January 19, 1999

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Suite 715
Washington, DC 20423-0601

Re: 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

Dear Secretary Williams:

Pursuant to Decision No. 111, Indiana Southern Railroad, Inc. ("ISRR"), hereby reports to the Board the status of negotiations regarding the conditions the Board imposed in this proceeding requiring applicants to provide a competitive rail routing into Indianapolis Power & Light Company’s ("IP&L") Stout plant.

Prior to the filing of the last status reports, ISRR met with NS and CSX to discuss, among other things, a practical interchange for ISRR-NS coal shipments to IP&L's Stout plant. Because the parties were unable to reach an agreement, ISRR agreed with the 30-day extension request filed by NS on December 18, 1998. Since that time, ISRR has met with NS to further discuss the establishment of a competitive ISRR-NS routing for Indiana-origin coal to the Stout plant. No further direct meetings have been held between ISRR and CSX. ISRR has been informed that NS met separately with CSX and its subsidiary, the Indiana Rail Road Company ("INRD"), and with IP&L. Since ISRR was not a participant in the NS-CSX and NS-IP&L meetings, ISRR is unable to provide the Board with any first-hand information concerning the status of the negotiations. ISRR can simply report to the Board what it has learned through phone conversations with NS and IP&L.

According to NS, CSX has apparently agreed to an interchange of unit coal trains between ISRR and NS at Crawford Yard. ISRR has been informed, however, that CSX is insisting on certain restrictions or limitations which, in ISRR's view, will render the interchange uneconomical and inefficient. According to NS, CSX will not allow ISRR trains onto CSX tracks leading to Crawford Yard until NS crews and locomotives have arrived at the Yard.
Consequently, ISRR will be forced to halt its trains at milepost 6, possibly for hours, until it receives notification that the NS crews have arrived at Crawford Yard.

NS has also informed ISRR that INRD is refusing to negotiate a trackage rights agreement with NS that would provide NS direct access to the Stout plant. INRD is apparently taking the position that, because it is not a party to this proceeding, the Board has no authority to force trackage rights operations over its lines.

Finally, IP&L has informed ISRR that during the IP&L-NS meeting, NS took the position that it could not provide a competitive interchange with ISRR for traffic moving to the Stout plant because the most nearby NS crews and locomotives will be based in Muncie and Lafayette, some 55 to 65 miles from Indianapolis.

In light of the foregoing, ISRR sees no need for a further extension of time to enable the parties to negotiate a mutually satisfactory solution. If, in fact, NS cannot provide competitive service to the Stout plant, the condition the Board imposed on behalf of IP&L would be meaningless. Therefore, the Board should consider allowing NS to assign its rights to ISRR for coal moving from Indiana origins. The Board should also order CSX and/or INRD to grant the trackage rights necessary to preserve competitive rail service to the Stout plant.

In order to resolve these matters in an orderly and timely manner, ISRR urges the Board to convene an informal meeting of the parties under the Board’s auspices. Alternatively, the Board should establish an orderly procedural schedule calling for the simultaneous filing of evidence and argument by the parties addressing: (1) the restrictions CSX apparently is imposing on an ISRR-NS interchange in Crawford Yard; (2) the apparent inability or unwillingness of CSX to force its subsidiary to comply with the Board’s orders in this proceeding; and (3) the ability of NS to provide competitive service to the Stout plant.

Sincerely,

Karl Morell
Attorney for Indiana Southern Railroad, Inc.

cc: Michael F. McBride, Esq.
    Richard A. Allen, Esq.
    Dennis G. Lyons, Esq.
    Fred R. Birkholz, Esq.
January 19, 1999

BY HAND

Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, D.C. 20423-0001

Re: 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, Finance Docket No. 33388

Dear Secretary Williams:

Enclosed for filing in this proceeding are the original and 25 copies of NS-74, "Norfolk Southern’s Status Report Regarding Access to IP&L’s Stout Plant." Also enclosed is a floppy disk containing NS-74 in Wordperfect 5.0 format.

Kindly date-stamp the enclosed two extra copies of NS-74 and return them to our messenger.

Thank you for your assistance.

Sincerely,

Richard A. Allen

Enclosures

cc: parties on enclosed service list
Pursuant to Decision No. 111, Applicants Norfolk Southern Corporation and Norfolk Southern Railway Company (collectively, "NS") hereby report to the Board regarding negotiations pertaining to NS’s access to the Stout plant of the Indianapolis Power & Light Company ("IP&L").

**Relief Ordered by the Board**

In Decision No. 89, the Board ordered (1) IP&L be allowed to choose between having its Stout plant served by NS directly, or via switching by the Indiana Rail Road Company ("INRD"); (2) creation of an interchange at Milepost 6.0 on the Petersburg Subdivision of the Indiana Southern Railroad ("ISRR") between NS and ISRR for traffic moving to or from IP&L’s Stout plant or Perry K plant; and (3) establishment of conditional rights for either NS or ISRR to serve any build-out to the Indianapolis Belt Line. Decision No. 89 at 177 (Ordering Paragraph No. 23).
The Board later reaffirmed that by "direct" NS access, it meant access by NS via trackage rights over INRD, free of switching charges by either CSX (INRD's 89% owner) or INRD itself. See Decision No. 93 at 1, 2 n.4; Decision No. 96 at 14 n.35.

Moreover, in Decision No. 96, the Board, among other things, noted that its intent in imposing relief at Stout, including an interchange at Milepost 6, was "to ensure efficient and competitive service, including service from coal origins on the ISRR." Decision No. 96 at 14. The Board said it could not determine, from the record before it, whether an interchange at Milepost 6.0 (as opposed, for example, to interchange at Crawford Yard instead) would suffice to provide the relief the Board contemplated, and directed the parties to negotiate a mutually satisfactory solution and report back to the Board on such negotiations.

Status Report

Since the last report, 1 NS has met with IP&L, CSX and ISRR concerning the interchange point between NS and ISRR. CSX has agreed orally to permit a procedure for unit trains by which NS and ISRR crews and equipment would meet in Crawford Yard to interchange traffic. Crawford Yard is where Conrail and ISRR interchange traffic today. NS believes that, from an operating standpoint, the procedure proposed by CSX for interchanging traffic at Crawford Yard, unlike a Milepost 6.0 interchange, is feasible.

NS also has met with IP&L, CSX and INRD concerning implementing the Board's order granting NS access to the Stout Plant. Of the two options, granted to IP&L

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1 This is the second report NS has made to the Board in response to the Board's reporting directive. NS's first report, in a letter dated December 18, 1998, noted that negotiations were in progress, and sought additional time. In Decision No. 111, the Board granted additional time for negotiations, and directed us to report again by January 19, 1999.
by the Board (direct NS access via trackage rights over INRD, or access via an INRD switch), IP&L elected direct NS service, but INRD has refused to grant NS trackage rights over its lines. INRD has told NS that it will not consider granting such trackage rights until a final decision has been issued in its appeal of Decision No. 96 now pending before the U.S. Court of Appeals for the Second Circuit. Even though the terms of the Board’s orders in this regard are clear, and those orders have not been stayed pending judicial review, NS has been unable to enter into a trackage rights agreement to serve Stout directly because of INRD’s refusal to negotiate any such agreement. NS therefore asks the Board to order INRD to grant NS trackage rights necessary to serve the Stout plant in accordance with Decisions 89 and 96, or order CSX – the 89% owner of INRD – to direct INRD to grant such rights.

Respectfully submitted,

JAMES C. BISHOP, JR.
WILLIAM C. WOOLDRIDGE
J. GARY LANE
GEORGE A. ASPATORE
JOHN V. EDWARDS
Norfolk Southern Corporation
Three Commercial Place
Norfolk, VA 23410-2191
(757) 629-2838

Dated: January 19, 1999
CERTIFICATE OF SERVICE

I hereby certify that on this 19th day of January, 1999, a copy of the foregoing "Norfolk Southern's Status Report Regarding Access to IP&L's Stout Plant" was served by first class mail, postage prepaid, or by more expeditious means, on the parties listed below:

Karl Morell, Esq.
Ball Janik LLP
1455 F St., N.W., Suite 225
Washington, D.C. 20005

John Broadley, Esq.
Thomas D. Amrine
Jenner & Block
601 Thirteenth Street, N.W.
Washington, D.C. 20005

Dennis G. Lyons, Esq.
Arnold & Porter
555 12th Street, N.W.
Washington, D.C. 20004

Michael F. McBride, Esq.
LeBoeuf, Lamb, Greene & MacRae
1875 Connecticut Avenue, N.W.
Suite 1200
Washington, D.C. 20009-5728
Charles M. Rosenberger  
Senior Counsel

January 15, 1999

Via Airborne Express - Overnight Delivery

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

Re:  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

Dear Mr. Williams:

This refers to Decision No. 89 in the above-captioned proceeding. Ordering Paragraph No. 36 in that Decision provides that "CSX must attempt to negotiate, with IC, a resolution of the CSX/IC dispute regarding dispatching of the Leewood-Aulo line in Memphis." The Board further ordered CSX and IC to advise them of the status of their negotiations. In Decision No. 104, the Board extended until January 19, 1999 the deadline for submitting a status report on this matter.

In a previous letter to the Board on this subject, CSX indicated that it had sent to IC a dispatching protocol that it proposed as a solution to this issue. IC has just recently sent to CSX its own proposal for resolving this matter. IC's proposal is currently being reviewed by CSX, however, a final resolution of this matter will not be reached by January 19, 1999. Accordingly, CSX and IC respectfully request that the date for the status report of their negotiations be extended for an additional sixty (60) days, or until March 22, 1999.

Respectfully submitted,

Charles M. Rosenberger  
Senior Counsel

CMR/dam
cc:  
Mr. Ronald A. Lane  
Mr. Myles L. Tobis  
Illinois Central Railroad Company  
455 North Cityfront Plaza Drive  
Chicago, IL 60611-5504  

Mr. William C. Sippel  
Mr. Thomas J. Litwiler  
Oppenheimer Wolff & Donahue  
Two Prudential Plaza, 45th Floor  
180 North Stetson Avenue  
Chicago, IL 60601
Re: Finance Docket No. 33396, 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

Dear Mr. Williams:

In Ordering Paragraph No. 8 of Decision No. 96, decided October 15, 1998 in the above-referenced proceeding, the Board ordered CSX, Norfolk Southern, the Indiana Rail Road, and Indianapolis Power & Light Company to "attempt to negotiate a mutually satisfactory solution respecting any MP 6.0 interchange problems (and respecting any related problems that may be necessarily incidental to a MP 6.0 interchange problem)," and to advise the Board, no later than December 18, 1998, of the status of their negotiations.

CSX hereby advises the Board that there have been discussions among the relevant parties, but that a mutually satisfactory solution has not yet been reached. Accordingly, CSX respectfully requests the Board to give the parties an additional 30 days in which to negotiate in good faith toward such a solution.

December 18, 1998
I am informed by counsel for Norfolk Southern that Norfolk Southern intends to file a report and request substantially similar to that set out above.

Very truly yours,

Fred R. Birkholz

cc (via fax and U. S. Mail):
Richard Allen, Norfolk Southern (202-342-1008)
Michael McBride, IP&L (202-986-8143)
Karl Morell, ISRR (202-783-6947)
John Broadley, INRD (202-639-6066)
Honorable Vernon A. Williams  
Secretary  
Surface Transportation Board  
1925 K Street, NW  
Washington, DC 20423-0001

Re: 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

Dear Secretary Williams:


This letter transmits to the Board the minutes of the Council meetings of July, August, September, and October 1998 (no meeting was held in November, and the minutes of the December meeting are not yet approved). Also included with this letter are all attachments to those minutes.

A copy of this letter is being sent to all parties of record. Due to the volume of paper attached to the minutes of each Council meeting, only the Board is being provided with a copy of the attachments to this letter. However, any person wishing to obtain a copy of the enclosures may make a request to the undersigned, and a copy will be provided.

Respectfully submitted,

Nicholas J. DiMichael  
Attorney for The National Industrial Transportation League

Enclosures

cc: All parties of record (w/o enclosures)
The fifth meeting of the Conrail Transaction Council began at 10:15 a.m. on July 16, 1998, in the law offices of the NITL outside counsel Donelan, Cleary, Wood and Maser, Washington, D.C. After self-introductions by the attendees (see Attachment 1), Chairman Bob Evans gave a short review of the agenda, a draft of which had been distributed. The minutes of the June 9 meeting were approved.

