DESCRIPTION AND RATIONALE
FOR PROPOSED PRO-COMPETITIVE
REGIONAL RAIL SYSTEM

Conrail's Sale and The Pittsburgh & Lake Erie
The Role of Competition
Physical extension of P&LE allowing it to directly serve its historical off-line markets.

Use of former main lines of CR constituent railroads downgraded by Conrail from main line status or abandoned by it.

Establish now a regional railroad which will remain a competitive force under any conceivable further restructuring of railroad industry.

Maintain service and significant employment and industrial development potential on CR secondary lines in jeopardy.

Insert now a regional carrier in sections of Ohio, Indiana and Pennsylvania from which the major railroads are withdrawing, in order to assure long-term rail service to these important secondary and local markets.

Assure a functioning structure of competitively cooperating, interconnected regional railroads which will provide "the competitive discipline on rates and service in many markets", and form an effective counterbalance to the market power of Conrail, CSX and NS.

Assure that significant portions of the public's $7 billion investment in the physical assets of Conrail will not be merely scrapped as a result of Conrail line "rationalizations", but instead will continue as integral components of a regional Class I carrier.
Preliminary Projections -
Effect of Proposed
P&LE Line Extensions

Additional Business

<table>
<thead>
<tr>
<th></th>
<th>Carloads</th>
<th>Revenue</th>
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<tr>
<td>Current P&amp;LE &quot;Extended Haul&quot;</td>
<td>57,000*</td>
<td>$9,990**</td>
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<tr>
<td>On the New Lines</td>
<td>90,000</td>
<td>44,740</td>
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<td>Competitive Points:</td>
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<tr>
<td>a) Existing</td>
<td>14,200</td>
<td>5,708</td>
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<td>b) New lines</td>
<td>72,200</td>
<td>35,930</td>
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<td><strong>TOTALS</strong></td>
<td>233,400*</td>
<td>$96,368</td>
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*The "Current P&LE" traffic does not represent new carloads to P&LE. It is only those carloads of current business susceptible to extended haul over the lines and rights to be acquired by P&LE. The total new carloads is derived by subtracting the "extended haul" from the total.

**Increment revenues only, resulting from the "extended haul" effect.
Description:

- Orrville - Crestline, Ohio - overhead trackage rights - 65 miles
- Crestline - Chicago (including branches) - Acquisition - 301 mile
- Indiana Harbor Belt Railroad - Partial stock ownership
- Ivanhoe Branch and other Chicago local trackage and local service rights - 25 miles
Physical Characteristics: The trackage rights from Orrville, Ohio, to Crestline are via a Conrail mainline. This line is fully signalled and CTC for maximum operating efficiency. It is all 132 or 140# CWR in excellent condition. The line is well able to handle P&LE's proposed usage. The line from Crestline, Ohio to Chicago goes via Lima, Ohio and Ft. Wayne and Valparaiso, Indiana. This line, until recently, was a CTC double-track mainline. Conrail has recently removed much of the second main and the CTC. The line is signalled and is 130-133# rail split between jointed and CWR. It is currently in good condition and able to be operated by P&LE to provide competitive service. The line will require only minor tie renewal to bring it up to highest condition. There are four branches associated with this line. The longest, 17 miles, from Ft. Wayne to Decatur, Indiana, provides local service to that latter community. The line is 100-105# rail and does need some tie replacement work. Other branches are:

- An industrial access line in Ft. Wayne of 4 miles physically adequate to good for local service.

- Branch to Spore, Ohio from Bucyrus - 7 miles of 105# rail. Needs some tie work, but adequate for local service.

- Branch to Carey, Ohio, from Forest - 11 miles of 105# rail in good to fair condition. Adequate for local service requirements.
The Iyanhoe branch and other local Chicago trackage are over well-maintained lines to industrial service points, railroad connections and to Colhour yard which P&LE would acquire.

**Redundancies/"Rationalization"** - This line is the former mainline of the Pennsylvania Railroad into Chicago. In 1980 it handled 37.0 MGMT of business. Currently, Conrail provides only local type service, except on the trackage rights portion between Orrville and Crestline, Ohio. Amtrak trains use this route between Washington, DC and Chicago. 1985 business volume (including Amtrak) was 3+ MGMT. This line is redundant to the former NYC "Water-level route" used by Conrail at its east-west mainline to Chicago. This latter line has seen a 50% increase in tonnage between 1980 and 1985, while the redundant line through Lima and Ft. Wayne has seen its traffic almost completely diminished. Unquestionably, in the absence of the Amtrak trains and the fact that the line runs through key Congressional districts, Conrail would have already segmented and "rationalized" this line west of Crestline, Ohio. All of the branches are naturally associated only with this line.

**Rational/Competition** - P&LE acquisition of this line will enable it to:

- Fully replace the market access it lost upon Conrail's formation. Fully 37% of P&LE's current westbound business and 20% of its received eastbound business requires this route via Chicago.
• Assure continuation of this line west of (beyond Crestline) as a through competitive route.

• Assure the future neutrality of the Indiana Harbor Belt Railroad as a Chicago switching carrier through P&LE minority ownership of between 2 and 5%.

• Assure future Class I rail service to many important small and medium sized Ohio and Indiana communities, including Lima, Delphos and Van Wert, Ohio, and Ft. Wayne, Decatur and Valparaiso, Indiana.

• Provide P&LE access to Toledo, Indianapolis and a route between the Columbus-Pittsburgh traffic base and the northern Indiana - Chicago market.

