

b) HPO Applied to Local Traffic

In addition to the terminal HPO process, CSXT also undertook a program to improve industrial and switching operations. "Locals" -- picking up and delivering traffic to and from industries -- are the most direct interface between rail operations and the customer. CSXT created trip plans for over 900 routinely scheduled locals. This process mirrored the terminal HPO process by creating a multidisciplinary team to review each local operation and to establish a more meaningful train schedule.

c) Extending the HPO Process to Allocated Conrail Territory

Conrail has not formally described its yard and terminal operations in the same manner as CSXT's Playbooks. Given the ability of the HPO process to improve teamwork and enhance performance, CSXT expects to extend the Playbook development process onto the allocated territory, facility by facility, starting within 12 months of the STB decision.

Playbooks will be produced at each location by a local, cross-functional team of employees who know and perform the work. Mentors will arrive at each location (around the time the Playbook is nearing completion) and work with the local team, supervisors and employees before and during the

implementation of the procedures outlined in each Playbook. The role of mentors is to coach, counsel, and teach supervisors and employees about how to manage change, and to facilitate the implementation of new or different procedures. The mentors will stay approximately two weeks at each location assisting the local forces in their efforts to meet agreed-upon performance objectives.

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Physical characteristics training will proceed as described earlier in the sections on Trainman/Conductor and Locomotive Engineer Training (Sections II.C.2 and II.C.3).

D. Mechanical (Motive Power and Equipment)

CSXT recognizes that safety cannot be achieved unless the mechanical equipment that it operates is in safe and compliant condition. Day 1 will not result in any changes that would threaten the existing safe status of locomotive and car equipment. Two mechanical safety sub-teams -- one that addresses car operations issues and another that addresses locomotive operations issues -- have been formed and are fully engaged in the safety integration process.

CSXT is investing significantly in improved mechanical facilities. As detailed in the CSXT Operating Plan submitted as part of the Application, CSXT plans to spend an additional \$21 million over the next three years to improve the safety and efficiency of Conrail's locomotive facilities. Service center projects include upgrading major locomotive service centers with new sand systems, fuel columns, pits and possibly covers for locations such as Selkirk, Buffalo and Cleveland. Other planned mechanical improvements include additional lighting at Avon and Selkirk, radio control cranes and safety railings at Selkirk locomotive shop, insulation and heat for the Selkirk car shop and replacement jacks and jib cranes at various locations. CSXT also plans to buy nearly 100 new

locomotives in 1998. This is in addition to the 42% of Conrail's locomotives (approximately 800 units) that would be allocated to it in the transaction.

CSXT's industry-leading process for certifying equipment and shops will be implemented for Conrail equipment prior to Day 1. It is anticipated that after reviewing the written material that CSXT has provided for the certification process, senior Conrail management will adopt this process for their facilities as a best practice exercise. Conrail was, in fact, invited to participate in CSXT terminal audits in 1997 as a benchmarking exercise along with several other Class I railroads and short lines.

A robust set of pre-Day 1 mechanical integration tasks have been identified. The matters covered include such major tasks as: developing organizational charts, identifying facility requirements, reviewing safety training, reviewing vehicle lists, evaluating shop facilities and reviewing car engineering records. Consistent with CSXT integration planning methodology, specific detailed tasks have also been developed.

1. Qualifying Employees on Inspections and Tests of Rolling Equipment

On Day 1, the transaction will not result in any reduction in the personnel assigned to inspect and test rolling equipment. CSXT plans to retain all existing Conrail mechanical field forces on its allocated territory. Conrail employees are already gualified to perform required inspections and equipment tests. Thus, CSXT believes that the retention of the Conrail employees will assure that there are enough qualified employees to perform air brake tests, pre-departure inspections, and daily locomotive inspections. CSXT will be prepared to hire additional people in the event that this proves necessary. As business increases, there is a potential that additional personnel will be required. CSXT has utilized the services of outside training facilities such as The Academy of Industrial Training ("AIT") to identify and train new hire journeyman mechanics. This practice would be continued to meet personnel needs.

Further, CSXT plans to 1) review, jointly with Conrail personnel, Conrail's internal guidelines concerning qualifications of employees to perform mechanical inspections, 2) evaluate the training that each employee has

had and 3) identify the training needs of each Conrail employee to attain compliance with CSXT standards. In addition, CSXT will utilize, during an approximately yearlong transition period, Conrail non-field mechanical managers as liaisons between field personnel and headquarters' managers. CSXT also plans to train Conrail mechanical personnel on CSXT systems prior to Day 1 to ensure a smooth transition on those systems. A training plan with respect to those systems is currently being developed. Certification and technical training will begin 30 days after Day 1 and will last approximately two years until all required training is complete.

a) Mechanical Management and Shop Craft Training

Conrail's employees have already been trained, qualified, and certified as required by Conrail and therefore will be fully capable to continue performing required job tasks on Day 1.

Conrail has developed training programs and work procedures covering operations which parallel those of CSXT. However, CSXT and Conrail plan to study the training and certification programs in place at all properties to develop a new "best practices" approach to mechanical training

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programs. CSXT will capitalize on existing Conrail training resources, such as computer-based training programs and training facilities.

CSXT and Conrail have also utilized off-site training academies such as the AIT for newly hired shop-craft training. This practice is expected to continue. In addition, CSXT utilizes its own Rail Car Personnel Training Center in Atlanta, GA, for newly hired rail car personnel.

CSXT will promote career advancement opportunities for Conrail's contract mechanical personnel through completion of CSXT courses such as "Supervisory Development Training Level I" at carrier expense.

CSXT and Conrail have new hire safety training programs that include general system training such as safety certification, environmental certification, ergonomic programs, and hazmat training. In addition, a one-week safety training program is provided to acclimate new hires to their local work area prior to performing job tasks. These one-week work area programs will be standardized across CSXT and the allocated Conrail properties to incorporate best practices. As an example, the current Orientation Training for New Hires at the Waycross, GA Locomotive Shop covers the following topics:

- Safety
- Defensive driving
- Operating procedures
- Engine mover training
- Lifting and rigging
- Inspections
- · Orientation to facilities and equipment

2. Mechanical Department Maintenance and Equipment Service Plans

CSXT will operate Conrail shops on its Conrail allocated territory. Specifically, among those facilities that CSXT will operate are Conrail running repair locomotive shops in Indianapolis, Buffalo and Cleveland (Collinwood); a Conrail Locomotive Q shop in Selkirk; division locomotive service facilities at Boston, Syracuse, Toledo and Niagara Falls; car repair shops at Selkirk, Buffalo and Indianapolis; and car inspection/light repair shops at Boston, Syracuse, Erie, New Haven, Framingham, Buffalo, Niagara Falls, Bronx, Rochester, Selkirk, Seneca, Toledo, Indianapolis, Marion, Rose Lake, Bennings, Kingston, North Bergen, West Springfield, Worcester, and South Kearney.

a) Day 1 Operations

CSXT will retain open lines of communication with the mechanical staff at these shops with a view toward implementing best practices drawn from CSXT and Conrail procedures. In this context, CSXT has identified a series of tasks that will be completed over the next several months prior to Day 1. For example, CSXT will determine differences in tooling and equipment between its and Conrail's facilities, identify best practices, and then develop and implement a standardized plan for equipping these facilities.

CSXT anticipates increasing the workforce at its Huntington, WV Heavy Repair Locomotive Shop to accelerate the scheduled heavy overhaul work on the CSXT allocated Conrail locomotive fleet in order to bring it to CSXT performance and reliability standards. As stated in the Operating Plan, 65 CSXT allocated Conrail locomotives per year for 3 years would continue to receive their heavy overhaul at the NS acquired heavy repair locomotive shop in Altoona, PA.

Subject to further review, the projected contract workforce increase at Huntington is as follows:

3 Railway Supervisors (contract)

- 5 Boilermakers
- 9 Sheetmetal Workers
- 14 Firemen & Oilers
- 18 Carmen
- 53 Electricians

77 Machinists

179 Total

On Day 1, Conrail mechanical field operations personnel will report to CSXT headquarters staff. CSXT headquarters staff responsible for mechanical matters will be augmented with Conrail management personnel to facilitate communications Letween former Conrail field operations and CSXT headquarters. As integration is completed, the Conrail management and CSXT management will be fully interchangeable for purposes of professional growth as well as business needs.

The few shopcraft position reductions on CSXT, including its Conrail-allocated territory, identified in the 1996/1997 Labor Impact Exhibit are primarily contract supervisors and occur primarily at locations where facilities will be consolidated. These reductions were based on projected business levels and resource availability/demographics as that data was available during

the first quarter of 1997. Any actual reductions will be made only as more recent data become available. Sufficient resources will be maintained at each property to ensure safe and efficient operations which meet FRA and customer requirements.

b) Computer Systems

Because CSXT mechanical department computer systems will be installed and ready to go "on-line" on Day 1, all Conrail field forces will be trained in the use of CSXT systems well prior to Day 1. A systems training plan is currently being designed. Open lines of communication will be maintained between Conrail's and CSXT's mechanical staff to review and select best practices.

c) Repair and Inspection Procedures

The integrity and thoroughness of repairs and inspections will be maintained by strict adherence to the CSXT staged maintenance policy. Both 23/46 day and federally-required 92 day maintenance procedures will be extended to the portion of the Conrail system that will be allocated to CSXT. Further, regular and frequent audits of inspection and repair work are being and will continue to be performed to uphold the standard of work quality. CSXT has considerable experience in performing inspections and

maintenance in severe weather conditions and is confident of its ability to continue to do so on Conrail lines allocated to it.

With respect to safety inspections and light maintenance performed at fueling facilities, CSXT has in place several safety procedures to eliminate the risk of fuel ignition. The best way to avoid ignition is to avoid fuel spillage and maintain good housekeeping, and these precepts are strongly adhered to on CSXT.

For example, tank trucks are equipped with spill containment mechanisms and drivers/operators are thoroughly trained in spill containment measures. Also, CSXT will migrate the Conrail allocated areas toward the use of the industry-standard Snyder II automatic cutoff fueling system. Conrail facilities and locomotives will be converted to the Snyder II system because it is the standard system for both CSXT and NS, as well as most other railroads. This conversion will ensure compatibility and will make maintenance simpler. Conversion to Snyder II on Conrail will enable multiple locomotives to be fueled simultaneously by relying on the automatic shut-off feature of the Snyder equipment without the need for adapters. Conversions to

Snyder II on Conrail will improve efficiency and reduce the possibility of a fuel spill due to two fueling systems.

In addition, all service facilities on CSXT are grounded to eliminate the possibility of electrostatic sparking, and fire protection is in place. Necessary safety rules regarding smoking and burning are also in effect at service facilities. It is worth noting in this context that locomotive fuel is much less volatile than gasoline or many other combustibles and is thus more difficult to ignite by accident.

CSXT plans to install pits at allocated Conrail locomotive service facilities in conjunction with upgrades. Pits would provide the ability to lubricate traction motor gears and journals on a scheduled basis without the need to send locomotives to the shop. Conrail does this work on a 45 day cycle, whereas CSXT does this work on a 23/46 day cycle, depending on the class of locomotive. CSXT has found that the 23/46 day maintenance cycle for this work is of special importance for reducing traction motor failures. Unlike Conrail, most CSXT service facilities have pits to perform this work. Some pits have covers, but most do not. Service center improvements have not yet been designed, but it is planned to have covers over some of these facilities

to keep snow out of the pits. Even so, their purpose is not to perform periodic 92 day inspections. It is expected that locomotives will be shopped for this purpose.

d) Audit Procedures

CSXT has locomotive detention standards for fueling and servicing. Locomotive detention is sought to be minimized, but proper completion of the work is more important. All fueling and servicing activities on CSXT require a sign-off and entry into a computer database to ensure that the work is complete and satisfactory. In addition to daily supervision, every shop and service facility is audited annually, which includes quality of work as well as safety performance. Conrail however, does not have locomotive detention standards for fueling and servicing, and Conrail does not measure performance of service facilities against these standards. Conrail uses written records of fueling and servicing maintained by craft-persons and supervisors, and does not have computerized tracking systems to maintain fuel and servicing audit data. CSXT plans to implement CSXT procedures for maintaining fuel and servicing audit data on the Conrail lines allocated to it, but will continue to review this area.

3. Implementing Measures to Ensure Safe Freight and Intermodal Operations

a) Block Swapping

"Blocking" is a process for handling and organizing groups of freight cars into blocks which can be efficiently set off or transferred ("block swapped") from one train to another without further switching or classification. Block swapping is utilized by all Class 1 railroads today, including CSXT and Conrail, and it will continue to be an important part of operations on the expanded CSXT system.

CSXT intends on Day 1 to continue its policy of compliance with federal regulations applicable to block swapping. Implementation of the Conrail transaction will not cause a change in block swapping inspection practices on the expanded CSXT system. CSXT is aware that Conrail and the Brotherhood of Railway Carmen are participating with FRA's approval in a joint study of alternative procedures regarding inspections of cars that are block swapped. Since results of that study are not yet known, CSXT is not in a position to evaluate or further comment on those proceedings or where they may lead. However, as stated above, CSXT intends on Day 1 to continue conducting block swaps on the expanded CSXT system in compliance with federal regulations.

b) Intermodal Terminal Procedures

With respect to intermodal transportation, CSX Intermodal ("CSXI") has a uniform company policy regarding the loading and unloading of rail cars. (CSXI is a CSX subsidiary engaged in, among other activities, the sale and marketing of intermodal transportation services, and the operation of intermodal :erminals on the CSXT system.) These procedures will be implemented at all CSXT-allocated Conrail locations prior to Day 1. CSXI has examined the Conrail procedures with regard to intermodal loading of rail cars. Conrail's approach has been to delegate all Standard Operating Practices ("SOPs") and training with regard to hitch securement to the lift contractor site. Conrail utilizes six different lift contractors on their intermodal properties, and thus, maintains six different SOPs. CSXI believes that best practice is to demonstrate full responsibility for intermodal loading by establishing one consistent approach to operating practices which will help to minimize risk as a result of eliminating variations in procedures.

CSXI's practice for hitch securement is that the railroad and the contractor on site must both use the same procedures. Therefore, CSXI will maintain its standard

operating practices with respect to intermodal loading of rail cars, and expand its practices to the Conrail allocated intermodal facilities. Additionally, CSXI maintains formal documentation and records regarding incidences and accidents at intermodal facilities, and this practice will be transferred to the allocated Conrail areas.

CSXI will use its personnel to train and implement its procedures at allocated locations before operational control is assumed by CSXI on Day 1. Thus, prior to Day 1, safety processes at Conrail intermodal terminals will be conformed to CSXI standards. For example, a Regional Safety Report Card program will be put in place at all intermodal terminals, CSXI Hazardous Material Emergency Response procedures will be applied, and CSXI safety training programs will be implemented. Safety reporting will be automated and contracts with vendors that are engaged in allocated Conrail terminal operations will be modified to conform to CSXI safety guidelines.

Trailer and container securement on flat cars falls under the terminal responsibilities of arrival, pre-loading, loading procedures, and pre-departure inspections. The following action items have been identified, are already in

place at CSXI and will be extended to the portion of Conrail allocated to CSXT:

- All terminal personnel and appropriate vendors will be certified.
- Terminal management will continue to stress hitch securement in their daily briefings and monthly safety meetings, utilizing the AAR videotapes and reviewing any hitch discrepancy reports.
 Participation by the lift and mechanical vendors will be mandatory.
- CSX Intermodal has in place the Standard Operating Procedures for Hitch Securement and they are updated on a yearly basis. Included in the latest version is the AAR Intermodal Trailer and Container Securement Manual (internal distribution has been authorized by the AAR).
- Operational (Efficiency) Testing has been developed for use by management and supervisors at CSXI terminals to evaluate and record the hitch securement performance of individual employees and contractors.
- All car inspectors will receive further training by CSXI regarding hitch securement, mechanical defects,

and leaning trailers during their regularly scheduled guarterly training classes.

CSXI has pre-departure inspection, for designated commodities, prior to acceptance for outbound train movement, assuring that loading requirements are met. This is being accomplished by conducting random inspections with each terminal reviewing one (1) of every ten (10) loads of targeted commodities arriving through the gate.

In addition, a number of measures will be implemented or standardized across the intermodal functions. In particular, Conrail safety functions will be integrated into the existing CSXI organizational structure under the CSXI Director of Safety, and safety reporting will be automated to improve involvement levels of terminal and trucking personnel.

4. Ensuring a Sufficient Fleet Service and Inventory To Carry Out Field Operations

Conrail and CSXT locomotive management practices are largely the same, but there are some differences. At Conrail, yard/local power is managed in the field, whereas at CSXT, these power needs are managed centrally. On Day 1, it is currently anticipated that locomotive management functions will be handled centrally. Over the longer term, consideration will be given to adopting the Conrail system of allowing yard and local locomotives to be assigned from the field.

Conrail's current procedures are that locomotives are sent to the nearest mechanical shop for scheduled maintenance, rather than a pre-assigned shop as is the case with CSXT. In consultation with Conrail's mechanical officials, consideration is being given to adopting the CSXT system of "home shop" assignment on this matter. CSXT is reviewing for possible adoption the Conrail practice of having the mechanical department keep tonnage charts and helper information, rather than the locomotive management staff.

With respect to locating engines, Conrail and CSXT use tags on all of their engines. Under the Automatic Equipment Identification System, each locomotive is equipped with a tag which contains information about the locomotive. The tag is read by scanners along the railroad track which helps to track the location of the locomotive and provides other valuable information.

It is currently Conrail's practice to have extra locomotives in the fleet for use during peak times so that

power does not need to be leased as demand increases. It is also Conrail's practice to lease out extra power during slower periods. CSXT intends to carefully review these practices with a view toward adopting their best elements.

Currently, Conrail has more light engine movements (when a locomotive moves without any cars attached) than CSXT. CSXT believes that with better planning many of these can be eliminated. Further, the extension of the CSXT preventive maintenance program to the allocated Conrail areas will help ensure the availability of properly maintained and inspected locomotives. By adopting CSXT best practices in maintenance, it is anticipated that there will be a reduction in the percentage of out-of-service allocated Conrail locomotives. This, in turn, will result in increased locomotive availability. Training will be provided so that best practices in this area can be implemented.

(See also the discussion in Section II.E.1 concerning numbers of cab signal-equipped locomotives and Locomotive Speed Limiter ("LSL")-equipped locomotives.)

E. Signal and Train Control

Planning for the integration of signal and train control rules is well underway. CSXT personnel from the Signals, Locomotive Management, Network Operations, Mechanical, Operating Practices and System Road Foreman Departments have already attended a three day class conducted by Conrail concerning equipment design (including cab signals), maintenance, inspection, operation, and associated rules and regulations. Further study of the Conrail systems and procedures is on-going.

1. Locomotive Cab Signals and Compatible Ground Equipment

Following Day 1, CSXT will continue to operate cab signal-equipped locomotives and Locomotive Speed Limiter ("LSL")-equipped locomotives where Conrail operates them today. A majority of Conrail road power is equipped with LSL and cab signals. The 42 percent of the cab-signal equipped Conrail locomotives to be allocated to CSXT in the transaction are more than sufficient for the trains to be operated on the lines that require such signals -- Albany-Boston (cab signals only) and Poughkeepsie-New York City (cab signals and LSL on the Hudson Line). (The River Line does not require cab signals.) In addition, sufficient

equipped locomotives will be available to provide local services on Amtrak and commuter authority-owned lines over which CSXT will be allocated trackage rights.

Further, CSXT is planning to modify the ground equipment on the former Richmond, Fredericksburg & Potomac ("RF&P") Corridor, and the CSXT units currently equipped with cab signals that operate on that corridor, so as to be compatible with the Conrail system. The modifications to the ground equipment are expected to be completed by Day 1. [Modifications to locomotives are discussed in Section II.D.] This will allow trains to operate across the current CSXT system and into the current Conrail portion of the system without having to change lead locomotives. For example, trains from Boston to Atlanta and from North Jersey to Florida will be able to operate with the same locomotives over the entire route. Crews will change as the train passes from one crew district to the next even though the locomotives run through. This will compliment the distribution patterns that will be set up in the locomotive plans so that intermodal trains operating on the Boston-Chicago, Chicago-Jacksonville and Jacksonville-Boston corridors will all use power from a pool of locomotives equipped with cab signals.

Also, CSXT intends to use allocated Conrail road power on the Bennings coal trains along the entire route of those trains, thereby eliminating the need to change power on those trains and reducing potential safety hazards. Bennings coal trains originate from Sentinel Mine, Deep Hollow Mine, and Gatzmer Mine in West Virginia and Mettiki Mine in Maryland. They interchange from CSXT to Conrail at Bennings Yard for final destinations of Potomac Electric Power Plants at Chalkpoint, MD and Morgantown, MD.

Conrail uses a 100HZ cab signal system and CSXT uses a 60HZ system on the RF&P. CSXT plans to convert its system to 100HZ on the RF&P corridor. CSXT also plans to cooperate in the development of the Automatic Civil Speed Enforcement System ("ACSES"), as proposed for use on the Northeast Corridor ("NEC"). This system consists of an additional signal that is overlaid on top of the existing cab signal. Locomotives equipped with the proper receiving devices will be able to display nine cab signal aspects instead of the existing four aspects. The additional aspects can be used to enforce a refined set of speed controls within the locomotive. Once ACSES is implemented, locomotives will need to be equipped with the new systems to operate on the NEC. Until ACSES is in place, future freight operations on

the NEC will be operated as Conrail presently conducts these operations.

To ensure that a sufficient fleet of appropriately equipped locomotives is maintained, the Mechanical Department is planning to remove LSL and/or cab control equipment from Conrail units that are retired (generally, smaller, older units, but still fully-functioning) and reinstall the equipment on larger, newer road locomotives (see also the discussion in Section II.D.4 concerning locomotive fleet size in general). This will effectively increase the capacity of the equipped fleet. As the Conrail fleet size declines from retirement of smaller, less efficient locomotives, the reusable cab signal and LSL equipment will be reinstalled on Conrail or CSXT road locomotives not already equipped. This will increase the percentage of equipped road locomotives in the combined CSXT - allocated Conrail fleet and will therefore increase the effective fleet capacity by providing more flexibility in how locomotives can be assigned to trains.

