	1,006

Income Tax Consequences

NLV * 37% Tax Rate

Present (begin forecast year) NLV =

59,696

8,877 Nominal opportunity cost

End of Forecast Year NLV =

61,092 * 37% =

22,604 Income tax consequences

Holding gain road properties

1,396

Opportunity cost

7,481

Norfolk, VA

3/20/2006

LOCOMOTIVE RETURN ON INVESTMENT
LESS HOLDING GAIN(LOSS)
Norfolk, VA

	FORECAST YEAR GMA'S LOCO CAT 5
	-
A. SYSTEM LOCO UNIT HOURS	10,817,203
B. SYSTEM LOCO UNITS	3,292
C. SYS LOCO UNIT HRS./LOCO UNIT (LINE A / LINE B)	3,286
D. REPLACEMENT COST (END OF FORECAST YEAR)	1,584,998
E. REPLACEMENT COST (BEGINNING OF FORECAST YEAR)	1,374,773
F. HOLDING GAIN(LOSS) AT REPLACEMENT (LINE D - LINE E)	210,225
G. TOTAL YEARS DEPRECIATION (100% / 3.86%)	27.9
H. LOCOMOTIVE AGE	32.2
I. NET BASE INVESTMENT YEARS (LINE G - LINE H)	0.0
J. REPL. LESS DEPR. ADJUSTMENT RATIO (LINE I / LINE G)	0.000
K. HOLDING GAIN(LOSS) AT REPL. LESS DEPR. (LINE F x LINE J)	0
L. LOCO UNITS BY CATEGORY	1
M. TOTAL LOCO UNITS IN SAMPLE	1
N. RATIO LOCO UNITS BY CATEGORY (LINE L / LINE M)	1.0
O. LOCO UNIT HOURS ON BRANCH	19.824
P. LOCO UNIT HOURS ON BRANCH BY LOCO CAT (LINE N x LINE O)	19.824
Q. RATIO LUH ON BR. TO SYS LUH PER LOCO UNIT (LINE P / LINE C)	0.006
R. HOLDING GAIN(LOSS) BY LOCO CAT. (LINE K x LINE Q)	0
S. HOLDING GAIN(LOSS) (SUM OF LINE R AMOUNTS)	
T. RETURN ON INVESTMENT (SEE BASE YEAR ROI SHEET)	
U. ROI MINUS HOLDING GAIN(LOSS) (LINE T - LINE S)	

Norfolk, VA
3/20/2006

CAR COST (MILEAGE)
Norfolk, VA

(1)		(2)	(3)	(4)	(5)	B, F (6)		(7)	E (8)		(9)
AAR CAR TYPE		ICC CAR GROUP	NUMBER OF CARS	LOADED CAR MI. ON BRANCH	RATIO LOADED TO EMPTY	LD & MTY CAR MI. ON BRANCH (COL. 3x4)		COST PER CAR/MI (REPAIR & DEPR)	MILEAGE COST (REPAIR & DEPR) (COL. 5x6)	COST PER CAR/MI (DEPR)	MILEAGE COST (DEPR) (COL. 5x8)
Box-plain 40	B	01	0	2	2	0			\$0		\$0
Box-plain 50	B	02	0	2	2	0			\$0		\$0
	B	PVT2	0	2	2	0			\$0		\$0
Box-equipped	A	03	0	2	2	0		\$0.0670		\$0.0240	\$0
Gondola-plain	G/J	04	0	2	2	0		\$0.0590		\$0.0460	\$0
Gondola-equipped	E	05	0	2	2	0		\$0.0220		\$0.0010	\$0
Hopper-covered	C	06	0	2	2	0		\$0.0550		\$0.0120	\$0
	C	PVT6	0	2	2	0		\$0.0639		\$0	\$0
Hopper-open top GS	H	07	0	2	2	0		\$0.0610		\$0.0480	\$0
Hopper-open S S	C/J/K	08	0	2	2	0		\$0.0840		\$0.0520	\$0
Reefer-mechanical	R	09	0	2	2	0		\$0.1200		\$0	\$0
Reefer-non mech	R	10	0	2	2	0		\$0.0910		\$0.0260	\$0
Flat-TOFC/COFC	P	11	0	2	2	0		\$0.1200		\$0.0060	\$0
Flat-multi level	V	12	0	2	2	0		\$0.1100		\$0.1090	\$0
Flat-gen service	F	13	0	2	2	0		\$0.0630		\$0.0430	\$0
Flat-other	F	14	0	2	2	0		\$0.0710		\$0.0170	\$0
	F	PVT14	0	2	2	0		\$0.3925		\$0	\$0
Tank--Under 22,000 gals.	T	15	12	20	2	39		\$0.1335	\$5		\$0
Tank--22,000 gals. and over	T	16	0	2	2	0		\$0.2210	\$0		\$0
All Other Cars	F/L/M/S	17	0	2	2	0		\$0.0152	\$0	\$0.0078	\$0
	F/L/M/S	PVT17	0	2	2	0		\$0.0000	\$0		\$0
TOTAL			12	20		39			\$5		\$0