• Insure the continuance of a

Major customers, besides the major steel companies, include: Dana Corporation, G.E., Central States Enterprises and Central Soya in the Ft. Wayne area; R. R. Donnelly & Sons at Warsaw, Indiana; Dana Corporation; Ford Motors, Landmark Feeds, Sohio, Proctor & Gamble, Ohio Steel, Westinghouse and Clark Equipment Company at Lima Ohio; Ohio Stone Company, National Lime and Stone at Spore and Carey, Ohio; Timken Company at N. Robinson, Ohio; and Central Soya Company at Delphos, Ohio. This line serves an important corridor in northern Indiana and north and west central Ohio. P&LE presence on it will assure Class I competitive rail
service in all communities along the line insuring against the loss of substantial investment and employment losses which would otherwise result from Conrail line rationalizations. Rail competition will occur at: Delphos, Lima and Cary, Ohio; at Decatur, Ft. Wayne, Warsaw, Hanna, Valparaiso, Hobart, Gary and Indiana Harbor, Indiana; and at points in the Chicago metropolitan area.

Business: This rail line which P&LE will acquire produces 22,000 carloads annually. Total other rail traffic at competitive points along these lines equals 630,000 carloads. P&LE expects to capture 48,000 carloads of business creating $25.4 million in revenues for P&LE. Additionally, a large volume of business from current P&LE customers and from new customers on other lines to be acquired by P&LE will move over this line, making this segment of utmost importance in the expansion of P&LE into its historical market areas. The majority of the business on this line consists of steel industry related (46%), grains (30%), foods and petroleum products. The proposed P&LE access to Baltimore will assure P&LE's ability to offer competitive export grain rates to customers on this line (as well as via Conrail, NS and CSX connections to other ports). P&LE is an acknowledged expert in the transportation of steel industry related business. P&LE has considerable experience handling petroleum products to and from customers on its current railroad.

Description:

- Warsaw - Indianapolis, Indiana - Trackage right and certain local rights - 125 miles

- Logansport - Clymers - Trackage with local service rights - 6 miles
Description - con't.

- Marion - Logansport, Indiana - P&LE Acquisition - 42 miles (Conrail to retain full service trackage at Marion to serve General Motors).
- Anoka - Kokomo, Indiana - P&LE Acquisition - 18 miles
- Marion - Union City, Indiana - P&LE Acquisition - 54 miles
- Logansport - Winamac, Indiana - P&LE Acquisition - 28 miles

Physical Characteristics: The 125 miles of trackage rights which will provide P&LE access via Marion to the other rail lines radiating from Marion, and to industry and connection at Indianapolis is 112-155# CWR signalled line in first class condition. It is well able to handle the anticipated P&LE trackage. At Marion the P&LE would acquire the remainder of what was Penn Central's Columbus - Chicago mainline. The line now only runs from Union City to Winamac, Indiana, via Marion and Logansport (Conrail having abandoned and removed the rails beyond these two end points). The line is 130-133# rail with some sections of CWR. The line has been out-of-service between Goodman Yard (near Marion) and Anoka (28 miles) for about 2 years. The rail is still in place and able to support the anticipated local service needs of the customers and communities along this line. The branch from Anoka to Kokomo is in good condition for the local service to be provided. It is layed with 130# jointed rail. Some tie work will be required in near-term future years.

Redundancies/"Rationalization": The lines radiating from Marion, Indiana, have already suffered from Conrail's rationalization
process. The Union City - Marion - Logansport - Winamac line was originally the Penn Central's Columbus - Chicago mainline. By 1980 Conrail had discontinued using it as a Chicago route. At that time traffic was still moving to the Santa Fe (TP&WRR) connection at Logansport and business volume therefore registered 7 - 10 MGMT in 1980. By 1985, Conrail's route closing and line rationalization practices had reduced volume on this line to 1 MGMT and effectively closed the Logansport - TP&W connection. The Kokomo branch has been relatively lightly utilized since Conrail's inception.

Rationale/Competition - P&LE would utilize these lines for the following purpose:

- establish a Class I regional railroad now in an area of Indiana which is treated with slowly deteriorating and probable eventual loss of rail service.

- re-open the Logansport connection with the Santa Fe (TP&W) (thereby assuring their future presence in central and western Indiana).

- assure future rail service and industrial development potential in northern central Indiana.

- assure future rail competition in Indianapolis by establishing a Class I carrier in this market with the long-term intention of remaining a local competitor to Conrail.
feed added local business to Chicago - Crestline line to support its continued viability as a main line.

Major users of the acquired lines include: Fisher Body Div. of General Motors, Anaconda Copper, Dana Corporation, General Tire and Foster-Forbes Glass Company at Marion, Indiana; Tranco Railcar, Inc., Louisville Cement Company, Farm Bureau Coop Elevator and Bunge Grain At Logansport, Indiana; Owens-Illinois and Glass Container Corporation at Gas City, Indiana; St. Joe Paper Company and 3M Company at Hartford City, Indiana; Anderson Grain Company, Indiana Glass and Kerr Glass at Dunkirk, Indiana; Kokomo Grain Company, Continental Steel and Delco at Kokomo, Indiana, Indianapolis Power and Light Company, Chrysler Corporation, Reilly Tar, Indiana Farm Bureau, Ely Lilly, Stokely Van Camp, Kerr McGee, Early and Daniels, Ford Motor Company, General Motors, National Starch, Acme Evans and many other firms at Indianapolis, Indiana.

Business: The lines P&LE would acquire produced 60,000 carloads of business per year. An additional 24,000 carloads are competitively available at commonly served points along these lines. P&LE's projected traffic resulting from acquisition of these lines is 8,000 and $3.6 million in revenues. Additional value would be added by entry into the Indianapolis market where P&LE projects 6,300 carloads and $3.8 million in revenues. The business on this line is largely inbound coal, steel, paper products and transportation equipment, steel products and grains, for which P&LE's car fleet is either well suited or for which one or more of P&LE's new regional railroad
connections would be well positioned to supply equipment on a cooperative basis. P&LE's marketing expertise in these business areas is well established.