CSXT will adhere to its operating rules and FRA requirements by operating trains with properly equipped locomotives. CSXT will also adhere to Amtrak's requirements with respect to the equipment required for locomotives

operated on the NEC and will allow Amtrak to inspect such locomotives to ensure compliance with required signaling rules.

2. Train Signals and Positive Train Separation ("PTS")

With respect to train signals, as noted earlier, Conrail operates under the NORAC rules and CSXT under its own rules. CSXT has developed charts that compare the two systems and is working towards the development of a unified operating rulebook. The scope of the signal rule changes under the unified rulebook will determine the magnitude of any signal aspect changes that may be required.

It is common for T&E and C&S employees today to be familiar with more than one set of signal aspects. Employees learn more than one set of signals and operate on territories where signal aspect displays can change. Provided with the appropriate training, these activities are routinely and safely performed.

Conrail, CSXT and NS are currently working on a joint PTS project on the line from Harrisburg, PA to Hagerstown, MD and Manassas, VA. CSXT intends to continue to cooperate with NS on this project. The joint PTS project between CSXT, Conrail, and NS is progressing well with the

completion of phase 1, design specifications for an n-board communication system, due in January, 1998. This phase was funded primarily by the FRA with a \$500,000 grant in FY 1997 with each railroad providing a team of resources to support the project. For FY 1998, it is anticipated that an additional grant of \$1,000,000 will be provided by the FRA with the railroads committed to spending at least an additional \$400,000. This money will be used to build and test prototypes of the on-board equipment designed in phase 1. Additionally, it is anticipated that this level of funding will permit some initial steps in beginning to design the wayside platform that complements the on-board equipment in providing a full PTS platform. For FY 1999, it is anticipated that NS will at least implement this system in its allocated Conrail territory.

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Within the last year CSXT has progressively pursued a study to determine the availability and applicability of advanced train control concepts to provide a PTS approach for Direct Train Control ("DTC") territory. The efforts have culminated in a design referred to as Communications-Based Train Management ("CBTM"). On CSXT, the joint Conrail/CSXT/NS project activity for 1998 and 1999 will be continued in concert with CSXT's own CBTM work.

CBTM will incorporate the joint project's on-board communications design and prototype development. CSXT began the first step in the development of the CBTM design specifications in FY 1997. Currently, negotiations are underway with a selected contractor to develop and implement a full-PTS system between Spartanburg, SC and Augusta, GA to be completed in 1998. This multi-million dollar project will provide predictive and reactive enforcement for trains including protection for maintenance crews working on the tracks. CBTM will also be designed so as to permit evolution to signaled territory.

3. C&S Personnel and Training

Adequacy of staffing at the craft and supervisory levels and staff training are two of the keys to organizational effectiveness. CSXT plans to meld its and Conrail's best practices in signal department staffing and signalman training to maintain its position as an industry leader. Several Conrail best practices have already been identified.

a) <u>Staffing Levels</u>

It is expected that two hundred seventy-nine of the current contract Conrail C&S positions will be maintained by

CSXT. This manning will provide a sufficient number of employees for safe operations. In particular:

- CSXT does not plan to abolish any of the existing contract signal field positions on its allocated territory.
- CSXT Train Control will transfer its allocated share of the Conrail contract Signal Shop workforce at Columbus, OH to Savannah, GA.
- CSXT will transfer its allocated share of the Conrail contract Signal Service Desk workforce at Columbus, OH to Jacksonville, FL.

These latter changes will facilitate standardization of the signal shop work across the entire CSXT system. This standardization will enhance safety.

Both CSXT and Conrail are current on their FRA required signal tests. Neither CSXT nor Conrail Train Control expect any short term reductions in the existing signal maintenance workforce. To the contrary, CSXT is planning in the short term to add inspectors to enhance current field forces. The FRA, BRS, and CSXT have established a joint team as a result of the recently completed Safety Assurance and Compliance Program that is evaluating the adequacy of test time for signal maintainers. One of the tasks for this group is to

evaluate the adequacy of current maintainer staffing. Lessons learned from that process will also be applied on the allocated Conrail territory.

b) Training

The CSXT signal training program is widely recognized as the benchmark for the industry. It has received many awards and is jointly developed and executed by members of both labor and management. Most importantly, the CSXT program has been very successful in improving signal reliability and employee safety. This will entail expansion of the joint program with the Brotherhood of Railway Signalmen ("BRS") in the Quality Action Council.

New hire employees participate in a two-week CSXT signal safety orientation program. The course covers:

- Safety certification
- CPR/First Aid
- Operating Rules
- Employee benefits and labor agreements
- · Introduction to CSXT and the Train Control Dept.
- TCR and TCI
- Lifting and rigging techniques
- FRA hours of service
- Lone worker training

CSXT also offers two Assistant Signalman training programs. Both have the same content and are implemented by labor agreements. These courses cover safety, CSXT Signal Rules and Instructions, FRA Rules, and standard operating and maintenance practices relating to:

- CPR and First Aid
- Basic electricity
- Batteries and chargers
- Transformers/rectifiers
- Pole climbing
- Traffic control systems
- Power switch machines
- Crossing protection
- Signal systems and circuits

Both CSXT and Conrail have essentially similar new hire signal training programs. There are, however, certain differences in the training programs. At Conrail, the Manager, Operating Rules, holds Operating Rules and Roadway Worker classes and performs testing of employees in all departments, including Train Control. Spring and fall safety seminars are held. CSXT uses trainers from each department who are themselves trained by Operations Support personnel. As part of the ongoing integration process, Conrail training resources will be analyzed and a plan developed for using those resources to enhance the CSXT training process.

CSXT presently intends to extend its signal training program, with any identified enhancements, to its expanded system following Day 1. CSXT plans to train Conrail personnel with respect to CSXT's C&S systems and rules. CSXT also intends to adopt its safety certification process on the allocated property; Conrail does not presently have such a certification process. CSXT's periodic hours of service training will also be extended to the allocated Conrail system.

CSXT will also extend its Train Control multimedia training program to the Conrail-allocated territory. Further, CSXT's annual Leadership or Management training programs for all supervisors and managers will be expanded to the Conrail-allocated territory. CSXT's goals are to have all former Conrail Train Control employees on the CSXT allocated territory CSXT safety-certified by Day 1, and to ensure that former Conrail employees are fully integrated into the CSXT structure.

4. C&S Work Practices

Conrail and CSXT currently have many different signal work practices. Some of these differences include test report forms, filing systems, auditing and monitoring systems, Train Control rules, standards and instructions, and methods of marking revisions on circuit plans. On Day 1, Conrail practices will be continued on former Conrail property and CSXT practices on its current property. Over the longer term, these practices will be analyzed, evaluated, and melded together using a "best practices" approach.

Similarly, Conrail systems for circuit plan organization, maintenance practices, and rusty rail reporting procedures will be retained for the current Conrail system, and CSXT's comparable systems for its current property. Current differences in circuit plan markings for modifications and revisions will be addressed in the short term by 1) training signal employees to recognize the differences in practices, 2) adhering to a consistent standard throughout any one plan, and 3) providing a legend on each page that defines the markings used on that page. Over the long term, new projects and plans will be migrated to the CSXT marking system and the

Conrail marking system will be retired, particularly since NS uses the same color coding as CSXT. However, compatibility will be maintained in that multiple revisions on any one plan will not be allowed to use different systems.

5. Signal and Train Control --Rock Slide Detection

As noted later in the section on Engineering, Conrail plans to complete installations of rock slide detection systems at certain locations on its line between Northern New Jersey and Albany, NY before Day 1. CSXT fully understands the importance of these systems and will retain them following the allocation of this line to it.

6. Signal and Train Control Capital and Operating Budgets

Capital budget requests are driven by scheduled replacements, upgrades, and needs brought about by changes in operation. Field forces furnish input on an annual basis for items that need replacing on their territory based on age, condition, safety implications, potential for maintenance savings, and other criteria. Each year, these items are prioritized within their respective categories to form a "three-year capital plan." New projects can also be submitted to management for review during the year. Projects approved by management then become active capital projects.

As part of this process, replacement plans are developed for major items such as pole line, car retarders, and process control systems. In addition, needs are developed for other major components like switch machines, and instrument and warning device equipment. After the Control Date, CSXT will complete 1998 capital projects that remain on the Conrail territory allocated to CSXT. Conrail has furnished CSXT a list of recommendations for future capital expenditures. Based on this information, a combined CSXT/Conrail three-year plan will be created. The items in this plan will be prioritized based on the same capital planning criteria currently used by both CSXT and Conrail, with additional consideration given to traffic increases or changes in traffic patterns.

Signal and Train Control annual operating budgets are segregated by district. The operating budget includes all material, labor and purchased service funds required for ongoing operations, including those needed for inspections, FRA required tests, maintenance, minor repairs, safety meetings, training, tools, and all other operating requirements. CSXT will use Conrail's 1998 operating budget
as a guide to plan expenditures in the months after CSXT assumes control of its portion of Conrail. Eventually, actual historic data will be used to establish operating budgets for each field district.

F. Engineering (Track & Structures)

1. Track

CSXT is implementing an analytical system to evaluate maintenance requirements for track on principal service routes. This system will review recent traffic patterns along with existing conditions and projected or proposed traffic changes. This analysis will be incorporated into future capital budgeting.

Both Conrail and CSXT have track inspection, maintenance, and rehabilitation programs. These programs will be maintained or upgraded after the transaction. CSXT's goal is to integrate the programs of both railroads and to adopt the "best practices" of each. On Day 1, the existing track inspection and rehabilitation programs of each railroad will remain in place.

a) Track Inspection

Conrail and CSXT have similar track inspection programs. Both railroads have Maintenance Of Way (MOW) personnel that are FRA qualified to inspect track. During Year 1, CSXT plans to review inspector assignments to ensure uniform workloads and territories. The CSXT "Blue Hat" program will be implemented on the allocated property. This program, which provides a regularly assigned FRA qualified person to perform routine switch maintenance and ongoing inspections, will provide an improved level of switch reliability. The Blue Hat program is supported by Track Inspector Certification training.

(i) Track Inspector Training and Certification

Conrail conducts classroom track inspector training and qualification programs. On CSXT, procedures related to track inspections are described and communicated through Maintenance of Way Instructions. In addition to classroom training, CSXT offers formal field certification training for track inspection and reporting.

On Day 1, CSXT's training and certification programs will remain in place. During the year following Day 1, the best practices of each railroad's track inspection program will be identified and adopted as CSXT policy. CSXT currently intends to extend its track inspector certification program to the allocated Conrail territory.

CSXT also provides extensive annual training to all roadway personnel in a variety of areas, including Maintenance of Way Instructions, FRA Track Safety Standards, Buckled Track Prevention, FRA fall protection, FRA Roadway

Worker Protection, Lifting and Rigging, Operating Rules, and emergency response procedures.

(ii) Track Inspection

Frequency

The frequency and adequacy of inspection will not change on Day 1. Each railroad has an established policy with respect to the frequency of track inspections that meets or exceeds FRA requirements. In large part, these policies are similar. CSXT, however, inspects all tracks more frequently.

b) Track Maintenance and Rehabilitation

On Day 1, the current Conrail and CSXT track maintenance programs will remain in place. CSXT's goal is to complete a full inspection of all Conrail track within the year following Day 1. Beyond those projects already identified as described in the section on Capital Budgeting (Section I.B.4), capital funds will be allocated based on inspection results and anticipated traffic patterns.

During the year following Day 1, CSXT will review the best practices from each railroad's current maintenance programs. These best practices will be integrated into a consolidated program that will be phased in to replace the current programs of each railroad.

It is anticipated that certain of the principal core routes on Conrail that are now being maintained at FRA Class IV will be upgraded to FRA Class V. With respect to secondary lines and yard facilities, CSXT intends to increase current track maintenance levels. Conrail has a larger number of excepted track miles than CSXT. Currently, CSXT plans to increase maintenance of yards, branch lines, and industrial lead trackage above historical Conrail levels, and excepted track mileage on the allocated Conrail areas will be reduced.

2. Bridge

CSXT and Conrail have been successful in managing bridge inspection and bridge maintenance. The Bridge Engineering Staff of CSXT has examined Conrail's bridge management systems. Preliminary analysis has shown that the bridge management systems of both companies are similar. The objective of CSXT is to integrate the two systems over time and adopt the "best practices" of each. Conrail personnel will play an active part in developing an effective Bridge Management system for the combined rail network.

It is envisioned that on Day 1, there will exist an interim bridge inspection standard to ensure a degree of

uniformity and address the minor differences in bridge inspection frequency. The Planning Team has already begun to study the current and anticipated traffic flows. These traffic flows and actual bridge conditions will drive future maintenance expenditure decisions.

a) Bridge Inspection

Bridge inspection is a key element to the successful management of railroad bridge safety. Conrail has had an established bridge inspection procedure in place for several years. CSXT recently has made significant improvements in its procedures for bridge inspection, particularly with the implementation of a Bridge Inspector Certification Program.

(i) The Bridge Inspector Certification Program

The Bridge Inspector Certification Program will be the basis of Bridge Inspector training and development. CSXT will continue to evaluate the effectiveness of inspector training and add to the program as additional needs are revealed. The program is designed to certify a combination of schooled engineers and experienced employees. Each will complete classroom training and standard bridge worker safety training modules, including Bridge Inspection, FRA Fall Protection, and FRA Roadway Worker Protection. In

addition, employees will be CSXT safety certified to ensure that they are knowledgeable in the use of small tools, ladders, bridge climbing, and general safety.

Prospective new bridge inspectors will be observed and rated on their abilities to safely perform bridge inspections. Specific abilities that must be demonstrated include: ability to climb, general knowledge of bridge and track standards and procedures (particularly MWI 1401-01), knowledge of bridge types, identification of structural defects, appropriate remedial actions, and ability to communicate inspection findings in both written form and verbally. Training modules to enhance skills or address specific bridge inspection topics will be produced and implemented during the year following Day 1. This Bridge Inspector Certification Program will be utilized to provide career development opportunities. It is expected that a large percentage of the future Bridge Supervisors and Bridge Inspectors will be promoted from this group of employees.

(ii) Bridge Inspection

Frequency

The frequency of bridge inspection on both railroads will remain unchanged up to Day 1. It is planned that an interim Inspection Standard will be issued on Day 1 to provide for uniformity. The changes, based on preliminary studies, are expected to be minor. Bridge inspection frequency of Conrail's pin-connected truss designs will be increased. The CSXT and CR frequency intervals for other bridge designs are similar and are based on sound engineering practice.

(iii) Bridge Inspection

Reporting

It is expected that both CSXT and Conrail bridge inspection, documentation, and reporting systems will be maintained until a consolidated system can be implemented. The Bridge Engineering staff will be educated in using both systems.

b) Bridge Maintenance

Prioritization decisions for bridge maintenance and replacement are based on the actual condition of the bridges observed during the bridge inspection process, changing traffic patterns, structure load capability, and system priorities. During inspections, Bridge Supervisors, Bridge Inspectors or other employees are expected to be prepared to take any necessary steps to protect the safety of trains. Depending on the conditions found, bridge supervision may schedule more frequent inspection intervals, initiate

routine bridge maintenance or plan long-term solutions. The Bridge Engineering staff fully supports field operations, assists in analyzing various bridge conditions, and advises corrective action needed. Both railroads have invested in infrastructure and similar investments are expected to continue.

A combination of inspection, maintenance work and capital planning will identify those structures for rehabilitation on lines with changing traffic patterns taking into consideration actual conditions, structural load capacity and system priorities.

3. Sufficiency of Employee Coverage for Track and Bridge Safety

CSXT intends to retain a sufficient staff of track and bridge personnel following Day 1. The Labor Impact Exhibit filed on July 7, 1997 details plans to abolish a total of 584 maintenance of way positions from all three railroads by the end of Year 2. Of these 584, 147 are related to the expanded CSXT system.

The anticipated reductions are directly attributable to absorbing the programmed maintenance work on the allocated Conrail territory into the CSXT System Production Team concept of performing this work. These system teams are

separate and distinct from basic maintenance forces, whose numbers will be largely unaffected.

CSXT System Production Teams are highly efficient forces that perform major production work, such as rail installation, tie installation and track surfacing. These teams are more productive because they work in established curfew areas utilizing high productivity equipment. This means that fewer employees are needed to accomplish comparable work programs. While fewer teams and employees are needed, the fact that these highly mobile forces have been able to schedule their work throughout the vast geographical and climatic environs of the existing CSXT system means that the employees on these forces have been able to enjoy longer work seasons. The expanded CSXT system will be able to take further advantage of balanced seasonal work opportunities and increase the number of employees, including former Conrail employees, who will have the prospect of year-round employment.

4. Track and Structure Personnel <u>Training - General</u>

In addition to annual safety training, CSXT safety programs, and specific track and bridge inspector certifications, CSXT offers a wealth of training courses to

its roadway and bridge workers. There are a number of programs designed to develop and enhance functional skills, such as Operating Rules, Facility Maintenance Instructions, Maintenance of Way ("MOW") Instructions, and Operating and Maintaining Roadway Equipment. Another set of programs ensures that roadway and bridge workers perform their activities according to FRA and other government standards. These programs include FRA Certification, FRA Fall Protection, National Electric Code, FRA Roadway Worker Protection, OSHA Electrical Grounding, and OSHA Open Trench Work.

Additional CSXT programs help roadway and bridge workers perform selected everyday activities in a manner which will ensure safety and prevent muscle strains, e.g., Lifting and Rigging, Pole Climbing, Confined Spaces, and Lock Out/Tag Out. There are also courses which address further specific health aspects of the work, such as Eye Injury Prevention, Asbestos, OSHA Industrial Hygiene (Lead), and Respirator Fit Test Requirements. Communicating with peers about safety issues is addressed in Safe Job Observations. Environmental issues are covered in Environmental and Emergency Response Procedures courses, and in National Fire Prevention.

Advanced or specialized job skills are taught in courses such as Demolition and Buckled Track Prevention. Bridge courses include Bridge Maintenance practices, Bridge Inspection practices, Bridge Climbing and Moveable Bridge Basics.

These programs will continue to be provided for CSXT and allocated Conrail engineering employees as appropriate to their job functions.

5. Track and Structures -- Rock Slide Detection

Conrail plans to complete installations of rock slide detection systems at certain locations on its line between Northern New Jersey and Albany, NY before Day 1. CSXT fully understands the importance of these systems and will retain them following the allocation of this line.

6. Engineering Capital and Operating Budgets

Engineering capital budget requests are based on the regularly scheduled inspection and testing results of track, bridges and buildings. In addition, current and projected traffic patterns are taken into consideration. Each year, these items are prioritized within their respective category to form a "three year capital plan." New projects can also be submitted for review during the year. Projects approved by management then become active capital projects. After the Control Date, CSXT will complete all current capital projects that remain on the Conrail territory allocated to CSXT. Based on information provided by Conrail, a combined CSXT/Conrail three-year plan will be created. The items in this plan will be prioritized based on the same capital planning criteria currently used by both CSXT and Conrail, with additional consideration given to traffic increases or changes in traffic patterns.

As described in the Operating Plan, major additional capital expenditures are expected in the forthcoming years to cover a substantial number of new construction projects on both Conrail and CSXT, including:

- Extension of passing sidings at a number of locations on Conrail lines to be allocated to CSXT and on the existing CSXT system;
- · Extension of double track at various locations; and
- Construction of connection tracks and track rearrangement projects at various locations.

Engineering annual operating budgets are segregated by Division, Service Lane or Business Unit. The Operating Budget includes all material, labor and purchased services required for ongoing operations, including those needed for inspections, FRA required tests, maintenance, minor repairs,

safety meetings, training, tools, and all other operating requirements. CSXT will use Conrail's 1998 operating budget as a guide to planning expenditures in the months after CSXT assumes control of its portion of Conrail, assuming Board approval. In future years, historic data will be used to establish operating budgets.

G. Hazardous Materials

CSXT has an outstanding record in safely transporting hazardous materials. In 1996, out of 338,000 hazmat rail cars transported, there were only four derailments, involving five cars, which resulted in a release of hazardous materials (0.0015 percent). Extensive training and testing programs are conducted in this area, as required by law, and all hazardous materials are handled in accordance with federal regulations.

The transaction will not result in any compromise to CSXT's safety record and measures in this area. Like CSXT, Conrail also has effective measures for transporting hazardous materials. CSXT's goal will be to identify the strengths of both programs and construct a hazmat safety program for the expanded CSXT system that emphasizes prevention of incidents and compliance with all regulatory requirements.

1. Hazmat Programs

a) <u>Hazmat Personnel</u>

Currently, CSXT has one Director, one Senior Manager and five field Hazmat Managers. On Day 1, it is currently planned that the expanded CSXT Hazardous Materials Department will consist of a total of nine (9) individuals -

one Director of Hazardous Materials (Jacksonville, FL); two Senior Managers of Hazardous Materials (Jacksonville, FL and Philadelphia, PA); and six Managers of Hazardous Materials (Atlanta, GA; Pensacola, FL; Louisville, KY; Richmond, VA; Walbridge, OH; and Selkirk, NY).

b) Conrail and CSXT Hazardous Material Programs

There are only a few significant differences between the CSXT and Conrail hazmat programs. Thus, integration in this area can be effectuated smoothly and with a minimum of disruption to current practices.

