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 before 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.
- 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 videotape 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 that 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 management 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 Disease 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 transportation-related 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 are held at local hotels, with field trips to rail

locations where appropriate. Conrail currently offers the following training for MofW, and, where appropriate, B&B employees:

- Roadway Worker Protection training.
- A four-day Introduction of Track Maintenance class for new hires.
- A two-week Track Maintenance Workshop for Foremen.
- A five-day Track Inspection class for Track Inspectors and Foremen.
- A three-day class for Track Inspectors - the subject of which changes annually.
- A two-day track inspection seminar for shippers/customers having their own rail operations.
- Operating Rules Training, including hazardous materials handling.

With the exception of the training for new-hires and shippers, these offerings match closely with similar programs on NS for MofW/B&B employees. In addition, NS provides training for Track Welders and other maintenance personnel. Most of the MW&S training done at NS occurs at the McDonough Training Center, although Track Welder training is often done in the field.

At McDonough, NS provides: (1) Basic Track Foreman Training -2 weeks, (2) Advance Track Foreman Training - 1 week, (3) Basic Bridge Foreman Training - 2 weeks, (4) Advance Bridge Foreman Training - 1 week, (5) Basic Welding, and (6) Advanced Welding.

3. **Motive Power and Equipment Training**

Conrail operates two primary mechanical training facilities on the territories to be allocated to NS--one at Elkhart, IN, and one at Hollidaysburg, PA. The Elkhart facility has been in operation since 1993, and focuses on air brake and welding training for agreement employees and on air-brake training for non-agreement employees.

The main classroom at Elkhart has a capacity of 20 students, is equipped for video projection and features a 10-car air brake simulator with an operational locomotive air brake simulator. The air brake simulator employs examples of each type of control valve currently in use as well as empty/load equipment. In addition, full-scale operational models of brake rigging, slack adjusters, truck-mounted brake systems and a RoadRailer bogie are available.

Adjacent to the main classroom is a smaller classroom that can seat about 12 students for traditional training and also houses the Elkhart TracNet Center, one of many CBT training facilities Conrail has implemented systemwide. The TracNet Centers are operationally the same as NS' TrainNet learning centers. The Elkhart Center features work stations for 10 learners. This classroom is also used by Southwestern Michigan Community College to provide basic communication skills training to Conrail agreement employees. Immediately outside the classrooms are a truck tear-down station, a coupler tear-down station and draft gear, cushion unit and brake rigging models. An adjacent track provides an area to spot up to 12 cars for practicing initial terminal inspection and repair.

Also at Elkhart is a welding training facility that can accommodate four trainees. Each booth has its own power supply, work bench, tool crib and welding fume extraction fan. The facility is equipped to perform bend/stress tests and can train on "stick," wire and flux core equipment. The welding center offers 40-hour courses in S.M.A.W., G.M.A.W., F.C.A.W. and G.T.A W processes as well as qualifications in A.S.M.E. pipe welding procedures and oxy-acetylene/plasma-burning procedures. Qualification tests in unlimited thickness are given to comply with AWS D.15.1 standards. Conrail has certified welding inspectors and trainers and is a voting member on the AWS D.15.1 committee.

Through 1996, 572 employees received air brake training at Elkhart. These classes consisted of an eight-hour Initial Terminal Test course, an eight-hour Repair Track Test course, a 20-hour Supervisor Seminar and a 40-hour Air Brake Course. In addition, Elkhart has provided Air Brake Training classes for AAR and FRA field inspectors. While not currently doing so, the Elkhart facility is equipped to provide complete training for new-hire Freight Car Repairers. When not conducting training, the Elkhart Air Brake Simulator is often used as an analytical tool to identify causes of air brake-related train delays and incidents.

The second primary mechanical training facility is at Hollidaysburg shop, which serves as Conrail's heavy freight-car repair and program maintenance point. The shop is 5/8ths of a mile long under roof, with four active tracks running its entire length. Conrail's system wheel shop is located here as well as a large yard to support the facility. The training facilities at Hollidaysburg include two classrooms equipped for traditional instruction and a 10-booth welding training facility. Hollidaysburg has an air brake simulator similar to the one at Elkhart and is generally equipped to provide the same training programs except there is no TracNet Center at Hollidaysburg. Between 1995 and 1996, 70 employees were trained at Hollidaysburg but this number has been steadily increasing. Hollidaysburg is capable of providing the same classes taught at Elkhart and is also equipped to provide new-hire Carmen training.

A smaller Mechanical training facility is operated at Conway Yard near Pittsburgh, consisting of a recently renovated conference room located in the Roundhouse. Machinist and Electrician training is delivered on each of the three shifts.

These training facilities are used almost exclusively to conduct on-going, refresher, and upgrade training for the current shop craft workforce. While Conrail has the facilities and expertise to conduct new-hire training in these areas, in recent years it has contracted with the

Academy of Industrial Training (AIT) to do the initial training of new-hire Carmen, Machinists and Electricians. This is in contrast to NS, where new-hire training for these crafts is conducted in-house at the McDonough Training Center.

At McDonough, mechanical training facilities consist of classroom instruction equipped with video training equipment. Students use a small repair track where employees can actually repair freight cars, work on trucks and truck components, use fastener equipment (i.e., Huck fastening equipment), learn yard inspection techniques and utilize welding skills learned from the welding lab. This training facility also uses a locomotive shop for locomotive mechanics with an operational locomotive to develop locomotive maintenance skills. A modern welding lab designed to meet all environmental and training codes is available to train and qualify all craftsmen whose job involves welding.

Shop craft employees are trained at McDonough for eight weeks (in the case of car shop employees) or 14 weeks (in the case of locomotive engineers). In addition to training in mechanical skills, safety training and orientation to NS' Safety Process begins at McDonough.

After training is completed, the employee is assigned a job in a field or shop location. At this point, ongoing training is the responsibility of local supervision.

4. <u>Dispatcher Training</u>

a. Train Dispatchers

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 simulation and operating rules review in Dearborn, MI. Trainees are then assigned 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 OJT until qualified by local officers.

Conrail's training plan is very similar to the way dispatcher training is handled at NS. All nine operating Divisions on NS currently have dispatcher trainees in different phases of training. Formal training is given to each dispatcher trainee at the NS McDonough Training Center. This is followed with division on-the-job training, with trainees working with qualified dispatchers in day-to-day train operations. In total, the training of a 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.

b. Crew Dispatchers

Conrail's Crew Management Center is located at Dearborn, MI, where crews are called for duty system-wide. NS has consolidated its Crew Management center at Atlanta. Both NS and Conrail use the same computer software as the foundation for their crew call systems. NS has developed a specific training program for Crew Callers while Conrail relies on on-the-job training to qualify their crew dispatchers.

5. Signal Training

Conrail's Signal Repair and Training facility is located at Buckeye Yard in Columbus, OH. The signal training building houses several medium size classrooms. A wide array of models are available in the classroom building to support training on various types of signal systems. Training content for new-hire Signalman is similar to that at NS. New signal employees are scheduled to attend four 9-day training sessions within the first two years of employment. Signalmen at NS are required to attend similar training within the first two years, but it is currently divided into three segments. Unlike at NS, Computer-Based Training (CBT)

lessons are not utilized at Conrail.

Outside the classroom building at Buckeye Yard is a large signal park featuring operational examples of a variety of signal and crossing appliances. In addition to standard signal and crossing device training, Conrail also provides instruction on high voltage electrical wiring and pole climbing, and the signal park is equipped with appropriate models to support this training. Testing of equipment for internal Conrail analysis as well as various equipment vendors is also conducted at this facility.

For additional details on Signal Training see Section VII.C.1.c.

6. Hazardous Materials Training

Training in hazardous material procedures is given to all new employees at both Conrail and NS. Employees whose positions so require attend annual Hazmat update training. Depending on the nature of the work the employee will be doing, a range of job-specific training events are available. Some of this specific training is done by training personnel, but most is done by field supervisors or specific hazmat teams who have been trained in instructional techniques. In addition to Hazmat training, all NS employees attend Environmental Awareness Training that is tailored to their department.

7. Management/Supervisory Training

While Conrail and NS offer many similar learning events for the non-agreement workforce, the Conrail and NS training groups are organized differently. Much of Conrail's management training is delivered by Training & Development Coordinators located at the various Division headquarters. To ensure uniformity and timeliness, these efforts are overseen by a director in Philadelphia. By comparison, NS employees delivering management training are located at the McDonough Training facility and about 60% of the courses are conducted at

McDonough. When appropriate, these trainers also deliver training at field locations.

Conrail has a three-person Instructional Design & Multimedia group whose main function is to design and implement TracNet, Conrail's distant learning system. This function is directly comparable to NS' Design & Development group at McDonough, whose primary duty is implementation of TrainNet, the NS distant learning system. These two systems are quite similar in that Conrail "benchmarked" NS' TrainNet architecture and methodology beginning in 1995. Thus, software is interchangeable between the NS TrainNet system and Conrail's TracNet system. This will lead to greater ease in delivering training across the new system through these learning networks.

8. Annual Operating Rules and Risk Management Training

At Conrail, all Operating Department crafts (other than Mechanical Department employees) participate annually in an operating rules class. In addition to rules training, train and engine service, engineering and mechanical personnel receive annual training, customized by department, in such areas as risk identification, assessment and control; injury prevention; environmental health; personal security and safety; industrial hygiene; hazardous materials and damage prevention. Effective January 1, 1998, NS' annual operating rules class also will become part of an eight-hour training session, as described in Section VII.A.1. This eight-hour class will be in effect system-wide on Day 1, and will include topics very similar to those conducted by Conrail.

9. Training For The Future - Expanded NS

Quality in every aspect of NS' business environment is vital to the long-term success of the Company. As a part of that guiding principle is the commitment from the employees of NS to perform in the highest possible manner consistent with the needs of our customers. Our

corporate training policy affirms for all employees their responsibility to partner with the Company to identify and address needs that can be improved with training. NS recognizes that employees must maintain the highest level of competency if they are to have the skills, knowledge and motivation necessary to help meet our customers' expectations. The Company is committed to providing the resources necessary to ensure that every employee has the opportunity to acquire the proficiency needed to safely and successfully meet whatever tasks are at hand.

NS has established training teams to address how best to integrate the training activities of the expanded system. The objectives of these teams are to examine all issues involved and then recommend a plan that will enable a smooth transition in training policy and practices, keeping in mind the employment needs of the expanded system and any considerations relative to the various collective bargaining agreements. Team members include representatives from the affected departments, Labor Relations, Training, and other Human Resource or other groups as needed. These teams have established on-going discussions with appropriate Conrail representatives in order to explore the best approaches to assuring a smooth transition.

While study to determine eventual "best practices" training activities is continuing, initial discussions do not indicate a training capacity need beyond what can be supplied using existing NS and Conrail internal training resources. Because of expected minimal loss or relocation of experienced personnel as a result of this transaction, especially those in Hours of Service Act (HSA) covered safety sensitive positions, the issue of training is much more manageable. As noted in Volume 3B, Page 495 of the Application, NS projects little or no net loss of jobs for existing dispatcher, train and engine service, and signalmen positions. Counting all job positions, including non-HSA positions, the projected job loss is less than the rail industry's

average annual attrition rate. Another factor supporting the manageable nature of the training effort is the preference, as discussed in Section II of this SIP, for selecting NS practices and systems unless there are compelling reasons to select Conrail or other practices or systems. Inasmuch as the number of NS employees will far exceed the number of employees on the portion of Conrail allocated to NS, this preference towards selecting NS practices should result in most instances in a manageable group of employees requiring retraining.

In this section, and throughout this SIP, NS discusses various aspects of integration-related training. It must be emphasized that even where changes in existing NS or Conrail practices are planned, expanded NS will continue to follow the prior operating and administrative practices of the railroads with which the experienced employees already are familiar, until adequate training is accomplished. Accordingly, while some training will be completed by Day 1, other training efforts for existing staff will be ongoing and phased-in, and changes in practices similarly will be phased-in parallel with the training.

The importance of training has been a focal point for all teams at NS involved with planning how best to integrate NS and Conrail systems and functions. A team of NS training specialists has been assigned to work with the various NS-Conrail implementation teams to help in identifying training needs and developing and implementing training solutions. Assisting this effort and providing overall guidance and coordination is a "Training Steering Committee" consisting of corporate-level NS officers.

As mentioned, there are more similarities than differences in Conrail's and NS' training initiatives. Both companies have invested heavily and often to insure all employees receive the training needed to work safely, meet customer commitments and add value to their functions. While some differences in approach exist, these represent opportunities for synergy in the future.

VII. OPERATING SAFETY REVIEW FOR THE EXPANDED NORFOLK SOUTHERN SYSTEM

A. OPERATING/SAFETY PRACTICES

This section addresses a wide range of operating practice safety issues which are being studied as a part of NS' transition implementation for its expanded system. As set forth more fully below, the planning process for integration is ongoing for most issues, although some issues already have been addressed in detail. While the modification of some operating practices will be effective on Day 1, many will require a more phased-in approach. In short, operating practices modifications will not be fully implemented until adequate training is accomplished.

Where integration decisions concerning differing operating practices have not been made, NS' SIP attempts to set forth the process through which it is assessing options and working towards decisions. Overall, NS anticipates that most of its safety practices and rules will continue to apply on its existing territory after Day 1 and some will be integrated immediately to apply on NS' allocated Conrail territory. However, as discussed below, certain Conrail safety practices and rules will continue to apply on NS-allocated Conrail territory for a period of time after Day 1 until NS is prepared to implement modified practices for the expanded system.

1. Railroad Operating Rules

At the outset, it must be emphasized that changes in operating rules will be judiciously implemented after NS assumes control of its portion of the Conrail properties. The Northeast Operating Rules Advisory Committee (NORAC) rules will remain in force on all CSAO operations as well as on the former Conrail lines operated by NS for a minimum of one year from Day 1. Similarly, where Conrail shares trackage with Amtrak or commuter authorities, NS will continue to share this trackage subject to the rules and procedures of the owners. For

example, NS or CSAO crews operating on Amtrak's Northeast Corridor and Michigan Line and crews operating in Northern New Jersey on New Jersey Transit lines will be trained and qualified as required by current Amtrak and NJT policies. Timetables and Bulletin Orders on CSAO and Conrail territory controlled by NS will be available in sufficient quantity to meet the daily needs of all employees who are subject to the rules.

NS and Conrail currently use different formats for timetables, system instructions and division instructions. NS' timetables are separate bound publications for each division. Conrail uses a format that inserts system instructions as a system timetable in the same binder as the NORAC rule book. Each Conrail division also publishes a timetable that is inserted in the NORAC rule book binder. Employees operating on multiple divisions then insert the appropriate division timetables in their NORAC rule books to govern their operations on all divisions where they operate.

NS' Operating Rules Department will be responsible for integration of timetables, eventually implementing a standard format over the entire expanded NS system. However, timetable integration must occur over several phases. First, as soon as feasible following Day 1, once territorial divisions have been made between NS, CSX, and CSAO, existing timetables in use on Conrail will be re-issued to reflect the changes in divisional boundaries. For example, the current Philadelphia Division timetable must be divided between NS' new Harrisburg Division, CSX and CSAO (North Jersey Shared Assets Area and South Jersey/ Philadelphia Shared Assets Area). Also, line segments on the current Conrail Albany Division that will become a part of the Harrisburg Division must be incorporated in the new Harrisburg Division timetable. These same circumstances exist for the Dearborn Division where line segments allocated to NS from the present Indianapolis Division of Conrail (namely, the Cincinnati Line,

West Virginia Secondary, and Marion Branch), must be incorporated into NS' Dearborn Division timetable. These changes will occur using the existing Conrail timetable format. On Day 1, the system timetable format will remain in effect over all Conrail territories allocated to NS, CSX and CSAO.

Following these changes, NS will integrate its current timetable format and the Conrail timetable format to create a system-wide standard. Implementing this change will occur when a final decision is made about rule book changes by the team assigned to plan and implement such changes.

Integration of timetables will not require training of employees per se. It will involve ensuring that appropriate employees receive the correct timetable(s) for line segments on which they work. It is not anticipated that changes to timetable formats will be so complex that employees will have difficulty determining the location of pertinent information. In the event, however, that significant changes are made to timetable formats, NS will educate all affected employees regarding the changes before they are put into place.

NS operating rules personnel have attended a NORAC meeting to begin to become familiar with the NORAC process. NS personnel also have begun meetings with their Conrail counterparts and have attended a Conrail operating rules seminar to begin the process of understanding the Conrail training and testing procedures. NS personnel will be involved in further NORAC meetings as well as participating in additional Conrail Rules Department activities. NS understands the additional costs and potential safety issues that could develop when employees in the Shared Assets Areas and those operating joint trackage and trackage rights over another carrier are subjected to numerous differences in operating rules and procedures. Therefore, NS is committed to an orderly transition that will be centered on

thorough training and, where possible, reducing differences between applicable rule books. Importantly, train and engine crews working at several locations today on Conrail and NS already must learn and use multiple rule books and practices. Accordingly, both railroads are experienced in successfully handling the training issues arising where multiple rulebooks and practices exist.

The issue of which operating rules should apply on lines operated by NS and CSX and on the Conrail Shared Assets Operations (CSAO) in the longer term is being studied carefully by a team of Rules Department personnel from all three properties. The team is considering several initial alternatives and may add other alternatives as the review progresses. The alternatives include: (a) adopting the (NORAC) operating rule book for all CSAO operations and for all former Conrail lines that NS and CSX will operate, (b) adopting the NORAC rules on all CSAO operations with NS' and CSX's current operating rules being used on all other lines operated by either NS or CSX, (c) development of something similar to a "terminal guide" (similar to the guide developed by the Chicago Operating Rules Association for use in Chicago) for CSAO operations with NS' and CSX's current operating rules being used on the lines operated by either NS or CSX, or (d) a modification of the NORAC operating rules that would be used by all railroads in the East who voluntarily subscribe to the modified rules.

The team studying the operating rules issue believes that any decision must be made only after comprehensive review of the benefits to safety arising from each alternative. The current individual operating rule books in place on NS and CSX and the NORAC rules have served the respective properties well and have been developed after many years of experience and study. To disregard the experience that is contained in the individual rule books could well adversely affect the desired safety results.

At NS, operating rules are developed or revised using a committee structure, with the committee composed of representatives from the Operating Rules Department, division superintendents, Maintenance of W y, Signal, Mechanical, and the Safety Departments. The NORAC process brings representatives from the various member railroads together to revise current rules or develop new rules. NORAC bylaws require that Rules Dockets must be approved at two successive meetings, allowing for each railroad to conduct an internal review process before giving approval to any rules change. NORAC rules are issued to all member railroads after the advisory committee votes and approves a change. NS is working to develop a way that these two processes can best be used to compliment each other.

Certain minor philosophical differences in rules training are being studied and recommendations will be made for a system to be implemented after NS control of the Conrail properties. Conrail rules instruction and testing is conducted on the division level by a Manager Operating Rules and a Supervisor of Operating Rules while NS designates trainmasters and other division supervision to conduct rules training and testing. In any case, the current Conrail Division Rules positions will be retained for the period required to make the decision on a final NS system, and where necessary, to train other division personnel on rules instruction and training. Training and testing on CSAO properties will be maintained using current Conrail Division Rules Positions as these properties are studied and recommendations are made on the final organizational structure of the property.

Some decisions already have been made in connection with rules training and testing. All operating employees on lines operated by NS will receive annual rules classes and will be required to successfully complete an annual rules examination. The training and testing will take place in a session that will last eight hours and will include segments on safety, hazardous

materials, and operating rules, as well as other timely topics.

In instances where NS operating employees are required to operate on CSAO properties or CSAO operating employees are required to operate on lines of NS, training will be modified to accommodate additional rules training. CSAO employees will receive copies of the necessary rule books, timetables and special instructions when required to operate on NS lines.

2. **Operational Tests and Inspections**

NS will extend its current operational tests and inspections process to the Conrail lines and facilities allocated to it. This testing process has been reviewed by FRA and is well understood by agency personnel. Currently, NS places responsibility for thorough and complete operational testing under division level management. Local supervisors are responsible for performing tests on employees under their supervision or at other locations on their division as directed by the Division Superintendent.

a. Supervisory Training

Supervisory personnel employed from Conrail will participate in training to familiarize them with the operational testing process. Training will focus on three key areas; conducting operational tests, responding properly to violations and/or compliance behavior, and documentation of operational tests. Training will be performed by current NS supervisors with the foremost goal of integrating operational testing procedures expeditiously and effectively. This training will begin following Control Date, and is presently targeted to be completed within six months of Day 1, assuming that information system changes are completed to allow use of NS' recordkeeping system. Approximately 200 transportation department supervisors will receive this training.

A small number of current NS supervisors may be assigned to NS' allocated portion of Conrail territory. These supervisors will be required to undergo physical characteristics training. This will be accomplished by travelling the territory, including hi-rail and train trips. They also will work with other experienced supervisors during the familiarization period. These supervisors also will have to become conversant with NORAC rules and pass a rules exam. The number of supervisors who will undergo this training is dependent, in part, on the number of local Conrail supervisors who accept employment offers from NS.

b. Conducting Operational Tests

Supervisors will learn how to correctly perform all of the various operational tests. NS has a well-defined process that specifies the frequency with which its employees must be tested under various operating scenarios. For example, all engineers must be tested for compliance with restricted speed at least once every sixty days. We anticipate that these same guidelines will be applied over NS' allocated portion of Conrail.

Training sessions will include familiarization with NS Operating and Safety Rules in those locations where NS rules will be applied. Where NORAC rules will remain in effect, for the purpose of standardizing operational testing, comparisons to NS rules may be offered and descriptions of specific operational testing situations will be presented as a means of clarifying and/or confirming a proper understanding.

This training concept will result in new supervisors learning the emphasis that must be given to compliance with each rule. On NS, special attention is given to compliance with signal indications, maximum authorized speed, restricted speed, critical safety rules, and rules governing switching operations. Our observations on Conrail territory indicate more leniency is offered to employees during operational tests. This is evident in observations of compliance

and also during discussions with current Conrail supervision about their testing process. Therefore, we will standardize our approach over the acquired territory to apply the same strict compliance criteria that now applies on all NS divisions.

Supervisors will be instructed in proper procedures for conducting operational tests. This will include signal tests, restricted speed tests using a banner as an obstruction, speed tests with proper radar calibration tests, and using train handling recorder (THR) tapes to verify or detect operational compliance or lack thereof. They will also be instructed regarding the importance of safely and properly positioning themselves to observe the choices of employees without influencing those choices by knowledge of their presence. These techniques will be used when observing compliance with critical safety rules and rules governing switching operations.

c. Responding Properly to Violations and/or Compliance Behavior

Emphasis during training will be given to responding properly to the conduct of employees during operational testing. NS seeks to acknowledge compliant behavior in a positive manner and to correct non-compliant behavior immediately. Therefore, we will instruct supervisors in the correct methods for approaching employees when a violation is detected. We will also give due emphasis to positive recognition as a means of reinforcing compliant actions.

NS has well-defined procedures that are applied when non-compliant behavior is observed. The actions taken are dependent upon the nature of the infraction. However, this generally involves immediate cessation of the train movement(s) involved, protecting the safety of all employees in the area, informing the employees involved about the non-compliant actions observed, and documenting the non-compliant behavior before the employee's work is resumed.

In some cases, employees are not allowed to remain in service following more serious infractions or violations of critical safety rules. In these instances, supervisors must make

arrangements for transportation of employees back to their home terminal and for qualified replacement employees when required.

d. Operational Tests and Inspections--Recordkeeping Systems

NS will apply its current data base documentation system to its acquired territory. This system is located on the NS mainframe and will be accessible to Conrail supervisors immediately after Closing Date. The system is referred to as the RULES program and was developed specifically for documenting operational tests on NS.

Both the NS and Conrail Operating Rules Department staffs are responsible for maintaining a written program of operational tests and inspections procedures. Similarly, both companies maintain computer-based systems for recordkeeping required under 49 C.F.R. Part 217.9.

The current NS system is mainframe-based, but individual supervisors are equipped with laptop computers for recording operational tests and inspections in field situations. The supervisor may then access the mainframe computer and upload the field recorded information to the data base maintained in the mainframe computer. NS' Operating Rules staff has access to the mainframe computer to retrieve the necessary data for summary reports required by management and the annual report required by FRA. The NS annual reports are distributed to each division headquarters and a copy is retained in the Operating Rules Department office.

The Conrail system of recordkeeping for operational tests and inspections is mainframe computer based and differs from the NS system in that field supervisors enter the data directly without the use of a laptop computer as an intermediate storage medium. Each Conrail operating division can retrieve information for the annual report required by FRA.

NS has already listed development of a record conversion system as a required IT

project. It is expected that existing Conrail data will either be converted to NS' system or sufficient hard copy files will be maintained to ensure data is available to meet FRA requirements. When the NS recordkeeping system is extended to its allocated portions of Conrail, supervisors will be issued laptop computers with the appropriate software to access the NS system. Proper transfer of data from the laptop data base to the mainframe data base will be part of the supervisory training for all new NS supervisors.

Proper functioning of the data base system depends upon integration of Conrail employee data into the NS payroll data base. Supervisors using this system must be assigned appropriate security clearance to gain access to the system. It will also be necessary to assign division codes and zone codes on the three new divisions before documentation can begin.

e. Management Oversight

NS places responsibility for effective operational testing on division level managers. Each Division Superintendent is ultimately responsible to implement an effective and comprehensive operational testing process on the division. This must also fulfill the requirements stipulated in system-wide instructions relative to operational testing. The Assistant Division Superintendent ordinarily is the administrator for the operational testing program on each division. He is responsible to monitor the activity of each supervisor, provide training or advice to supervisors to assure effectiveness, schedule saturation operational testing and review operational testing results.

The data base system used to document operational testing provides numerous reports that are used by the Superintendent and Assistant Superintendent to determine the adequacy of the operational testing program on their division. These reports are often reviewed by individual supervisors and criticisms are offered that may help them improve their effectiveness. Employee

exception lists are maintained that assist everyone in identifying the employees who have not been tested to assure there is proper coverage of all employees on the division on a regular interval. NS foresees no reason this successful level and method of operational testing cannot be put in place on or shortly after Day 1 on the expanded NS system.

f. Implementation Schedule

NS will begin supervisory training immediately for new NS supervisors after Control Date. Complete implementation of this plan depends upon full integration of information systems. Because full integration remains in the planning stages at this time, it is not yet known exactly when this will occur. Therefore, during any interim period, NS will continue use of the current Conrail system for recordkeeping/documentation. However, during this interim period, NS will begin application of other changes in the conduct of operational tests and handling of violations and/or compliance.

3. Accident/Incident Reporting

NS has in place comprehensive computer systems for reporting personal injuries, grade crossing accidents and train accidents/incidents. All FRA reporting functions are located in the Safety Department in Roanoke. NS' plan is to implement the NS reporting systems on its expanded system on Day 1. We expect all allocated Conrail territories to have access to the NS computer system located in Atlanta by that time. All FRA reporting for the expanded system will be handled by the Safety Department in Roanoke.

a. Internal Control Plan (ICP)

NS' ICP was issued and implemented January 1, 1997. The policy on harassment and intimidation contained in the ICP was transmitted via NS' electronic mail system (MEMO) to hundreds of supervisors across the system with instructions to immediately post the policy on

all safety bulletin boards (see Figure 1, following). Additionally, over 225 copies of the policy were framed and distributed for permanent posting at major locations across the system. The ICP was developed by the Safety Department and approved by the Law Department. The official ICP is maintained by the Safety Department and is located in the office of the Manager Safety - Reporting & Analysis in Roanoke, Virginia. All supervisors, including senior management and the Safety Department, are responsible for ensuring that the fundamental principles set forth in the ICP are maintained and enforced.

FIGURE 1
Excerpt From NS' ICP

ACCIDENT/INCIDENT REPORTING POLICY AND COMPLAINT PROCEDURE

In accordance with new federal regulations regarding railroad accident reporting adopted by the Federal Railroad Administration, (FRA), Norfolk Southern Corporation and its operating rail subsidiaries have developed a new Internal Control Plan (ICP). The ICP contains a policy statement and a complaint procedure concerning accident/incident reporting. In compliance with 49 C.F.R. 225.33, this bulletin is being disseminated in order to advise all employees of our continuing policy requiring complete and accurate reporting of all accidents, incidents and occupational illnesses arising from the operation of the railroad. In addition, this bulletin advises all employees of the appropriate procedure to follow in order to process complaints alleging a violation of the stated policy. All employees should take note of the following restatement of our reporting policy and the supporting complaint procedure.

POLICY STATEMENT

Norfolk Southern Corporation and its operating rail subsidiaries (hereinafter "NS") are committed to complete and accurate reporting of all accidents, incidents, and occupational illnesses arising from the operation of the railroad. NS's policy is to fully comply with the letter and spirit of FRA's accident reporting regulations and to the principle that harassment or intimidation of any person that is calculated to discourage or prevent such person from receiving proper medical treatment or from reporting such accident, incident, injury or illness will not be permitted or tolerated and will result in disciplinary action against any employee, supervisor, manager, or officer of the railroad committing such harassment or intimidation.

COMPLAINT PROCEDURES

Employees alleging violations of the policy stated in Paragraph I, must report the nature of the intimidation and/or harassment in writing to their immediate supervisor. The supervisor will then undertake appropriate review and action, advising the complaining employee of the results of the action in writing. In the event an employee has reasonable cause to believe they have been intimidated by the actions of their immediate supervisor regarding injury/incident reporting, then a report may be made at the employee's own election either to the immediate supervisor's direct supervisor or to the Director of Safety, Roanoke, Virginia, 540-981-4865. All facts and circumstances will be reviewed by a senior manager, and appropriate determination will be made as to the merits of each complaint. If the complaint is found to have merit, appropriate discipline will be assessed in accordance with the practices of the railroad. This information will be treated as confidential where appropriate. NS strictly prohibits retaliation against any employee who truthfully reports a suspected violation of NS's policy against harassment and intimidation.

Safety Department

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Effective Day 1, all territories on the expanded NS system will be covered by the NS ICP and related corporate policies and procedures. On Day 1, the NS policy on harassment and intimidation, and the procedures for handling such complaints, will be posted on safety bulletin boards throughout the new territories and shops allocated to NS and framed copies of the policy will be permanently posted at major shops, office buildings, terminals, and facilities, as is currently done at NS.

b. Personal Injury Reporting

(i) NS

The NS Personal Injury Computer Reporting System is capable of absorbing the additional reporting, which will be generated from the newly-operated territories and shops, with minimal programming modifications. Conrail records for pre-Control Date injuries will continue to be monitored for 365 days from the date of injury as required by regulation, with updates accomplished via the NS system.

The NS personal injury reporting process is governed by Corporate Procedure 403.1 and utilizes internal forms 11131 (employee personal injury report), 11131-A (non-employee personal injury report) and 22 (injured employee's statement). This procedure governs the reporting of any employee fatality, injury or occupational illness which occurs while on-duty whether on or off property; or off-duty while on Railway property. It also governs the reporting of any non-employee fatality or injury that occurs on Railway property or while conducting Company business. All information on incidents covered by the procedure is collected on one of the above referenced forms.

Field supervisors at NS are responsible for accurately accumulating all required information concerning an injury and for ensuring its input into the computer system. An injury

has not been fully reported until it has been entered into the system and assigned an incident number. The original injury reporting forms are retained in an injury file at the reporting facility's headquarters. The injury reporting forms will be available on the entire expanded system prior to Day 1.

(ii) Conrail

The major change that will occur in regard to injury reporting on the former Conrail property will be the requirement that local supervisors handle injury incidents from inception to conclusion. Currently, when a Conrail employee is injured, the employee's supervisor notifies an outside health management contractor (PDSS) of the incident. The contractor enters an on-line CT75 injury form for the incident using basic information provided by the supervisor and arranges for medical treatment if required. When PDSS enters the initial information, a file is created and receives an incident number assigned by the system. The Claims Department then accesses the report from the system. The claim agent investigates the injury, but does not contact the employee unless the case involves lost time. Claims will file a report, thereby completing the CT75 form. The Safety Department also accesses the on-line CT75 form and evaluates the injury for reportability. FRA coding is accomplished at this time as well. Supervisors are responsible for following up on any medical treatment received by the employee that may affect reporting status. FRA monthly reports are generated from the Conrail mainframe system.

(iii) NS Expanded System--Integration

Under the NS system, the supervisors on the new territories will be required to develop all required injury and accident information and will make initial FRA reporting determinations. They will continue to provide medical treatment information and monitor the status of an injured

employee for 365 days from the date of the injury. All required internal injury reporting forms will be furnished to supervision during their training. NS does not anticipate utilizing the outside contractor beginning on Day 1.