Customer Service Issues
Gene Dorminey discussed Norfolk Southern’s proposed National Customer Service Center, which will be in Atlanta and in operation around the clock, “24-7” (See Attachment 2). This will become effective on split date; however NS plans to have a transition team of some 8 to 10 people in Philadelphia for some indefinite time to assist in customer education and problem handling. The Conrail 800 number will be retained for a period of time to direct calls coming to that number to either NS, CSX, or Shared Asset, for customer service issues. Conrail employees are being encouraged to move to Atlanta to accept positions in NS’ National Customer Service Center. The NCSC employs a point and click environment, where customers can get car location, ETAs, loaded or empty status, bad orders, etc. It is empowered to handle problem resolution, do proactive monitoring, run special trains or switches when necessary, in addition to normal customer service requests. The NCSC is set up in commodity groups, i.e. Agriculture & Consumer products; Lumber, Clay, and Forest Products; Chemicals; Metals; Intermodal; and Automotive. Technology is being put into place to offer former Conrail customers the same type of service as present customers on Norfolk Southern receive. Alternative procedures are in place to handle emergencies if preferred technology is compromised, providing direct access to Conrail data. Norfolk Southern expects to bring about 20 people into its NCSC, plus the transition team left in Philadelphia. Bills of lading tender and waybills will reside in Pittsburgh until an orderly transition is effected by rolling out new data systems which will be done on a 30-week program. There will be approximately 225 people involved in this transition from Pittsburgh to Atlanta. Plans are in place to bring in outside contractors to assist with this integration should time constraints become an issue, such as “year 2000.” Briefing will be done with customers prior to these transitions. The SAA will also have a customer service group eventually relocating to Mt. Laurel PA for customer assistance with issues directly involving the SAA operation. NS and CSX will be responsible for traffic into and out of SAA.

Brad Hall described of CSX’s plan (see Attachment 3). There are 21 teams working on customer interface, and CSX is hiring 34 CR managers to assist. Its plan is to implement the plan first, then institute “best practices” later, in Jacksonville. There will initially be 190 employees in
Pittsburgh, plus 9 in Philadelphia who will ultimately move to Jacksonville. An additional 10
will serve in Philadelphia for transition purposes. All billing will be done in Jax except
interchanged and intermodal traffic. There will be regular communication with customers,
including EDI, from Day 1. The inbound telephone plan can accommodate an increase of as
much as 80-130% increase in problem calls. On Day 1, CSX will cut waybilling over to Jax.

Next Meeting and Future Topics
The next meeting was scheduled for August 20 (Tara tentatively offered to host it at AISI, but
later found she could not, and it was again scheduled at Mr. DiMichael’s office, Donelan, Cleary,
Woods and Maser, 11:00 New York Ave., NW). Topics for the August 20 meeting will be: the
written STB decision on CR, operations in the interim between control and closing date,
allocation of cars including gondolas, which had been postponed from an earlier meeting, and
finalization of objective, measurable standards to recommend to the STB for evaluating
implementation of the transaction.

Letter to STB
The letter to the STB, requested to be prepared by Nick DiMichael concerning the CTC was
discussed and slightly revised. It was agreed that it would be sent as soon as possible. Mr.
Rastatter had earlier been asked to informally call the STB and invite a representative from the
STB to attend future CTC meetings. STB staff indicated it would send a staffer after the written
decision had been issued. It was agreed that the letter would include a formal invitation to STB
to attend future meetings. The letter was sent July 16 (see Attachment 4).

Labor Implementing Agreements
Both NS and CSX had little new to report. CSX reported that voluntary negotiations were
already underway with all unions, even though this was not required under New York Dock until
after the written decision: UTU and BLE had agreed on a negotiating process.

N. was asked if one or two unions could “hold out” with extraordinary demands, and replied that
NY Dock contained rules on mandatory arbitration. Both railroads agreed that they could not
split CR until all agreements had been signed.

Allocation of Conrail Contracts
Tom Schoenleben of CSX said that the STB decision addressed “non-assignable” contracts,
about 85% of all CR. contracts, and provided that customers could walk away from them after
180 days. He estimated that, based on the third party analyzing the contracts, there are 4,250
contracts, and all but about 800 would expire by the end of 1998. Of those, 30% would go
to NS, 20% to CSX, and 50% would go to either, based on geography: dual station to/from dual
station, dual stations to/from an SAA, and dual station to/from a common interchange point. For
the 50% category, they would pool revenues and costs. The allocations would be complete by
September 30, and shippers would be notified by October 30, but some shipper preferences could
be arranged between July 31 and August 31. For the other contracts, those without non-
assignability clauses, the NTL/CSX/NS agreement would hold, with arbitration available after
six months for dissatisfied shippers.
Development of Objective, Measurable Standards

The metrics working group had met just prior to the CTC meeting, with the hope it could finalize the recommendations, and report them at the July 16 CTC meeting, after which they could be communicated to the STB.

Mr. Ehlers of NS and Mr. Price of CSX reported on the work that had been done since the June meeting. They distributed a series of measurements designed around car supply and the length of time a shipment is under the control of the railroads, both on “line of road” (LOR) and within a terminal, “terminal is defined as a “terminal area” such as Buffalo, rather than a particular yard within a terminal. They recommended velocity measures for LOR, rather than transit times, and dwell measures for terminals. Train speeds would be produced for five train types: intermodal, coal, grain, manifest (including auto parts), and multi-levels. Dwell time will be included for a long list of terminal, including SAAs. Benchmarks would normally be “same quarter last year” and “previous month,” although this should be flexible because of unusual events. Weekly reports would be provided.

After lengthy discussion, including a great deal of shipper support for transit times, it was decided that the working group would continue to discuss and seek member suggestions to improve the metrics, and make a final presentation at the August 20 meeting.

Other Matters
It was agreed that the discussion of gondolas as would be taken up at the August meeting.

The meeting was adjourned at 1:50 pm.
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<th>Name</th>
<th>Company</th>
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<td>Bob Evans</td>
<td>Oxychem</td>
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<td>972-466-52</td>
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<td>Greg Nugent</td>
<td>UPS</td>
<td>404-828-7919</td>
<td>404-828-69</td>
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<td>Joni Casey</td>
<td>IANA</td>
<td>301-982-3400</td>
<td>301-982-48</td>
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<tr>
<td>Paul Hitchcock</td>
<td>CSXT</td>
<td>904-859-1122</td>
<td>904-366-29</td>
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<tr>
<td>Brad Hall</td>
<td>CSXT</td>
<td>904-379-5333</td>
<td>904-279-53</td>
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<tr>
<td>Charlie Johnson</td>
<td>CSXT</td>
<td>843-577-1167</td>
<td>843-579-53</td>
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<tr>
<td>Tom Schoenleben</td>
<td>CSXT</td>
<td>202-834-4141</td>
<td>202-834-41</td>
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<tr>
<td>G. W. Faith</td>
<td>IASA</td>
<td>(703) 544-6461</td>
<td>(703) 549-6101</td>
</tr>
<tr>
<td>W. Berkelman</td>
<td>IASA</td>
<td>202-349-5011</td>
<td>203-324-501</td>
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<tr>
<td>Ed Rappaport</td>
<td>NTL</td>
<td>703-741-5172</td>
<td>703-971-6009</td>
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<td>Christina Ensiger</td>
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<tr>
<td>Steve Ferree</td>
<td>Westvaco</td>
<td>803-327-8623</td>
<td>804-327-862</td>
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<tr>
<td>George Aspafare</td>
<td>NS</td>
<td>757-689-2657</td>
<td>757-573-48</td>
</tr>
<tr>
<td>David Barrett</td>
<td>NCGA</td>
<td>202-288-1873</td>
<td>202-289-528</td>
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<tr>
<td>Jack Ruck</td>
<td>Millennium</td>
<td>410-931-5262</td>
<td>410-931-1525</td>
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<td>Walt Trolinger</td>
<td>NS</td>
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<td>Dan Price</td>
<td>CSX</td>
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<td>404-359-100</td>
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<td>Polly Veenmann</td>
<td>TII</td>
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<td>Tred Ehlers</td>
<td>NS</td>
<td>404-521-2389</td>
<td>404-521-1806</td>
</tr>
<tr>
<td>Nick DiMichael</td>
<td>(with)</td>
<td>202-371-8500</td>
<td>202-371-0900</td>
</tr>
<tr>
<td>Gene Dornin</td>
<td>NS</td>
<td>404-652-2014</td>
<td>404-652-2400</td>
</tr>
<tr>
<td>Rich Abel</td>
<td>DuPont</td>
<td>(302) 773-0383</td>
<td>(302) 773-0305</td>
</tr>
<tr>
<td>Don Casey</td>
<td>TII</td>
<td>202-675-0260</td>
<td>202-594-8123</td>
</tr>
<tr>
<td>Donald Nelson</td>
<td>Conniv (SAC)</td>
<td>215-209-4701</td>
<td>215-209-4701</td>
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<tr>
<td>Juli Waddell</td>
<td>AMA</td>
<td>202-324-5512</td>
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</tbody>
</table>
National Customer Service Center

1-300-NFLKSOU 1-800-635-5768

NCSC VISION STATEMENT

Be the most Customer Focused, Efficient and State-of-the-Art Customer Service Operation in the Transportation Industry.
NCSC

- Organization Chart
- Reporting Order
- Personnel
- Hours of Operation
- Live Response
  
  No Menu Pick
  No Answer Machine
Customer Response Goals

- Answer Calls with "Live" CSR
- No Menu Pick
- No Voice Mail
- No Abandoned Calls
- Call to Proper Commodity Group
- Service Monitoring
Customer Response Goals

- Fast Response by CSRs
- Accurate Information
- Point and Click Environment
- Off Line Records
- Scanner Records
- Cars Due Auto-Fax
- Bad Order Auto-Fax
Customer Service Functions

- Tracing
- Diversions
- Weights & Schedules
- Problem Resolution
- Pro-active Monitoring
- Service Analysis & Measurement
- Expediting
- Cars Due & Bad Order Reports
CUSTOMER SERVICE INTEGRATION

WHEN

WHERE

HOW

WHO

HIRING PROCESS

CR EMPLOYEES
SYSTEMS INTEGRATION

TRAIN/CAR REPORTING

BOL/WAYBILL

TIMING OF EVENTS
**BOL/WAYBILL**

On Day "1" we will be producing NS waybills with NS routes at Pittsburgh & Atlanta.

This will continue for approx. 6 mos. beyond closing date.

Waybilling will continue to be handled as it is now, EDI, FAX, etc.

After about six months billing will be transferred and integrated into the AOC in Atlanta.

Intermodal billing will be done either thru EDI, or thru Conrail ramps.
After close date questions regarding EDI billing, or electronic car tracing should be handled with Roanoke EDI Marketing Services (800 235-5551) or EDI Support Services, Atlanta (800 433-3906).

Norfolk Southern’s Agency Operations Center voice number for questions concerning billing is (800 854-2780).
FREIGHT BILLS

Beginning on close date all freight bills will be accrued and handled in Customer Accounting in Atlanta.
DATASYSTEMS (TYES)

Roll Out Plan

Contingency plans with contractors for helping to install TYES, or key data.

Data flows between SAA, NS and CSX.

EMPLOYEE NEEDS

Non-Agreement employees

Agreement employees
Customer Service

National Industrial Transportation League

July 16th, 1998

Washington, DC
CSXT Customer Service

Mission:
To make the most complicated railroad acquisition in history transparent to the customer.
Customer Service is part of the Day 1 team

- Ten sub-teams make up the Customer Interface team:
  - Electronic Commerce
  - NCSC/CSC Integration
  - Command Center / Help Desk
  - Supplemental Support
  - Service Support / Problem Resolution
  - SAC
  - Technology (Includes 11 sub teams)
  - Training
  - Facilities
  - Coal
What has Customer Service learned from previous mergers?

- Embrace Conrail expertise: We expect to make offers to 25 Conrail managers in Pittsburgh and 9 in Philadelphia, and expect labor agreements to allow clerical employees to move with their work to Jacksonville.

- Implement first! best practices later: We plan to wait until field roll-out is complete before consolidation of the NCSC to Jacksonville.

- Plan to “over resource” during transition: We have hired additional resources for Electronic Commerce conversion, a data Command Center/help desk, training, and the additional telephone calls expected.
Customer Service Day One Vision

**Pittsburgh**

- 190 employees join the CSXT team
- aligned with the service lanes
- Pittsburgh processes unchanged
- Conrail system unchanged except:
  - CSXT handles billing functions
  - CSXT data used at cut points
- 25 reps augment NCSC
- SAC has centralized, separate customer service group
Customer Service Day One Vision

Philadelphia

- 9 employees join the CSXT team
  - aligned by commodity, service lane
- 10 employees assist in transition
  - provide support to Customer Service in Jacksonville
- located with Service Design and Network Operations on 11th floor (2CS)
Customer Service Day One Vision

Jacksonville

- all billing in Jacksonville except:
  - interchange
  - intermodal

- six additional personnel added to problem resolution
Customer Service will communicate regularly with customers.

- On Track
  - bi-weekly update of integration
- New Directions
  - quarterly information for customers
- Comprehensive brochures:
  - "how to do business"
  - problem resolution
  - electronic commerce
Benchmarking with the BN and UP suggest an increase of 25% in calls related to integration problems/issues.