Hazardous Materials programs and activities will be implemented on the expanded CSXT system as follows:

(i) Inspections

CSXT's hazmat field managers currently conduct DOT hazmat safety and compliance inspections at terminals, transflow facilities, mainline trains, and intermodal ramps. Railcars are inspected for proper securement, marking, and document compliance. Train crews are interviewed to assess their knowledge of hazmat operating rules. Any exceptions are corrected and follow-up is documented. The CSXT hazmat department performs follow-up with railroad personnel. Shipper follow-up is performed by both the hazmat department

and the CSXT Director Chemical Safety. Conrail's audit and inspection program involves one-on-one interviews and contact with yard employees, a process termed, "I'm hazmat confident," which helps reinforce hazmat rules awareness. CSXT will adopt this practice and incorporate it into its audit and inspection program by including hazmat rules awareness and compliance as part of the ongoing Terminal Certification Audit Program performed annually at all major terminals.

(ii) Database

The CSXT Hazmat Incident database is used to track and report all releases, including Non-Accident Releases ("NARs"). All NARs are investigated and followed up with the originating shipper. Enhancements to the CSXT Hazmat Incident database are underway which will greatly improve the tracking and reporting of NARs and other hazmat incidents. This system, called the CSXT Environmental Project System ("EPS") database, is a best practice which will be continued on Day 1.

(iii) Community Training

Both Conrail and CSXT currently provide training to response agencies and local communities, as well as to railroad personnel. CSXT's field managers conduct in-house, train-the-trainer, hazardous materials training, and "community" training of local emergency responders, customers' employees, and others. As noted in the DOT Comments, in the past five years, these CSXT training activities accounted for 400 classes with more than 14,000 participants. CSXT, as a result of 1996 training efforts, earned the 1996 Transportation Community Awareness and Emergency Response (TRANSCAER) Achievement Award.

TRANSCAER is a nationwide community outreach program addressing community concerns about the transportation of hazardous materials through joint planning and cooperation. The program provides assistance for communities which are developing and/or evaluating their emergency response plans for hazardous materials transportation incidents. These training activities will continue, with a special emphasis on the newly acquired locations, following Day 1.

(iv) Local Management

Both Conrail and CSXT employ hazmat managers geographically located to provide rapid response and on-site expertise for hazmat situations. For Day 1, hazmat managers will still be located to insure reasonable response time to all locations. Currently, Conrail Hazmat managers respond to releases of commodities with STCC numbers beginning with 48 and/or 49, and to other events that are considered a threat to the environment, but do not respond to fuel and/or oil spills from locomotives or other on-track equipment. The Conrail Risk Management Environmental department has responsibility for responding to these types of spills. The CSXT Hazmat department responds to any railcar or locomotive spill (including oils) which is considered an immediate threat to health or the environment. The CSXT Mechanical Environmental Operations Group has responsibility for response to SPCC storage tank releases, but the CSXT Hazmat department is also notified and provides assistance as needed. Prior to Day 1, CSXT intends to begin the process of training Conrail personnel in CSXT's incident response procedures and to implement uniform procedures throughout the expanded CSXT network.

(v) Hazmat Sentinel Training

Conrail has a Hazmat Sentinel Training Program which provides advanced hazmat training to a select group of nonagreement personnel. The CSXT Mechanical Environmental Operations Group (MEOG) has a staff of field Environmental Specialists trained in environmental regulations and spill response. The Conrail Hazmat Sentinel Training Program is considered a best practice and will be implemented on the expanded CSXT system following Day 1.

(vi) Customer Training

Conrail's Customer Contact Program involves formal contact with chemical shippers to provide training and car loading inspections. CSXT's Director of Chemical Safety, with CSXT hazmat managers, provides this same level of contact with chemical shippers in establishing hazmat safety programs, inspections and training. CSXT will merge their programs following Day 1 to ensure that the same level of training is maintained.

(vii) State of New Jersey

New Jersey's "Chemical Coast" has been the focus of specific Conrail hazmat program efforts that CSXT intends to maintain and, where appropriate, expand. Conrail has established a Hazardous Materials Training Partnership with the AAR, New Jersey State Police, and the New Jersey Fire Training Academy. The Training Partnership includes an annual 5-day Tank Car Training Course.

CSXT routinely provides hazmat classroom training to state and local emergency response agencies, local emergency planning committees ("LEPCs"), shippers, training academies, and others, usually in response to a request for training. CSXT also provides advanced levels of training involving tank cars, valves, transfer equipment, and other specialized equipment. Most training performed by the CSXT Hazmat department is in response to a request or recognition of a special training need. Training materials and equipment have already been developed for these purposes.

The New Jersey Hazardous Material Training Partnership appears to be an efficient method for delivering training and establishing lines of communication with response agencies. Following Day 1, CSXT will adopt and continue Conrail's Hazardous Material Training Partnership with local and state response agencies.

(viii) Responsible Care Partnership

In 1988, the Chemical Manufacturers Association ("CMA") instituted a partnership safety program known as Responsible

Care. While originally designed to include only CMA members, the program was expanded to include railroads and other transportation companies, among others. To participate in the Program, a company must adopt a set of practices consistent with a series of six codes. These codes address (1) community awareness and response, (2) process safety, (3) pollution prevention, (4) distribution, (5) employee health and safety and (6) product stewardship. Further, Responsible Care participants must complete an annual audit showing progress toward the program's goals.

CSXT's application to participate in the Responsible Care program was granted in January 1997. CSXT has already implemented action teams to fulfill the goals of the program's codes on a system-wide basis. These teams are organized on a corporate level and in a manner that involves appropriate senior management so as to bring the highest level of commitment and attention to this vital program.

Conrail is also implementing a five-year plan for full integration into the Responsible Care program. CSXT will carefully review Conrail's five-year plan and assess how it can make best use of Conrail's planning efforts as this

vitally important program is extended to the expanded system in a consistent manner.

(ix) Emergency Notification

CSXT notification procedures rely upon the CSXT Operations Center for emergency notifications. These procedures are clearly described in the PACE (Prevent Accidental Chemical Exposures) posters and pamphlets prominently displayed at every CSXT location. Notification procedures are also included in CSXT safety and hazmat training as well as Terminal Certification audits. When a hazardous material release occurs on CSXT, the CSXT Operation Center in Jacksonville is promptly notified of the problem. The Operation Center will contact the hazmat duty officer to initiate a response. The CSXT hazmat department management and response to any hazardous material problem.

Prior to Day 1, CSXT hazardous material managers will visit Conrail territories and yards to become familiar with these new locations. Additionally, CSXT will review Conrail notification procedures and develop a plan for transitioning Conrail notification procedures into CSXT notification procedures. CSXT is currently reviewing a copy of the Conrail "One Plan" which describes notification and response

procedures, summary information concerning significant environmental regulations, and reporting responsibilities. This "One Plan" will most likely be phased out and transitioned into comparable CSXT plans after Day 1.

c) Further Action Steps

In addition to the steps outlined under each of the specific program topics above, CSXT plans the following. In the more densely settled/congested areas where Conrail operates, CSXT will prioritize hazardous material training and emergency response preparedness. An aggressive training effort will be directed at those local and state emergency response agencies assigned to these areas. Additionally, a network of emergency response contractors and Hazmat specialists will be established to ensure rapid response and effective handling of any hazardous material emergency. CSXT has already established a network of high quality emergency response contractors with training and expertise in responding to railroad emergencies. This "Hazmat Preferred Provider Program" will be expanded to include those territories to be allocated to CSXT on Day 1.

2. Computer Systems

Systems for train documents, waybilling, and train interchanges are discussed in more detail below in the

section on Customer Service Centers. (Note, however, that within the current CSXT organizational structure, the waybilling function is part of Finance, rather than Customer Service.)

3. Customer Service Centers

a) Staffing and Training

CSXT will ensure that Customer Service Centers (CSC) are fully and appropriately staffed and that procedures are in place to integrate Conrail and CSXT procedures.

In terms of staffing, CSXT's current CSC staffing consists of 85 managers (47 of whom are engaged in customer/terminal support and 22 of whom are engaged in service support) and 629 clerks, 565 of whom are engaged in customer/terminal support and 36 of whom are engaged in service support. With the anticipated addition of Conrail personnel, CSXT currently anticipates that these numbers will grow to 101 managers and 814 clerks.

At present, both CSXT and Conrail use multimedia computer training for CSC hazmat staffs. Both Conrail's and CSXT's programs were developed with FRA cooperation. As of Day 1, both the CSXT and Conrail programs will remain in place, while integration of these training programs will be a longer-term goal.

b) Procedures and Systems

(i) Conrail Procedures and Systems

Conrail and CSXT have a somewhat different approach to the preparation of train documents. At Conrail, the Field Yardmaster advises the CSC Car Reporting representatives of outbound train information necessary to create standing orders (a.k.a. "train make-up reports"). These documents are suspended in the Conrail computer system until either the conductor or yaramaster subsequently advises the CSC that he or she is ready to process the information, and to print the documents for the outbound train. If discrepancies are detected in the train documents, when verified by an automated electronic identification ("AEI") scanner, the Conrail CSC representative notifies the Division Supervisor for Train Operations who determines if new documents are required. If the discrepancy is serious enough, the Supervisor Train Operations radios the crew which records the information on a "radio waybill" form (that the FRA has approved.)

Waybill preparation for Conrail is centralized in Conrail's Revenue Protection Department in Pittsburgh with respect to merchandise traffic, while coal billing is

performed in the Conrail CSC's unit train module, which also performs all consisting and document generation for unit coal trains. Intermodal waybilling is done at the individual ramp facilities, with approximately 70 percent of the billing received via Electronic Data Interchange ("EDI") from the customer. Of all intermodal hazardous materials waybills, approximately 5 percent are received via EDI containing the required hazardous materials description. The remaining 95 percent require the ramp facilities to enter hazmat data into the waybill system using shipping papers tendered at the gate. All waybill data is reviewed and edited by ramp personnel ior hazmat compliance.

Conrail reporting of train interchanges is centrally handled by car reporting representatives in Pittsburgh.

(ii) CSXT Organization, Procedures and Systems

The CSXT CSC's Customer Support and Terminal Support groups perform field data reporting. Customer Support issues work orders for most industrial trains/jobs, with the exception of industrial yard jobs controlled by field yardmasters. The Terminal Support Group issues work orders for line-of-road trains based on train make up information

provided by the yardmaster on the train close out sheet faxed to CSC.

Train documents, including special handling instructions, tonnage graphs, shipping descriptions, and emergency response information, are generated by computer as a byproduct of the work order preparation and printed to the crew along with the train work order. If discrepancies are detected by the AEI scanner, CSXT representatives notify the originating terminal, Service Lane coordinator or chief train dispatcher, and the CSC manager. A determination is jointly made as to whether new train documents are required, where they should be printed and how they will be transmitted to the crew.

At CSXT, all waybilling is centralized in Jacksonville. Hazmat data entries must pass stringent edits and waybilling personnel review shipping papers and waybills to ensure compliance.

CSXT requires that shipments of hazardous materials be waybilled and information available for its transportation systems before a shipment can depart a terminal. Occasionally, a shipment may depart in a train before waybilled if the train crew is provided with a trainstanding listing cf cars and a copy of the shipper's bill of

lading or other shipping document containing the proper hazardous materials description. If need arises whereby field personnel, dispatchers, or others require copy of waybills, train documents, and/or hazardous materials documents, they may be obtained through computer inquiry directly or by contacting the Jacksonville Customer Service Center at any time, 24-hours a day, seven days a week.

For CSXT, reporting of train interchanges is accomplished at its CSC in Jacksonville.

(iii)Integration of Procedures and Systems

As of Day 1, the CSXT and Conrail systems will be retained with respect to trains originating in the current CSXT and Conrail territories, i.e., the Conrail system will continue to be used for trains originated in its former territory.

CSXT's transportation and data gathering and reporting systems for train documents will be implemented in phases across the Conrail system. Data will be exchanged electronically between implemented and non-implemented properties until full integration has been completed.

On Day 1, it is planned that all transportation waybilling will utilize CSXT's waybilling system in CSXT's waybilling center in Jacksonville. All bills of lading, both EDI and facsimiles, as well as waybill and consist information received electronically from other rail carriers for interline received EDI traffic will be routed through CSXT's computer system. Converting intermodal hazardous material waybilling at former Conrail intermodal terminals to this system will require sufficient capacity to be in place on Day 1 to enter the required information in a timely manner. If those resources are not available on Day 1, the intermodal facilities will be permitted to continue their current procedures and systems. The receipt of intermodal hazardous material waybill information through EDI is also being studied.

Waybill data for shipments originating on former Conrail properties will be passed back to the current Conrail systems via EDI. CSXT will also transmit shipping paper data via EDI in the standard ANSI format currently utilized by both railroad companies so that shipment information can be processed. The current Conrail program will then utilize data from -produced waybills to generate train documents and consists and to update yard management system as is presently being done.



For Day 1 operations, trains moving through former interchange points will continue to be treated as if they were interchanging, and data for reporting of train interchanges will be exchanged between the CSXT and Conrail systems by EDI.

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H. Dispatch Centers

1. Dispatch Center Workloads

a) <u>CSXT</u> Procedures

From the perspective of the dispatching function, CSXT is divided into Service Lanes, each having a Chief Dispatcher and four to six assigned dispatchers which are located at the Jacksonville Operations center. The Chief Dispatchers have a dual reporting role; first to the Service Lane General Manager and second to the Operations Center General Managers. CSXT performs coaching and mentoring for the train dispatchers to determine training needs, proficiency and skill levels at their positions. CSXT has on-going new hire dispatcher training classes to fill vacancies resulting from normal attrition and to staff additional positions required due to incremental business.

b) Conrail Procedures

Conrail is divided into Divisions and uses a decentralized approach to dispatching. CSXT will utilize Conrail's dispatching offices in Albany and Indianapolis. Current plans provide that these dispatching offices will continue to dispatch former Conrail territory for at least three years. (See possible exception noted in Section L, Relationship Between Passenger and Freight Service). Each

Conrail dispatching office is operated by a Director Train Operations, Superintendent Train Operations, Chief Dispatchers, and train dispatchers. In most cases there is one Chief for every 2 train dispatchers.

The difference in Chief levels for the railroads is basically in the administration portion of the daily workload. Conrail Chiefs perform a majority of the administration function for their dispatchers (one Chief for every two dispatchers). CSXT employs an advanced dispatching system that interfaces with the CSXT mainframe computers to provide a majority of the information needed to operate the train, thus allowing each Chief to supervise the activity of four to six dispatchers.

c) <u>37/79 Committee</u>

In the event of a disagreement between labor and management over workloads on either CSXT or Conrail, the American Train Dispatchers Division of the BLE ("ATDD") has the recourse of using provisions of the 37/79 Committee (May 30, 1979 Revision of the May 27, 1937 National Agreement) to call for a study of positions if workload issues are not resolved. This Agreement could be triggered in the event that a dispatcher believed that workloads were excessive. A joint labor-management job study to determine workload would be undertaken. Some, but not all, of the criteria used for determining maximum safe workloads are: number of trains operated, type of trains, miles of territory, type of territory, maintenance of way interaction, number of radio/telephone communications, number of local trains operated, yards/terminals, etc. If, based upon established study criteria, dispatcher workloads are determined to be excessive, the 37/79 Committee may be asked to review the dispatcher workforce allocations. It then may decide to increase the number of dispatcher jobs available, do nothing, or decrease the number of dispatcher jobs available. Decisions of the 37/79 Committee are binding for both labor and management.

d) Dispatching Workloads on the Expanded CSXT System

CSXT plans a gradual integration of the allocated Conrail dispatching operations. On Day 1, there will not be a change in manpower levels for the CSXT allocated offices: Albany and Indianapolis. These offices will use the same facilities and systems as at present to conduct their daily business. By maintaining the same headcount, adequate personnel will be available. Further, keeping the same

office structure during the transition will ensure a smooth transition to a "best practices" scenario.

Over time, CSXT will slowly implement portions of their mainframe computerized dispatching applications to assist the Conrail Chiefs in accessing the information necessary to operate the trains. The CSXT Operating Rules Department will slowly facilitate any changes to insure compliance with federal regulations pertaining to train dispatching, integrating the allocated Conrail and CSXT in a measured way. It is anticipated that the CSXT Operating Rules Department will standardize FRA hours-of-service reporting to include all offices.

Throughout the transition, CSXT will oversee Conrail dispatcher workloads to ensure safe operations are evident from a field and office perspective. CSXT will also oversee recruitment and training for new hire dispatchers to ensure adequate manpower.

2. Dispatcher Training

Conrail's dispatcher training consists of both classroom and on-the-job activities. Trainees begin their training with two weeks of classroom training usually conducted at Canton, OH. This is followed by one week of field training actually riding trains, followed by one week
of dispatching simulations and operating rules review in Dearborn, MI. Trainees are then assigned to four weeks of on-the-job training, after which they return to Canton for review and training in hazardous materials. Trainees then return to their divisions and continue on-the-job training until qualified by local officers.

CSXT's dispatcher training is more extensive. Five months of formal training is given to each dispatcher trainee at the Network Operations Training Facility in Jacksonville, FL. One month of the formal training consists of railroad orientation with classroom learning and field trips familiarizing the trainee with CSXT corporate values and ethics, customer service, Operations Center activities, locomotives, cars, signals, maintenance of way, communications, hazardous materials, safety, and environmental issues. Trainees also spend time actually riding trains. Four months of the formal training is devoted to training on CSXT's Computer-Aided Dispatching System ("CADS"), involving classroom instruction, dispatching simulations and the application of learned theories. Trainees also review Operating Rules throughout the formal training period.

Upon graduation from the formal training, trainees begin on-the-job training with qualified dispatchers in dayto-day train operations. The trainee is required to qualify on three shifts and two consoles. In total, training to become a qualified dispatcher takes an average of one year. Dispatcher trainees remain in the training phase until they can safely and competently perform all functions of the dispatching position.

3. Integrating Dispatching Systems

Conrail has developed a dispatching system with its own technology. This system is supported by personnel located at Dearborn, MI. This group supports all five current Conrail dispatching offices. The system was developed to predominantly handle switches and signals. It has very limited interfaces to the Conrail mainframe. CSXT has a system developed by an outside vendor that is fully integrated for all dispatching functions both within the system and external to the CSXT mainframe. All changes for the CSXT system are handled through the vendor.

In the near term, field or system changes to Conrail's dispatching systems will be handled through the Dearborn personnel. The system in Jacksonville will continue in the same mode of operation, separate from the Conrail system. There will be limited interfaces between the Conrail offices and the CSXT mainframe, e.g., train locations, train identification, etc. It is expected that CSXT will implement its electronic train sheet for the Conrail train dispatchers. This is located on the CSXT mainframe and is FRA approved.

Today, Albany and Indianapolis train dispatchers use paper train sheets. It is anticipated that CSXT computerbased train sheets will be used after the Control Date to transfer information electronically. This will provide tr. expanded CSXT system with a common process for FRA reporting of train sheets.

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I. Highway-Rail Grade Crossings and Public Safety

Grade crossing and public safety has long been a major focus for CSXT. There are three main strategies for reducing the number of incidents at highway-rail grade crossings: 1) educating the public of the risks, and 2) reducing the actual number of crossings, and 3) improving the effectiveness of signals and warnings at crossings.

CSXT has adopted a pro-active approach to reducing the number of grade crossing collisions and is among the industry leaders in this area. We have addressed this issue under the following headings:

- Grade Crossing Collisions
- Operation Lifesaver
- Other Educational Efforts
- Trespass Reduction
- Grade Crossing Closures
- Posting of 800 Numbers
- Agreements with State Agencies
- Traffic Increases
- Summary

(Please note, that in keeping with FRA reporting guidelines and standard industry practice, "grade crossings collisions" are separate and distinct from "train accidents.")

1. Grade Crossing Collisions

As shown in Exhibit I.1, 1996 witnessed a 20 percent decrease from 1995 in grade crossing collisions on the CSXT system. The total number of collisions per year has declined from 769 in 1990 to 481 in 1996, a decrease of 37 percent. However, during this period, CSXT train miles have increased sharply, reflecting the upturn in the economy in the mid-1990's. As a result, the number of collisions per million train-miles has, as a percentage, decreased even more than the number of collisions, from 10.9 collisions per million train-miles to 5.8, a decrease of 47 percent.

Exhibit I.1 CSXT Grade Crossing Collisions



The number of grade crossing collisions experienced on the Conrail system has also been declining since 1990, from 489 in 1990 to 234 in 1996, as reflected in Exhibit I.2. The number of collisions per million train-miles has, as a percentage, decreased from 10.5 collisions per million train-miles to 4.4, a decrease of 58 percent.



Exhibit I.2 Conrail Grade Crossing Collisions

2. Operation Lifesaver

CSXT, like Conrail, has an active Operation Lifesaver Program designed to educate the public about grade crossing safety. The CSXT program is administered by eight full-time employees, whose work is supplemented by 21 part time participants and 27 volunteer participants. Through this program, CSXT conducts numerous seminars and other educational programs that are designed to focus public attention on grade crossing safety. Thousands of people are educated annually in a face-to-face setting by a certified CSXT Operation Lifesaver presenter.

Conrail devotes approximately the same level of resources to this important program on a state-by-state basis as CSXT. CSXT intends to retain this high level of resource application following the transaction. Some modest changes will be made, however, to the method in which Conrail currently manages its Operation Lifesaver Program. For example, CSXT intends to centralize management of, and budgeting for, this Program and to meld Conrail Operation Lifesaver employees into the CSXT program.

CSXT also intends to work jointly with NS on Operation Lifesaver and grade crossing safety programs in states where both railroads will control Conrail lines. Redundant efforts will be eliminated and public safety will benefit from the combined resources of both railroads.

3. Other Educational Efforts

In 1997, CSXT will also conduct approximately 15 Grade Crossing Collision courses for state, county and local agencies to train agency personnel in the proper investigative techniques to identify causes of collisions and improve safety generally.

CSXT also actively participates in the Officer-on-Train program in which police agency personnel ride trains in an effort to improve enforcement of traffic control laws at grade crossings.