All operating supervisors on former Conrail property will receive comprehensive training on the NS personal injury reporting system between Control Date and Day 1. NS estimates this will involve training almost 550 supervisors on the handling of the injury reporting forms. Currently NS has begun conducting first line supervisor training workshops for NS supervisors which covers personal injury reporting, accident/incident reporting, as well as a number of other subjects. The workshops are 16 hours in length and are conducted over several days. After the Control Date, similar workshops will be conducted for supervisors on properties allocated to NS and will be tailored to provide in-depth training on investigating and reporting injuries. The NS IT Department plans to have a computer training system available to Conrail supervisors to facilitate training on the NS system. Training sessions most likely will be conducted interdepartmentally on each of the three Conrail divisions allocated to NS and at the Altoona and Hollidaysburg Mechanical Shops. A supply of all required internal injury reporting forms will be furnished to supervision during the training with instructions on how to order more of the forms from Material Management when needed. Needed NS Safety Department support will be provided on the division as necessary for inputting data. NS anticipates that up to 54 field personnel will receive more detailed training on data input.

c. Grade Crossing Accident Reporting

When a grade crossing accident occurs on NS, the Chief Dispatcher on the division where the accident occurred is immediately notified by field personnel. The field supervisor is responsible for promptly providing all available accident information to the Chief. Conrail's

reporting is much the same, with information supplemented by the Conrail Police Department. Reporting of grade crossing accidents at NS is governed by Corporate Procedure 405.1. This procedure applies whenever there is impact between railroad on-track equipment and a vehicle or pedestrian at a highway/railway grade crossing. Form 22-G (Crossing Accident Report) and Form CT25A (Statement of Train and Engine Crews) are utilized with this procedure. FRA is familiar with these forms.

Upon notification of an accident, the Chief Dispatcher's office enters the accident information into the NS Total System Accident Reporting (TSAR) computer system. TSAR assigns a unique number to each accident entered. All information required for internal reports and FRA reporting is inputted into this system by the Chief Dispatcher's office. TSAR automatically pulls information from the NS Grade Crossing Inventory to ensure accurate data is furnished for the incident. Monthly FRA reports are generated from the data entered into TSAR. NS plans to have TSAR available for use on the newly controlled properties by Day 1. NS' IT Department forecasts providing NS mainframe computer access to all Conrail locations which are to be operated by NS, between Control Date and Day 1. As mainframe access is made available through the Thoroughbred entry display, field personnel will have access to the TSAR reporting panels for direct input. Safety Department personnel will be available on division, as needed, to assist in the first week and to offer direction as may be required in keypunch.

d. Train Accident/Incident Reporting

i. <u>NS</u>

When a train accident/incident occurs, the Chief Dispatcher on the division where the accident/incident occurred is immediately notified by field personnel. The field supervisor is

responsible for promptly providing all available accident information to the Chief. Reporting of train accidents is governed by Corporate Procedure 406.1 (Train Mishap Reporting). The procedure utilizes forms 968 (Derailment/Rail Equipment Incident Report), 968-2 (Derailment Incident Report Questionnaire), 968-B (Supplement form when more than four cars or units are derailed or damaged), 2067 (Report of Journal Failure), 6735 (Broken Knuckle and Coupler Report), and 10171 (Rule Violation Accident). FRA is familiar with these forms. Train mishaps include broken knuckle, broken coupler, yoke or other draft system components, hot box, train stopped due to suspected hot box, uncoupling (train separation) and any train derailment regardless of damage. The procedure covers all collisions, derailments, fires, explosions, acts of God and other events involving the operation of on-track equipment (standing or moving) where the total estimated damage exceeds the current FRA threshold.

Upon notification of a train accident, personnel in the Chief Dispatcher's office enter the accident information into the NS TSAR computer system. TSAR assigns a unique number to each accident entered. TSAR automatically "pulls" information from the NS Grade Crossing Inventory system (if needed), the UMLER system and the Personal Injury reporting system. If available at the time the accident file is initialized in TSAR, damage cost estimates for equipment, track, signals and structures are included in the report by the Chief. If the information is not available the department responsible for estimating the damage will enter a cost estimate in the TSAR record as soon as it is available. If the various estimates cumulatively exceed the $6,500 FRA reporting threshold, TSAR automatically includes the incident in the current month's FRA report.

NS recently has implemented a comprehensive train accident cost accumulation process to enhance FRA reporting. This process has replaced manual tracking of train accident damage

costs. Each month the process searches computer files that contain cost information associated with repair of equipment, track, signals, communication equipment and structures damaged as a result of a train accident. The system compares actual damage with TSAR estimates to determine if the accident has exceeded the reporting threshold or if there is at least a 10% difference between the current actual figure and what was reported to FRA. If either situation occurs then the latest cost information is provided to FRA. As outlined above, TSAR train accident/incident reporting is planned to be available on the new properties on Day 1.

ii. Conrail

FRA grade crossing and train accident reporting on Conrail is currently handled by the Safety Department, which accumulates information manually from a variety of sources. (Conrail does not presently have any mainframe database for grade crossing and train accident reporting.) When a grade crossing or train accident occurs, the Conrail dispatcher is instructed to make an entry in his Log Book about the occurrence. Also, under established procedures, a Transportation Field Supervisor or Division employee enters the accident in the Unusual Occurrence Report ("UOR") System -- which is a stand-alone system not linked to other Conrail databases -- which assigns the report a unique number. To facilitate reporting UOR's, the Safety Department has established its own UOR's form on an Electronic Bulletin Board. This form is manually filled in by Transportation and sent to Safety. To ensure that all accidents have been input to the UOR's system, Safety Department employees review daily a printout of all dispatchers' logs, all UORs input by the divisions, electronic UOR's, derailment reports, and the Core Services morning report.

The Conrail Safety Department is also responsible for preparing FRA report forms. Conrail currently uses the FRA AIRG system in performing this function. This system is a

stand-alone system that is not linked to other Conrail databases. As a result, use of the system requires separate, duplicate entry of data into the AIRG system. FRA train accident report forms (Forms 54 and 57) are printed from the AIRG system. Train accident damage estimates used to make initial reportability decisions are derived from the UORs. Actual damages to track, structures, signals and equipment are accumulated manually from Engineering, MP200 reports and from the Car Accounting Department.

iii. Expanded NS - Integration

Supervisors on Conrail property allocated to NS will receive comprehensive training on TSAR between Control Date and Day 1. As discussed above, NS is conducting supervisor training workshops which include accident/incident reporting. Similar workshops will be tailored to provide in-depth training for former Conrail supervisors on accident/incident reporting. The NS IT Department plans to have a computer training system available to Conrail supervisors to facilitate training on TSAR. NS estimates that 54 employees will receive detailed training to input data into the TSAR and Personal Injury Reporting System. This training will be accomplished between Control Date and Day 1. TSAR training for Mechanical and Engineering personnel will consist only of inputting damage cost estimates and performing inquiries. Training sessions most likely will be conducted interdepartmentally between Control Date and Closing Date, on each of the three Conrail divisions allocated to NS and at the Altoona and Hollidaysburg Mechanical Shops. All Transportation supervisors will be trained to fill out grade crossing report forms, train accident forms and personal injury forms via a one day workshop.

e. Drug/Alcohol Test Results Reporting

The NS Safety Department reports alcohol and drug test results in connection with reports

to FRA on injuries and train accidents. The underlying testing could arise under 49 C.F.R., Part 219, Subpart C - Post-Accident Toxicological Testing, Subpart D - Authorization to Test for Cause (reasonable cause) and Subpart D - Mandatory Reasonable Suspicion.

In accordance with FRA Guidelines for Preparing Accident/ Incident Reports, the Safety Department ensures that a monthly report for the entire system is submitted within 30 days following the month in which the incident(s) occurred. Two reports included in this monthly report contain alcohol/drug test results. The reports are:

- Form FRA F6180.55A - Railroad Injury and Illness Summary
- Form FRA F6180.54 - Rail Equipment Accident/Incident Report

Form FRA F6180.55A (Railroad Injury and Illness Summary) requires that railroads maintain an internal computer injury reporting system that is used by all departments to report personal injuries or illnesses. For employee injuries or illnesses, the computer program requires that the reporting department enter whether or not the injured employee was tested and if so what body parts were tested. This entry is then captured on an evaluation screen for the injury that is used to review the reportability of the injury and enter appropriate test result codes as required by the Guidelines. The injury report is then stored until such time that all of a particular month's injury data is complete and ready for submission to the FRA. When all injury reports are completed for the reporting month, NS then requests that the computer system produce complete Forms FRA F6180.55A (Railroad Injury and Illness Summary) listing all reportable injuries which include alcohol/drug test codes previously entered. In order to enter proper test result codes in the evaluation of the reportability of an injury as described above, NS maintains alphabetical files for each employee's alcohol/drug testing. A computer-generated form (NS Form 6891-Report of Drug and Alcohol Testing) identifies the division, date, time,

regulatory basis for test(s), i.e., Subpart C or D, employee's name, social security, body part tested and name of person making the report.

The above form and letter is also used by NS to properly report alcohol and drug test results to the FRA on Form FRA F6180.54 (Rail Equipment Accident/Incident Report) if the injury was the result of collisions, derailments, fires, explosions, acts of God, or other events involving the operation of railroad on-track equipment (standing or moving) and causing reportable damages greater than the reporting threshold for the year in which the accident/incident occurred. NS also submits corrected or late reports for injuries or train accidents and related alcohol/drug test results as required by FRA's Guidelines. The FRA routinely inspects the railroad's records containing alcohol/drug reporting to ensure compliance. These reporting forms and practices will be implemented on the expanded NS system on Day 1, with any necessary training for supervisors completed as discussed above.

4. Control of Alcohol and Drug Use

a. Integration of Corporate Programs

The medical policy of NS does not permit the employment of persons who use drugs which impair sensory, mental or physical functions. Further, NS prohibits all possession and use of or impairment by alcohol when employees are on duty, reporting for duty, on Company property or occupying facilities provided by the Company.

To implement its policy on drugs, it is NS' policy to require a drug screen:

- As a part of Company-authorized physical examinations (including pre-employment, periodic, return- to-service, fitness-to-remain in service, and executive physicals) required by the Company.

- Where required ***or permitted*** by applicable federal regulations.

- When an employee appears to be under the influence or impaired by drugs.
- When the Medical Department has reason to question whether an employee meets the Company's medical standards which proscribe the employment of persons who use prohibited substances.

The Department of Transportation (DOT) and FRA have promulgated regulations which govern the collection and analysis of urine specimens collected pursuant to DOT or FRA authority. NS has elected to follow these same collection and analyses procedures for all drug testing (i.e., testing done under NS policy as well as that performed under federal authority). NS took this step in order to ensure that all testing was done in an accurate and consistent manner.

An employee whose urine tests positive for a prohibited substance will be medically disqualified from service by the NS Medical Director. The employee will be instructed in writing to contact the Company's Drug and Alcohol Rehabilitation Service (DARS) for an evaluation within seven (7) calendar days of the date of the Medical Director's letter. If, as a result of the DARS evaluation, the employee is determined to have an addiction problem, he or she may only be returned to service after completing the rehabilitation required by DARS and providing a sample that tests negative. If the employee is determined to be without addiction, he or she must rid his or her system of prohibited substances and provide a negative urine sample, at a medical facility selected by the Company, within 45 days of the date of the Medical Director's original instructions. Should an employee fail to timely contact DARS within the time required; or fail to cooperate with any rehabilitation required by DARS; or fail to provide a negative urine sample within the time required, that employee will be subject to dismissal for failure to comply with instructions.

An employee who tests positive for a prohibited substance and complies with the Medical Director's instructions will be returned to service and advised in writing by the Medical Director that the use of prohibited substances is contrary to Company policy and will be instructed to keep his or her system free of such substances. An employee returned to service in this manner may be required on several occasions during the 5-year period following return to service to report to a medical facility for further testing to determine if he or she is using drugs and/or alcohol. Should any future test be positive, the employee will be subject to dismissal for failure to follow instructions.

An alcohol test may be conducted when required or permitted by applicable federal regulations. If federal regulations are not applicable, an employee who appears to be under the influence of alcohol may be offered the opportunity to provide a breath or blood sample for testing. If such a test indicates the presence of alcohol, the employee will be subject to dismissal.

Conrail's drug and alcohol testing policies were actually based in part on NS policies and, with few modifications, remain similar to those of NS. The areas where Conrail and NS differ are outlined below:

- Conrail employees who are subject to random FRA drug testing are not required to furnish a urine drug screen as a part of a required periodic physical examination. NS requires a urine drug screen as a part of all physical examinations. NS intends to give, through appropriate publications, notice to all employees that all physical examinations will include a drug screen urinalysis.

- Operating management employees are included in Conrail's random testing. NS does not include operating management employees in its random testing policies. Should NS

decide to discontinue testing operating management employees on its allocated portion of Conrail, or to include all NS operating management employees in random testing, appropriate notice will be given.

- At Conrail, where mandatory post-accident testing is required under FRA regulations, positive tests, including positive drug tests, are treated as violations of Rule G. NS does not consider a positive drug test, alone, to be a violation of Rule G. In order to prove a violation of Rule G, the positive urine test must be coupled with observable signs of drug use. NS, at this time, does not intend to change its policy for the expanded system.

- In mandatory post-accident testing under FRA regulations, a Conrail employee who tests positive for alcohol or drugs is subject to discipline for violating Rule G. In other circumstances, a Conrail employee who tests positive for alcohol for the first time within a ten year period and has had no previous Rule G violation during that period is not subject to discipline for violation of Rule G, but is treated under the Conrail Medical Policy in the same manner as an employee testing positive for drugs. All former Conrail employees who accept employment with NS will be given appropriate notice that a positive test for alcohol will be considered a violation of Rule G.

- Under NS policy, an employee who returns to service following a positive test for drugs or dismissal for violation of Rule G is instructed by the Medical Director to keep his or her system free of such substances. The employee is also told that should <u>any future</u> test be positive, the employee will be subject to dismissal. Under Conrail's policy, only employees who test positive for drugs or alcohol <u>within a ten year period following the first positive or dismissal for violation of Rule G</u> are subject to dismissal. NS will disseminate its drug and alcohol policy through appropriate publications and will emphasize that if <u>any future</u> test is positive, the

employee will be subject to dismissal for violation of Company policy and the Medical Director's instructions.

In general, for the expanded NS system, NS anticipates that it will implement its existing policies on drugs and alcohol on Day 1.

b. Testing Under 49 C.F.R. Part 219

(i) Post-Accident Toxicological Testing

The FRA rule on control of alcohol and drug use in railroad operations requires railroads to test Hours of Service covered employees in certain circumstances and permits employees covered by the Hours of Service Act to be tested in other circumstances.

In circumstances where post-accident toxicological testing is required, the railroad supervisor responding to the scene will make a "good faith judgment" as to whether post-accident toxicological (Subpart C) testing is required. If testing is required, all employees covered by the Hours of Service Act who were directly involved in the accident will be tested. In addition to operating crews, this may include any other covered employee who was directly involved, such as an operator/dispatcher or signal maintainer.

An employee who is required to be tested under Subpart C will be taken to an independent medical facility where the samples will be collected. Initially, the offices of the Company's Selected Physicians will be pre-designated as Subpart C collection facilities. However, depending upon the location of the accident/incident and the exigencies of testing, additional medical facilities may be utilized.

Samples collected during Subpart C testing will be shipped via overnight express mail to the laboratory designated by FRA for required analysis. Any employee who refuses to cooperate in Subpart C testing must be removed and disqualified from covered service for a

9-month period. However, because NS makes every effort to collect samples when post-accident testing is required, employees will be made aware that any employee who refuses to cooperate with testing is subject to dismissal for failing to comply with instructions. This policy will apply to the entire expanded NS system on Day 1.

Conrail employs a third party, Short Stop, LLC, to perform breath alcohol testing either at the accident site or a medical facility when post-accident testing is required. NS makes limited use of third party collectors, and in such circumstances usually would either have breath testing performed by a NS-trained Breath Alcohol Technician (BAT) or relies on trained personnel at a medical facility. For breath alcohol testing, NS intends to extend its practice of utilizing the services of its own trained Breath Alcohol Technicians (BATs) or the services of trained personnel at medical facilities on the allocated Conrail territories. For drug testing, NS intends also to utilize the services of qualified medical facilities for urine collections. However, realizing that a period of transition is required, NS will continue to utilize the services of a third-party contractor until such time as trained BATs and the NS methods can be phased into the Conrail territories allocated to NS. In all other areas, Conrail's post-accident toxicological testing plan is consistent with NS' plan.

(ii) Testing for Reasonable Cause

While Subpart D "reasonable cause" permits railroads to require urine and breath testing under certain circumstances, they are not required to do so. NS anticipates that it will utilize the authority granted by FRA regulations to test for reasonable cause to the fullest extent practicable. Employees selected for testing under Subpart D will be tested in accordance with 49 C.F.R., Part 40 procedures. An independent professional outside laboratory will be used for

drug testing and a copy of the laboratory report setting forth the results will be furnished to the employee.

Conrail utilizes the services of a third party, Short Stop, in some circumstances to collect urine and breath samples for testing under Subpart D. However, Conrail does not routinely perform discretionary testing under Subpart D. While NS' existing practice of utilizing Subpart D authority for testing will be followed throughout the expanded system on Day 1, no final decision has been made as to whether NS will continue to use the services of Short Stop or, alternatively, local medical facilities and NS-trained BATs.

(iii) Random Drug and Alcohol Testing Programs

An employee selected to be tested under Subpart G - Random Testing, will be instructed to report to a designated collection facility. (An appropriately equipped facility on the property or a medical facility will be used for this purpose.) Employees selected for testing will not be notified until they have reported for duty and then only as far in advance as is necessary to accomplish the test. Under FRA regulations, an employee who refuses to cooperate in random testing is to be removed and disqualified from covered service for a 9-month period. However, because NS intends to make every effort to collect samples when random testing is required, employees will be made aware that any employee who refuses to cooperate with testing will be subject to dismissal for failing to comply with instructions. This policy will apply system-wide on Day 1.

Both NS and Conrail have Subpart G random testing plans which have been approved and placed on file with the FRA. The primary difference between the NS and Conrail plans is the selection by train starts for NS train and engine service employees and by "clusters" for Conrail employees. NS uses a randomly-selected number of train starts, or crews reporting on or off

duty for random testing of train and engine service employees, random gang selection for signal gang employees, dispatching offices for train dispatchers, and job position numbers for independent assignments. Conrail uses a "cluster" concept wherein all employees at a randomly selected location on the randomly selected shift or who report for or are relieved from duty during the span of the shift, are selected for random testing.

NS currently anticipates that its "random testing plan" which has been approved and is on file with FRA also will be applied to the Conrail territories allocated to it. NS will obtain the Conrail data base and should NS discontinue the "cluster" selection, it will do so with little noticeable impact on the employees subject to testing. Such change will only be made when necessary computer reprogramming is completed. Any change in random testing plans, however, will be preceded by appropriate notice to employees and the FRA.

c. Procedures for Implementation of NS Drug and Alcohol Policies

(i) Supervisory Instructions and Guidelines

NS periodically updates, publishes and distributes its Supervisor Guidelines for Handling Rule G Cases and Incidents of Drug Testing ("Guidelines"). The Guidelines contain instructions to supervisors for handling situations for determining when testing is required under FRA rules as well as when testing may be required under Company policy and situations involving suspected violations of Rule G. The appropriate supervisors who come to NS from the allocated Conrail territories will be furnished a copy of the Guidelines.

(ii) Supervisor Training

NS has developed a comprehensive training program for controlling alcohol and drug use on the railroad. The program deals with signs and symptoms of alcohol and drug use as well as the FRA rules under 49 C.F.R. Parts 40 and 219. All NS supervisors of employees subject

to the Hours of Service Act are required to undergo a minimum of three hours training. NS will ensure that supervisors on the NS allocated portions of Conrail are given the same training and anticipates that it will: (a) train selected supervisors from each new operating division to be division trainers (train the trainer), and (b) establish schedules, with anticipation of completion prior to Closing Date, for training the remainder of the new operating division supervisory officers. It is premature to establish a definitive schedule for the training of supervisors. NS intends to begin such training as quickly as time and law permit and will maintain Conrail's present methods and practices until the training is complete.

(iii) Employee Communication

NS has produced a number of publications designed to educate employees on preventing the abuses of drugs and alcohol; the Company policy on alcohol and drugs; and the FRA regulations governing drug and alcohol testing. NS anticipates that all Conrail employees who accept employment with NS will be furnished the following publications: Health and Safety Information on Alcohol and Drug Abuse; Alcohol & Drug Rules, An Overview; and Norfolk Southern Safety and General Conduct Rules.

(iv) Employee Assistance Program

Pursuant to 49 C.F.R. Part 219, Subpart E, railroads are required to have a formal policy designed to identify and assist employees with alcohol and drug problems. The Employee Assistance Program on Conrail is handled by contract with PDSS. The program offered through PDSS satisfies the requirements of Subpart E.

NS maintains an active Drug and Alcohol Rehabilitation Service (DARS) Program. Both agreement and non-agreement employees are eligible for entry into the DARS Program during periods of active employment. Certain former employees also are eligible for entry into the

DARS Program within 30 days following their dismissal, provided they meet certain requirements.

NS anticipates that it will extend its DARS Program across its expanded system. The DARS Program fully satisfies the requirements of Subpart E.

5. Qualification and Certification of Locomotive Engineers

a. Present Policies

NS has thoroughly evaluated engineer training, qualification and certification policies on Conrail. It is apparent Conrail's processes are very similar to those in effect on NS, although there are some relatively minor differences. For the most part, NS will transfer its policies to the Conrail territory allocated to NS. These two programs will be fully integrated to achieve the best results in compliance with the governing regulations at 49 C.F.R. Part 240.

NS' engineer training, qualification and certification policies are organizationally under the direction of a System General Road Foreman of Engines. These policies are directed to each operating division where there is a Division Road Foremen of Engines and several Road Foreman of Engines who carry out the policy. Generally, Road Foremen of Engines are territorially based on each division and have responsibility for a defined group of locomotive engineers.

NS has a locomotive engineer training facility located in McDonough, GA. This facility uses state of the art training techniques and is equipped with a full motion locomotive simulator. There is a staff of five Road Foremen of Engines who are employed full time for instructing student engineers at this facility (see discussion above in Section VI. E. 1.).

Conrail's engineer training, qualification and certification policies are organized similarly to NS. Organizationally, these policies are implemented by the System General Road Foreman

of Engines. Again, each division has a Division Road Foreman of Engines and several Road Foremen of Engines who carry out Conrail policies. Road Foremen of Engines are territorially based on current Conrail divisions, similar to NS.

Conrail operates a training center at Conway, PA. This facility uses classroom style instruction and is equipped with locomotive and air brake simulators for training purposes. There is a staff of three instructors employed exclusively in the instruction of student engineers at this facility. This facility is managed by the System General Road Foreman of Engines.

b. Integration of Engineer Training, Qualification and Certification Policies

NS and Conrail have formed a joint team to integrate their policies and formulate a revised engineer certification program. It is expected this program will be very similar to the current NS program, effectively extending it to newly acquired Conrail properties. This team will be led by NS' System General Road Foreman of Engines.

While reviewing policies, this team also will be mindful of opportunities to update NS' current engineer certification program, utilizing a "best practices" approach when resolving the few substantive differences between the current NS and Conrail programs. This process has begun and will be completed by Control Date.

c. Engineer Training and Qualification

Both NS and Conrail have similar selection criteria for engineer training candidates, although NS currently requires employees to have at least one year of service before entering engineer training programs. Some Conrail engineer training candidates are hired directly into the engineer training program, depending upon availability of experienced employees at locations

where engineer trainees are needed. NS currently is evaluating Conrail's policy to determine if continuation is appropriate.

Under the NS engineer training process, employees remain at the engineer training facility in McDonough for a four week formal training session. This session is designed to provide intensive training to the prospective engineer. Upon completion, the employee will have extensively studied railroad operating rules, train handling instructions, air brake instructions, locomotive operating procedures, and, to some limited degree, locomotive mechanics. Throughout the course of this session, employees are periodically tested to assure they are developing a thorough understanding of the subject matter and are well versed in all areas of knowledge required to serve safely and efficiently as a locomotive engineer. This formal training session includes 72 hours of simulator training, classroom instruction, and computer-based training.

Following this formal training phase, student locomotive engineers return to their home territory and begin training over the line segments and in terminals where they will serve. In most cases student engineers remain in this status for at least six months depending upon the territory where the employee will serve as engineer.

NS assigns each student engineer to a qualified locomotive engineer for training purposes. NS uses a program called, "The Engineer as Coach." This program involves training the qualified locomotive engineer and the student locomotive engineer to interact effectively to assure training is accomplished successfully.

During this training period each student engineer is evaluated by a Road Foreman of Engines at least one time per month to monitor progress. When the training period is nearing completion, the Road Foreman of Engines, coach engineer, and student engineer will meet to

evaluate the trainee's progress. If it is apparent the student engineer has been thoroughly trained and is therefore prepared for qualification, an evaluation trip is arranged by the Division Road Foreman of Engines or another Road Foreman of Engines to determine the student engineer's fitness for qualification.

Again, there are few substantive differences between the NS process described above and the current Conrail program. Therefore, at this point, it is expected the training and qualification process will be integrated smoothly as an extension of current NS policies. Initially, to ensure an adequate supply of trained engineers, it is anticipated that both training centers will be utilized for instructional training. However, at some point in the future, training may be consolidated to the NS McDonough Training Center if it is determined that this center has sufficient capacity to train engineers for the entire expanded NS system.

Overall, it is anticipated that engineer certification policies in effect on NS today will be extended to those portions of Conrail allocated to NS.

d. Engineer Certification

NS plans to integrate the present Conrail certification program into the format currently used on NS. These programs are very similar in scope and format. Accordingly, little supervisory training will be required to implement the integrated program on allocated territories. NS anticipates the following process will be placed into effect:

Engineers will be re-certified prior to a select date which is determined by their birth date and the last two digits of their Social Security Number. This ensures the re-certification process will be spread throughout the calendar year and the entire roster of engineers will be re-certified every three years. This differs from Conrail's program only in that Conrail currently selects re-certification dates for engineers based upon the first alphabetical character in their last name.

All locomotive engineers will fulfill the knowledge requirements of the certification process by successful completion of an annual examination on the operating and safety rules. This will be conducted on each engineer's respective division or district by a local supervisor of locomotive engineers. On Conrail, this is done in regular annual Operating Rules classes by managers and supervisors of the Operating Rules Department.

A supervisor of locomotive engineers will ride with each engineer on a train for the purpose of conducting a performance evaluation prior to re-certification. This is the same process Conrail has in effect to fulfill the performance evaluation for re-certification.

Each engineer will be tested by a supervisor of locomotive engineers for rules compliance while operating a train. During this process, at the least, a test will be made to determine if the engineer controls his or her train in compliance with a signal that requires initiating action to reduce speed or stop the train.

A supervisor of locomotive engineers will ride with each engineer at least once each year to fulfill the requirement for annual monitoring of each engineer's performance. This is the practice currently in effect on Conrail.

To fulfill the medical and driving record requirements of the certification process, each engineer will be mailed, by registered mail, a notification packet six months prior to his select date for re-certification. This packet will inform the engineer that arrangements must be made to attend a physical examination, (vision and hearing), to be performed by a selected physician. As is currently the practice on NS and Conrail, it will also require the engineer to submit necessary information and authorization for the railroad to conduct a search of his/her driving record. This completed information will be returned to the System General Road Foreman of Engines for processing.

Currently, Conrail maintains certification records at its training center under the direction of the System General Road Foreman of Engines, Conway, PA. Eventually, all engineer certification records will be consolidated to NS' System General Road Foreman of Engines' Office in Atlanta, GA.

e. Train Handling and Air Brake Applications

FRA has requested information on how the railroad will carry out the federal regulations governing train handling and air brake applications on its allocated territories, including the CSAO and the Northeast Corridor. NS has extensive procedures that are implemented to assure the highest possible level of rules compliance by locomotive engineers and other operating employees. Its procedures for insuring compliance of the above-cited operating requirements are stipulated in the procedures that govern rules compliance in general.

First, NS will assure through its training process that all employees are familiar with operating instructions pertaining to train handling and air brake applications. This is accomplished using the above-described training process and by direct contact between NS' network of instructors of locomotive engineers and locomotive engineers on the allocated territories, CSAO and the Northeast Corridor. Initially, those train handling instructions and air brake procedures in effect on Conrail will remain in effect. They are well understood by the employees who will work for NS on the allocated territories, as well as by the employees who will be employed by CSAO and employed by NS on the Northeast Corridor. Eventually, NS rules and instructions may be extended to allocated territories, (an option outlined in the Operating Rules Section VII. A. 1.). Any change in Operating Rules will be accompanied by an appropriate training effort to assure that each employee is familiar with the instructions made effective prior to their implementation.

Second, NS will institute ongoing safety training and improved communication through a program that has been very successful on NS, commonly referred to as "Train Handling Meetings." These meetings are arranged by Road Foremen of Engines on their district and all engineers are invited to discuss topics about safety, train handling, operating rules, new equipment, and other general concerns or issues. Any decisions made during these meetings that will improve operating practices, train handling procedures, or service delivery are implemented to the broadest extent possible under NS policies and procedures.

Finally, NS will implement an enforcement process that assures each employee performs in a compliant manner. This will be accomplished through operational testing and by periodically evaluating THR data on an unannounced basis to ascertain compliance. NS has outlined elsewhere in this plan its extensive process for performing operational testing and the extent to which NS will expect compliance with these instructions and procedures.

6. Hours of Service

a. Hours of Service Reporting

Hours of service records and records of any incidents of service in excess of that permitted by the law are maintained by the individual operating divisions on NS. This policy will be extended to the Conrail lines allocated to NS. The Operating Rules Department is responsible for accumulating reports from the individual divisions and filing any reports of excess service with FRA. Beginning on Day 1, we anticipate that the Conrail lines and facilities allocated to NS will be handled using these same guidelines.

Currently, NS is using a paper-based system for hours of service reporting that requires employees to enter their hours of service duty information on-line in the computer system. A hard copy of the record is printed, reviewed, and signed by the employee or senior member of

the crew. The records are then sent to offices in Roanoke, Virginia, where they are sorted and filed.

In conjunction with FRA oversight, an electronic hours of service record keeping system has been developed and has been given conditional approval by the FRA. One of the conditions is that NS count attendance at rules classes as covered service when commingled with HSA-covered duties. Effective January 1, 1998, NS intends to meet the conditions set forth by the FRA and to implement the electronic hours of service reporting. Because NS employees already have been reporting through the system, the acceptance of the conditions by the FRA for waiver approval will mean that the signed paper reporting eventually will be eliminated in favor of the electronic records. This step will not require additional training for NS employees. The NS hours of service reporting for signal employees is a paper-based system where each employee completes an approved form daily. These forms are sent to the appropriate Division office each month where they are reviewed and filed for FRA inspection. System signal employees' HSA forms are filed at the appropriate project engineers' or supervisors' office.

On Conrail, the hours of service reporting for train and engine service employees is recorded on the employee's payroll timeslip. The documents are processed for payroll and then microfilmed for later retrieval. The hours of service reporting for signal employees is a paper-based system in which each employee completes an approved hours of service form daily. These forms are sent to the appropriate Division Office each month where they are reviewed and filed for FRA inspection. System signal employees' hours of service forms are filed at the appropriate project engineer or supervisor's office. The implementation of train and engine service HSA reporting on Conrail properties allocated to NS will be tied to the crew management and paperless payroll implementations.

b. Crew Management

NS' implementation of the crew management function at Conrail will involve transferring the calling functions to the NS system. Both Conrail and NS utilize a computerized crew management system that was developed by P.S. Technology. While the systems have some minor differences relating to compliance issues associated with labor agreements, they are similar in design, which will aid in the transition of crew call functions.

As part of the implementation, approximately 60 Conrail crew dispatchers will be trained on the NS system utilizing a classroom instructor and Computer Based Training (CBT) specific to the crew management function and train and engine service employees. Included in both the CBT and the instructor training of crew dispatchers are segments that provide reinforced training with respect to the hours of service requirements for train and engine employees as they relate to rest, service, and deadhead periods.

Initial implementation on Conrail properties allocated to NS will be methodical. The changeover within the Crew Management Office will be accomplished a division at a time, similar to recent changes that were made on NS. Starting with the first of three divisions, on Day 1, crew dispatchers will call the Conrail employees from the Conrail system. Working with a supervisor, the same information will be mirrored in the NS system. This parallel processing will continue to occur for approximately four to five days or until such time as the NS system has been synchronized with the Conrail system. Approximately four weeks after Closing, the crew management functions will no longer need to be performed on the Conrail system.

After the first division is completely moved onto the NS system, the implementation process will move to the next division, where the same procedures will be followed. The third division implementation will follow behind the second division's implementation. On-going

support will be given at the Dearborn facility until such time as the functions are transferred to the NS Crew Management Center in Atlanta, GA.

During the interim period between Day 1 and completion of field training, the train and engine employees on Conrail territories allocated to NS will continue to complete their paper-based reports. These reports will continue to be mailed to a central location and will be available for retrieval upon request. In addition, the train and engine employees will continue to report their off-duty information by contacting their crew dispatcher by telephone.