Daily inbound telephone calls should peak during field roll-out. We will have the ability to handle an increase of up to 80% with no impact to current service levels.
## Integration Summary and Time Line

<table>
<thead>
<tr>
<th>Day One or Split Date (Phase I)</th>
<th></th>
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**CSX** _CONRAIL_
## Integration Summary and Time Line

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<tr>
<th>Day One or Split Date (Phase I)</th>
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<td>Operations in Pittsburgh, Philadelphia, and Jacksonville</td>
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<tr>
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<td>Operations in Pittsburgh, Philadelphia, and Jacksonville</td>
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<td>NCSC operations relocated to Jacksonville CSC</td>
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<tr>
<td>CSC Rules and Procedures remain largely as they are on Conrail today</td>
<td>NCSC Rules and Procedures remain largely as they are on Conrail today</td>
<td>Former Conrail employees work in Jacksonville under CSX Rules and Procedures</td>
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<td>Shared Asset Area is supported by dedicated group located in Pittsburgh</td>
<td>Shared Asset Area is supported by dedicated group located in Pittsburgh</td>
<td>Shared Asset Area support group relocated to Mount Laurel, N. J.</td>
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<td>Waybilling and Interchange Billing “Flash Cut” to CSXT system and performed in Jacksonville</td>
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<td>Car/Train and Work Order Reporting converted to CSXT systems on acquired territories in geographical segments</td>
<td>All Data Reporting in CSXT systems</td>
</tr>
</tbody>
</table>
July 16, 1998

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

Re: 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

Dear Secretary Williams:

Undersigned counsel for The National Industrial Transportation League ("League"), Norfolk Southern Corporation ("NS"), and CSX Corporation ("CSX") respectfully submits to the Board a letter-report on the activities to date of the Conrail Transaction Council ("Council"). As the Board is aware, the Council was formed as part of a Settlement Agreement between the League, NS and CSX dated December 12, 1997. Pursuant to the terms of that Settlement Agreement, the Council is to consist of representatives of NS, CSX and the League and "representatives of other organizations of affected rail users." The stated function of the Council is to "function as a forum for constructive dialogue." The Settlement Agreement specifically states that the Council is not intended to supplant STB oversight of the transaction.

As of the date of this letter, the Council has met five times, on March 3, 1998, April 15, 1998, May 14, 1998, June 9, 1998, and July 16, 1998. In the meeting immediately following the voting conference in the Conrail transaction, the members of the Council discussed the desirability of sending a brief report to the Board on the activities of the Council, particularly in view of the discussion of the Council at the oral argument and the voting conference. The purpose of this letter, therefore, is twofold. First, the members of the Council wish to inform the Board as to the formation and past and current activities of the Council, so that the Board is aware of these private-sector discussions. Second, the members of the Council wish to make the Board aware of plan (as required in the Settlement Agreement) for the Council's submittal to the Board of recommendations for public reporting of the process of implementation of the transaction in the form of "objective, measurable standards."

Formation and Membership of the Council

On January 30, 1998, NS, CSX and the League submitted to each other the names of their representatives for the Council. On February 4, 1998, the League hosted a
meeting of potentially interested shipper organizations in order to discuss the formation and future activities of the Council. As a result of that meeting, on February 11, 1998 a letter was sent to a wide variety of potentially interested organizations of affected rail users, inviting them to the first formal meeting of the Council on March 3, 1998. The list of organizations to which that letter was sent and a copy of the letter are attached as Appendix A. Since that time, invitations have been sent to potentially interested organizations of affected rail users prior to each meeting of the Council. The organizations who have attended one or more meetings of the Council since it first was formed is attached to this letter as Appendix B.

Activities of the Council

As noted above, the Conrail Transaction Council has held five meetings. The minutes of the first four meetings, along with various handouts or reports distributed at or after each meeting, are attached as Appendix C. As can be seen from the minutes of the meetings, a wide variety of matters have been discussed, including: development of objective measurable standards to evaluate the impact of the transaction and act as an “early warning system” of impending problems; operations summaries of the Shared Asset Areas; status of implementation of the transaction; status of information systems development; plans for the distribution of Conrail rolling stock; status of the NS and CSX operating plans; status of labor implementing agreements; operations in the joint access areas; status of customer service operations; and NS and CSX assumption of Conrail contracts. Future agenda items currently include: car distribution; car management, crew management, and dispatching; and business during the interim period between assumption of control and the so-called “split date.”

Recommendations Concerning Objective, Measurable Standards To Monitor Implementation of the Transaction

As the Settlement Agreement between the League, NS, and CSX indicates, the Council, NS and CSX shall “jointly recommend to the Board objective, measurable standards” to be used in reporting to the Board on the implementation of the transaction during the oversight period. The Council initially discussed the matter of objective, measurable standards in its very first meeting, and subsequently appointed a task group to develop a draft of these standards. The Task Group has reported to the Council on its work on three occasions. In formulating its recommendations, the Task Force is currently developing weekly measurements which (1) will function as an early warning system; (2) are made in comparable formats on Conrail, CSX, and NS; and (3) are not burdensome for the carriers to produce. The Council hopes to bring this matter to a conclusion at its August meeting, with the hope of being able to transmit these recommendations to the Board shortly afterwards.

Due to the volume of paper included in Appendix C, only the Board is being provided with a copy of this Appendix. However, any person wishing to obtain a copy of the enclosures in Appendix C may make a request to one of the undersigned, and a copy will be provided.
Finally, the Council would like to invite a representative of the staff of the Board to attend and audit future Council meetings. The next meeting will be held in Washington, D.C. on August 20, 1998, beginning at 10:00 A.M.

We hope that the above is helpful to the Board. A copy of this letter is being sent to all parties of record.

Respectfully submitted,

Nicholas DiMichael
Donelan, Cleary Wood and Maser, P.C.
1100 New York Ave. N.W.
Washington, D.C. 20005

George Aspatore
Norfolk Southern Corp.
Three Commercial Place
Norfolk, VA 23510

Paul Hitchcock
CSX Corp.
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Jacksonville, FL 32202

Attorney for The National Attorney for Norfolk Industrial Transportation Southern Corporation League

cc: All parties of record (w/enclosure Appendices A and B)
Rail User Organizations Invited to Participate in Conrail Transaction Council

American Forest and Paper Association
American Iron and Steel Institute
American Automobile Manufacturers Association
American Petroleum Institute
American Soybean Association
Chemical Manufacturers Association
Distilled Spirits Council
Edison Electric Institute
The Fertilizer Institute
Institute of Scrap Recycling Industries, Inc.
Intermodal Association of North America
International Mass Retailers Association
National Grain and Feed Association
National Lime Association
National Mining Association
National Stone Association
The Society of the Plastics Industry, Inc.
Steel Manufacturers Association
Transportation Intermediaries Association
U.S. Clay Producers Traffic Association
Organizations of Affected Rail Users
Attending Conrail Transaction Council Meetings

American Automobile Manufacturers Association
American Forest and Paper Association
American Iron and Steel Institute
American Soybean Association
Chemical Manufacturers Association
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The Fertilizer Institute
Intermodal Association of North America
International Mass Retail Association
Institute of Scrap Recycling Industries, Inc.
National Grain and Feed Association
The National Industrial Transportation League
The Society of the Plastics Industry, Inc.
Steel Manufacturers Association
Transportation Intermediaries Association
U.S. Clay Producers Traffic Association

Railroads Attending Conrail Transaction Council Meetings

CSX Corporation
Consolidated Rail Corporation
Norfolk Southern Corporation
CONRAIL TRANSACTION COUNCIL
MEETING
August 20, 1998
WASHINGTON, D.C.

MINUTES

The sixth meeting of the Conrail Transaction Council began at 10:05 a.m. on August 20, 1998, in the law offices of the NTTL outside counsel Donelan, Cleary, Wood and Maser, Washington, D.C. After self-introductions by the attendees (see Attachment 1), including for the first time, a representative of the Surface Transportation Board, Chairman Bob Evans gave a short review of the agenda, a draft of which had been distributed. The minutes of the July 16 meeting were approved.

Mr. Evans, anticipating a vote by the Council on the measurable standards issue later in the agenda, asked for a vote by existing full members on the voting status of members who had joined after the May meeting (CMA, SPI, and Florida Phosphates Council). The Council approved full voting membership for these members.

Next Meeting and Future Topics

The next meeting was scheduled for September 15 (at the DC office of Occidental Petroleum, Suite 400, 1717 Pennsylvania Ave., NW). Topics for the September 15 meeting will be capital construction projects and commercial interfaces with shippers.

Dates were also set for several future meetings: on October 8 (possibly at AAR -- Walt Trollinger will confirm) and on November 12.

Written STB Decision on Conrail Acquisition

Paul Hitchcock of CSX and George Aspatore of NS presented a short summary of the decision (see Attachment 2). They noted that, although it was not stated in the decision, the service problems associated with the UP/SP merger and its aftermath were of obvious concern to the STB. This is reflected in the decision, with its emphasis on pre-merger planning and safety integration. They said STB found that over $700 M of existing rail traffic would go from single-carrier to two-carrier traffic at both origin and destination, and that this was not a "downsizing" merger which would pare capacity, as only 40-70 miles of track would be abandoned, and infrastructure investment programs totaling $1.2 billion would be begun. STB also emphasized the beneficial environmental effects of more rail-truck competition, saving a million truck trips and 80 million gallons of fuel per year.

STB noted that most opponents to the merger wanted specific concessions, and did not oppose it outright. STB also hailed the NTTL agreement with NS and CSX, for its benefits to shippers and the planning, measurements of progress, and early labor agreements it requires. The STB also hailed the role of the Conrail Transaction Council in assisting the Board in its oversight capacity, calling for the Council not only to identify important reporting measures, but also to report any impediments to implementation of the transaction and recommend how STB jurisdiction should be exercised.
Labor Implementing Agreements
CSX reported that voluntary negotiations were already underway with all unions, even though this was not required under New York Dock until after the written decision. NS is also meeting with all unions. Both carriers will serve notices under New York Dock shortly after August 22, advising the unions of the changes needed to implement the transaction and beginning the formal negotiations as required by the STB. UTU and BLE have agreed on a process which should lead to expeditious resolution of issues.

CSX and NS, as of August 22, 1998, have reached implementing agreements with the following labor organizations: (1) International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers; (2) United Railway Supervisors Association - on behalf of the claim agents; (3) United Railway Supervisors Association - on behalf of the engineering supervisors; and, (4) National Conference of Firemen & Oilers.

An agreement also has been reached with the Fraternal Order of Police which has been ratified and is awaiting signature. NS further reported that it has reached agreement on all its individual issues with the UTU and BLE.

Both NS and CSX feel that they are much further along with labor negotiations than UP was on its control date.

Operating Plans Between Control Date And Day One
Don O'Brian of NS and Jeff Stephenson of CSX made a joint presentation (see Attachment 3), emphasizing that the two railroads are cooperating very closely now in their integration planning, but “when the game starts” they will compete fiercely. On August 22, CSX and NS will take control of Conrail; however, until the actual date that they split it up and begin operating their respective pieces of Conrail, very little will change for Conrail’s customers. NS and CSX both insist that the “split date”, or “Day 1”, has not yet been established, and almost certainly will not occur before January 1999.

Among the changes that will occur on August 22 are: Conrail’s current Board of Directors will be replaced by four directors each from NS and CSX; NS and CSX will exercise greater financial control; and train schedules may be altered when the new owners agree that it makes operating sense to do so. Equipment will be re-marked; any going to CSX will be marked “NYC” (for New York Central), any going to NS will retain current markings. Conrail owns the NYC mark, so all railroad industry computer systems will continue to recognize an NYC car as Conrail’s until split date.

Customers can continue to call the same Conrail contacts at the same telephone numbers for customer service and billing, and Conrail contracts will continue to be honored at current rates; if they expire before the split date, Conrail will handle extensions.

In the meantime, the new owners can begin dividing up the Conrail contracts, and will continue training employees and planning the post-split operations and procedures.
Developent of Objective, Measurable Standards
Bob Evans presented the recommendations of the metrics working group (see Attachment 4). The measurements include car inventory, train speed, and loaded/empty days “on line”, all by six train types, and terminal dwell time and volume for about 30 important terminal areas on Norfolk Southern and CSX lines. Because many of these statistics are location-specific, they should be much more useful than those required of the Union Pacific by the Board, in pinpointing problem areas before they become serious. Weekly reports would be provided.

It was noted that although the group had agreed on most of the metrics, some shipper members also wanted to include some representative transit times. Mr. Evans circulated some examples of transit time reports that his company receives from the UP on request. Both NS and CSX stated their opposition to reporting transit times publicly, but reiterated an offer that they had made earlier to supply specific transit time information to individual shippers on reasonable request.

The Council approved the recommended metrics but did not require public reporting of transit times, so long as NS and CSX supply that information to individual shippers on reasonable request and serious service problems do not arise. A letter will be sent to the STB showing the recommended metrics, with the understanding concerning transit times. The letter will also note that, in the event of a general service deterioration, shippers would like disclosure by the STB of the non-public data to be supplied by NS and CSX on train performance in 12 corridors. Attachment 5 is the letter actually sent to the STB later that day.

Allocation of Cars
Chris Jenkins of CSX said that the general allocation of cars, by type on a 58/42% basis, had been concluded, and NS and CSX now have the specific car numbers. He said that Stage 2 is under discussion, wherein car trades can be arranged discussed between and among car types, depending on the railroads’ respective needs. He also said such discussions would be on-going, and that, for special car types, or cars assigned to shipper pools, it may be useful to make trades that allow those special or pool cars to remain together. See Attachment 6 for both NS and CSX fleet sizes before and after car allocations from Conrail.