4. Trespass Reduction

One of the programs that may be applied in highly targeted areas is a current Conrail program called TRAC --Trespass Reduction and Containment. This program was most recently used in Buffalo, NY, and CSXT plans to apply it next in Rochester, NY. The program consists of a concentrated educational effort on the dangers associated with trespassing on rail property. The program harnesses the energy of a cross-functional team including local field supervisors, local craft-persons, police, and corporate communications, working in conjunction with local media (newspapers, television, etc.). Some of the key features of the program include:

- Zero tolerance for trespassers
- Thorough coverage of all schools in an area
- Neighborhood poster campaigns

 Media videotaping from the locomotive engineer's point of view

5. Grade Crossing Closures

As shown in Exhibit I.3, during the last four years, CSXT has closed over 1,000 grade crossings (507 in 1996 alone), and the closing of crossings will continue at a pace that is designed to close 600 in 1997 alone.





CSXT fully participates with states (which have primary responsibility in this area) in projects to separate crossings and to upgrade warning systems. On average, in addition to the closures shown above, CSXT participates in the installation of 350 active warning systems at crossings each year.

Conrail has also closed a significant number of crossings annually. CSXT will work with appropriate authorities in the states embraced within the Conrailallocated territory to continue these efforts.

6. Posting of 800 Emergency Contact Numbers

Currently, Conrail has 800 numbers posted at some crossings. The Conrail 800 number is answered by the Conrail C&S Service Desk in Columbus.

CSXT has developed a plan and is in the process of posting an 800 emergency contact number at all mainline crossings on its system. CSXT plans to add four Communications Specialists, as well as two computer work stations, as a result of the 800 number.

On Day 1 the Conrail 800 number will be forwarded to the CSXT Police Department in Jacksonville for CSXT allocated lines and to the NS Police Department in Roanoke for NS allocated lines. The CSXT office is manned 24 hours

a day, 7 days a week and currently handles calls from the public, police and fire agencies, etc. Detailed plans are being developed that will determine the appropriate technology to sort the calls based on each railroad's allocated territory.

Within the year following Day 1, CSXT intends to extend its 800 number posting program to all road crossings on the allocated Conrail lines. Staffing and computer work stations will be added as necessary to support this extensive communication effort. Posting activities will include verification and integration of the CSXT and Conrail crossing databases as well as the installation of appropriate signs. Priority will be given to passenger lines and those lines that carry larger volumes of hazardous materials.

7. Agreements with State Agencies

Like CSXT, Conrail has in place agreements with the Departments of Transportation in the various states it operates in with respect to the funding of crossing improvements. CSXT will work with these state agencies to assume Conrail's responsibilities under these agreements on lines that will be allocated to CSXT.

Further, CSXT intends to work with all of the relevant state agencies to aggressively pursue the installation of highway-rail grade crossing improvements and to improve crossing protection as warranted by traffic changes.

8. Traffic Increases

CSXT is working to identify crossings where traffic is expected to increase as a result of the transaction and will cooperate with state officials to address safety concerns that might arise at these crossings. Grade separation projects and upgrades to grade crossing warning systems will be prioritized in coordination with appropriate state officials.

In addition, Operation Lifesaver and other public safety awareness programs will be targeted to those areas that have crossings that are expected, based on traffic projections, to experience significant traffic increases. Mitigation measures focused on specific line segments will be addressed in the Board's environmental review process and in the DEIS.

9. Grade Crossing Summary

The transaction will not result in any degradation of the high level of effort already assigned to this matter by both railroads. CSXT's goal is to meld its own grade crossing safety program with Conrail's and to adopt the "best practices" of each.

10. Police Departments

Both CSXT and Conrail currently have internal police forces. Generally, the work of these police forces consists of protecting trains and terminals from theft, investigating thefts, working with the Operation Lifesaver Program, investigating vandalism, working with freight claims officials and others at the site of derailments and related security work.

CSXT is currently planning for the integration of the portion of the Conrail police force that it will be allocated. CSXT's current police force consists of 177 persons. Approximately 62 Conrail police officers will be added to this force as a result of the transaction. CSXT's goal is to integrate these officers into the CSXT system and continue to adhere to security policies and procedures.

The Conrail police officers that join the CSXT police force will be trained under the existing CSXT training program following the Control Date, but prior to Day 1. The training program covers a variety of matters, including segments on empowerment, use of force, police reporting systems, and ethics. Each training session will be

conducted by two CSXT police officers and the training will be staggered so as not to disrupt police service.

8

I

J. Allocation and Deployment of Personnel

I

The allocation and deployment of personnel has been covered in Section II, Subsections C-I.

K. Employee "Quality of Life" Issues

CSXT and Conrail are both aggressively involved in promoting programs which will improve employee quality of life. Both railroads recognize the importance of a fit and rested workforce and believe that employees are safest and most productive when they have balanced home and work environments and good morale. Accordingly, CSXT and Conrail have initiated a number of proactive measures focused on employee quality of life issues and both are engaged in identifying additional opportunities for improvement.

CSXT is committed to proactive intervention in "quality of life areas" such as work schedules, rest, and medical conditions of employees. The company is forging renewed safety partnerships with its employees' labor organizations, the FRA and the scientific community to ensure that its quality of life programs are effective and comprehensive, and that "best practices" are followed. CSXT intends to extend its quality of life programs to the allocated areas and, where appropriate, to borrow "best practices" from the Conrail system.

This section is divided into six specific Employee "Quality of Life" Issues subsections, as follows:

1. Rest

- 2. Travel/Time Away from Home
- 3. Perceptions of Harassment or Intimidation
- 4. Health and Wellness Programs
- 5. Morale
- 6. Distributions of Personal Safety Equipment
 - 1. Rest

Both CSXT and Conrail realize the necessity of an appropriate work/rest balance for effective crew utilization. The ability of train and engine ("T&E") service employees to perform duties is of crucial importance to maintaining the safety of railroad employees and the public. CSXT is currently working towards a comprehensive plan to identify best practices in managing work/rest issues.

a) <u>CSXT Initiatives</u>

CSXT is concurrently pursuing several avenues to address the work/rest issue. These include alterations in staffing levels, crew assignment practices, crew calling practices, and awareness training.

(i) Staffing Levels

To address manpower issues, CSXT hired 700 T&E service employees in 1995, 600 in 1996, and will have hired 1100 more by year-end 1997.

(ii) Crew Assignment Practices

Local labor and managerial leadership regularly review crew assignment practices. In so-called "assigned service," where trains can be matched on a regular schedule, crews tend to have more predictable working hours. Currently on CSXT, more than 50 percent of road trains have assigned crews along with 80 percent of locals and 95 percent of yard operations.

(iii)Crew Calling Practices

Most extra boards have assigned rest days. Local agreements have been written to require rest days in pool, extra board and assigned freight service. More agreements that assign rest days are anticipated.

Some territories have 8 to 10 hours undisturbed rest at the away-from-home terminal and employees on some territories may request 12 hours rest after working 12 hours.

(iv) Awareness Training

The conductor training program for prospective CSXT train and engine employees includes a discussion of the FRA Hours of Service Act and the importance of lifestyle changes in staying alert. Safety and operating rules classes emphasize rest as a key factor in being alert for conditions which require quick response. Engineer trainees are informally instructed about obtaining proper rest. Hours of Service Act requirements and the importance of rest are also part of CSXT's engineer re-certification curriculum.

In addition, CSXT distributes to all T&E employees a videotape "Railroading . . . A Way of Life" and a booklet "The Railroader's Handbook" that address work schedules and offer suggestions on how employees can best plan their rest, exercise and diet to maintain health and alertness under railroad conditions.

CSXT has also implemented a number of service-enhancing initiatives, including High Performance Organization ("HPO") teams that have a beneficial effect on work/rest. These teams, composed of local labor leaders and Service Lane officers, are challenged to find ways to improve the efficiency of train operations. As those operations improve, crews are getting over the road and into rest more readily than ever.

b) Conrail Initiatives

Currently, Conrail, through its IMPAC (Initiative for Mental and Physical Alertness at Conrail) Program, has three alertness/fatigue initiatives in place. In addition, Conrail is working on the Albany, Dearborn, Philadelphia and

Pittsburgh Divisions to develop and implement other alertness/fatigue projects. Conrail has also recently completed an IMPAC Awareness Video entitled "Alertness 'Round the Clock" that is being distributed to all active Train & Engine Service employees and non-operating craft employees who work other than the first shift.

It is anticipated that any Conrail programs will remain in effect in the respective territories to be allocated to CSXT. CSXT hopes to learn as much as it can about the Conrail initiatives and explore the value derived from those programs.

2. Travel/Time Away from Home

CSXT has instituted a taxi and lodging management group in order to ensure that adequate facilities and services are provided for crews away from home. The group regularly inspects motels to ensure that quiet, dark sleeping rooms are available at facilities near on-duty locations. CSXT has discontinued use of several facilities over the last few years because they were deemed to be too noisy. Additionally, the group has recently started a program to reduce the time that train crews wait for taxis after tyirg up on the line-of-road (i.e., finishing their allowed hours of service at somewhere other than a yard or terminal). Also, a toll-free phone hotline has been established for T&E crews to report taxi and lodging problems.

Conrail uses a similar approach to ensure that adequate facilities and services are provided. Conrail has cross functional teams (known as Value Added Supply Teams or VASTs) that perform this function. Also, Conrail taxi service vendors have a performance clause in their contracts that requires them to measure the time crews wait for taxis. Currently, Conrail does not have a toll-free hotline for T&E crews to report taxi and lodging problems.

Day 1 plans are to continue current respective taxi and lodging procedures. In the future, CSXT will provide a toll-free hotline system-wide and convert all operations to the CSXT Taxi Authorization System according to its Information Systems Implementation Plan.

3. Perceptions of Harassment and Intimidation

As discussed in Section II.C.5.c.i, CSXT and Conrail have different procedures for reporting perceived incidents of harassment and intimidation. On and after Day 1, reporting procedures for Conrail employees will be governed by current CSXT procedures for mandatory monthly reporting for accidents and incidents. A thorough plan for communicating CSXT's procedures and values will help ensure

that a consistent reporting culture develops across the expanded system.

Former Conrail employees who will work for CSXT will be advised in writing of CSXT's commitment to complete and accurate reporting of all incidents arising from railroad operations. New and existing employees will also be advised that CSXT requires its employees to comply with the letter and spirit of the FRA's incident reporting regulation and that harassment or intimidation of any person calculated to discourage or prevent that person from receiving proper medical treatment or from reporting any accident, incident, injury or illness will be a violation of this requirement.

These written policies and guidelines will be conveyed to ex-Conrail employees working for CSXT by any of several means, e.g., with their initial benefits package or with their first paycheck. In addition, all CSXT employees will also be given telephone numbers and an address to use for reporting any violation of the policy. Periodic reminders of the existence and contents of this policy will be included in company publications, such as *CSXT Today*.

4. Health and Wellness Programs

CSXT and Conrail have initiatives in place regarding health and wellness issues, including the publication and

dissemination of information with respect to health care and preventive health care measures. In addition, both companies comply with the FRA requirements concerning physical examinations for locomotive engineers.

CSXT also provides the option of periodic physicals for locomotive engineers. Further, in the area of preventive care, CSXT is currently producing a video on ergonomics and has provided programs and information on preventing hearing loss and taking care of upper extremities.

Several pro-active, employee-centered programs designed to improve employee health and wellness are in place at CSXT. Operation RedBlock, discussed in Section II.C.6.a of this SIP, is a craft employee-operated program focused on reducing usage of drugs and alcohol on the job. The Tap-onthe-Shoulder (TOTS) program provides a framework for intervention in the case of an employee observing another employee performing an unsafe act or not appearing alert. The objective is to change behavior in order to help eliminate injuries, collisions and derailments. Operation Prevention is a voluntary, craft employee-owned program for engineering, mechanical and transportation employees. It uses peer intervention instead of discipline to change

behavior and create an atmosphere conducive to zero injuries.

CSXT also administers an Employee Assistance Program ("EAP"). (See Section II.C.6.b of this SIP). The CSXT EAP, which has its roots in programs first begun on the Seaboard Lines in 1966, on the L&N in 1972, and on the Chessie System in 1974, consists of six full time managers, a clinical director and an administrative director whose responsibility overlies all functions. Services provided by the EAP are provided at no cost to the employee or family member.

CSXT's EAP provides counseling, guidance and referral services to help employees and their families manage personal and work-related problems. Crisis intervention, assessment and information services are offered. Certified Employee Assistance Professionals ("CEAPs") are available to employees and their families (including dependent children living away from home) to talk about marital and relationship difficulties, drug and alcohol problems, legal or financial management concerns, mental health concerns, and emotional distress like anxiety or depression. Counselors can be reached 24 hours a day through a toll-free number.

Currently, Conrail also has extensive Health and Wellness Programs. For example, Conrail requires more physical examinations than the FRA stipulates. Conrail also has an Employee Assistance Program in effect.

5. Morale

Good employee morale follows from a company's respect for the views of its employees and from the establishment of an atmosphere of trust and cooperation. As discussed in detail in the "Safety Culture" section of this SIP (Section II.A), and above in this "Quality of Life" section, CSXT believes that it has established the type of atmosphere, and has in place the type of programs that will encourage continued high morale among its employees. The extension of this Safety Culture, and these programs, to Conrail should ensure that a high level of morale is maintained.

At the same time, CSXT recognizes that uncertainty about the future can impair morale. Such uncertainty could develop among current Conrail employees as the transaction, and eventually the integration process moves forward. CSXT believes that the best way to address this issue is to reassure Conrail operating employees that the transaction will have relatively little impact on the nature of their day-to-day work. Thus, as this document indicates

throughout, few major changes in field operations will occur on the Conrail allocated territories on Day 1, and changes implemented thereafter will be measured to minimize the types of disruptions that could impair morale.

To the extent changes are to be made that relate to Conrail employees, those employees will be fully briefed in advance and, where appropriate, trained in the new procedures. The goal is to make the transition to CSXT employment as seamless as possible, recognizing that fulfillment of that goal will positively affect employee morale.

6. Distribution of Personal Safety Equipment

Conrail currently uses SAFEWEAR Corporation as its personal protective equipment ("PPE") vendor. CSXT has a long-established relationship with Orr Safety Corporation. Both companies use an on-line, computer-based ordering system with which an employee can order an item and have it delivered to his or her home.

Conrail does not have a formal committee on PPE. At Conrail a representative from Purchasing and the Safety Bureau meet once a month to discuss PPE. CSXT has a formal PPE Committee made up of representatives from Engineering, Transportation, Mechanical, Supplies and Services, Medical,

and an industrial hygienist. This committee meets twice each year with Orr Safety to discuss problems with current equipment, new PPE items on the market, money saving alternatives to current equipment, and consumption of safety equipment. The PPE Committee sets the PPE standard that CSXT employees must follow. The CSXT PPE Committee will determine which vendor CSXT will utilize after Day 1. Whatever vendor is chosen after Day 1 will have its data converted to the CSXT system.

Currently, Conrail provides a stipend twice a year towards the purchase of safety shoes. CSXT provides a 100% subsidy on one pair of safety shoes per year. As of Day 1 the CSXT subsidy program will be adopted as the best practice. Conrail employees will begin receiving this safety subsidy at the beginning of the calendar year following Day 1. L. Relationship Between Passenger and Freight Service

Both CSXT and Conrail bring to this transaction extensive experience with commuter and inter-city (Amtrak) passenger operations over their lines. Both railroads have exemplary safety records. The transaction will have no significant impact on freight, commuter, or inter-city operations and will not degrade safety in any way.

CSXT's Operating Plan (Application, Volume 3A at pages 269-280) presents details concerning (1) post-transaction commuter and Amtrak operations over Conrail lines that will be allocated to CSXT, (2) Amtrak operations on CSXT's current lines, and (3) proposed CSXT operations on Amtrak's Northeast Corridor ("NEC"). In addition, the Operating Plan provides data concerning predicted post-transaction usage of line segments that are shared with Amtrak and commuter lines. The Environmental Report submitted with the Application (Volume 6A at pages 128-154) provides additional details about the impacts of the transaction on Amtrak and commuter operations. As explained in the Operating Plan and Environmental Report, the transaction will not disturb the long-standing safe coexistence between freight and passenger services or the manner in which CSXT coordinates passenger and freight services.

1. Overview

On those lines to be allocated to CSXT, CSXT intends to employ the Conrail dispatchers that currently dispate the lines used for commuter and Amtrak service, with the possible exception of the short segment between Virginia Avenue in Washington, DC and RO Interlocking in Alexandria, VA (see Subsection II.L.2.f below, titled "VRE," for more information on this possible exception). CSTT also plans to maintain all current dispatching and operating rules and practices, including NORAC rules. In the unlikely event that an insufficient number of Conrail employees choose to join CSXT, that fact will be known well prior to Day 1, and CSXT will thus be in a position to hire and train NORACqualified personnel prior to Day 1.

Amtrak and commuter agency train crews that operate trains on CSXT lines are qualified by CSXT to operate on its lines. Conrail does not have to qualify Amtrak and commuter agency crews that operate over its lines since Conrail, Amtrak, and the commuter agencies all abide by NORAC rules. CSXT regularly conducts operational tests of Amtrak and commuter crews while Conrail qualifies designated "tenant" managers for the purpose of instructing and examining their own operating employees. These practices will be maintained

on Day 1 and best practices will be discussed and adopted within the year following Day 1. All other safety-related rules and practices now in place on the Conrail system will also be retained post-transaction. CSXT has already had extensive discussions with Amtrak and each of the commuter agencies concerning operational and safety issues. Relevant managerial personnel will continue to coordinate on these matters to ensure a smooth transition.

CSXT participates with the agencies and local emergency response personnel in joint safety exercises and works together with agencies to develop safer operations. For example, during the past 12 months, CSXT placed cars for emergency training classes for several fire departments in the area in which the Maryland Area Rail Commuter ("MARC") operates, including Baltimore, Gaithersburg, Odenton, Perryville and Edgewood, MD, as well as in Washington, DC. These classes covered rail equipment, including how to shut down any equipment and the safety features of the equipment, in addition to other topics. CSXT also participated in meetings of the Maryland Mass Transit Administration's Five-Point Task Force to improve safety, and MARC train and engine employees participate in local CSXT safety committees, including the CSXT Overlapping Committee process

described in section II.A of this document. This cooperation facilitates the sharing of safety best practices. For example, the practice of providing effective and thorough job briefings to T&E crews has been instituted on MARC. In addition, CSXT maintains in its Operations Center a commuter desk and an Amtrak desk that communicate with the passenger operators at all times. (Conrail has similar safety programs in place and CSXT will continue to operate these on the lines allocated to it.) Commuter agencies have their own communications and computer systems that allow them to track their own trains in addition to CSXT-operated trains. These information systems will remain in place and functional prior to and after Day 1.

2. Impact of Transaction on Commuter Operations

The following commuter agencies currently operate on Conrail lines: Massachusetts Bay Transportation Authority (MBTA), Metro North Commuter Railroad (Metro North), New Jersey Transit Corporation (NJT), Southeastern Pennsylvania Transportation Authority (SEPTA) and Virginia Railway Express (VRE). The following agencies currently operate on CSXT lines: MARC, VRE, and Tri-County Commuter Rail Authority (Tri-Rail) in South Florida. In addition,

Metropolitan Rail (METRA) shares some interlockers with Conrail, CSXT and other freight lines in the Chicago area.

For those lines that will be allocated to CSXT, CSXT will assume all of the rights and responsibilities of Conrail under its various operating with commuter agencies. CSXT has already communicated extensively with those agencies with which it does not currently have any arrangements (NJT, MBTA, SEPTA and Metro North) and is in the process of addressing operational issues raised by these agencies. Therefore, current practices will remain in place on Day 1.

The impact of the transaction on each of these commuter agencies is described in the Environmental Report (Volume 6A of the Application at pages 136-154). A summary of the potential safety-related impact of the transaction on each commuter agency where there is such a potential impact is set forth below. (Tri-Rail is not addressed below. There are no transaction-related impacts on that South Florida commuter agency.)

a) MBTA

MBTA operates on Conrail's Boston Line, which Conrail maintains and dispatches from Selkirk, NY. MBTA owns a 12 mile segment of this line. Conrail also provides local freight service on a series of other lines in the Boston area that are owned and also used by MBTA.

CSXT, which will be allocated all of these lines, will assume Conrail's maintenance responsibilities and will maintain dispatching operations at Selkirk. NORAC rules will continue to apply to operations on the lines, as they do today. Further, CSXT intends to retain the same Conrail dispatchers that currently have responsibility for dispatching these lines.

The level of freight traffic on these lines is not expected to materially change after the transaction. Thus, passenger and freight operations will be maintained on a status quo basis following the transaction.

b) NJT

NJT operates on the Conrail-owned NK/Aldene line near Newark, NJ. This line segment will become part of the North Jersey Shared Assets Area following the transaction and NJT operations on that line segment therefore will be addressed in the Shared Assets SIP. Conrail also operates over several NJT-owned line segments. As a result of the transaction, these line segments will either be allocated to NS or to the North Jersey or South Jersey/Philadelphia Shared Assets Area. Post-transaction operations on those

lines will therefore be addressed in the NS and Share Areas SIP, as appropriate.

NJT has asked that all CSXT, NS and Shared Assets locomotives operating on NJT-owned lines be equipped with Automatic Train Control and Positive Train Stop systems. CSXT intends to comply with NJT's request by installing onboard equipment that will be compatible with the equipment installed on NJT's lines and on the NEC.

c) <u>Metro North</u>

Metro North operates over a Conrail line between Suffern, NY and Port Jervis, NY that will be allocated to NS as a result of the transaction. CSXT, however, would attain Conrail's current rights to operate over Metro North lines in New York and Connecticut (the Harlem, Hudson and New Haven lines). CSXT does not anticipate any change in the post-transaction level of freight service on these lines. Metro North will continue to control dispatching on these lines post-transaction. Therefore, the transaction will have no safety-related impacts

d) SEPTA

SEPTA, which operates primarily over its own lines, also operates over a limited number of Conrail-owned segments. Specifically, SEPTA operates over two segments of

Conrail's Trenton Line between West Trenton, NJ and Philadelphia that would be allocated to CSXT. Freight traffic is not expected to change on these segments as a consequence of the transaction. Dispatching on this line is currently controlled by SEPTA, and CSXT has no present plans to change that arrangement.