After the crew management process is fully moved onto the NS Crew Management system, field training on the paperless reporting system will be implemented in the same manner, i.e., one division at a time. NS will provide the approximately 3,800 former Conrail train and engine employees with training materials that will include detailed reference guides, instructional manuals and a video specific to the end-of-trip process that will detail hours of duty requirements and the associated electronic reporting system.

As a division is implemented, trainers will be sent to cover all off-duty locations and provide instructions on paperless reporting. Based on preliminary plans, for each division more than 300 trainers will be involved in teaching and assisting the train and engine employees at approximately 50 locations. Currently, a detailed inventory of Conrail equipment is underway, but a preliminary inventory has found that approximately 162 CRTs are available for train and engine employees to use in making inquiries. A review of the locations and the anticipated crew activity is underway so as to ensure adequate access to these devices for reporting and inquiries. Based on preliminary estimates, it appears that an additional 150 to 220 CRTs will be needed. The field trainers will be on location for approximately three weeks during the training period, providing around-the-clock training to ensure complete instruction. A help hot-line will be

staffed by management personnel during this process to ensure the availability of expertise and guidance.

In addition to having trainers on-site for three weeks, the system includes features that help ensure valid and timely reporting. First, the electronic reporting system provides prompts requiring an employee to report hours of service information whenever the system detects that an hours of service event has occurred. To ensure employees are not entering information when they should be resting, the system will not allow an employee to enter end-of-trip information if he/she has been on duty more than twelve hours. In this case, a report is suspended and tracked as an outstanding hours of service reporting requirement that is due for completion at a later opportunity. Once an outstanding unreported hours of service event enters tracking, an employee is notified of the outstanding event in three ways: whenever the employee calls the Voice Response Unit (VRU) for inquiries; whenever he/she is selected for a future call; and whenever he/she accesses information on the system. Outstanding hours of service reports may only be cleared up by each individual employee and must be done when that employee is on-duty or in a layoff status.

Upon completion of the conversion to the NS Crew Management System and full implementation of field train and engine service personnel training, the calling functions will be relocated and integrated into the NS Atlanta Crew Management Center. The NS Atlanta Crew Management Center is staffed twenty-four hours a day, seven days a week with supervision to assist employees in answering hours of service questions. Together with the coordination of train and engine service crews under single collective bargaining agreements at transportation hubs, this crew call system and the electronic hours of service record keeping system will ensure compliance with federal regulations and will provide a larger pool of personnel from which to

draw for train assignments, thereby increasing NS' flexibility to ensure employees are afforded greater rest opportunities.

Conductor and engineer trainees currently receive hours of service training during their training period at the NS McDonough Training Center. It is anticipated that future training of employees hired for allocated Conrail areas will receive the same instruction, regardless of where the training facility is located.

Another key area affecting employee quality of life issues relates to providing accurate and timely information about planned events and up-to-date information on train operations. To assist employees with enhanced information on operations, the NS Voice Response Unit allows employees to inquire on their specific conditions with regards to rest, pool or extraboard standing, anticipated trains and approximate call times, vacancies in the pools and availability of extra employees. The system also handles a variety of facts concerning active/inactive pools such as home and away crews advancing to a specific terminal.

Conrail's train ordering takes place mostly by telephone requests. This activity circumvents the electronic train order system that has the capability to pass train information to the field inquiries and the VRU. On NS, the train information is provided in an on-line format on a continuous basis by field supervision and/or dispatchers. As such, the information is current and reflects more accurate information than does the current Conrail system that voices static schedule times from an electronic schedule.

Another feature of the NS VRU system is an inquiry that will allow any employee to inquire on any pool or extraboard within the system. This feature allows train and engine employees to obtain information that is not specific to their normal circumstance, but that may

have a bearing on the operation of their part of the railroad. In summary, the change-over to the NS system will benefit all employees as they are able to obtain better and more information.

7. Yard Operations

a. Introduction

NS has reviewed yard operations on Conrail and identified all terminals where NS employees will be operating. This includes terminals on routes acquired by NS, terminals that will become CSX operations and CSAO assigned terminals. Physical characteristics training is a requirement for engineer certification. NS already has described its extensive provisions for compliance with engineer certification procedures at Section VII.5. This section will specifically address physical characteristic training at terminals for both engineers and trainmen, as well as, both yard and road crews.

b. Terminal Locations Requiring Physical Characteristic Training

Following is Figure 2, which depicts locations where physical characteristic training will be required for NS employees. Figure 2 includes locations that will be operated by NS, CSX, and CSAO, but is limited to only those locations where NS employees will require training. Figure 2 shows the average number of employees presently working within each terminal. Most of these employees currently are Conrail employees; NS is projecting, based on certain assumptions regarding rearrangement of forces that will not be fully defined until implementing agreements are completed, that most of the identified positions will be employed by NS effective Day 1. Figure 2 shows the average number of current employees at each location, by craft and their job position, either regularly assigned or extra board. It should be noted that most employees at any particular location are not expected to require physical characteristics training.

FIGURE 2
Terminal Locations Requiring Physical Characteristics Training For Projected NS Employees

			Engineers		Conductors		Brakeman	
Division	Location	Road	Assg	X	Assg	X	Assg	X
Dearborn	Ashland Avenue Yard	NS	2	0	2	0	1	0
Dearborn	Battle Creek, MI	NS	6	0	6	0	5	0
Dearborn	Brook Park Yard	NS	2	0	3	0	0	0
Dearborn	Buckeye Yard, OH	NS	3	0	5	0	0	0
Dearborn	Chicago Transfer Job	NS	2	0	2	0	1	0
Dearborn	Chicago, IL (Yard)	NS	2	0	2	0	0	0
Dearborn	Cleveland Engine Exc.	NS	10	0	10	0	4	0
Dearborn	Colehour Yard	NS	30	0	23	9	26	4
Dearborn	Elkhart Eng. Exchange	NS	2	0	0	0	1	0
Dearborn	Elkhart, IN (Yard)	NS	4	0	5	0	2	0
Dearborn	Engine Exchange Jobs	NS	9	6	16	8	13	6
Dearborn	Fifty-fifth Street Yard	NS	2	0	2	0	0	0
Dearborn	Grand Rapids, MI - Yard	NS	2	0	0	0	2	0
Dearborn	Jackson, MI	NS	6	0	6	0	1	0
Dearborn	Kalamazoo, MI (Yard)	NS	4	0	4	0	2	0
Dearborn	Kankakee, IL	NS	6	0	6	0	4	0
Dearborn	Lansing, MI	NS	3	0	3	0	3	0
Dearborn	Marion, IN - Yard	NS	1	0	1	0	1	0
Dearborn	Middletown, OH - Yard	NS	1	0	1	0	1	0
Dearborn	Moraine, OH - Yard	NS	4	0	4	0	4	0
Dearborn	Motor Yard	NS	1	0	1	0	1	0
Dearborn	Park Manor Yard	NS	1	0	1	0	0	0
Dearborn	Rockport Yard	NS	4	0	4	0	3	0
Dearborn	Sharonville, OH - Yard	NS	2	0	2	2	2	2
Dearborn	South Bend Yard	NS	26	7	37	16	1	13
Dearborn	Toledo, OH (Airline)	NS	9	2	9	6	4	0
Dearborn	Twinsburg-Bedford Yard	NS	4	0	5	0	1	0
Dearborn	Van Willer Yard	NS	2	0	2	0	1	0
Dearborn	Whiskey Island Yard	NS	2	0	2	0	2	0
Harrisburg	Abrams C/T, PA	NS	31	13	21	10	4	8
Harrisburg	Allentown/Bethlehem C/T	NS	3	0	3	0	3	0
Harrisburg	Baltimore, MD	NS	14	0	13	0	1	0
Harrisburg	Croxton, NJ	NS	3	0	4	0	1	0
Harrisburg	Dillerville Yard	NS	14	0	20	0	31	0
Harrisburg	Edgemoor, DE	NS	1	0	3	0	0	0
Harrisburg	Enola Yard	NS	2	0	2	0	0	0
Harrisburg	Harrisburg, PA	NS	2	0	2	0	0	0
Harrisburg	Lebanon, PA	NS	7	12	6	0	2	11
Harrisburg	Northumberland, PA	NS	4	0	2	0	2	0
Harrisburg	Pottstown, PA - Yard	NS	2	0	2	0	1	0
Harrisburg	Reading, PA	NS	15	13	18	18	4	1
Harrisburg	Shiremanstown	NS	9	0	9	0	4	0
Pittsburgh	Altoona, PA	NS	1	0	1	0	1	0
Pittsburgh	Ashtabula Harbor, OH	NS	1	1	1	5	1	0
Pittsburgh	Canton, OH	NS	6	0	6	0	3	0
Pittsburgh	Conway Yard	NS	1	0	1	0	1	0
Pittsburgh	Conway Yard	NS	5	0	5	0	4	0
Pittsburgh	Conway Yard	NS	4	0	4	0	4	0

			Engineers		Conductors		Brakeman	
Division	Location	Road	Assg	X	Assg	X	Assg	X
Pittsburgh	Conway Yard	NS	8	0	5	0	9	0
Pittsburgh	Conway Yard Crew	NS	11	0	9	0	11	0
Pittsburgh	Goodman, OH	NS	1	0	1	0	0	0
Pittsburgh	Harding, OH	NS	7	0	7	0	7	0
Pittsburgh	Holidaysburg, PA	NS	3	0	3	0	3	0
Pittsburgh	Mansfield, OH - Yard	NS	6	0	7	0	4	0
Pittsburgh	Mingo junction, OH	NS	18	24	23	14	33	10
Pittsburgh	Oil City, PA	NS	6	0	5	0	4	0
Pittsburgh	Youngstown, OH	NS	9	0	9	0	2	0
Dearborn	Livernois Yard	CSAO	6	0	5	0	3	0
Dearborn	Mack Yard	CSAO	1	0	1	0	0	0
Dearborn	Monroe Yard	CSAO	1	0	0	0	1	0
Dearborn	Mound Road Yard	CSAO	1	0	1	0	0	0
Dearborn	North Yard	CSAO	3	0	3	0	2	0
Dearborn	North Yard Eng. Exc.	CSAO	6	0	6	0	4	0
Dearborn	River Rouge Yard	CSAO	5	0	5	0	2	0
Harrisburg	Bayonne, NJ	CSAO	8	6	8	15	18	12
Harrisburg	Bayway, NJ	CSAO	3	0	3	0	1	0
Harrisburg	Frankford Jct. - Yard	CSAO	9	3	8	0	5	7
Harrisburg	Linden/Metuchen, NJ	CSAO	5	0	5	0	3	0
Harrisburg	Linden/Metuchen, NJ	CSAO	6	0	6	0	4	0
Harrisburg	Midvale, PA - Yard	CSAO	5	0	5	0	6	0
Harrisburg	Morrisville, PA - Yard	CSAO	24	11	24	0	15	16
Harrisburg	Oak Island, NJ	CSAO	5	0	5	0	5	0
Harrisburg	Oak Island, NJ	CSAO	21	8	15	1	14	17
Harrisburg	Oak Island, NJ	CSAO	13	4	11	0	4	9
Harrisburg	Oak Island, NJ	CSAO	4	0	3	0	0	0
Harrisburg	Pavonia, PA - Yard	CSAO	13	5	3	0	14	13
Harrisburg	Port Newark, NJ	CSAO	1	0	0	0	1	0
Harrisburg	Port Reading, NJ	CSAO	30	20	31	17	25	19
Harrisburg	South Amboy, NJ	CSAO	2	0	2	0	1	0
Harrisburg	Stoney Creek, PA	CSAO	2	2	1	0	2	3
CSX	Anderson, IN	CSX	6	0	6	0	4	0
CSX	Avon, OH	CSX	26	0	27	0	4	0
CSX	Cleveland, OH	CSX	30	17	30	23	18	0
CSX	Collingwood Yard	CSX	8	0	8	0	7	0
CSX	Fort Wayne, IN	CSX	2	0	2	0	2	0
CSX	Frontier Yard	CSX	11	4	8	1	5	5
CSX	Greenwich, PA - Yard	CSX	3	0	3	0	1	0
CSX	Indianapolis Transfer Job	CSX	21	0	19	0	8	0
CSX	Indianapolis Yard	CSX	3	0	3	1	2	0
CSX	Lima, IN	CSX	25	0	24	0	8	0
CSX	North Bergen, NJ	CSX	13	0	16	0	2	0
CSX	Parma Yard	CSX	5	0	5	0	2	0
CSX	Seneca Yard	CSX	5	0	5	0	0	0
CSX	South Kearny, NJ	CSX	3	0	3	0	0	0
CSX	South Kearny, NJ	CSX	4	0	3	0	3	0
CSX	Toledo, OH (Stanley)	CSX	5	0	6	0	2	0

c. Employees Required to Participate in Physical Characteristics Training

Physical Characteristics Training must be provided to employees before they are qualified to perform service at any particular yard. Generally, most employees will not require physical characteristics training to be qualified to perform their assigned job function. This will be the case because it is anticipated that implementing agreements will permit many employees to remain in the same general job assignment or at least at the same job location where they worked prior to the consolidation of operations. Some may have to change assignments or relocate. This may or may not result in a need for physical characteristics training, depending upon their familiarity with the selected work location.

On the other hand, under anticipated implementing agreement rules it may be necessary to assign an employee to an area where he/she does not know the physical characteristics. This will then require the employee to participate in physical characteristics training at that location.

The need for physical characteristics training exists for both yard and road assigned employees. The extent to which they will be trained differs somewhat depending upon the actual work location of their assigned job and their status as either regularly assigned or assigned to an extra board position.

At some locations, there will be an overlap of current Conrail and NS employees with new road assignments operating on an inter-road basis, thereby requiring physical characteristics training for employees on the newly assigned line segment and terminals on their new or extended operating territory. These situations are identified in the following Figure 3. This figure depicts the crew districts over which current Conrail or NS employees may operate over new routes or into facilities that are not currently within their operating territory. Also shown are the number of employees on each district that currently are expected to require physical

characteristics training. For each district, the terminal where physical characteristics training will be required is shown and the division responsible for performing physical characteristics training is reflected in the division column. Of course, these numbers are subject to change as additional information is developed and traffic flows are altered. As with regard to the previous figure, the projected numbers of employees are based on assumptions regarding rearrangement of forces that will not be fully defined until implementing agreements are completed.

FIGURE 3

Areas Where Current NS and Conrail Employees Will Require Physical Characteristics Training Due to Route Changes or Terminal Acquisition

Division	Current Road	District From	District To	Terminal	Engineers Assg	Engineers X	Conductors Assg	Conductors X	Brakeman Assg	Brakeman X
Dearborn	NS	Ft. Wayne, IN	Chicago, IL.	47th Street Yard	44	14	44	20	0	0
Lake	CR	Cleveland, OH	Toledo, OH	55th Street Yard	6	0	6	0	0	0
Dearborn	NS	Ft. Wayne, IN	Chicago, IL.	55th Street Yard	44	14	44	20	0	0
Dearborn	NS	Cleveland, OH	Toledo, OH	Airline Yard	16	6	16	7	0	0
Dearborn	NS	Detroit, MI	Bellevue, OH	Airline Yard	6	2	6	2	0	0
Dearborn	NS	Ft. Wayne, IN	Chicago, IL.	Ashland Ave. Yard	44	14	44	20	0	0
Pittsburgh	NS	Bellevue, OH	Ashtabula, OH	Ashtabula Yard	16	6	16	7	0	0
Pittsburgh	NS	Buffalo, NY	Bellevue, OH	Ashtabula Yard	15	5	15	6	0	0
Lake	CR	Buffalo, NY	Bellevue, OH	Bellevue Terminal	5	1	5	1	0	0
Lake	CR	Conway, PA	Sandusky, OH	Bellevue Terminal	1	0	1	0	0	0
Lake	CR	Detroit, MI	Bellevue, OH	Bellevue Terminal	3	4	3	4	0	0
Harrisburg	CR	Binghamton, NY	Croxton, NY	Binghamton Yard	13	4	13	4	0	0
Harrisburg	CR	Buffalo, NY	Binghamton, NY	Binghamton Yard	16	5	16	5	0	0
Harrisburg	CR	Buffalo, NY	Binghamton, NY	Bison Yard	16	5	16	5	0	0
Dearborn	NS	Toledo, OH	Elkhart, IN	Bryan Yard	4	2	4	2	0	0
Lake	CR	Buffalo, NY	Cleveland, OH	Buffalo Jct. Yard	20	5	20	5	0	0
Lake	CR	Buffalo, NY	Binghamton, NY	Buffalo Jct. Yard	16	5	16	5	0	0
Dearborn	NS	Elkhart, IN	Chicago, IL.	Burns Harbor Yard	44	14	44	20	0	0
Pittsburgh	NS	Columbus, OH	Conway, PA	Canton Yard	9	3	9	3	0	0
Pittsburgh	NS	Columbus, OH	Youngstown, OH	Canton Yard	9	3	9	3	0	0
Lake	CR	Conway, PA	Columbus, OH	Columbus Yard	4	1	4	1	0	0
Lake	CR	Youngstown, OH	Columbus, OH	Columbus Yard	2	0	2	0	0	0
Lake	CR	Buffalo, NY	Cleveland, OH	Conneaut Yard	20	5	20	5	0	0
Pittsburgh	NS	Columbus, OH	Conway, PA	Conway Yard	9	3	9	3	0	0
Harrisburg	CR	Binghamton, NY	Croxton, NY	Croxton Yard	13	4	13	4	0	0
Dearborn	NS	Elmore, WV	Dickinson, WV	Dickinson Yard	3	2	3	2	1	0
Dearborn	NS	Elkhart, IN	Chicago, IL.	Elkhart Yard	44	14	44	20	0	0
Dearborn	NS	Toledo, OH	Elkhart, IN	Elkhart Yard	4	2	4	2	0	0
Pocahontas	CR	Dickinson, WV	Elmore, WV	Elmore Yard	4	2	4	2	2	0
Harrisburg	NS	Manassas, VA	Harrisburg, VA	Enola Yard	8	3	8	3	0	0
Harrisburg	NS	Shenandoah,VA	Harrisburg, VA	Enola Yard	6	2	6	2	0	0
Lake	CR	Buffalo, NY	Cleveland, OH	Erie, PA	20	5	20	5	0	0
Dearborn	NS	Cleveland, OH	Toledo, OH	Ford - Brookpark	16	6	16	7	0	0
Dearborn	NS	Cleveland, OH	Toledo, OH	Ford - Fairlane	16	6	16	7	0	
CSX	CR	Buffalo, NY	Cleveland, OH	Frontier Yard	20	5	20	5	0	0

Areas Where Current NS and Conrail Employees Will Require Physical Characteristics Training Due to Route Changes or Terminal Acquisition

Division	Current Road	District		Terminal	Engineers		Conductors		Brakeman	
		From	To		Assg	X	Assg	X	Assg	X
CSX	CR	Buffalo, NY	Binghamton, NY	Frontier Yard	16	5	16	5	0	0
Lake	CR	Ft. Wayne, IN	Chicago, IL.	Ft. Wayne Yard	10	3	10	3	0	0
Pittsburgh	NS	Columbus, OH	Conway, PA	Harding Yard	9	3	9	3	0	0
Pittsburgh	NS	Columbus, OH	Youngstown, OH	Harding Yard	9	3	9	3	0	0
Harrisburg	NS	Manassas, VA	Harrisburg, VA	Harrisburg Yard	8	3	8	3	0	0
Harrisburg	NS	Shenandoah,VA	Harrisburg, VA	Harrisburg Yard	6	2	6	2	0	0
Pittsburgh	NS	Columbus, OH	Youngstown, OH	Haselton Yard	9	3	9	3	0	0
Lake	CR	Cleveland, OH	Toledo, OH	Homestead Yard	5	0	5	0	0	0
Piedmont	CR	Harrisburg, PA	Manassas, VA	Manassas Yard	8	3	8	3	0	0
Pittsburgh	NS	Columbus, OH	Conway, PA	Mansfield Yard	9	3	9	3	0	0
Pittsburgh	NS	Columbus, OH	Youngstown, OH	Mansfield Yard	9	3	9	3	0	0
Lake	CR	Elkhart, IN	Muncie, IN	Muncie Yard	7	2	7	2	0	0
Harrisburg	CR	Binghamton, NY	Croxton, NY	Oak Island Yard	13	4	13	4	0	0
Lake	CR	Detroit, MI	Toledo, OH	Oakwood Yard	13	4	13	4	0	0
Dearborn	NS	Buffalo, NY	Cleveland, OH	Rockport Yard	15	5	15	5	0	0
Dearborn	NS	Cleveland, OH	Toledo, OH	Rockport Yard	16	6	16	7	0	0
Harrisburg	CR	Binghamton, NY	Croxton, NY	S. Kearny Yard	13	4	13	4	0	0
Lake	CR	Conway, PA	Sandusky, OH	Sandusky Yard	1	0	1	0	0	0
CSX	CR	Buffalo, NY	Binghamton, NY	Seneca Yard	16	5	16	5	0	0
CSX	NS	Buffalo, NY	Cleveland, OH	Seneca Yard	15	5	15	6	0	0
Virginia	CR	Harrisburg, PA	Shenandoah, VA	Shenandaoh Yard	6	2	6	2	0	0
Harrisburg	NS	Manassas, VA	Harrisburg, VA	Shiremanstown Yard	8	3	8	3	0	0
Harrisburg	NS	Shenandoah,VA	Harrisburg, VA	Shiremanstown Yard	6	2	6	2	0	0
Harrisburg	CR	Buffalo, NY	Binghamton, NY	SK Yard	16	5	16	5	0	0
Dearborn	NS	Elkhart, IN	Chicago, IL.	South Bend Yard	44	14	44	20	0	0
Lake	CR	Buffalo, NY	Cleveland, OH	Tifft Yard	20	5	20	5	0	0
Lake	CR	Buffalo, NY	Binghamton, NY	Tifft Yard	16	5	16	5	0	0
Virginia	CR	Harrisburg, PA	Shenandoah, VA	VIP Terminal	6	2	6	2	0	0
Virginia	CR	Harrisburg, PA	Manassas, VA	VIP Terminal	8	3	8	3	0	0

d. Extent of Physical Characteristics Training, Training Sources, Training Material

Physical characteristics training will consist of both direct contact with supervisory employees and delivery of training materials consisting of reference information for employees to use when operating in each facility. Initially, supervisors will ascertain each employee's familiarity with the facility. This will be accomplished by supervision maintaining a list of employees that are qualified in each terminal or facility and through written directives instructing employees to notify supervision if they believe physical characteristics training is required.

When an employee requires physical characteristics training, local supervision will meet with the employee and accompany him/her while operating on terminal property. In some cases, student trips may be arranged with experienced employees for a sufficient period of time to qualify the employee on the terminal. Where needed, repeated supervisory contacts will be made to assure proper understanding of operating instructions and physical characteristics at the location involved.

When physical characteristics training is provided, employees will be given reference materials consisting of at least a diagram of the yard layout indicating track numbers or names. The reference materials will also contain safety-related information such as location of exits from the property and location of emergency response equipment.

Terminal/facility supervision will maintain a record of training activity on each employee's safety history record. This record resides on NS' mainframe and can be reviewed by supervision to ascertain if an employee has received physical characteristics training or other safety training at a particular location.

e. Physical Characteristics Training Schedule

This training will begin immediately upon implementation of the Operating Plan, beginning on Day 1, for existing NS and Conrail employees requiring such training. Of course, any newly hired employees will receive physical characteristics training as a part of their overall training process.

If new services are established as the Operating Plan is implemented, special attention will be given to making certain that employees assigned to such services are familiar with all areas where they will operate. Physical characteristics training will be provided as needed for all new service areas.

B. MOTIVE POWER AND EQUIPMENT

NS' planning regarding implementation of its Operating Plan in the MP&E area has centered around several key elements. NS has extensively reviewed the Conrail facilities and territories to be allocated to NS and has assessed the organization and staffing levels, employee safety and work procedures, facility function, adequacy of resources and work allocations arising from the division of lines and facilities between NS, CSX and CSAO.

This section of the SIP will explain the transitional steps and changes that are envisioned with regard to organization and staffing, employee safety and work procedures (procedures, policies and instructions), performing required inspections of equipment, locomotive inspections and repairs, pre-departure inspections of freight cars, locomotive utilization, and locomotive maintenance in the Conrail facilities and territories to be allocated to NS.

1. Organization

Organizationally, NS proposes supervisory positions that closely parallel the organization that now exists on Conrail. The proposed levels of supervision are similar to Conrail's current levels of supervision. However, NS expects to have non-contract supervisory positions in lieu of Conrail's current union supervisory positions. Currently, at NS all motive power and equipment supervisors are non-agreement, which helps NS to match the skill levels of an individual supervisor to the demands and complexity of a specific position.

NS will maintain a stable staff of MP&E employees within the facilities allocated to NS. Figure 4, following, details the current number of employees at each such location. In view of NS' intent to maintain stable MP&E staffing, this figure also represents the currently projected Day 1 staffing.

FIGURE 4
Projected MP&E Staffing Within
Conrail Facilities Allocated to NS

employment 11-1-86

DIVISION	CLOSEST CITY	YARD	OLD DIVISION	COMMON POINT ON NS	NON AGREE. FORCES	AGREE. SUPV	CLERKS	FORCES CAR	NON-AGREE LOCO	AGREE LOCO SUPV	LOCO FORCES
DEARBORN	CHICAGO	ASHLAND AVE	DEARBORN	CALUMET				6			
DEARBORN	CHICAGO	COLEHOUR	DEARBORN	CALUMET				1			
DEARBORN	CHICAGO	51ST STREET	DEARBORN	CALUMET	2	11	1	5	1	5	7
DEARBORN	CHICAGO	55TH STREET	DEARBORN	CALUMET		4		10			
DEARBORN	CHICAGO	63RD STREET	DEARBORN	CALUMET		4		13			
DEARBORN	CHICAGO	BURNS HARBOR	DEARBORN	CALUMET	1			13			
DEARBORN	CHICAGO	ELKHART	DEARBORN	CALUMET	3	12	1	68	2	7	42
DEARBORN	ELKHART	KALAMAZOO	DEARBORN					1			
DEARBORN	ELKHART	GRAND RAPIDS	DEARBORN					2			
DEARBORN	DETROIT	LANSING	DEARBORN	DETROIT				1			
DEARBORN	DETROIT	WAYNE	DEARBORN	DETROIT			1	9			
DEARBORN	DETROIT	MONROE	DEARBORN	DETROIT				1			
DEARBORN	TOLEDO	AIRLINE JCT	DEARBORN	TOLEDO				4			
DEARBORN	CLEVELAND	FAIRLANE	DEARBORN	LORAIN	1	4		17			
DEARBORN	CLEVELAND	ROCKPORT	DEARBORN	CLEVELAND	1	5		20			
DEARBORN	CLEVELAND	MOTOR YD	DEARBORN	CLEVELAND				10			
DEARBORN	CLEVELAND	MACEDONIA	DEARBORN	CLEVELAND		4	1	31			
DEARBORN	FT WAYNE	FT WAYNE	DEARBORN	FT WAYNE				1			
DEARBORN	CHICAGO	KANKAKEE,IL	DEARBORN	CALUMET				2			
DEARBORN	CINCINNATI	SHARONVILLE,OH	INDIANAPOLIS	CINCINNATI				3			
DEARBORN	CINCINNATI	DAYTON	INDIANAPOLIS	CINCINNATI							1
DEARBORN	CINCINNATI	MORAINE,OH	INDIANAPOLIS	CINCINNATI		1		13			
DEARBORN	COLUMBUS,OH	BUCKEYE	INDIANAPOLIS	COLUMBUS	2	9	1	56	1	4	24
DEARBORN	PORTSMOUTH	DICKINSON	INDIANAPOLIS	PORTSMOUTH				7			1
				totals	10	44	5	294	4	16	75
				division car total				353			95
PITTSBURGH	LORDSTOWN	GOODMAN	PITTSBURGH	CLEVELAND		2	1	19			1
PITTSBURGH	FERRONA	FERRONA	PITTSBURGH	CLEVELAND				1			
PITTSBURGH	YOUNGSTOWN	HAZELTON	PITTSBURGH	CLEVELAND				1			
PITTSBURGH	MANSFIELD	MANSFIELD	PITTSBURGH	BELLEVUE		1		10			
PITTSBURGH	CANTON	CANTON	PITTSBURGH	CLEVELAND		1		11			2
PITTSBURGH	ALLIANCE,OH	HARDING	PITTSBURGH	CLEVELAND				1			1
PITTSBURGH	STUENBENVILLE	MINGO JCT	PITTSBURGH		1	1		13			3
PITTSBURGH	PITTSBURGH	CONWAY	PITTSBURGH		3	16	3	65			
PITTSBURGH	PITTSBURGH	W TARENTUM	PITTSBURGH					2			
PITTSBURGH	PITTSBURGH	PIT CAIRN	PITTSBURGH			1		5		1	8
PITTSBURGH	PITTSBURGH	THOMPSON	PITTSBURGH					0			
PITTSBURGH	PITTSBURGH	SHIRE OAKS	PITTSBURGH			2		14			
PITTSBURGH	PITTSBURGH	WAYNESBURG	PITTSBURGH					3			
PITTSBURGH	PITTSBURGH	SOUTH FORK	PITTSBURGH			1		10			
PITTSBURGH	ALTOONA	ROSE	PITTSBURGH			1		10			
PITTSBURGH	ALTOONA	LEWISTOWN	PITTSBURGH					1			
PITTSBURGH	CLEVELAND	MEADEVILLE	PITTSBURGH					1			
PITTSBURGH	CLEVELAND	ASTABULA	PITTSBURGH	CLEVELAND	1	1		17			2
				totals	5	27	4	204	0	1	17
				division car total				240			18

HARRISBURG	HARRISBURG	ENOLA 5/97	PHILADELPHIA			1		10			
HARRISBURG	HARRISBURG	HARRISBURG 5/97	PHILADELPHIA		1	5		22			
HARRISBURG	HARRISBURG	NORTHUMBERLAND	PHILADELPHIA		1	1		5			
HARRISBURG	HARRISBURG	LOCKHAVEN	PHILADELPHIA					3			
HARRISBURG	BUFFALO	OLEAN	ALBANY	BUFFALO				1			
HARRISBURG	BUFFALO	CORNING	ALBANY	BUFFALO		1		6			
HARRISBURG	PHILADELPHIA	READING	PHILADELPHIA			1		7			
HARRISBURG	PHILADELPHIA	ALLENTOWN	PHILADELPHIA		1	7	1	41			4
HARRISBURG	NEWARK	CROXTON	PHILADELPHIA					4			
HARRISBURG	NEWARK	PORTSIDE(E-RAIL)	PHILADELPHIA					1			
HARRISBURG	NEWARK	CHRYSLER YD	PHILADELPHIA					1			
HARRISBURG	HARRISBURG	LANCASTER	PHILADELPHIA			1		5			
HARRISBURG	BALTIMORE	PERRYVILLE	PHILADELPHIA								
HARRISBURG	BALTIMORE	BAYVIEW	PHILADELPHIA	BALTIMORE	1	4		17			2
HARRISBURG	BALTIMORE	BALTIMORE MTCE	PHILADELPHIA	BALTIMORE				2			
HARRISBURG	BALTIMORE	CHRYSLER	PHILADELPHIA	NEWARK, DEL.	1	1		5			
HARRISBURG	BALTIMORE	HARRINGTON	PHILADELPHIA	DELAWARE				5			
HARRISBURG	PHILADELPHIA	ABRAMS YD	PHILADELPHIA					3			
HARRISBURG	PHILADELPHIA	MORRISVILLE	PHILADELPHIA					2			
HARRISBURG	PHILADELPHIA	WEST FALLS YD	PHILADELPHIA								
				totals	**6**	**22**	**1**	**141**			**6**
				division car total				**169**			**6**
				CONRAIL totals	**20**	**83**	**10**	**539**	**4**	**17**	**80**
				grand total-field				**761**			**110**
CAR SHOP		HOLIDAYSBURG		**total-car shop**	**10**	**22**	**14**	**436**			
				total				**482**			
LOCO SHOPS		ALTOONA			23	35	27	759			
		ALTOONA INSOURCE			10		3				
		ENOLA			11	24	8	224			
		CONWAY			6	19	7	177			
				totals	**60**	**78**	**46**	**1160**			
				grand total-loco				**1339**			
				total forces	**80**	**183**	**69**	**2230**			
				(shops and field)				**2577**			
DIVISION STAFFS											
DEARBORN					1	1	1	1			
PHILADELPHIA					1		1				
PITTSBURGH					1						
				staff summary	**3**	**1**	**2**	**1**			
				totals	**83**	**184**	**71**	**2230**			
								2584			
				grand totals				**2769**			
				(field-car&loco+car shop+loco shops+div. staff)							

2. Procedures for Inspections, Test and Repairs of Equipment

NS intends during the transition phase to maintain stability in levels of management and shop craft personnel at the Conrail facilities and territories to be allocated to NS. These employees already are extensively trained in FRA and AAR procedures for inspection and repair of rail cars and locomotives. Maintaining relatively stable work force levels across the Conrail territory allocated to NS will insure there will be no degradation of train safety performance because the quality of safety inspections existing today will remain on Day 1.