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TOTAL - DAILY & MILEAGE		
REPAIRS AND DEPRECIATION	ROI	DEPRECIATION (ONLY)
DAILY:	\$0	\$0
MILEAGE:	N/A	\$0
TOTAL:	\$5	\$0
HOLDING GAIN/(LOSS)	\$0	\$0
ROI LESS HOLDING GAIN/(LOSS)	\$0	

2004 Railroad Cost of Capital

	Debt	Common Equity	
1) Nominal Cost	0.053	0.132	
2) Real Cost $((1+J7)/\text{deflator})-1$	0.026	0.103	
3) Market Weight	0.385	0.615	
4) After Tax			
a. Nominal $J7*J9$	0.0202	0.0809	10.11%
b. Real $J8*J9$	0.0098	0.0631	7.30%
5) Pre-tax (change in equity only)			
a) Nominal $4a/(1-\text{tax rate}^*)$	0.0202	0.1285	14.87%
b) Real $4b/(1-\text{tax rate}^*)$	0.015630	0.100209	11.58%
6) Holding Gain			3.29%

*Assume 37% tax rate

Gross Domestic Product Implicit Price Deflator
Chain Type Index (Series 2000=100)
Source: Global Insight, December 2005

UQCSS:JPGDP.Q	Mean for Four Quarters Ending this Quarter	Period Represented	Change	Spreadsheet where factor is used
1999Q1	97.2740			
1999Q2	97.7010			
1999Q3	98.0220			
1999Q4	98.4750			
2000Q1	99.2920			
2000Q2	99.7800			
2000Q3	100.2410			
2000Q4	100.6870			
2001Q1	101.5070			
2001Q2	102.2900			
2001Q3	102.6900			
2001Q4	103.1220			
2002Q1	103.5530			
2002Q2	103.9440			
2002Q3	104.3470			
2002Q4	104.9260			
2003Q1	105.7240			
2003Q2	106.0190			
2003Q3	106.5000			
2003Q4	106.9960	106.3087	2003	
2004Q1	107.9510			
2004Q2	108.9760			
2004Q3	109.3710			
2004Q4	110.1110	109.0995	2004	2.63% Cost of Capital
2005Q1	110.9500			
2005Q2	111.6550			
2005Q3	112.5670	111.3171	Base Year	
2005Q4	113.1409	112.0751	2005/NLV @ Filing	2.73%
2006Q1	113.9720	112.8306		
2006Q2	114.6474			
2006Q3	115.1573			
2006Q4	115.7446	114.8785	2006	-3.10% Normalized Maintenance
2007Q1	116.3305	115.4682	Forecast Year	3.73% Financial Exhibit
2007Q2	116.9110			2.34% Forecast year NLV
2007Q3	117.4790			
2007Q4	118.0858			

NSR Form R-1 Data

R-1 INFORMATION 2004

Sch 755:

	<u>FGHT</u>	<u>PSGR</u>
A) Ln 7 Train Miles	77,666,184	
B) Ln 11 Locomotive Unit Miles	174,442,542	
C) Ln 12 Locomotive Unit Miles Trn Swtg	9,042,515	
D) Ln 98 GTM Road Locomotives (000s)	31,979,527	
E) Ln 115 Trn Hrs Rd Svc	4,017,129	
F) Ln 116 Trn Swtg Hrs	869,001	
G) (Ln 116 * 6 mph) Trn Mi Rd Trn Swtg	5,214,006	
H) (A+G) Total Freight Train Miles	82,880,190	
I) [(Ln 11+Ln12)/Item H] Loco Units per Train	2.21	
J) [(Ln 115+Ln 116)*Item I] Loco Units Hours	10,817,203	
K) Ln 117 Yard Switching Hours	2,154,976	
L) Ln 13 Loco Unit Miles Yard Switching	13,243,542	
M) (Ln 117*6mph) Yard Switching Miles	12,929,856	
N) (Ln 13/Item M) Loco Units per Yard Switch	1.02	
O) (Ln 117*Item N) Loco Unit Hours Yard Switch	2,207,257	

NSR Form R-1 Data

NS 2004 System Car Miles L&E

R-1, Sch 755:

Line 30	1,380,755,000 RR L
Line 46	981,482,000 RR E
Line 64	1,168,083,000 PVT L
Line 82	729,610,000 PVT E
Line 84	395,660,000 No Payment
	4,655,590,000

NS 2004 O&T's (excl DUP & incl TRL/CONT)

QCS 2004 L.Anderson-Acct (hardcopy only)

	Carloads			
Ln 48 Col B	Local	4,933,859 *	2 =	9,867,718
Ln 48 Col d	Fwd	555,907 *	1 =	555,907
Ln 48 Col f	Rc'd	1,849,841 *	1 =	1,849,841
Ln 48 Col h	Bridge	<u>58,666</u> *	0 =	0
		7,398,273		12,273,466

NSR Form R-1 Data

2004 FRINGE BENEFITS (Sch 410)

Acc Group		2004 Labor (000)	2004 Fringes (000)	2004 Fringe %	2003 Fringe %
WS	Run	118,974	73,141	61.48%	73.51%
	Swtg	7,891	2,706	34.29%	37.78%
	Oth	26,235	5,442	20.74%	21.65%
ME	Loco	75,659	28,533	37.71%	42.11%
	Fght Cars	49,247	15,860	32.21%	36.47%
	Oth	1,473	3,567	242.16%	352.85%
Transport.	Trn Op	682,410	219,493	32.16%	36.58%
	Yd Op	226,854	74,906	33.02%	36.63%
	Trn & Yd Op	530	155	29.25%	39.66%
	SPSVCOP	34,288	5,062	14.76%	17.26%
	Admin Supp	31,816	13,873	43.60%	42.67%
GA	Gen & Admin	12,262	6,332	51.64%	42.83%
	MWS Composite	153,100	81,289	53.10%	

NSR Form R-1 Data

R-1 2004 Information

Investment in Equipment: Diesel Locomotives

			Beg Yr		End Yr	Avg Yr
Sch 710	Ln 1 Col (b)	Fght	3,148 Col (J)		3,435	3,292
	Ln 2 Col (b)	Psgr	0 Col (J)		0	0
	Ln 4 Col (b)	Swtg	187 Col (J)		193	190
	Ln 9 Col (b)	Aux	<u>74 Col (J)</u>		<u>74</u>	<u>74</u>
			3,409		3,702	3,556
Sch 332	Ln 31 col(d)	Depr	3.58%			
(Reprs)				Labor		
Sch 415	Ln 1 Col (b)	Yd	12,844,000	7.1%		
	Ln 2 Col (b)	Rd	<u>166,834,000</u>	92.9%		
	Ln 5 Col (b)	Total	\$179,678,000			
(Loco Fuel)						
Sch 410	Ln 409 Col (h)		411,555,000	91.7%	53,624	Ln 408 Col (b)
	Ln 425 Col (h)		<u>37,475,000</u>	8.3%	<u>0</u>	Ln 425 Col (b)
			\$449,030,000		\$53,624	\$395,406
(Svc Loco)						
Sch 410	Ln 411 Col (h)		29,355,000	97.8%	16,857	Ln 411 Col (b)
	Ln 427 Col (h)		<u>670,000</u>	2.2%	<u>670</u>	Ln 427 Col (b)
			\$30,025,000		\$17,527	\$12,498