Conrail operates over a one-mile SEPTA-owned segment in Norristown, PA. The trackage rights on that segment will be allocated to NS with CSXT also retaining limited overhead trackage rights for dimensional traffic. Conrail also operates local service over several other routes in the Philadelphia area owned by SEPTA, NJT or Amtrak. These routes would become part of the South Jersey/Philadelphia Shared Assets Area, and thus the safety aspects of operations on those routes will be addressed in the Shared Assets SIP.

e) MARC

CSXT has operated MARC trains for this Maryland rail commuter agency for theny years. These trains are operated over CSXT-owned lines between Washington, DC and Baltimore and between Washington, DC and Martinsburg, WV. Because Conrail has no involvement in MARC's service, there are no integration issues, and the transaction should therefore have no safety-related impacts on these operations. While some increase in freight traffic is expected on the lines used by MARC, these lines are double tracked with CTC bidirectional signaling and have sufficient capacity. CSXT and MARC resolved all outstanding operational issues in October 1997 when they executed a new Operating Agreement.

f) VRE

CSXT and VRE have coordinated safe passenger operations since VRE's inception. The transaction will not have any safety-related impact on these operations. VRE operates commuter trains over the line segment between Virginia Avenue in Washington, DC and RO Interlocking in Alexandria, VA that is currently owned by Conrail. It further operates on CSXT-owned track between RO Interlocking and Fredericksburg, VA (via SY Interlocking) and on NS-owned track between AF and Manassas, VA. The Conrail-owned segment will be allocated to CSXT by the transaction.

The current and post-transaction CSXT segments on which VRE operates will experience an increase in freight traffic as a result of the transaction, but there is capacity to accommodate both this traffic and VRE's current commuter operations.
The Conrail owned segment over which VRE operates is presently controlled by Conrail's dispatcher at Mt. Laurel. The responsibility for this role will be assumed by CSXT as a result of the transaction. Safety will improve because the reduction in the number of railroads involved in VRE's operations will limit opportunities for confusion or error. NORAC rules will continue to apply on this segment until relocation of the dispatching control. At that time, CSXT rules will be extended to this segment, resulting in a single set of rules applying throughout VRE's operations between Washington, DC and Fredericksburg, VA.

g) METRA

This Chicago-area commuter agency does not operate over any CSXT lines or Conrail lines that will be allocated to CSXT. Thus, the transaction will have no safety-related impact on Metra's operations in terms of CSXT's role. Trains operating on one Metra line utilize the CSXTcontrolled interlockers at Forest Hill and Chicago Ridge. Wholly apart from the transaction, CSXT is in the process of modernizing the interlocker. The modernization of the Forest Hill interlocker will have a positive impact on both safety and operations by reducing signal failures associated with the antiguated manual equipment now in use. Further,

the Control Operator is being relocated to the same office (located in the Belt Railway of Chicago's office building at Clearing Yard) as the dispatcher who controls this territory, with the result that coordination and communication (and thus safety) will be enhanced.

3. Impact of Transaction on Amtrak

A full description of Amtrak trains that operate over CSXT and Conrail lines that would be allocated to CSXT is set forth in the CSXT Operating Plan and in the Environmental Report. The Operating Plan and Environmental Report also discusses proposed CSXT operations over the Amtrak-owned NEC.

As noted in the Overview above, CSXT plans to maintain all current dispatching and operating rules and practices, including NORAC rules. CSXT locomotives operating on the NEC will be equipped with cab signals and speed limiters as required. CSXT crews operating these locomotives will be fully trained and tested in the NORAC rules. Further, as noted earlier, Amtrak crews operating on CSXT lines (current and allocated) will continue to be qualified, tested, and monitored with respect to such operations, as they are today.

M. Information Systems Compatibility

1. The Information Systems Planning Process

CSXT recognizes the importance of constructing a well thought out plan for integrating its technology systems with those of Conrail. In late 1996, CSX Technology and Conrail formed a dedicated team of Senior Information Technology ("IT") professionals whose sole responsibility was developing a comprehensive plan for integrating the two information systems, associated technologies and supporting processes. At that time, the team prepared an initial plan that ensured safe operations, protected customer service, minimized the impact of changed processes and systems on Conrail's field personnel and delivered the business benefits from merging the two transportation companies.

Funding for the technology plan was approved by CSX's Board of Directors in February 1997, and by the beginning of April, the IT plan was revised to address the division of Conrail between CSXT, NS and the CSAO. Every member of the team had participated in the original planning assessment, providing continuity in the planning process. This prior experience allowed them more time to focus on risk analysis, critical dependencies, and contingency planning.

During this same period of time, CSX Technology established a permanent Program Management Office, reporting to the Chief Information Officer ("CIO") of CSX and chartered with managing the planning teams, and deploying and managing the process by which it would develop, coordinate, track, monitor, and communicate all IT related acquisition activities. This Office serves as the focal point for (1) integrating the acquisition strategies and plans; (2) providing discipline in planning, coordination, and communications; (3) insuring issues are resolved quickly; (4) assessing whether IT related risk is identified and properly managed; and (5) measuring and monitoring the overall quality of the technology plan and associated activities. The Program Management Office is also responsible for coordinating all the technology plans and activities with NS and Conrail.

CSX Technology recognized the importance of validating its IT plan and took the following steps:

- Benchmarked plan with recent mergers to identify lessons learned.
- Conducted business process alignment sessions with all business areas to validate and assess the

strategies, assumptions, resource requirements, risks, contingency plans and the timing of events.

- 3. Conducted "Day in the Life" sessions for a Car, Train, Customer and Employees to document and ensure integration process requirements and dependencies were addressed.
- Aligned the technical plan with business strategies to ensure it satisfied conditions at each phase of the acquisition.

Lessons learned from recent mergers have been an excellent source for validating and making revisions or adjustments as appropriate to the IT plan. Examining riskheightening decision points identified from other mergers and building alternative solutions will continue to assure that IT is prepared to deal with unexpected events. Periodic meetings will continue to be held with key executives, experienced in large mergers, in order to regularly review and validate plans.

Business alignment sessions have been a key source of information in validating technology plans, since CSXT processes will be the targeted processes deployed on the allocated property with only a few exceptions. Over 135 separate business alignments sessions have been conducted during which more than 700 business processes were examined. These sessions were designed to develop a common understanding of the business requirements at each phase of the acquisition and the system implications of these requirements. During these sessions, managers from all transportation disciplines validated and established strategies and assumptions for all business processes, identified and validated dependencies and timing of tasks for their specific business process area, identified gaps and issues, constructed contingency plans, and developed resource requirements to meet implementation schedules. Each session's documentation was validated and approved by participants. This documentation is maintained and updated as a permanent resource/reference record by the Program Management Office.

These business alignment sessions provided a detailed explanation on the business process for each discipline, but did not address and or resolve integration elements of cross functional business processes. Leveraging the information obtained from the business process sessions, CSX Technology conducted "Day in the Life" sessions of a Car, Train, Customer, and Employee to ensure that the plans incorporate all the interdependencies among all business processes.

Over 300 CSXT and Conrail employees from all transportation disciplines participated in these sessions to insure all integration requirements had been addressed. Gaps and issues were documented and presented to the Conrail Integration Steering Committee for review and resolution.

The complexities of splitting Conrail technologies between CSXT and NS requires close coordination and agreement on those strategies and plans with technology and business professionals from all three organizations. Both CSXT and NS have implementation options that will directly affect how movements on the property (events) are captured and processed, EDI messages are received, translated and processed, and how waybills will be generated and processed. Options include "flash cutting" the field systems or phasing them in over a period of time. Each option has implications on what Conrail systems must be maintained or retired. Neither can be implemented without an immense amount of coordination and consensus with all three organizations. TO avoid potential disruptions in service, CSX Technology, NS and Conrail formed a joint architecture team in June 1997. This team is charged with ensuring a smooth and safe transition of the Conrail operations to CSXT and NS through the following phases:

- Transition Planning: The state of the CSXT, Conrail and NS technical and business environments prior to any transaction related changes.
- 2. STB Approval: The state following any STB approval of the transaction, when CSXT and NS may begin implementation of the transition architecture at Conrail.
- 3. Closing ("Day 1"): When CSXT and NS can assume operational control of the Conrail territory and begin directing operations within their allocated portions of the former Conrail operations.
- 4. End State: The state when CSXT and NS systems are implemented, allocated property is being managed with the operating practices of CSXT and NS and the Conrail systems have been fully retired.

Protecting the Conrail operating environment is a primary objective for this team. To insure safe and smooth operations the team is required to review and approve all joint (common) projects. Each proposed project and resulting change goes through a series of assessments which includes the impact on operations -- Conrail, CSXT, and NS. Each set of assessments include an evaluation of the difficulty in successfully completing the project, an

appraisal of risk caused by the proposed change and timing of the change, consequential impacts to other plans and strategies, including year 2000. This comprehensive and highly structured evaluation process is necessary given the complexity of splitting the Conrail operation into three pieces.

A key implementation strategy for the technology area was to deploy a single integrated system to operate the combined properties. The chosen platform and supporting environment must be capable of supporting all transition activities without incurring any unnecessary risks, especially those associated with safety.

CSXT plans to implement its technology platform and system suite for the combined company. This decision was based on the following:

- Conrail's existing systems are based on older technology that is difficult and costly to maintain and in some cases, no longer supported by vendors.
- The cost to acquire and install a third party's systems for just the transportation systems area alone exceeds \$500 million.

- 3. CSXT's system's suite, including infrastructure, has recently undergone a \$100 million upgrade. The upgrade has been constructed on a technology platform this is more economic to operate and maintain, and is scaleable to support the combined operations.
- CSXT systems are already being made Year 2000 compliant under a minimum risk program. This effort will be completed by early 1999.
- 5. CSXT systems are aligned with CSXT's business strategies that are also common to Conrail's operations. This reduces the risk associated with training field operations personnel on unique business practices.

Some system upgrades have already been purchased and are being installed. The total infrastructure costs will exceed \$32 million. We anticipate that a retirement plan for the Conrail environment will be prepared in early 1998. Additionally, while all CSXT systems will be Year 2000 compliant, a contingency plan for the Conrail environment will be executed in combination with NS in anticipation of any problems or delays.

There are four additional implementation strategies that are critical to the success of the technology plan. First, the plan must support safe operations on the allocated property. This key implementation objective is supported by minimizing changes to the field operations systems on Day 1 and controlling the amount of change that occurs in the field through a phased transition and extensive training plan. Additionally, CSX Technology has and will continue to work with Conrail and NS IT professionals throughout the planning period and through full transition.

Second, the plan ensures that seamless service is provided at all times. CSXT will be the single interface to the customer, providing dock-to-dock tracking and tracing on Day 1, ensuring consistent management of train control and signals in field operations and minimizing changes in transportation operating processes on Day 1.

Third, business synergies expected from the acquisition must be supported. The plan insures these synergies are supported by taking non-operational benefits first by cutting over the back office systems and processes such as G&A, Payroll, Benefits, Purchasing, and HR. This will in effect set the stage for the operational field rollout and

minimize the risk to operations. Additionally, integrated asset management will be supported on Day 1 by capturing movement events and feeding the information to CSXT systems and managers that are supporting train dispatching, customer service and other areas.

Fourth, a disaster recovery plan will be in place to maintain system operation in the event of an emergency situation. CSX Technology will manage the Conrail data center after control date and through the transition. Conrail's existing plan is specifically designed to withstand the risks associated with the local area. Internal to that facility, they have redundant hardware systems for mission critical applications. This hardware is located in physically separate bays, each with isolated fire protection, power and cooling. They also have alternate path communications and can operate the facility remotely from Commerce Square if the local area should be evacuated (i.e : HAZMAT spill, etc.).

CSX Technology will use the existing Conrail Disaster Recovery plan should operations be disrupted due to an emergency during transition. As systems are moved to the Jacksonville data center they will be incorporated into the CSX Technology Disaster Recovery Plan. This plan is tested

yearly and specifically addresses a catastrophe at the data center or weather induced evacuation of that facility. Daily, or more frequently if required, CSX Technology moves critical data off-site. CSX Technology is also under contract to use IBM's Business Recovery Services facility in Maryland to provide an alternate processing environment. For an unplanned event, mission critical applications can be restored at that facility within 32 hours of a disaster. Shorter recovery times are possible given a warning of a hurricane, for example.

2. CSX Systems Implementation Plan

The Systems Implementation Plan is split into three principal phases - Day 1, Field Transition and End State. The plan was designed in phases in order to limit the amount of change during the transition. Each phase has specific measurable objectives with supporting management and control systems to ensure that the objectives are achieved.

a) <u>Day 1</u>

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For Day 1 the objective is quite clear - it will be a "Non-Event." That is, CSXT's target is "business as usual" for operating the allocated Conrail territory. Fundamental to the strategy, is creation of a Command Center staffed by senior experienced employees with the authority and support systems to quickly resolve any situations that arise. With this approach we will be prepared to expeditiously resolve any situation that could potentially disrupt service.

CSXT's network and computing infrastructure will be realigned and upgraded to handle the expanded service areas and additional volumes of data, voice and signals transactions necessary to safely deliver service. The data center in Jacksonville will be expanded to handle additional transactions and storage volumes. Additionally, Conrail's networks will be re-designed and upgraded to carry the additional traffic. Network connections for AEI, will be in-place to ensure that we can track and control our assets. In order to eliminate confusion and maintain information integrity the CSXT system will receive and process all EDI messages. One system processing all EDI messages is a key lesson learned from other mergers. EDI transactions drive the transportation systems and disruptions in service can occur if messages are not processed correctly. The current EDI environment is being expanded and will handle all message types including any proprietary messages unique to Conrail.

CSXT will perform pricing, rating and billing for allocated Conrail customers. All freight prices will be

loaded and operational supporting rating and billing for public tariffs, private pricing arrangements, and supplemental services. By taking responsibility for waybilling and revenue processes, the chance for confusion and duplication of effort will be reduced, since CSXT will be the single interface to customers.

It is anticipated that common waybill will be used on Day 1. CSXT's waybilling system will create a single record that will drive transportation, make corrections as required and handle disputes. The waybilling system will be upgraded to handle the demands imposed by Conrail and the CSAO. Bills of Lading will be used to create the waybills for all intermodal and rail shipments.

To ensure safety and maintain schedules, Conrail dispatch and crew calling systems will be realigned with the CSXT/NS division of Conrail territory and assets. On Day 1 Conrail's dispatch and crew calling systems will remain operational for the CSXT-allocated territory. Temporary data feeds and bridges will have been developed and tested to insure information can be exchanged.

System interfaces will be in place that will improve CSXT's ability to report, track and trace shipments dock-todock. Conrail's shipment movement events will be captured,

collected and sent to CSXT systems providing full visibility into assets located on CSXT or the allocated Conrail territory. Furthermore, CSXT will leverage the industry's Interline Service Management system to provide customers with Estimated Times of Arrival for cars on our tracks and on the tracks of other carriers.

Customer inquiries and problem resolution for pricing and billing/collections will be handled by trained representatives. Substantial training will be performed to ensure that customer service representatives are prepared to handle calls from CSXT and Conrail customers. Many back office systems, such as G&A, will be operational across CSXT/Conrail on Day 1. These systems will be required to pay employees and suppliers, manage financial assets or bill and collect payment from customers. This approach allows CSXT to start accruing non-operational benefits from the acquisition and more efficiently roll out systems to the field.

b) Field Transition

The primary objective for the field transition is ensuring safety and enhancing the ability to service customers. CSXT will roll out intermodal terminal operations, rail field operations, industrial and local

train service support during this phase of the Technology Plan. To simplify implementation, standard models that support each site's implementation have been created. These models have been created in conjunction with NS to insure both rollouts occur seamlessly. During the roll out, Conrail's National Customer Service Center will be linked with CSXT's Customer Service Center so that there is a single and consistent view of operations across the property.

To minimize risk, the initial integrated IT suite of applications and processes will be implemented on the line running from Albany to Boston. After extensive analysis, this line was selected since it contains many of the major operational elements as other more critical corridors, such as rail, intermodal, merchandise and transload, but would not result in a high risk situation should unplanned events occur. Following quickly after the Boston roll out, implementation will move westward until all sites are functionally integrated.

Detailed analyses will be performed at every site well prior to implementation of the new systems, which will start 30 days after Day 1. Extensive training will be performed with all field personnel and will take into account the

unique characteristics of each site. Redundant systems will remain until all allocated sites are fully operational.

c) End State

The End State will be achieved when there is a single integrated IT platform in place across CSXT and Conrail. This state will be achieved prior to Year 2000 by retiring all Conrail IT systems and networks.

Levels of staffing, computing and network resources will be reduced to a point where CSXT can safely operate the railroad while delivering on our financial and service commitments. CSXT's HPO practices will be instituted across the property. Planned operating efficiencies will be achieved as systems and processes are upgraded.

CONCLUSION

It is in CSX's interest, just as it is in the public's interest, that the integration of the Conrail lines and assets allocated to CSX be accomplished as safely and seamlessly as possible. As the above discussion amply demonstrates, the safety integration process is already well underway at CSX, and at least preliminary plans have been fashioned in each major operational and technology area.

This SIP describes integration planning that has occurred over the last several months alone. Assuming that

the Board approves the transaction, well over one year of such planning will have been completed by Day 1, and the process will continue beyond that date. The FRA, with which CSX has already been consulting, will remain involved in the process, and CSX is committed to continue to work diligently toward a successful integration of the portion of Conrail that would be allocated to it.



LAW OFFICES .

ZUCKERT, SCOUTT & RASENBERGER, L.L.P.

MAIL

STB

888 SEVENTEENTH STREET, N.W. WASHINGTON, D.C. 20006-3939 TELEPHONE : (202) 298-8660 FACSIMILES: (202) 342-0683 (202) 342-1 316

ANDREW R. PLUMP

184588

December 3, 1997

By Hand

Honorable Vernon A. Williams Secretary Surface Transportation Board 1925 K Street, N.W. 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:

In accordance with Decision No. 52 in the above-captioned proceeding, we are hereby submitting an original and ten copies of the Norfolk Southern Safety Integration Plan ("SIP"). Also enclosed is a 3 1/2" computer disk containing the filing in Wordperfect 5.1 format, which is capable of being read by Wordperfect for Windows 7.0.

We are also today providing ten bound and one unbound copy of the SIP, and an additional computer disk containing the filing, to the Central Unit working with the Board's Section of Environmental Analysis.

Please call the undersigned if you have any questions.

Very truly yours Andrew R. Plump

Enclosures







BEFORE THE SURFACE TRANSPORTATION BOARD

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

STB FINANCE DOCKET NO. 33388

NORFOLK SOUTHERN'S SAFETY INTEGRATION PLAN

SUBMITTED IN ACCORDANCE WITH DECISION NO. 52

Dated: December 3, 1997

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I. THE SURFACE TRANSPORTATION BOARD ORDER

This Safety Integration Plan (SIP) is being submitted by Norfolk Southern Corporation and Norfolk Southern Railway Company (collectively Norfolk Southern or NS) in order to identify and describe the measures being taken and to be taken by NS to ensure compliance with the federal railroad safety laws and to ensure safe railroad operations as NS integrates into its current rail system those portions of Conrail operations that are proposed to be allocated to NS.

On June 23, 1997, CSX Corporation and CSX Transportation, Inc. (collectively CSX), NS and Conrail Inc. and Consolidated Rail Corporation (collectively Conrail), filed a Railroad Control Application (the Application) with the Surface Transportation Board (STB or the Board) under Finance Docket No. 33388. The Application seeks Board authorization for the acquisition of control of Conrail by CSX and NS and for the subsequent division of Conrail's operations. Under the proposed transaction, operation of certain existing Conrail facilities and properties would be allocated individually to either CSX or NS to be operated as part of expanded CSX or NS systems. Certain other existing Conrail facilities and operations would be shared by, and operated for the benefit of, both CSX and NS: these are described in the Application as Shared Assets Areas (CSAO).

By Decision No. 52, served November 3, 1997, the Board required the Applicants to submit SIPs for the proposed expanded CSX and NS rail systems and for the Shared Assets Areas. The Board directed the Applicants to prepare SIPs that would address the concerns set forth in Comments filed with the Board on October 21, 1997 by the United States Department of Transportation. Those Comments included the verified statement of Edward R. English, Director of the Federal Railroad Administration (FRA) Office of Safety Assurance & Compliance. Mr. English stated therein that FRA had concluded that each acquiring railroad should prepare a SIP as "a formal, written document that systematically describes how each element of an acquired railroad will be integrated safely into the operations of the acquiring railroad in compliance with the federal railroad safety laws."

The Board explained in Decision No. 52 that the SIPs to be submitted by the Applicants will be made part of the environmental record and dealt with through the environmental review process being conducted with respect to the Application. That environmental review process will culminate in this proceeding with the issuance by the Board of an Environmental Impact Statement (EIS). Applicants submitted an Environmental Report with the Application which, among other things, provided information regarding a number of the safety-related impacts of the proposed Conrail Transaction. The Environmental Report included information concerning grade crossing safety, emergency response plans, implications of diverting traffic off of highways and onto safer rail transport, and various other safety programs administered by the railroads. As explained in the final scoping notice issued by the Board in connection with the EIS process, these and other safety issues will be addressed in great detail in the final EIS.

The DOT Comments of October 21, 1997 focused on a number of safety integration matters that had not been addressed in Applicants' Environmental Report or in the Board's EIS scoping notice. In deciding to require Applicants to address such safety integration matters in SIPs, the Board also decided to incorporate the SIPs as a separate section of the Draft Environmental Impact Statement (DEIS) to be issued by the Board in this proceeding. This will

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give the public an opportunity to comment on the SIPs within the 45-day comment period following service of the DEIS.

