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CONRAIL INC.

2000 Annual Report

CONRAIL®



REPORT OF MANAGEMENT

The Stockholders Conrail Inc.

Management is responsible for the preparation, integrity and objectivity of the Company's financial statements. The financial statements are prepared in conformity with generally accepted accounting principles and include amounts based on management's best estimates and judgment.

The Company maintains a system of internal accounting controls and procedures, which is continually reviewed and supported by written policies and guidelines and supplemented by internal audit services. The system provides reasonable assurance that assets are safeguarded against loss from unauthorized use and that the books and records reflect the transactions of the Company and are reliable for the preparation of financial statements. The concept of reasonable assurance recognizes that the cost of a system of internal accounting controls should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

The Company's financial statements are audited by its independent accountants. Their audit is conducted in accordance with auditing standards generally accepted in the United States and includes a study and evaluation of the Company's system of internal accounting controls to determine the nature, timing and extent of the auditing procedures required for expressing an opinion on the Company's financial statements.

The Company's Board of Directors, which is comprised of an equal number of directors from Norfolk Southern Corporation ("NSC") and CSX Corporation ("CSX"), pursues its oversight responsibilities for the financial statements and corporate conduct through periodic meetings with and written reports from the Company's management.



Timothy T. O'Toole
President and Chief
Executive Officer



John A. McKelvey
Senior Vice President-
Finance & Administration

January 23, 2001

INDEPENDENT AUDITORS' REPORT

The Stockholders and Board of Directors Conrail Inc.:


We have audited the accompanying consolidated balance sheets of Conrail Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated financial statements of Conrail Inc. and subsidiaries as of December 31, 1998, and the accompanying related consolidated statements of income, stockholders' equity and cash flows for the year then ended were audited by other auditors whose report thereon dated January 19, 1999, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Conrail Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

KPMG LLP
Norfolk, Virginia


Ernst & Young LLP
Richmond, Virginia

January 23, 2001

CONRAIL INC.
CONSOLIDATED STATEMENTS OF INCOME

(\$ In Millions)	<u>Years ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Revenues - NSC/CSX (Note 2)	\$ 886	\$ 549	\$ -
Revenues - Third parties	<u>99</u>	<u>1,625</u>	<u>3,863</u>
Total operating revenues	<u>985</u>	<u>2,174</u>	<u>3,863</u>
Operating expenses (Note 3)			
Compensation and benefits	195	645	1,489
Fuel	10	63	163
Material, services and rents	162	590	909
Depreciation and amortization	331	328	310
Casualties and insurance	33	228	230
Other	<u>18</u>	<u>192</u>	<u>247</u>
Total operating expenses	<u>749</u>	<u>2,046</u>	<u>3,348</u>
Income from operations	236	128	515
Interest expense	(124)	(150)	(153)
Other income, net (Note 10)	<u>155</u>	<u>67</u>	<u>72</u>
Income before income taxes	267	45	434
Income taxes (Note 7)	<u>97</u>	<u>19</u>	<u>167</u>
Net income	<u>\$ 170</u>	<u>\$ 26</u>	<u>\$ 267</u>

See accompanying notes to the consolidated financial statements.

**CONRAIL INC.
CONSOLIDATED BALANCE SHEETS**

(\$ In Millions)	December 31,	
	2000	1999
ASSETS		
Current assets		
Cash and cash equivalents	\$ 50	\$ 22
Accounts receivable	33	51
Due from NSC/CSX (Note 2)	232	196
Notes receivable from NSC/CSX (Note 2)	91	216
Material and supplies	9	29
Deferred tax assets (Note 7)	96	149
Other current assets	9	6
Total current assets	520	669
Property and equipment, net (Note 4)	6,996	7,143
Other assets	544	571
Total assets	<u>\$8,060</u>	<u>\$8,383</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt (Note 6)	61	319
Accounts payable	68	59
Due to NSC/CSX (Note 2)	31	159
Wages and employee benefits	42	43
Casualty reserves	127	136
Accrued and other current liabilities (Note 5)	106	147
Total current liabilities	435	863
Long-term debt (Note 6)	1,229	1,302
Casualty reserves	189	311
Deferred income taxes (Note 7)	1,938	1,817
Other liabilities	287	271
Total liabilities	<u>4,078</u>	<u>4,564</u>
Commitments and contingencies (Note 11)		
Stockholders' equity (Notes 3 and 9)		
Common stock (\$1 par value; 100 shares authorized, issued and outstanding)	-	-
Additional paid-in capital	2,222	2,229
Unearned ESOP compensation	(20)	(20)
Retained earnings	1,780	1,610
Total stockholders' equity	<u>3,982</u>	<u>3,819</u>
Total liabilities and stockholders' equity	<u>\$8,060</u>	<u>\$8,383</u>

See accompanying notes to the consolidated financial statements.

CONRAIL INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Unearned ESOP Compensation	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance, January 1, 1998					
Net income	\$ (155)	\$ 6	\$3,006	\$1,324	\$ (742)
Common dividends				267	
Common shares reclassified as unissued (Note 9)		(6)	(736)	(7)	742
Allocation of unearned ESOP compensation	80				
Other			<u>21</u>		
Balance, December 31, 1998					
Net income	(75)	-	2,291	1,584	-
Transfer of portion of prepaid pension assets to NSC and CSX (Note 8)			(54)	26	
Allocation of unearned ESOP compensation	55				
Other			<u>(8)</u>		
Balance, December 31, 1999					
Net income	(20)	-	2,229	1,610	-
Other			<u>(7)</u>	170	
Balance, December 31, 2000	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$2,222</u>	<u>\$1,780</u>	<u>\$ -</u>

See accompanying notes to the consolidated financial statements.

CONRAIL INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ In Millions)	<u>Years ended December 31,</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>
Cash flows from operating activities			
Net income	\$ 170	\$ 26	\$ 267
Adjustments to reconcile net income to net cash provided by operating activities:			
Transition and acquisition-related charges (Note 3)			368
Depreciation and amortization	331	328	310
Deferred income taxes	101	48	(30)
Gains from sales of property	(70)	(6)	(21)
Pension credit	(12)	(45)	(63)
Dividends from affiliated companies	55		
Changes in:			
Accounts receivable	18	529	33
Accounts and wages payable	8	(431)	(33)
Due from NSC/CSX	(36)	(196)	
Due to NSC/CSX	(128)	159	
Other	(75)	(16)	(104)
Net cash provided by operating activities	<u>362</u>	<u>396</u>	<u>727</u>
Cash flows from investing activities			
Property and equipment acquisitions	(220)	(176)	(537)
Notes receivable from NSC/CSX	125	(216)	
Proceeds from disposals of properties	86	6	19
Other	(7)	(14)	(32)
Net cash provided by (used in) investing activities	<u>(16)</u>	<u>(400)</u>	<u>(550)</u>
Cash flows from financing activities			
Payment of long-term debt	(318)	(112)	(119)
Other			(17)
Net cash used in financing activities	<u>(318)</u>	<u>(112)</u>	<u>(136)</u>
Increase(decrease) in cash and cash equivalents	28	(116)	41
Cash and cash equivalents			
Beginning of year	<u>22</u>	<u>138</u>	<u>97</u>
End of year	<u>\$ 50</u>	<u>\$ 22</u>	<u>\$ 138</u>

See accompanying notes to the consolidated financial statements.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Summary of Significant Accounting Policies

Description of Business

Conrail Inc. ("Conrail") is a holding company whose principal subsidiary is Consolidated Rail Corporation ("CRC"), the major freight railroad in the Northeast. Norfolk Southern Corporation ("NSC") and CSX Corporation ("CSX"), the major railroads in the Southeast, jointly control Conrail through their ownership interests in CRR Holdings LLC ("CRR"), whose primary subsidiary is Green Acquisition Corporation, which owns Conrail. NSC and CSX have equity interests in CRR of 58% and 42%, respectively, and voting interests of 50% each. From May 23, 1997, the date NSC and CSX completed their acquisition of Conrail stock, until June 1, 1999, Conrail's operations continued substantially unchanged while NSC and CSX awaited regulatory approvals and prepared for the integration of their respective Conrail routes and assets to be leased to their railroad subsidiaries, Norfolk Southern Railway Company ("NSR") and CSX Transportation, Inc. ("CSXT"). The operations of CRC substantially changed beginning June 1, 1999, when NSC and CSX began operating a portion of the Conrail properties under operating agreements (the "Closing Date") (Note 2).

Beginning June 1, 1999, Conrail's major sources of operating revenues are operating fees and lease rentals from NSC and CSX. The composition of CRC's operating expenses also reflects this change in operations. As a result, Conrail's 1999 results reflect the freight railroad operations of CRC through May 31, 1999, and reflect Conrail's new structure and operations that commenced on the Closing Date (Note 2).

Principles of Consolidation

The consolidated financial statements include Conrail and majority-owned subsidiaries. Investments in 20% to 50% owned companies are accounted for by the equity method.

Cash Equivalents

Cash equivalents consist of commercial paper, certificates of deposit and other liquid securities purchased with a maturity of three months or less, and are stated at cost which approximates market value.

Material and Supplies

Material and supplies consist of maintenance material valued at the lower of cost or market.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Property and Equipment

Property and equipment are recorded at cost. Additions to properties, including those under lease, are capitalized. Maintenance expense is recognized when repairs are performed. Depreciation is provided using the composite straight-line method over estimated service lives. In 2000, the overall depreciation rate averaged 3.0% for all roadway and equipment. The cost (net of salvage) of depreciable property retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized.

Asset Impairment

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Expected future cash flows from the use and disposition of long-lived assets are compared to the current carrying amounts to determine the potential impairment loss.

Revenue Recognition

Revenue prior to June 1, 1999, was recognized proportionally as a shipment moved on the Conrail system from origin to destination. Beginning June 1, 1999, the Company's major sources of revenues are from NSC and CSX, primarily in the form of rental revenues and operating fees which are recognized when earned. Conrail continues to have third party revenues, which are recognized when earned, related to the operations of Indiana Harbor Belt Railroad Company, a 51% owned terminal railroad subsidiary.