Rail competitors will occur at the following points in relationship to these lines: Logansport/Clymers, Kokomo, Converse, Marion, Hartford City, Red Key, Union City and Indianapolis, Indiana.
Bucyrus - Toledo (and Monroe, Michigan)

KEY

- Current P&LE
- Current P&LE Trackage Rights
- Lines Acquired
- Additional P&LE Trackage Lines
- Local or Reciprocal Rights

Description:

- Bucyrus - Carrothers - Assume Conrail overhead trackage rights via N&W - 14 miles
- Carrothers - Walbridge - P&LE acquire - 56 miles
- Walbridge - Toledo - Alexis - Local Service rights - 13 miles
- Alexis, Ohio - Monroe, MI - Overhead coal trackage rights - 17 miles
Physical Characteristics: The initial 14 miles of trackage (Bucyrus Carrothers), is over the N&W Bellevue - Columbus main line. This line is in excellent condition and supports the same type trackage rights today. The Carrothers to Walbridge (Toledo - Andrus Road) line is a former main line access into Toledo for the Pennsylvania Railroad. It is mostly 132# rail the majority of which is CWR. The entire line has received extensive tie installation since Conrail's formation in 1975. The line is fully capable of supporting P&LE mainline operations into Toledo. The trackage rights in the Toledo metropolitan are to provide P&LE connections to other carriers and competition for shippers are over. 13 miles of main and branch lines are in good condition. The 17 miles of trackage rights to Monroe, Mi., are over a CR Detroit-Toledo mainline, they provide P&LE with the ability to compete directly with Conrail for the Detroit Edison business. Each of these trackage rights lines has the physical capacity and condition to accept the P&LE proposed usage, and allow it to provide first class service.

Redundancies/"Rationalization" - The Bucyrus - Toledo route is redundant to Conrail's mainline system. The line is the former north-south mainline access to Toledo for the Pennsylvania Railroad. Conrail has (and utilizes as its mainline) the former NYC north-south main (via Findlay, Ohio). The Bucyrus - Toledo line P&LE proposes to acquire for mainline service is currently used by Conrail for local service. The line only handles 25% of the traffic volume moved over it in 1980 when Conrail still used it
as an alternative mainline into Toledo. Currently the line handles 6.4 MGTM. Most of this volume is attributable to the stone quarries on this line.

**Rational/Competition** - P&LE would utilize these lines for the following purposes:

- Create a through competitive route from P&LE current (and new customers) to Michigan industry via connections at with GTW, AA and others at Toledo (among the principal users will be P&LE's steel industry customers).

- Provide assured local service to on-line communities such as Tiffin and Gibsonburg.

- Provide additional competition in the Toledo metro area.

- Fully utilize the public investment made in this line since Conrail's formation.

**Business:** This line which P&LE would acquire produces 12,000 carloads of business annually. Other rail business generated at competitive points along this line totals 257,000 carloads. P&LE expects to capture 10,000 carloads total, producing $6.2 million in revenues from traffic generated directly by this line. Additionally, the direct access to Detroit Edison facilities at Monroe, Michigan and the friendly connection with other carriers (particularly other regional
railroads) at Toledo will produce access to the majority of the Michigan market. These factors can be expected to add 8,000-11,000 additional carloads and between $2.4 and $4.1 in new P&LE revenues. The majority of the "on-line" business associated with this line is stone traffic for movement to the steel industry and transportation equipment which P&LE will be suited to serve in terms of marketing expertise, equipment and the requisite friendly connection.

Rail competition along this line will occur at the following communities: Toledo (metro area), Maple Grove, Tiffin and Carrothers, Ohio, and at Monroe, Michigan.
Description:

- Cleveland - Ravenna - Trackage rights - 29 miles
- Hudson, Ohio - Orrville - P&LE Acquisition - 37 miles
- Girard, Ohio - Akron - P&LE Acquisition - 53 miles
- Akron, Barberton Belt Railroad - P&LE acquisition of Conrail's partial ownership
Physical Characteristics: The 29 miles of trackage rights between Cleveland (Kingsman Connection) and Ravenna are over a Conrail mainline. The line is in prime condition. It is 140# CWR. Included is lease or ownership of Harvard Yard in Cleveland. The 37 mile line between Hudson and Orrville via Warwick is in good condition. Most of the line is laid with 130-132# CWR, with some sections of 130-133# jointed rail. The 53 mile Girard - Akron line is split into two sections. The line from Leavittsburg to Girard has been partially abandoned by Conrail. However, the rail is all still in place and in good condition. Some of the work and replacement of a crossing with the B&O at DeForest Junction is required. This 14 mile line segment is mostly 115# rail. The 39 miles from Leavittsburg to Akron the line is in better condition. It is mostly 130-133# rail most of which is CWR. Conrail provides light local service on this line. The line will require a switch and a few hundred feet of track to be re-installed on an existing right-of-way to reconnect it with the Hudson - Orrville line in Akron. The Akron Barberton Belt Railroad is currently jointly owned by the CSX, NS and Conrail. It is an industrial switching carrier servicing the Akron and Barberton area.

Redundancies/"Rationalization" - The Girard to Akron line is a remnant of the former Erie-Lackawanna New York-Chicago mainline which came under Conrail ownership in 1975. This line was totally redundant to Conrail's system at the time of its formation. Most of the western end of the line was abandoned by Conrail early on in its existence due to its duplication of four other parallel
east-west lines. This section of the former Erie Lackawanna carried 5+ MGTM in 1980. By 1985, this volume was less than 1.0 MGTM as Conrail cut service and segmented this line. In the absence of P&LE's acquisition of this line it will be abandoned by Conrail due to its redundancy even though it provides rail access to the north side of the Ravenna Arsenal. The Hudson - Orrville line is a former Penn Central line that also has only been lightly used by Conrail since its inception. The line's usefulness to Penn Central and Conrail is as an alternative route between Cleveland and the east-west mainline from Pittsburgh to St. Louis which runs via Alliance, Canton and Orrville. Conrail however, has and uses its preferred route between Cleveland and this east-west mainline. The route runs via Ravenna and Alliance, rendering the Hudson-Orrville line totally redundant. This line has trackage rights associated with it over CSX between Warwick and Massillon which P&LE would acquire, as well as additional rights within Massillon to enable it to provide local service at that point. The other major use of the Hudson - Orrville and Girard - Akron lines are for access to the Akron - Barberton area. Conrail has shown its lack of interest in this medium sized market by removing most of its yards and crews from Akron. Conrail plans to shortly put the Warwick to Orrville section of this line out-of-service, a prelude to its destruction as a through route through Conrail "rationalization" program. B&O still uses the line between Akron and Warwick and produces 99.5% of the 36.9 MGTM moved over this route. Conrail's usage amounted to only .2 MGTM in 1985. The Akron Barberton Belt partial ownership is a natural adjunct to P&LE's acquiring Conrail's lines into the Akron area.
Rationale/Competition - This complex of lines would be used by P&LE to:

- provide competitive access to the Cleveland metro market;
- provide the Cleveland, Warren/Youngstown and Pittsburgh steel industry with alternative rail competition;
- tie the industry complex of northeast Ohio into P&LE's east-west access to Chicago at Orrville;
- undertake to assist in Akron, Barberton and Kent's revitalization.

While the Akron area is being neglected by Conrail and other major carriers in their rush to concentrate on the largest market, acquisition of these lines and rights would allow P&LE to fill its role as the natural regional carrier providing assured service to this mid-sized metro area.

Major customers served by this complex of lines, besides LTV Steel at Cleveland, Warren and Massillon, include: Holub Iron & Metal, Brown & Graves, B. F. Goodrich Chemical, Firestone Tire & Rubber, and Diamond Crystal Salt at Akron; Louisianna Pacific at Orrville; Union Drawn Steel at Massillon; Crowley Tar and Williams Bros. Grain Company at Kent, Ohio; and General Electric and Central Soya at Ravenna.
Business: The line from Girard to Kent to Akron and Orrville - Massillon and Cleveland local service access produced 35,000 carloads annually. Additional railroad traffic at competitive points along these lines totals 154,000 carloads. P&LE expects to gain 36,000 carloads total from local markets on these lines and $18.4 million in revenues. The vast majority of this business is steel industry related (44%) or chemicals and other products for which P&LE has the expertise and equipment to be an effective competitor.
Description:

- **Pittsburgh - Steubenville** - trackage rights with local service rights to Weirton Junction and Follansbee, WVA. - 39 miles

- **Steubenville - Newark, Ohio** - P&LE acquisition. - 115 miles

- **Mingo Jct. - Tiltonsville** - Trackage rights with local service rights to Mingo Jct., Rush Run (Brilliant) and Tiltonsville, Ohio - 16 miles

- **Newark - Columbus** - Assumption of Conrail use of B&O as joint facility with local service. - 33 miles

- **Columbus - Dunkirk** - Overhead trackage rights - 77 miles
Physical Characteristics: The 39 miles of track from Pittsburgh to Steubenville are over Conrail's "Panhandle" route. The line is in good condition. The track is 133-152# rail split between jointed and CWR. Conrail uses the line only lightly. It is well capable of handling P&LE's proposed usage. Some tie replacement work is necessary in the center section of this line. The line from Steubenville to Newark is a 115 mile continuation of the same route. It is mostly CWR of 131-140# weight. The line is no longer signalled, since Conrail has recently removed them as part of its downgrading of service on this line. This mainline has two additional branches associated with it:

- Cadiz Jct. to Cadiz, (Georgetown), Ohio - 13 miles of 130-131# jointed rail in good condition to provide the local (mostly) coal service needed.

- Heath - Hebron - 4.5 miles of 105# jointed rail in adequate condition for local service needs.

The local service trackage right to Pollansbee, WV and Mingo Jct. Brilliant - Tiltonsville, Ohio, are via branch lines adequate for providing this access.

The Columbus to Dunkirk trackage rights are over a 1st class Conrail north-south mainline. It is all signalled and built of 112-132# CWR. The line is in good condition, and although used extensively by Conrail, is well capable of the additional P&LE
proposed usage. Between Newark and Columbus, Conrail and B&O make joint use of B&O's main track. Conrail has historically used this as a through route between Newark and Columbus and to service the Conrail track (which it retained) in each community. P&LE would assume Conrail's role along this route.

Redundancies/"Rationalization" - This line is a redundant former Penn Central main line. Conrail currently routes traffic which historically followed this route over the former PRR mainline (north of this line) from Pittsburgh - St. Louis and the former NYC mainline (also north of this line) from New York to Chicago. This line carried 13+ MGMT in 1980 between Pittsburgh and Steubenville (P&LE's proposed trackage rights section). This volume dropped to 3+ million by 1985 as Conrail downgraded local service and discontinued through service on this line. The rest of the line (from Steubenville to Columbus) has seen volume drop from 43 MGMT in 1980 to under 2 MGMT by 1985 as Conrail reduced service in preparation to segment and rationalize this redundant line. The branches are all naturally associated only with this mainline.

Rational/Competition - P&LE would utilize this line to:

- establish assured Class I rail service now and for the future in the southeastern quarter of Ohio from which Conrail and the other major carriers are withdrawing;
provide P&LE the competitive access to the Ohio Valley steel producers (e.g., at Weirton and Pollansbee, WV), as intended by the Final System Plan; (See excerpt attached).

Create an interconnected system of cooperating regional railroads;

assure Columbus remain on an east-west mainline rail route;

create a competitive rail route via Columbus and for southeastern Ohio and the Pittsburgh - West Virginia Panhandle steel and other traffic for movement Chicago and the west, and via connections Cincinnati and south, or between Pittsburgh and points on this line.