There is a high degree of standardization of mechanical inspection and repair procedures in the railroad industry today. Class I railroads such as NS and Conrail have been benchmarking their procedures and practices in this area against each other and against other Class I railroads for some time. Thus, no material safety-related differences between NS and Conrail mechanical practices and procedures are believed to exist. Where there are minor differences, familiarization with NS practices, where appropriate, will begin on the Conrail territories allocated to NS immediately after Control Date. Even within NS, it is recognized that some minor differences exist in the manner in which the MP&E shops implement standardized practices, procedures and protocols. An internal NS standardization effort currently is underway, with the goal of achieving full uniformity during 1998 at the current NS facilities. NS will, thereafter, extend this standardization initiative to the MP&E facilities on the portions of Conrail allocated to NS.

Ongoing refinements and changes to mechanical department procedures, policies and instructions will be communicated to MP&E personnel at facilities to be allocated to NS through the organizational structure that will be implemented. The manner of communication will be identical to NS' current methods for delivering information and instructions to its employees.

For example, various departmental procedures, policies and instructions are conveyed through departmental bulletins or letters of explanation that are posted at designated places for employees to review. Where appropriate, employees are provided a personal copy of newly issue procedures, policies or instructions. Often supervisory personnel review with employees newly issued procedures, policies or instructions to assure a proper and thorough understanding. Some newly issued procedures, policies and instructions are further explained using visual training aids such as illustrations and video presentations. Generally, some portion of each work day is devoted to this type of activity.

3. **Locomotive Inspections and Repairs**

NS will provide appropriate facilities, properly located, to maintain the NS fleet of locomotives and the locomotives required for the operation of the Conrail lines allocated to NS, plus expected growth to meet customers' expectations and provide a safe operation.

For the Conrail lines being allocated to NS, running repairs and quarterly inspections will be performed at both Conway and Enola, PA. These are two of the three large system shops on Conrail performing this work today. Considering the dominant role Conway Yard will retain in the origination and termination of trains outlined in the Operating Plans, NS intends to begin construction of new locomotive facilities at Conway immediately after closing. Construction time is estimated at 24 months. The new facilities will be constructed on the site of the existing facilities in three phases. Operations at Conway and the Enola Diesel Shop will be shifted during the construction phases to assure running repairs and quarterly inspections are accomplished as required.

The first phase of construction at Conway will involve building a new servicing facility. This is necessary to accommodate new construction at the site of the existing facilities. Shop

operations at Conway and Enola will not be significantly altered during this period.

After the servicing facility is operational, plans call for demolition of the old fuel rack and construction of a two track, 630 foot maintenance building for quarterly inspection. During this time the roundhouse at Conway will remain operational providing running repairs to locomotives and the Enola Diesel Shop will dedicate its forces primarily to quarterly inspections. Combined with Bellevue, these shops will be sufficient to properly maintain a fleet of approximately 1,100 locomotives.

When the new maintenance building for quarterly inspections is complete at Conway, shopcraft forces will relocate from the roundhouse to the new building. They will then focus on quarterly inspections while Enola shifts to a role of performing running repairs. A large five-track repair building of about 90,000 square feet will then be under construction at Conway. Upon completion of this new building, Conway Locomotive Shop, supplemented by Bellevue, will be ready to maintain up to 1,100 locomotives. Non-agreement supervision at Enola will be transferred to Conway and an appropriate number of Enola shopcraft positions will be transferred to Conway. Staffing will be maintained at levels necessary to handle the projected workload, and ensure full commitment to safe practices and compliance with federal requirements.

Depending on traffic levels, up to 1,100 locomotives may be operating on the Conrail lines to be allocated NS. Of these 1,100 locomotives, 900 units will be maintained at Conway and the balance will be maintained at Bellevue, Ohio. (A home shop assignment of 900 units is comparable to the number of units assigned to NS shops at Shaffers Crossing and Chattanooga.) The expanded NS will then have three large shops for inspection and repair and a fourth medium-sized facility at Bellevue. Given this shop capacity, and with Altoona and

Roanoke Shops providing a supporting role, as needed, NS will be able to maintain a fleet totaling 3,100 locomotives.

4. Pre-Departure Inspections of Freight Cars

NS has examined Conrail practices regarding pre-departure inspections of freight cars and found them to be very similar to those in effect on NS. Both NS and Conrail use properly qualified and trained employees for such freight car inspections. In compliance with federal regulations, these inspections currently are ordinarily performed by carmen or train crews. On both roads, train crew inspections and brake tests are used to supplement mechanical employee inspections where there is not three shift coverage in smaller yards or at locations where mechanical forces are not assigned.

As on NS, much of the pre-departure inspection activity in Conrail yards involves inspections of blocks of cars that are either exchanged between trains or added to trains from classification yard tracks. "Block swapping" inspection practices as they now exist on Conrail will continue after Day 1 and will be performed in accordance with federal regulations governing inspection and testing of freight cars and train air brakes. NS understands that Conrail and FRA currently are working to resolve issues involving block swapping. NS will continue such discussions to the extent they remain unresolved with FRA.

NS further understands that Conrail and the Brotherhood of Railway Carmen are participating, with FRA approval, in a joint study of alternative procedures regarding inspections of cars that are block swapped. Because the results of that study are not yet known, NS is not in a position to evaluate or comment on the study. However, as discussed in the Operating Plan, to expedite movement of cars, block swapping of freight cars will be performed at numerous locations on lines allocated to NS. The points at which NS plans to perform block swapping

include the following locations: 55th Street - Chicago, IL; 63rd Street - Chicago, IL; Elkhart, IN; Airline Junction - Toledo, OH; Rockport - Cleveland, OH; Moraine, OH - Dayton, OH; Buckeye Yard - Columbus, OH; Dickinson, WV; Enola, PA; Harrisburg, PA; Binghamton, NY; Corning, NY; Reading, PA; Allentown, PA; Croxton, NJ; Abrams Yard - Philadelphia, PA; Morrisville Yard - Philadelphia, PA; West Falls Yard - Philadelphia, PA; Mingo Junction, OH; Conway, PA - Pittsburgh, PA; Pitcairn Yard - Pittsburgh, PA; and Shire Oaks Yard - Pittsburgh, PA.

NS recently implemented a plan to address FRA's concerns regarding air brake inspections and repairs. The plan involves equipping road repair trucks with air and single car test capabilities at 12 locations, and providing FRA with a complete list of air brake repair locations across the system. This plan is designed to reduce movement of cars with defective air brakes. These repair trucks are being used to perform testing and repairs in accordance with AAR Field Manual Rules, and have been placed at Atlanta, GA; Buffalo, NY; Bluefield, WV; Charleston, SC; Columbus, GA; Detroit, MI; Jacksonville, FL; Memphis, TN; Mobile, AL; New Bern, NC; Norfolk, VA (Portlock); and Savannah, GA.

Conrail has a similar program, with a network of locations that have "Block Trucks" equipped with air test capability to perform complete repairs on freight cars prior to placement in trains. NS anticipates that this program will be continued after Day 1, and that continued compliance with federal regulations regarding air brake testing and repair will not be adversely affected by this transaction.

5. **Locomotive Utilization and Inventory**

At NS, locomotive utilization is managed by a locomotive fleet management team in a centralized office in Atlanta, known as the Control Center. This team, working in conjunction

with local Mechanical forces in the field, continuously designs and refines plans to arrange locomotive power consists and furnish locomotives for trains as efficiently as possible. This joint effort enables NS to decide servicing needs and condition of locomotive power on a real-time basis and facilitates good locomotive utilization. Road locomotives on Conrail are managed through a similar centralized office that performs many of the same planning functions performed in NS' Atlanta Control Center.

NS plans to manage locomotive planning for the entire consolidated fleet of current NS and acquired Conrail locomotives from its Atlanta Control Center office. NS has increased its locomotive utilization from 48% in 1995 to a percentage range in the high 50's in 1997. Several steps have been taken to achieve these significant increases in utilization:

- Direct to locomotive fueling by truck, eliminating the need to bring every locomotive needing fueling to the fuel rack.
- Vendor fueling of units assigned to outlying points.
- Increased use of local power through freights on weekends.
- Assignment of power to unit ballast train service.
- Use of road power in yards between road train assignments.
- Coordination with the Mechanical Department to determine locomotive condition on trains and facilitate bypassing fueling terminals when possible.
- Better train scheduling to reduce idle time of locomotives.
- Reduction in the number of radio trains.
- Reduction in the number of local and yard pools.
- Increase in the number of axles on head end power. Increase of virtually all revenue trains to 24 axles in July 1997.
- More effective management of foreign power balances on run through interchanges.

Conrail's fleet utilization in 1995 was 37%. NS will study Conrail motive power management practices with the goal of improving locomotive utilization, if possible, on the Conrail territories to be allocated to NS. However, NS' planning is not predicated on improving locomotive utilization, inasmuch as ample excess power will be held in reserve as is detailed in the following paragraphs.

Conrail and NS have common philosophies with respect to providing sufficient power to meet customers' needs. Both railroads maintain excess locomotive power to meet surges in business, and both lease surplus power to other roads when not needed by the owning road. In fact, some NS units have been leased to UP/SP to ease shortages in the West. NS will continue this policy after operations are consolidated.

Accordingly, while the Operating Plan indicates that the efficiencies resulting from the transaction will enable NS to operate its expanded system with 268 fewer road locomotives and 22 fewer yard and local locomotives than were previously in service on the lines that will constitute the expanded NS system, NS will maintain many of these locomotives in inventory. This will position NS to handle any seasonal and unanticipated needs. Indeed, under current locomotive acquisition plans for the next two years, NS will avoid retiring locomotives and will purchase 116 new locomotives in 1998 and 113 new locomotives in 1999, increasing the size of its fleet by 229 locomotives. In addition, Conrail plans to purchase 24 new locomotives with cab signal equipment in 1998 for its own use and for future assignment to NS. The 116 new units that NS will purchase in 1998 will be wired and bracketed for cab signal equipment, which will be added in NS shops in July, 1998 when the equipment is available. The 113 units scheduled for delivery in 1999 will be wired for cab signal equipment also and equipment can be installed if necessary.

NS will thus have more than a sufficient number of locomotives to operate trains requiring cab signals from Landover, MD on Amtrak's Northeast Corridor to Newark, and as far west on Conrail lines as Alliance, OH. NS plans to allocate cab signal-equipped locomotives for operations on the former Conrail lines allocated to NS. In total, NS will have 1,033 locomotives equipped with cab signals by the end of 1998, with the potential for 113 more units in 1999.

NS recognizes its responsibility for maintaining cab signal systems and related equipment for operations on commuter lines and Amtrak. Current Conrail managers have conducted several cab signal classes to help educate NS operations division officers. NS plans to use Conrail employees to train shop craft personnel and supervisors on the proper inspection and testing of cab signal equipment for terminals that will dispatch locomotives toward cab signal territory. Cab signal test loops will be installed at locations such as Bellevue, Shaffers Crossing, and Linwood.

While NS believes that the number of specially-equipped locomotives operated by NS will be more than sufficient to sustain operations over territories where ACS/ATC systems are in operation, NS will take steps to safeguard against operation of non-equipped locomotives over these territories. There are some limited exceptions that are currently permitted by Amtrak or commuter agencies where traveling distances are short and special operating conditions are in effect. Apart from these situations, NS fully understands the contractual obligation it will have to comply with requirements stipulating use of specially-equipped locomotives where ACS/ATC systems are in use.

Use of specially equipped locomotives is also a requirement imposed by timetable special instructions over track segments where these signaling systems are in use. Employees are

familiar with these areas and have been trained to operate in accordance with applicable rules. As NS employees, they will be reminded that compliance is expected and enforcement measures will be instituted that determine and reinforce compliance. Finally, employees are aware of the extent to which their safety is compromised when non-equipped locomotives are operated in these areas and they are committed to preventing such exposures.

C. ENGINEERING PROCEDURES, REGULATORY COMPLIANCE PROGRAMS AND MAINTENANCE PRACTICES

NS is undertaking a comparative analysis of NS and Conrail engineering procedures, regulatory compliance programs, and maintenance practices, with attention focused on specific regulatory-based areas such as each railroad's Roadway Worker Protection program. Individuals familiar with each road's practices and supporting documentation (such as written procedures, program documents, and rules) will be assigned specific responsibility to:

- jointly review both NS and Conrail practices and written materials associated with a specific activity area;
- select the best elements of each road's pre-existing safety rules, procedures and program material and incorporate this information into common procedures, programs, and practices for common use on the expanded NS railroad system; and
- develop appropriate training materials and arrange for the training of all affected Engineering Department employees.

It is expected that the review and program development items mentioned above will be completed within about one year after the Control Date. It is further anticipated that any required training of affected employees to ensure understanding and compliance requirements with system-wide Engineering Department procedures, regulatory compliance programs, and

operating practices will be accomplished as a part of annual rules classes. Rules, procedures and regulatory compliance programs existing prior to this transaction will be maintained until all affected employees are provided requisite training on new system-wide practices.

1. **Communications and Signals**

a. **Organization**

(i) NS

The NS Communications and Signal Department (C&S) is directed by an assistant vice president. C&S is organized by function into five major sections: C&S operations; administration; communications engineering; signal and electrical (S&E) engineering; and signal and electrical construction. C&S operations are divided into an East and West region with each under the direction of a chief engineer located in Atlanta. C&S administration and communications engineering are headed by a director. S&E engineering is directed by a chief engineer and S&E construction by a general superintendent. Each railroad operating division is directed by a general supervisor C&S with C&S supervisors reporting to the general supervisor. In areas where territories are large, there may be assistant general supervisors to whom the C&S supervisors report. Work gangs report to the C&S supervisors.

(ii) Conrail

On Conrail, the C&S Department is directed by a chief engineer. The department is organized by function into the following major sections: design; signals and train control; communications; yards and control systems; and construction. Each section is directed by an assistant chief engineer or system engineer. The assistant chief engineer signals and train control is responsible for coordinating operating division activities for signals and train control. The assistant chief engineer construction is responsible for all construction projects involving either

signals or communications. The assistant chief engineer design is responsible for all signal and construction engineering design. Each operating division has an assistant division engineer, signals who is the chief signal officer on the division, reporting to the division engineer. Reporting to each assistant division engineer are one or more general inspectors to whom the first-line supervisors report.

(iii) Expanded NS--Integration

As stated in the Operating Plan, NS intends to place C&S field personnel in territories allocated to NS under an NS style organization.

On the maintenance side, the lead C&S officer on each of the three new NS divisions will be a General Supervisor-C&S. Instead of the present Conrail arrangement whereby the chief signal officer (assistant division engineer, signals) reports to a MofW Division Engineer, this position will report to a Chief Engineer-C&S, who will in turn report to the Assistant Vice President-C&S. Reporting to the General Supervisor will be an Assistant General Supervisor-C&S, each of whom will have a number of first line supervisors (Signal Supervisors and Communications Supervisors) reporting to them. First line Conrail signal and communications supervisors (as well as construction supervisors in the signal construction group) will be coordinated into NS' non-agreement workforce to improve organizational structure. This change will enable NS to match individual first-line supervisory talents with the technical requirements of various territories.

For the Signal Construction group, the officer organization will remain essentially the same as exists today on Conrail. That is, gang foremen will report to either a project engineer or a construction supervisor. The first line supervision will report to a senior project engineer, who will in turn report to a construction superintendent for Conrail territories operated by NS.

The superintendent's position will report to NS' General Superintendent-C&S Construction. The portion of Conrail's signal and communication engineering group that NS will employ will be integrated into NS' respective organizations. The training of all involved parties on established policies and standards is included in this integration process.

b. Manpower

The general organizational arrangements planned for the larger NS system will have some impact on seniority districts. NS intends to extend its Norfolk and Western Railway Company (NW) agreements covering employee representation by the Brotherhood of Railway Signalmen and International Brotherhood of Electrical Workers to Conrail properties. This will require a number of position title changes and some territorial changes. On properties which will be operated by NS, the positions involved in daily maintenance and testing will remain essentially constant even though territory shifts may be necessitated by the division of lines. Signal Construction force territories will be expanded to include the NS allocated property as a region. This is identical to the seniority scheme on NS existing properties and provides the employee better job security with opportunity for year-round employment. It also provides the carrier with more latitude and ability to cover projects such as pole line elimination, grade crossing warning signal installations, etc. Year-round employment provides better opportunities for training and the development of essential job skills.

c. Training

Training of C&S personnel is an essential element for enhancing the safety, efficiency and productivity of the C&S function. NS' new signal employees receive technical training at the McDonough training center in two sessions - basics and additional signal training of up to eight weeks each. Training is not limited to new hires, since much of the training targets the

seasoned employee. Technical training is only part of the curriculum offered to C&S employees. In recent years, training on occupational matters has played an ever increasing role. Such topics for training include safety, quality, environmental, hazardous materials, and human relations issues. Some of this training is accomplished on an annual (ongoing) basis, with other training done on an as needed basis. Where technical training is needed on specific types of equipment, field forces are given the latitude to arrange field training seminars with the involved vendors. This training may be conducted at the McDonough training center. NS also has established a distant learning center where field employees can take advantage of system technical training resources, such as computer-based training programs for specific types of C&S equipment. Plans are that over time, this concept will be expanded to other divisions.

Conrail's Columbus signal training center will be closed and these functions will be relocated to NS' centralized training center in McDonough, Georgia. Training for those C&S items specific to Conrail properties allocated to NS will be conducted at the McDonough facility. This will include training for employees in maintaining cab signal systems (since NS will then be operating locomotives with such systems) and in maintaining certain high tension transmission lines (of the type found on Conrail between Enola and Perryville). The training capabilities at McDonough will be enhanced by obtaining some of the C&S training simulators and other equipment from the Conrail Columbus training facility and by utilizing former Conrail C&S trainers and/or qualifying NS instructors on the particular Conrail-specific C&S systems.

For training models in place at Columbus that will be needed for training on both CSX and NS, each railroad will coordinate access to these models for a period of time, not to exceed one year from control date, by which time both railroads will have arranged for working models

at their respective training facilities. This will provide for continuity in the training process for employees needing training on these models.

d. Capital and Operating Budgets

The annual C&S capital budget process is the means by which large scale funding is planned for upgrades and/or major equipment replacements. Capital budget requests are based largely on scheduled replacements, but can include upgrade and replacement 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. On an annual basis, these items are compiled and prioritized within their respective category to form a "three year plan" for replacement. During the year, items are submitted to management as capital project requests. Projects approved by management 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 C&S components such as switch machines, instrument shelters, and warning device equipment. After the Control Date, NS will follow through to complete any C&S capital projects that remain on the Conrail territory allocated to NS. For the years 1999 and beyond, NS will review items recommended by Conrail for capital expenditure, and using this information, a three year plan will be formulated. Items in this plan will be added to the three year plan for the existing NS system to form the C&S three year plan for the entire system. The items in this plan will be prioritized based on the aforementioned criteria, along with priorities arising from traffic increases or changes in traffic patterns due to NS' operation of allocated lines.

C&S budgets are segregated by division. 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. In 1998, NS intends to use Conrail's (entire year) 1998 operating budget as a guide to fund operating costs expended in the months after NS assumes control of its portion of Conrail. For budget year 1999, C&S intends to use historical data to establish budget allocations. As a first step in the 1999 budget process, projections will be formulated from the 1998 history furnished by Conrail, taking into account the percentage of Conrail's equipment and staffing to be allocated to NS. After these numbers are determined, they will be compared to allocations made to present NS territories, and adjusted to allow for staffing, equipment and territorial variances. After 1999, review of historical data will be an important step in establishing C&S operating budget levels on all territories.

NS believes that dollars allocated to C&S capital upgrades, equipment replacements, repair, etc., are dollars spent on enhancing operational safety. Prioritization decisions in this regard will only be made after considerable study and review of all relevant factors.

e. Research and Development

Budgeting for C&S research and development projects is handled as part of either the operating or capital budget, depending on the magnitude of the expenditure. C&S has a R&D group which has among its duties, the design, testing and implementation of enhancements to existing C&S or C&S-related systems such as Hot Box Detector (HBD) systems, Automatic Equipment Identification (AEI) systems, Remote Multiple Unit (RMU) systems, End-of-Train (EOT) devices and Positive Train Separation (PTS) devices. In addition, the NS C&S Department has ongoing R&D efforts outside this group. Specifically, C&S field and staff

personnel are pursuing innovative improvement projects that are designed to enhance the efficiency and accuracy of maintenance and testing processes. These efforts will continue following Day 1 with the prospect of increased traffic levels providing a strong incentive to bolster efforts to improve the efficiency of the C&S function. Beginning immediately after Control Date, NS will combine talents with Conrail personnel in an attempt to formulate and progress additional innovative improvement ideas to accomplish enhanced efficiency and improved productivity.

f. Signal Systems

(i) Design of Traffic Control and Automatic Block Signal Systems

From a design standpoint, NS knows of no significant differences in the nature and type of traffic control and automatic block signal systems that are in existence on Conrail lines allocated to NS as compared to systems presently in use on NS territories. Each system employs proven technologies that are designed to be both fail-safe and reliable. The only differences noted have been in the area of design preference, whereas the end results in terms of signal system functionality and performance are the same. An example is Conrail's common use of buried cable to accomplish pole line elimination, whereas NS normally employs electronic track circuits for this task. Each method has its merits and both are acceptable from a signal design standpoint.

(ii) Signal Aspects

There are several differences in the indications of signal aspects when aspects employed under NS operating rules are compared to those employed by Conrail under the NORAC rules. Conrail employs several aspects that are not defined in the NS rule book, and these aspects provide more precise definition of speed requirements when approaching areas where speeds

might be reduced, such as interlockings or control points. In addition, there are a number of inconsistencies between information conveyed by identical aspects of signals on NS and Conrail. Many train crews will not be exposed to these differences because of limited operating districts. However, in areas where these differences would be encountered by crews, appropriate training will be provided to insure that crews are aware of the differences and react in accordance with governing rules. Additionally, when future upgrades or changes to signal systems on the expanded NS system are required, NS will evaluate whether such situations present opportunities to reconcile signal systems. It is worthwhile to note that NS train crews already are exposed to differing signal aspects and NS historically has cross-trained employees to properly handle these differences.

(iii) Cab Signal Systems

As a result of the transaction, NS will be allocated approximately 470 road miles of cab signal territory, and will operate over Amtrak's Northeast Corridor (where the use of a Locomotive Speed Limiter (LSL) device is required). NS is, additionally, participating in a Positive Train Control (PTC) pilot project. On May 13, 1997, a $500,000 grant was made by the FRA to Conrail in support of Phase I of a joint Conrail/NS/CSX Positive Train Control development project. Phase I of the project covers formulation of the specification for a locomotive on-board communications platform and construction and testing of a prototype. Phase II will deal with wayside devices which communicate with the on-board platform. Because consummation of the Conrail transaction is anticipated during 1998, the project executive team deemed it appropriate that the project management role be shifted to either CSX or NS. Because the main test corridor (between Manassas and Harrisburg) will become predominantly an NS property, NS has been selected to assume Phase II project management.

At this writing, application forms are being completed for submission to FRA.

The combination of operating on its existing system and operating on the Conrail lines allocated to it will, over time, give NS the opportunity to evaluate a wide range of train control systems. This range will encompass everything from track warrant control in unsignaled territory to locomotive speed control superimposed over a cab signal system. This experience, along with that gained as part of NS' role in the PTC pilot project between Manassas and Harrisburg, will allow NS to evaluate the respective merits of various train control schemes. NS anticipates that gaining this additional experience will aid in future assessments of existing systems as well as any new systems proposed for adoption.

g. Integration of Systems, Engineering Practices and Signal Plans

Both NS and Conrail maintain manuals of standards and approved practices for signal construction and maintenance. Consistent with the prior merger of NW and Southern Railway properties, existing practices will be retained on the territories allocated to NS until a thorough analysis can be made, with appropriate consideration made for unique situations due to traffic type, density, geography, and similar factors. A "best practices" analysis will, eventually, lead to common prescribed practices, which will be instituted only following appropriate education and training. Where extraordinary situations or conditions exist, distinct practices may be maintained as required.

Likewise, engineering practices and nomenclature will follow the properties until a "best fit" has been identified. Office, contractor and field training will occur prior to any changes in existing methods.

With regard to standardization of signal plans, NS will systematically implement the signal plan color conventions in use on NS. Presently, Conrail uses a "green-in, red-out"

convention. NS uses a "red-in, yellow-out" convention. The color convention in use on all of NS and Conrail's signal plans is clearly marked and color-coded on each page of each signal plan.

To safeguard against error by Signal employees after Day 1, NS will issue instructions requiring the Project Engineer to review signal plans at all signal locations involving planned changes. Signal plans will be redrawn as necessary to ensure that there will be only one color convention in use at any particular work site. The Project Engineer also will be required to inspect the signal case to make certain that markings or tape tags on wires reflect the correct color convention as indicated on the project plans. After Control Date, all newly-created signal plans for the expanded NS system will utilize the NS color convention.

Successful implementation of this standardization process will require careful training of all C&S employees working in Conrail areas allocated to NS and in CSAO areas. This training will begin immediately after Control Date. Additionally, color convention verification and standardization will be reviewed and reinforced as a part of job briefings at work sites prior to the commencement of work to which the issue pertains.

2. **Bridges and Structures**

A bridges and structures transition team already has been formed and has inspected some of the bridges and structures on Conrail lines to be operated by NS. Other issues such as current and proposed organizational arrangements; bridge inspection practices; and rehabilitation/renewal requirements have been examined.

a. Organization

(i) NS

On NS, all bridge engineering work and all field bridge and structure work is under the jurisdiction of the NS Maintenance of Way and Structures Department ("MW&S"), which is directed by an Assistant Vice President. Bridge engineering work is directed by a Chief Engineer who reports to the Assistant Vice President. Field bridge and structure forces report to the Division Engineer who in turn reports to a Chief Engineer Line Maintenance. Reporting to each Division Engineer is an Assistant Division Engineer Bridges who in turn has several reporting supervisors. The supervisors have direct supervisory responsibilities over the bridge and structure work in their assigned territory.

(ii) Conrail

On Conrail, responsibilities for bridge and structure work are divided between the Roadway Assets Department and on-division forces under a division engineer who reports to the division general manager. The Roadway Assets Department is directed by a Chief Engineer who oversees an Assistant Chief Engineer of Structures who directs bridge engineering, inspection and capital bridge construction work. Capital bridge construction forces are under the control of the Director Structures Programs, who reports to the Assistant Chief Engineer Structures. A Bridge Production Engineer who is responsible for capital bridge construction reports to Director Structures Programs. Reporting to the Bridge Production Engineer are supervisors who have direct supervision of various capital project production gangs on their territory. Engineering forces assigned to divisions are under the control of the Division Engineer. An Assistant Division Engineer responsible for structures reports to the Division Engineer.

Reporting to each structure Assistant Division Engineer are numerous supervisors who have direct supervision of the various bridge and structure work gangs on their territory.

(iii) Expanded NS--Integration

NS expects to extend its current organizational structure to its allocated Conrail properties, with three operating divisions staffed as described on the current NS system. As such, bridge and structure work will be handled generally by field maintenance forces assigned to the three divisions established in the territory allocated to NS.

b. Manpower

Through the year 2000, NS anticipates functionally maintaining current manpower levels for bridge and structure inspection, rehabilitation, and renewal on territories allocated to NS. Furthermore, to the extent possible, existing Conrail personnel will remain in place, inspecting familiar territories. Any changes will be made systematically after careful study and only after employees receive training/familiarization with the new organization, processes and programs. However, there will be some re-alignment of seniority districts and rights to service on the Conrail territories operated by NS. Rearrangement of these workforces will be accomplished through implementing agreements. NS will seek to obtain implementing agreements at the earliest reasonable date in order to facilitate any necessary training and familiarization. In short, both former Conrail employees and any new employees on the new districts will have to meet NS' qualification requirements. Overall, NS system programs such as Roadway Worker Protection and Bridge Worker Safety will be developed using the best features from existing Conrail and NS programs. NS' McDonough Training Center will be available to facilitate development and to provide any required training.

c. Inspection

The current bridge inspection programs used by NS and Conrail conform to FRA guidelines. However, there are differences between bridge and structural inspection practices currently in use on Conrail and those used by NS. Conrail bridge inspection work is handled by agreement employees included in assigned on-division MW&S forces, plus nonagreement inspection personnel from the system offices. By contrast, NS bridge inspections generally are the responsibility of first-line, on-division MW&S supervisors having jurisdiction over a specific territory.

NS recognizes that bridge inspection and reporting are essential elements of a good bridge management system. NS' goal is to combine the best inspection elements of both the NS and Conrail systems to provide a basis for the timely rehabilitation/renewal of bridges and structures on the expanded NS system. Any changes in bridge inspection procedures will be measured and systematic to ensure that the quality of inspection will not be adversely affected.

NS recognizes that changes (particularly increases) in traffic levels and bridge age must be considered in determining the extent and frequencies of inspection activities. NS is fully prepared, where dictated by traffic and age, to adjust the scope and frequency of bridge inspections on lines it operates as necessary to account for structure age and traffic levels.

After development of a bridge inspection process combining the best elements of existing NS and Conrail programs, NS plans to make bridge inspections the responsibility of local, first-line non-agreement B&B supervisors who will then evaluate bridge condition, prioritize maintenance work to improve or maintain bridges, and implement remedial actions within their respective territories. Changes in this arrangement will be made only after proper training and orientation of affected personnel.

d. Rehabilitation/Renewal

NS recognizes that there will be significant increases in traffic levels on certain Conrail routes that will be allocated to NS and that the average age of structures on Conrail is slightly older than those on NS. Accordingly, significant initial investments are anticipated for bridges on lines to be upgraded, and average annual expenditures for maintenance and renewal will be sufficient to maintain safety of operations. As on both NS and Conrail, it is anticipated that maintenance and renewal will continue to be accomplished on a prioritized basis.

NS will carefully evaluate the need to upgrade bridges on lines that will experience significant traffic increases. The Southern Tier is an example of one such line. Among the items under review is the replacement of Bridge 361.66 at Portage, New York, and the rehabilitation or renewal of other bridges that may currently restrict car weight limits on the Southern Tier. Similarly, bridges which have been subject to a higher level of inspection and monitoring by Conrail, like the Starrucca Viaduct, will continue to receive a high level of inspection and monitoring, as will bridges which have had previous structural problems, like the bridge over the Susquehanna River at Rockville, Pennsylvania.

3. Track

a. Organization

(i) NS

The NS Maintenance of Way and Structures Department ("MW&S") is directed by an Assistant Vice President. MW&S is organized by function into the following major sections: line maintenance (which includes maintenance of bridges and structures); program maintenance; maintenance equipment; bridge engineering; and administration. Each section is headed by a chief engineer except for the maintenance equipment section (general superintendent) and the

administration section (system manager). Each chief engineer-line maintenance is responsible for maintenance operations on several operating divisions. Each division is under the supervision of a division engineer who reports to a chief engineer-line maintenance. Reporting to each division engineer are two or more assistant division engineers who in turn have several supervisors with assistant supervisors reporting to them. The supervisors and assistant supervisors have direct supervisory responsibilities over the various work gangs in their assigned territory.

(ii) Conrail

On Conrail, responsibilities for functions handled by the MW&S Department are divided between the Roadway Assets Department and on-division forces under a division engineer who reports to the division general manager. The Roadway Assets Department is directed by a chief engineer. The department is organized by function into the following major sections: program maintenance; maintenance of way; standard and track analysis; structures; and planning support. Each section is directed by an assistant chief engineer. The assistant chief engineer for maintenance of way and the assistant chief engineer for structures are responsible for coordinating on-division track structure activities. Engineering forces assigned to divisions are under the control of the division engineer. Reporting to each division engineer are four assistant division engineers with responsibility for track, signals, equipment, and structures. Reporting to each track assistant division engineer are four or more track engineers, each of whom have several track supervisors reporting to them. These supervisors have direct supervision over the various work gangs assigned to their territory. Reporting to each structures or signal assistant division engineer are numerous supervisors who have direct supervision of the various signal or

structure work gangs on their territory. The assistant division engineer equipment has direct supervision of the machinery repair personnel assigned to his territory.