The meeting was adjourned at 2:35 pm.
## NITL MEETING SIGN-IN SHEET

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<thead>
<tr>
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<th>Company</th>
<th>Phone</th>
<th>Fax</th>
<th>E-Mail</th>
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<tr>
<td>Ed Rastetter</td>
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<td>Jack Peugh</td>
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<tr>
<td>Bill Simpson</td>
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<tr>
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<td>Company</td>
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<tr>
<td>Walt Trollinger</td>
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</table>
THE
SURFACE TRANSPORTATION
BOARD'S
CONRAIL
CONTROL DECISION
---
AN OVERVIEW
FOR THE
CONRAIL TRANSACTION COUNCIL

George Aspatore
Norfolk Southern Law Dept.

Paul Hitchcock
CSXT Law Dept.
August 20, 1998
STB approves the joint control of Conrail by CSX and NS, noting:

- Largest railroad restructuring in history
- Board required to approve if "consistent with the public interest"
- Board imposes conditions to:
  - protect interest of employees
  - mitigate environmental impacts
  - preserve competitive options available to shippers
- Board does not use control proceedings to address pre-existing situations
  - some exceptions due to uniqueness of Conrail
The STB Decision speaks highly of pro-competitive effects of the Transaction:

- Enhanced single line service
- Balanced and sustainable competition between CSX and NS
- No significant loss of competition
- Creation of Shared Assets Areas
- Quantifiable benefits of $1 billion per year
- Enhanced rail-to-rail competition
Important cost savings will be realized in the form of:

- Improved car distribution/utilization
- Improved locomotive maintenance
- Reduced Technology expense
- More direct routings
- Reduced General and Administration costs
- Elimination/reduction of costs of interchange
- More efficient blocking
The Decision discusses the STB's power to impose conditions:

- Tend to reduce benefits
- Imposed on a limited basis
- Used to address significant losses of rail competition
- Used to prevent loss of essential rail services
- Carefully tailored
- Not used to improve a proponent's competitive position
- Notes uniqueness of Conrail
The decision carefully analyzes the merits of the Transaction.

- Conrail is sole Class I railroad in large parts of Northeast
- Transaction opens $700 Million in traffic to new rail-to-rail competition
- Transaction is largely end-to-end -- not parallel
- In very few places does number of railroads go from 2-to-1
• Enhanced single line service means more rail-truck competition, and benefits existing rail customers
• Eliminates one million truck trips/year
• Saves 80 million gallons of fuel/year
• Massive investment in Rail Infrastructure
  + NS $729 Million
  + CSX $488 Million
The Decision takes note of number of opponents and their importance

- 160 opposing parties:
  - major industrial shippers
  - utilities
  - governments
  - commuter
  - short lines
- Many expressed concerns that were "overstated or unwarranted"
- Board commends CSX and NS for settlements
Most objecting parties sought concessions addressing their specific interest -- not the transaction overall. E.g.:

- Expand a SAA
- Second Carrier Access
- Trackage Rights
- Line Divestiture
- New Commuter Routes
- Local Operating Changes
The Decision speaks highly of the NIT League's settlement with Applicants. Key provisions:

- Reciprocal switching (modified)
- Single line to joint line (expanded to shortlines)
- Three-year oversight (expanded to 5)
- Arbitration over responsibility to perform allocated Conrail contracts
- MIS and Labor Agreement Commitments
- Performance Measurements
- Conrail Transaction Council
The Conrail Transaction Council will play an important role in the STB's oversight.

- Public reporting of operating measurements
- Monthly reports to STB
- Special emphasis on I.T., shared assets, and customer service
- Report any impediments to service implementation and recommend how STB jurisdiction should be exercised
The Board imposed a number of conditions to its approval.

Some representative conditions . . .
Board-Imposed Conditions -- Shippers

- IP&L can elect NS-direct or INRD switch. Build-out option
- ASHTA Chemicals - Consultation on haz-mat routing
- Port of Wilmington - Consult on switching services and charges-report to STB
- East of the Hudson - CSXT to negotiate haulage or trackage rights with CP at CP's option
Board-Imposed Conditions -- Shippers Continued

- City of New York-CSX to cooperate to develop rail traffic and I.D. and cooperate in Cross Harbor study.
- Buffalo + Committee to promote rail traffic + NS gets trackage rights on "Buffalo Creek Line:
  + $250 reciprocal switch for traffic on which Conrail recently canceled switching.
- Ohio Aggregates Shippers-Provide single line service, run-through trains and pre-blocking.
East of the Hudson Line

- CSX to give CP choice of haulage or trackage rights Selkirk to Fresh Pond
- Unrestricted as to commodity or geographic scope
- Must take into account investment needed in the line
Board-Imposed Conditions -- Railroads

- Illinois Central
  + CSX to Negotiate with IC over Memphis dispatching

- Livonia & Avon Lake
  + Trackage Rights through Genesee Junction Yard to R&S

- New England Central
  + Trackage Rights Palmer, MA to West Springfield, MA
Board-Imposed Conditions -- Railroads Continued

- **W&LE**
  - Trackage Rights to Toledo and Lima
  - Extension by NS of Huron Dock lease
  - Explore mutually beneficial arrangements, including Benwood to Brooklyn Jct.

- **Ann Arbor**
  - CSXT/NS to take no action to interfere with AA's service to Chrysler

- **Shortlines**
  - CSXT/NS cannot expand "blocking provisions"
  - Example: RBMN (connects to NSCR)
The Board imposes a large number of "environmental" conditions. Some examples:

- Grade Crossing protections
- Noise mitigation
- Support for local incident response
- Signs giving notice of train increases
- CSX consultation with commuter authorities
- Cleveland
  - Cloggsville connection
  - Local incident coordinators
  - Train defect detectors
  - CWR and track lubrication
- Comply with negotiated agreements
STB Oversight for Five Years

- Integration Activities
  - Labor Activities
  - Construction Projects
  - Customer Service Consolidation
  - MIS

- Operational Reporting
  - 40 yards and terminals
  - Chicago Gateway
  - Cleveland operations
  - SAA operations

- Compliance with Conditions
NITL Conrail Transaction Council
Progress Update - August 20, 1998

Donald J. O’Brien
AVP - Conrail Implementation Group
Norfolk Southern Corporation

T. Jeff Stephenson
Director - Consolidation
CSX Transportation
NS Planning Structure:

- **Corporate Planning Group:**
  - Vice President and staff
  - Over 120 teams and subteams

- **Dedicated Operations Planning Group**

- **Dedicated IT Planning Group**
CSXT Planning Structure

- Team Structure, headed by CFO
- Three Principal Teams:
  - Headquarters
  - Technology
  - Day One
- Day One—eight sub-teams
- Consultant assisted
- Over 50,000 Project Management tasks
- Former Conrail Leadership employed
NS Disciplines:

- Structured project plans
- Contingency Plans for risk management
- Documentation
- Conrail "Peer Reviews"
CSXT Disciplines:

☑ Structured Project plans
☑ Contingency Plans for risk management
☑ Conrail field validation
☑ Steering Committee
☑ Team reviews
☑ Control-to-Split plan development
Strategies:

✓ Project Management
  → NS → KPMG
  → CSXT → MS Project
✓ CR/CSXT/NS Coordination
✓ Customer Interface
✓ Rail Industry Interface
✓ Embrace Conrail expertise
Workforce Management:

- Three phase draft for non-union employees:
  - Phase I Field managers
  - Phase II Headquarters managers
  - Phase III Commercial managers

- Labor split to be determined by agreements

- CSXT emphasis:
  - Hiring extra engineers and conductors to protect potential traffic
  - Manage "churn" for all groups
  - Leave organizations in place

- NS Emphasis
  - T&E hiring and training
  - Employee Communication
  - Cultural Integration

- No early-reporting if Conrail identifies as necessary through Split Day
Control-to-Close/Split

☑ Corporate Governance
☑ Operations
☑ "Blue Room"
☑ Segmented Shut-down
☑ Training
☑ Trial schedule changes when agreed to + with

Aug 23

CBP by Friday pm + 1CSX + 1CS +
Transport, minute what they will load CB

☑ Trial schedule changes when agreed t + Mth

N5
Begin DM Alarms as per tie 8th
Xx "check" 51, all it is and

CBP profit = 125/CSX 58/42
Key Network Operation Interfaces
Control-to-Split/Close (con’t):

- Minimal owner involvement in train operations as defined by agreed upon rules
- Crew management territories re-aligned in place
- Revenues flow to Conrail
- Employer remains Conrail, unless three parties agree
- Asset’s not split, but equipment re-marked
- Conrail operating system continues
Close/Split Date:

- IT systems work complete & tested
- Necessary Labor Implementing Agreements
- Training
- Team projects
- Operational Readiness
- Capital Projects

Note: Include integrated stress test for final load.
Status:

- Team activity completion
- IT systems projects — Y2K update
- Operations Planning — Train Plan
- Continuing CR/SAA staffing & planning
- NS/CSXT staffing
- Labor Implementing Agreements
- Capital projects
## Conrail Transaction Council
### Norfolk Southern Post Transaction Performance Measures

For the week ending: 9/99/99

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<tr>
<th>Measure</th>
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### Average Train Speed (by train type)

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### Conrail Transaction Council

**Norfolk Southern Post Transaction Performance Measures**

For the week ending: 99/99/99

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### Norfolk Southern Post Transaction Performance Measures

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System Average: 99.9

* Terminals acquired from Conrail

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## Conrail Transaction Council
### CSXT Post Transaction Performance Measures
For the week ending: 9/9/99

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<th>Historical</th>
<th>Post &quot;Day 1&quot;</th>
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* Terminals acquired from Conrail

Average Loaded Days On-Line

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### Conrail Transaction Council
### CSXT Post Transaction Performance Measures
For the week ending: 99/99/99

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#### Average Empty Days On-Line (private cars only)

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8/16/99
Conrail Transaction Council
CSAO Post Transaction Performance Measures
For the week ending: 99/99/99

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Average Terminal Dwell/Volume
August 20, 1998

Hon. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423

Re: Finance Docket No. 33388, CSX Corporation, et al
— Control and Operating Leases/Agreements —
Conrail Inc., et al

Dear Mr. Williams:

In Decision No. 89 in the above proceeding (served on July 23, 1998), the Board, in ordering paragraph 20, imposed as a condition the implementation of the NITL Agreement between the applicants and The National Industrial Transportation League dated December 12, 1997. As part of that Agreement, a Conrail Transaction Council has been meeting for the last several months. NITL Agreement, App. A, Section I.A.

One of the tasks the Council has been addressing is the development of "objective, measurable standards" for inclusion in the quarterly reports to be submitted by the Applicants as part of the Board's continuing oversight of the transaction. NITL Agreement, App. A, Section II.B.

We are pleased to report that the shipper and railroad members of the Council have come to an agreement on a set of objective, measurable standards, which are set out in the attachment. The railroads will begin reporting this data with the first reporting period after the Closing Date (Day One). Although the NITL Agreement requires quarterly reports, the railroads have agreed to provide this information to the Council on a weekly basis.

However, the shipper and railroad members of the Council have agreed to disagree on the inclusion in the reporting requirements of transit times. The railroads believe that transit times are competitively sensitive information. On the other hand, the shippers believe that transit times are necessary to monitor the progress of the merger in terms of the benefits that have been promised.
The railroad members of the Council are willing to give individual shippers transit times on their own movements on request. If the railroad members respond reasonably to these requests, the shipper members will not request the Board to require the public reporting of more aggregated transit times, as long as serious service problems do not arise. It is also understood that the Board has requested the railroads to report to the Board on a non-public basis train performance in twelve corridors (six each). In the event of a general service deterioration after the implementation date of this transaction, the shippers would like this information provided to the Board to be made public.

Respectfully submitted,

Paul R. Hitchcock
CSX Transportation, Inc.
500 Water Street
Speed Code M20
Jacksonville, FL 32202
(904) 359-1192

George A. Aspatore
Norfolk Southern Corporation
Three Commercial Place
Norfolk, VA 23510-2191
(757) 629-2657

Nicholas J. DiMichael
Frederic L. Wood
Donelan, Cleary, Wood & Maser, P.C.
1100 New York Avenue, NW
Suite 750
Washington, DC 20005-3934
(202) 371-9500

For the Conrail Transaction Council

cc: Mr. Melvin F. Clemens, Jr.
Director
Office of Compliance and Enforcement
Surface Transportation Board
## New Servicable CSX Fleet

### Day 1

<table>
<thead>
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<th>CR 42%</th>
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<th>Total</th>
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<td>Coal</td>
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NS FLEET

MULTI-LEVEL
8,206

TOTAL 92,416

BOXCARS
19,575

COIL CARS
2,010

COVERED HOPPERS
13,887

COAL GONDOLAS
17,139

MILL GONDOLAS
6,697

FLAT CARS
3,302

AS OF 7/1/98
CONRAIL FLEET
TOTAL 49,567

MULTI-LEVEL 5,633
BOXCARS 9,013

COIL CARS 4,633
COVERED HOPPERS 3,258
FLAT CARS 700

COAL GONDOLAS 6,170

7/4/98 CONRAIL EDS
PRR FLEET

TOTAL 28,549

MULTI-LEVEL 3,281
BOXCARS 5,132

COIL CARS 2,673
COVERED HOPPERS 1,889

COAL GONDOLAS 3,587

FLAT CARS 410

7/4/98 CONRAIL EDS
NS DAY 1 FLEET

TOTAL 120,965

MULTI-LEVEL 11,487

BOXCARS 24,707

COIL CARS 4,683

COVERED HOPPERS 15,776

COAL GONDOLAS 20,726

MILL GONDOLAS 11,322

AS OF 7/1/98
CONRAIL TRANSACTION COUNCIL
MEETING
September 15, 1998
WASHINGTON, D.C.
MINUTES

The seventh meeting of the Conrail Transaction Council began at 10:05 a.m. on August 20, 1998, in the DC offices of the Occidental Chemicals Corp. After self-introductions by the attendees (see Attachment 1), Chairman Bob Evans gave a short review of the agenda, a draft of which had been distributed. The minutes of the August 20 meeting were approved.