Examples of major customers on this line include: Weirton Steel at Weirton, WVA; Wheeling-Pittsburgh Steel Company at Pollansbee, WV, and Mingo Junction, Steubenville and Tiltonsville, Ohio; Consolidation Coal Company at Cadiz (Georgetown), Ohio; American Electric Power at Brilliant, Ohio; Belden Brick Company at Port Washington, Ohio; General Tire at Newcomerstown, Ohio; Stone Container, Cloy Pipe and Coshocton Grain Company at Coshocton, Ohio; Ohio Oil Gathering Company at Black Run, Ohio; Newark Processing at Newark, Ohio; Kaiser Aluminum at Heath, Ohio; Metal Container at Blacklick, Ohio; W. R. Grace at Columbus, Ohio. Additionally, major customers on the current and proposed P&LE lines would make significant use of this route.
Business: This line produces 86,000 carloads of "on-line" business annually. An additional 24,000 carloads are competitively available at commonly served points along these lines. P&LE expects to capture 44,800 carloads of total business from the exclusive and competitive points along these lines producing $9.4 million in revenues. The commodity mix along this line is varied; coal, ores, steel, scrap, food products and chemicals predominate. In each case P&LE has the equipment, marketing experience and expertise to be an effective long-term competitor in these markets.
United States Railway Association

Final System Plan

Volume I
Figure 5.—Proposed market extensions, Grand Trunk Western Railroad, Detroit Toledo & Ironton Railroad, and Pittsburgh & Lake Erie Railroad.
Description:
- Columbus - London, Ohio - Overhead trackage - 25 miles
- London - Dayton (via Xenia) - P&LE Acquisition - 46 miles
- Columbus - Lilly Chapel - P&LE Acquisition - 17 miles
Columbus - Dayton via Xenia

Physical Characteristics: The 25 miles of trackage rights between Columbus and London are over Conrail's current Columbus - Cincinnati mainline. This line is a prime mainline with 131 lb. jointed rail and some 140 lb. continuous welded rail (CWR). All ties and roadbed are in good to excellent condition. The line has ample capacity to handle the additional P&LE trains in overhead movement. The 45+ mile line from London to Dayton, which P&LE would acquire, is in excellent condition. The line is 131-133 lb. jointed rail, with some CWR between Xenia and Dayton. It was utilized until recently by Conrail as an alternate mainline route between Columbus (London) and Cincinnati. The entire line received tie renewal in 1975-76. This line is still well capable of sustained operations at mainline speeds and tonnages. The Lilly Chapel branch is 127# rail and is in adequate condition for the local service requirements, although some tie work on the end near Lilly Chapel is advisable.

Redundancies/"Rationalization" - This line has been redundant since the formation of Penn Central at which time the former Pennsylvania Columbus - Cincinnati mainline (via London, Xenia and Dayton) was combined under one ownership with the former New York Central Columbus - Cincinnati mainline (via London, Springfield and Dayton). This duplication was continued into Conrail in 1975. In 1980 the former NYC line (via Springfield) carried 5.5 million gross ton miles (MGTM) and the former PRR line (via Xenia) carried 8.5 million gross ton miles (MGTM). Conrail, more recently, has recognized the redundancy, and in preparation to "rationalize" and abandon the Xenia route has been routing all through traffic over the Springfield line.
Conrail is using the Xenia route for limited local switching service only. In 1985 the Springfield route handled 21.7 MGTM, while the redundant Xenia route handled only the 1.1 MGTM generated by local traffic.

The line has two short branches associated with it. One from Xenia to Spring Valley of about 1 mile. The other, between Clement and Kettering, is 7 miles of mostly 130 lbs. CWR with some 85 lb. Both branches are more than adequate to handle the local service in each area.

Rational/Competition - P&LE would utilize this line for the following purposes:

- Creating a through competitive route between the Cincinnati and south gateway and the Columbus-Cleveland-Pittsburgh areas. This route would be created primarily in cooperation with the GTW system via interchange at Dayton, and would help assure GTW's competitive presence in Southwestern Ohio for the future. However, traffic may also be routed B&O or Conrail (where routes still exist).

- Utilize the investment made in this line since Conrail's formation and assure it won't merely be scrapped as an outcome of this line's "rationalization".
. Upgrade the level of local service to the communities and assure the presence of Class I competition at London, Xenia, S. Charleston and Dayton.

The branches are naturally connected only to this line.

The major customers served by this line, such as Landmark at S. Charleston, USI Division of National Distillers at Xenia, and Delco at Kettering will have their investment in plant and local employment insured. Future industrial development in these communities will be enabled by P&LE's operation of this line.

Business: The P&LE would expect to generate some $7+ million in revenues from some 5,300 origin or termination carloads on this line. Significant portions of which are inbound steel, dry chemicals and good products. Much of the outbound is boxcar oriented business. P&LE, of course, has a large surplus boxcar fleet.

Additionally, 7.5% of P&LE's current interline forwarded and 3.0% of its current interline received business would be routed via this line. Some of this business would involve traffic to and from the important Cincinnati in conjunction with the Grand Trunk System via Dayton, Ohio.
Description:

- Youngstown, Ohio - Shenango, Pa. - Perpetualization of existing trackage given P&LE under Final System Plan and additional local rights - 30 miles
- Shenango, Pa - Salamanca, NY - Trackage rights with certain local rights - 128 miles
- Meadville - Titusville - P&LE Acquisition - 51 miles
Physical Characteristics: The Youngstown - Shenango trackage rights are over the former Erie-Lackawanna mainline. P&LE currently utilizes trackage rights over this line which were granted to it under the Final System Plan for 30 years in 1975. P&LE is seeking right to renew these trackage rights for additional thirty-year terms. To create truly competitive access to Sharon Steel Company, P&LE is also seeking the right to perform its own switching to this customer directly with its own crews and equipment.

The Shenango, Pa., to Salamanca, NY trackage rights are over the eastward continuation of the former E-L mainline. This line is a mixture of 112-132# jointed and CWR rail still in good condition. P&LE seeks the right to certain tracks at Meadville, Pa., to get to the Titusville Meadville line to be acquired, and the right to interchange at Corry or Union City, Pa., with the Allegheny Railroad, and at Salamanca, NY, with Conrail, B&O and the Genesee & Wyoming Railroad. The Meadville Oil City - Titusville line is a good quality branchline of 112# and heavier rail. It has been well maintained and is adequate for the local service involved.