(iii) Expanded NS-Integration

With respect to melding Conrail and NS track inspection and maintenance forces into a unified department, NS is continuing to review best management and engineering practices of both properties. However, we currently believe that the present NS organizational structure will serve as the general framework for the larger system. At this point, a transition team is already in place. This team already has inspected track with a track geometry car and reviewed track-related standards and conditions on Conrail lines to be allocated to NS. This advanced inspection will facilitate better planning for maintenance and rehabilitation needs. Other areas, such as inspection practices and maintenance procedures, also have been examined.

b. Manpower

Careful consideration has been focused on establishing appropriate manpower allocations for production forces and non-program track maintenance at initial levels designed to prevent degradation of track safety. NS and CSX propose in their Operating Plans to collectively reduce staffing in this area by 473 positions. For NS the reductions are primarily a result of (1) the consolidation of the Conrail Canton Roadway Equipment Shop into NS' modern Charlotte Roadway Shop and (2) utilization of NS' regional/system gang arrangements. NS does not plan significant changes in field line maintenance forces from current levels in the years 1999 and 2000. However, NS does anticipate that extending its program maintenance arrangement to the Conrail territory allocated to it ultimately will result in such work being performed by well-equipped, highly specialized, very competent personnel working over a longer annual season. This will result in better utilization of employees and should improve their job stability.

In addition, no immediate re-arrangement of territories or significant position relocations are planned. However, there will be some re-alignment of seniority districts and rights to service on the Conrail territories allocated to NS. Rearrangement of these work forces will be accomplished through implementing agreements. NS will seek to obtain implementing agreements at the earliest reasonable date in order to facilitate any necessary training and familiarization. In short, both former Conrail employees and any new employees on the new districts will have to meet NS' qualification requirements. Changes will be made systematically only after careful study and only after employees receive training/familiarization with any new processes and program requirements. NS' McDonough Training Center will be available to facilitate development and to provide any training required.

c. Maintenance/Inspection

Continuing and future major objectives of track maintenance and inspection processes throughout the combined railroad system are, and will be to:

- achieve strict compliance with FRA Track Safety Standards (found at 49 C.F.R. Part 213) on the most heavily utilized main lines as well as the least used sidings, branch lines, and yards; and

- perform inspection work on the basis of higher standards than those mandated by FRA regulations such that deviations can be detected and corrected prior to a track condition becoming an FRA defect.

NS currently plans to directly involve qualified first-line, non-agreement supervisors with the BMWE Foreman/Track Patrolman (in accordance with existing current NW Agreements) in the day-to-day performance of inspections and repairs that are vital to safety and train operations. These two man inspection teams, with specially equipped inspection vehicles, will

enhance the quality of the inspection process on lines allocated to NS.

Regulatory compliance with Track Safety Standards is already a mandatory objective of both Conrail and NS track maintenance and inspection activities. Existing maintenance and inspection procedures in effect on lines allocated to NS will remain in effect for a sufficient transition period. This will enable development of systemwide practices drawing on the best features from both railroads' existing processes and provide for appropriate training on any changed track maintenance/inspection procedures for all involved Engineering Department employees.

Track inspection/maintenance activities during both transition period and afterwards will be handled in such a manner that information flowing from these areas will be integrated and analyzed on a system-wide basis, through which priorities and resource allocations will be determined, as necessary, to ensure that track safety is not compromised.

4. MW&S Capital Budgets

The annual MW&S capital budget process is the means by which large scale funding is planned for major track improvement, major bridge and structures, and construction projects. Capital budget requests are based largely on scheduled program work and needs for bridge and structure rehabilitation and replacement, but do include other projects involving new construction. On an annual basis, these proposed capital budget items are compiled and prioritized within their respective category to form a budget plan. During the year, items are submitted to management as capital project requests. Projects approved by management become active capital projects.

NS will consider Conrail's capital expenditure plan for track projects and bridge and structures projects in the development of capital expenditure programs for 1999 and future years

for the Conrail lines allocated to it. Items in this plan will be added to the three year plan for the existing NS system to form a MW&S three year plan for the expanded NS. The items in this plan will be prioritized based on NS system-wide criteria, along with priorities arising from traffic increases or changes in traffic patterns due to NS' operation of its allocated lines. These factors will determine the capital fund allocations necessary to maintain track, bridges and structures to the high maintenance standards to which NS already adheres.

With respect to specific track related projects, major capital expenditures are expected in the years 1998, 1999, and 2000 to cover a substantial number of projects including:

- Extension of passing sidings at a number of locations on Conrail lines to be allocated to NS and on the existing NS system;
- Extension of double track at various locations;
- Construction of connection tracks and track re-arrangement projects at various locations; and
- Consolidation of roadway equipment shop functions at Charlotte, NC.

With respect to specific bridge and structure projects, large capital expenditures are expected in the years 1998, 1999, and 2000 to cover a substantial number of projects including:

- Rehabilitation and elimination of weight restrictions on the Southern Tier line;
- Increasing clearances in Pattenburg Tunnel on the Lehigh Line; and
- Various siding extension projects.

The benefits to safety from track and structure rehabilitation are obvious. Among many other benefits, providing increased capacity will result in fewer train delays and thus more dependable crew scheduling. This translates into better rested crews. Because NS believes that dollars allocated to most MW&S projects will directly enhance operational safety, prioritization

decisions will only be made after considerable study and deliberation.

5. MW&S Operating Budgets

Presently on NS, operating budgets are formulated on an annual basis using historical data and current needs assessments to establish projected requirements in each expenditure category. These numbers are adjusted, as necessary, to reflect any anticipated changes such as projected increases or decreases in staffing or trackage to be maintained. Budgeting 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. NS will review Conrail's 1998 operating expenditures for track, bridges and structures in order to formulate operating budget levels in 1999 and future years. After analysis of Conrail information and factoring in other items such as changes in traffic levels and track, bridge and structures conditions on the Closing Date, budget amounts for allocated lines will be established. As is true for capital budget projects, these funds will have a direct impact on operational safety.

D. HAZARDOUS MATERIALS

1. Introduction

The NS Hazardous Materials Safety Program is built upon the principle that safety is good business. Operating practices are designed to avoid unnecessary hazards or risks for people, to protect property and to safeguard the environment.

Inasmuch as NS and Conrail share similar goals for the safe handling of hazardous materials (hazmat), NS envisions building upon the best of both systems to foster hazmat safety over the entire NS system following the Conrail transaction. Strengths in the Conrail system are being identified and maintained. Efforts will be made to merge attributes of the NS

approach into an integrated operating system of recognized quality.

Fundamental to the safe transportation of hazardous materials is the establishment of procedures that (1) prevent accidents and adverse incidents; (2) prepare for the proper identification and assessment of risks for those incidents which do occur; (3) respond effectively to emergencies in a timely manner; and (4) remediate events with minimal impacts on people, property and the environment. This requires knowledge, commitment and the collective involvement of all affected parties. Each of these principal areas will be discussed.

2. Hazardous Materials Staffing

a. NS

The NS hazardous materials program is coordinated by the Industrial Hygiene and Hazardous Materials (IH&HM) group, in the Environmental Protection Department (EPD). EPD is combined with the Safety Department under an AVP Safety and Environmental. EPD includes three groups in addition to IH&HM, namely: Environmental Protection, Environmental Engineering, and Audits & Programs. Any and all of the EPD groups can and do respond to a hazardous materials incident as and when needed. Environmental Engineering typically coordinates site remediation investigations, if needed, for incidents with significant releases of hazardous materials.

The IH&HM group is staffed by a Director IH&HM, three Certified Industrial Hygienists, a Manager Hazardous Materials and an Assistant Manager Hazardous Materials. All are professionals and knowledgeable in their assigned areas. The industrial hygienists focus on safeguarding employees from unnecessary exposures to hazardous conditions during routine work assignments and during hazmat incidents. Hazmat officers develop transportation safety programs which promote compliance with hazardous materials rules and regulations. They also

provide training, both internal and external, for the proper handling of hazardous materials. All are trained for emergency response.

Ten (10) regional Engineers Environmental Operations supplement the IH&HM group for emergency response activities. Their regular assignments focus on corporate environmental compliance and protection programs. However, the regional engineers serve as front line field coordinators when a hazardous material incident develops. They also function to build strong interactive relationships among NS employees in the various departments and with local and state emergency response/regulatory officials in their respective territories. The field engineers are well trained (HAZWOPER, etc.) and very knowledgeable (most have more than 10 years of experience). They make strong ongoing contributions to the overall success of the NS safety and emergency response program throughout the railway system.

Also enhancing the EPD/hazmat organizational framework is the additional resource provided by hazmat-trained railroad officers on the nine Operating Divisions of NS. At least four representatives on each division - one each from transportation, mechanical, engineering and police - assist safety and environmental personnel in dealing with emergencies and promoting hazmat safety. These approximately forty (40) HAZWOPER-trained divisional personnel raise confidence levels on each division as well as throughout the railway system for dealing with hazardous materials issues.

b. Conrail

Conrail's hazmat organization and the way response is handled are similar to the NS methods described above. Conrail's hazmat officers have duties comparable to those of the NS group. Conrail's area environmental managers have essentially the same functions as the NS environmental operations engineers. Finally, Conrail's Sentinel program is similar to the NS

Divisional Officers hazmat group training.

c. Expanded NS--Integration

When the current NS organizational structure is expanded to cover the portions of Conrail allocated to NS, three new divisions are anticipated. The proposed divisions would be in the areas of Philadelphia, PA; Pittsburgh, PA, and Dearborn, MI. Each division will be assigned an Engineer Environmental Operations position. An additional Engineer position is anticipated to be assigned to Altoona/Hollidaysburg Shops. Further, two hazmat officer positions will be established to support the Northeast Region. This approach not only preserves but in fact enhances the strength of the Conrail division territories by reducing the effective territories covered by current Conrail area environmental managers.

Hazmat personnel do and will continue to conduct audits, respond to hazmat incidents or emergencies as necessary and follow through with root-cause analyses, help with training of both company personnel and external emergency management agencies, and build cooperative relationships with customers and public agencies. These areas are already of recognized importance to both NS and Conrail.

Hazmat personnel do and will handle recognized programs such as Responsible Care®, Operation Respond, and OT-55 Compliance. They also will carry out risk assessments, determine future needs for spill prevention and control and emergency response, and conduct long term planning. Conrail and NS already have personnel with backgrounds and experience who fulfill the program areas described.

3. Hazardous Materials Programs

As one compares the NS and Conrail hazardous materials programs, distinct similarities are noted. This is not surprising owing to the exchange of ideas over the years by members of the two railways while serving on various committees of the Association of American Railroads (AAR). This section provides an overview of many of these programs.

a. Emergency Action Plans

(i) System and Division EAPs

NS has developed a System Emergency Action Plan for Hazardous Material Incidents to identify standard operating procedures for the safe handling of hazardous materials and to provide guidance to employees for responding to hazardous materials incidents. The system plan is supplemented with nine (9) Division Emergency Action Plans which focus on emergency response actions and provide special instructions and information applicable to the division and its yard and terminal facilities.

The System Plan would be expanded to cover the Conrail territory gained by the transaction. Three new Conrail Division Plans are planned with a "core" finish date of July 1, 1998, one for each of the new divisions. Having these plans ready by mid-1998 will ensure they are in place and training is complete on how to use them for Day 1. Constructive features of the Conrail One Plan, which addresses fixed facility emergency response, have been noted and a copy of the plan has been requested from Conrail for possible melding of Conrail/NS system plans in the future.

(ii) Incident Levels

NS' EAPs define three incident levels: 1 (low hazard), 2 (medium hazard) and 3 (high hazard). The EAPs include guidelines for determining incident levels, assigning relative degrees

of severity and developing responses.

Conrail uses a numerical index called the Transportation Severity Index (TISI) to categorize incident levels. This accomplishes the same result as the NS system in that it requires the evaluation and analysis of every incident, based on the actual risk associated with the release. TISI also is used as a framework for providing feedback to shippers that fosters accountability and continuous improvement in preventing shipper-caused releases.

NS currently plans to apply its incident level system on all properties effective Day 1 because we find its application to be simpler and more easily understood than the six part TISI numerical formula. On the other hand, NS intends to adopt the Conrail framework (inherent in the TISI process) for systematic categorization of shipper-caused releases, as this will foster accountability and improved safeguards from shippers.

(iii) Incident Management Responsibilities

Comprehensive incident management of emergencies requires active participation by not only NS environmental/hazmat officers but also by railroad operating personnel from various departments, customers and regulatory agencies from local, state and federal levels. Personnel designated by the AVP Safety and Environmental will assume lead roles in the establishment of emergency response procedures, but many individuals and groups of individuals can be involved.

Emergency management tools include an incident response checklist to provide guidance for making initial assessments and deciding what actions to take, as well as flow charts indicating management responsibilities for incidents at different locations and different levels. NS will soon further enhance its Division EAP's by adding a section on underground pipelines.

(iv) Incident Reports

All unintentional releases of hazardous materials are reported to the U.S. Department of Transportation on the F 5800.1 report. This is in addition to any reports to local, state and federal agencies required as part of emergency response and environmental protection activities.

Customers are notified by telephone of hazardous materials incidents when they occur. If the incident includes a non-accident release (NAR) of material, the customer is expected to handle the response. NS will provide support and assistance as required; however, the customer is expected to assume responsibility for the incident. This not only gets the customer actively involved but also helps assign costs.

Customers also are provided with copies of the U.S. DOT F 5800.1 reports for hazmat incidents, along with supplemental environmental reports as applicable. A copy of the report typically is sent to the customer at the plant of shipment origin, with a second copy being provided to the customer's marketing division via the NS Marketing Department. This approach is employed to cultivate greater sensitivity to the needs for effective packaging and handling of hazardous commodities during rail shipments and promote greater cooperation among the parties involved.

The NS approach is very similar to Conrail's Customer Contact Program. This type of program will be maintained as part of the integrated program for hazmat safety. Ideas from both railways and customers will be incorporated into the system.

(v) Emergency Response Contractors

NS maintains service contracts with a group of 40 emergency response contractors with offices spread throughout the railway system. Contractors range in size from large multi-state organizations to smaller state and regional operators. The goal is for the outside contractor

responder to be prepared to respond anywhere on the rail system within two hours, and not more than four hours.

Conrail has similar agreements with 12 environmental/emergency response contractors at about 25 different locations throughout its system. NS expects to continue agreements with contractors in the areas that come under NS control, provided such vendors continue to meet NS Material Management Department procurement requirements and demonstrate high quality response capability. NS and Conrail currently have agreements with some of the same responder vendors.

b. HAZWOPER Training

The NS hazardous materials emergency response (HAZWOPER) training program is ongoing for staff and field (line) personnel representing NS' nine (9) current operating divisions. The HAZWOPER program includes 40 hours of introductory emergency response training plus annual two-day refresher courses. Divisional personnel are included in the same training classes with the safety/environmental/hazmat officers.

Approximately 90 NS employees have received HAZWOPER training at the DuPont Training School in Martinsville, VA. This includes approximately 40 divisional employees representing transportation, mechanical, engineering and police departments.

The divisional HAZWOPER-trained employees are similar to Conrail's HazMat Sentinel program.

c. Spill Containment Pans

The original NS spill containment system was installed at the Bellevue, Ohio, Yard in 1987. It has been used on several occasions over the years and is a fixed facility concrete basin collection system.

An even more comprehensive approach to the establishment of spill containment systems was initiated in 1995 with the installation in Chattanooga, Tennessee of a spill containment pan purchased from and developed with Trans Environmental Systems, Inc. of Cleveland, Ohio. NS is the only American railroad which has developed such a spill containment system. Fifteen pans were installed at the following fourteen (14) locations during 1995-1996:

1. Atlanta, GA (Inman Yard)
2. Linwood, NC (Spencer Yard)
3. Birmingham, AL (Norris Yard)
4. Louisville, KY (Youngtown - D Yard)
5. Cincinnati, OH (Gest St. Yard)
6. Macon, GA (Brosnan Yard)
7. Chattanooga, TN (deButts Yard) - two
8. New Orleans, LA (Oliver Yard)
9. Decatur, IL (Decatur Yard)
10. Portsmouth, OH (Portsmouth Yard)
11. Detroit, MI (Melvindale Yard)
12. Roanoke, VA (Shaffers Crossing Yard)
13. Knoxville, TN (Sevier Yard)
14. Sheffield, AL (Sheffield Yard)

Sixteen (16) additional spill pans were installed during 1997 at the following locations:

1. Chattanooga, TN (deButts Yard) - 1 additional--total 3
2. Greenville, SC (Greenville Yard)
3. Chicago, IL (Calumet Yard)
4. Jacksonville, FL (Simpson Yard)
5. Charlotte, NC (Charlotte Yard)
6. Kenova, WV (Kenova Yard)
7. Cleveland, OH (Campbell Road Yd.)
8. Memphis, TN (Forrest Yard)
9. Columbus, OH (Watkins Yard)
10. Mobile, AL (Mobile Yard)
11. Danville, KY (Danville Yard)
12. Savannah, GA (Savannah Yard)
13. Decatur, AL (Decatur Yard)
14. St. Louis, MO (Luther Yard)
15. Fort Wayne, IN (East Wayne Yd)
16. Valdosta, GA (Langdale Yard)

Spill pan locations are selected by hazmat traffic density and yard car-switching activity. High density hazardous materials traffic and extensive switching of hazmat cars in the yards serve to identify target sites. It also should be noted that, in addition to spill containment, the spill pans serve to pinpoint specific isolation track locations within rail yards where leaking containers can be placed for controlled emergency response actions.

This program is expected to be expanded to cover the principle Conrail yards to be operated by NS. During November 1997, representatives of Conrail's Safety and Environmental staff toured and viewed a spill containment system in Roanoke, VA. Impressed with the installation, they currently are considering purchase of such system(s) prior to Closing Date.

(i) Portable Spill Containment Systems

A series of portable spill containment systems also are being developed to augment the overall spill containment and control process and spill pan installations. Included are lightweight 40-gallon steel carts (spill barrows) and plastic pools of 66-gallon and 150-gallon sizes. Two barrows have been purchased for testing and others are currently on order for installation prior to December 31, 1997.

A portable plastic containment pool which can be carried by two people and placed between the tracks under a leaking rail car has been developed. It will hold about 200-250 gallons of liquid. The pool is designed to overlap a set of railroad tracks and actually form three side-by-side containment pools: one which fits between the tracks and two which extend out from the tracks on both sides. The overall effectiveness of the pool system remains to be tested in the field.

A third approach is to develop a portable spill containment system that can be hooked to or around a leaking tank car and serve as a diaper to capture leaking material while the car

is being moved to an isolation track or service area. We currently attach buckets or the smaller portable pools described earlier to tank cars to help capture leaking materials while rail cars are being moved. Our current plan is to have a portable pool or diaper system equipped with tie lines or straps that can be fastened to or wrapped around a tank car and hold the collection pool in place while the car is being moved. If successful, such a system will be considered for existing and future NS operating territories.

d. Audits

Operating Division officers, as part of routine regular operations tests and rules check teams, observe, identify and record hazardous materials handling, switching and placement rules by Operations Division personnel. In addition, NS Environmental Protection Department personnel participate in and/or solely conduct several additional types of audits/inspections to verify compliance with DOT regulations and corporate requirements:

(i) AAR-BOE Inspections

A total of seven AAR-BOE Field Inspectors cover the territory encompassing current and proposed NS system. These highly qualified individuals presently conduct inspections of NS and Conrail facilities, and follow-up with shippers as necessary to ensure safety and compliance. On NS alone, in 1996, this group made 37 yard inspections, seven intermodal inspections, and seven NS fueling facility inspections; and for 1997 through 11/15/97, these inspectors have made 41 yard inspections and two intermodal inspections at NS. BOE conducts its inspections both with and without railroad personnel. This service is expected to continue on existing and future NS operating territories.

(ii) NS Inspections

The NS Hazardous Materials Group conducts Location Audits at individual NS

establishments, and Regional Audits, which are multiple location audits conducted consecutively in a corridor. A total of 10 Location Audits were conducted in 1996; and through 11/15/97, a total of 20 locations have been audited. Two Regional Audits were conducted to date in 1997. These inspections are very helpful in identifying any deficiencies and correcting them; our audits are similar to the Conrail Compliance Quality Inspection Program. Location and Regional Audits will continue on existing and future NS operating territories.

(iii) Centralized Waybilling Audit

In October 1997, NS hired a third-party consultant to provide an audit team to review the operations, accuracy, and efficiency, of the NS Agency Operations Center (AOC). This audit was beneficial and is being considered for annual repeat.

(iv) FRA Inspections

The Federal Railroad Administration additionally regularly inspects NS properties for compliance with DOT Hazardous Materials regulations.

e. TRANSCAER®

TRANSCAER® (Transportation Community Awareness and Emergency Response) is a nationwide community outreach program. It addresses community concerns about the transportation of hazardous materials through planning and cooperation. The program provides assistance to communities by helping emergency planning groups to identify hazardous materials moving through their communities, and by assisting with training and testing for emergency preparedness.

NS is an active participant in the TRANSCAER® program. In fact, NS was awarded the 1994 National TRANSCAER® Achievement Award for demonstrating extraordinary efforts in advancing the TRANSCAER® program in the geographic areas through which it operates.

Hazardous Materials Public Education continues to be a major part of the NS hazardous materials program. During 1996, NS provided 77 hours of training for 541 participants from 159 fire/emergency response departments in areas served. Figures for 1997 have amounted to 129 hours of training for 2135 participants from 456 different agencies.

Conrail expends similar time and resources in its community outreach program as part of TRANSCAER®. NS expects to continue TRANSCAER® outreach on existing and future NS operating territories.

f. Operation Respond

Operation Respond is a program designed to improve information available to First Responders at hazardous material and passenger train incidents. A direct result of a National Academy of Sciences study that recommended experiments using carrier databases to provide critical information to First Responders, Operation Respond began in 1992 as a cooperative undertaking of the FRA and the Port Terminal Railroad of Houston, TX. In order to conduct further research, and to facilitate private and public funding, Operation Respond became a not-for-profit institute in 1995. The FHWA, RSPA, and NIOSH, have joined FRA in funding the project.

NS has been an active participant in Operation Respond since 1995. We support the program by voluntarily providing access to our car records database and computer programming, and donating software to local communities throughout the system. Our program parallels Conrail's Operation Respond program, and we will continue to provide the necessary support to ensure the continuation and expansion of this program for those communities which desire participation.

g. Responsible Care® Partnership Program

The Responsible Care® program was developed by the Chemical Manufacturers Association (CMA) in 1988. The program was designed to help the chemical industry improve its performance in health, safety, and environmental quality in response to public concerns.

The Responsible Care® program was developed as a series of six codes of management practices that included specific issues to be addressed by CMA member companies as follows:

- Community Awareness and Emergency Response Code
- Process Safety Code
- Pollution Prevention Code
- Distribution Code
- Employee Health and Safety Code
- Product Stewardship Code

Each of these codes contains specific processes and activities the member company must address for completion of the code. Each member must complete an annual self audit to illustrate progress toward fulfilling its senior management's formal commitment to Responsible Care®.

To further promote continued improvement in health, safety, and environmental safety involving chemicals, the CMA expanded the Responsible Care® program to include non-CMA chemical companies, transportation suppliers, and other trade organizations.

Conrail took a leadership role in helping to develop the Responsible Care® Partnership Program. Conrail has developed a Five-Year Plan, with a substantial part of the process currently being addressed by a team of employees and supervisors at the Conrail facility in

Conway, PA. This facility is located within the portion of Conrail to be allocated to NS, and NS plans to utilize the experience gained at Conway to facilitate and enhance the implementation of the program.

In October 1996, NS filed an application with CMA to become a Responsible Care® Partner. The application was approved in March 1997. Shortly thereafter, the joint purchase of Conrail by NS and CSX was announced. Based on NS' knowledge of Conrail's Five-Year Plan, NS chose to schedule implementation of its own pilot and system Responsible Care® programs to best be able to gain the benefit of Conrail's experience and leadership in this area.

The chemical shipping community enthusiastically supports Conrail's Five-Year Plan. Accordingly, NS intends to incorporate the tenets of Conrail's plan into its Responsible Care® Program in order to enhance NS' support for industrial health/hygiene, personal safety and proper environmental stewardship.

h. North American Non-Accident Release Program

The North American Non-Accident Release (NAR) Program is composed of representatives from hazardous material rail shippers, carriers, car owners, and trade associations who individually and collectively are committed to the objective of reducing NARs from rail cars in transportation.

The NAR Program uses a four phase effort: (1) data collection; (2) data analysis; (3) communication of results; and (4) follow-up with shippers. All FRA DOT 5800.1 reports that are provided to the AAR from its members are reviewed. Those meeting the definition of a NAR are entered into the NAR database (this includes the majority of DOT 5800 reports). On a quarterly basis the data is analyzed, and those shippers exceeding an established threshold of incidents are sent "Action Packages," detailing the incidents and requesting appropriate action

to prevent recurrences. The goal of this committee is to reduce NARs industry-wide by 20% over the first two years of the program.

NS is an active participant in the North American NAR Program. In fact, a member of the NS Hazardous Materials Group has been Chairman of the Technical Subcommittee for over a year. Likewise, Conrail participates in this program; participation in this initiative will continue.

i. Shipper Safety Award

In January 1997, NS established a Thoroughbred Customer Safety Award based on hazardous material releases. The purpose of the award is to recognize shippers that contribute to the safe transportation of hazardous materials. The award is given to companies that ship more than 1,000 carloads of hazardous materials during a calendar year without a single shipper-caused incident. This program is intended to make shippers more aware of NS' desire to reduce shipper-caused incidents, and to stimulate their interest and support.

For many years, Conrail has had a shipper safety incentive program called the "Diamond Drop" Award. Because the criteria for Conrail's award were analyzed in the development of the NS award, to avoid redundancy, we anticipate that the "Thoroughbred Chemical Safety Award" will be preserved on the expanded system.

j. Hazardous Material Timetable Rules

Hazardous materials operating instructions are included in all Division Timetables. These rules address both federal regulations and NS procedures (which in certain cases are more restrictive than federal regulations) regarding switching and train placement of placarded cars, Key Trains, hazmat documentation, hazmat inspection, marking and placarding of hazardous materials, leaking tank car procedures, and incident instructions and reporting procedures.

Currently, NS includes these instructions in the Division Timetables; however, Conrail has a separate "timetable" which addresses hazmat rules. NS is reviewing Conrail's concept of a separate set of instructions to determine the better practice for the expanded system.

k. Hazardous Materials Training

Hazardous materials training is an ongoing endeavor both within the company and for the public. All Operations Division officers were given hazardous materials training in 1993 as part of the US DOT (HM-126F) hazmat transportation requirements. Train and engine service personnel and officers receive hazmat training annually as part of their operating rules classes/rules exam. NS' practice is to provide hazmat training annually to all operating personnel involved in hazardous materials handling even though the US DOT regulations specify once every three years. As of now, this program is expected to continue on an annual basis.

NS plans to send its Hazmat Group officers and nine current division employees to the Pueblo tank car school in 1998, as a next level training to complement HAZWOPER training. Continued qualification and refresher training in HAZWOPER of field personnel is anticipated in 1998. Further, Responsible Care® related training initiatives in Community Outreach, Process Safety, and Emergency Response will be undertaken.

l. Customer Service Centers

Cars containing hazardous materials move on NS only when they are accompanied by either a Wheel Report, which contains the proper hazardous materials description, a waybill, or the shipper's bill of lading. These documents are assembled either by the Centralized Yard Operations office or the local yard office and sent to the train crews via printers or fax machines at their "on duty" point, or in the case of shipper's bills of lading, received directly from the shipper. Train crews contact either the local yard office personnel or Centralized Yard Office

personnel to verify that they have all necessary documents prior to their departure.

Local yard offices are able to supply waybill and hazardous material information during their hours of operation. Division dispatchers' offices also have immediate access to waybill and hazardous material information. These are main-frame based systems that have been in use on NS for several years. The Centralized Yard Operations and National Customer Service Center can also supply this information on a 24-hour, 7-day basis. Neither the Centralized Yard Operations (CYO) nor National Customer Service Center (NCSC) have voice mail. 99.6% of all calls to our NCSC are answered after the first ring. We have an abandoned call rate of 0.35% compared to an industry standard of 5% and work class standard of 2%. Train crews also have immediate access to the USDOT Emergency Response Guidebook, which is kept on board the locomotive.

Clerical personnel at both the local yard offices and the centralized yard office use trackside AEI scanners to verify the standing order of trains to assure that hazardous materials cars are located in the positions required by federal regulations. Also, train crews are required to inspect the six head cars behind the engine and the six rear cars ahead of an occupied caboose to ascertain that placarded hazardous material cars are properly positioned.

The Thoroughbred Yard Enterprise System (TYES) will be installed and operational, including all hazardous materials functions, at Conrail field locations prior to the phase out of Conrail's computer system.

Currently, Conrail has one Manager-Hazmat at its Pittsburgh Customer Service facility (this individual has voice mail). The Manager-Hazmat handles hazardous materials inquiries, as do other employees in the Customer Service facility. Effective Day 1, NS will take steps to ensure that hazardous materials inquiries are promptly distributed to the Pittsburgh Customer

Service personnel so that these calls will be answered. NS personnel in CYO and NCSC, both in Atlanta, have access to this information and are available 24 hours per day, 7 days per week.

During the transition from Conrail to NS systems, NS will have personnel at former Conrail on-duty points to assist train crews in securing and understanding their paperwork. Additional personnel will also be at the Pittsburgh facility to assist and train Customer Service personnel. Currently, Conrail sends paperwork to crews from its Pittsburgh facility via fax machine. After the location is converted, NS will send its paperwork to the crews from Atlanta via fax machine or additional printers that NS will have installed as a back-up.

On Day 1, NS will operate its allocated portion of Conrail with the same proportional level of staffing as is available on Conrail today at the Pittsburgh center. For hazardous materials inquiries, NS will ensure that there is coverage at the Pittsburgh center 24 hours daily and will maintain such 24 hours a day coverage during the migration to the Atlanta CYO.

In planning for future staffing subsequent to consolidation at the Atlanta CYO, NS evaluated car counts, trains, type of traffic, customer needs, transportation needs and regulatory requirements. In addition, efficiency differences and staffing requirements for the new TYES system, as contrasted with Conrail's existing system, led to the development of projected employment needs. This created a base projected staffing number. However, NS then increased its projected staffing number to ensure a more than adequate workforce to facilitate a smooth transition and provide assurances than any unforeseen contingencies could be addressed.

The current systems NS uses to secure hazardous materials and waybill information are complete and mature. Information from these systems is retrieved instantaneously. The new reporting system (TYES) is only an interface with the hazmat system and waybilling system. Hazmat information can be obtained either from TYES or directly from the hazardous materials

inquiry, or the waybilling system.

NS is currently developing a computer based training system for subjects including hazardous materials. This system will be used in the training of employees on the expanded NS system.

The NS hazmat group works with the NS Customer Service Center and with individual customers on a regular basis to solve waybill concerns and expedite hazmat shipments. The hazmat group receives calls from NS customer service representatives, more commonly from NS intermodal service representatives, and often directly from customers, to address waybill issues and to review approvals for intermodal service. The NS hazmat group's goal is to help train NS marketing and customer representatives to handle most of the customer's questions correctly and in a timely manner.

m. Computer Systems

The NS hazmat computer systems include programs which provide hazardous materials commodity information, hazmat database, waybill inquiries, traffic densities, etc. NS' IT Department is coordinating with its counterpart on Conrail to merge the two systems (see detailed discussion in Section IX).

E. TRAIN DISPATCHING

1. Dispatch Centers

NS, CSX and Conrail have devised a plan to integrate dispatching systems as a part of the division of the current Conrail dispatching offices between NS, CSX and CSAO. This plan relies on continued use of existing Conrail systems until offices are arranged to divide them. Dispatching offices will then be completely segregated between these three entities, reorganizing the current five offices into six offices.

Currently, NS, CSX and Conrail use computer aided dispatching systems (CATD) that are unique to each operation. CSX's dispatching function currently is centralized at one location, while NS, like Conrail, has dispatch centers at each of its nine division headquarters.

Conrail presently has five computer aided train dispatching centers at its five division headquarters. Each of these centers consists of between seven and ten dispatching desks. NS, CSX, and Conrail have jointly evaluated each line segment assigned to each dispatching desk in the five dispatching centers. From this evaluation, a project plan has been devised that transforms the current Conrail dispatching organization into a new organizational arrangement ultimately segregating NS, CSX, and CSAO into independent offices.

Dispatching offices will be assigned to these entities as indicated in the following Figure 5:

FIGURE 5

Dispatching Office Assignments between NS, CSX, and CSAO

Current Office Location	Office Allocation	Dispatching Desks		Dispatching Positions	
		Before	After	Before	After
Albany, NY	CSX	10	10	75	75
Dearborn, MI	CSX	9	9	71	71
Indianapolis, IN	NS	7	6	51	51
Mt. Laurel, NJ	CSAO	9	3	81	17
Pittsburgh, PA	NS	9	9	71	71
Harrisburg, PA	NS	0	7	0	54
Total		44	44	349	349

2. Conrail's Train Control System

NS will continue to utilize Conrail's train control system, including radio communication system, for approximately three years after Closing Date. Accordingly, former Conrail dispatchers on the expanded NS will continue to use dispatch consoles with which they are familiar. After this period, NS will begin to retire the present Conrail train control system and replace it with NS' new computer-aided dispatching system. The new NS system, called UTCS, (Unified Train Control System), is currently under development and is scheduled to be installed on current NS divisions beginning during the year 2000. The projected date for implementation of this system on Conrail territories allocated to NS is 2002. The new Harrisburg office will be equipped with equipment that will facilitate operation of the current Conrail train control system until the new NS system is installed.