NSR Form R-1 Data

CREW MATERIALS (Sch 410)

Engine Crew Material	
In 402 Col (c)	56,000
Train Crew Material	
In 403 Col (c)	1,520,000
Train Insp. & Lubrication	
Wages In 408 Col (b)	53,624,000
Materials In 408 Col (c)	161,000

SERVICING LOCOMOTIVES (Sch 410)

System Labor Expense	
In 411 Col (b)	16,857,000
System Material Expense	
In 411 Col (c)	7,966,000
System Purchased Expense	
In 411 Col (d)	4,532,000
System General Expense	
In 411 Col (e)	-

LOCOMOTIVE REPAIR (Sch 410)

System Labor Expense	
In 411 Col (b)	61,530,000
System Material Expense	
In 411 Col (c)	115,262,000
System Purchased Expense	
In 411 Col (d)	5,442,000
System General Expense	
In 411 Col (e)	43,000

		2004 URCS LEVEL		output line variables---->										VA Beach Line Oct 2004 <---> Sept 2005																												
URCS OUTPUT---->		lines references -->		URCS COST		total train miles		VC cm(r) - opr		VC cm(r) - drl		VC cm(y) - opr		VC cm(y) - drl		VC CD(r) - opr		VC CD(r) - drl		VC CD(y) - opr		VC CD(y) - drl																				
move parameters----->		URCS class		miles		car type		tons		circuitry		Net GTM's		URCS COST		eff ratio		105		111 634/411		635/413		636/415		637/427		638/429		639/431		641/438		642/440		643/442		644/453		645/455		
NS	OD	796	Tank Car < 22,000 Gd	100	1	79600	\$ 1,499.87	1.95086	1552.88456	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	792	Tank Car < 22,000 Gd	100	1	79200	\$ 1,493.17	1.95086	1545.08112	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	793	Tank Car < 22,000 Gd	97	1	78921	\$ 1,474.10	1.95086	1547.03198	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	796	Tank Car < 22,000 Gd	100	1	79600	\$ 1,499.87	1.95086	1552.88456	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	793	Tank Car < 22,000 Gd	100	1	79300	\$ 1,494.84	1.95086	1547.03198	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	793	Tank Car < 22,000 Gd	98	1	77714	\$ 1,481.01	1.95086	1547.03198	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	793	Tank Car < 22,000 Gd	100	1	79300	\$ 1,494.84	1.95086	1547.03198	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	789	Tank Car < 22,000 Gd	100	1	78900	\$ 1,488.15	1.95086	1539.22854	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	793	Tank Car < 22,000 Gd	99	1	78507	\$ 1,487.93	1.95086	1547.03198	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	793	Tank Car < 22,000 Gd	100	1	79300	\$ 1,494.84	1.95086	1547.03198	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	793	Tank Car < 22,000 Gd	100	1	79300	\$ 1,494.84	1.95086	1547.03198	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NS	OD	793	Tank Car < 22,000 Gd	100	1	79300	\$ 1,494.84	1.95086	1547.03198	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