Redundancies/"Rationalization": The Shenango - Salamanca line would assure more than just the token rail service which Conrail currently provides on this remnant of the E-L mainline. Conrail has made progressively less use of the line over the years. Annual tonnages have fallen from 4-5 MGTM in 1980 to 1.7 in 1985. P&LE attempted to purchase this segment as part of its "Southern Tier"
purchase offer to Conrail in 1981 only to have Conrail claim that it was vital to their system. Yet, once a P&LE attempt to purchase it had been blocked by what is now clear to everyone were highly questionable claims about this line Conrail has since continued to downgrade and reduce service on this line.

Rationale/Competition - P&LE's presence on these lines will:

- assure future Class I rail service to the northwest portion of Pennsylvania;

- allow P&LE to form new, efficient coal carrying routes to New York state via connections at Salamanca;

- create a route for unit tank train movements from Oil City, Titusville and Warren, Pa., to Youngstown, Ohio.

Major shippers who would benefit from P&LE's presence on these lines include: Consolidation Coal Company; PPG at Stony Point, Pa.; Pennzoil at Titusville, Pa.; Quaker State at Oil City, Pa.; Wolfshead Refining at Reno, Pa.; Sharon Steel at Sharon, Pa.; and United Refineries at Warren, Pennsylvania.

Business: Currently the P&LE acquired portions of these lines produced 4,000+ carloads. P&LE would expect to gain 2,000 of these generating additional revenues of $764,000 to P&LE. The overhead coal routed
this line, plus the unit tank trains would add substantial revenues. The primary traffic generated by this acquired line is oil products and chemicals which move in private cars and with which P&LE is familiar due to its providing similar service to customers on its current lines.
Description:

- Youngstown - Ashtabula, Ohio, and Ashtabula Harbor - Perpetualization of existing trackage rights and certain additional rights. - 58 miles
- Ashtabula, Ohio - Buffalo, New York (and Lockport) - Trackage rights with local service rights at certain points - 160+ miles
- Youngstown, OH - Shenango, PA (via Sharon, PA) - Perpetualization of existing trackage rights and certain additional rights. - 22 miles
Youngstown - Ashtabula - Buffalo (and Lockport)

Physical Characteristics: The 58 miles of trackage rights from Youngstown to Ashtabula and the 22 miles of trackage rights from Youngstown (Doughton Jct.), to Shenango, Pa., are over the well maintained Conrail line. These rights were granted to P&LE for 30 years under the Final System Plan in 1976. P&LE seeks to extend the term of these rights to additional 30-year terms at P&LE's option. Additional rights P&LE would acquire include the right to interchange at Carson, Ohio, with the short line carrier service Jefferson, Ohio, and the right to local service access to industries at Ashtabula, Ohio, and the right to directly serve Sharon Steel at Sharon, Pa., with P&LE's own crews and equipment.

The 160+ miles of trackage rights to Buffalo and beyond to Lockport, NY, are over Conrail's best maintained double-track mainline. This line is fully signalled and is under CTC control. It is more than capable of handling P&LE's contemplated trackage rights. These rights would substitute for existing P&LE trackage rights via N&W between Ashtabula and Buffalo, New York, which are currently limited to movement of coal trains only.

Rationale/Competition: P&LE would use these trackage rights to:

* Create a full connection with all carriers at Buffalo and in the Buffalo region.

* Provide direct "single-line" competitive service to coal burning utilities at Somerset (Lockport), Harriet and Dunkirk, NY.
Tie the regional GTI system to the rest of the system of cooperating regional railroads for all commodities.

The major customers who would benefit from P&LE presence and local rights on these lines include: Ashtabula Scrap, and Pinney Dock at Ashtabula, Ohio; Sharon Steel at Sharon, Pa; New York State Gas & Electric and Niagara Mohawk Power Corporation at Dunkirk, New York, Somerset (Lockport) New York and Harriett (Tonawanda), New York; Consolidation Coal Company, Eastern Fuels Association and Arco Polymers Company.

**Business**: The extension of full rights to the P&LE at Buffalo will give it access to a 95,000 carload market. Through the use of local rights P&LE would expect to gain 8,700 carloads and $3.5 million in revenues. Additionally, access to the electric utilities at Dunkirk, Harriett and Somerset would generate an additional 9,000 - 12,000 carloads and $2.3 to $3.1 million in P&LE revenues. The majority of the non-coal business which P&LE would expect to gain resulting from these trackage and local service rights are: food products; petroleum; and scrap, all of which P&LE has the equipment and expertise to handle efficiently.
Description:

- Pittsburgh (Homestead), Pa. - Johnstown, Pa. - Harrisburg, Pa. - Baltimore Ohio - Trackage rights with local service rights - 359 miles
Physical Characteristics - These trackage rights would be over Conrail's mainline between Pittsburgh and Harrisburg, Pa. (245+ miles). The line is 132-140# CWR, signalled and CTC controlled double track railroad. The line is easily capable of handling the addition of P&LE trackage rights contemplated. From Harrisburg to Baltimore these trackage rights first travel over an Amtrak owned line between Harrisburg and Middletown, Pa. (10 miles). Then over a Conrail mainline which is CTC controlled and laid with 130-155# CWR, from Middletown, Pa., to Perryville, Maryland (39 miles). The final leg into Baltimore is via Amtrak's Washington mainline (36 miles). Additional trackage rights to Canton pier and Sparrows Point in Baltimore over local Conrail branches completes this access line to Baltimore.

Rationale/Competition: These rights would allow P&LE to offer direct competition for the traffic:

- Export coal and grain traffic via Baltimore for traffic originating on current and newly acquired P&LE and subsidiary lines;

- Steel business at Johnstown, Pa. - restimulating the morbund steel facilities there with the added transportation competition provided by P&LE acquiring local service rights to Johnstown;
- Coal business to eastern New York and New England via a new cooperative route with the Guilford System utilizing a new PLE-GTI interchange at Harrisburg.