Next Meeting and Future Topics
The next meeting was scheduled for October 8 at the Association of American Railroads. Topics will include further discussion of contract allocation, updates and status reports on equipment allocation and technology initiatives, a SAA status report by Conrail, a set of definitions for the metrics agreed to in August, and another question and answer session.

Dates were also set for several future meetings on November 10, possibly hosted by IANA, and on either December 8 or 10 (depending on the IANA board of directors meeting) at the Federal Railroad Administration, if another member could provide lunch. Topics for the November meeting might include final contract allocation (or whatever is known at that time) and a report on the metrics agreed to, including baseline measures and current numbers.

Capital Construction Projects
Tom Schmidt of CSX gave a slide presentation breaking out the $640 M total budget for capital construction (see Attachment 2; pictures of projects have been omitted). He said CSX had completed $400 M of it already. Big ticket items included double-tracking from Cleveland to Chicago, originally budgeted at $308 M, now estimated at $314.4 M, to handle a doubling of traffic through Greenwich OH on Day 1; and $129 M for technology projects, including $30 M for hardware, and the remainder for new programming, Year 2000, etc. The Cleveland-Chicago project is nearly complete, and will be in service prior to Day 1. In response to a question, he said nothing had begun yet in the Buffalo area.

Fred Ehlers and Steve Morell presented the NS capital program, totalling $729 M (see Attachment 3). They said that $350 M in projects are now underway, and the number is increasing daily. They highlighted the Sidney project that will replace Elmo for bypassing St Louis, Alexandria IN on the mid-south route from Chattanooga-Cincinnati and Elkhart IN, the gateway to the West; Bucyrus OH on the Chattanooga-Cincinnati-Columbus-Bucyrus-Conway route; and the Cloggsville connection on the Chicago-Cleveland route that feeds traffic into Buffalo. They said all STB-approved Day 1 projects (Alexandria, Bucyrus, and Sidney) will be complete by fourth quarter of 1998, but that only a few projects, e.g. new sidings, will be put into use before split date.

Commercial Interfacing With Shippers
Walt Trollinger of NS emphasized the close coordination being maintained between NS and Conrail. He said that beyond October 1 NS is erring in favor of too many, not too few people in the customer service center. He said that there had been few problems of shippers contacting the right person since control date, although he acknowledged that there could be more as the Conrail staff thins out.
Railroads' First Report to STB
Both railroads said that their STB reports contained nothing that the CTC had not seen already. NS said that its report was mounted on its website, nscorp.com, and contained some 14 items, such as the capital construction program, a labor update, information technology, and customer service issues.

CSX said its report was similar, but was not on the CSX website. Lee Gardner of STB said that if CSX did not put its reports on its website, that STB would put them on its STB website. He was unsure whether STB would do anything with these reports. NS said they would get more interesting after the split date.

Labor Update
Warren Comiskey of CSX gave the report for both railroads (see Attachment 5). He said that all the parties, railroads and unions, had learned valuable lessons from the UP/SP merger, the keys being to start negotiations early, and to employ a voluntary process before the New York Dock process becomes available; that process is designed to yield a decision on implementing agreements after 90 days, although it often lasts 4-5 months. He said that agreements had been signed with nine unions, with eight remaining unsigned. Of the latter, one agreement will be imposed through arbitration. Voluntary agreements are desired with the other unions. Arbitration, if necessary, will begin after 30 days of negotiations. NS and CSX have a target date of mid-December for completing agreements necessary for split date.

Questions Session on Allocation of Conrail Contracts
There was a lengthy session dealing with Conrail contracts post-split date. It was agreed by the railroads that Conrail contracts that expire before the split date would be automatically extended to February 14 or the split date, whichever occurs first. In response to a shipper question on when it would be announced which railroad would inherit specific Conrail contracts, the railroads said that the announcement would come sometime in the first half of November, and that if shippers have a strong preference for either NS or CSX, and it is practicable, to make known their preference, and state the reason for their preference, to their business leader at the railroad as soon as possible, but within the next 30 days. The railroads went on to add that shipper preferences would become one of several factors to be considered, but not necessarily granted, in their process of allocation.

A number of other questions were raised about contracts, but NS and CSX representatives were unwilling to state definitive answers pending further research and discussion. It was decided that counsel for the two railroads would develop written answers, in the next two weeks, that would be distributed to CTC members along with the minutes (see Attachment 4).

The meeting was adjourned at 1:38 pm.
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<th>Fax</th>
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<td>NTC</td>
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<td>STEVE FERREE</td>
<td>Westvaco Corp</td>
<td>804.397.6103</td>
<td>6424</td>
<td><a href="mailto:sferrer@westvaco.com">sferrer@westvaco.com</a></td>
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<tr>
<td>STEVE MORRELL</td>
<td>NS</td>
<td>404.529.1325</td>
<td>527.2839</td>
<td><a href="mailto:shmorrel@nscorp.com">shmorrel@nscorp.com</a></td>
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<tr>
<td>FRED EHlers</td>
<td>NS</td>
<td>409.329.2889</td>
<td>529.1806</td>
<td><a href="mailto:fehlers@nscorp.com">fehlers@nscorp.com</a></td>
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<tr>
<td>WALT TROLINGER</td>
<td>NS</td>
<td>(751) 629-2720</td>
<td>629-2849</td>
<td><a href="mailto:WBtroll@nscorp.com">WBtroll@nscorp.com</a></td>
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<tr>
<td>GEORGE ASPATORE</td>
<td>NS</td>
<td>932-629-8667</td>
<td>157-533-4872</td>
<td><a href="mailto:gnaaspato@nscorp.com">gnaaspato@nscorp.com</a></td>
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<tr>
<td>Donald Nelson</td>
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<td>215-209-3292</td>
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<tr>
<td>Lee Gardner</td>
<td>STB</td>
<td>202-365-1532</td>
<td>202-365-9000</td>
<td><a href="mailto:gardnul@std.dot.gov">gardnul@std.dot.gov</a></td>
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<tr>
<td>Bill Simpson</td>
<td>IMC (FPC)</td>
<td>914-428-7716</td>
<td>914-428-721</td>
<td><a href="mailto:WH.Simpson@imc-america.com">WH.Simpson@imc-america.com</a></td>
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<tr>
<td>Nick DiMichael</td>
<td>NITL (comel)</td>
<td>202.331.2232</td>
<td>371-0900</td>
<td><a href="mailto:ndimmichael@dnwn.com">ndimmichael@dnwn.com</a></td>
</tr>
<tr>
<td>Gerald W. Fourth III</td>
<td>NITL (comel)</td>
<td>703.549.6661</td>
<td>703.549.6662</td>
<td><a href="mailto:GFouth@arc.com">GFouth@arc.com</a></td>
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<tr>
<td>Jack P. Prugh</td>
<td>MillenniumChem</td>
<td>410-931-3812</td>
<td>410.931.5215</td>
<td><a href="mailto:jprugh@mic-usa.com">jprugh@mic-usa.com</a></td>
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<tr>
<td>WARREN CONLISHEY</td>
<td>CSX</td>
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<td>904.279.6345</td>
<td><a href="mailto:warren_conlishey@csx.com">warren_conlishey@csx.com</a></td>
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<tr>
<td>CHRIS JENKINS</td>
<td>CSX</td>
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<td>904.359.1263</td>
<td><a href="mailto:chris_jenkins@csx.com">chris_jenkins@csx.com</a></td>
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<tr>
<td>PAUL HITCHCOCK</td>
<td>CSX</td>
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<td>904.366.8290</td>
<td><a href="mailto:paul_hitchcock@csx.com">paul_hitchcock@csx.com</a></td>
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<tr>
<td>RAPHY KEDAR</td>
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<td><a href="mailto:raphak@fia.dot.gov">raphak@fia.dot.gov</a></td>
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<tr>
<td>TANIA ANELSON</td>
<td>OXY CHEM</td>
<td>912-444-5130</td>
<td>912-444-3492</td>
<td><a href="mailto:cal_janelson@oxy.com">cal_janelson@oxy.com</a></td>
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<tr>
<td>BOB EVANS</td>
<td>OXY CHEM</td>
<td>972-407-3255</td>
<td>972-407-3251</td>
<td><a href="mailto:bevans@oxy.com">bevans@oxy.com</a></td>
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<tr>
<td>PETE SHUBTZ</td>
<td>CSX</td>
<td>904.783.1373</td>
<td>904.783.1355</td>
<td><a href="mailto:sshubtz@csx.com">sshubtz@csx.com</a></td>
</tr>
<tr>
<td>HUGH WEDDELL</td>
<td>K&amp;EM</td>
<td>202-316-5512</td>
<td>202-316-5512</td>
<td><a href="mailto:weddelja@vc.irencol.com">weddelja@vc.irencol.com</a></td>
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<tr>
<td>DON CASEY</td>
<td>TFI</td>
<td>202-675-6250</td>
<td>202-675-6256</td>
<td><a href="mailto:dcasey@tfi.com">dcasey@tfi.com</a></td>
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<tr>
<td>TOM SCHMIDT</td>
<td>CSX</td>
<td>904.359.1801</td>
<td>904.359.1705</td>
<td><a href="mailto:tomschmidt@csx.com">tomschmidt@csx.com</a></td>
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<tr>
<td>BILL GELSTON</td>
<td>DOT/FRA</td>
<td>302-773-6083</td>
<td>302-774-6897</td>
<td><a href="mailto:wgelston@fia.dot.gov">wgelston@fia.dot.gov</a></td>
</tr>
<tr>
<td>RICH ABEL</td>
<td>DuPont (CM)</td>
<td>(302)773-0803</td>
<td>(302)774-6897</td>
<td><a href="mailto:rabel@dupont.com">rabel@dupont.com</a></td>
</tr>
<tr>
<td>TOM SCHICK</td>
<td>CMN</td>
<td>703-741-5172</td>
<td>-6099</td>
<td><a href="mailto:tomschick@msn.com">tomschick@msn.com</a></td>
</tr>
<tr>
<td>MAUREEN FLANDER</td>
<td>SPI</td>
<td>202-914-5219</td>
<td></td>
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</tbody>
</table>
Presentation to the NIT League in Washington, DC September 15, 1998

Thomas P. Schmidt
Vice President – Advanced Rail Signaling & Dispatch Technology
## Summary of Conrail Acquisition Transition Spending Outlook as of August 31, 1998

<table>
<thead>
<tr>
<th>Project Group</th>
<th>Budget</th>
<th>Outlook</th>
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<tbody>
<tr>
<td>Chicago</td>
<td>$44.9</td>
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<tr>
<td>Chicago-Cleveland</td>
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<td>Clearances</td>
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<td>Connections</td>
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<td>Ft. Wayne Line</td>
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<td>Intermodal</td>
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<tr>
<td>Lincoln Secondary</td>
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<td>5.6</td>
</tr>
<tr>
<td>MGA Coal</td>
<td>10.5</td>
<td>10.8</td>
</tr>
<tr>
<td>Technology</td>
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</tr>
<tr>
<td>TransFlo</td>
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<td>21.0</td>
</tr>
<tr>
<td>All Other</td>
<td>15.2</td>
<td>14.3</td>
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<tr>
<td><strong>Grand Total</strong></td>
<td><strong>$640.0</strong></td>
<td><strong>$641.9</strong></td>
</tr>
<tr>
<td>PROJECT DESCRIPTION</td>
<td>PROJECT LOCATION</td>
<td>PROJECT STATUS</td>
</tr>
<tr>
<td>---------------------</td>
<td>------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>1) Construct 2nd Main Track w/TCS on B&amp;O including connections</td>
<td>Greenwich, OH to Pine JCT, IN</td>
<td>Substantially Complete</td>
</tr>
<tr>
<td>2) Construction by Conrail of 2nd Main Track w/TCS</td>
<td>Quaker to Greenwich, OH</td>
<td>Underway</td>
</tr>
<tr>
<td>3) Yard Expansion</td>
<td>Willard, OH</td>
<td>Underway</td>
</tr>
<tr>
<td>4) Construct or rehabilitate Connection tracks w/Indianapolis Line</td>
<td>Crestline Sidney &amp; Marion, OH</td>
<td>Underway</td>
</tr>
<tr>
<td>5) Connection track w/Conrail</td>
<td>Carleton, MI</td>
<td>Early Stages</td>
</tr>
<tr>
<td>6) Siding extension</td>
<td>Alice and Hardwood, IN</td>
<td>Substantially Complete</td>
</tr>
<tr>
<td>7a) Intermodal Expansions</td>
<td>Chicago, IL</td>
<td>Substantially Complete</td>
</tr>
<tr>
<td>7b) Intermodal Expansions</td>
<td>Cleveland, OH</td>
<td>Early Stages</td>
</tr>
<tr>
<td>7c) Intermodal Expansions</td>
<td>Philadelphia, PA</td>
<td>Early Stages</td>
</tr>
<tr>
<td>7d) Intermodal Expansions</td>
<td>Little Ferry, NJ</td>
<td>Substantially Complete</td>
</tr>
<tr>
<td>9) Rebuild Eastwick Connection track w/Conrail</td>
<td>Philadelphia, PA</td>
<td>Underway</td>
</tr>
<tr>
<td>9) Greater Cleveland Area Mitigation Agreement Construction</td>
<td>Cleveland, OH</td>
<td>Beginning Design</td>
</tr>
<tr>
<td>10) Restoration of Connection and Main track between Hobart &amp; Toledo</td>
<td>Hobart, IN to Toledo, IN</td>
<td>Early Stages</td>
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<tr>
<td>11) Chicago area - upgrade connection tracks and other track improvements</td>
<td>Chicago, IL</td>
<td>Underway</td>
</tr>
<tr>
<td>12) Upgrade Capacity on the Mon Subdivision</td>
<td>Newell, PA &amp; New Castle, PA</td>
<td>Underway</td>
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<tr>
<td>13) Extend 3 sidings by Conrail on the River Line</td>
<td>Albany, NY to Bergen, NJ</td>
<td>Underway</td>
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## Norfolk Southern