3. Multi-Phased Dispatching Office Changes

Basically, this project entails several phases. First, a technical phase will occur involving preparing existing computer systems and communications equipment for division between the three operating entities. Second, realignment of dispatchers' workstations will be accomplished within each of the five offices. Third, relocation of entire desks will be accomplished to segregate offices and complete the reorganization project.

a. Technical Phase

From a technical standpoint, it is first necessary to implement some changes in the computer and communications networks to support the realignment of dispatching desks in the second phase. NS, CSX, and Conrail have decided to enter into a service contract for Conrail to handle all required C&S and IT, (IS), changes in this phase. Conrail has determined that it has the personnel to handle this work, which will be supervised by Conrail to ensure there is no

interference with Conrail's ongoing operations and activities. The technical implementation includes writing software to accomplish the required changes in both the CATD, and mainframe computers. It also includes rerouting of owned and leased voice and data circuits - both internal and external to each facility, installation of VHF radio base stations in the field, workstation communications console modifications, and modification of VHF radio control equipment in each dispatching office. Conrail projects that it can accomplish this work in approximately a four month period once the work has been authorized under an appropriate service contract. No changes or modifications will actually be placed in service prior to Control Date, and the costs of the work will be divided between NS and CSX.

b. Realignment of Dispatchers' Workstations

The second phase of this transition involves realignment of dispatchers' workstations within each of the five dispatch offices. Under this phase, the objective is to exchange line segments between dispatching desks so that each desk has line segments under its control that are exclusively handling trackage under the control of either NS, CSX or CSAO. Essentially, this phase involves executing the line segment transfers made possible by the computer and communications changes completed during the first phase.

Workstation realignment readily can be accomplished through scheduled "cut-over" of line segments transfers within each office. The most significant requirement involves training of employees to perform the dispatching function on new line segments added to their position. Not all dispatching desks involve realignment and only a portion of each dispatching office's employees will require training. (Training will be discussed elsewhere in this section). Figure 6 following reflects the extent to which each existing office will be impacted by these changes.

FIGURE 6

Dispatching Offices, Dispatching Desk Realignment

Office Location	Office Allocation	Dispatching Desks		Dispatching Positions	
		Current	Realigned	Current	Realigned
Albany, NY	CSX	10	1	75	5
Dearborn, MI	CSX	9	5	71	21
Indianapolis, IN	NS	7	3	51	13
Mt. Laurel, NJ	NS/CSAO	9	6	81	26
Pittsburgh, PA	NS	9	0	71	0
Total		44	15	349	65

As reflected in Figure 6, most of the dispatching desks do not require realignment. Therefore, most of the employees will be unaffected by these changes. To accomplish dispatchers' desk realignments an extensive plan has been developed. This plan was developed by evaluating each line segment requiring transfer and reorganizing dispatcher desks based on acceptable dispatcher workloads and other proximity related benefits of line segment organization for each affected dispatcher desk. In some cases, interim line segment transfers are required as line segments are carefully "cut-over" to the new segregated organization. For example, a new dispatching workstation will be established in the Mt. Laurel office to facilitate the changes that occur within this office. This desk will be used to systematically apply line segments from other desks as line segments are transferred to and from other dispatching desks. This avoids temporarily overburdening any particular dispatching desk by adding line segments before a balance can be obtained by removing line segments, especially during the critical training period. The dispatchers working this new desk will be qualified on the operating characteristics of the involved line segments before manning this desk.

The changes that will occur during this phase can be best understood by evaluating the following charts which reflect line segments that will be transferred between dispatchers' desks on each division. This information is depicted in the following: Figure 7, Albany Division; Figure 8, Dearborn Division; Figure 9, Indianapolis Division; Figure 10, Philadelphia Division, (Mt. Laurel, NJ); and Figure 11, Pittsburgh Division.

FIGURE 7

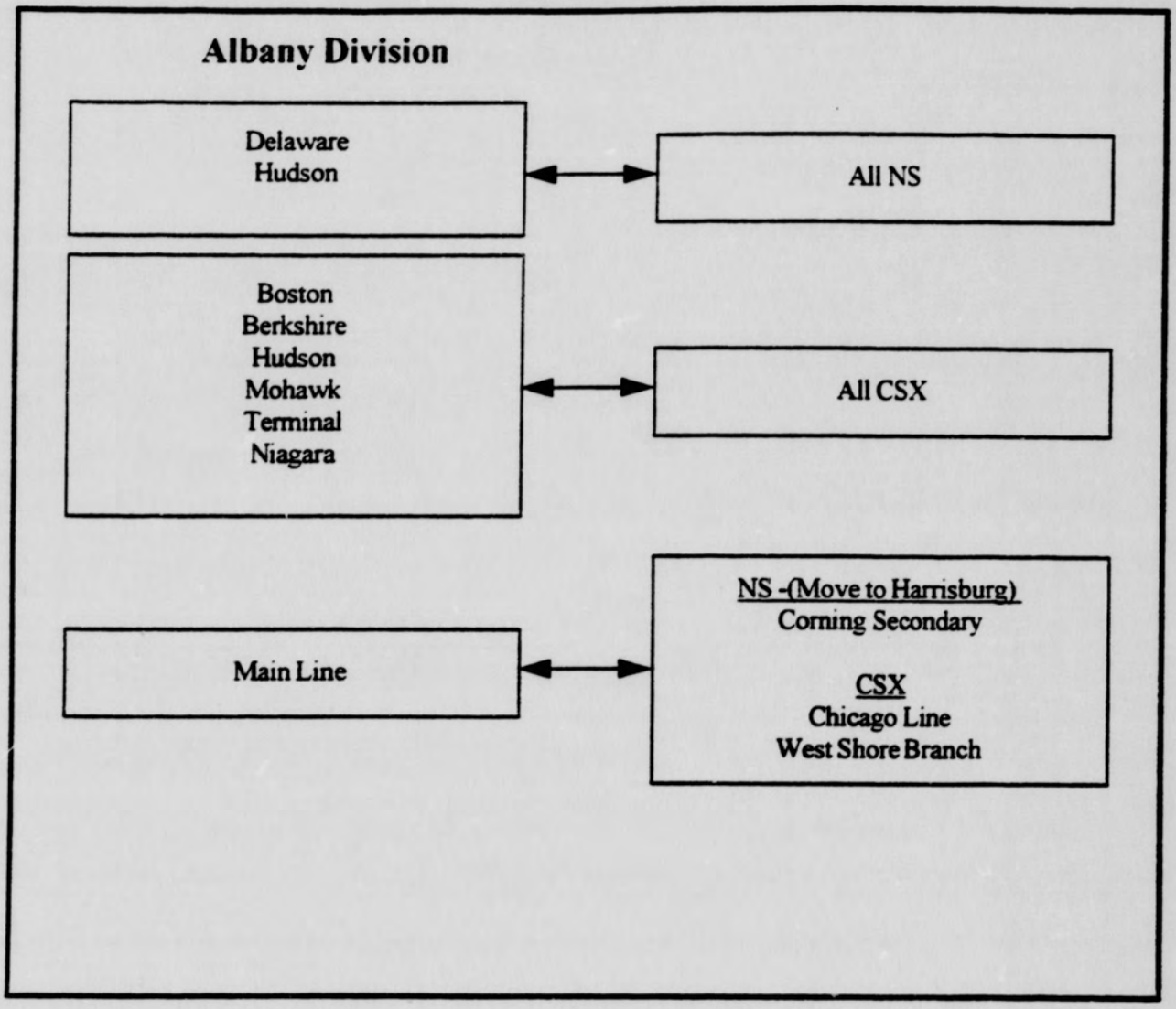
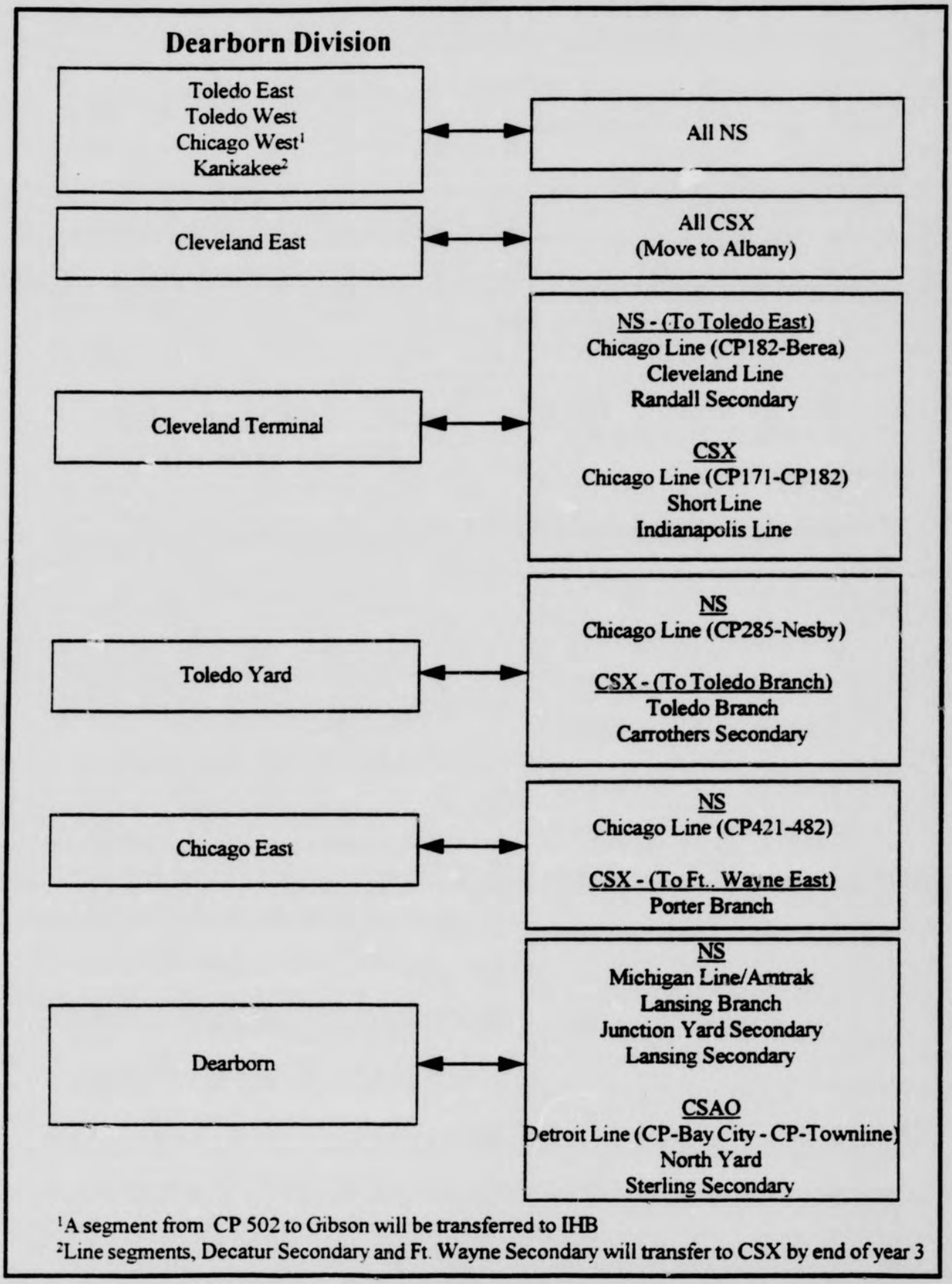

Albany Division
Delaware
Hudson
All NS
Boston
Berkshire
Hudson
Mohawk
Terminal
Niagara
All CSX
Main Line
NS -(Move to Harrisburg)
Corning Secondary
CSX
Chicago Line
West Shore Branch

FIGURE 8



[1]A segment from CP 502 to Gibson will be transferred to IHB
[2]Line segments, Decatur Secondary and Ft. Wayne Secondary will transfer to CSX by end of year 3

FIGURE 9

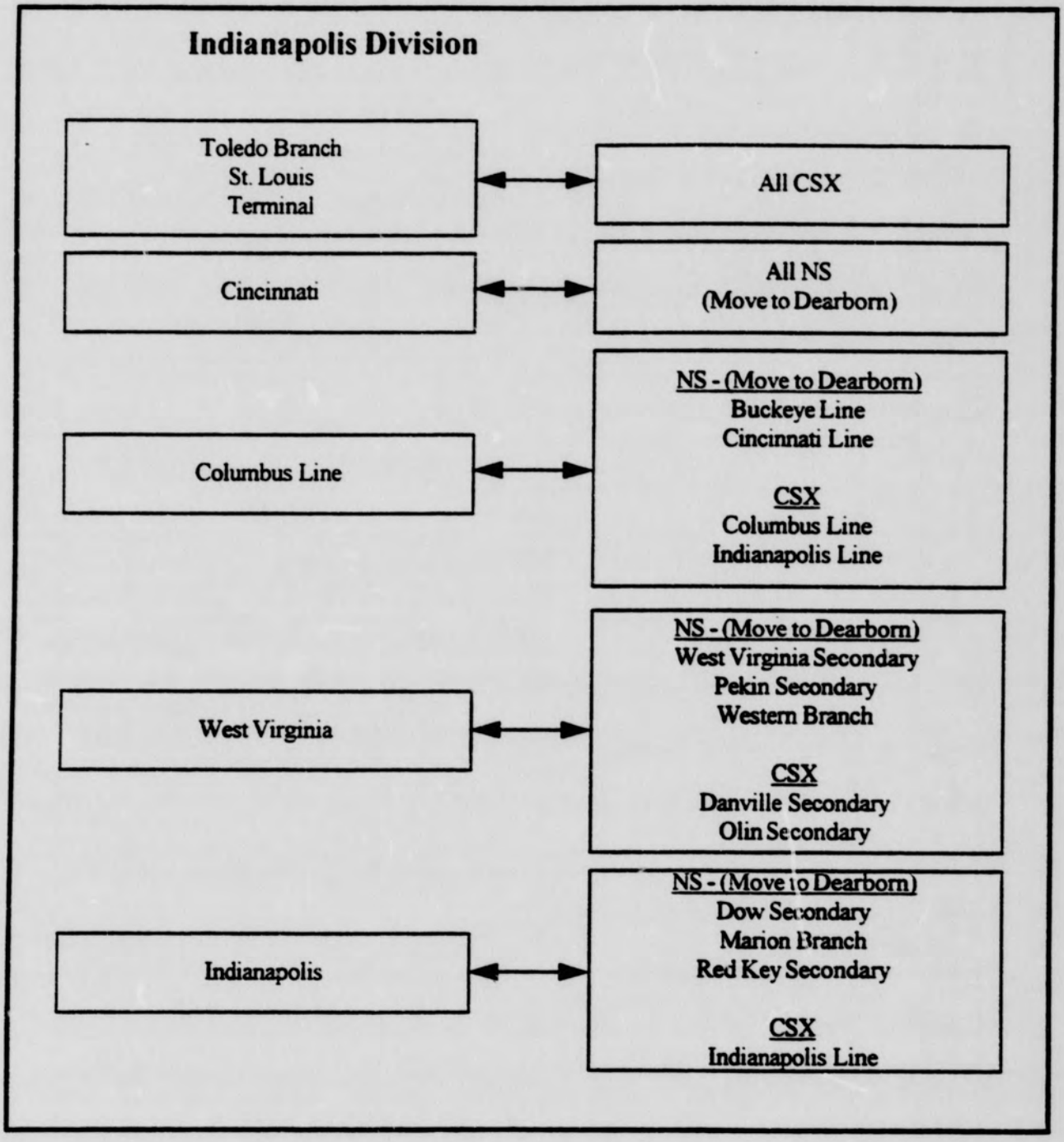
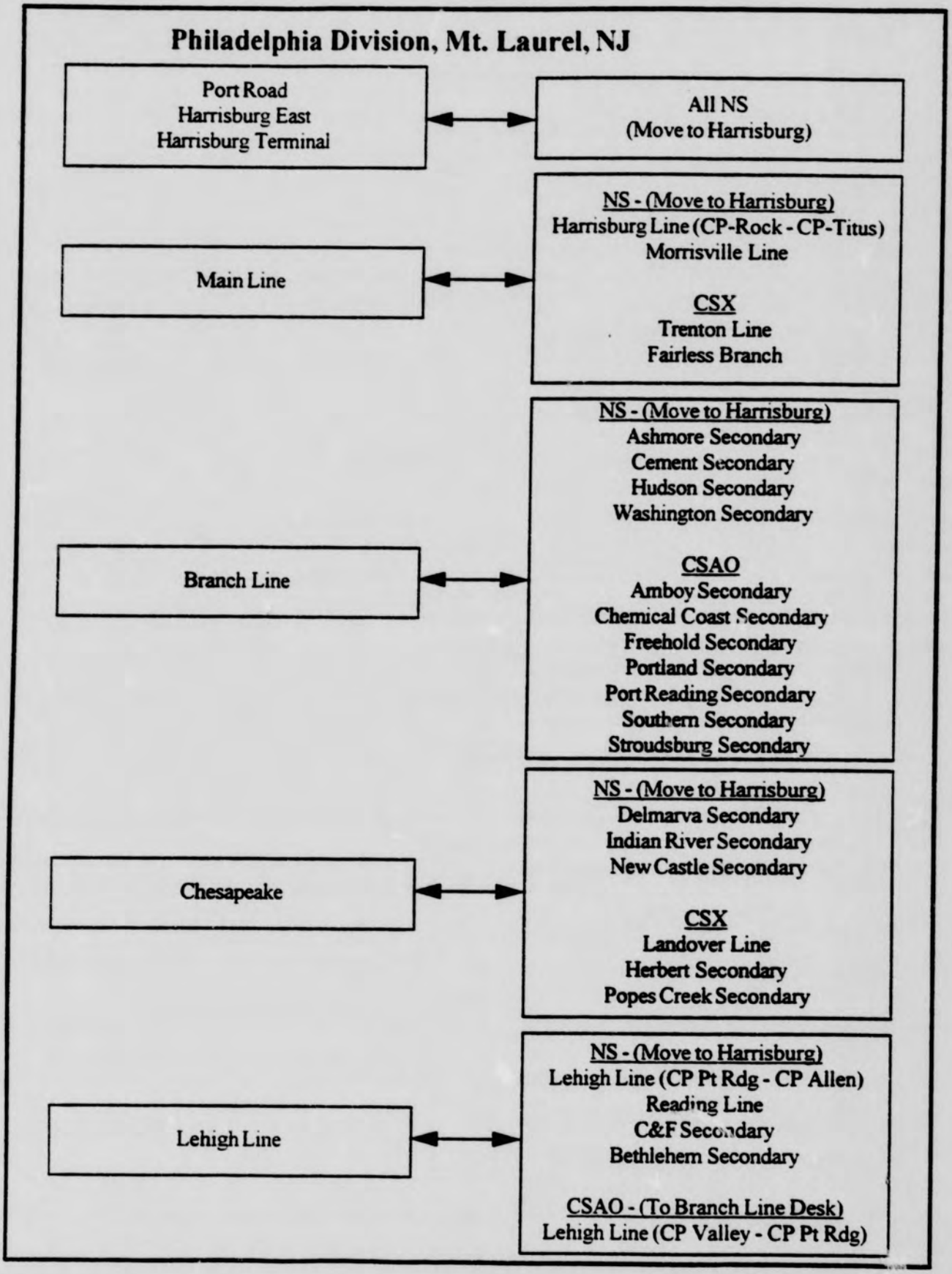

Indianapolis Division
Toledo Branch
St. Louis
Terminal
All CSX
Cincinnati
All NS
(Move to Dearborn)
Columbus Line
NS - (Move to Dearborn)
Buckeye Line
Cincinnati Line
CSX
Columbus Line
Indianapolis Line
West Virginia
NS - (Move to Dearborn)
West Virginia Secondary
Pekin Secondary
Western Branch
CSX
Danville Secondary
Olin Secondary
Indianapolis
NS - (Move to Dearborn)
Dow Secondary
Marion Branch
Red Key Secondary
CSX
Indianapolis Line

FIGURE 10


Philadelphia Division, Mt. Laurel, NJ
Port Road
Harrisburg East
Harrisburg Terminal
All NS
(Move to Harrisburg)
Main Line
NS - (Move to Harrisburg)
Harrisburg Line (CP-Rock - CP-Titus)
Morrisville Line
CSX
Trenton Line
Fairless Branch
Branch Line
NS - (Move to Harrisburg)
Ashmore Secondary
Cement Secondary
Hudson Secondary
Washington Secondary
CSAO
Amboy Secondary
Chemical Coast Secondary
Freehold Secondary
Portland Secondary
Port Reading Secondary
Southern Secondary
Stroudsburg Secondary
Chesapeake
NS - (Move to Harrisburg)
Delmarva Secondary
Indian River Secondary
New Castle Secondary
CSX
Landover Line
Herbert Secondary
Popes Creek Secondary
Lehigh Line
NS - (Move to Harrisburg)
Lehigh Line (CP Pt Rdg - CP Allen)
Reading Line
C&F Secondary
Bethlehem Secondary
CSAO - (To Branch Line Desk)
Lehigh Line (CP Valley - CP Pt Rdg)

Philadelphia Division, Mt. Laurel, NJ (Continued)

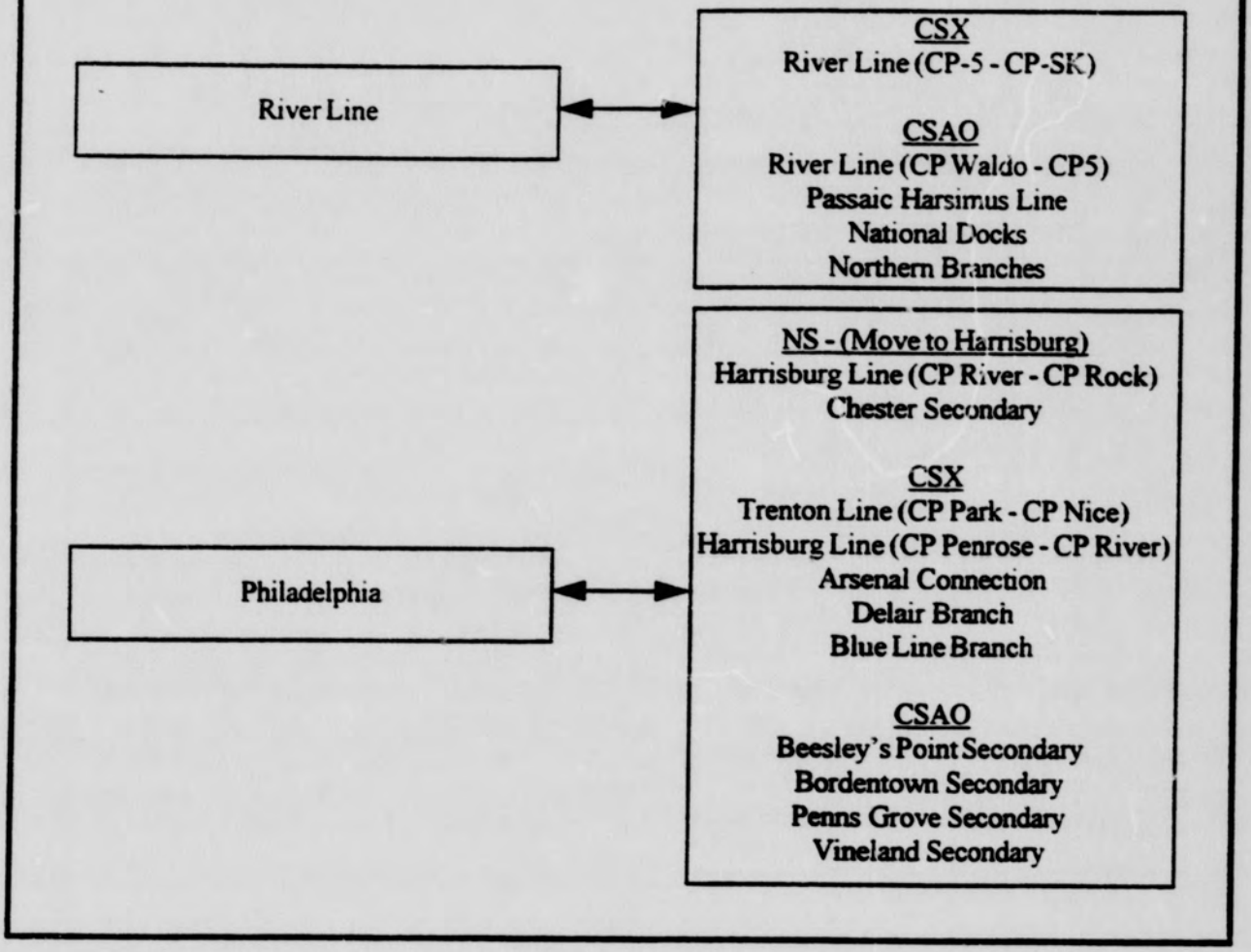
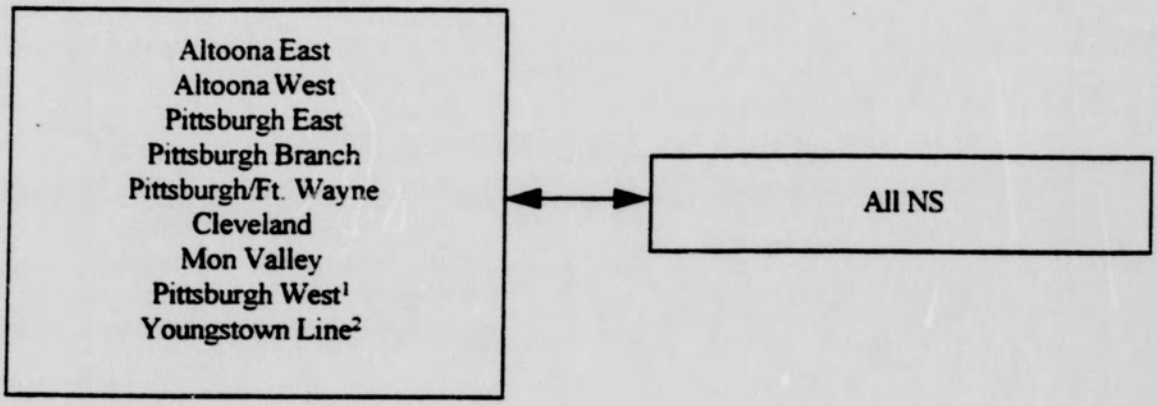
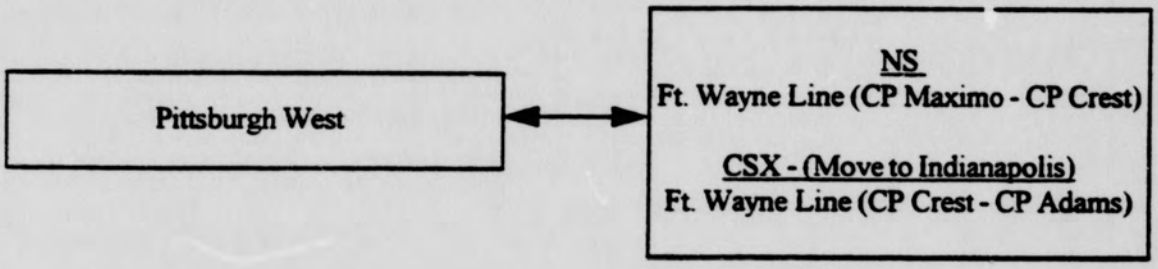


FIGURE 11

Pittsburgh Division



[1]By the end of year three the following change will occur:



[2]CSX will relocate control of one control point on the Buffalo Connecting track at Ashtabula to their dispathching office at Albany, Niagara Desk.

c. Relocation of Dispatchers' Desks

This final phase of the transition involves completing segregation of offices between the three companies involved. This will complete technical implementation resulting in separate offices but will also require a training phase before this process is completed. Again, this phase will involve carefully planned "cut-overs" of dispatchers' desks between divisions. The resulting dispatching desk assignments are reflected in the following Figure 12:

FIGURE 12

Conrail Dispatchers' Desk Relocations

Current Division	Desk	Assignment	Future Division
Albany	Boston	CSX	Albany
Albany	Berkshire	CSX	Albany
Albany	Hudson	CSX	Albany
Albany	Mohawk	CSX	Albany
Albany	Main Line	NS/CSX	Albany
Albany	St. Lawrence	CSX	Albany
Albany	Terminal	CSX	Albany
Albany	Niagara	CSX	Albany
Albany	Delaware	NS	Harrisburg
Albany	Portage	NS	Harrisburg
Dearborn	Cleveland East	CSX	Albany
Dearborn	Cleveland Terminal	NS/CSX	Indianapolis
Dearborn	Toledo East	NS	Dearborn
Dearborn	Toledo Yard	NS/CSX	Dearborn
Dearborn	Toledo West	NS	Dearborn
Dearborn	Chicago East	NS/CSX	Dearborn
Dearborn	Chicago West	NS	Dearborn
Dearborn	Dearborn	NS/CSAO	Dearborn
Dearborn	Kankakee	NS/CSX	Dearborn
Indianapolis	Toledo Branch	CSX	Indianapolis
Indianapolis	Columbus Line	NS/CSX	Indianapolis
Indianapolis	Cincinnati Line	NS	Dearborn
Indianapolis	West Virginia	NS/CSX	Dearborn
Indianapolis	St. Louis	CSX	Indianapolis
Indianapolis	Indianapolis	NS/CSX	Indianapolis
Indianapolis	Terminal	CSX	Indianapolis
Mt. Laurel	Chesapeake	NS/CSX	Jacksonville
Mt. Laurel	River Line	CSX/CSAO	Albany
Mt. Laurel	Harrisburg East	NS	Harrisburg
Mt. Laurel	Harrisburg Terminal	NS	Harrisburg
Mt. Laurel	Lehigh	NS/CSAO	Harrisburg
Mt. Laurel	Main Line	NS/CSX	Harrisburg
Mt. Laurel	Port Road	NS	Harrisburg
Mt. Laurel	Branch Line	NS/CSAO	Mt. Laurel
Mt. Laurel	Philadelphia	NS/CSX/CSAO	Mt. Laurel
Pittsburgh	Altoona East	NS	Pittsburgh
Pittsburgh	Pittsburgh West	NS[1]	Pittsburgh
Pittsburgh	Pittsburgh Branch	NS	Pittsburgh
Pittsburgh	Altoona West	NS	Pittsburgh

Pittsburgh	Pittsburgh East	NS	Pittsburgh
Pittsburgh	Pittsburgh/Ft. Wayne	NS	Pittsburgh
Pittsburgh	Youngstown	NS[2]	Pittsburgh
Pittsburgh	Cleveland	NS	Pittsburgh
Pittsburgh	Mon Valley	NS	Pittsburgh
[1]Dispatching between Crestline and Adams transfers to CSX by Year 3.			
[2]One control point at Ashtabula, OH transfers to CSX.			

4. **Dispatcher Training**

To facilitate stability in training, it is anticipated that dispatcher positions requiring changes in line segments may be re-bulletined if determined to be necessary from a labor standpoint. Assignments would be bulletined before the dispatchers' desk realignments are implemented in order to identify the employees who are in need of training on each desk. Realigned positions would be advertised to be effective on a "to be announced" date, presumably by Day 1. Training will be accomplished by having those employees on realigned positions allocate, on average, five shifts to learning operating characteristics on each desk handling line segments which will be transferred to their future desk. Office supervision will schedule this training, evaluate each employee's training progress and approve their qualifications for assuming operation of the new line segment(s). Also, training may involve trips over the new line segments if appropriate to achieve familiarization. It is important to note that the operating systems are not changing throughout this transition and Operating Rules will remain unchanged while this transition is occurring. In fact, we will minimize changes in dispatching territories to improve the ability of the employees to know the local conditions. Therefore, employee training of dispatchers need only focus on operating characteristics of the line segments added to the dispatcher's assignment. It is anticipated that this training process can be completed in approximately 90 days, with each dispatching office participating in training concurrently.

The final phase of this transition plan will necessitate a similar training plan in each office. While the rearrangement of workforces is subject to completion of implementing agreements, it is anticipated that all of the dispatchers moving to the Harrisburg office will come from the Mt. Laurel office. Otherwise, actual transfers of personnel will be minimal. The total number of dispatcher positions will not change, and the number of positions will only change

at two offices: Mt. Laurel and Harrisburg. NS will seek to achieve implementing agreements as soon as possible with the dispatchers' labor organization in order to facilitate the realignment of each dispatcher's territory and coordinate proper training of the workforces assigned to NS, CSX, and CSAO.