This SIP deals specifically with the safe integration with the existing NS rail system of those portions of Conrail operations proposed to be allocated to NS. CSX is submitting a separate SIP with respect to those portions of Conrail that would be allocated to CSX. Additionally, CSX and NS are jointly submitting a separate SIP with respect to safety integration plans for the Shared Assets Areas.

As specified by the Board in Decision No. 52, the scope of this SIP is defined by the subjects and concerns addressed in the Verified Statement of Mr. English of the FRA. Mr. English's Verified Statement set forth numerous areas to be covered by the SIP. These areas were further refined in preliminary SIP guidelines provided by FRA to CSX and NS in November 1997, and through several letters and consultations between the Applicants and FRA during November and early December, 1997, as the SIP was developed. In addition, FRA has assisted by providing expedited review and recommendations regarding the content of the draft SIPs submitted by NS for review and comment.

II. TRANSITION IMPLEMENTATION

NS is aware of the high expectations of customers and local communities, as well as the STB, FRA and other federal, state and local government agencies, both for the continued safe and reliable rail service in the Northeast and Midwest and for smooth and rapid transition to fully integrated operations following the expansion of the NS rail system. Accordingly, NS is placing great emphasis on careful planning to make the transition to the expanded NS and shared assets areas well-managed, with a focus on safe integration and minimal service disruption. CSX and NS commenced planning for the integration of Conrail's assets and personnel into their systems even before they filed a joint application with the STB in June 1997. This planning process will continue well into 1998 and, to a certain extent, thereafter as continued adjustments are made to address safety, operational and service needs.

Assuming the Board approves CSX's and NS' joint application for control of Conrail in Finance Docket No. J3388, CSX and NS will assume control of Conrail upon the effective date of the Board's order. Typically, this is 30 days after the date of the Board's decision on the control application (the "Control Date"). As soon after the Control Date as is feasible, CSX and NS will split the use of Conrail's assets between them under the terms of their agreements and the two railroads will commence to operate their expanded systems. This "split" or "close" date is referred to herein as "Day 1." Accordingly, for a period of time between Control Date and Day 1, Conrail will continue to be operated in substantially the same manner as it is operated today.

Consistent with its historical focus and leadership position with regard to safety, safe integration of operations on the expanded NS system has been the top priority for NS. In fact,

NS itself is the product of a highly successful merger between Norfolk and Western Railway Company and Southern Railway Company in 1982 (a merger referred to as a "model of its kind" by <u>U.S. News & World Report</u>). Nevertheless, NS is cognizant of concerns expressed in recent months about the effects on safety of recent rail mergers. The recent experience of the Union Pacific (UP) and Southern Pacific (SP) rail systems has been a particular focus. For this reason, in this proceeding CSX and NS have been challenged to produce assurances that safety will not suffer as a result of this transaction.

At the outset, it must be recognized that there are fundamental, significant differences between this transaction and the UP/SP merger. As the Board recognized in its decision approving the UP/SP merger, the SP was in poor financial and operating condition before and at the time of the merger. At the same time, UP was still in the process of dealing with issues related to its earlier transaction with the Chicago and Northwestern. Accordingly, from the start, UP/SP had the additional challenge of improving operations over the SP lines. Importantly, even prior to their merger, UP and SP had the first and second highest accident rates among the Class I railroads for five of the last six years. <u>See</u>, Verified Statement of Edward R. English, Director of Office of Safety Assurance and Compliance, Federal Railroad Administration, at pages 3-4 (English Statement), attached to DOT-3.

The safety records of the three railroads involved in the present transaction forecast a different result. As recognized by the United States Department of Transportation in DOT-2, "CSXT, NS, and Conrail are widely recognized as successful and well-run transportation companies with longstanding commitments to safety. All have been responsive to the safety concerns of the FRA, the operating administration of the department responsible for overseeing

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the safety of railroad operations, and all have participated in FRA's Safety Assurance and Compliance Program, in which railroad and FRA officials jointly review carrier safety standards and practices."

Aside from the comfort which can be drawn by recognizing the differing circumstances of the Conrail transaction from the recent UP/SP merger, the smooth and successful mergers that formed CSX and NS further reflect the fact that there is no basis to automatically associate transactions of this nature with systemic safety problems. Nevertheless, a critical part of NS' ongoing planning process is a study of the experiences of the western rail carriers in recent merger transactions. NS' study of the western situation has been well-focused, and knowledge gained from this study will assist NS in implementation planning. Among other things, NS has had as one of its advisors and consultants D. Michael Mohan, who worked for the SP for 25 years, last serving as its President and Chief Operating Officer. NS' study already has identified a number of important principles to follow in planning for integration with Conrail:

• <u>Planning</u>: Involve as many employees from all parties as possible in planning for implementation. Plan at a high level of detail and provide for flexibility. Recognize interdependencies among functions. Prepare contingency plans where appropriate.

• <u>Scheduling</u>: Be realistic, particularly in making assumptions about automated data systems and hiring. Do not overload Day 1. Consider phased-in implementation as an alternative to immediate achievement of all goals.

• <u>Communications</u>: Create communications channels throughout each railroad and between railroads as soon as possible. Communicate in person and in writing frequently.

· Best Practices: Keep an open mind when making decisions. There usually will be
good reasons for differences between ways of doing business. Use rule books and written procedures as the focus for change.

• <u>People and Organization</u>: Hire or retain a more than adequate work force for Day 1. Move with deliberate speed and hire leaders to maintain cultural reference points.

NS has devoted substantial resources to ensure the success of the transaction implementation process. Implementation teams assembled by NS have been meeting for many months to plan fully for a smooth and successful integration of certain Conrail properties into the expanded NS system. Implementation teams range from individual assignments, to departmental teams, to cross-functional teams involving representatives from several departments. Whatever the scope of assignments, the necessary resources are being applied to ensure appropriate transaction goals are accomplished. In all, NS has approximately 70 implementation teams and subteams working toward a smooth, safe and successful transition.

In preparation for operational management of the new properties, NS has formed an operations team whose members are devoting 100% of their time to identifying and addressing operational issues associated with the expanded NS system. This operations team consists of experienced personnel in the following positions: General Manager, two Division Superintendents, a Chief Engineer - Communications and Signals, an Assistant Director - Mechanical Maintenance, a Chief Engineer - Line Maintenance and Assistant Superintendent - Operations Systems. The team, which was created on May 16, 1997, is studying operations over those portions of the Conrail assets that will be allocated to NS and those portions that will be in the Shared Assets Areas. The primary objective of this critical implementation team is to be fully prepared to operate these properties post-Control, in concert with experienced local

supervision drawn from the current Conrail work force, in a safe and efficient manner. A second, but related objective, is to be sufficiently familiar with operations so that reasoned, fact-based judgments can be made in advance to ensure proper integration and transition of operations. The officials on this team also participate in several departmental and cross-functional transition implementation teams.

The issues being studied by the various NS transition implementation teams are broad-ranging. Safety issues are implicated in the work of cross-functional teams on operating practices, shared assets areas, train dispatch, train crew management, maintenance, training and personnel. The Shared Assets Areas team includes, among others, representatives from such departments as Operations, Accounting, Tax, Marketing, Real Estate, Coal Marketing, Internal Audit, Material Management, Information Technology ("IT"), Strategic Planning, Intermodal, Labor Relations and Law. A sub-team of the Shared Assets Areas team which is studying train dispatch issues includes representatives from Transportation, Signals and IT.

Other teams also will help facilitate safe operations during and after the transition. For example, NS has formed a team to assign mileposts for acquired Conrail lines in order to integrate the Conrail lines to be operated by NS into the NS milepost system. This team includes representatives from Transportation, Accounting, Engineering and IT. A crew management transition team is, among other tasks, charged with smooth conversion of crew call responsibilities from Dearborn to Atlanta. This is a large cross-functional team which includes representatives from Transportation, Accounting, IT, Labor Relations, Benefits and Internal Audit.

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Commuter and passenger train issues are being studied by a cross-functional team under the leadership of NS' Strategic Planning Department. NS officials are engaged in ongoing discussions with commuter agencies and with Amtrak on a number of levels, and operating management from NS will work with their counterparts at the commuter agencies and Amtrak to address in advance any issues relating to NS and Shared Assets Areas operations over lines currently operated by Conrail.

Several implementation areas are being handled by teams from individual NS departments. For example, a departmental team is responsible for review and recommendations regarding operating rules for the expanded NS system. Departmental teams also have been formed to address operating service and safety issues involving the CP drawbridge and interlocking in Buffalo and the Vickers crossing in Toledo, Ohio.

These and other implementation teams have been working for several months. The objective of the implementation teams is to work with deliberate speed, develop tentative proposals and formulate final plans as they seek to identify and implement the best practices utilized on NS and Conrail properties. In all categories, the planning process includes: (1) identification of current practices at NS and Conrail; (2) human resource considerations; (3) selection of "best practices" where appropriate; (4) schedules for implementation; (5) identification of training needs; (6) development of training programs; (7) implementation; and (8) verification.

Importantly, while identification and adoption of best practices is a goal, there will be a bias in favor of NS safety systems and processes. Both Conrail and NS have systems and processes to ensure safe and efficient operations. Many of these processes will continue to run in parallel until the advantages and disadvantages are known and training is accomplished. However, under common management, redundant systems and processes eventually will be melded. While NS will continue to study to determine "best practices," given that both safety systems are proven to be successful, NS believes that, absent a compelling case for utilizing a Conrail system or process, NS systems and processes should be used. The simple fact is that it will be more efficient to minimize the change experienced by the majority of employees. NS is substantially larger (both in terms of numbers of employees and route miles) than the portion of Conrail being allocated to NS. Therefore, a decision to adopt NS practices for Day 1, or thereafter, is not a reflection on the quality of Conrail's employees and management or on the safe practices they have developed, but rather may reflect the business reality that selection of NS practices and systems will mean that fewer people will have to be retrained.

Executive management at NS has direct oversight of the implementation process. As a part of this direct oversight, NS has named a Vice President who heads a four-person team with full-time responsibilities for implementation planning. This team is receiving the further assistance of KPMG Peat Marwick with implementation program management. Internal targets are being established for the overall transition planning process, with numerous intermediate check points. Management recognizes the need to remain flexible to the ongoing challenges presented by the transition and is prepared to institute mid-course adjustments as needed.

To learn more about Conrail, over one year ago NS hired several former Conrail people as consultants, and has relied on their expertise about Conrail, and the railroad industry in general, as plans for this transaction have been developed. These consultants have taught us much about Conrail, and the dedicated employees who work there. In addition, there have been personal contacts between NS officers and their Conrail counterparts in every affected department. As a result, NS is better prepared to smoothly implement this transaction.

NS not only has been working with CSX and Conrail in the development of proper implementation plans, but also has been in direct consultation with the FRA and, in fact, has submitted drafts of its SIP to the FRA for its review, consultation and comment. This parallels the ongoing consultative process with FRA fostered in 1996 through NS' involvement in FRA's Safety Assurance and Compliance Program (SACP). In addition, NS has been drawing upon the expertise and experience of commuter agency authorities and Amtrak. Furthermore, as discussed more fully below, NS has obtained the benefit of review and comments concerning its ongoing safety program as well as this SIP from the safety leaders at DuPont. NS is committed to maintaining these lines of communication and benefitting from the knowledge and experience available from each of these organizations and their internal experts.

Full implementation of the transition to an expanded NS system will require flexibility throughout the process. This plan must and will change to address new information and changing circumstances. NS understands that this is a dynamic process which requires plans backed by contingency plans capable of meeting and safely addressing the changing business environment. In the discussion that follows, NS sets forth many of the decisions which have been made, or in the alternative, the process through which decisions will be made, to safely, smoothly and efficiently accomplish the proposed transaction. Accordingly, as more information is developed, both before and after Control Date, many of the safety plans set forth herein will require modification. NS will ensure that the STB, FRA and others are consulted and kept informed as NS' safety integration process continues to evolve.

III. OVERVIEW: NS' COMMITMENT TO SAFETY

A. SAFETY IS THE HIGHEST PRIORITY

At NS, safety is a continuous process, a way of life, both on the job and at home. For all our constituents, safety is our highest priority. Safety is at the heart of our corporate culture. Often companies become known for things such as advertising or product design. At NS, our vision is "to be the safest, most customer focused and successful transportation company in the world."

By the hard work and commitment of all of its employees, NS has achieved recognition for eight successive years as the leading Class I rail carrier in the U.S. for employee safety. In the process, NS has developed the lowest operating ratio of the major carriers. We believe that safety and efficiency go hand in hand. Because safety is our highest priority, we are able to use our resources more efficiently and effectively. The benefits of this success flow directly to our customers, employees and stockholders. Our employees have proven that safety is good business. We know that operating a safe railroad is the right way to fulfill our responsibility to our employees, owners, customers, contractors and to the communities we serve. Our practice is full compliance with all regulatory safety requirements, but it is also our practice to address safety issues not covered by regulations. Improved safety is a win-win situation.

One definition of corporate culture proposed by a speaker at NTSB's 1997 seminar on corporate culture was that it is "...the way we do things around here." At NS, "safety is the highest priority." Safety is the first consideration in everything we do and is inherent in every aspect of our operations. It is not something that is separate or apart, or that is superimposed on operations. It is our belief that if a job is not performed safely then it has not been

performed successfully. Safety is our corporate culture. It is without compromise "the way we do things around here."

At NS, safety is not the sole responsibility of the Safety Department, rather it is the obligation of each employee to safeguard, improve and perpetuate. Safety is a line function--everyone's first order of business. Safety unites every employee, regardless of job position, location or craft. Safety is the rallying point of improved teamwork, cooperation and communication and is a continual process.

B. DuPONT'S INVOLVEMENT IN THE STRENGTHENING OF NS' SAFETY PROGRAM

In 1988, NS' management determined that despite a strong safety record when compared with other U.S. railroads, NS could do even better. To help NS achieve its vision of becoming the safest transportation company in the world, NS asked DuPont, Inc., a world-renowned industry leader in workplace safety, to examine our company and its safety process and to provide a candid assessment of our safety efforts.

Beginning in late 1988, DuPont consultants spent about eighteen months evaluating our work areas, interviewing employees and examining the condition of our facilities. As requested, they were candid in their assessment of our shortcomings, but provided solid guidance to help us establish a continuous improvement safety process. The DuPont consultants pointed out that the first step to improved safety was an uncompromising commitment from top management and adoption of a safety philosophy. Second was the establishment of a system that would allow communication of safety concerns from employees performing the work all the way to the executive level as, and when, necessary. Next was to ensure that first line supervision addressed

safety as an integral part of every operation. Other important steps were also identified, including implementation of a formal safety audit process.

To achieve the first step, NS adopted a Statement of Policy on safety and promulgated its "Six Tenets of Safety." The policy statement and tenets were distributed to all employees and have become integral parts of the NS Safety Process. Additionally, a Six Point Action Plan was developed as a comprehensive plan for safety of operations. The plan demonstrates NS' commitment to safety by showing the steps managers are to take and the resources that will be committed to improving safety. Each step serves to integrate safety into all operations of the system. The elements of the plan underscore the importance of participation in safety at every level of the corporation. Additionally, all officers issue policy statements on their commitment to the Safety Process. This involves Non-Operations as well as Operations officers.

The Executive Vice President-Operations (EVPO) also established the practice of holding a regular review with department heads to discuss injuries across the system. Today, this has evolved to a twice-weekly process, led by the EVPO, whereby all injuries and major incidents are discussed and examined by Operations Division department heads. This ensures that proper attention is given to each situation, that the basic cause is identified, and that any necessary actions are taken to prevent recurrence of similar injuries or incidents. Specific safety projects and programs are often assigned and developed as a result of these individual reviews of injuries. In addition to leading to prompt remedial action, this process helps prevent future incidents by encouraging "before the fact" training, education, performance of safety audits and personal involvement.

Another step in implementing DuPont's recommendations was the establishment of a

uniform safety committee system. Safety committees are an important component of NS' Safety Process and exist in all departments and levels, allowing for information to be exchanged throughout the employee population and resulting in continuous improvement. The committee system guarantees that new standards and procedures recommended by employees are given prompt attention and are evaluated through a defined, uniform process.

A third major recommendation made by DuPont to NS in 1988 was that first line supervisors would have to accept full responsibility for safety in their areas. Previously, safety was often viewed as the responsibility of the Safety Department and other safety officials. In response to this recommendation, one of the original Six Tenets of Safety adopted by NS stated (in the late 1980's), "<u>Supervision</u> is responsible for prevention of injuries and accidents." Adoption of this tenet underscored for supervisors the fact that safety was indeed an integral part of their operations. Supervisors came to see the importance of ensuring that risk was eliminated or reduced to an acceptable level in order to ensure safe and efficient operations.

Something interesting developed as our process evolved and matured. Agreement employees began to question why injury prevention was looked at as just the responsibility of supervision. The agreement employees articulated the belief that injury prevention was as much their responsibility as that of the supervisors. Consequently, the safety committees progressed a resolution to the Operations Division Safety Steering Committee (ODSSC) recommending that the tenet be changed to read "Prevention of injuries and accidents is the responsibility of <u>each</u> employee." NS believes that the fact that employees themselves felt strongly enough to claim ownership in injury prevention indicated how firmly safety was becoming established as the primary element of our corporate culture. The proposed change, an evolution in safety commitment, was enthusiastically approved by the ODSSC and is now a published tenet.

The implementation of safety audits was another significant addition to the NS Safety Process. DuPont assisted NS in designing an audit process that focuses on prevention and correction. The audit is a time of instruction and learning, not discipline. Supervisors were provided comprehensive training in auditing the work environment for unsafe conditions, employee behaviors, job processes and proper use of personal protective equipment. Supervisors have received follow-up training to continuously improve their safety auditing skills.

The Safety Process continues to be improved and refined at NS. Our injury rate has dropped over 80% since 1988; our train accident rate in the comparable period has decreased by 31%, second only to CSX. Our ultimate goal is zero injuries and incidents; a goal we fully believe is attainable.

C. NS' SIX TENETS OF SAFETY

The following is NS' Statement of Policy regarding safety:

The Norfolk Southern Corporation is committed to the principle that safety is good business. No one should be exposed to unnecessary hazards and risks.

Responsibility for safety and environmental stewardship cannot be transferred. Each employee of this Corporation, therefore, is held personally accountable for his/her actions on the job.

- All injuries can be prevented.
- 2. All exposures can be safeguarded.
- Prevention of injuries and accidents is the responsibility of each employee.
- 4. Training is essential for good safety performance.

5. Safety is a condition of employment.

6. Safety is good business.

This policy statement clearly sets forth NS' view of safety and its goal of zero incidents. NS unequivocally rejects the idea that injuries and accidents are a consequence of doing business. The "Six Tenets of Safety" today inform the process by which NS is planning for integration of those portions of Conrail to be allocated to it, these tenets will inform the transition implementation process, and they will thereafter constitute a Statement of Policy for the entire expanded NS system.

"All injuries can be prevented." This point challenges the organization to continuously improve its performance and to understand audit and investigation results so that we progress toward the goal of zero injuries. At times we are faced with the observation that this first tenet is unobtainable. However, our response is that we cannot accept anything less. To do so would be to ad 't that failure is an acceptable result. At this writing, 34 of 83 employee work groups are (FRA) reportable injury free this year.

"All exposures can be safeguarded." No one needs to be exposed to unnecessary hazards and risks. All NS field supervisors perform a safety audit each week in the workplace. One aspect of this proactive exercise is to identify unsafe conditions or unsafe work situations. The audits have proven to be highly effective in identifying and correcting a number of injury exposures. We believe the audits have been a major factor in injury reduction. The major key to safety auditing is to enhance/effect employee/supervisor personal communication.

"Prevention of injuries and accidents is the responsibility of each employee." "Huddles" or job briefings are required before commencement of work or a change in work task to be performed, to ensure every person involved in a job is fully informed of what is to be done, how it will be done and who will be doing what. Each member of the team is responsible for ensuring the job is completed safely. Each employee is charged to be his/her brother's/sister's keeper as well as being personally responsible for his/her own actions.

"Training is essential for good safety performance." NS produces numerous safety training programs, videos and video vignettes "in-house" each year. Training workshops and seminars are conducted throughout the year by the Safety and Operating Departments. Every piece of safety training provided to an employee is documented in an employee training history. Immediate on-line safety histories are available to review what training an employee has received. The training system also provides the ability to determine which employees have not received certain training. This is especially valuable for tracking mandatory training at individual facilities, such as hazmat, etc.

"Safety is a condition of employment." If an employee, for whatever reason, cannot consistently perform his/her work safely, it is incumbent on the employer to make every effort to train/educate and correct behavior and, if in due time there is no behavior modification in response, to remove that individual from the work environment for the sake of his/her fellow workers as well as for his/her own sake. NS invests considerable resources to seek out, hire and train qualified employees. When an employee is disciplined, we lose the benefit of that investment. Our discipline process is fair, progressive, and educative; we make every effort to ensure it is administered consistently and with integrity. However, safety cannot be compromised.

"Safety is good business." NS is a business entity that exists solely for the purpose of safely providing transportation service to customers for a profit in a free enterprise system. We

fully recognize that safety is the most critical element in successfully providing that service. Among other things, it sets the discipline required for an effective and efficient business. The hard work of all employees to ensure safety of operations contributes substantially to the bottom line. In turn, this improves our ability to grow the business, improve shareholder equity and provide more employment opportunities. Wise and prudent use of resources to continually improve safety is critical to the future success of NS.

D. NS' SIX POINT ACTION PLAN FOR SAFETY OF OPERATIONS

The following is a descriptive summary of the Six Point Action Plan. As is the case for NS' "Six Tenets of Safety," the Action Plan will inform the planning and implementation processes and will be an intrinsic part of the safety process of the entire expanded NS system.