- Other business in eastern Pennsylvania and New York, as well as New Jersey by fortifying Guilford's presence in this area through the direct east-west routing over the Harrisburg interchange.

- Reintroduce full rail competition at Harrisburg, with the cooperating PLE-GTI team balancing Conrail market power in that community.

**Business**

The rights will place P&LE in position to:

- offer effective competition for export coal movements from its current and expanded lines, particularly from southeast Ohio, northern W. Virginia and southwest Pennsylvania.

- offer competitive service for the movement of export grain traffic originating in central and eastern Ohio and northern and central Indiana;

- create efficient coal handling routes via connections at Harrisburg to New York and New England coal markets.
reintroduce competition to stimulate the steel industry at Johnstown, Ohio, as originally intended by the Final System Plan.
Waynesburg, Pa. - Federal #2, Blacksville #1, Blacksville #2 and Bailey mines - transfer of assets to Monongahela Railway.
Waynesburg Southern Railroad

Background: The Waynesburg Southern Railroad was built in the late 1960's for the expressed purpose of providing neutral rail access to newly developed coal producing areas along and adjacent to the Pennsylvania - West Virginia border. The line was built and eventually extended (including one recent extension to Consolidation Coal's Bailey Mine complex), ad a major extension to the Monongahela Railway, a coal hauling railroad owned equally by the B&O (now CSX), the Pennsylvania Railroad (PRR portion now held by Conrail), and The Pittsburgh and Lake Erie Railroad. The construction of the Waynesburg Southern rail lines was financed by $20 million of first mortgage bonds. The Waynesburg Southern has been operated by the Monongahela Railway (MGA) which also maintains the line in good working order. These operations by MGA are under a lease which will expire in 1993. Monongahela's lease payments are specifically designed to amortize this mortgage and should pay off the bonds in full in 1993.

Although the Waynesburg Southern was a joint B&O - PRR - P&LE project when it was organized, there were certain valid tax and legal reasons for the stock ownership of the Waynesburg Southern Railway Company to be held by the Pennsylvania Railroad. In order to assure payment of the bonds, all rents of the Monongahela lease were pledged, and the three owners of the Monongahela were required to jointly and severally guarantee such payments. Shortly thereafter, the Pennsylvania Railroad was merged to form Penn
Central. Two years later it filed bankruptcy. The Trustee of Penn Central later disaffirmed its granting of guarantee, leaving only the B&O (CSX) and P&LE to guarantee the payment of the bonds.

In 1975, due to the legal technicality that Penn Central still held 100% of Waynesburg Southern's stock (even though it was clearly a joint project, jointly financed and operated by a jointly owned subsidiary to provide joint competitive access), the Final System Plan (see p. 228 attached), deftly transferred the physical assets of the Waynesburg Southern to Conrail, leaving the now worthless stock with the Penn Central. This transfer occurred under section 206(c)(1) of the Final System Plan and created an unintentional and totally unwarranted transfer of joint assets to Conrail. To assure future fair and reasonable rail competition to these coal mines the assets of the Waynesburg Southern should be transferred to the jointly owned Monongahela Railway.

Rationale/Competition: The transfer of the rail line of the Waynesburg Southern to its present lessee and operator will assure competitive and mutual access by three Class I carriers to the mines and coal fields served by the Waynesburg Southern. This correction of a Final System Plan error will insure that each connecting owner of the Monongahela has an equal, competitive change to move this coal, as the Monongahela is operated for the specific purpose of providing such neutral access. In the absence of actual asset transfer to the Monongahela (MGA), provisions should be made for automatic perpetual lease and operation by MGA of the Waynesburg Southern subsequent to the full amortization of the mortgage in 1993. Annual lease payments by the MGA should not exceed $1 per year.
While the solvent leased lines are not "railroads in reorganization", their property, nevertheless, may be designated under the Act because it is property leased, operated and in most cases controlled by a railroad in reorganization. USRA examined the alternatives of designating the leasehold owned by Penn Central or another primary debtor or designating both the interest of the lessor and the interest of the lessee (so that the leasehold disappears). USRA chose the latter alternative in all cases because of resulting lighter burdens on ConRail and, in general, because it seemed most consistent with the purposes and goals of the Act.

Railroad Subsidiaries (Other Than Lessors)

Penn Central and the other primary debtors have many railroad subsidiaries, not themselves in reorganization, that own rail properties (some of them vital to system operations) which are not leased to primary debtors. Some of these subsidiaries, although not technically "leased" to the primary debtors, are "operated" by one or more railroads in reorganization under contract arrangements not amounting to a lease. The properties of these companies can be designated under section 206(c)(1) because they are "operated" by a railroad in reorganization.

Some of the railroad subsidiaries are neither leased or operated, but are controlled, by one or more railroads in reorganization. Section 206(c)(1) permits designation of rail properties of such "controlled" subsidiaries. A subsidiary is "controlled" for that purpose whenever railroads in reorganization own more than 50 percent of its stock. Subject to one important exception, therefore, properties of these "controlled" subsidiaries are nevertheless available for designation for transfer in the FSP.

The one exception is contained in the proviso to the definition of "rail properties" set out in section 102(10) of the Act. If a subsidiary railroad which is not leased or operated and is less than wholly owned by a railroad in reorganization, is a Class I railroad, then its properties are not "rail properties" for purposes of the Act. As a result of this exception, the properties of, among other railroads, the Detroit, Toledo & Ironton Railroad, the Pittsburgh & Lake Erie Railroad and the Indiana Harbor Belt Railroad are not designated for transfer. However, some or all of the properties of some 20 other nonlessor railroad subsidiaries, each of which is either wholly owned by one or more railroads in reorganization or is a Class II railroad, have been designated for transfer to ConRail or offered to a solvent railroad.