Connections, Sidings, Tunnel Clearance, and Rehabilitation Projects

## Priority Capital Projects

- **New Connection Tracks**
  - Sidney, IL (UP)      Day 1
  - Bucyrus, OH         Day 1
  - Alexandria, IN      Day 1
  - Columbus, OH        Day 1
  - Vermillion, OH      Day 1
  - Oak Harbor, OH      Day 1
  - Tolono, IL (IC)     TBD
  - Philadelphia, PA (Zoo) TBD
Priority Capital Projects

· Sidings
  · Greencastle, PA
  · Pattenburg Tunnel
  · Shenandoah Route
  · Southwest Gateway Route
· Rehabilitations
  · Cleveland, OH (Cloggsville)
  · Southern Tier

Day 1
3Q/99
Day 1
Day 1
4Q/99
4Q/99
CORRECTION

THIS DOCUMENT HAS BEEN REPHOTOGRAPHED TO ASSURE LEGIBILITY
# CAPITAL PROJECT STATUS - CONRAIL ACQUISITION PROJECTS
AS OF AUGUST 22, 1998

<table>
<thead>
<tr>
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Norfolk Southern

Connections, Sidings, Tunnel Clearance, and Rehabilitation Projects

Priority Capital Projects

- New Connection Tracks
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  - Bucyrus, OH  Day 1
  - Alexandria, IN  Day 1
  - Columbus, OH  Day 1
  - Vermilion, OH  Day 1
  - Oak Harbor, OH  Day 1
  - Tolono, IL (IC)  TBD
  - Philadelphia, PA (Zoo)  TBD
Priority Capital Projects

- Sidings
  - Greencastle, PA  
  - Pattenburg Tunnel 3Q/99  
  - Shenandoah Route Day 1  
  - Southwest Gateway Route Day 1  

- Rehabilitations
  - Cleveland, OH (Cloggsville) 4Q/99  
  - Southern Tier 4Q/99
Conrail Transaction Council
Responses to Member Questions
Allocation of Conrail Contracts

Question 1: What happens to the 80-90% of Conrail contracts that expire between now and the split date? I understand that there is a dispute between NS and CSX over how long they can/should be extended, but that there may well be a "gap" between their expiration and split date; and if they are all extended to the same date (whatever that is), it may be difficult to re-compete them all in a timely fashion.

Answer: CSX and NS have reached an agreement that will authorize Conrail commercial officers to renew existing Conrail contracts through the date when CSX and NS begin separate operations, or February 14, whichever is earlier. If it develops that split date will not occur before February 14, extensions will be entertained. The carriers acknowledge the possibility that there could be multiple extensions, but feel that this is unlikely.

Question 2. What are the shippers options relative to existing Conrail contracts at the split date (assumes existing Conrail contracts expire after the split date)?

   a) for lanes that are captive either on the CSX or NS
   b) for lanes that have competition between the CSX and NS
   c) for shared asset areas

Answer: Section 2.2.C of the NITL/CSX/NS Conrail Transaction Agreement describes how the responsibility to perform Conrail's obligations under its contracts in existence on the split date will be allocated between CSX and NS.

Generally, where a station is local on a portion of Conrail allocated to CSX or NS, the contract will be performed by that carrier. Where a contract can be performed by either CSX or NS, the purchasers of Conrail will allocate performance responsibility to one or the other. In some situations, where portions of a contract must be performed by CSX and other portions by NS, the responsibility to perform will be divided.

Customer preferences will be considered as part of the allocation process. NS and CSX will also consider which of the two can operationally best perform the contract, existing commercial relationships with the customer, and the value of the contract rights as a purchased asset.

Although the carriers asked the STB to override state contract law so that anti-assignment clauses in rail transportation contracts would not become effective, the STB decided to do so only for 180 days. Thereafter, the override ends. Therefore, if the contract contains an anti-assignment clause, the contract remains effective for at least 180 days from Split Date. The customer can give 30 days advance notice that it intends to exercise its rights under the anti-assignment (presumably, to terminate the contract) at any time during the 180 day period. Under most states' laws the customer most likely has a reasonable time after the 180th day to give 30 days notice. How long that time might be depends on the state law that governs, and all the facts and circumstances of the contract. Customers who prefer that their contracts not change on or near the 180th day due to operational concerns may well want to negotiate a longer duration of the contract with the performing carrier(s). If the contract is one that CSX and NS can both perform, at any time after six months from the Split Date, the customer has the right to seek to change which of the two carriers has the responsibility to perform the contract. This is done by following the arbitration process of the NITL settlement.
Question 3: For lanes that have competition between the CSX and NS, can a shipper bid out those lanes prior to the split date for award to either the CSX or NS immediately after the split date?

Answer: If no Conrail contract governs a piece of traffic, a customer is free to seek contract bids from CSXT and NS now. The contract, of course, could only apply from Split Date on.

Question 4: Is Buffalo junction open to NS, CN and CP from Niagara Falls, NY for the $250 switch charge?

Answer: Industries at Niagara Falls are not currently open to reciprocal switching. Conrail now provides a line haul rate to CSXT for application to CSX intermodal traffic coming going across Canada via the two international bridges. The STB's condition, generally replicates the pre-1996 situation, but at a much lower rate. The STB has ordered CSXT to provide post-split switching service to/from those Niagara Falls industries for which Conrail canceled switching in 1996 and substituted the line haul rate. This applies to Norfolk Southern traffic that CSXT switches to (or from) Norfolk Southern for prior (or subsequent) movement via International Bridge and Suspension Bridge. The charge for this switching service is $250, which is substantially less than Conrail's prevailing line haul rate to CSXT. Where Conrail provides reciprocal switching for a short line at Buffalo today, the acquiring line will keep the industry open to switch and will reduce the charge to $250 (subject to escalation) in accordance with the NTL settlement terms. Although CSX feels that the Board went beyond its precedent in ordering this more beneficial arrangement for these Niagara Falls customers, CSX has determined not to appeal the Decision.

CSXT and CP entered into a settlement agreement, the terms of which are proprietary, but which provide substantially improved economics for CP as it develops business opportunities above historic traffic volumes. This arrangement provides benefits to Niagara Falls shippers beyond those conditions prevailing before the Transaction.

Question 5: How long do shippers have to notify NS or CSX as to which carrier they want certain contracts to be assigned to?

Answer: The sooner, the better; but at least within the next 30 days. While not binding on the carriers, shipper expressions of preference will be given consideration. Customers need to be proactive and to approach the carriers soon if they have preferences.

Question 6: When will shippers be told which railroad has their contracts?

Answer: CSX and NS hope to be able to begin to report on the outcome of the allocation process by mid-November.

Question 7: In cases where Conrail is part of a move, but the contract belongs to another carrier, and there is competition available for the move between the CSX and NS, or with another carrier via slightly different routing, what are the shippers options after the split date?

Answer: Where a customer has a joint line contract with a western railroad and Conrail, the western road's contract rights cannot be adversely affected. Just as was the case in UP-SP (when the STB ordered UP to open up a percentage of its contracts to competitive bid) where the contract rights of the Eastern railroads were unaffected, so too are western carriers' rights unaffected in this proceeding. The Board's limitation of the override of anti-assignment clauses will mean that at the end of the 180 day period, the customer will have the right to terminate contractual arrangements with Conrail. This will enable the customer to approach CSX and NS separately for new joint line proposals that do not adversely affect the...
contractual rights of the western railroad.

Question 8: How long will shippers have to change routes in their systems before Day 1, or after Day 1?

Answer: CSX and NS are required by the STB to give 14 days advance notice prior to the start up of separate operations. Each feels that considerably more advance notice to customers and other railroads will be necessary. Both hope to be able to give 60 to 90 days advance notice.

Question 9: What happens at Day 1 when cars are in route already billed and Conrail needs to be removed from the routing?

Answer: CSX and NS are working on this. They know that there will inevitably be some traffic that is routed "Conrail" on, and even after, Split Date. Whatever arrangement is put in place will have the goal of producing minimal impact on the erring shipper.
STATUS OF LABOR IMPLEMENTING AGREEMENTS

• OVERALL STRATEGY

• START EARLY

• UTILIZE VOLUNTARY NEGOTIATIONS

• APPLY NEW YORK DOCK PROCESS AFTER STB DECISION EFFECTIVE (8/22/98)
BACKGROUND ON NEW YORK DOCK

FORMAL PROCESS FOR NEGOTIATIONS

STEPS IN PROCESS:

• DAY 1 - SERVE 90 DAY NOTICE
• DAY 5 - NEGOTIATIONS COMMENCE
• DAY 35 - END OF NEGOTIATION PERIOD
• DAY 40 - PARTIES SELECT NEUTRAL OR NMB APPOINTS
• DAY 60 - ARBITRATION HEARING BEGINS
• DAY 90 - DECISION OF REFEREE IS DUE
• BACKGROUND ON NYD (CONTINUED)

• 90 DAYS BECOMES 4-5 MONTHS IN PRACTICE

• SLIPPAGE IN:

  • APPOINTMENT OF NEUTRAL
    • 5 days becomes 10-15 days
  • SCHEDULING HEARING
    • 20 days becomes 30-40 days
  • OBTAINING DECISION
    • 30 days becomes 45-60 days
• AGREEMENTS PRIOR TO STB DECISION

• UTU AND BLE COMMITMENT LETTERS
  • EXRESSED SUPPORT
  • COMMITTED BEST EFFORTS TO NEGOTIATE AGREEMENTS
  • AGREED TO EXPEDITED ARBITRATION

• IMPLEMENTING AGREEMENTS:
  • BOILERMAKER/BLACKSMITHS
  • FIREMEN AND OILERS
  • URSA ENGINEERING SUPERVISORS
  • URSA CLAIM AGENTS
• AGREEMENTS SINCE STB DECISION

• IMPLEMENTING AGREEMENTS:
  • ARASA BRIDGE INSPECTORS
  • ELECTRICIANS
  • POLICE
  • DISPATCHERS

• SIGNED, SUBJECT TO RATIFICATION:
  • UTU
SUMMARY

• 9 UNIONS HAVE SIGNED IMPLEMENTING AGREEMENTS

• 8 UNIONS REMAIN UNSIGNED

• AGREEMENT WITH RYA WILL BE IMPOSED

• VOLUNTARY AGREEMENTS DESIRED WITH OTHER 7 UNSIGNED

• ARBITRATION, IF NECESSARY, WILL COMMENCE AFTER 30 DAYS OF FORMAL NEGOTIATIONS
MINUTES

The October meeting of the Conrail Transaction Council began at 10:10 a.m. on October 8, 1998, in the law offices of NITL outside counsel Donelan, Cleary, Wood and Maser, Washington, D.C.

After self-introductions by the attendees (see Attachment 1), Chairman Bob Evans gave a short review of the agenda, a draft of which had been distributed. The minutes of the September 15 meeting were approved.

Technology Initiatives
Cindy Luman of CSX and Wick Moorman of NS made a presentation on the independent quality assurance project, under which the Conrail information system will be split into its NS and CSX portions and then disappear, without a systems failure. (See Attachment 2.) They described the status and timing of the project systems. Each railroad has to test its own systems and their relation to the other two railroads, in terms of the integrity of major business systems, with success criteria. They described the segmented shut down of Conrail, with the training, strategies, and the command center under development. Technical interfacing with customers will be done by NS/CSX after split date, not Conrail (e.g., waybills, switching, EDI). They are conducting extensive customer dialogue and developing customer profiles, so customers can deal with NS and CSX just as they dealt with Conrail.

NS and CSX car movement systems will be turned over to Conrail for yard functions, switching, etc., at least 60 days prior to split date. Train events will be managed by NS/CSX, with car inventory systems for each of the three railroads.

They said that for train operations, billing and G&A, NS and CSX will cut waybills, bill manage claims and demurrage, etc., and will later develop "best practices." Y2K compliance is about 52% complete.