646/457	VC CD(y)- Roi	car days running	cd(y) (l) train (l&e)	cd(y) industry (l&e)	cd(y) l or ul pvt line	VC-cm rental pvt line	fill1	fill2	fill3	105 ICH event \$	fill4	105 I&I event \$	fill5	URCS Car Mile Cost 632 + sum 634- sum 641- 646	URCS Car day cost sum 641- 646	Total car cost	fill6	line 700	Adjusted URCS Cost -- excluding car fill costs	line 111 total train miles	Total Load & Empty miles
		0	0	0	0	98.6792917	98.6792917			195086 \$	31.23	195086 \$	14.19	\$	98.68	0 \$	98.68	\$	1,500	1,384	1,552.9
		0	0	0	0	98.1834158	98.1834158			195086 \$	31.23	195086 \$	14.19	\$	98.18	0 \$	98.18	\$	1,493	1,378	1,545.1
		0	0	0	0	98.3073848	98.3073848			195086 \$	31.23	195086 \$	14.19	\$	98.31	0 \$	98.31	\$	1,474	1,359	1,547.0
		0	0	0	0	98.6792917	98.6792917			195086 \$	31.23	195086 \$	14.19	\$	98.68	0 \$	98.68	\$	1,500	1,384	1,552.9
		0	0	0	0	98.3073848	98.3073848			195086 \$	31.23	195086 \$	14.19	\$	98.31	0 \$	98.31	\$	1,495	1,380	1,547.0
		0	0	0	0	98.3073848	98.3073848			195086 \$	31.23	195086 \$	14.19	\$	98.31	0 \$	98.31	\$	1,481	1,366	1,547.0
		0	0	0	0	98.3073848	98.3073848			195086 \$	31.23	195086 \$	14.19	\$	98.31	0 \$	98.31	\$	1,495	1,380	1,547.0
		0	0	0	0	97.811509	97.811509			195086 \$	31.23	195086 \$	14.19	\$	97.81	0 \$	97.81	\$	1,488	1,373	1,539.2
		0	0	0	0	98.3073848	98.3073848			195086 \$	31.23	195086 \$	14.19	\$	98.31	0 \$	98.31	\$	1,488	1,373	1,547.0
		0	0	0	0	98.3073848	98.3073848			195086 \$	31.23	195086 \$	14.19	\$	98.31	0 \$	98.31	\$	1,495	1,380	1,547.0
		0	0	0	0	98.3073848	98.3073848			195086 \$	31.23	195086 \$	14.19	\$	98.31	0 \$	98.31	\$	1,495	1,380	1,547.0
		0	0	0	0	98.3073848	98.3073848			195086 \$	31.23	195086 \$	14.19	\$	98.31	0 \$	98.31	\$	1,495	1,380	1,547.0

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Virginia Beach Line
Crew NP 44 Base Year Compensation