1. Safety Policy and Goals

• Personal Policy Statement - Safety performance becomes important to co-workers only when they perceive it is important to the leadership. NS supervisors issue personal policy statements annually which reaffirm their commitment to a safe operation, outline safe job performance, express a genuine concern for the safety and health of employees, and convey safety goals.

• Safety Performance Goals - Setting performance goals is an important part of planning for continuous improvement in safety. NS safety committees, divisions, and departments issue performance goals. The goals are clearly defined and realistic. Department personnel are kept informed of actual safety performance in relation to goals to publicize and encourage progress.

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• Safety Performance Evaluation - To be effective, employees must be in possession of the facts about their safety performance. This requires knowing what types of accidents have occurred and how many have occurred, where and why did they happen, whether there is a trend developing, etc. With this knowledge, development plans can be established. NS has systems in place to quickly provide this information and the Safety Department has resources available to provide more in-depth analysis on request.

2. Education

• Safety Training - Safety is an integral part of all training. Recognition of unsafe work practices requires knowledge of the safety rules and of inherent hazards and of the proper methods of controlling such hazards. When employees are properly trained, they develop a clear-cut perception of danger and an attitude of safe behavior. They begin to recognize critical behaviors and improper or unsafe acts. Ongoing training benefits even the most experienced employees by helping them realize that hazardous and risky situations can never be taken for granted. NS safety training emphasizes job briefings, also referred to as huddles, and undivided attention to duty.

• Safety Audits - Audits of work practices are conducted on a weekly basis by supervisors. The audits are not rules checks and the information gathered is used for development, not used for discipline. Audits are approximately one hour in length, and are done by single or multiple employees. Workplace rule compliance, existence of proper procedures, and check of workplace conditions are done concurrently. Each department has its own audit form. Audits are "engineered" primarily to result in effective communication between employee and supervisor, as a proactive effort at education and improvement. Audits are an important

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foundational block of the NS Safety Process. Corrections are communicated on the spot during the audit. If no unsafe conditions are observed, this is communicated. The information gathered during an audit is evaluated to determine if further training is needed or physical corrections to the work environment are required.

 Rules Examination - Annual safety and operating rules classes and examinations are required for all employees whose duties are prescribed by the Operating Rules.

3. <u>Communication</u>

a. Safety Promotion

Every employee is to be a salesperson for safety. Safety is to be sold and resold until it becomes a frame of mind and a way of life. Safety awareness is an important aspect of safety and can be enhanced with visual aids and employee involvement. The Safety Department is a valuable resource and can be of assistance in obtaining training, technical and promotional materials.

b. Safety Meetings

Safety committees meet on a monthly basis or more frequently as necessary to discuss safety performance, causes of accidents and injuries, seasonal hazards, goals, operational considerations, etc. The committees include representatives from Transportation, Maintenance of Way, C&S, Mechanical, Claims and Police. The committees are encouraged to invite representatives from other departments such as Safety, Law, and Labor Relations. Active safety committees inspire employee participation and members are encouraged to join in all aspects of the process, including safety audits, safety training, and safety goal setting.

c. Individual Involvement

Direct involvement by individual employees is absolutely essential to the success of the Safety Process. NS encourages this involvement by providing training in correct work methods, immediate but judicious correction of unsafe work habits in the work place, and positive reinforcement. Individuals are encouraged to participate regularly in safety meetings and safety inspections. Territories/locations give individual recognition for contributions to the safety effort. Awards and nominal value incentive tokens are provided to aid in fostering individual commitment and esprit de corps.

d. Quarterly Personal Contact

Every quarter each Operational Department supervisor initiates at least one personal recorded safety contact with each of his/her employees. (In practice, such contacts occur on an even more frequent basis.) This affords the supervisor and the employee the opportunity to effectively communicate with each other to discuss safety practices or concerns. Supervisors are encouraged to share a different safety message during each contact and to discuss specific work procedures.

e. Other Communication Tools

Some examples of other communication tools at NS include:

• Each morning, daily safety reports are available to all employees and are utilized by individuals and groups as they begin work. Those reports include information on safety performance and injuries and are used as springboards to launch discussions at morning job briefings on ways to prevent incidents from occurring. • Publications include: *Thoroughbred Paces*, which is published every two months; *As Information*, electronic newsletter; *Point To Point*, quarterly customer publication; departmental, divisional, terminal and local newsletters, and letter, video and brochure mailings to employees' residences to encourage safety at home and in the workplace.

• At the beginning of each week, Engineering Department "Friday Safety Incident Reports" that include a selected weekly focus are disseminated during Maintenance-of-Way safety gang "go-to-work" meetings to focus safety discussions. These reports provide employees with the opportunity to learn from injuries and serious incidents which have occurred and prevent them from recurring.

• Safety suggestion boxes at many locations and safety hotlines on all divisions are available to report safety concerns or solicit employee suggestions. These services are driven by the notion that those closest to the work often know better how to make daily tasks safer and more efficient. Most hotlines have been in service for many years.

 Departmental safety policy statements and divisional and major shop goals are reviewed, updated and posted annually. Employees/managers set goals that are achievable and which strive for continuous improvement with an ultimate goal of zero.

• Dispatcher bulletins include safety messages to remind employees to stay focused on the job at hand, despite distractions such as severe weather.

 Notices from department heads that identify serious incidents on NS and other rail carriers are distributed and discussed. Serious incident notices are published expeditiously following an incident and are posted prominently on safety bulletin boards for use in discussion and education for prevention and recurrence.

 Safety Director Notices are posted prominently on safety bulletin boards at workplaces system-wide encouraging employees to stay focused on the Company's ultimate goal of zero injuries.

 Safety information is shared among committees to remind employees of the ultimate goal of zero injuries and to encourage a continuous focus on the safety process.

• Management meetings, staff and departmental meetings, shop and Maintenance of Way gang meetings and daily work briefings each commence with a safety discussion. Before tackling agenda items, the first subject is always safety.

• Employees conduct local, independent job briefings, or huddles, and safety meetings at work locations with co-workers. The purpose of these meetings is to discuss specific tasks to be performed that day. Discussion items include, but are not limited to, job procedures and suggestions to improve work methods that could eliminate or reduce lifting, bending and injury potential. In addition, employees discuss job planning, procedures, relevant safety rules and proper equipment and tools needed. Whenever a job changes or a new task begins, when work gets confusing or a violation is observed, another job briefing is held to discuss changed circumstances.

• Quarterly, departmental safety employee contacts are conducted by management and agreement employees and provide the opportunity for one-on-one and group discussion. Safety videos and guest speakers help make these meetings more

interesting and informative. Annual safety contacts are also performed by supervisors and employees. An employee's safety performance is discussed and corrective action, if any, is decided. Employees are encouraged to express any safety concerns they might have. Management might also use this time to commend employees for exceptional safety performance.

• Comprehensive safety programs or campaigns are initiated to identify specific safety concerns and prevent injuries from occurring. For example, NS launched a "Fight the Summer Spike" campaign in which dozens of company officers traveled during hot-weather months more than 12,000 miles on seventeen hi-rail trips to help spread the safety message to employees across the system.

• The Safety Department developed a "Winter Freeze Out" campaign in 1996/1997 to remind employees to stay focused despite extreme-weather conditions in the cold-weather months.

 Work locations system-wide sponsor family picnics and cookouts, safety breakfasts and other informal gatherings to encourage participation and remind employees and their families to remain focused on safety.

4. <u>Recognition</u>

a. Recognition of Safety Performance

People tend to repeat behavior for which they have been rewarded. On NS, individuals as well as groups are recognized for achieving exceptional safety performance. Such recognition provides positive reinforcement and visibly demonstrates that management recognizes the importance of such achievements. NS division budgeting provides for recognition monies,

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division safety banquet/award ceremony functions, tangible award recognition, etc. Departments are also encouraged to develop their own safety award displays.

b. Family Recognition

The family's influence on an employee's job performance and safety consciousness is significant. Activities such as picnics, safety fairs and award dinners are held at various times to enhance family participation in safety, both on and off the job. NS employees have grown to learn that safety is a 24-hour commitment.

5. Enforcement

NS believes in thorough rules training/education and strict rules compliance/adherence. Rules compliance is monitored by rules checks and tests and by safety audits. Each employee and supervisor is "safety accountable," each responsible for the prevention of injuries and incidents. Safety accountability requires some established form of safety discipline. On-the-spot corrections must be made of any safety infraction, careless act or improper procedure. Safety and general conduct rules must be and are enforced, but harassment or intimidation of an employee are not tolerated. Discipline is appropriate in some cases to assure compliance. However, in most cases, the NS system provides for leadership, training and on-the-job counseling as the best ways to improve safety performance.

6. Accident and Injury Investigation

a. Medical Attention

When an employee is injured, the supervisor's immediate and primary concern is to ascertain the need for medical attention and obtain that attention promptly if needed. The supervisor or some responsible person accompanies the injured employee to the medical facility and remains as long as necessary. While treatment by a company physician that is familiar with the physical demands of railroad work is encouraged, an injured employee is entitled to be treated by a physician of his/her own choosing.

b. Cause Analysis

An accident indicates a "breakdown" in equipment, operating procedure, or personnel. All accidents, no matter how minor, are investigated to determine cause and initiate corrective action. NS has the knowledge, experience and analytical resources available to fully investigate accidents and correct identified problems.

E. SAFETY COMMITTEES AT NS

As discussed above, safety committees play an important role in NS' safety structure. The following is a description of the safety committees:

1. Operations Division Safety Steering Committee

Headed by the EVPO, ODSSC meets monthly at different NS locations and functions as a proactive safety policy-making group consisting of senior managers and cross-departmental representatives.

The committee begins each monthly meeting with a dinner discussion/information exchange, including a question and answer session with local management including area firstline supervisors. Subject matter is not limited and includes safety procedures, safety philosophy, employee work performance, rules compliance, workplace conditions and meeting customer expectations.

The following morning, the committee begins with a safety audit and tour of local facilities. Safety procedures, employee work performance and rule compliance and overall

workplace conditions are reviewed by ODSSC members and local management. During the audit and tour, discussions concerning safety and other issues are conducted with all employees present. ODSSC then conducts its monthly meeting. This is followed by a luncheon discussion/information exchange forum with a question-and-answer session, with local labor representatives and other local employees, and chaired by the EVPO. Any subject may be discussed. Discussion is encouraged and concerns are addressed during the session. Any issue requiring further review is noted and a written response is provided.

2. Regional Safety Steering Committees - East and West

Currently two regional committees function much like the ODSSC. They meet monthly at different regional locations. Generally, 20 employees participate at each committee meeting to discuss region-specific issues. This group also meets with local representatives as part of the meeting.

3. Divisional Safety Steering Committees

Nine divisional committees meet to address division-specific matters. About a dozen employees attend each meeting to offer feedback. NS intends to mirror this setup with divisional committees/large shop committees to represent those new territories to be operated by NS.

4. Local Safety Committees

Interdepartmental (terminal) committees, which include local management and agreement employees, meet monthly to discuss safety issues. In addition, as part of the meeting, committee members often conduct workplace safety audits, which include inspecting facilities, equipment, rule compliance and employee attitude and safety focus. These committees are often "chaired" or "co-chaired" by agreement employees.

5. Local Departmental Shops and Gang Safety Groups

Mechanical and Engineering Departments sponsor numerous shop and gang safety committees, generally chaired or co-chaired by agreement employees, to handle safety issues at monthly meetings. Committee meetings are self-directed and employees organize motivational activities that include safety slogans, instructional videos and campaigns to encourage workplace safety.

6. Rail Management and Labor Representatives Meetings

Meetings between Operating Davision Department heads and labor general chairmen periodically are held to discuss and resolve safety matters.

NS anticipates extending this committee structure to the expanded NS system. As will be evident from the following discussion of the Conrail safety process, integration of the district, gang and shop committee structure, as well as NS safety philosophy as described in the Six-Point Action Plan for Safety, will be aided by the similarity of Conrail's committee system and extensive commitment to employee safety.

F. MONITORING OF SAFETY

Fundamental to the Safety Process is a system of audits and benchmarking to ensure safety programs are achieving their intended effect and to promptly learn of any decline in safety, so that appropriate resources can be applied to negative trends. NS has established and published annual goals for reduction of accidents/incidents and fatalities and four to five year percentage improvement forecasts. In 1997, NS divisions similarly established division goals. Of course, the ultimate NS goal remains the achievement of zero injuries. Each safety committee and all division managers periodically review these goals as directed in the Six Point Action Plan. Each day, progress charts indicating total injuries, crossing accidents and FRA reportable injuries are prepared and distributed. When serious incidents occur, bulletins are promptly posted on safety bulletin boards to facilitate prevention measures and actions by all employees. Safety audits also are performed by appropriate supervisors on a weekly basis. These audits are reviewed by successive levels of supervision to detect trends which must be addressed by management. In appropriate circumstances, these trends also are reviewed through the division safety committee.

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IV. OVERVIEW: CONRAIL'S COMMITMENT TO SAFETY

A. CONRAIL SAFETY POLICY

Conrail has been diligent in establishing safety as the preeminent element in its corporate philosophy. Many of the same key elements of NS' safety process have long been in place at Conrail. Conrail has a positive record in achieving steady reductions in reportable injuries and incidents.

Conrail believes that a successful accident prevention program provides clearly-defined objectives for management, employees and their representatives that create a mutually-beneficial safety environment. The responsibility for preventing accidents is shared by all employees. However, line supervisors are key to the process. They can take direct action to maintain safe working conditions, behaviors, and habits. Supervisors must instruct employees in all phases of their participation in the program and establish an enthusiastic "climate of safety." Conrail summarizes its safety policy in the following statements:

• The safety of employees, the public, the environment, and customer shipments are in our trust. Conrail will strive for accident-free work and commit to continuous and measurable decreases in safety-related incidents.

 Employees and management are responsible for maintaining a safe work environment and for preventing personal injuries.

 Compliance with all safety policies and procedures is a condition of employment.

All injuries can be prevented.

 It is each employee's responsibility to observe this policy with respect to their own actions and those of others with whom they work or whom they supervise. Conrail's safety objective is to achieve consistently safe working conditions by instilling in employees a genuine interest and awareness in the safety program. At Conrail, employees' interest and awareness of safety are fostered through training, participation in committee activities, and active leadership by supervisors at all levels.

B. CONRAIL'S APPROACH TO SAFETY AND RISK MANAGEMENT

The culture at Conrail has changed significantly over the last several years, resulting in a solidly established environment in which safety is the first priority. Prevention-based, riskadjusted decisionmaking is thoroughly integrated into the day-to-day operations of Conrail's employees.

Conrail tracks its progress in managing risk by structural oversight of five key focus areas: personal injury safety, environmental quality, damage prevention, public safety and risk management training. In each of these focus areas, Conrail monitors the goals and measures applied, in order to demonstrate progress, the sustained credibility of its efforts with all constituents, the level of corporate support being provided in areas of need, and the accountability by which all employee performance is governed. Within this framework, Conrail has established a prevention-based culture, in which safety is a value of the highest order.

As is the case for other railroads, Conrail's first corporate goal is "to be the safety carrier." Conrail's Vision Statement for the managing of risk is even more specific:

As risk managers, we are committed to anticipating, avoiding, preventing, reducing and responding to risk to our employees, customers and the public.

We will establish and communicate integrated processes by which every employee recognizes and shares responsibility for identification, analysis and management of risk, ensuring the preservation and enhancement of human, physical and financial assets.

1. Safety Organizational Structure and Committees

In order to realize its vision, Conrail has established a broad-based cross-departmental organizational structure to support the safety effort. The Safety Focus Team is comprised of senior officers and staff and provides support for all corporate activities impacting safety and performance. The Safety Focus Team, which meets once a week, is charged with providing guidance, removing barriers to safety initiatives, and finding necessary resources for the achievement of identified objectives.

The Safety Focus Team sponsors the activities of five Quality Improvement Teams (QIT), which report regularly to the Safety Focus Team. The QITs deal with the areas of employee personal injury safety, damage prevention, environmental quality, public safety and training. Each QIT is cross-functional in nature, drawing from various departments in Conrail, and each QIT has specific goals, performance measures and in-process measures driving its activities. The QITs are comprised of craft personnel and Environmental Health and Safety (EH&S) specialists.

Conrail's senior management participates in the safety effort in a variety of ways. The most ambitious and visible undertaking is Conrail's operation of "Safety Train" trips each year. Under the direction of Conrail's Senior Vice President of Operations and the Risk Management Department, the business office car trains makes an excursion to each of the operating divisions during the year, stopping along the route so that management can hold sessions with all available field personnel at both large and small facilities. These trips give employees an opportunity to communicate their concerns, suggestions and feedback on all issues directly to the officers of the corporation. All input is reviewed and action plans for meeting employee concerns are

developed and communicated back to the employees. In 1995, 1996 and 1997, face-to-face discussions took place with over 15,000 employees each year on safety-related issues.

Additionally, each senior non-operating officer of Conrail has been assigned by Conrail's Chairman as a "Safety Champion" to a division within Conrail. Each Safety Champion averages one visit per month to his/her assigned division.

Conrail's senior management is also accessible to all Conrail employees through several interactive exchange mechanisms. Toll-free ("800" number) phone lines are in place on all divisions and at Conrail headquarters for employees to voice any safety-related concerns. Conrail's electronic mail system affords another means through which issues can be surfaced for review and/or resolution.

Safety Committees in the field, at both the division and district level, are the next level of organizational structure involved in Conrail's safety efforts. Safety committees are instrumental in (a) establishing and maintaining proper awareness and safety consciousness in employees; (b) identifying unsafe work behaviors and conditions; (c) formulating solutions to inappropriate work behaviors or unsafe work conditions; and (d) positively reinforcing safe work behaviors. Safety committees contain both craft and supervisory employees.

There are five division safety committees plus a committee for the Altoona Mechanical Shops. The committees consist of non-agreement personnel and the safety chairman. The safety chairman is an agreement employee who conducts safety activities on a full-time basis. The budget for these committees is assigned to the Division General Manager.

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The grass-roots level of the process is the Safety District. A district can be a work location, terminal, shop, etc. Presently there are approximately 85 safety districts on Conrail with an average size of about 300 people per district. Each district has a safety committee that consists of 5-10 agreement and 5-10 non-agreement employees. The committee meets two days a month and agreement personnel are fully compensated for the two days.

Conrail and the unions representing its employees have also established system safety steering committees, consisting of senior officers and the unions' general chairmen, which meet on a regular schedule. These committees were established to address concerns of labor leaders within Conrail and to drive cooperative and collaborative efforts to solve problems and improve safety. These committees are a venue in which Conrail's Risk Management effort seeks support, cooperation and understanding with respect to the prevention-related efforts of Conrail's safety program.

Within the corporate structure, Conrail's Risk Management Department directs and guides the safety effort. This Department incorporates what had formerly been separate departments of Safety, Environmental Quality, Hazardous Materials, Damage Prevention, Health Services, Claims Services, Insurance and Police. Conrail formed the Risk Management Department as part of a strategic plan to manage all of those factors of "risk" (i.e., uncertainty about whether human, physical and financial assets will produce desired returns) impacting performance. The corporate Risk Management staff supplies training programs, awareness of compliance and regulatory requirements and staff specialists to assist the field effort. There are also complimentary division-based risk management teams in the field.

2. Conrail Safety Activities and Functions

Conrail's emphasis on risk management in the past few years has resulted in new inprocess and results measures in all areas of risk and in a renewed emphasis on training. Risk management training is required each year for all major crafts. Conrail's B-SAFE program emphasizes safe behaviors and positive reinforcement. Environmental compliance team training and the "I Am Hazmat Confident" campaign are used to instill greater knowledge and ownership in the field relative to environmental and hazardous materials transportation responsibilities. Ride Quality Teams work with customers to eliminate damage to lading in transit, and Conrail's industrial hygienists work with field management to help proactively create a protective work environment. Conrail has one of the strongest hazardous materials programs in the industry and is a leader in the Responsible Care Partnership program with the Chemical Manufacturer's Association.

Conrail drives accountability for safety performance by applying a premium allocation system to the divisions, making each responsible for its own cost of risk. On an individual basis, employees are subject to discipline for violation of safety rules. The company rewards safe behavior through one-to-one positive reinforcement, B-SAFE celebrations and the \$afety \$hares program. Under \$afety \$hares, Conrail awards common stock (currently amended to cash due to the transaction) based on 4 ach safety district's individual performance. The level of the stock award ranges from 1 5 shares up to 6 shares. The award is credited to an account established for each winning employee. While Conrail has generally phased out nominal value incentive items, each division does also budget approximately \$50 per person each year for special recognition.

Other safety-related activities and programs include the following:

• Division Mini-Trips: In addition to the Division Safety Trips, discussed above, supplemental trips are often made, without a train, by lower-level Conrail officers.

• Safety Action Team: Six positions on each division of Conrail are budgeted each year to take care of safety-related maintenance items. Conrail's division budgets include a pool of monies for instant safety fix-up and/or construction. Priorities are set by the Division Safety Chairman, Division Engineers and Division Director EH&S. The budget to handle the maintenance items includes labor, vehicle maintenance and materials.

• Safety Shoe Policy: Conrail employees are reimbursed \$15 per pair of safety shoes up to two pairs a year, pursuant to union agreement, except for BRS and BMWE employees. Pursuant to their agreements, BRS employees receive \$135 per pair of shoes; BMWE employees receive \$30 twice a year. Payroll deduction is allowed for safety shoe purchases.

 Personal Protective Equipment: The Safety Department approves and authorizes all safety equipment used on Conrail. A safety catalog has been developed with the Conrail sole source safety equipment vendor, Safewear, Inc.

• Prescription Safety Glasses: Conrail allows employees to obtain two pairs of prescription eyeglasses per year. A family purchase feature is included in the program.