E Commerce
Mike Nail of CSX stressed the need for customers to think about getting information and doing billing via EDI before the split, and convert to e-commerce products so that, on split date, so that a call to an 800 number will allow CSX to take responsibility. Customers can participate immediately in the testing phase. Through EDI they can get bills of lading, status, freight bills, EFT, CLM's, tracking, place car orders, view waybills, and submit claims. The key to the CSX system is that it is easy to use, with any internet browser, no other software is necessary, and it is secure and real-time. The number is 1-800-334-4256, prompt 4.

SAA Organizational Progress
Don Nelson reminded the members that CSAO governance is 50-50, even though the NS/CSX shares are 58/42. There is a president and four senior VP's (operations, law, finance, safety), but no commercial or marketing functions. Operationally it is a terminal switching railroad, providing those services to NS and CSX. The three SAA's will use NS's G&A systems, which are Y2K-compliant, and Conrail's transportation systems, which are also Y2K-compliant. He said 98% of the staff positions are filled, with 12 to fill; all superintendents, terminal managers, and most union employees also: crews, conductors are staying from Conrail; 74 customer service people will be employed indefinitely. G&A slots are being filled.
The Detroit SAA has 35 crews; there will be little change, based on the allocation of traffic. The Dearborn dispatching office may later move to New Jersey. NS and CSX can access any shipper within the SAA, but dispatching will be by CSAO, which can assign a CSX locomotive to a NS train if necessary or convenient, and vice versa, to keep the SAA fluid; accounts can be settled later.

The Philadelphia/South Jersey SAA has 51 crews; there will be little change, and split date should be uneventful.

The North Jersey SAA will have 68 crews; it will use North Bergen for bringing CSX trains in and out, and Croxton Yard for NS. Oak Island has plenty of capacity for merchandise trains. There are plans for some double-tracking in the SAA, with new clearances for doublestacks, and expansion of Howland Hook, where they are rebuilding the Staten Island Rail Corp line. But he said there will be little change in operations. They are working on the distribution of empty cars; NS and CSX can do it themselves or ask CSAO. Virtually all points within the SAA are open to NS and CSX. He does not expect Day One to be a problem; the problem may be in Year 5, if the extra traffic expected does materialize.

Next Meeting and Future Topics
It was discussed whether a meeting was necessary in November. After it was noted that attendance was light, the number of topics relatively few, and that preparations for the NITL’s annual meeting would make the usual meeting dates difficult, the next meeting was scheduled for December 8.

Topics for the December 8 meeting will be the allocation of Conrail contracts, contract arbitration protocol, performance measurements with actual numbers, a preliminary list of stations, and commercial interfaces with shippers. It was decided that an update of the operating plan would be timely for the January meeting, after the allocation of contracts had been finalized.

Definitions for Reporting of Measurements
Since neither Dana Price nor Fred Ehlers were in attendance, their work on the definitions was handed out (see Attachment 3). There were questions about whether these measurements and definitions were the same as what the AAR was planning, but as an industry-wide index, and whether the AAR’s base year would be 1997.

Labor Update
Walt Trollinger of NS spoke for both railroads on the subject. He said significant progress was being made and he handed out a summary. (See Attachment 4.)

Equipment Allocation
Frank Onimus of CSX and Bill Wiles of NS explained the allocation of Conrail’s 51,012 car fleet. Cars will continue to be owned by Conrail, but controlled by NS and CSX, and re-marked PRR and NYC, respectively, reflecting the 58/42% shares by value. (See Attachment 5.)

Questions Relating to Implementation of the Transaction
There were several questions. An attendee asked for a list of stations, and the response was to include this as a topic for the next meeting. Another asked about new routings, and the answer was that neither railroad would have that information until Conrail contract allocation had been completed and a new operating plan developed. An attendee asked whether the $250 switching charge could begin now; the answer was that it would start at split date and continue for five years.

The meeting was adjourned at 1:30 pm.
<table>
<thead>
<tr>
<th>Name</th>
<th>Company</th>
<th>Phone</th>
<th>Fax</th>
<th>E-Mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bob Evans</td>
<td>Oxy Chem</td>
<td>972-404-3505</td>
<td>972-404-3251</td>
<td><a href="mailto:Robert.O.Evans@corp.com">Robert.O.Evans@corp.com</a></td>
</tr>
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<td><a href="mailto:F.Wood@vcm.com">F.Wood@vcm.com</a></td>
</tr>
<tr>
<td>Phil Oleksiw</td>
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<td>410-544-7242</td>
<td><a href="mailto:WWRail@AOL.com">WWRail@AOL.com</a></td>
</tr>
<tr>
<td>Gerald W. Fauth III</td>
<td>G &amp; F Perka Assoc. Inc.</td>
<td>703-549-6161</td>
<td>703-549-6162</td>
<td><a href="mailto:Gfauth@aol.com">Gfauth@aol.com</a></td>
</tr>
<tr>
<td>Jack Prbaugh</td>
<td>Millennium Chemicals</td>
<td>410-931-5233</td>
<td>410-931-5233</td>
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</tr>
<tr>
<td>George Aspartace</td>
<td>NS</td>
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<td>757-533-4898</td>
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</tr>
<tr>
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<td>NS</td>
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<td>985-6785</td>
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<tr>
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<td>757-629-2720</td>
<td>757-629-2849</td>
<td><a href="mailto:WTROLLING@NSCorp.com">WTROLLING@NSCorp.com</a></td>
</tr>
<tr>
<td>Wick Moorman</td>
<td>NS</td>
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<td>757-533-4894</td>
<td><a href="mailto:CWMoorman@NSCorp.com">CWMoorman@NSCorp.com</a></td>
</tr>
<tr>
<td>Johnny Liland</td>
<td>NS</td>
<td>904-359-1234</td>
<td></td>
<td><a href="mailto:CJDYLiland@CSX.com">CJDYLiland@CSX.com</a></td>
</tr>
<tr>
<td>Paul Hitchcock</td>
<td>CSX</td>
<td>904-359-1192</td>
<td>904-368-2902</td>
<td><a href="mailto:Paul.Hitchcock@CSX.com">Paul.Hitchcock@CSX.com</a></td>
</tr>
<tr>
<td>Mike Nall</td>
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<td>904-368-9005</td>
<td><a href="mailto:Mike.Nall@CSX.com">Mike.Nall@CSX.com</a></td>
</tr>
<tr>
<td>Name</td>
<td>Company</td>
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<tr>
<td>Richard Abel</td>
<td>DuPont</td>
<td>(302) 773-0283</td>
<td>(302) 774-8897</td>
<td><a href="mailto:Richard.Abel@usa.dupont.com">Richard.Abel@usa.dupont.com</a></td>
</tr>
<tr>
<td>Mike Heimowitz</td>
<td>CMA</td>
<td>703-716-5285</td>
<td>6-255</td>
<td><a href="mailto:mike-heimowitz@cma.org">mike-heimowitz@cma.org</a></td>
</tr>
<tr>
<td>Jon Casey</td>
<td>JANA</td>
<td>801-782-3400</td>
<td>301-782-4815</td>
<td><a href="mailto:Casey@international.org">Casey@international.org</a></td>
</tr>
<tr>
<td>Donald Nelson</td>
<td>GRC</td>
<td>215-209-481</td>
<td>205-209-7346</td>
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</tr>
<tr>
<td>Lee Gardner</td>
<td>STG</td>
<td>202-685-1532</td>
<td>202-685-9000</td>
<td><a href="mailto:Gardner@STG.dot.gov">Gardner@STG.dot.gov</a></td>
</tr>
<tr>
<td>Ed Rasman</td>
<td>NITZ</td>
<td>703-524-5011</td>
<td>703-524-5011</td>
<td><a href="mailto:Rasman@NITZ.org">Rasman@NITZ.org</a></td>
</tr>
<tr>
<td>Name</td>
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</table>
CSX and NS Technology Acquisition Plan Update

NIT League

October 1998
Integrated Planning Process has been expanded

**Acquisition Related Business Drivers**
- Safety
- Seamless integration of customers, assets, employees
- Synergies
- Revenue growth/ protection
- Cost reductions

- Single IT environment
- Assimilation of CR infrastructure, systems, and information
- One-time cost management
- Critical path discipline
- Year 2000 compliance
- Long term efficiency
- Independent Quality Assurance Team
- Tri-Company Testing

**Core Business Drivers**
- Safety
- Service Reliability
- Cost Containment
- Profitable Growth

**Integrated Planning Process**
- Program Management
- Business partner requirements/liaison
- Coordination between CR and CSX/NS
- Plan integration and execution oversight
- Managing critical path projects
- Best practices/Benchmark other mergers
- Controlled spending

**People**
- Contention for scarce resources
- Retain and motivate
- Over-communicate
- Reskilling
- 3rd party sourcing

**Technology**
Quality Assurance Team provides an independent assessment of project status and testing.
Testing - Scope

- Conrail Unit & Integration Testing
- Inter-Company Testing
- Operating Road Internal Testing
- Tri-Party System and User Acceptance Testing
**Tri-Company Testing - Objectives**

- To ensure the integrity of the major business functionality for all three companies
- To provide a comprehensive test strategy and plan for system testing across the three companies
- To successfully complete the approved test plan
- Establish agreed upon success criteria based upon business requirements
- Establish shared testing facility/Command Center
Segmented Shutdown Project Overview

- Business requirements were finalized in January
- Functional and Technical Design documents were reviewed and approved in July
- Project work plans were finalized with a process to monitor and track progress in July
- Car Movement Events began being sent from Conrail to CSX and NS in September
- Command Center established in September
- Training requirements and processes are being defined
- Testing strategy was established and test plans are under development
Segmented Shutdown - Strategies

What is being done to support the Customer:

- CSX/NS will own the Customer on Split Day
- CSX/NS will generate waybills and pass to Conrail to drive Conrail Transportation Systems
- CSX/NS will produce Freight Bills
- Conrail will calculate Incidental Services and pass to CSX/NS for billing
- CSX/NS will handle Customer and Industry EDI
- Car Ordering will take place via CSX/NS systems on Split Day
Segmented Shutdown - Customer Status

- CSX/NS began working with affected customers and EDI vendors to develop migration plan
- A joint letter was distributed to current Conrail customers
- Electronic Commerce Certification of Conrail customers is in progress
- Customer profiles are being consolidated
- Systems enhancements to support these activities are being tested
  - Systems testing is scheduled to begin in November
Segmented Shutdown - Strategies

What is being done to support Dispatching:

- Train Dispatching for the acquired Conrail territories will be operated from the existing facilities
- CSX/NS’s Operating Plan will be implemented on Split Day
- The complete office separation will occur during field roll out
- Train Dispatching desks will be re-aligned to support CSX/NS/SAC implementations after Split Day
Segmented Shutdown - Dispatching Status

- System Testing completed for re-alignments
- Finalized development of integrated plan
- Currently passing train movement events to CSX/NS test system
  - Scheduled for implementation in October
- Y2K software upgrades completed
- Phase 1 - realignment is completed
  - Intra-office Geographic realignment to separate Train Dispatchers (SAC, NS, CSX)
- Conducting user acceptance testing on Phase 2 which is scheduled for completion in October
- Implementing agreements have been finalized
Segmented Shutdown - Strategies

What is being done to support Car Management:

- CSX/NS systems will be used for planning and distribution on Split Day
- Conrail will handle Car Event Reporting and pass to CSX/NS for tracking and tracing of assets
- CSX/NS will receive Empty Order Requests
- CSX/NS will manage Car Classification and Empty Disposition which will be sent to Conrail for execution
- Conrail will handle Industrial Inventory and pass the information to CSX/NS
- CSX/NS will manage Car Scheduling and will pass information to Conrail for execution
- Conrail will rate incidental services and transmit to CSX/NS for billing
- Conrail will provide yard functions, switching and car arrival
Segmented Shutdown - Car Management Status

- System development in progress and on schedule
  - Car Event Reporting is being tested
  - Conrail production Car Event Reporting information is being fed real-time to the CSX/NS test environments
  - Car Classification, Empty Disposition is under development
  - Industrial Inventory is being tested
  - Systems testing is scheduled to begin in November
- Training of Car Management team will begin no later than 60 days prior to Day 1
- Training of affected field location personnel to begin 30 days prior to each field roll out phase
Segmented Shutdown - Strategies

What is being done to support Train Management:

- CSX/NS systems will be used for planning Split Day
- CSX/NS will provide clearance on all trains and pass that information to Conrail
- Train and Locomotive events will be posted to the CSX/NS systems and available for tracking and tracing on Split Day
- Locomotive Management will be handled by CSX/NS with locomotive assignments coordinated manually in Conrail and CSX/NS systems
- Conrail will dispatch trains on territories that have not been transitioned to CSX/NS
**Segmented Shutdown - Train Management Status**

- System Development in progress and on schedule
  - Systems testing is scheduled to begin in November
- Shipping and operating locations for CSX/NS/SAC have been defined
- Train Reporting and Inventory Management (TRIMS) applications have been segregated along CSX/NS/SAC territories
  - Re-alignment of Conrail regions is tentatively scheduled for Thanksgiving holiday
- Conrail will issue Work Orders and handle yard functions on territories that have not been transitioned to CSX/NS as part of the field roll out
- Conrail AEI sites will be integrated on Split Day


Segmented Shutdown - Strategies

What is being done to support Revenue Management:

- All waybilling are created on the CSX/NS system on Split Day
- CSX/NS will become the source of billing for all former Conrail traffic for Freight, Demurrage, and Intermodal Premise Charges on Split Day
- CSX/NS will handle all customer billing disputes for traffic waybilled after on Split Day
- Supplemental Billing (excluding Demurrage) will be done in CSX/NS systems on Split Day
- System supporting Sales & Marketing will be flash cut on Split Day
- Demurrage closing are performed in CSX/NS systems after field roll out
- Pre-Day 1 freight bills and residuals will be processed in the Conrail systems
Segmented Shutdown - Revenue Management Status

- CSX/NS are receiving electronic Demurrage and Customer Billing Dispute files to support testing
- Best Practices for Supplemental Billing have been developed
- Conrail production Waybilling information is being sent to CSX/NS real time to support testing
Segmented Shutdown - Strategies

What is being done to support G&A:

- G&A systems will be flash cut on Split Day
- CSX/NS systems will replace Conrail Expenditures Billing, Property Accounting, Purchasing & Materials, Budgets and Accounts Payable systems on Split Day for CSX/NS Operated Territory
- Conrail’s systems will be used to support residual processing
- CSX/NS systems will replace Conrail’s HR, Payroll, and Benefits systems on Split Day for CSX/NS Operated Territory
- T&E will submit paper time sheets to Dearborn for input into the CSX/NS system on Split Day
  - CSX/NS payroll processes will be implemented through a roll out process
- Non T&E employees will input their time sheets into CSX/NS Time-to-Gross payroll system on Split Day
- Crews will be called using the Conrail CAPS system on Split Day
  - Crew callers will be trained on CSX/NS system in a phased roll out
Segmented Shutdown - G&A Status

- Systems Development is in progress and on schedule
- Non Freight Billing has been tested and is ready for implementation
- Car Accounting and Purchasing and Material are under development
- CSX/NS are receiving data from Conrail systems
  - Monthly files for the Budgets, Purchasing & Materials, Payroll and Crew Management areas are being received
- A contract is being finalized to Y2K the Conrail Crew Calling system (CAPs)
Segmented Shutdown - Strategies

What is being done to support Intermodal:

- Conrail Terminal systems will be used on Split Day and interfaced with CSX/NS Systems
- All waybills and billings will be created by CSX/NS systems
- CSX/NS G&A systems will be used on Split Day
- Conrail customers will be serviced by CSX/NS Customer Service Centers
- Conrail Equipment Management/Reservations process will continue to be performed manually on Split Day
- Billable repairs to be handled by CSX/NS on Split Day
- Conrail Terminals will utilize Conrail systems on Split Day and will be transitioned to the CSX/NS systems during field roll out
Segmented Shutdown - Intermodal Status

- CSX/NS have agreed upon the Detroit shared facility
- CSX/NS are receiving data files from Conrail
  - Conrail production movement events are being sent real time to CSX/NS test environments
- CSX/NS negotiated contract with Express Rail
- Systems development is in progress and on schedule
  - Intermodal Pricing has been completed and is ready for implementation
Segmented Shutdown - Strategies

What is being done to support SAC:

- The SAC territories will operate on Conrail systems on Split Day
- All G&A systems will be replaced prior to the Year 2000 by NS
- Core Transportation Operating systems are being Year 2000 remediated
  - On-going support to be provided by CSX
  - SAC Transportation Operations will continue to use the Conrail systems
**Segmented Shutdown - SAC Status**

- Joint CSX/NS review meeting was held mid-September
- NS reviewed status on G&A applications
  - Majority of requirements have been identified
  - Majority of systems have been identified which will be included as part of G&A
  - Systems would be implemented 4-6 months following Split Day
- CSX reviewed options to support Transportation Operations
  - Reviewed costs associated with using the CSX systems
  - Reviewed opportunities to leverage the systems work supporting the acquisition to use the Conrail systems
  - Agreed that we would not affect the SAC systems until after the field roll out
**Segmented Shutdown - Strategies**

What is being done to support Communications:

- Manage as one organization on Split Day
- Establish geographic field districts integrating acquired properties
- Conduct safety certification and operating rules training for Conrail staff
- Requests for services addressed to the CSX/NS Service Desk
- Troubles reported to the CSX/NS Network Control Center
- Continue to operate Conrail's radio repair shops after the Control Dat
- Gradually consolidate radio repair into CSX/NS's shop to maintain stability
- Physically separate Conrail's voice, data and dispatch networks into CSX/NS/SAC sub networks
- Install a high capacity, high speed data bridge between the Conrail and CSX/NS Data Centers
Segmented Shutdown - Communication Status

- Unified Dialing plan is complete
- Installed high capacity, high speed data bridge between Conrail and CSX/NS Data Centers
  - Redundancy and bandwidth increases are scheduled for end of December
- NCSC alignment to support CSX/NS is underway
- Requirements are being finalized in support of Blue Room (Train Dispatching) operations, NCSC, and Commerce Square
- Police radio plans are in place
Segmented Shutdown - Strategies

What is being done to support Computer Operations:

- Capacity expansion in place on Split Day
- Conrail will continue to operate the Conrail Data Center on Split Day under CSX management
  - Shutdown of Conrail Data Center will only occur after field roll out is complete
- Test environments will be available to test flash cut and field roll out systems before Split Day
Segmented Shutdown - Computer Operations Status

- CSX Management on site
- Capacity expansion has been completed
- Separate test environment has been completed
- CSX/NS/SAC systems have been segregated to allow for independent field roll out
- E-mail consolidation is currently being implemented
- Evaluating options for long term support
Year 2000 - Status

- Conversion efforts are proceeding on core Transportation systems:
  - Train Management
  - Transportation and Reporting Inventory Management
  - Train Dispatching
  - Demurrage
  - Intermodal CATS
  - Crew Management (CAPs)
- 50% of the systems have been remediated and migrated back into production
- Train Dispatching remediation has been completed
- Data Center infrastructure and system upgrades have been identified
- Impact assessment has been finalized and integrated work plans are being built
- Vendors have been engaged to assist with infrastructure uplift
- Schedule completion is early third quarter of 1999
- Enterprise Y2K team has been established
**Timeline**

- Conrail Draft
- Segment Shutdown Split Day
- Shut Down Conrail EDI
- Y2K Remediation of Conrail Transportation Systems
- CSX Takes Over Operations Center
- Shut Down Conrail Finance Systems
- Quality Assurance Reviews
Definitions for Conrail Transaction Council Measures

Total Cars On-Line

Total volume of railroad equipment on reporting railroad segregated by System, Foreign, and Private. System volumes include cars leased to reporting railroad.

Total cars on-line are also listed by equipment type of:

<table>
<thead>
<tr>
<th>Equipment Type</th>
<th>AAR Car Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Box</td>
<td>A, B, and R</td>
</tr>
<tr>
<td>Covered Hoppers</td>
<td>C</td>
</tr>
<tr>
<td>Gondolas</td>
<td>E, G</td>
</tr>
<tr>
<td>Intermodal</td>
<td>P, Q, S</td>
</tr>
<tr>
<td>Multilevel</td>
<td>V</td>
</tr>
<tr>
<td>Tank</td>
<td>T</td>
</tr>
</tbody>
</table>

Average Train Speed

Train speed in miles per hour calculated by dividing total miles by hours operated. Measurement is for line-of-road portion (Terminal to Terminal) and excludes terminal dwell time. Average Train Speeds are given for train types of: Intermodal, Manifest (includes Automotive Parts), Multilevels, Coal, and Grain. Locals and Yard Jobs are excluded from calculation.

Average Terminal Dwell/Volume

Terminal Dwell is the total time a car is at the terminal location expressed in hours. A terminal may be comprised of a single yard or many yards. The measurement of the cars will begin with a customer release, received interchange, or train arrival event and end with a customer place (actual or constructive), delivered interchange, or train departure event. Stored, Bad Ordered, and Maintenance cars are excluded from the calculation. Volume is a count of the cars measured.

Loaded Days On-Line

Average time in days that a car moves in loaded status. This includes from customer release or received interchange to customer placement (actual or constructive) or delivered interchange. Measurement is segregated by equipment type of: Box, Covered Hoppers, Gondolas, Intermodal, Multilevel, and Tank. Equipment type definitions are equivalent to Total Cars On-Line and include all ownerships.

Empty Days On-Line (Private Cars Only)

Average time in days that a private car is moving in empty status. This includes from customer release or received interchange to customer placement (actual or constructive) or delivered interchange. Measurement is segregated by equipment type of: Box, Covered Hoppers, Gondola, and Tank.
Update on Conrail negotiations as of 10/2/98

We have agreements with:

1. UTU (United Transportation Union) subject to ratification. CSX has agreement on most issues.

2. BLE (Brotherhood of Locomotive Engineers) subject to ratification. CSX has agreement on most issues.

3. URSA (United Rail Supervisors)
   • Maintenance of Way & Signal
   • Mechanical
   • Claim Agents

4. IBEW (Electrical Workers)

5. NCF&O (Firemen & Oilers)

6. IBB (Boilermakers)

7. FOP (Paternal Order of Police)

8. SMWIA (Sheet Metal Workers)

9. ARASA (Supervisors)

10. ATDD (Train Dispatchers)

We are meeting with all other crafts and have served notices under New York Dock. These notices advised the changes needed to implement the transaction and began formal negotiations as required by the STB.
Allocation of Conrail Rail Car Assets and Fleet Management Objectives

A Follow up Presentation to the Conrail Transaction Council

by

CSX Transportation

AND

Norfolk Southern Corporation

Frank S. Onimus - CXS
William A. Wiles - NS
Rolling Stock Team Leaders
Washington, D.C.
October 8, 1998
CONRAIL FLEET

+ 4,201 NON-REVENUE

TOTAL: 51,012

- OPEN HOPPERS
- MILL GONDOLAS
- COAL GONDOLAS
- COIL CARS
- COVERED HOPPERS
- FLAT CARS

9/4/98 CONRAIL EDS
The Conrail transaction agreement called for CSXT and NS to allocate Conrail assets so to preserve a 42/58% valuation

• Assets will continue to be owned by Conrail.
• CSXT and NS will fully control the fleet which are allocated to NYC and PRR respectively.
• CSXT and NS designed the allocation methodology together to ensure that base value is preserved.
• CSXT and NS are trading cars in order to increase mutual value & satisfy specific customer requirements.
The allocation methodology recognized major factors which distinguish car value.

- Cartype - about 100 cartypes were created
- Ownership - owned, leased, sale or scrap candidate
- Condition - serviceable vs. Heavy Bad Order
- Age Category - 5 groupings which are linked to useful operating life
The entire Conrail fleet of roughly 51,000 cars was categorized by these factors:
NYC and PRR were then allocated 42/58% of the cars within each cell with actual cars assigned through a random generator computer program:
The fleet allocation summary is as follows:

<table>
<thead>
<tr>
<th>Cartype</th>
<th>CONRAIL FLEET</th>
<th>Cars Allocated to PRR</th>
<th>Cars Allocated to NYC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flatcars</td>
<td>467</td>
<td>273</td>
<td>194</td>
</tr>
<tr>
<td>Boxcars</td>
<td>8,259</td>
<td>4,794</td>
<td>3,465</td>
</tr>
<tr>
<td>Plain Gons</td>
<td>7,367</td>
<td>4,291</td>
<td>3,076</td>
</tr>
<tr>
<td>Equipped Gons</td>
<td>4,620</td>
<td>2,664</td>
<td>1,956</td>
</tr>
<tr>
<td>Covered Hoppers</td>
<td>2,690</td>
<td>1,560</td>
<td>1,130</td>
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<tr>
<td>Coal Gons</td>
<td>6,149</td>
<td>3,574</td>
<td>2,575</td>
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<td>Coal Hoppers</td>
<td>10,823</td>
<td>6,007</td>
<td>4,816</td>
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<tr>
<td>Aggregate Hop</td>
<td>199</td>
<td>116</td>
<td>83</td>
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<tr>
<td>Intermodal Cars</td>
<td>55</td>
<td>32</td>
<td>23</td>
</tr>
<tr>
<td>Multi-Levels</td>
<td>6,237</td>
<td>3,627</td>
<td>2,610</td>
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<td>Total Revenue F</td>
<td>46,866</td>
<td>26,938</td>
<td>19,928</td>
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<tr>
<td>Non-Revenue</td>
<td>4,201</td>
<td>2,438</td>
<td>1,783</td>
</tr>
<tr>
<td>Total Fleet</td>
<td>51,067</td>
<td>29,376</td>
<td>21,691</td>
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</table>
CSXT and NS will also consider other sources of Conrail car supply as fleet supplements are made.

- Leases which expire on Split Date.
- Per diem leases which go beyond Split Date.
- New Split date leases.
- Foreign or Private cars.
The allocation process and fleet planning processes will improve fleet capacity and car quality.

- Conrail System fleet allocated to provide fair value.
- Trading process embraced to increase mutual value.
- Other forms of capacity identified and secured.
- Quality upgrades planned.
- Utilization improvements expected.
- Fleet re-marking begun for control and customer convenience.
Fleet re-marking is essential to ensure a smooth transition.

Re-mark:
10/7/98 - 8,638
12/31/98 - 10,500 est.