			Occ Clm				
Train Num	Ca Cd	Data	A4	B1	CO	EN	Grand Total
NP44	A4	Sum of Add To Net Amt	0				0
		Sum of Gross Amt	5642.86				5642.86
		Sum of Prod Fund					
	AE	Sum of Add To Net Amt		495.72		259.2	754.92
		Sum of Gross Amt		0		0	0
		Sum of Prod Fund					
	AN	Sum of Add To Net Amt		0		0	0
		Sum of Gross Amt		298.22		0	298.22
		Sum of Prod Fund					
	AP	Sum of Add To Net Amt		0	0		0
		Sum of Gross Amt		4.4	0.4		4.8
		Sum of Prod Fund					
	CM	Sum of Add To Net Amt		0		0	0
		Sum of Gross Amt		0		0	0
		Sum of Prod Fund					
	CO	Sum of Add To Net Amt		0		0	0
		Sum of Gross Amt		498.63		191.56	690.19
		Sum of Prod Fund					
	D7	Sum of Add To Net Amt				0	0
		Sum of Gross Amt				364	364
		Sum of Prod Fund					
	DD	Sum of Add To Net Amt		0	0	0	0
		Sum of Gross Amt		14100.61	2521.26	7961.88	24583.75
		Sum of Prod Fund					
	EW	Sum of Add To Net Amt		0	0	0	0
		Sum of Gross Amt		5760.89	516.08	2282.3	8559.27
		Sum of Prod Fund					
	HO	Sum of Add To Net Amt	0	0	0	0	0
		Sum of Gross Amt	0	1606.02	1368.54	1498.85	4473.41
		Sum of Prod Fund					
	HW	Sum of Add To Net Amt	0	0	0	0	0
		Sum of Gross Amt	0	487.82	508.56	557.88	1554.26
		Sum of Prod Fund					
	IW	Sum of Add To Net Amt		0	0	0	0
		Sum of Gross Amt		132.01	302.63	191.56	626.2
		Sum of Prod Fund					
	LT	Sum of Add To Net Amt		0	0	0	0
		Sum of Gross Amt		112.62	51.46	63.06	227.14
		Sum of Prod Fund					
	M3	Sum of Add To Net Amt		88.21			88.21
		Sum of Gross Amt		0			0
		Sum of Prod Fund					
	NO	Sum of Add To Net Amt		0			0
		Sum of Gross Amt		165.01			165.01
		Sum of Prod Fund					
	OT	Sum of Add To Net Amt			0	0	0
		Sum of Gross Amt			16.67	35.32	51.99
		Sum of Prod Fund					
	RC	Sum of Add To Net Amt		0	0		0
		Sum of Gross Amt		1371.52	1820.7		3192.22
		Sum of Prod Fund					
	RO	Sum of Add To Net Amt			0		0
		Sum of Gross Amt			15		15
		Sum of Prod Fund					
	SC	Sum of Add To Net Amt	0	0	0		0

Virginia Beach Line
Crew NP 44 Base Year Compensation

NP44	SC	Sum of Gross Amt	0	0	1130		1130
		Sum of Prod Fund					
	SQ	Sum of Add To Net Amt		0	0	0	0
		Sum of Gross Amt		498.63	167.01	371.91	1037.55
		Sum of Prod Fund					
	ST	Sum of Add To Net Amt		0	0	0	0
		Sum of Gross Amt		29052.45	41083.37	41486.29	111622.11
		Sum of Prod Fund					
	SX	Sum of Add To Net Amt				0	0
		Sum of Gross Amt				191.56	191.56
		Sum of Prod Fund					
	TA	Sum of Add To Net Amt				0	0
		Sum of Gross Amt				2500	2500
		Sum of Prod Fund					
	V1	Sum of Add To Net Amt		0	0	0	0
		Sum of Gross Amt		597.18	780.88	905.88	2283.94
		Sum of Prod Fund					
	VC	Sum of Add To Net Amt		0	0	0	0
		Sum of Gross Amt		1214.31	2755.6	7036.91	11006.82
		Sum of Prod Fund					
NP44 Sum of Add To Net Amt		\$ -	\$ 584	\$ -	\$ 259	\$ 843	
NP44 Sum of Gross Amt		\$ 5,643	\$ 55,900	\$ 53,038	\$ 65,639	\$ 180,220	
NP44 Sum of Prod Fund							
Total Sum of Add To Net Amt		\$ -	\$ 584	\$ -	\$ 259	\$ 843	
Total Sum of Gross Amt		\$ 5,643	\$ 55,900	\$ 53,038	\$ 65,639	\$ 180,220	
Total Sum of Prod Fund							
		fringeable	\$ 5,643	\$ 55,900	\$ 53,038	\$ 65,639	\$ 180,220
		ringe	1.69	1.69	1.69	1.69	1.69
		fringed	\$ 9,536	\$ 94,472	\$ 89,634	\$ 110,930	\$ 304,572
		add to net	\$ -	\$ 584	\$ -	\$ 259	\$ 843
		total	\$ 9,536	\$ 95,055	\$ 89,634	\$ 111,189	\$ 305,415
		EN-ST's	220	220	220	220	220
		per EN-st	\$ 43.35	\$ 432.07	\$ 407.43	\$ 505.40	\$ 1,388.25
		Per basic day		\$ 254.09	\$ 241.08	\$ 298.36	