5. Dispatcher Safety During Transition

NS, CSX and Conrail are evaluating the number of qualified dispatchers at each dispatching office at this time. Training plans will be developed that assure there are sufficient employees available to comply with Hours of Service Act (HSA) requirements. If necessary to accomplish the training requirements, each phase may be extended with changes implemented at a slower rate within each office to ease the manpower need while employees are training.

The Labor Impact Exhibit in the Railroad Control Application, based upon current employee positions (1996/97 headcount), shows that NS does not anticipate eliminating any dispatcher positions as a result of the transaction. NS also does not contemplate any changes in dispatching locations that are likely to result in manpower losses. (While it is anticipated that the present Conrail dispatch office at Mt. Laurel will be moved back to Harrisburg, it is not anticipated that this move will result in a measurable loss of experienced Conrail dispatchers, some of whom never changed their residences from Harrisburg when Conrail moved its dispatch office from Harrisburg to Mt. Laurel.)

Today, both Conrail and NS rely on regional or divisional train dispatch rather than centralized dispatching. NS intends to keep this same dispatching system post-transaction. Accordingly, not only will there be no significant cultural shift to centralized dispatch, but most dispatchers will continue to handle territories with which they already are familiar. Of course, dispatchers will only work operating territory for which they are properly qualified.

NS is in the process of training additional dispatchers to ensure that an adequate supply will exist on the NS system. By placing great emphasis on retaining existing dispatcher workforce levels, NS will be positioned to maintain conformity with applicable federal safety requirements, including the HSA.

It is important to note that most of the trackage which Conrail shares with passenger trains is owned and dispatched by the passenger authorities. Because this fact will not be changed by the transaction, there is little or no impact on passenger line dispatching arising from this transaction.

NS is a party to a national collective bargaining agreement with the American Train Dispatcher's Department-BLE generally known as the "37/79 Agreement." Under this Agreement, dispatchers have the opportunity to raise concerns relating to workload, safety or working conditions that are not addressed in the train dispatcher's basic schedule agreements. Among the subjects within the scope of the Agreement are adequate workforce, rest days and the extent of dispatching territory. Issues not resolved by the employer may be appealed to a standing national "Joint Committee," which has the authority to investigate and make recommendations to resolve disputes.

From several perspectives, the dispatcher issues confronted by UP/SP are not relevant to NS. Both NS and Conrail use a local or divisional dispatching approach, while UP/SP utilized centralized dispatch. By remaining divisional in approach, NS does not anticipate losing dispatchers as a result of the transaction. NS also shows no reductions in dispatchers on its Labor Impact Exhibit while reductions were anticipated by UP/SP. Also important is the fact that UP and SP used different types of dispatch equipment, thus necessitating further training. Most dispatchers on the expanded NS will continue to use the style of dispatch console with

which they have become accustomed and familiar. Finally, UP and SP used two different dispatching systems for non-traffic control territory--UP used track warrants, SP used Direct Traffic Control--thereby necessitating further dispatcher training. While NS uses the track warrant system and Conrail uses "Form D," at least initially the dispatchers will continue to use Form D and apply Conrail's dispatching rules on NS' allocated portion of Conrail.

6. Transition Schedule

NS, CSX and Conrail have agreed to begin phase one of this transition as soon as possible so that this phase is completed by Control Date. Phase two of this transition will begin on Control Date and be completed approximately 90 days following that date. Phase three will be implemented within six months of completion of phase two and should require six months to complete.

F. HIGHWAY-RAIL GRADE CROSSINGS

1. NS Grade Crossing and Trespasser Safety Process

Grade crossing and trespasser safety are important aspects of NS' safety process. The present program for monitoring and coordinating grade crossing and trespasser safety matters at the system level is relatively new, having been established in 1993. Although NS' oversight program has been carefully crafted to suit NS' corporate safety philosophy, the policy and methods were developed after careful review of the best practices in use by the other major railroads.

Grade crossing and trespasser safety matters are coordinated by a Grade Crossing Safety Group (GCS) within the NS Safety Department. The GCS consists of an Assistant Director Safety - Grade Crossing and two Regional Managers Grade Crossing Safety. While line management as well as various staff departments all have responsibility for varying aspects of

grade crossing and trespasser safety, NS management believes that central coordination is preferred. The GCS works closely with its counterparts at CSX, Conrail and other major railroads.

All aspects of crossing and trespasser safety are monitored by a system Grade Crossing Oversight Committee consisting of the Vice-Presidents of Transportation & Mechanical; Engineering; Research & Tests; Quality; Public Affairs; Internal Audit; and Real Estate; as well as the Assistant Vice-President of Safety & Environmental, Director-Safety, Public Relations and Communications and Signals; as well as representatives of the Law, Engineering, and Police Departments.

Each operating division has a Division Grade Crossing/Trespasser Safety Committee. These committees are responsible for identifying conditions at particular crossings which could interfere with the ability of a motorist to fully appreciate and respond to the potential hazards of an approaching train.

The division committees, including the Superintendent, Division Engineer, Division Mechanical Maintenance Officer, Police, District Claim Agent, Resident Vice President and others, meet once a month in an administrative session and also hi-rail a portion of the area's territory. They review conditions at each crossing and, where warranted, undertake measures to enhance the overall crossing environment (e.g., vegetation clearance and leveling embankments).

If a division committee becomes aware of conditions or changes in highway traffic patterns that merit consideration of warning devices, such information is referred to the state department of transportation or other state highway authority for review. Division personnel, NS state Resident Vice-Presidents and Safety Department officers maintain contact with state and

local government officials. On many divisions, state DOT staff members are regular attendees and active participants in the Grade Crossing/Trespasser Safety Committees.

The emphasis of NS' grade crossing safety efforts is directed toward improvement and elimination of crossings. The Safety Department's GCS works collectively with the Engineering Department, including Communications & Signals (C&S), Bridges & Structures, Engineering Design and Maintenance of Way, Division Grade Crossing/Trespasser Safety Committees, and Public Affairs to identify and prioritize crossings for removal or improvement. When necessary, the GCS serves as liaison between NS and local and state government representatives. The GCS administers corporate funds designated for extra-statutory crossing closure and improvement projects and for trespasser abatement.

NS has taken significant steps in recent years to improve handling of grade crossing safety matters. For example, NS has developed a computerized DOT crossing inventory system (NSXI) which allows field personnel in the Transportation, Maintenance of Way and Communication and Signals departments to make on-line updates to the DOT crossing inventory. This system is compatible with FRA's GX system and facilitates electronic updating of the national database. NS' computerized Total System Accident Reporting (TSAR) automatically draws information from NSXI to complete grade crossing incident reports.

NS' C&S Department has streamlined its handling of grade crossing warning device installation and improvement projects. As recently as 1993, a typical signal installation project took from 18 months to two years or more. Presently, NS' C&S forces average 10 months total for railroad handling from the time a state DOT first requests engineering and cost estimates through completion of construction and activation.

Each NS public grade crossing is equipped with reflectorized signs identifying the

crossing by name and DOT inventory number. Motorists are urged to report signal malfunctions or other emergencies to the Police Communications Center (PCC) at 1-800-946-4744. The PCC is in direct contact with each division's chief dispatcher.

NS' Safety and Research & Tests Departments have been working for a number of years with the North Carolina Department of Transportation, FRA, and the Federal Highway Administration to test innovative warning devices. The test recently has been expanded to the entire corridor between Raleigh and Charlotte.

NS also has been active in Operation Lifesaver (OL) since that program's inception in the mid-1970s. OL is a proven grade crossing public education tool supported by the railroad industry. The GCS serves as liaison between the railroad and national and state OL organizations. Each NS division has an operating supervisor appointed to coordinate OL activities within the division's operating territory. All OL presentations are made by volunteers, and by 1996, NS had 116 employees certified to perform OL training. In the case of certain train and engine service employees, time off to make OL presentations is reimbursed. In addition to presentations to schools, governmental and community organizations, NS works with the state OL organizations to sponsor Operation Lifesaver/Officer on the Train special trains.

Each year NS Police officers conduct over 30 Grade Crossing Collision Investigation Courses. These three-day training courses are approved for state law enforcement continuing education requirements. The program includes not only investigatory skills and attention to the legal rights and obligations of motorists at crossings but also includes training in hands-on railroading and hazardous materials awareness. State and local police officers learn how the train brake systems work and become acquainted with the actual handling of a freight train.

NS Police, working with local law enforcement officials, actively apprehend, eject and

prosecute trespassers on railroad rights-of-way. Areas with statistically significant trespassing incidents are targeted for the Trespasser Abatement Program (TAP) with increased surveillance and enforcement. TAP includes extensive media contact. Additionally, local businesses, particularly convenience stores and homeless shelters, are contacted and are provided educational materials.

2. Conrail Grade Crossing and Trespasser Safety Processes

Generally, Conrail's grade crossing safety efforts are based on departmental function. Engineering is responsible for signal and surface matters, including relations with the state departments of transportation; Community Relations deals with local governments and state DOTs for corridor studies including potential crossing elimination.

Conrail has, within the Safety Department, a Public Safety group consisting of a Manager - Public Safety and a Specialist Public Safety. This group coordinates all grade crossing and trespasser safety public awareness programs including OL.

OL presentations are coordinated by the Manager-Public Safety and conducted by volunteers. Certain contract employees also are allowed time off to conduct presentations. All budgeting is done through each division, including manpower, materials and travel.

Conrail has been very active in "high profile" OL activities focused on target areas identified by the Manager - Public Safety. "Operation Lifesaver Express" trains are run in conjunction with Community Relations, Police, Corporate Communications and the state OL organization. The Manager- Public Safety is responsible for scheduling, coordination including transportation, meal and boarding accommodations, intermediate stops, handouts and the final attendee list. Invitees include community leaders, educators, police and emergency personnel, judicial officers and representatives of safety and training personnel from other transportation

modes. Trains are also used in law enforcement with state and local police taking part in "Officer on the Train" functions.

Conrail also maintains a mobile exhibit -- a 45 foot self-contained tractor and trailer. Communities in target areas are contacted and presentations are scheduled at all schools and selected community functions. The exhibit is also used for special showings in state capitals and special functions on a request basis.

Mock and Staged Crashes are utilized in target areas to reach specific groups and mass media markets, respectively. Staged crashes are coordinated with a local TV station, which is responsible for the vehicle, including transportation, cleanup and removal of all fluids, the gas tank and battery. Conrail supplies a locomotive that has been reinforced for the impact. Locations are selected to avoid disruption to train operations. In mock crashes, the vehicle is not impacted. Participants in mock and staged crashes include local volunteers made up to simulate persons injured in the crash.

When notified by Conrail's Transportation Department of a proposed increase in train speeds, the Public Safety section arranges for the appropriate combination of community learning blitzes.

Trespass Reduction and Containment (TRAC) activities are performed in conjunction with the local Labor Management committees. Areas identified with high incidence of trespass ejections are targeted and all schools and many business locations are visited by members of the local Labor Management committee, Conrail supervisors and OL volunteers. Conrail and local police concentrate on issuing citations for trespass violations on railroad property.

Overall, while there are differences in the approaches NS and Conrail take in addressing grade crossing and trespasser safety, (e.g., at NS, a formal subdepartment exists for grade

crossing and trespass matters--while Conrail utilizes two full time Safety Department managers, NS has no equivalent to Conrail's mobile OL exhibit) the focus and basic substance of the two railroads' programs are much the same.

3. **Grade Crossing Safety on Expanded NS**

Conrail leads Class I railroads in fewest number of crossing incidents (170 as of 10/31/97), achieving an 11.46% reduction over the previous year. NS has moved from last in the industry just a few short years ago to third place (419 incidents as of 10/31/97) for a 10.09% improvement. NS will review with particular interest the work done by Conrail's community outreach efforts with local and state governments and expects to strengthen its program by including the experience gained by Conrail in this important area. Furthermore, NS will ensure that OL and other appropriate Conrail and NS grade crossing and trespasser safety programs continue and will be focused on areas affected by increased traffic volume, train speeds and track at crossings. Each division will appoint an operating supervisor to coordinate OL activities in much the same manner as is done on NS today. All Conrail certified OL presenters will be included in NS' computerized database and the computerized system of reporting presentations will be available on Day 1 to employees in the Conrail territories allocated to NS. Specific areas likely to experience increases in train traffic, train speed, or train tracks will be targeted for special OL and other grade crossing and trespasser safety activities during the Spring and Summer of 1998.

NS has access to Conrail's grade crossing inventory information and is presently taking steps to make it fully compatible with NSXI. It is anticipated that Conrail's crossing inventory information will be fully integrated with the NSXI system by Day 1, and NSXI and TSAR will be accessible throughout the expanded NS system Day 1. As a predicate, NS has a team

assigning mileposts for allocated Conrail lines in order to integrate the Conrail lines to be operated by NS into the NS milepost system by Day 1.

Both NS and Conrail crossing warning systems are under the jurisdiction of the respective state departments of transportation or similar agency. State governments have the primary responsibility for addressing highway railroad crossing safety, including the location or closure of crossings and the design and installation of crossing warning systems.

Once a crossing is scheduled for improvement by the governing state agency, NS' Communications & Signal Department will be responsible for the installation and subsequent maintenance of the warning devices. NS forces, on average, should be able to complete state warning device installation projects with average railroad handling of 10 months including design, cost estimate and construction. This is an improvement over Conrail's current 15-month average.

NS Corporate Policy 400 reads, in part, as follows:

> Although state governments have the primary responsibility for highway railroad crossing safety, including the location or closure of crossings and the design and installation of crossing warning systems, NS believes that it is in the public interest and the Corporation's to participate actively in identifying hazardous conditions, making such conditions known to government officials and implementing appropriate corrective measures. NS will develop and pursue with the states its own agenda of grade crossing closure and improvement.
>
> Signal improvements are funded, in whole or in part, with public monies. It is the goal of Norfolk Southern Corporation to achieve maximum participation in the use of these funds by actively encouraging local, state and federal governments to authorize and fund improvements at crossings on the NS system. In appropriate situations, corporate funds will be expended in order to facilitate crossing closure or to guarantee completion of a project which would otherwise fail to be implemented for lack of local matching funds.

NS will continue to work closely with the state departments of transportation or similar agencies to ensure that all crossings altered by construction projects are equipped with the

appropriate warning device as determined by the agency. The NSXI inventory system will be used to ensure that the national crossing database is up-to-date.

Each public grade crossing on the expanded NS will be equipped with reflectorized outdoor quality stickers and/or signboards identifying the crossing by name and DOT Inventory number and with a sign urging motorists to report signal malfunctions or other emergencies to the Police Communications Center at 1-800-946-4744. NS hopes to complete installation in one to two years following Day 1. Currently, Conrail has similarly marked crossings (i.e., with an "800" number) only in Delaware.

As is done today, NS police officers will implement Grade Crossing Collision Investigation Courses throughout the expanded NS' operating territories. Similarly, NS Police, working with local law enforcement officials, will continue their efforts to actively apprehend, eject and prosecute trespassers on railroad rights-of-way. Areas with statistically significant trespassing incidents will be targeted for Trespasser Abatement Programs (TAP) with increased surveillance and enforcement.

4. <u>Increased Traffic Volume, Speeds and Track at Crossings</u>

Beginning in January 1998, projected traffic increases and track changes will be discussed by NS in detail with department of transportation or other appropriate state highway officials in all states affected by such increases. Topics will include procedures for approval of crossing changes, identification of necessary traffic control device improvements (including funding), potential changes in § 130 funding projects affected by traffic changes and the potential for corridor studies of affected communities or line segments with a view toward consolidation of redundant crossings. Initial contacts will be completed by the end of May. It is expected that the dialogue established in these meetings will be a continuing process. Utilizing this

information, states will be in a position to adjust their priority ratings for highway-rail crossing improvement projects. The NSXI will be a valuable tool to assist this process.

NS has identified 45 individual line segments in 11 states that are projected to experience a significant increase in train traffic. Track speeds will be increased on the Southern Tier line on or shortly after Day 1. Finally, NS is planning a total of 36 track construction projects in 10 states. Certain of these improvements will add additional tracks to 36 existing crossings. One project will eliminate 17 crossings.

a. Increases in Traffic Volume

In advance of implementation of the transaction, NS will provide the state department of transportation or similar agency of each affected state with complete information regarding NS' projected plans. NS will continue its practice of working closely with these agencies as they seek to ensure that all crossings affected by traffic increases are equipped with the warning devices determined to be appropriate by the road agency.

NS' computerized DOT crossing inventory system (NSXI) will allow field personnel in the Transportation, Maintenance of Way and Communication and Signals Departments to make on-line updates to the DOT crossing inventory. NS will ensure that OL and other grade crossing and trespasser safety programs will be focused on areas affected by increased traffic.

b. Increases in Train Speeds

In 1993, NS established "Guidelines to Superintendents to be Followed Before Increasing Train Speed on any Line of Track." These guidelines will be reviewed, amended and redistributed to all superintendents by Day 1 to ensure that they are followed prior to any speed increases on the expanded NS system. These guidelines include several measures to educate the public on the change in train speed and to work with appropriate local and state agencies to

ensure safety. For example, before increasing speeds, NS consults with local government officials on the timing of incremental speed increases, notifications, signage or signalization modifications and crossing closures. NS will give advanced notice through local media with special notices to schools, hospitals, emergency response units and area companies transporting hazardous materials. Speed increases in excess of 20 miles per hour are to be made in two incremental increases with a one week interval between changes. These areas also will receive increased OL coverage. Appropriate modifications will be input to the NSXI inventory system to reflect the increases in train speed, and the state DOTs will be notified as speed changes may affect grade crossing improvement prioritization.

c. Increases in Track at Crossings

Locations where construction projects will add new crossings or increase the number of tracks have been identified, and NS will continue its practice of working closely with the state departments of transportation or similar agencies to ensure that all crossings altered by construction projects are equipped with the warning devices determined to be appropriate by the agency. As construction proceeds, the NSXI inventory system will be used to ensure that FRA's national crossing database is up to date.

5. Specific Impact Areas

Line segments in several states are projected to have an increase in train volume. NS will be working with the state road authorities to ensure they have the information needed to assess crossing protection needs. In these areas, sustained efforts will be made to consolidate redundant crossings. The Operating Plan details the proposed construction projects, some of which will mitigate significantly the impact of increased train traffic and blocked crossings.

NS' environmental filings have identified a few areas which will experience a substantial

traffic increase. Mitigation measures are discussed in detail in other portions of the Draft Environmental Impact Statement (DEIS), and are not repeated in detail here. For example, NS has developed a proposal to re-route the projected increase in freight traffic between Vermilion and Cleveland to an alternative route via Berea and Cloggsville, using new connections proposed for construction at Vermilion and Cloggsville. NS' preliminary financial analysis of the proposed alternative route indicates that its cost far outweighs any economic benefits to NS, making implementation of this mitigation proposal unjustified without public funding. Therefore, NS will seek federal, state and local cooperation and funding.

Similarly, as discussed in Applicants' Operating Plan (Volume 3B, pages 281-282), Environmental Report (Volume 6B, page 503), and in the DEIS, NS has developed a proposal to re-route NS rail traffic through Erie, PA to a new track on the Conrail right-of-way north of the existing NS tracks. CSX has agreed to grant NS an exclusive right-of-way which would permit NS to divert its trains away from approximately 1.25 miles of track along 19th Street. This plan would eliminate 17 at-grade crossings on the existing NS route.

G. PASSENGER RAILROADS

1. Overview

As discussed in NS' Operating Plan, Volume 3B, pages 289 to 307, NS does not anticipate any adverse effects on commuter and passenger railroad service or safety associated with this transaction. NS has prior experience in coordinating commuter and intercity passenger train operations with freight trains and understands the demands of each type of service. As indicated in the Operating Plan, NS will maintain a management structure sufficient for the efficient and safe coordination of passenger services with freight train operations, and for the effective liaison with the passenger authorities and agencies.

Very little trackage owned by Conrail is used heavily by Amtrak or commuter trains. In fact, the converse is more typical: In the Philadelphia and northern New Jersey areas, most of the trackage over which commuter trains operate is owned and dispatched by the commuter authorities. Today, Conrail shares most of this trackage subject to the rules and procedures of the owners of the trackage. Following Day 1, NS, CSX and the CSAO will continue to share this trackage subject to the rules and procedures of the owners of the trackage. Passenger authority-owned trackage typically serves very few freight customers. Freight service is normally provided by a local freight train that operates at times that do not interfere with passenger operations. In fact, Amtrak and commuter authorities have been provided with the projected freight train schedules. The projected schedules were filed by NS with the Board in this proceeding (see NS-19) and are available in Applicants' document depository. For the most part, the Conrail train crews that operate over commuter authority track today will continue doing so after Day 1, as employees of NS or of the CSAO.

Where NS will operate on trackage owned by Amtrak or commuter authorities, NS crews will be certified and qualified on the rules of the owner of the track. Further, the equipment to be operated by NS on trackage owned by Amtrak or commuter authorities will be compatible with cab signal or train control systems in effect on such trackage. (See discussion in Section VII.B. regarding allocations of locomotives equipped with cab signal and train control systems.) NS representatives have met with all involved commuter agencies and with Amtrak, and have or are addressing all safety issues raised in these discussions.

Where NS crews operate over trackage owned by a commuter authority or Amtrak, the owners of the trackage will arrange for instruction and testing of NS employees on the operating rules and practices governing such trackage. NS will, likewise, arrange for instruction and

testing of crews of Amtrak and commuter authorities where their trains operate over Conrail trackage that will be allocated to NS.

2. Virginia Railway Express (VRE)

NS has worked successfully with Virginia Railway Express (VRE) for several years. NS is not aware of any particular safety issues involving VRE and NS which arise from this transaction. The concerns expressed by VRE with respect to the transaction focus primarily on preservation and expansion of VRE service on the Washington-Manassas, VA, and Washington-Fredericksburg, VA routes.

VRE trains operate over NS trackage for approximately 27 miles between Manassas and Alexandria. The trains are operated by Amtrak crews under contract to VRE. These crews are qualified to operate over NS. For the entire distance, VRE trains operate over double-track under the direction of NS dispatchers in Greenville, South Carolina. Each track is signaled for operation in both directions. NS operates, on average, eight freight trains per day, while VRE operates a total of 14 passenger trains per weekday, and Amtrak operates one daily and one tri-weekly passenger train in each direction. As a consequence of the transaction, NS plans to add two freight trains per day between Alexandria and Manassas. The capacity of the line will not be exceeded by the added freight service, and VRE will experience no change to its present operation.

In comments filed with the STB regarding this transaction, VRE attests that it is a safe carrier in that it has operated without a passenger fatality or even serious injury since 1992. These safe operations have been conducted, in substantial part, on NS, and the transaction should not alter this safety record.

3. Maryland Commuter (MARC) - Commuter Trains; Mass Transit Administration (MTA) - Light Rail

MARC and MTA are Maryland DOT agencies. MARC operates passenger trains for commuters in the Baltimore-Washington area over trackage owned by CSXT and Amtrak. Maryland's MTA operates the bus and light rail transit services in the greater Baltimore metropolitan area. MTA owns some trackage over which both light rail and local freight service operate. The expanded NS system will own no trackage over which MARC commuter trains will operate. MARC and NS will each operate trains over the Northeast Corridor (NEC), which Amtrak owns and dispatches. NS equipment will be compatible with Amtrak's cab signal and train control systems, and NS crews will be qualified to operate under Amtrak (NORAC) rules.

MARC's major concerns with respect to the transaction have not been safety-related. The main issue involving MARC is to avoid any potential interference by freight trains with MARC trains on the NEC. On July 1, 1997, NS and Amtrak NEC representatives met with MARC/MTA officials. Amtrak representatives stated at that time that NS' proposed schedules appeared reasonable, and that because Amtrak dispatches the NEC, it did not foresee any interference with MARC passenger trains.

MTA owns about 14 miles of trackage from Penn Station, Baltimore to Cockeysville, Maryland. Light rail passenger trains operate over this line as does a Conrail local freight train. The line is dispatched by MTA. Conrail has the authority to use the line between 11:30 p.m. and 5:00 a.m., but at all other times the line is used exclusively by light rail trains. No change from present operations is anticipated.

4. Southeastern Pennsylvania Transportation Authority (SEPTA)

SEPTA has not identified any significant safety issue related to increased freight train density, largely because SEPTA owns most of its own lines. Most SEPTA-owned lines have

little freight traffic. Local Conrail freight trains serve such lines at times that do not conflict with passenger trains; dispatch of such operations is controlled by SEPTA.

Post-Closing, NS, CSXT and the CSAO will all use portions of Amtrak's NEC that also are shared with SEPTA. SEPTA operations extend over Amtrak's NEC between Newark, DE and Trenton, NJ. Amtrak will continue to control the dispatching and the times freight trains can operate, and no interference with SEPTA trains is expected. The only high-density freight route NS will acquire that is also shared with SEPTA is the Morrisville-Norristown, PA line. SEPTA owns and dispatches a one-mile segment of this line in the Norristown area that is used by both freight and passenger trains. No freight train interference is expected on this line segment.

SEPTA has requested that two issues involving safety be addressed: (1) operation of CSXT local freight trains in the Norristown area and (2) issues pertaining to communicating and operating with freight carriers. The Norristown concern involved SEPTA's perception that CSXT trains, in order to serve the Stoney Creek Branch, would have to execute a reverse movement over tracks shared with SEPTA trains in downtown Norristown. NS and CSXT have addressed this concern by working out an arrangement involving CSXT operating into Abrams Yard, thereby eliminating the need for such a reverse movement.

The "communicating and operating with freight carriers" issues refer to SEPTA's operating agreement and NORAC rules. SEPTA's operating agreement with Conrail expired on September 30, 1995, but continues in effect until either party gives the other a six-month notice. SEPTA expressed concern about the necessity to negotiate separately with NS, CSX and the CSAO post-Control, and has been attempting to renew the agreement with Conrail prior to the STB decision. A number of issues unrelated to the transaction have not been resolved and, as of the end of November, the agreement has not been renewed. NS, CSX and CSAO are

committed to honoring Conrail's agreements post-Control, so there will be no near-term effect on SEPTA's operations even if its agreement with Conrail is not renewed before Control Date.

As discussed above in an earlier section, NORAC rules have been adopted by Conrail, Amtrak and SEPTA. The CSAO also will adopt NORAC rules, and NS crews will be trained and qualified on NORAC rules where they operate over SEPTA-owned lines.

5. **New Jersey Transit Rail Operations (NJT)**

New Jersey Transit owns most of the trackage over which it operates. In addition, many NJT trains operate over Amtrak's NEC between New York and Trenton NJ. With the sole exception of the route between Suffern and Croxton, NJ, NJT-owned lines have little freight traffic, and Conrail services these lines with local freight trains at times convenient to NJT. After Closing, NS, CSXT and the CSAO will all use portions of the NEC that are also used by NJT trains. Amtrak will continue to control the dispatching and the times freight trains can operate. Accordingly, no change in dispatching and no interference with NJT trains is expected on the NEC.

One segment of NJT's Raritan Valley Line will be owned and dispatched by the CSAO: from Aldene, NJ to NK Interlocking (near Newark), a distance of approximately 5.5 miles. On average, NJT operates 56 passenger trains and Conrail operates 46 freight trains per weekday over this segment. Post-Closing, the total number of freight trains operated by NS, CSXT and the CSAO is projected to decrease to about 36. Freight train interference (and the preference given to freight trains by the CSAO dispatcher) has been a concern expressed by NJT with respect to the transaction, but the projected reduction in freight trains and NS' willingness to discuss flexible freight train scheduling with NJT should ameliorate this concern. The CSAO will be dispatched from Mt. Laurel, NJ, with properly trained and qualified dispatchers who

know the territory.

NJT has asked that the following safety issues be addressed: (1) Automatic Train Control/Positive Train Stop (ATC/PTS); (2) coordination with NJT in the Shared Assets Area; and (3) NORAC rules. NJT is installing ATC/PTS on NJT-owned trackage over which passenger trains operate. NS has advised NJT that, where NS trains will operate over trackage equipped with ATC/PTS, NS equipment will be compatible with the requirements of the owner of the track. NS is taking the steps necessary to ensure the availability of properly equipped locomotive power as detailed above (Section VII.B). Finally, NORAC rules have been adopted by Conrail, Amtrak and NJT. The CSAO will adopt NORAC rules, and NS crews will be trained and qualified on NORAC rules and NJT procedures where they operate over NJT-owned lines.

6. Metro-North Railroad (M-N)

M-N operates commuter trains in New York State, serving the New York City metropolitan area. After Closing, NS trains will share trackage with M-N trains on only one line: Suffern to Port Jervis, NY. NS will own the line, but it will continue to be dispatched by NJT. M-N operates 17 weekday trains and NS plans to operate eight trains per day (Conrail, on average, operates about five a day on this line). The capacity of the line is sufficient to handle the projected increase in freight train activity.

NS is not aware of any particular safety issue involving M-N and NS. Issues important to M-N include future capacity of the line and dispatching of the line. NS has no plans at this time to assume the dispatching duties presently performed by NJT. Future capacity issues will be addressed as the need arises.

7. Metra (Chicago)

Chicago's Metra is the commuter rail authority serving the Chicago metropolitan area. Metra trains operate over trackage owned or leased by Metra as well as over trackage owned by Amtrak and freight railroads. Metra operates 18 commuter trains in the Southwest Service Corridor (SWSC) between Chicago and Orland Park.

Train operations are governed by both Metra rules and Chicago Operating Rules Association (CORA) rules. Trains are dispatched by Metra dispatchers as well as by NS operators, under contract, between 47th Street and Orland Park. NS, as well as other freight carriers, utilize a portion of Metra's trackage for freight movements, with Metra trains having contractual as well as dispatching priority. After Closing, the number of freight trains at some of the intersections on the SWSC is expected to increase. However, this is not expected to adversely impact train safety. Furthermore, transaction-related safety concerns raised by Metra in discussions with NS have been addressed.

8. Amtrak

In order for NS to realize many of the benefits contemplated by this transaction, a partnership with Amtrak must be established that benefits both parties. To that end, NS has held several meetings with Amtrak representatives to address the issues arising from the transaction. Discussions have focused in particular on the NEC and the Keystone Corridor (Philadelphia to Harrisburg), both of which are owned and dispatched by Amtrak. NS, CSXT and the CSAO plan to operate freight trains over portions of the NEC post-Closing.

NS will have operating rights from Northern New Jersey to Washington, D.C., although the majority of NS freight trains will operate in the 70-mile portion of the NEC between Wilmington, DE and Baltimore, MD.

The principal concern raised by Amtrak is with potential freight train interference. NS has furnished Amtrak with proposed schedules of freight trains, which are generally intended to operate over the NEC between the hours of 10:00 p.m. and 6:00 a.m. Amtrak has advised NS that the freight schedules appear to be compatible with the passenger schedules in the NEC.

All NS trains that will operate over the NEC and the Keystone Corridor will be equipped with a locomotive that is compatible with Amtrak's cab signal and train control systems. In addition, crews will be familiar with, and qualified to operate under, NORAC rules while on the two corridors.

In its Operating Plan, NS proposes to make two infrastructure improvements that will enable freight trains to bypass critical passenger stations on the NEC. NS plans to install a connecting track at Zoo Interlocking, in order to route freight trains around Amtrak's 30th Street Station in Philadelphia on freight-only trackage. Also, NS will restore Conrail's Shellpot Secondary track in Wilmington, DE. The latter project requires reconstruction of some main line track and restoration of a movable-span bridge, enabling NS trains to bypass Amtrak's Wilmington station on freight-only trackage. Until these projects are completed, NS trains will continue to operate over the routes used by Conrail trains today.

Amtrak owns trackage between Kalamazoo, MI and Porter, IN over which Conrail presently operates local freight trains. Conrail dispatches this trackage from its Dearborn, MI dispatch center, under contract with Amtrak. Post-Closing, NS will assume this responsibility and will continue to operate this local freight service. NS is aware that Amtrak is planning to install a train control system over a portion of this trackage for the purpose of operating high speed passenger trains. NS will ensure it operates equipment compatible with the Amtrak system and NS employees will be qualified to operate over the Amtrak trackage under Amtrak

rules and procedures in the same manner as they are qualified today.

H. EMPLOYEE "QUALITY OF LIFE"

1. Work/Rest and Travel Time Away from Home

NS is committed to continuously improving operating safety through identifying, understanding and reducing causal factors of operating employee fatigue. However, addressing fatigue or work/rest issues involves a myriad of factors such as safety, operational and quality of life issues. To address such issues, NS has reviewed and considered academic studies and pilot project results addressing rail employee stress and fatigue, and is presently conducting its own pilot projects and training involving work/rest issues. These NS initiatives incorporate training for all new-hires which includes lifestyle training focusing on balancing work and rest in the railroad environment. Similar training has been made available to current employees through a lifestyle training video and manual. In 1995 and 1996, NS conducted pilot projects on two different divisions focusing on providing rest periods in excess of that called for under the Hours of Service Act for train crew members. Similarly, this year NS has a system-wide pilot project which, among other things, requires 10 hours uninterrupted rest at home terminals.