New Accounting Standards

There were no new accounting standards issued during 2000 which the Company believes will have a material impact on its consolidated financial position, results of operations or cash flows.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year data have been reclassified to conform to the 2000 presentation.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Related Parties Transactions

Background

On May 23, 1997, NSC and CSX completed their joint acquisition of Conrail stock. On June 17, 1997, NSC and CSX executed an agreement which generally outlines the methods of governing and operating Conrail and its subsidiaries ("Transaction Agreement"). On July 23, 1998, the Surface Transportation Board ("STB") issued a written opinion that permitted NSC and CSX to exercise operating control of Conrail beginning August 22, 1998. On June 1, 1999, NSC and CSX began to operate over certain Conrail lines.

Commencement of Operations by NSR and CSXT

On June 1, 1999, the majority of CRC's routes and assets were segregated into separate subsidiaries of CRC, Pennsylvania Lines LLC ("PRR") and New York Central Lines LLC ("NYC"). PRR and NYC entered into separate but identical operating and lease agreements with NSR and CSXT, respectively, (the "Operating Agreements") which govern substantially all nonequipment assets to be used by NSR and CSXT and have initial 25-year terms, renewable at the options of NSR and CSXT for two 5-year terms. Payments made under the Operating Agreements are based on appraised values that are subject to adjustment every six years to reflect changes in such values. NSR and CSXT have also leased or subleased certain equipment assets at rentals based on appraised values for varying term lengths from PRR and NYC, respectively, as well as from CRC.

NSC and CSX have also entered into agreements with CRC governing other Conrail properties that continue to be owned and operated by Conrail ("the Shared Assets Areas"). NSR and CSXT pay CRC a fee for joint and exclusive access to the Shared Assets Areas. In addition, NSR and CSXT pay, based on usage, the costs incurred by CRC to operate the Shared Assets Areas plus a profit factor.

Payments made by NSR to Conrail under the Shared Assets agreements were \$117 million and \$45 million during 2000 and 1999, respectively, of which \$17 million and \$7 million, were minimum rents. Payments made by CSXT to Conrail under the Shared Assets agreements were \$107 million and \$43 million during 2000 and 1999, respectively, of which \$12 million and \$5 million, were minimum rents.

Payments from NSR under the Operating Agreements and lease agreements to PRR amounted to \$346 million and \$167 million during 2000 and 1999, respectively. Payments from CSXT under the Operating Agreements and lease agreements to NYC amounted to \$249 million and \$124 million during 2000 and 1999, respectively. In addition, costs necessary to operate and maintain the related assets under these agreements, including leasehold improvements, will be borne by NSR and CSXT.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Future minimum lease payments to be received from NSR/CSXT are as follows:

\$ in Millions

	<u>NSR</u> <u>To PRR</u>	<u>NSR</u> <u>To CRC</u>	<u>CSX</u> <u>To NYC</u>	<u>CSX</u> <u>To CRC</u>	<u>Total</u>
2001	\$ 304	\$ 24	\$ 244	\$ 17	\$ 589
2002	315	27	239	19	600
2003	322	30	233	21	606
2004	327	32	238	23	620
2005	317	34	229	24	604
2006 and Beyond	5,005	652	3,626	473	9,756
Total	\$6,590	\$799	\$4,809	\$577	\$12,775

Related Party Balances and Transactions

"Due from NSC/CSX" at December 31, 2000 and 1999, is primarily comprised of amounts due for the above-described operating and rental activities. Also included in "Due from NSC/CSX" in 1999, are amounts paid by Conrail for separation payments to CRC's agreement employees that were reimbursed by NSC and CSX as required by the Transaction Agreement. As of December 31, 2000 and 1999, the accrued balances due from NSC were \$105 million and \$91 million, respectively; and the accrued balances due from CSX were \$127 million and \$105 million, respectively.

PRR and NYC have interest-bearing notes receivable, payable on demand from NSC and CSX of \$51 million and \$40 million, respectively, at December 31, 2000, included in the "Notes receivable from NSC/CSX" line item on the balance sheet. The notes receivable balances due from NSC and CSX were \$123 million and \$93 million, respectively, at December 31, 1999. The interest rates on the notes receivable from NSC and CSX are variable and were both 5.9% at December 31, 2000. Interest income related to the PRR and NYC notes receivable was \$10 million and \$4 million, in 2000 and 1999, respectively.

CRC has entered into service provider agreements with both NSC and CSX, for such services as accounting and administrative processing, personal injury and environmental case handling and other miscellaneous services ("Service Provider Agreements"). Payments made to NSC and CSX under these Service Provider Agreements in 2000 were \$44 million and \$2 million, respectively, and are included within the various line items of operating expenses. Payments made to NSC in 1999 under the Service Provider Agreements were \$5 million. CRC also paid NSC and CSX \$8 million and \$4 million, respectively, for the rental of locomotives and other equipment during 2000. In addition, CRC paid a subsidiary of CSX \$5 million in 2000 and 1999, for rental of various facilities which it occupied subsequent to May 31, 1999. During 2000, CRC also made payments to NSC and CSX of \$86 million and \$122 million, respectively, related to completing various 1999 capital projects.

CONRAIL INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

"Due to NSC/CSX" includes \$29 million and \$2 million, to NSC and CSX, respectively, for the services described above for 2000; and \$64 million and \$29 million to NSC and CSX, respectively, for such services during 1999.

In 1999, "Due to NSC/CSX" also included \$42 million and \$24 million payable to NSC and CSX, respectively, for CRC's vacation liability related to the portion of its work force that became NSC and CSX employees subsequent to May 31, 1999. CRC paid these amounts in 2000.

From time to time, NSC and CSX, as the indirect owners of Conrail, may need to provide some of Conrail's cash requirements through capital contributions, loans, or advances, none of which took place as of December 31, 2000.

Prior to the Closing Date, the Company interchanged freight with both NSC and CSX for transport to destinations both within and outside of Conrail's service region. The Company shares ownership interests with either one or both railroads in various transportation-related entities, all of which are immaterial to the Company's operating results and financial position.

Transition, Acquisition-Related and Other Items

During the first quarter of 2000, the Company completed a significant property sale and recognized a gain of \$61 million on the sale (\$37 million after income taxes), which is included in "Other income, net" (Note 10).

During 1999, the Company recorded net expenses of \$138 million (\$85 million after income taxes) for adjustments to certain litigation and environmental reserves related to settlements and completion of site reviews and, in accordance with the Transaction Agreement, for the method of settlement of certain casualty liabilities based on an actuarial study and for the assumption of a lease obligation by a subsidiary of CSX. The effects of these adjustments are reflected in the "Casualties and insurance" and "Other" operating expense line items of the income statement for 1999.

During the third quarter of 1998, the Company recorded charges totaling \$302 million (\$187 million after income taxes), primarily for severance benefits of \$170 million covering certain non-union employees, and \$132 million of other costs, such as the effect of changing to an actuarial method of valuing certain components of the Company's casualty reserves, primarily included in the "Compensation and benefits" and "Casualties and insurance" operating expense line items of the 1998 income statement, respectively.

The charge for non-union separation benefits represents termination payments made to approximately 1,300 non-union employees whose non-executive positions were eliminated as a result of the joint acquisition of Conrail. Most of these termination payments have been

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

made in the form of supplemental retirement benefits from the Company's overfunded pension plan. During 2000, 1999 and 1998, termination payments of \$50 million, \$77 million and \$9 million were made, respectively. The remaining amount of this liability is expected to be paid out within the next year.

During 1998, the Company recorded charges totaling \$66 million (\$41 million after income taxes) representing amounts paid to certain non-union employees as incentive to continue their employment with the Company through August 22, 1998, the effective date of the STB approval of the joint acquisition of Conrail, and the subsequent transition period. All of these amounts were subsequently paid out.

In 1997, the Company recorded a long-term liability of \$221 million related to the Non-union Employee Stock Ownership Plan ("ESOP") termination, which has not required use of the Company's cash for settlement. Such liability, the balance of which is \$20 million at December 31, 2000, is being reduced as the cash proceeds, held by the ESOP as a result of selling its ESOP preferred stock in the joint tender offer, are allocated to eligible ESOP participants.

In 1997, the Company recorded a long-term liability of \$110 million in connection with employment "change in control" agreements with certain executives, which became operative as a result of the joint acquisition of Conrail. A portion of the benefits under these agreements, \$68 million, was paid in 1998 from the Employee Benefits Trust ("EBT"). The remaining amount will be paid out at the discretion of the executives participating in this program.

4. Property and Equipment

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
	<u>(In Millions)</u>	
Roadway	\$ 7,500	\$ 7,410
Equipment	1,573	1,573
Less: Accumulated depreciation	<u>(2,340)</u>	<u>(2,154)</u>
	<u>6,733</u>	<u>6,829</u>
Capital leases (primarily equipment)	645	696
Accumulated amortization	<u>(382)</u>	<u>(382)</u>
	<u>263</u>	<u>314</u>
	<u>\$ 6,996</u>	<u>\$ 7,143</u>

Substantially all assets are leased to NSR or CSXT (Note 2).

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Accrued and Other Current Liabilities

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
	(In Millions)	
Property and corporate taxes	\$ 51	\$ 97
Operating leases	38	36
Other	<u>17</u>	<u>14</u>
	<u>\$106</u>	<u>\$147</u>

Long-Term Debt and Leases

Long-term debt outstanding, including the weighted average interest rates at December 31, 2000, is composed of the following:

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
	(In Millions)	
Capital leases	\$ 262	\$ 331
Notes payable, 9.75%, due 2000	-	250
Debentures payable, 7.88%, due 2043	250	250
Debentures payable, 9.75%, due 2020	550	550
Equipment and other obligations, 6.90%	<u>228</u>	<u>240</u>
	1,290	1,621
Less current portion	<u>(61)</u>	<u>(319)</u>
	<u>\$1,229</u>	<u>\$1,302</u>

Interest payments were \$121 million in 2000, \$149 million in 1999 and \$153 million in 1998.