C. INTEGRATION OF SAFETY COMMITTEES AND SAFETY ACTIVITIES

The safety committee structures of Conrail and NS are quite similar, though the territorial committees at NS are called "local" committees. NS' Safety Committee structure is similar in concept to Conrail's and integration of the existing field committee structure at Conrail will be

easily accomplished. A new Northeast Region Safety Committee to represent the Conrail territory operated by NS will be in place on or before the Closing Date.

NS committees meet one day (or more as necessary) per month. Agreement members are compensated for time lost. These committees are chaired by agreement personnel or supervisors or are co-chaired by representatives of labor and management. NS also has Divisional Committees generally chaired by one of three revolving department heads from Engineering, Mechanical and Transportation. The day-to-day management of the Conrail Division Safety Committee process is by the agreement Safety Committee chairmen. It is anticipated that transition to chairing by Division Superintendents would occur on properties allocated to NS. Conrail has no regional committees; NS expects to establish a Northeast Region Safety Committee. The Conrail System QIT and Safety Focus Team perform largely the tasks performed at NS by the ODSSC. NS expects to quickly establish an umbrella committee system for the district/local committees, to include divisional, regional and ODSSC (policy) committees.

NS' plans and processes for integration of Conrail operations, including safety programs and processes, are discussed throughout this SIP. The following are NS' current views regarding integration of some of the specific safety activities and programs described in the previous subsection:

• Division Safety Trips: At NS, department heads makes trips by hi-rail that are comparable to the Conrail Division Safety Trips. These trips afford similar opportunities for close employee contact. Such hi-rail trips are expected to continue on the expanded NS system.

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• Division Mini Trips: Similar trips are made at NS, with Regional officers/Division officers making personal contacts. Such contacts are envisioned to continue as long as the initiative does not become "tired" or overdone--like any safety program, such contacts must be varied, changed/improved for maximum interest.

• Safety Action Team: Based on NS visits to Conrail, it appears that the SAT is not always used for safety items, and SAT positions are sometimes not filled due to furlough. At NS, the needed day-to-day repairs are viewed as part of the day-to-day maintenance requirements of the support departments, and such instant repairs are taken care of expeditiously and are budgeted for and are charged to expected expenses, furthering the culture that safety is a part of all we do. Similarly, if a major project, such as new yard lighting, etc. is required, it is budgeted for as part of a department's capital process. It is anticipated this expense/capital expenditure system will by applied by NS to its allocated Conrail properties. This will be part of the transition to emphasizing that all staff groups, not just a SAT, are responsible for safety, and that such matters are part of daily ongoing responsibility.

• \$afety \$hares: NS has a group Safety Incentive Plan which recognizes performance and is not part of individual compensation. NS intends to honor Conrail commitments to an established beneficial incentive plan for the calendar year including Closing Date. Transition to the NS Safety Incentive Plan is envisioned in the first full calendar year after Closing Date, provided a plan is announced.

 Safety Incentives: NS generally budgets in excess of Conrail's \$50 per person for incentives, and transition to NS' funding level may be anticipated.

Safety Shoes: NS employees purchase their own safety shoes.

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• Personal Protective Equipment: NS has catalog arrangement/approval similar to that at Conrail. The NS Safety Group/Purchasing Group will continue a similar function and expects to publish a catalog as in the past.

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• Prescription Safety Glasses: NS' proposal for prescription safety glasses and other personal safety equipment is described below in Section VII.H.4.

V. THE NS-CONRAIL SAFETY INTEGRATION PROCESS

A. DIALOGUE BETWEEN NS AND CONRAIL

For months, NS representatives have been meeting frequently in person with Conrail's AVP-Safety and Environmental, Director Safety and other key safety officers. A comprehensive review has been undertaken to acquire as much information as possible about the Conrail Safety Process. Since Spring/Summer 1997, dozens of NS personnel, invited by Conrail officers, have visited thousands of Conrail craft personnel on Safety Train visits, hi-rail trips and over-the-road visitations. Safety and Environmental Department exchanges have occurred or are scheduled to occur between Conrail/NS personnel on the Dearborn Division, Pittsburgh Division, in Philadelphia and in Roanoke. In recent months, NS department heads have participated in Conrail Indianapolis Division, Pittsburgh Division and Dearborn Division system safety trips. Joint Conrail/NS discussions were conducted during these trips with employee groups "on division," and dozens of "one-on-one" contacts were made.

The NS Operations Division Team described above has been working since May exclusively to plan and implement the integration of NS and Conrail Transportation, Engineering, Mechanical and Operations Data support with the safety of that implementation a principal issue. Technical meetings (Joint Application Development sessions) with NS IT personnel have been on-going for the last several months to examine how to best fit together Conrail and NS accident/incident reporting processes and safety programs. Every aspect of NS Safety Department operations has been mapped out in these sessions in order to compare exactly what occurs within NS with what occurs within Conrail. Open issues, training needs, data requirements, technical needs, programming projects, information flows, and system gaps are

being identified as a result of these sessions. Plans are being developed to ensure a solid transition process.

To intensify all these exchanges, eleven top Conrail Operations officers, including Conrail's Senior Vice President-Operations and ten of his top staff and field officers, participated in a joint staff meeting with NS on November 2-5, 1997. Key topics included brainstorming and group sessions on how we can attain zero injuries/incidents and what can additionally be done to enhance transaction implementation. Conrail and NS Operating division senior officers and department heads collectively participated in these discussions. Similarly, key subjects discussed at a recent Conrail/NS meeting on November 15-16 in Roanoke included safety culture and how proper assimilation can be fostered.

Efforts to share information and learn more about Conrail have not been limited to operational or safety matters. Earlier this year NS began distributing its company magazine <u>Thoroughbred Paces</u> to most Conrail employees. <u>Thoroughbred Paces</u> is printed every two months for distribution to employees, retirees, customers and many others. A new addition to the magazine will be features on Conrail's heritage, including a soon to be published article on the significance and heritage of different Conrail locations.

Similarly, NS' weekly newsletter <u>Implementation Update</u> includes an article or item on Conrail's heritage in each issue. Other efforts to explore both our similarities and distinctions in company culture have been through videotaped interviews with NS Chairman David R. Goode and others. These videotapes, which are narrated and hosted by Conrail, are distributed throughout Conrail and address issues ranging from corporate culture to operating practices and philosophies. The safety departments of both companies also have begun to exchange videos.
manuals and other safety program materials.

Through this process and others, NS has learned much about Conrail and, importantly, Com vil's people, safety processes and systems. What NS already knew is that Conrail and NS emproyees share the collective belief and value in safety--a belief developed over a period of many years through all forms of communication with and among employees. Sometimes referred to as a "safety culture," the priority placed on safety at NS and Conrail is the same.

Whi.e many safety programs at NS and Conrail are called different things and, on the surface, appear to be conceptually distinct, careful review will reflect that, because of the similarity in safety philosophy, the overall safety programs are much alike. For example, the Conrail B-Safe program focuses on positive feedback for safe practices, which is the same focus as the fourth element of NS' Safety Action Plan - Recognition of Safety Performance. An underlying principle of both is that positive reinforcement for safe practices leads to a more productive, safer employee. The concept of tracking or auditing the results of safety initiatives and then focusing resources on areas needing safety performance improvements similarly is shared. Furthermore, the shared concept that each employee must play a role in the safety process, with leadership from the highest levels of the Company, provides the underpinning for both railroads' safety process.

This SIP primarily addresses operational practices and safety systems and processes of both Conrail and NS. While some of these differ, all are fundamentally based on ensuring safety, and share many common characteristics. Selection and integration of these practices, processes and systems will occur with particular attention to training. Through application of the Six Tenets of Safety and the Six Point Action Plan for Safety, the groundwork is set to extend the best safety programs of Conrail and NS into the future on expanded NS.

This is largely an end-to-end consolidation of operations and will not produce substantial reductions in experienced personnel or the shedding of hundreds of miles of redundant track. Accordingly, there will be no significant loss of institutional knowledge or substantial shift in operations. This provides the additional safety assurance that those who share the existing belief in safety at Conrail and NS today will continue to lead the expanded system tomorrow. There is no reason to believe that those who value safety today will somehow lose their long-held belief in safety simply because of the transaction. The experienced personnel of two companies will join together to form an expanded NS rail system, and the ongoing planning for careful integration of the practices, systems and processes, developed as a result of the priority placed on safety, will ensure a successful and smooth consolidation of these operations.

B. DUPONT INVOLVEMENT

In addition to internal Contail and NS efforts at working together to meld safety processes and cultures, NS hired safety consultants from DuPont in late October to provide third-party input into the process. NS has asked for Contail's cooperation in allowing DuPont to visit Contail craft employees and officers on three Contail Divisions and the Juniata and Hollidaysburg Shops. DuPont also will also revisit current NS properties. It is anticipated that DuPont will be able to provide suggestions and recommendations by March, 1998.

NS also retained a safety expert from DuPont to participate in the planning, writing and preparation of the NS SIP and CSAO SIP. Accordingly, DuPont has participated in NS' and CSAO's SIP plan development and has endorsed the planning process for safety integration at

NS. The DuPont safety consultant will continue to monitor the progress as further implementation plans evolve.

C. BALANCING BUSINESS EFFICIENCY AND SAFETY

NS is committed to keeping safety considerations paramount as it integrates allocated Conrail properties into the NS system. The efficiencies projected for the transaction simply cannot be obtained if safety performance deteriorates. The process of working to continuously improve safety has helped NS achieve a better understanding about the overall benefits that safety has on quality and efficiency. There are many costs associated with an accident, including medical, legal, lost wages, lost productivity, overtime, work force increases that are not market driven along with the cost of training extra personnel, loss of employee experience and skills, rehabilitation expense, claim settlement, supervisor time spent on investigations and follow-up. In fact, the Business RoundTable (an industry association) estimates that the real cost of an employee injury is anywhere from 4 to 10 times as great as the total of all identifiable direct costs associated with the injury. Accidents rob the company of critical resources and inflate the costs of goods and services to consumers with no measurable benefit.

NS understands that fewer accidents mean less resources diverted from providing quality transportation service. This translates into improved efficiency and lower cost. The benefits of a safe operation flow directly to the bottom line. In short, NS believes that ensuring employee safety not only is a corporate obligation, but also is good business. Business efficiency cannot and will not be achieved at the cost of safety.

Accordingly, NS will closely monitor safety on the expanded NS system as it does today. NS's comprehensive system of gauging safety success through weekly and monthly audits will apply Day 1 to the expanded system. By closely monitoring all aspects of safety performance, negative trends can be detected and expeditiously addressed. NS will be prepared with contingency plans where necessary. Programs and processes which prove to be beneficial to safety will be highlighted and expanded wherever possible.

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VI. TRAINING

A. TRAINING AT NS

Education/training is one of the six points in NS' Action Plan for safety. Safety is an integral part of training and proper training is critical to working safely. NS believes that employees' skills, knowledge and motivation are of paramount importance in helping them safely meet customer expectations. Training is seen as impacting this in three ways:

1. Through development and delivery of corporate and craft-wide training programs designed to meet safety standards and customer expectations, the company must make appropriate learning opportunities available for each employee to realize his or her full potential.

 Management must foster an atmosphere where employees not only learn, but apply their skills and knowledge. Each supervisor must ensure that resources are available to enable employees to recognize and obtain needed training.

3. Employees have the responsibility to ensure that needed training is identified and obtained in order to perform their work safely, add value to their function and satisfy customers. To the greatest extent possible, each employee is obligated to assist others in identifying and obtaining necessary training.

NS' framework for identifying performance issues which may be remedied through training is structured as follows:

• Department Training Teams prepare a departmental Training Plan for employees in their area, monitor its implementation, and make revisions as necessary. They also have responsibility for budgeting necessary resources to support the Training Plan.

Supervisors have day-to-day responsibility to ensure that employees receive the

proper training, measure its effectiveness on the job and assist employees in identifying training needs.

• Employees have individual responsibility for identification of their own training needs, and for application of learned skills. This means that each employee must develop measurable customer expectations, apply the measures, and request training where necessary to bring about customer satisfaction.

In general, training opportunities offered to NS employees fall into the following categories:

- New employee orientation (both agreement and non-agreement)
- Safety
- Quality Awareness
- Technical/job skills
- Management and supervisory skills (if applicable)
- Sales and marketing (if applicable)
- Computer/PC skills
- Executive development (if applicable)
- Educational enhancement

While the majority of actual learning occurs on the job, the following information deals with structured, formalized training events and activities.

B. ROLE OF THE NS TRAINING CENTER

NS' predecessor companies were training pioneers in the rail industry. The NS Training Center at McDonough, GA was the first rail industry facility totally dedicated to training. Today, it remains among the premier training facilities in the nation. Most NS employees begin their careers at McDonough, returning periodically over the years. Built in 1974, McDonough contains over 55,000 square feet of specialized learning areas including well-equipped classrooms, locomotive simulators, a complete video production studio, freight car, locomotive and signal "labs" featuring actual equipment, freight cars and locomotives, seven miles of "practice" railroad, and an environmentally-advanced welding facility. Training delivery methods range from traditional instructor-led classes to individualized multimedia learning technologies. The staff of 32 instructors and support employees typically arrange and deliver training activities for approximately 4,500 NS employees annually at McDonough and its satellite classrooms in Roanoke and Atlanta.

Every training event focuses first on safety. Safety is part of <u>all</u> curricula - technical, management or service. Employees subject to 24-hour call cycles receive training on issues designed to heighten awareness of and ability to balance work, rest and life issues. This training includes personal copies of video and workbook materials that employees are encouraged to share with their families.

Since safety and quality go hand-in-glove, all training events also focus on NS' "Thoroughbred Quality" process. Training that emphasizes identifying and meeting customer expectations, applying measurements and focus on problem prevention is provided to each employee.

NS also believes that training is not something "to have accomplished," but is, rather, an ongoing process. Training events and activities continue throughout an employee's career. Most such events take place "on the job," but are supplemented with formal structured events

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where the need is broad and can be addressed by formal training. Further, much of the formal training at NS is sponsored, designed and delivered by the functional departments, rather than through a corporate-wide effort, ensuring that the training is targeted to departmental and customer needs. NS promotes training via peer training where "agreement" employees receive training on subjects such as CPR and Defensive Driving, and many employees become qualified to perform actual training of fellow employees.

In addition, NS sponsors numerous employees each year to attend off-site seminars, conferences and other specialized learning events. Through the NS Tuition Reimbursement policy, employees are encouraged to further their education and prepare themselves for increased responsibilities and challenges, as well as to better meet changing customer expectations.

NS is also an active member of the Railroad Associate Degree Symposium (RADS), sponsoring four partner colleges within its operating territory. RADS basic premise is to attract new workers into the rail industry who will have the skills, abilities and desire to meet the challenges of the 21st century. Much of the course work required to attain the Associate Degree in Railroad Technology focuses on safety. In effect, we begin a foundation of safety even <u>before</u> potential employees come to work.

C. JUST-IN-TIME TRAINING

A major challenge facing Training and Development organizations in any endeavor today is how to get the right training to the right people at the right time. Just as our customers demand "just-in-time" delivery of their freight, employees need the appropriate training required to perform their jobs safely and effectively "just in time."

Recognizing this need, NS began designing a multimedia distance learning network in

1993. Known as TrainNet, this system will be used to deliver training to employees at field locations. The TrainNet system consists of two distinct methodologies: InfoCenter Kiosks and Learning Centers.

The primary purpose of the Kiosks will be the efficient delivery of short duration interactive multimedia safety and operating rules training to employees at remote reporting locations. The kiosks will perform the following functions:

- Deliver 2-3 minute multimedia rules training to T&E employees when and where they report for duty.
- Display "just-in-time" safety messages.
- Display Operations bulletins.

4.

 Provide a front-end for other mainframe applications employees are required to perform such as on/off duty and payroll functions.

The pilot installation of the TrainNet Kiosks is currently underway on the Alabama Division of NS.

The function of the Learning Centers (LC) is the efficient delivery of interactive multimedia training to employees at a dedicated training facility near their work location. Additionally, the LC can store and deliver digitized viceotape programs over the local LC network. In addition to McDonough, Learning Centers are currently operational in Norfolk, Roanoke, Atlanta and Birmingham.

The TrainNet Kiosk and LC delivery system will ensure .hat employees are afforded consistent, on-going training not only in safety and operating rules, but other technical and non-technical training areas as well.

D. OVERVIEW OF TRAINING AT CONRAIL

In an effort to learn more about Conrail's training initiatives, representatives from NS have been in close contact with their Conrail training counterparts. While some differences exist in organization and approach, we have been impressed more by the similarities. Like NS, Conrail recognizes the importance and value of training and has well-established procedures to ensure employees are provided appropriate learning opportunities.

Most of the technical, craft-oriented training Conrail provides is done by employees who report through the VP Operating Assets. At NS, similar activities are conducted by employees who report through the VP Personnel. As for munagement and supervisory training, both endeavors report through Personnel/Human Resources.

Conrail maintains an extensive inventory of proactive and regulatory-required training videos and multimedia course materials. A cross-departmental team has identified the regulatory training requirements for each functional department. Each department is responsible to arrange for necessary training with assistance from the appropriate Risk Management groups. Among the specific programs that cover personal injury prevention are the following: 'Back Care and Ergonomics, Bloodborne Pathogens and Infectious Discase Awareness, Confined Space Procedures, CPR/First Aid, Hazard Communications, Hearing Conservation, Lead Exposure Awareness, Respirator Training Care and Use, Personal Health Programs (fitness, heart healthy, nutrition, self care and medical consumerism, smoking cessation, stress management), Recognizing and Improving Lifestyles, Defensive Driving and Winter Awareness. NS has many of the same or very similar programs and multimedia materials, and will be reviewing these training programs to select the best for the expanded system.

During site visits and numerous discussions with Conrail employees having training

responsibilities, we have learned a great deal concerning training at Conrail, and, in turn, have shared how NS approaches training. As a result, we anticipate no significant difficulties integrating our training philosophies. Outlined below are some of the areas and issues we have explored.

E. FUNCTIONAL AREA TRAINING

1. Train and Engine Service Training

a. Train Service Training

Conrail works with the Academy of Industrial Training ("AIT"), an outside vendor, to provide new-hire training for Train Service employees and certain Mechanical Department employees (Carmen, Machinists and Electricians). AIT is located outside Philadelphia, on a property that includes ample space for classrooms, models, and rail spurs featuring actual locomotive and freight car equipment. Potential employees must successfully complete their initial training at AIT before being considered for employment by Conrail. During this initial phase of training, trainees are paid by AIT and are covered under Workman's Compensation.

Training provided by AIT is initial, entry-level training. The Train Service training is three weeks long and covers basic safety practices, operating rules and signals. If a participant successfully completes the training and is hired by Conrail, he/she continues training on-the-job (OJT) at his/her designated work location. After trainees have successfully completed approximately three weeks of OJT, they are promoted to Trainmen. Promotion to Conductor requires passing a locally-administered Conductor examination. A similar arrangement is in place for Mechanical Department employees, with the initial AIT training being eight weeks for Carmen and 10 weeks for Machinists and Electricians, followed by on-the-job training if selected to be a Conrail employee. NS new-hire employees receive their initial training at the Training Center in McDonough, GA. New-hire train service employees enter a structured training program lasting approximately five months and consisting of both classroom and on-the-job learning assignments. When the training is successfully completed, employees are qualified to work as conductors (or trainmen if and where needed). Currently, after one year in train service, employees are eligible for training as locomotive engineers.

b. Locomotive Engineer Training

Conrail's Transportation Training Center is located at Conway Yard. Conway Yard is a 105-track, double-hump classification yard and is the largest such facility on Conrail. Located near the middle of Conway Yard, the Transportation Training Center is in a former dormitory. There are several classrooms, all equipped for traditional leader-led training delivery. In addition, a TracNet Center is located in this building. The center is equipped with a DSL-made, non-motion Locomotive Simulator that was installed in 1989. Operationally it is similar to NS' IITRI TS-2 simulators.

While the Transportation Training Center is able to provide a variety of transportationrelated training activities, Locomotive Engineer Training (LET) is by far the biggest effort. Conrail's LET program consists of six-weeks of classroom instruction followed by approximately 14 months of OJT. Use of the simulator is encouraged during the classroom training, but not required. The center does not have a set, 12-month training schedule for LET. Class sizes vary from 12-15 people to as many as 50 in a session. When large classes are scheduled, additional training rooms are rented at local hotels, and the normal LET training staff is augmented with Road Foremen and/or Engineers who have been qualified as trainers. Using this approach, the number of engineers trained by Conrail has fluctuated greatly over the years, from as few as 51 in 1991 to as many as 502 in 1994. Additionally, the Transportation Training Center is used to re-certify all of Conrail's RFEs. Other training programs offered at this location include a three-day Supervisor of Locomotive Engineer program, a three-week New Hire Trainman Program (in case AIT cannot handle the training requirements), a one-day Air Brake Training Class for Maintenance of Way Equipment Operators, a three-day Discipline Procedures Program for non-agreement employees, and occasional Conductor promotional classes. When not providing training classes, employees at this center often use the train simulator to provide models used by the Law and Risk Management Departments in investigating and analyzing train incident data. In addition, this group is responsible for maintaining Conrail's Locomotive Engineer Certification records.

NS' LET program consists of four weeks of classroom, hands-on and simulator practice. This takes place at the McDonough Training Center, where an IITRI Model TS-3 and two IITRI model TS-2 simulators allow each trainee approximately 20 hours of "throttle time." In addition, trainees practice with actual locomotives, including the latest versions from EMD and GE. If a trainee successfully completes the LET class, he or she returns to the home division for approximately six months of OJT (time varies depending on extent and complexity of assigned seniority districts).

2. Roadway and Bridge Worker Training

Maintenance of Way training at Conrail is conducted primarily by two employees who travel the Conrail system providing training to MofW/B&B employees. There is no designated MofW training facility on Conrail. Classes at the travel hotels, with field trips to rail

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