A special situation is presented by the Norwich and Worcester Railroad, a noncontrolled, nonbankrupt line operated by the Penn Central. Formerly a leased line of the New Haven Railroad, its lease was disaffirmed by the New Haven trustees. Since inclusion of the New Haven as a condition of the Penn Central merger, Pen Central has operated the Norwich and Worcester properties pursuant to a provision in the ICC's order approving the merger. Because its line is operated by the Penn Central, the Norwich and Worcester's assets are technically rail properties subject to designation and conveyance pursuant to section 206(c). The Norwich and Worcester has challenged this reading of the Act, however, and has asserted that its properties are not subject to conveyance. The Special Council will have the opportunity to settle this question in proceedings under section 303 of the Act. The FSP offers the northern portion of the Norwich and Worcester's property to the Providence and Worcester Railroad (a small profitable railroad operating in the same general area) while the southern portion is transferred to ConRail. This designation to ConRail, however, is contingent. If within 60 days of the effective date of the FSP the Norwich and Worcester enters into an arrangement with another railroad (presumably the Providence and Worcester) for the sale or operation of the designated properties, the designation to ConRail will not become effective and the Norwich and Worcester and the other railroad will be left free to implement their agreement outside the provision of the Act. If that does not happen, the Association recommends, pursuant to section 206(g), that ConRail and Providence and Worcester work out an arrangement whereby Providence and Worcester would operate the southern end of the line. Finally, to provide the Norwich and Worcester with the opportunity of demonstrating its competence to operate the line, the FSP provides that none of these designations of the line will be effective if within 60 days of the effective date of the FSP, the Norwich and Worcester has presented to USRA a sound plan to operate the line on and after conveyance date, which would maintain the same service coverage as the designations would provide.

Feeder Railroads, Terminal Companies and Similar Entities

There are several instances in which a railroad in reorganization owns a minority stock interest (along with other railroads) in a feeder railroad or terminal company, and has contractual operating rights with respect to its facilities. The properties of the railroad or terminal

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15In addition a few terminal companies are Class I railroads, and are affected by this exception.

16These companies are: Chicago River & Indiana Railroad, Hudson River Bridge Company at Albany, Pennsylvania & Atlantic Railroad, Wyanseburg Southern Railroad, South Manchester Railroad, Indianapolis Union Railway, Union Depot (Columbus), New York & Long Branch Railroad, Pennsylvania Reading Seashore Lines, Barren River Railroad, Niagara Junction Railway, Dayton Union Railway, Buffalo

Creek Railroad, Lehigh & New England Railway, Bay Shore Connector Railroad, Baltimore & Eastern Railroad, Lackawanna & Wyoming Valley Railway, Rochester & Genesee Valley Railroad, and Central Railroad of Pennsylvania. In addition the FSP designates the transfer of assets from the West Jersey & Seashore Railroad, a railroad controlled by Pen Central and presently leased to Pennsylvania-Brant Seashore Lines.
Description: P&LE's current customers produce rail traffic which has moved via the P&LE in volume to its historical markets associated with these lines. The largest of these customers are in the steel and coal industries, with significant amounts of chemicals, food products and other manufactured goods are also shipped by other major P&LE customers. Large portions of P&LE's present and historical business volume comes from customers who also have direct service access to one or more of P&LE's major competitors. P&LE's ability to compete for these customers business has been markedly reduced by: a) Conrail's formation which changed not only parental (Penn Central) but other major friendly connections (e.g., Erie-Lackawanna) into direct competitors all under the Conrail banner. P&LE had depended upon these friendly connections to provide competitive market access; and, b) Conrail's subsequent joint route and rate cancellations, a market foreclosure action on Conrail's part which removed even the potential of competitive market access from the P&LE for much of the highly important Northeast/Midwest area.

Rationale/Competition: The line additions which P&LE proposes to acquire as an adjunct to the return of Conrail to private ownership and operation will largely (but not completely) redress the lost market access P&LE has suffered due to Conrail. As such, the lines proposed to be transferred to P&LE represent a "levelling"
of the competitive playing field which will offer the shipping public an assurance of true rail competition, and not only in the very largest markets and via the highest volume route. P&LE's presence on these lines will also assure competitive rail service to many medium-sized markets and the realization of continued Class I rail service in numerous smaller communities. The proposed lines and trackage rights to be acquired by P&LE account for:

- 86% of all current P&LE interline forwarded business
- 61% of all current P&LE interline received business; and
- 96% of all current P&LE overhead business.

Major Line Segments Involved: The table below gives an overview of the impact on current P&LE business resulting from the proposed line extensions.

Additional P&LE Business: Direct access to P&LE's historical markets via the additional lines proposed to go to P&LE as an adjunct to the privatization of Conrail will allow P&LE to recapture lost market effectiveness at its current competitive points. This access will produce in excess of an additional 14,000 carloads and $5.7 million in revenues to P&LE.
## Current P&LE Business - Extended Hauls*

<table>
<thead>
<tr>
<th>Line</th>
<th>% Current P&amp;LE Business Involved</th>
<th>Projected Increase P&amp;LE Revenue ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Forwarded</td>
<td>Received</td>
</tr>
<tr>
<td>1.</td>
<td>Orrville-Chicago (and branches)</td>
<td>39%</td>
</tr>
<tr>
<td>2.</td>
<td>Bucyrus-Toledo</td>
<td>2%</td>
</tr>
<tr>
<td>3.</td>
<td>Pittsburgh-Columbus Dunkirk-Dayton (and branches)</td>
<td>8%</td>
</tr>
<tr>
<td>4.</td>
<td>Youngstown-Cleveland-Akron-Orrville-Massillon</td>
<td>23%</td>
</tr>
<tr>
<td>5.</td>
<td>Youngstown-Ashtabula-Buffalo &amp; Meadville-Salamanca (and branches)</td>
<td>12%</td>
</tr>
<tr>
<td>6.</td>
<td>Pittsburgh-Harrisburg-Baltimore</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>86%</td>
<td>61%</td>
</tr>
</tbody>
</table>

*Does not include recapture of lost P&LE business at current competitive points.