Leases

The Company's noncancelable long-term leases generally include options to purchase at fair value and to extend the terms. Capital leases have been discounted at rates ranging from 3.09% to 14.26% and are collateralized by assets with a net book value of \$263 million at December 31, 2000.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Minimum commitments, exclusive of executory costs borne by the Company, are:

	<u>Capital Leases</u>	<u>Operating Leases</u>
	(In Millions)	
2001	\$ 63	\$ 70
2002	59	63
2003	54	52
2004	56	53
2005	38	59
2006 - 2010	<u>89</u>	<u>422</u>
Total	359	<u>\$719</u>
Less interest portion	<u>(97)</u>	
Present value	<u>\$ 262</u>	

Equipment and other obligations mature in 2001 through 2043 and are collateralized by assets with a net book value of \$238 million at December 31, 2000. Maturities of long-term debt other than capital leases are \$21 million in 2001, \$19 million in 2002, \$20 million in 2003, \$21 million in 2004, \$20 million in 2005 and \$927 million in total from 2006 through 2043.

Operating lease rent expense was \$75 million in 2000, \$120 million in 1999 and \$121 million in 1998.

7. Income Taxes

The provisions for income taxes are composed of the following:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(In Millions)		
Current			
Federal	\$ (5)	\$ (30)	\$173
State	<u>1</u>	<u>1</u>	<u>24</u>
	<u>(4)</u>	<u>(29)</u>	<u>197</u>
Deferred			
Federal	81	52	(27)
State	<u>20</u>	<u>(4)</u>	<u>(3)</u>
	<u>101</u>	<u>48</u>	<u>(30)</u>
	<u>\$ 97</u>	<u>\$ 19</u>	<u>\$167</u>

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Reconciliations of the U.S. statutory tax rates with the effective tax rates are as follows:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	4.2	4.2	3.2
Nondeductible transition and acquisition-related costs		23.9	
Other	<u>(2.9)</u>	<u>(20.9)</u>	<u>.3</u>
Effective tax rate	<u>36.3%</u>	<u>42.2%</u>	<u>38.5%</u>

The Company has reached final settlements with the Internal Revenue Service ("IRS") related to all of the audits of the Company's consolidated federal income tax returns through fiscal year 1995. The Company's consolidated federal income tax returns for April 30, 1996, December 31, 1996 and May 23, 1997, are currently being examined by the IRS. Federal and state income tax payments were \$3 million in 2000, \$38 million in 1999 and \$196 million in 1998.

Significant components of the Company's deferred income tax liabilities (assets) are as follows:

	<u>December 31,</u>	
	<u>2000</u>	<u>1999</u>
	(In Millions)	
Current assets	\$ 29	\$ (8)
Current liabilities	(117)	(133)
Miscellaneous	<u>(8)</u>	<u>(8)</u>
Current deferred tax asset, net	<u>\$ (96)</u>	<u>\$ (149)</u>
Noncurrent liabilities:		
Property and equipment	2,049	1,977
Other long-term assets (primarily prepaid pension asset)	93	89
Other (mostly equipment obligations)	<u>117</u>	<u>88</u>
	<u>2,259</u>	<u>2,154</u>
Noncurrent assets:		
Nondeductible reserves and other liabilities	(204)	(221)
Tax benefit transfer receivable	(36)	(36)
Other (mostly equity investments)	<u>(81)</u>	<u>(80)</u>
	<u>(321)</u>	<u>(337)</u>
Deferred income tax liabilities, net	<u>\$1,938</u>	<u>\$1,817</u>

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Pension and Postretirement Benefits

The Company and its subsidiaries sponsor several qualified and nonqualified pension plans and other postretirement benefit plans for its employees.

During 1999, the Company transferred approximately \$350 million and \$26 million of pension assets to NSC and CSX, respectively. NSC and CSX also assumed certain pension obligations related to former Conrail employees. The net effect on Conrail's financial statements as detailed in the table below, was to reduce pension assets by \$89 million. This transfer resulted in a \$35 million reduction of deferred tax liabilities and is reflected as a capital distribution of \$54 million.

The Company's pension plan was amended during 1998 to include certain enhanced benefits for qualifying Conrail employees. The effect of the amendment was to increase the Conrail plan's projected benefit obligation by \$59 million. The Company's pension plan was also amended during 1999 to allow for payment of non-union supplemental retirement benefits to the extent consistent with applicable IRS Tax Code provisions. Both of these liabilities are accrued as offsets to the prepaid pension asset which is included in "Other assets" in the balance sheet (Note 3).

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending December 31, 2000, and a statement of the funded status as of December 31 of both years:

(In Millions)	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Change in benefit obligation				
Net benefit obligation at beginning of year	\$739	\$834	\$ 44	\$ 56
Pension obligation transferred to NSC and CSX	-	(89)	-	-
Service cost	4	10	-	-
Interest cost	51	53	3	3
Plan amendments	-	-	(1)	-
Curtailment (gains) losses	-	(15)	-	(4)
Actuarial (gains) losses	5	(100)	(5)	(7)
Incorporation of special pension benefit reserves	-	176	-	-
Gross benefits paid	<u>(112)</u>	<u>(130)</u>	<u>(4)</u>	<u>(4)</u>
Net benefit obligation at end of year	\$687	\$739	\$ 37	\$ 44
Change in plan assets				
Fair value of plan assets at beginning of year	\$ 791	\$1,441	\$ 8	\$ 9
Pension assets transferred to NSC and CSX	-	(610)	-	-
Actual return on plan assets	39	88	1	-
Gross benefit payments	<u>(110)</u>	<u>(128)</u>	<u>(1)</u>	<u>(1)</u>
Fair value of plan assets at end of year	\$ 720	\$ 791	\$ 8	\$ 8
Funded status at end of year	\$ 33	\$ 52	\$ (29)	\$ (36)
Unrecognized transition asset	(2)	(3)	-	-
Unrecognized prior service cost	9	10	(1)	-
Unrecognized actuarial (gains) losses	<u>8</u>	<u>(26)</u>	<u>(12)</u>	<u>(8)</u>
Net amount recognized at year end	<u>\$ 48</u>	<u>\$ 33</u>	<u>\$ (42)</u>	<u>\$ (44)</u>

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following amounts have been recognized in the balance sheets as of December 31:

(In Millions)	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Prepaid pension cost	\$ 92	\$ 74	-	-
Accrued benefit cost	(44)	(41)	\$(42)	\$(44)

All of the Company's plans for postretirement benefits other than pension have no plan assets except for the retiree life insurance plan which had \$8 million of assets in both 2000 and 1999. The aggregate benefit obligation for the postretirement plans other than pensions was \$37 million and \$44 million at December 31, 2000 and 1999, respectively.

The projected benefit obligations and accumulated benefit obligations for pension plans with accumulated benefit obligations in excess of plan assets were both \$45 million in 2000; and \$54 million and \$38 million, respectively, in 1999. The plans had no assets in either 2000 or 1999.

The assumptions used in the measurement of the Company's benefit obligation are as follows:

	<u>Pension Benefits</u>		<u>Other Postretirement Benefits</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Discount rate	7.50%	7.75%	7.50%	7.75%
Expected return on plan assets	9.00%	9.00%	8.00%	8.00%
Rate of compensation increase	5.00%	5.00%	5.00%	5.00%

A 7% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2001, gradually decreasing to 6% by the year 2007.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. The effect of a one percentage point increase and (decrease) in the assumed health care cost trend rate on the accumulated postretirement benefit obligation is \$1 million and \$(1) million, respectively, and would have an immaterial effect on the net periodic postretirement benefit cost for 2000.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of the Company's net periodic benefit cost for the plans are as follows:

(In Millions)	<u>Pension Benefits</u>			<u>Other Postretirement Benefits</u>		
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Service cost	\$ 4	\$ 10	\$ 13	\$ -	\$ -	\$ -
Interest cost	51	53	53	3	4	4
Expected return on assets	(70)	(94)	(109)	(1)	(1)	(1)
Curtailment (gain) loss	-	19	-	-	(4)	-
Amortization of:						
Transition asset	(1)	(11)	(18)	-	-	-
Prior service cost	1	4	4	-	-	-
Actuarial (gain) loss	<u>1</u>	<u>(8)</u>	<u>(5)</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>
	<u>\$ (14)</u>	<u>\$ (27)</u>	<u>\$ (62)</u>	<u>\$ 1</u>	<u>\$ (1)</u>	<u>\$ 2</u>

Savings Plans

The Company and certain subsidiaries provide 401(k) savings plans for union and non-union employees. Under the Company's current non-union savings plan, 50% of employee contributions are matched for the first 6% of a participating employee's base pay and 25% of employee contributions are matched in excess of 10% of a participating employee's base pay. Savings plan expense related to the current non-union savings plan was \$1 million in 2000 and 1999. The Company had no non-union savings plan in 1998. There is no Company match provision under the union employee plan except for certain unions which negotiated a Company match as part of their contract provisions.

Stockholders' equity

Common Stock

On May 23, 1997, the NSC-CSX joint tender offer for the remaining outstanding shares of Conrail's common and preferred stock was concluded, and on June 2, 1997, Conrail became the surviving corporation in a merger with Green Merger Corp. and remained the only subsidiary of Green Acquisition Corp., an entity jointly-owned by NSC and CSX. As a result, the remaining outstanding capital stock of Conrail was acquired by NSC and CSX and Green Acquisition was issued 100 shares of Conrail's common stock.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Treasury Stock

As a result of the acquisition of Conrail, the remaining 6,320,249 shares of treasury stock at December 31, 1997, were recorded as canceled and retired during 1998.

Undistributed Earnings of Equity Investees

"Retained earnings" includes undistributed earnings of equity investees of \$157 million, \$188 million and \$173 million at December 31, 2000, 1999 and 1998, respectively.