For the past few years, NS has implemented a number of the fatigue counter-measures for dormitory lodging identified in a Canadian study on fatigue known as Canalert. During this process, two NS dormitories were closed in favor of alternative lodging available in quieter environments. Other counter-measures implemented in the remaining 11 dormitories include the following:

- Replacement of central HVAC with individual HVAC units in the dormitory rooms. This improves individual comfort and provides a source of "white" noise which helps to counter external noises.
- Replacement of vented doors with solid doors to help block out noise.

- Installation of sound insulation in recreation rooms.
- Installation of sound insulation in stairwells.
- Relocation of bathrooms next to stairwells instead of having them located next to dormitory rooms.
- Installation of improved room-darkening shades and curtains.
- In appropriate locations, the installation of double-paned windows to help reduce outside noise.
- Dormitory landscaping with trees, shrubs and berms which help reduce external noises.
- Replacement of wood paneling in dormitory rooms with wallboard to help attenuate noise.
- Installation of removable sound muffling carpet runners for hallways.
- Replacement of twin size beds with double beds or extra long twin beds to improve rest quality.

In addition, while not directly an issue of rest, most dormitories recently have been repainted and refurbished with new furniture. Dormitory issues are not pertinent to Conrail, since Conrail no longer uses dormitories for train crews.

NS also is turning to technology in order to address the work/rest issue. A project recently completed improves information available to train and engine service employees concerning train schedules. With the Voice Response Unit (VRU), employees can call to obtain information on train lineups in their work areas. This system has been enhanced to provide employees access to virtually any work area on the system. The VRU will provide information about vacancies, rest times, the trains that will be run and approximate run times. Inquiries will be available to allow employees to check other territories' lineups by pool code and extra board code. This feature allows employees to obtain information that is not specific to their normal circumstance, but may have a bearing on the operation of their part of the railroad. This will

provide much more flexibility to employees in job assignments. The changeover to the NS system, therefore, will benefit the employees on the NS-allocated lines because these employees will be able to obtain better and more information than they do today. A crew management manual is being distributed to all train and engine employees to assist them in using the VRU System. In addition, NS' IT Department is working towards the development of a system which will automatically calculate expected run times of trains. When completed, it is anticipated that the output from this system will provide NS the ability to produce even more accurate train lineups.

An aspect of crew management affecting the work/rest and travel/time away from home issues is transportation of crews to off-duty points. NS has been improving its crew-hauling to reduce response times and avoid delays in transporting crew members to off-duty destinations. In this connection, NS is emphasizing the hiring of crew transportation companies, where appropriate, with broad enough geographic reach and sufficient staffing and equipment to provide speedy and efficient services. NS will employ a similar strategy on its allocated Conrail territory to ensure the availability of experienced, safe, sufficiently staffed and strategically located crew haulers.

In addition to the initiatives discussed above, NS also has been involved in several other studies, pilot projects and related work/rest initiatives, including the following:

- Ongoing division level communications with local union chairman over the past eight years
- Communications on issues at the system level with General Chairman
- Eight-hour work shops for Operations Division employees
- NS study of rule violation accidents
- NS study of personal injuries in relationship to work/rest variables

- Consideration of other railroad study efforts, including studies performed by Circadian Technologies
- Georgia and Kentucky Division 18-hour pilot project
- Efforts at enhancing train scheduling predictability
- Continuous benchmarking with United States Army, outside firms and other railroads in order to keep apprised of studies, experiences and work/rest determinations
- Participation in AAR-Labor-FRA Joint Task Force Symposium in October, 1997
- Participation in FRA Task Force on Work/Rest, beginning November, 1997

Conrail also is involved in various pilot projects, studies and research efforts. NS will continue to work with Conrail representatives to learn more about such initiatives and any determinations that are made.

The steps being taking by NS to ensure an adequate work force on the expanded system are a critical factor in the effort underway at NS to address the stress and fatigue issues raised by the FRA with respect to other rail mergers. It is documented throughout this SIP, as well as the Labor Impact Exhibit in Volume 3B of the Application, that NS' projected staffing levels for positions subject to the Hours of Service Act will be more than adequate.

NS and CSX have projected increases in train and engine service positions as a result of this transaction. In part, this is a result of the fact that this transaction involves an end-to-end consolidation of operations with anticipated market growth. This stands in contrast to recent mergers in the West where large numbers of train and engine service positions were eliminated. NS and CSX are in the process of carefully allocating the existing workforce in a manner that will ensure sufficient manpower to support operations on Day 1 and beyond. Final rearrangements of the workforce will depend on implementing agreements. Obtaining early implementing agreements would greatly assist the allocation efforts and enhance the carriers'

ability to train new employees where necessary.

NS already is in the process of hiring and training over 1,000 new train and engine service employees it projects will be needed for the existing NS system post-transaction. In 1998, NS anticipates hiring and training approximately 1,000 more train and engine service employees. (This NS hiring and training is distinct from ongoing Conrail hiring and training for the properties to be operated by NS, anticipated post-control hiring and training, and continual and future training of individuals who are currently employed by Conrail.) To handle the necessary training of these new employees, NS' McDonough training center is operating year-round with multiple training shifts each day.

NS is also sensitive to the need for an adequate level of train and engine service employees at Conrail itself as of the Control Date, in order for NS to be able to provide safe and efficient service on those Conrail lines and at those Conrail facilities being allocated to NS. In this regard, within legal constraints, NS has been discussing with Conrail the mechanisms by which Conrail will ensure that it maintains a more than adequate pool of train and engine service talent. At this time, Conrail already plans to hire and train 100 new train service employees to work on the portion of the railroad that NS eventually will operate.

Accordingly, while NS acknowledges that fatigue always is a concern, our studies and data indicate that NS is responsibly and adequately managing work/rest issues. NS' existing focus on addressing work/rest issues through the use of technology and careful planning will continue on the expanded system. Employees across NS' entire expanded system will benefit from application of programs, like the VRU system, which have proven to be successful on NS and other railroads in addressing work/rest issues. NS also will continue to study Conrail work/rest initiatives as that information becomes available.

2. Perceptions of Harassment or Intimidation

NS is committed to complete and accurate reporting of all accidents, incidents, and occupational illnesses arising from the operation of the railroad. NS' policy is to fully comply with the letter and spirit of FRA's accident reporting regulations and to the principle that harassment or intimidation of any person that is calculated to discourage or prevent such person from receiving proper medical treatment or from reporting an accident, incident, injury or illness will not be permitted or tolerated and will result in disciplinary action against any employee, supervisor, manager, or officer of the railroad committing such harassment or intimidation.

NS' policy on harassment and intimidation has been made available to all NS employees. Employees alleging violations of the policy may report the nature of the intimidation and/or harassment in writing to their immediate supervisor. The supervisor will then undertake appropriate review and action, advising the complaining employee of the results of the action in writing. In the event an employee has reasonable cause to believe he/she has been intimidated by the actions of his/her immediate supervisor, then a report may be made, at the employee's own election, either to the immediate supervisor's direct supervisor or to the Director Safety. All facts and circumstances will be reviewed by a senior manager and appropriate determination will be made as to the merits of each complaint. If the complaint is found to have merit, appropriate discipline will be assessed in accordance with the practices of the railroad. This information will be treated as confidential where appropriate. NS policy strictly prohibits retaliation against any employee who truthfully reports a suspected violation of the policy against harassment and intimidation. NS' existing policy on harassment and intimidation will apply system-wide on Day 1. Application of this policy will not result in any major change for former

Conrail employees, inasmuch as Conrail has a similar policy, backed by an internal control plan, with respect to these concerns.

3. Health and Wellness Programs

Conrail has a health promotion program which is administered in conjunction with outside contractors, Wellsource and American Corporate Health Programs.

Initially the program has involved on-property screenings - cholesterol, blood pressure, body fat analysis, and a question and answer session - which assesses the employee's chronological age with "health" age. Problem areas are targeted for education and/or referral to the employee's personal physician.

Employees with health risk assessments also have access to a telephone lifestyle case management system that allows them to talk with a counselor in a specified problem area; i.e., diabetes, mental health problems, stress-related issues, smoking cessation, etc.

Conrail also has presented several in-house programs dealing with occupational health and safety. Back health, fatigue, and smoking are some of the topics that have been covered. Given the mobility of the workforce, Conrail is currently evaluating health programs on the Internet and how employees can access that information or the information can be copied and distributed in a mass mailing.

At NS, several departments responding to an expressed need or desire of their employees undertook a variety of fitness/wellness programs. Those programs consisted of walking/jogging programs as well as educational programs with guest speakers, videos, blood pressure screenings, CPR, etc.

The NS Medical Director publishes a quarterly newsletter which goes to every employee's home, thereby making the educational material available to family members as well

as employees. In addition, the Medical Department administers a smoking cessation program. Fatigue/lifestyle training is administered by Personnel, and American Back School Training is given by individual user departments in the Operations Division.

A wellness/resource manual currently is in final review by the Safety and Medical Departments and will be distributed to all departments in December 1997 or January 1998. This manual will provide resource information about a variety of programs which line employees can implement to schedule programs to suit employee needs.

Because Conrail is re-evaluating the scope of its current program and NS is close to disseminating/establishing a new field-driven wellness module which could easily be enhanced through Conrail input, the best program for the future is not known at this time. Accordingly, both Conrail and NS programs will be reviewed to develop a comprehensive approach to wellness that suits the needs of the expanded NS system.

4. Personal Safety Equipment

NS believes the use of proper "personal protective equipment" (PPE) is critical to injury prevention. NS employees must wear safety equipment such as hard hats, eye and hearing protection, protective footwear, steel insoles, ice creepers, belts, lanyards, protective clothing, gloves, spats, guards, full body harness, masks and respirators as prescribed by instructions from employing departments in specified areas, jobs or conditions. Employees are responsible for seeing that all protective equipment issued to them is kept in good order, properly fitted, and available for their use when needed. Mutilation or alteration of PPE is prohibited.

NS has consistently sought out the best PPE available on the market and invests considerable resources in testing and approving equipment for use on NS. The NS Research and Test (R&T) Department meticulously tests and evaluates all PPE proposed for use on NS. The

PPE must be approved by Safety, R&T and the using departments before it is allowed to be used by NS employees. NS often participates directly with vendors and manufacturers to improve the design and/or quality of PPE.

In 1996, NS partnered with Vallen Safety to produce a catalog of all approved safety protective equipment and supplies. The catalog includes pictures of the equipment and has user-friendly instructions to facilitate finding and ordering appropriate equipment. The catalog was assembled by a team of NS employees and Vallen representatives. It is updated on a regular basis and additions are made as required. Similarly, Conrail has a catalog of approved safety protective equipment issued by Safewear PA, Inc. Many items are similar and/or identical and are from the same suppliers. It is envisioned that both catalogs will be retained for their pre-transaction territories well into the first year of operation until such time as analysis is made of the quality of all comparable items. Material Management will at such time rebid a single vendor contract and we envision a single personal safety equipment guide to be issued.

For employees and supervisors who must wear corrective lenses and whose duties require eye protection, prescription safety glasses will be furnished by NS if the employee so desires. The only cost to the employee is an optician fitting fee. However, for a nominal co-payment (generally $15.00) employees may also select approved frame styles not fully covered by the program. This allows employees more personal preference in frame selection at very little cost. The program also provides a family purchase option which enables family members to purchase prescription glasses at the corporate rate.

5. Morale

Section III of this SIP describes in detail the full involvement in and commitment of NS employees to the Safety Process. Each employee knows that he/she is a part of the Safety Process and can make a significant contribution in this regard. Through application of the Six Point Action Plan for safety--particularly the points calling for the establishment and achievement of goals, proper education and training, open lines of communication and achievement recognition--the framework for building and maintaining high employee morale is in place as this program is extended to the expanded NS system. There is little doubt that creating and maintaining an atmosphere in which all employees can work safely and with respect for each other's views is critical to morale, and thus to the Safety Process. NS is committed to taking appropriate steps to ensure that all employees work in such an atmosphere.

Perhaps the greatest challenge to employee morale is uncertainty associated with change. Inasmuch as both NS and Conrail have successful operating practices and safety systems and procedures, the adoption of the operating practices, systems and procedures of either carrier would provide for a safe operation. As discussed earlier in this SIP, in view of the fact that the number of existing NS employees will substantially exceed the number of employees from the Conrail properties to be allocated to NS, there will be a presumption in favor of adopting NS practices, systems and processes for the expanded NS system, so that fewer employees will face change and retraining. Moreover, as indicated in this SIP, Day 1 will see limited changes impacting or disrupting the day-to-day work of most employees. Additional changes, including adoption of best practices as appropriate, will occur over time, but will be developed and adopted at an appropriate pace.

Where change is necessary, any discomfort associated with dealing with such change is best addressed by proper education and training. NS will work to ensure that such education and training is provided to affected employees. In the process, NS will develop education and training schedules that allow sufficient time for learning without interference with ongoing employee responsibilities.

Delay in completing this transaction will exacerbate the uncertainties that some employees are experiencing today and could result in the loss of key personnel. NS is, accordingly, focused on avoiding unnecessary scheduling delays with respect to the transaction and on moving quickly to obtain implementing agreements that will answer many of the questions that employees may have today.

VIII. ALLOCATION OF PERSONNEL - STAFFING

NS recognizes that the ability to achieve a smooth transition will be dependent upon providing sufficient, properly trained and experienced personnel in key positions throughout the consolidated operation. Accordingly, staffing for the expanded NS has been addressed throughout this SIP. The following is offered as a ready cross-reference to the particular section of the SIP that deals with the deployment of personnel in each of the various sectors which could impact safety on the expanded system.

1. Roadway Maintenance - See Sections VII.C.2.b. and VII.C.3.b.
2. Motive Power and Equipment Maintenance - See Section VII.B.
3. Dispatching Operations - See Section VII.E.
4. Train and Engine Service - See Section VII.H.1.
5. Yard and Terminal Service - See Sections VII.A.7. and VII.H.1.
6. Signal and Train Control Maintenance - See Section VII.C.1.b.
7. Customer Service Centers - See Section VII.D.3.1.

IX. COMPUTER SYSTEMS COMPATIBILITY

A. THE NS PLANNING PROCESS

Since the beginning of its planning process, NS has directed a significant portion of its Conrail planning focus toward ensuring the compatibility of computer-based transportation systems during the transition period. NS has assigned six full-time senior IT managers supervising programming activities to ensure the smooth integration of the two computer systems. In addition, NS recently invested $18.5 million for new computers capable of handling the data requirements and anticipated growth on the expanded NS system.

NS is using the current period of regulatory review to carefully and methodically work through all IT issues. The total IT planning process focuses on all applications in the financial, payroll, human resources, and material management areas as well as transportation. It is the transportation systems, however, that are of greatest importance for ensuring safe operations and avoiding inadequate customer service. Consequently, while NS has teams dedicated to planning the interface between NS and Conrail accounting, revenue, payroll and material management systems, this section will focus on core transportation system strategies and planning. This planning will be designed to prevent data failures due to systems incompatibilities.

This transportation system planning has taken place in numerous sessions, including many joint sessions with CSX and Conrail personnel. The personnel involved in these discussions have represented various levels and disciplines in their respective companies. Included have been those responsible for the communications networks and computer system software underlying the transportation systems, as well as those working on the application programs that ultimately contain the business rules for how Conrail yards will operate on NS or CSX terri ory in the future.

In April, NS named a team of six full-time experienced IT managers to coordinate the planning efforts across the various departments involved in producing business systems. This transition team's planning has focused on the identification of business processes as opposed to computer applications. It is obvious to the team that the computer systems of Conrail and NS are different enough to make a program-by-program comparison meaningless, so they continue to concentrate on the business functions that support the railroad. These functions have in turn been separated into essential business processes. This approach is based on a belief that railroads do many things alike from a business standpoint. They design service, make waybills, issue freight bills, collect freight bills, receive movement instructions from customers, switch, pick up and deliver cars and containers, send reportings of transportation events to the AAR, etc. Because it is easier to compare business processes than computer systems, we feel that they provide a better vehicle for comparing and analyzing our functional requirements than do the computer applications. (After finalizing all strategies, we will also check the computer system inventory to insure that we have not missed critical functionality.) Accordingly, NS has developed a list of business processes, determined who the internal owners of those processes are and charged them with developing both a primary and backup strategy for integrating the new business arising from the Conrail transaction into the NS business processes that are supported by information technology. The preferred approach has been to document the NS business process, use what Conrail documentation exists and prepare an analysis that describes the differences in functions. From these differences, requirements are generated that form the basis for the actual information technology projects that will be initiated to support the business process.

Corporate planning assumptions are also being identified and continuously revised. These range from assumptions about various significant dates in the approval process to how requests are to be progressed in the IT department to the fact that our TYES and SIMS transportation systems are seen as strategic technology directions going forward. Another of the planning assumptions has been that in all cases, for Day 1 the NS processes currently in place will be the preferred process. This decision was made for two reasons. The first reason is that in many mergers and/or acquisitions, it is common to look at each segment of the business functionality and compare the advantages and disadvantages of each of the merging parties' computer applications that support that functionality. Often times this search for "the best of breed" is divisive and introduces compatibility problems. At best it is time-consuming. From the outset, our approach on the NS has been that the existing NS processes are the target processes. Even in the event that Conrail systems offer incremental functionality over and above our own, we will not consider adding that functionality on Day 1 except in exceptional circumstances. After the integration of the computer systems is complete and the new NS/Conrail railroad is operating on a single set of systems with a single set of business rules and procedures, we will revisit the issue.

The second reason why NS processes will be the target processes is that NS systems are, with a few exceptions, newer. In the area of transportation systems, Conrail systems are old and maintenance-intensive. They were developed in the late 1960's and early 1970's and reflect the technology of that period. The ongoing maintenance would be a difficult challenge since many of the long-time programmers, who have intimate knowledge of these applications, have left the company. After the transaction, this challenge will only increase. It is important to note that prior to the current transaction, Conrail had made a strategic management decision

to purchase an entirely new transportation and revenue suite from the BNSF rather than attempt to upgrade Conrail's internal systems. This decision was made not only as a means of upgrading their technology and systems functionality but also to circumvent the potential problems presented by the Year 2000.

B. THE JOINT CSX/CONRAIL/NS PLANNING PROCESS: JOINT TRANSITION ARCHITECTURE

When considering information technology implications, the Conrail transaction is different from other mergers in several respects. The first is that current Conrail systems support a wide range of business functions over several thousand miles of railroad, some of which will go to NS and some of which will go to CSX. In other words, the programs that today may produce origin waybills for an exclusively Conrail piece of geography will in the future have both CSX and NS shipments originating in that same geography. One transition option would call for "flash cutting" all of the geography on Closing Date where CSX and NS systems would be implemented simultaneously across all of Conrail. Another approach would be to cut over all of the systems supporting a segment of geography. The operation of that segment would then be supported by either NS or CSX systems as appropriate. Both approaches have advantages and disadvantages but require an immense amount of planning, development of common strategies and consensus between CSX, Conrail and NS. Because of that requirement and to facilitate the analysis surrounding these and other decisions and to minimize the risk inherent in synchronizing these large and very complex applications, NS, Conrail and CSX set up a Joint Transition Architecture effort in June. This joint team has as its objective, to define and implement a technical architecture that will permit a smooth and safe transition through the following stages:

- Transition Planning: The state of the Conrail, CSX and NS technical and business environments prior to any transaction-related changes.
- Approval : The STB has ruled on the acquisition filing and CSX and NS may begin implementation of the transition architecture at Conrail.
- Closing: CSX and NS can assume operational control of Conrail territory and begin directing operations within their allocated portions of the former Conrail operations.
- End State: CSX and NS production systems are implemented, acquired property is being managed with these systems and CSX/NS operating practices and Conrail systems have been shut down.

Since June, the Transition Architecture teams and sub-teams have met several times on a variety of subjects. Discussions at these sessions have covered topics such as:

- What systems software will be used to transmit movement events to NS and CSX during the transition?
- What is the best way to configure and build an environment for testing modifications made to Conrail systems for transition purposes?
- What changes to Conrail systems would be required to support a segmented shutdown?
- Identify the systems approach with the least risk of destabilizing the Conrail production system environment.

These Transition Architecture joint groups have spent a great deal of time and effort on defining a process to make the decisions and build the detailed project plan that will minimize the risk and identify the issues and priorities that are inevitably a part of a systems initiative as complex as this one.

For the sake of protecting the Conrail production systems environment, all changes must be reviewed and approved by the joint Transition Architecture team. Each proposed change is reviewed by Conrail personnel who are tasked with protecting the Conrail environment. A joint transition team then insures that the changes requested are necessary to support the strategies. Business and IT personnel from the three railroads go through comprehensive discussions of how to produce the data from Conrail's systems that will support CSX and NS throughout the transition. As an example, both CSX and NS have agreed that from Day 1 each of their systems will have all the information necessary for a customer to trace a shipment on their railroads regardless of whether the shipment is on territory which the day before belonged to Conrail. A joint team is now choosing the data (1) that allows both of the receiving roads to provide that capability and (2) that Conrail systems can provide.

The second area in which this transaction differs from previous business combinations is its nearness to the Year 2000. There is a risk that computer systems that have not been analyzed, tested and modified to be "millennium compliant" may produce unpredictable results or even cease to function after January 1, 2000. The Transition Architecture team is reviewing various alternatives for ensuring the systems on Conrail operate beyond December 1999.

The third distinguishing feature from an information technology perspective is the existence of the Shared Assets Areas. Again, joint teams are deeply immersed in a structured planning process to define the requirements for how transportation, financial and payroll operations in the Shared Assets Areas will be supported and which computer applications are used. In short, Conrail computer systems will not be "turned off" until transition to NS systems is fully tested and operational.

C. NS SYSTEMS IMPLEMENTATION STRATEGY

The NS plan then is to move as quickly and prudently as possible to complete the integration of the NS portion of Conrail's operation into NS' computer systems. This desire to move quickly is motivated by at least three factors. First, the more quickly NS systems are in place, the more quickly NS can offer enhanced, seamless service across the entire system. Second, the implementation of NS systems in a reasonable but short time frame will mitigate the risks posed by Conrail's systems possibly not being ready to handle the Year 2000 problem. (Over 80% of NS systems have already been converted to handle Year 2000, including all of the core transportation suite, and all major NS systems will be Year 2000 compliant by Closing Date.) Third, in reviewing the FRA's analysis of previous mergers of UP/SP and BN/SF, it is noted that the references to computer incompatibility are for computer systems that were not merged. On page 9 of Edward English's Verified Statement in DOT-3, the statement is made that "[t]hese systems are still not merged, and until they are, the problems, and therefore the associated risks continue." To conclude, our strategy is to integrate Conrail's business into NS systems as quickly as possible, consistent with maintaining a safe and stable operating environment. We think that is the prudent approach.

For the critical transportation systems, beginning on Day 1, NS' primary strategy is to begin a geographic field roll-out of its TYES (Thoroughbred Yard Enterprise System) transportation systems on its allocated portion of Conrail geography. The ultimate goal is that within a few months after Day 1, all of the new railroad will be operating on NS systems. (For each primary interface strategy necessary to accomplish this rollout, we are continually reviewing fall-back plans for unforeseen events.) The TYES system is now in production and

is in the process of being implemented across NS. After Day 1, NS will begin implementing TYES on Conrail.

TYES, as well as all other NS systems, contains extensive, thoroughly-tested logic to ensure the safe transportation of all types and weights of hazardous materials. Until TYES is implemented in a geographic region, train crews will operate just as they do today, receiving all required hazardous material information through the existing Conrail systems. When a cutover to TYES is made, which will only happen after exhaustive testing and training, the crews will receive all necessary information through the NS systems, just as NS crews do today. The NS systems rollout will proceed as quickly as possible consistent with providing a safe, stable operating environment for both systems. A significant portion of the time to be spent in this interim period is to be spent on training Conrail field people on how to use the TYES system to safely and effectively operate on the expanded railroad. TYES, because of its user-friendly interfaces, offers a significant improvement in training and ease-of-use when compared to earlier generation yard systems. The TYES training will be one-on-one with Conrail field personnel. The trainers will be present for the initial conversion and will remain until they are certain that the conversion has been successful, just as they do on NS today. Again, an advantage of this TYES strategy is that many of the same trainers and training that are being utilized by NS today will perform the same services on the Conrail territory allocated to NS. The training and the steps to successful implementation will be fresh in their minds. In later stages of the TYES rollout, it is likely that NS will use former Conrail employees to do the training because of their knowledge of the customers and geographic areas. Once TYES is in place, positions at the Pittsburgh Customer Service Center will be relocated to NS' operation in Atlanta over a period of one to two years after the Closing Date.

A similar strategy will be used for the roll-out of NS' new Strategic Intermodal Management System (SIMS). SIMS has been recently implemented across NS to manage intermodal traffic. It is a state-of-the-art system designed to ensure safe, effective transportation for all types of commodities. This system is successfully and smoothly working today.

To further ensure compatibility between the two computer systems during this roll out process, transportation event data will be passed between Conrail and NS using message formats or "transaction sets" that conform to either ANSI or AAR standards. By using message formats that are in use today by both Conrail and NS systems, we will minimize the programming and testing that would otherwise be required for new interfaces. All communications of movement events and waybills that take place on Conrail acquired territory will be forwarded to the AAR by NS to insure that duplicate reportings are not made.

Finally, as in all successful computer implementations, we plan to test the transition interfaces using new testing facilities that currently are being designed by the Transition Architecture joint teams and will be installed in Conrail's data center in north Philadelphia. This testing will take place over a series of months and will be designed to prove that the interfaces between the two systems will allow them to function as they were designed without delays and without a loss of critical functionality.

X. CONCLUSION

This SIP details NS' planning for the safe implementation of the proposed transaction involving the consolidation of NS operations with Conrail lines and properties to be allocated to NS. Preparation of the plan involved substantial consultation with Conrail officials, who share NS' focus on ensuring safety for the future. Similarly, NS has consulted with FRA in the development of this SIP and also has benefitted from the participation and advice of the safety leaders at DuPont. NS intends to keep these channels of communications open in order to benefit from the available experience, knowledge and advice.

While much can be written about safety, and promises can be made, it will be the commitment of the railroads and their employees that will ensure safe and efficient rail service into the future. All three railroads involved in this transaction have taken leadership roles in safety, and time and again have proven their ability and determination to take the steps necessary to achieve safe operations. Both NS and CSX are committed to seeing that the safety records on their present and expanded systems and in the Shared Assets Areas will improve following the transaction. A carrier's past record of safety achievement is one of the most significant assurances of future success. Conrail's recent history of safety improvements suggests that the safety and operating cultures of Conrail and the other two railroads will be integrated smoothly.

NS is committing substantial resources -- both dollars and high-level, highly qualified personnel -- to ensure that implementation occurs without risk of impaired service or safety. The programs of safety audits currently utilized at NS will be employed to monitor success closely in this regard, and NS is prepared, as it does today, to respond promptly and effectively to any evidence of negative trends in safety performance. The Operating Plans, Labor Impact

Exhibit and Safety Integration Plans submitted to the STB reflect that planning for continued excellence in service and safety has been a part of this transaction from its inception. And if mid-course corrections are needed, NS has the capacity and commitment to act promptly.

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C: CSX/NS SAFETY INTEGRATION PLAN FOR CONRAIL SHARED ASSETS OPERATIONS

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CSX/NS SAFETY INTEGRATION PLAN FOR CONRAIL SHARED ASSETS OPERATIONS

I. INTRODUCTION.

Pursuant to the Board's Decision No. 52, served November 3, 1997, Applicants CSX Corporation and CSX Transportation, Inc. (collectively "CSX"), Norfolk Southern Corporation and Norfolk Southern Railway Company (collectively "NS") and Conrail Inc. and Consolidated Rail Corporation (collectively "Conrail") submit this Safety Integration Plan ("SIP") to describe the measures being taken and to be taken to ensure compliance with federal railroad safety laws and to ensure safe and efficient railroad operations on those Conrail properties that are proposed to be operated for the benefit of both NS and CSX as Shared Assets Areas ("SAAs").

Applicants' Railroad Control Application (the "Application"), filed in the above-captioned proceeding on June 23, 1997, seeks Board authorization for the acquisition of control of Conrail by CSX and NS and for the subsequent division of Conrail's assets. Under the proposed transaction, certain existing Conrail facilities and operations would be allocated

individually to either CSX or NS to be operated as part of their respective systems.[1] Certain other existing Conrail facilities and operations would be shared by, and operated by Conrail for the benefit of, both CSX and NS. These latter facilities and operations, which are identified in the Application, are located in North Jersey, South Jersey/Philadelphia and Detroit. This SIP deals specifically with safety issues relating to operations in these SAAs following consummation of the proposed transaction.

As specified by the Board in Decision No. 52, the scope of this SIP is defined by the subjects addressed in the October 21, 1997 Verified Statement of Edward R. English, Director of the Federal Railroad Administration's ("FRA's") Office of Safety Assurance & Compliance. Mr. English's Verified Statement identified numerous issues to be addressed by the SIP. These issues were further refined in preliminary SIP guidelines issued by FRA to CSX and NS in November 1997, and through consultation between Applicants and FRA during the development of the SIPs.

As the following sections of this SIP demonstrate, the proposed operation of the North Jersey, South Jersey/Philadelphia and Detroit territories as Shared Assets Areas offers the most effective means of providing efficient, competitive and safe rail service in these critical areas following consummation of the Conrail control transaction. Local operations in these areas will remain under the direction and control of Conrail, which possesses intricate knowledge of, and longstanding operating experience with, these properties. The CSAO structure will promote safety by reducing or eliminating overlapping NS and CSX local train movements and by retaining (to a large degree) current Conrail service patterns.

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[1] NS and CSX each are submitting separate SIPs with respect to those portions of Conrail that would be allocated to NS and CSX, respectively.

Applicants propose to utilize experienced Conrail employees to perform most operating functions within the SAAs. Comprehensive training with respect to operating rules and practices, and the physical characteristics of the SAA territories, will be provided to any newly hired Conrail employees, and to all NS and CSX personnel who will operate within the SAAs, prior to their commencement of such operations. Likewise, Conrail's existing locomotives, which are fully equipped with cab signals and other devices mandated for safe operations in the Northeast, will remain available for use in connection with Conrail's Shared Assets Operations ("CSAO").[2]

In planning the proposed operation of the SAAs, NS and CSX have decided to retain Conrail's existing practices and procedures to the extent that it is feasible to do so. No wholesale changes to those practices and procedures will be made as of the date upon which CSAO operations will commence ("Day 1").[3] Rather, Applicants will take a more deliberate approach to the integration of Conrail's properties into their respective rail systems than has been customary in connection with recent rail mergers. The result of this approach -- particularly within the SAAs, where only minor changes are contemplated -- will be a careful and orderly transition from Conrail ownership to joint NS/CSX ownership. Thus, the integration plan set forth in this SIP (and Applicants' Operating Plans) will "promote a safe and efficient rail

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[2] As described in Sections V and IX below, additional NS and CSX locomotives will be equipped with similar devices to promote safe operations in the Northeast.

[3] This SIP reflects Applicants' most current plans with respect to operations within the SAAs following Day 1. As with other elements of Applicants' Operating Plans, the proposed CSAO operations will undergo further study and refinement up to and beyond the date of consummation of the proposed transaction, in an ongoing effort to provide the safest and most efficient rail operations possible.

transportation system" in the territory served by Conrail, NS and CSX, consistent with the goals of the National Rail Transportation Policy at 49 U.S.C. § 10101.

II. OVERVIEW OF CONRAIL SHARED ASSETS OPERATIONS.

Applicants' Operating Plans for the Conrail system include the creation of three Shared Assets Areas, located at North Jersey, South Jersey/Philadelphia and Detroit. Primary responsibility for the operation of rail lines in the SAAs will remain with Conrail. Conrail will continue to own and perform routine or light maintenance of its existing facilities in the SAAs, and will operate in these areas with its own crews and personnel. The CSAO will provide continuity and promote safe and efficient operations within the SAAs, by taking advantage of Conrail's corporate knowledge and extensive operating experience in these critical areas. Teams of NS and CSX personnel are actively engaged in planning the organization and implementation of the CSAO. As described below, these teams have developed an operating plan that will deliver safe and superior rail service to customers in each of the three SAAs.

A. CSAO Organization and Staffing.

Overall responsibility for the SAAs will reside with Conrail's Board of Directors. Conrail Board members will be appointed equally by NS and CSX. The Conrail Board will appoint a General Manager, who will have authority to supervise the SAAs on a day-to-day basis in accordance with directives and policies of the Conrail Board and the terms of the SAA operating agreements.[4] The General Manager will appoint area superintendents and other CSAO executives as necessary, subject to approval of the Board. The proposed organization of Conrail's senior staff is set forth in Figure 1.

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[4] The operating agreements for the SAAs are reproduced in Volume 8C of the Application: North Jersey, at 57-96; South Jersey/Philadelphia, at 97-136; and Detroit, at 137-76.

Figure 1
CSAO Senior Organization