10. **Other Income, Net**

	<u>2000</u>	<u>1999</u>	<u>1998</u>
	(In Millions)		
Interest income	\$ 21	\$19	\$ 7
Rental income	45	37	42
Property sales	70	6	21
Other, net	<u>19</u>	<u>5</u>	<u>2</u>
	<u>\$155</u>	<u>\$67</u>	<u>\$72</u>

11. **Commitments and Contingencies**

Environmental

The Company is subject to various federal, state and local laws and regulations regarding environmental matters. CRC is a party to various proceedings brought by both regulatory agencies and private parties under federal, state and local laws, including Superfund laws, and has also received inquiries from governmental agencies with respect to other potential environmental issues. At December 31, 2000, CRC has received, together with other companies, notices of its involvement as a potentially responsible party or requests for information under the Superfund laws with respect to cleanup and/or removal costs due to its status as an alleged transporter, generator or property owner at 24 locations. However, based on currently available information, the Company believes CRC may have some potential responsibility at only 21 of these sites. Due to the number of parties involved at many of these sites, the wide range of costs of possible remediation alternatives, the changing technology and the length of time over which these matters develop, it is often not possible to estimate CRC's liability for the costs associated with the assessment and remediation of contaminated sites.

CONRAIL INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Although the Company's operating results and liquidity could be significantly affected in any quarterly or annual reporting period if CRC were held principally liable in certain of these actions, at December 31, 2000, the Company had accrued \$80 million, an amount it believes is sufficient to cover the probable liability and remediation costs that will be incurred at Superfund sites and other sites based on known information and using various estimating techniques. The Company anticipates that much of this liability will be paid out over five years; however some costs will be paid out over a longer period. The Company believes the ultimate liability for these matters will not materially affect its consolidated financial condition.

The Company spent \$9 million in 2000 and 1999, and \$10 million in 1998 for environmental remediation and related costs. In addition, the Company's capital expenditures for environmental control and abatement projects were approximately \$1 million in 2000 and 1999, and \$8 million in 1998.

Other

The Company is involved in various legal actions, principally relating to occupational health claims, personal injuries, casualties, property damage and damage to lading. The Company has recorded liabilities in amounts it believes are sufficient to cover the expected probable payments for such actions.

CRC had 1,750 employees at December 31, 2000; approximately 86% of whom are represented by 12 different labor organizations and are covered by 16 separate collective bargaining agreements. The Company was engaged in collective bargaining at December 31, 2000 with labor organizations representing approximately 83% of its labor force.

CRC currently guarantees the principal and interest payments in the amount of \$36 million on Equipment Trust Certificates for Locomotive Management Services, a general partnership of which CRC holds a fifty percent interest.

Fair Values of Financial Instruments

The fair values of "Cash and cash equivalents," "Accounts receivable," "Notes receivable from NSC/CSX" and "Accounts payable" approximate carrying values because of the short maturity of these financial instruments.

Using current market prices when available, or a valuation based on the yield to maturity of comparable debt instruments having similar characteristics, credit rating and maturity, the total fair value of the Company's long-term debt, including the current portion, but excluding capital leases, is \$1,150 million and \$1,367 million at December 31, 2000 and 1999, respectively, compared with carrying values of \$1,028 million and \$1,290 million at December 31, 2000 and 1999, respectively.

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - ASSETS
(Dollars in Thousands)

Line No	Cross Check	Account	Title	Balance at close of year (b)	Balance at beginning of year (c)	Line No
(a)						
Current Assets						
1		701	Cash	49,839	22,320	1
2		702	Temporary Cash Investments			2
3		703	Special Deposits			3
Accounts Receivable						
4		704	-Loan and Notes	90,931	215,635	4
5		705	-Interline and Other Balances		2,499	5
6		706	-Customers	10,349	10,556	6
7		707	-Other	38,788	66,273	7
8		709, 708	-Accrued Accounts Receivable	229,556	182,382	8
9		708 5	-Receivable from Affiliated Companies			9
10		709 5	-Less Allowance for Uncollectible Accounts	(14,046)	(15,276)	10
Working Funds, Prepayments,						
11		710, 711, 714	Deferred Income Tax Debits	97,490	148,530	11
12		712	Materials and Supplies	9,240	29,307	12
13		713	Other Current Assets	7,691	6,616	13
14			TOTAL CURRENT ASSETS	519,838	668,842	14
Other Assets						
15		715, 716, 717	Special Funds	12,757	16,191	15
16		721, 721 5	Investments and Advances Affiliated Companies (Schedules 310 and 310A)	221,560	253,274	16
17		722, 723	Other Investments and Advances	98	342	17
18		724	Allowances for Net Unrealized Loss on Noncurrent Marketable Equity Securities - Cr			18
19		737, 738	Property Used in Other than Carrier Operation (less Depreciation \$1,340)	21,852	21,913	19
20		739, 741	Other Assets	301,237	293,661	20
21		743	Other Deferred Debits	8,382	7,042	21
22		744	Accumulated Deferred Income Tax Debits			22
23			TOTAL OTHER ASSETS	565,886	592,423	23
Road and Equipment						
24		731, 732	Road (Schedule 330) L-30 Col h & b	7,376,086	7,310,624	24
25		731, 732	Equipment (Schedule 330) L-39 Col h & b	2,233,226	2,264,359	25
26		731, 732	Unallocated Items	82,465	83,800	26
27		733, 735	Accumulated Depreciation and Amortization (Schedules 335, 342, 351)	(2,717,225)	(2,537,231)	27
28			Net Road and Equipment	6,974,552	7,121,552	28
29	*		TOTAL ASSETS	8,060,276	8,382,817	29

NOTES AND REMARKS

See accompanying notes to Financial Statements

200. COMPARATIVE STATEMENT OF FINANCIAL POSITION - LIABILITIES AND SHAREHOLDERS' EQUITY
(Dollars in Thousands)

Line No	Cross Check	Account	Title	Balance at close of year (b)	Balance at beginning of year (c)	Line No
			(a)			
			Current Liabilities			
30		751	Loans and Notes Payable			30
31		752	Accounts Payable Interline & Other Balances	5,846	8,997	31
32		753	Audited Accounts and Wages	25,728	24,185	32
33		754	Other Accounts Payable	28,064	31,342	33
34		755, 756	Interest and Dividends Payable	29,478	27,486	34
35		757	Payables to Affiliated Companies			35
36		759	Accrued Accounts Payable	268,361	377,342	36
37		760, 761, 761 5, 762	Taxes Accrued	16,473	72,585	37
38		763	Other Current Liabilities	596	2,429	38
39		764	Equipment Obligation and Other Long-Term Debt due Within One Year	61,044	318,720	39
40			TOTAL CURRENT LIABILITIES	435,590	863,086	40
			Non-Current Liabilities			
41		765, 767	Funded Debt Unmatured	800,000	800,000	41
42		766	Equipment Obligations	208,325	221,257	42
43		766 5	Capitalized Lease Obligations	220,324	280,268	43
44		768	Debt in Default			44
45		769	Accounts Payable, Affiliated Companies			45
46		770 1, 770 2	Unamortized Debt Premium			46
47		781	Interest in Default			47
48		783	Deferred Revenues-Transfers from Government Authorities			48
49		786	Accumulated Deferred Income Tax Credits	1,937,671	1,816,322	49
50		771, 772, 774, 775, 782, 784	Other Long-Term Liabilities and Deferred Credits	476,196	582,598	50
51			TOTAL NON-CURRENT LIABILITIES	3,642,516	3,700,445	51
			Shareholders' Equity			
52		791, 792	Total Capital Stock (Schedule 230) (L53&54)			52
53			Common stock			53
54			Preferred stock			54
55			Discount on Capital Stock			55
56		794, 795	Additional Capital (Schedule 230)	2,221,694	2,229,191	56
			Retained Earnings:			
57		797	Appropriated			57
58		798	Unappropriated (Schedule 220)	1,760,476	1,590,095	58
59		798 1	Net Unrealized Loss on Non-current Marketable Equity Securities			59
60		798 5	Less Treasury Stock			60
61			Net Stockholders' Equity	3,982,170	3,819,286	61
62	*		TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	8,060,276	8,382,817	62

NOTES AND REMARKS

See accompanying Notes to Financial Statements

210. RESULTS OF OPERATIONS

(Dollars in Thousands)

- 1 Disclose the requested information for the respondent pertaining to the results of operation for the year
- 2 Report total operating expenses from Schedule 410 of this report. Any disparities in expense amounts shown in this schedule and expense amounts reported in Schedule 410 must be fully explained on page 18
- 3 List dividends from investments accounted for under the cost method on the appropriate line No 19 for Account No 513, Dividend Income List dividends accounted for by the equity method on the appropriate dividend line No 25 under the Income from Affiliated Companies subsection of this schedule

- 4 All contra entries hereunder should be indicated in parenthesis
5. Cross-checks

Schedule 210

Line 15, column (b)
 Line 47 + 48 + 49, column (b)
 Line 50, column (b)

Line 14, column (b)
 Line 14, column (d)
 Line 14, column (e)
 Line 49, column (b)

Schedule 210

=Line 62, column (b)
 =Line 63, column (b)
 =Line 64, column (b)
Schedule 410
 =Line 620, column (h)
 =Line 620, column (f)
 =Line 620, column (g)

Line No	Cross Check	Item (a)	Amount for current year (b)	Amount for preceeding year (c)	Freight-related revenues & expenses (d)	Passenger-related revenues & expenses (e)	Line No
		ORDINARY ITEMS					
		OPERATING INCOME					
		Railway Operating Income					
1		(101) Freight		1,477,179	-		1
2		(102) Passenger					2
3		(103) Passenger-Related					3
4		(104) Switching	85,006	99,987	85,006		4
5		(105) Water Transfers					5
6		(106) Demurrage	4,885	25,178	4,885		6
7		(110) Incidental	895,204	571,370	895,204		7
8		(121) Joint Facility-Credit			-		8
9		(122) Joint Facility-Debit			-		9
10		(501) Railway operating revenues (Exclusive of transfers from Government Authorities - lines 1-9)	985,095	2,173,714	985,095		10
11		(502) Railway operating revenues-Transfers from Government Authorities for current operations			-		11
12		(503) Railway operating revenues-Amortization of deferred transfers from Government Authorities					12
13		TOTAL RAILWAY OPERATING REVENUES (lines 10-12)	985,095	2,173,714	985,095		13
14	*	(531) Railway operating expenses	748,784	2,046,030	748,784		14
15	*	Net revenue from railway operations	236,311	127,684	236,311		15
		OTHER INCOME					
16		(506) Revenue from property used in other than carrier operations		3,781			16
17		(510) Miscellaneous rent income	45,259	33,668			17
18		(512) Separately operated properties-Profit					18
19		(513) Dividend income (cost method)					19
20		(514) Interest income	20,369	18,739			20
21		(516) Income from sinking and other funds	352	2,417			21
22		(517) Release of premiums on funded debt					22
23		(518) Reimbursements received under contracts and agreements					23
24		(519) Miscellaneous income	44,394	59,287			24
		Income from affiliated companies 519					
25		a Dividends (equity method)	55,777	1,340			25
26		b Equity in undistributed earnings (-losses)	24,088	6,279			26
27		TOTAL OTHER INCOME (lines 16-26)	190,239	125,511			27
28		TOTAL INCOME (line 15, 27)	426,550	253,195			28
		MISCELLANEOUS DEDUCTIONS FROM INCOME					
29		(534) Expenses of property used in other than carrier operations	2,100	5,732			29
30		(544) Miscellaneous taxes					30
31		(545) Separately operated properties-Loss	-	-			31
32		(549) Maintenance of investment organization	-	-			32
33		(550) Income transferred under contracts and agreements					33
34		(551) Miscellaneous income charges	32,467	52,957			34
35		(553) Uncollectible accounts					35
36		TOTAL MISCELLANEOUS DEDUCTIONS (lines 29-35)	34,567	58,689			36
37		Income available for fixed charges (lines 28, 36)	391,983	194,506			37

210. RESULTS OF OPERATIONS - Continued

(Dollars in Thousands)

Line No	Cross Check	Item	Amount for current year	Amount for preceding year	Line No
		(a)	(b)	(c)	
		FIXED CHARGES			
		(546) Interest on funded debt			
38		(a) Fixed interest not in default	123,494	142,722	38
39		(b) Interest in default			39
40		(547) Interest on unfunded debt	12	400	40
41		(548) Amortization of discount on funded debt	884	7,116	41
42		TOTAL FIXED CHARGES (lines 38-41)	124,390	150,238	42
43		Income after fixed charges (lines 37, 42)	267,593	44,268	43
		OTHER DEDUCTIONS			
		(546) Interest on funded debt			
44		(c) Contingent interest			44
		UNUSUAL OR INFREQUENT ITEMS			
45		(555) Unusual or infrequent items (debit) credit			45
46		Income (Loss) from continuing operations (before income taxes)	267,593	44,268	46
		PROVISIONS FOR INCOME TAXES			
		(556) Income taxes on ordinary income			
47	*	(a) Federal income taxes	(4,743)	(29,773)	47
48	*	(b) State income taxes	911	895	48
49	*	(c) Other income taxes (special income tax obligation)			49
50	*	(557) Provision for deferred taxes	100,959	47,468	50
51		TOTAL PROVISIONS FOR INCOME TAXES (lines 47-50)	97,127	18,590	51
52	*	Income from continuing operations (lines 46-51)	170,466	25,678	52
		DISCONTINUED OPERATIONS			
53		(560) Income or loss from operations of discontinued segments (less applicable income taxes of \$)			53
54		(562) Gain or loss on disposal of discontinued segments (less applicable income taxes of \$)			54
55		Income before extraordinary items (lines 52 + 53 + 54)	170,466	25,678	55
		EXTRAORDINARY ITEMS AND ACCOUNTING CHANGES			
56		(570) Extraordinary items (Net)			56
57		(590) Income taxes on extraordinary items			57
58		(591) Provision for deferred taxes-Extraordinary items			58
59		TOTAL EXTRAORDINARY ITEMS (lines 56-58)			59
60		(592) Cumulative effect of changes in accounting principles (less applicable tax of \$)			60
61	*	Net income (Loss) (lines 55 + 59 + 60)	170,466	25,678	61
		Reconciliation of net railway operating income (NROI)			
62	*	Net revenues from railway operations	236,311	127,684	62
63	*	(556) Income taxes on ordinary income (-)	(3,832)	(28,878)	63
64	*	(557) Provision for deferred income taxes (-)	100,959	47,468	64
65		Income from lease of road and equipment (-)			65
66		Rent for leased road and equipment (+)			66
67		Net railway operating income (loss)	139,184	109,094	67

See accompanying Notes to Financial Statements

330 ROAD PROPERTY AND EQUIPMENT AND IMPROVEMENTS TO LEASED PROPERTY AND EQUIPMENT
(Dollars in Thousands)

Line No	Cross check	Account	Balance at beginning of year	Expenditures during year for original road & equipment & road extensions	Expenditures during year for purchase of existing lines, reorganizations, etc	Line No
		(a)	(b)	(c)	(d)	
1		(2) Land for transportation purposes	123,191			1
2		(3) Grading	238,802			2
3		(4) Other right-of-way expenditures	2,970			3
4		(5) Tunnels and subways	50,615			4
5		(6) Bridges, trestles and culverts	344,155			5
6		(7) Elevated structures	2,571			6
7		(8) Ties	1,370,768			7
8		(9) Rail and other track material	2,673,004			8
9		(11) Ballast	953,697			9
10		(13) Fences, snowsheds and signs	2,119			10
11		(16) Stations and office buildings	265,314			11
12		(17) Roadway buildings	10,731			12
13		(18) Water stations	448			13
14		(19) Fuel stations	58,492			14
15		(20) Shops and enginehouses	97,659			15
16		(22) Storage warehouses	0			16
17		(23) Wharves and docks	1,146			17
18		(24) Coal and ore wharves	77,552			18
19		(25) TOFC/COFC terminals	118,820			19
20		(26) Communication systems	119,555			20
21		(27) Signals and interlockers	546,994			21
22		(29) Power plants	1,052			22
23		(31) Power-transmission systems	9,941			23
24		(35) Miscellaneous structures	4,298			24
25		(37) Roadway machines	90,574			25
26		(39) Public improvements - Construction	58,734			26
27		(44) Shop machinery	58,751			27
28		(45) Power-plant machinery	2,948			28
29		Other (specify and explain)				29
30		TOTAL EXPENDITURES FOR ROAD	7,284,901			30
31		(52) Locomotives	1,243,340			31
32		(53) Freight-train cars	869,988			32
33		(54) Passenger-train cars	0			33
34		(55) Highway revenue equipment	677			34
35		(56) Floating equipment	0			35
36		(57) Work equipment	85,105			36
37		(58) Miscellaneous equipment	61,654			37
38		(59) Computer systems and word processing equipment	29,069			38
39		TOTAL EXPENDITURES FOR EQUIPMENT	2,289,833			39
40		(76) Interest during construction				40
41		(80) Other elements of investment				41
42		(90) Construction in progress	84,013			42
43		GRAND TOTAL	9,658,747			43

Expenditures for additions during the year	Credits for property retired during the year	Net changes during the year	Balance at close of year	Line No
(e)	(f)	(g)	(h)	
0	440	(440)	122,751	1
4 650	756	3,894	242,696	2
133	(4)	137	3,107	3
3,188	(75)	3,263	53,878	4
7,382	7,016	366	344,521	5
0	(3)	3	2,574	6
41,888	23,775	18,113	1,388 881	7
85,854	66,452	19,402	2,692 406	8
6 443	10,553	(4,110)	949,587	9
90	5	85	2,204	10
3,548	1 482	2 066	267,380	11
272	(19)	291	11,022	12
0	0	0	448	13
1 240	(86)	1,326	59,818	14
2 547	(91)	2 638	100,297	15
0	0	0	0	16
0	2	(2)	1,144	17
0	(125)	125	77,677	18
17,506	(145)	17,651	136,471	19
1,840	1,218	622	120,177	20
21,397	2,921	18 476	565,470	21
0	(3)	3	1 055	22
818	(5)	823	10 764	23
82	(5)	87	4,385	24
1,382	(279)	1,661	92,235	25
3,423	420	3 003	61,737	26
1,621	(74)	1,695	60,446	27
0	(7)	7	2,955	28
				29
205,304	114 119	91,185	7,376,086	30
6,017	2,977	3,040	1,246,380	31
3,644	67,607	(63,963)	806,025	32
0	0	0	0	33
0	(14)	14	691	34
0	0	0	0	35
0	(96)	96	85,201	36
0	(3,199)	3,199	64,853	37
0	(1,007)	1,007	30,076	38
9,661	66,268	(56,607)	2,233,226	39
				40
				41
(5,812)	(4,264)	(1,548)	82,465	42
209,153	176,123	33,030	9,691,777	43

1. Show in columns (b) and (e) for each primary account the depreciation base used to compute the depreciation charges for the month of January, and in columns (c) and (f) show the depreciation base used to compute the depreciation charges for the month of December. In columns (d) and (g) show the composite rates used in computing the depreciation charges for the month of December, and on lines 30 and 31 of these columns show the composite percentage for all road and equipment accounts, respectively, ascertained by applying the primary account composite rates to the depreciation base used in computing the charges for December and dividing the total so computed by the total depreciation base for the same month. The depreciation base should not include the cost of equipment used, but not owned, when the rents therefor are included in the rent for equipment and Account Nos. 31-21-400, 31-22-400, 31-23-400, 31-25-400, 31-21-401, 31-22-401, 31-23-401, 31-25-401. It should include the cost of equipment owned and leased to others when the rents therefor are included in the rent for equipment and Account Nos. 32-21-400, 32-22-400, 32-23-400, 32-24-400, 36-21-400, 36-22-400, 36-23-400 and 36-24-400, inclusive. The composite rates used should be those prescribed or otherwise authorized by the Commission, except that where the use of component rates has been authorized, the composite rates to be shown for the respective primary accounts should be recomputed from the December charges developed by the use of the authorized rates. If any changes in rates were effective during the year, give full particulars in a footnote.

2. All leased properties may be combined and one composite rate computed for each primary account, or a separate schedule may be included for each such property.

3. Show in columns (e) (f) and (g) data applicable to Lessor property when the rent therefor is included in Account Nos. 31-11-400, 31-12-400, 31-13-400, 31-21-400, 31-22-400, and 31-23-400, inclusive.

4. If depreciation accruals have been discontinued for any account, the depreciation base should be reported nevertheless in support of depreciation reserves. Authority for the discontinuance of accruals should be shown in a footnote indicating the account(s) effected.

5. Disclosures in the respective sections of this schedule may be omitted if either total road leased from others or total equipment leased from others represents less than 5% of total road owned or total equipment owned, respectively.

NOTE Track structure (accounts 8, 9 and 11) depreciation rates are based on consistent use of the Company's net salvage method, which produces financial statement results consistent with the method suggested by Docket No. 36988. The Company's methodology has been approved by the Commission.

335. ACCUMULATED DEPRECIATION - ROAD AND EQUIPMENT OWNED AND USED

(Dollars in Thousands)

1 Disclose the required information in regard to credits and debits to Account No 735 Accumulated depreciation Road and Equipment Property, during the year relating to owned and used road and equipment. Include entries for depreciation of equipment owned but not used when the resulting rents are included in the "Lease Rental-Credit-Equipment" accounts and "Other-Rents-Credit-Equipment" accounts. Exclude any entries for depreciation of equipment that is used but not owned when the resulting rents are included in "Lease Rental-Debit-Equipment" account and "Other Rents-Debit-Equipment" accounts (See Schedule 351 for the accumulated depreciation to road and equipment owned and leased to others)

2. If any data are included in columns (d) or (f), explain the entries in detail

3. A debit balance in columns (b) or (g) for any primary account should be designated Dr

4. If there is any inconsistency between the credits to the reserve as shown in column (c) and the charges to O/E, a full explanation should be given.

5. Enter amounts representing amortization under an authorized amortization program other than for defense projects on lines 29 and 39

Line No	Cross Check	Account	Balance at beginning of year year (b)	CREDITS TO RESERVE				Balance at close of year (g)	Line No
				During the year					
				Charges to operating expenses (c)	Other credits (d)	Retire-ments (e)	Other debits (f)		
(a) (b) (c) (d) (e) (f) (g)									
ROAD									
1		(3) Grading	32,659	2,871	0	-2,261	0	37,791	1
2		(4) Other, right-of-way expenditures	961	56	0	-7	0	1,024	2
3		(5) Tunnels and subways	4,842	807	0	-29	0	5,678	3
4		(6) Bridges, trestles, and culverts	79,452	13,688	0	6,823	0	86,317	4
5		(7) Elevated structures	2,748	0	0	-21	0	2,769	5
6		(8) Ties	218,373	40,488	0	18,394	0	240,467	6
7		(9) Rail and other track material	169,145	59,613	244	47,142	678	181,182	7
8		(11) Ballast	-16,678	23,544	0	13,613	0	-6,747	8
9		(13) Fences, snow sheds, and signs	961	129	0	0	0	1,090	9
10		(16) Station and office buildings	119,001	15,766	0	8,806	0	125,961	10
11		(17) Roadway buildings	5,052	355	0	-40	0	5,447	11
12		(18) Water stations	334	0	0	-3	0	337	12
13		(19) Fuel stations	15,060	1,790	0	-106	0	16,956	13
14		(20) Shops and enginehouses	44,570	3,801	0	-401	0	48,772	14
15		(22) Storage warehouses	0	0	0	0	0	0	15
16		(23) Wharves and docks	-28	23	0	-6	0	1	16
17		(24) Coal and ore wharves	26,359	1,293	0	-208	0	27,860	17
18		(25) TOFC/COFC terminals	49,873	7,214	0	-328	0	57,415	18
19		(26) Communication systems	77,407	6,517	0	191	0	83,733	19
20		(27) Signals and interlockers	201,751	19,790	0	1,302	0	220,239	20
21		(29) Power plants	541	36	0	-5	0	582	21
22		(31) Power-transmission systems	8,625	834	0	-51	0	9,510	22
23		(35) Miscellaneous structures	1,046	92	0	-6	0	1,144	23
24		(37) Roadway machines	76,056	7,853	0	-363	0	84,272	24
25		(39) Public improvements-Construction	8,777	1,052	0	77	0	9,752	25
26		(44) Shop machinery *	31,304	3,219	0	-294	0	34,817	26
27		(45) Power-plant machinery	3,214	13	0	-25	0	3,252	27
28		All other road accounts	26	0	0	167	0	-141	28
29		Amortization (Adjustments)	342,112	0	529	2,593	2,036	338,012	29
30		TOTAL ROAD	1,503,543	210,844	773	94,954	2,714	1,617,492	30
EQUIPMENT									
31	*	(52) Locomotives	521,041	59,888	4,862	20,420	544	564,827	31
32	*	(53) Freight-train cars	378,776	47,733	0	37,416	0	389,093	32
33	*	(54) Passenger-train cars	1,660	0	0	0	0	1,660	33
34	*	(55) Highway revenue equipment	724	0	0	-20	0	744	34
35	*	(56) Floating equipment	0	0	0	0	0	0	35
36	*	(57) Work equipment	68,012	3,542	0	-1,988	29	73,513	36
37	*	(58) Miscellaneous equipment	29,381	4,964	0	-268	0	34,613	37
		(59) Computer systems and word							
38		processing equipment	34,097	4,454	0	3,268	0	35,283	38
39	*	Amortization Adjustments	-3	0	0	-3	0	0	39
40		TOTAL EQUIPMENT	1,033,688	120,581	4,862	58,825	573	1,099,733	40
41		GRAND TOTAL	2,537,231	331,425	5,635	153,779	3,287	2,717,225	41

* To be reported with equipment expenses rather than W & S expenses

See notes page 39

Notes to Schedule 335-Accumulated Depreciation-Road and Equipment Owned and Used

- 1 The credits to the reserve as shown in column (c) exceed charges to operating expenses due to the capitalization of overhead costs:

Schedule 335	\$331.425		
Schedule 410		331425	
	<u>\$331,425</u>	<u>\$331,425</u>	<u>\$0</u>

2. Entries to Other Credits (column d)

Roadway:	
Salvage	\$244
Salvage Costs - Asset Impairment Reserves	529
Former Abandonment Sales Reserve Transfer	
	<u>773</u>
Equipment:	
Salvage	4.862
Like-Kind transfer	<u>0</u>
	<u>4.862</u>
Total column (d)	<u>\$5.635</u>

3. Entries to Other Debits (column f)

Roadway:	
Removal Costs	\$678
Impairment Reserves - Removal	2.036
Freight & Work Equipment Adjustment	573
Impairment Reserve READ Transfer	
Total column (f)	<u>\$3.287</u>

352 A. INVESTMENT IN RAILROAD PROPERTY USED IN TRANSPORTATION SERVICE (by Company)

(Dollars in Thousands)

1 Disclose the investment in railway property used in transportation service at the close of the year. This investment represents the aggregate of property owned or leased by the respondent and used in the respondent's transportation service. Such property includes (a) the investment reported in Accounts 731 "Road and Equipment Property" and 732, "Improvements on Leased Property" of the respondent, less any 731 or 732 property leased to others for their exclusive use of road, track or bridges (including equipment or other railway property covered by the contract). Equipment leased to others under separate distinct contracts shall not be deducted from the respondent's 731 or 732 property and (b) the investment of other companies' 731 or 732 property (including operating and lessor railroads) used by the respondent when the lease is for exclusive use or control of roads, tracks or bridges (including equipment of other railway property covered by the contract). This excludes leased equipment from operating railroads under separate distinct contracts and the investment of other carriers in property jointly used by the respondent.

2 In column (a) classify each company in this schedule as respondent (R), lessor railroad (L), inactive or proprietary company (P) and other leased properties (O).

3 In column (a) to (e) inclusive first show the data requested for the respondent (R) next the data for companies whose entire properties are used in transportation service of the respondent divided between lessor (L) and proprietary (P) companies, followed by data for carriers and others (O), portions of whose property are used in transportation service of the respondent. Show a total for each class of company in column (d) and (e). Then show, as deductions, data for transportation property leased to carriers and others.

4 In column (c), line-haul carriers report the miles of road used in line-haul service. Report miles in whole numbers.

5 In column (d) show the amount applicable in Accounts 731 and 732 on the books of the company whose names appear in column (b). Values of property of carriers segregated by estimate or otherwise should correspond in amount to the deductions made by the owners in their reports. If separate value is not available explanations should be given. Differences between the amounts in column (d) of this schedule and the amounts shown in column (c) line 24, on the asset side of the comparative general balance sheet of each individual railway, should be explained in a footnote. Book value included in Accounts 731 or 732 of the owner should be reported in column (d) in reference to the investment of the respondent in the securities of the owner unless a good reason can be given for the contrary. Methods of estimating (by capitalizing rentals at 6 percent or otherwise) value of property of private owners, or portions of property of other carriers should be explained.

6 In column (e), show the amount of depreciation and amortization accrued as of the close of the year in Accounts 733, 734, 735, 736, and 772, that is applicable to the property of the carriers whose names are listed in column (b) regardless of where the reserves therefor are recorded.

Line No	Class (See Ins 2) (a)	Name of company (b)	Miles of road used (See Ins 4) (whole numbers) (c)	Investments in property (See Ins 5) (d)	Depreciation and amortization of defense projects (See Ins 6) (e)	Line No
1						1
2						2
3						3
4		N/A - SEE SCHEDULE 330				4
5						5
6						6
7						7
8						8
9						9
10						10
11						11
12						12
13						13
14						14
15						15
16						16
17						17
18						18
19						19
20						20
21						21
22						22
23						23
24						24
25						25
26						26
27						27
28						28
29						29
30						30
31						31

352B. INVESTMENT IN RAILWAY PROPERTY USED IN TRANSPORTATION SERVICE
(Dollars in Thousands)

- 1 In columns (b) through (e) give, by primary accounts, the amount of investment at the close of the year in property of respondent and each group or class of companies and properties
- 2 The amounts for respondent and for each group or class of companies and properties on Line 44 herein, should correspond with the amounts for each class of company and properties shown in Schedule 352A. Continuing records shall be maintained by respondent of the primary property accounts separately for each company of property included in the schedule
- 3 Report on line 29 amounts representing capitalization of rentals for leased property based on 6 percent per year where property is not classified by accounts by non-carrier owners, or where cost of property leased from other carriers is not ascertainable. Identify non-carrier owners and briefly explain on page 37 methods of estimating value of property of non-carriers or property of other carriers
- 4 Report on line 30 amounts not includible in the accounts shown, or in line 29. The items reported should be briefly identified and explained. Also include here those items after permission is obtained from the Commission for exceptions to prescribed accounting. Reference to such authority should be made when explaining the amounts reported. Respondents must not make arbitrary changes to the printed stub or column headings without specific authority from the Commission

Line No	Cross check	Account (a)	Respondent (b)	Lessor Railroads (c)	Inactive (proprietary companies) (d)	Other Leased Properties (e)	Line No
1		(2) Land for transportation purposes					1
2		(3) Grading					2
3		(4) Other, right-of-way expenditures					3
4		(5) Tunnels and subways	N/A - SEE SCHEDULE 330				4
5		(6) Bridges, trestles, and culverts					5
6		(7) Elevated structures					6
7		(8) Ties					7
8		(9) Rail and other track material					8
9		(11) Ballast					9
10		(13) Fences, snow sheds, and signs					10
11		(16) Station and office buildings					11
12		(17) Roadway buildings					12
13		(18) Water stations					13
14		(19) Fuel stations					14
15		(20) Shops and enginehouses					15
16		(22) Storage warehouses					16
17		(23) Wharves and docks					17
18		(24) Coal and ore wharves					18
19		(25) TOI C/COFC terminals					19
20		(26) Communication systems					20
21		(27) Signals and interlockers					21
22		(29) Power plants					22
23		(31) Power-transmission systems					23
24		(35) Miscellaneous structures					24
25		(37) Roadway machines					25
26		(39) Public improvements-Construction					26
27		(44) Shop machinery					27
28		(45) Power-plant machinery					28
29		Leased property capitalized rental (explain)					29
30		Other (specify and explain)					30
31		TOTAL ROAD					31
32		(52) Locomotives					32
33		(53) Freight-train cars					33
34		(54) Passenger-train cars					34
35		(55) Highway revenue equipment					35
36		(56) Floating equipment					36
37		(57) Work equipment					37
38		(58) Miscellaneous equipment					38
39		(59) Computer systems and word processing equipment					39
40		TOTAL EQUIPMENT					40
41		(76) Interest during construction					41
42		(80) Other elements of investment					42
43		(90) Construction work in progress					43
44		GRAND TOTAL					44

410 RAILWAY OPERATING EXPENSES
(Dollars in Thousands)

State the railway operating expenses on respondent's road for the year, classifying them in accordance with the Uniform System of Accounts for Railroad Companies, and allocate the common operating expenses in accordance with the Commission's rules governing the separation of such expenses between freight and passenger services

NAME OF RAILWAY OPERATING EXPENSE ACCOUNT												
LINE/CROSS NO.	N/A - NATURAL ACCOUNT F/C - FUNCTION CODE (A)	N/A F/C	FREIGHT					PASSENGER	TOTAL	LINE NO.		
			SALARIES & WAGES (B)	MAT'L, TOOLS, SUPPLIES FUEL & LUBES (C)	PURCHASED SERVICE (D)	GENERAL (E)	TOTAL FREIGHT EXPENSE (F)					
	WAY AND STRUCTURES:											
	ADMINISTRATION:											
1	TRACK	02	2,373	268	339	99	3,079			3,079	1	
2	BRIDGE AND BUILDING	03	235	2	1	28	266			266	2	
3	SIGNAL	04	771	13	18	179	981			981	3	
4	COMMUNICATION	05	141	1	4	18	164			164	4	
5	OTHER	06									5	
	REPAIR AND MAINTENANCE:											
6	ROADWAY-RUNNING	10	238				238			238	6	
7	ROADWAY-SWITCHING	10	(86)	14	789		717			717	7	
8	TUNNELS/SUBWAYS-RUNNING	11		37							8	
9	TUNNELS/SUBWAYS-SWITCHING	11			(47)		37			37	9	
10	BRIDGES/CULVERS-RUNNING	12	996				949			949	10	
11	BRIDGES/CULVERS-SWITCHING	12	265		175	6	446			446	11	
12	TIES-RUNNING	13	492				492			492	12	
13	TIES-SWITCHING	13		83			83			83	13	
14	RAIL & OTH TRK MAT'L-RUNNING	14	4,003	641	1	22	4,667			4,667	14	
15	RAIL & OTH TRK MAT'L-SWITCHING	14	518	1,919	371	57	2,865			2,865	15	
16	BALLAST-RUNNING	16	57	1			58			58	16	
17	BALLAST-SWITCHING	16		121	3		124			124	17	
18	RD PROPERTY DAMAGE-RUNNING	48	136		15		151			151	18	
19	RD PROPERTY DAMAGE-SWITCHING	48		13			13			13	19	
20	RD PROPERTY DAMAGE-OTHER	48		3	3		6			6	20	
21	SIGNALS/INTERLOCKERS-RUNNING	19		20			20			20	21	
22	SIGNALS/INTERLOCKERS-SWITCHING	19	1,119	140		89	1,348			1,348	22	
23	COMMUNICATIONS SYSTEMS	20	350	547	97	5	999			999	23	
24	POWER SYSTEMS	21		13			13			13	24	
25	HWY GRADE CROSSINGS-RUNNING	22	(574)	(93)	123		(544)			(544)	25	
26	HWY GRADE CROSSINGS-SWITCHING	22		218		(4)	214			214	26	
27	STATION & OFFICE BUILDINGS	23	350	117	210		677			677	27	
28	SHOP BLDGS-LOCOMOTIVES	24	354	25	267		646			646	28	
29	SHOP BLDGS-FREIGHT CARS	25		7	19		26			26	29	
30	SHOP BLDGS-OTHER EQUIPMENT	26	41				41			41	30	

410 RAILWAY OPERATING EXPENSES
(Dollars in Thousands)

LINE CROSS NO.	NAME OF RAILWAY OPERATING EXPENSE ACCOUNT N/A - NATURAL ACCOUNT F/C - FUNCTION CODE (A)	N/A F/C	FREIGHT				PASSENGER	TOTAL	LINE NO.
			SALARIES & WAGES (B)	MAT'L, TOOLS SUPPLIES FUEL & LUBES (C)	PURCHASED SERVICE (D)	GENERAL (E)			
	WAY AND STRUCTURES-(CONTINUED)								
	REPAIR AND MAINTENANCE-(CONTINUED)								
101	LOCOMOTIVE SERVICE FACILITIES	27			68			68	101
102	MISC BUILDINGS & STRUCTURES	28	5	82	83			170	102
103	COAL TERMINALS	29			243			243	103
104	ORE TERMINALS	30			101			101	104
105	OTHER MARINE TERMINALS	32			17			17	105
106	TOFC/COFC TERMINALS	31	129	9				138	106
107	MTR VEHICLE LDG & DISTRIB FAC	33			31			31	107
108	FAC FOR OTH SPEC SERVICE OPER	35		3	4			7	108
109	ROADWAY MACHINES	36	225	507	86			818	109
110	SMALL TOOLS & SUPPLIES	37		1,524	15	56		1,595	110
111	SNOW REMOVAL	38	206	25	288			519	111
112	FRINGE BENEFITS-RUNNING	12 00				(2,016)		(2,016)	112
113	FRINGE BENEFITS-SWITCHING	12 00				14,042		14,042	113
114	FRINGE BENEFITS-OTHER	12 00				541		541	114
115	CASUALTIES/INS-RUNNING	52/53 00				2,584		2,584	115
116	CASUALTIES/INS-SWITCHING	52/53 00				10		10	116
117	CASUALTIES/INS-OTHER	52/53 00				3,082		3,082	117
118	LEASE RENTALS-DR-RUNNING	31 00			(1)			(1)	118
119	LEASE RENTALS-DR-SWITCHING	31 00			1,195			1,195	119
120	LEASE RENTALS-DR-OTHER	31 00			7,229			7,229	120
121	LEASE RENTALS-DR-RUNNING	32 00							121
122	LEASE RENTALS-DR-SWITCHING	32 00			(33)			(33)	122
123	LEASE RENTALS-DR-OTHER	32 00			1,690			1,690	123
124	JT FACILITY RENT-DR-RUNNING	33 00			189			189	124
125	JT FACILITY RENT-DR-SWITCHING	33 00			4			4	125
126	JT FACILITY RENT-DR-OTHER	33 00			(3,362)			(3,362)	126
127	JT FACILITY RENT-DR-RUNNING	34 00			(336)			(336)	127
128	JT FACILITY RENT-DR-SWITCHING	34 00							128
129	JT FACILITY RENT-DR-OTHER	34 00							129
130	OTHER RENTS-DR-RUNNING	35 00			229			229	130
131	OTHER RENTS-DR-SWITCHING	35 00			46			46	131
132	OTHER RENTS-DR-OTHER	35 00			22			22	132
133	OTHER RENTS-DR-RUNNING	36 00							133
134	OTHER RENTS-DR-SWITCHING	36 00							134
135	OTHER RENTS-DR-OTHER	36 00							135

410 RAILWAY OPERATING EXPENSES
(Dollars in Thousands)

NAME OF RAILWAY OPERATING EXPENSE ACCOUNT											
LINE / CROSS NO.	N/A - NATURAL ACCOUNT F/C - FUNCTION CODE (A)	N/A F/C	SALARIES & WAGES (B)	MAT'L, TOOLS, SUPPLIES FUEL & LUBES (C)	FREIGHT			TOTAL FREIGHT EXPENSE (F)	PASSENGER (G)	TOTAL (H)	LINE NO.
					PURCHASED SERVICE (D)	GENERAL (E)					
WAY AND STRUCTURES-(CONTINUED)											
REPAIR AND MAINTENANCE-(CONTINUED)											
136	*	DEPRECIATION-RUNNING	62 00								136
137	*	DEPRECIATION-SWITCHING	62 00					123,816		123,816	137
138	*	DEPRECIATION-OTHER	62 00					76,133		76,133	138
139		JOINT FACILITY-DR-RUNNING	37 00			338		338		338	139
140		JOINT FACILITY-DR-SWITCHING	37 00			48		48		48	140
141		JOINT FACILITY-DR-OTHER	37 00			(522)		(522)		(522)	141
142		JOINT FACILITY-CR-RUNNING	38 00			(989)		(989)		(989)	142
143		JOINT FACILITY-CR-SWITCHING	38 00								143
144		JOINT FACILITY-CR-OTHER	38 00								144
145		DISMNTLG RET PROP-RUNNING	39								145
146		DISMNTLG RET PROP-SWITCHING	39								146
147		DISMNTLG RET PROP-OTHER	39								147
148	*	OTHER-RUNNING	99								148
149	*	OTHER-SWITCHING	99	117		17	113	247		247	149
150	*	OTHER-OTHER	99		2,655	(1,941)	1	715		715	150
151		TOTAL WAY AND STRUCTURES		12,461	8,915	7,147	218,861	247,384		247,384	151
EQUIPMENT											
LOCOMOTIVES:											
201		ADMINISTRATION	01	1,536	39	9	40	1,624		1,624	201
202	*	REPAIRS & MAINTENANCE	41	397	1,951	157	28	2,533		2,533	202
203	*	MACHINERY REPAIRS	40								203
204		EQUIPMENT DAMAGED	48	5				5		5	204
205		FRINGE BENEFITS	12 00					(189)		(189)	205
206		OTHER CASUALTIES & INS	52/53 00					1,803		1,803	206
207	*	LEASE RENTALS-DR	31 00			21,142		21,142		21,142	207
208	*	LEASE RENTALS-CR	32 00								208
209		JOINT FACILITY RENT-DR	33 00								209
210		JOINT FACILITY RENT-CR	34 00								210
211	*	OTHER RENTS-DR	35 00			11		11		11	211
212	*	OTHER RENTS-CR	36 00								212
213	*	DEPRECIATION	62 00					22,929		22,929	213
214		JOINT FACILITY-DR	37 00								214
215		JOINT FACILITY-CR	38 00								215
216		RPS BILLED OTHER-CR	ALL 40 XX								216
217		DISMANTLING RETIRED PROPERTY	39								217
218	*	OTHER	99	13			3	16		16	218
219		TOTAL LOCOMOTIVES		1,951	1,990	21,319	24,614	49,874		49,874	219

410 RAILWAY OPERATING EXPENSES
(Dollars in Thousands)

LINE NO.	NAME OF RAILWAY OPERATING EXPENSE ACCOUNT N/A - NATURAL ACCOUNT F/C - FUNCTION CODE (A)	N/A F/C	FREIGHT				PASSENGER	TOTAL	LINE NO.
			SALARIES & WAGES (B)	MAT'L, TOOLS, SUPPLIES (C)	PURCHASED SERVICE (D)	GENERAL (E)			
315	OTHER EQUIPMENT - (CONTINUED)	35 00							315
316	OTHER RENTS-DR	36 00						6,046	316
317	DEPRECIATION	62 00						56,715	317
318	JOINT FACILITY-DR	37 00							318
319	JOINT FACILITY-CR	38 00							319
320	RPS BILLED OTHER-CR	ALL 40 XX							320
321	DISMANTLING RETIRED PROPERTY	39							321
322	OTHER	99	35	(10)	389	1		415	322
323	TOTAL OTHER EQUIPMENT		672	3,734	58,890	58,778		122,074	323
324	TOTAL EQUIPMENT		9,820	8,381	75,827	139,461		233,489	324
TRANSPORTATION									
401	TRAIN OPERATIONS:								
402	ADMINISTRATION	01							401
403	ENGINE CREWS	56	3					3	402
404	TRAIN CREWS	57		37				37	403
405	DISPATCHING TRAINS	58	2,060			1		2,061	404
406	OPERATING SIGNALS & INTERLKs	59	140			3		143	405
407	OPERATING DRAWBRIDGES	60	1,637			3		1,640	406
408	HWY CROSSING PROTECTION	61		6				6	407
409	TRAIN INSPECTION & LUBRICATION	62	3,311	10				3,321	408
410	LOCOMOTIVE FUEL	67		3,445				3,445	409
411	ELEC PWR PURIPROD FOR MOTV PWR	68							410
412	SERVICING LOCOMOTIVES	69							411
413	FGT LOST/DMGD-SOLY RELATED	51 00							412
414	CLEARING WRECKs	63		36				36	413
415	FRINGE BENEFITS	12 00				7,923		7,923	414
416	OTHER CASUALTIES & INS	52/53 00				11,468		11,468	415
417	JOINT FACILITY-DR	37 00			149			149	416
418	JOINT FACILITY-CR	38 00							417
419	OTHER	99		5				5	418
	TOTAL TRAIN OPERATIONS		7,151	3,539	149	19,398		30,237	419
YARD OPERATIONS:									
420	ADMINISTRATION	01							
421	SWITCH CREWS	64	3,384	90	3,654	1,447		8,575	420
422	CONTROLLING OPERATIONS	65	67,878	992	2,473	357		71,700	421
423	YARD & TERMINAL CLERICAL	66		1	492	1		494	422
424	OPRTNG SWITCHES, SIG, RETDR, & HUMP	59	6,578	114	67	9		6,768	423
			969	61		18		1,048	424

410 RAILWAY OPERATING EXPENSES
(Dollars in Thousands)

LINE CROSS NO.	NAME OF RAILWAY OPERATING EXPENSE ACCOUNT N/A - NATURAL ACCOUNT F/C - FUNCTION CODE (A)	N/A F/C	FREIGHT				PASSENGER	TOTAL	LINE NO.
			SALARIES & WAGES (B)	MAT'L, TOOLS SUPPLIES & LUBES (C)	PURCHASED SERVICE (D)	GENERAL (E)	TOTAL FREIGHT EXPENSE (F)		
	YARD OPERATIONS (CONTINUED):								
425	LOCOMOTIVE FUEL	67		6,668			6,668	6,668	425
426	ELEC PWR PURPROD FOR MOTV PWR	68							426
427	SERVICING LOCOMOTIVES	69	1,502	331	8		1,841	1,841	427
428	FGT LOST/DMGD-SOLY RELATED	51 00							428
429	CLEARING WRECKS	63	52	156	544		752	752	429
430	FRINGE BENEFITS	12 00				7,794	7,794	7,794	430
431	OTHER CASUALTIES & INS	52/53 00				8,995	8,995	8,995	431
432	JOINT FACILITY-DR	37 00			(96)		(96)	(96)	432
433	JOINT FACILITY-CR	38 00			(602)		(602)	(602)	433
434	OTHER	99							434
435	TOTAL YARD OPERATIONS		80,363	8,413	6,540	18,621	113,937	113,937	435
	TRAIN & YARD OPER-COMMON:								
501	CLEANING CAR INTERIORS	70							501
502	ADJ & TRFG LOADS	71			50		50	50	502
503	CAR LOADING DEV & GRAIN DOORS	72							503
504	FGT LOST/DMGD-SOLY RELATED	51 00				(28)	(28)	(28)	504
505	FRINGE BENEFITS	12 00				(17)	(17)	(17)	505
506	TOTAL TRAIN & YARD OPER-COMMON				50	(45)	5	5	506
	SPECIALIZED SERVICE OPERATIONS:								
507	ADMINISTRATION	01	361	69	112	16	558	558	507
508	PICKUP & DEL & MARINE LINEHAUL	73			2		2	2	508
509	LDG & UNLDG & LOCAL MARINE	74	32	238	10,344	159	10,773	10,773	509
510	PROTECTIVE SERVICES	75			(3,853)		(3,853)	(3,853)	510
511	FGT LOST/DMGD-SOLY RELATED	51 00				(15)	(15)	(15)	511
512	FRINGE BENEFITS	12 00				228	228	228	512
513	OTHER CASUALTIES & INS	52/53 00				200	200	200	513
514	JOINT FACILITY-DR	37 00			1		1	1	514
515	JOINT FACILITY-CR	38 00							515
516	OTHER	99							516
517	TOTAL SPECIALIZED SERVICE OPERS		393	307	6,606	588	7,894	7,894	517
	ADMINISTRATIVE SUPPORT OPERS:								
518	ADMINISTRATION	01	142		341	25	508	508	518
519	EMP PERFMG CLER& ACCTG FUNCTS	76	844	38	35	2	919	919	519

410 RAILWAY OPERATING EXPENSES
(Dollars in Thousands)

LINE NO.	NAME OF RAILWAY OPERATING EXPENSE ACCOUNT N/A - NATURAL ACCOUNT F/C - FUNCTION CODE (A)	N/A F/C	FREIGHT					PASSENGER	TOTAL	LINE NO.
			SALARIES & WAGES (B)	MAT'L, TOOLS, SUPPLIES FUEL & LUBES (C)	PURCHASED SERVICE (D)	GENERAL (E)	TOTAL FREIGHT EXPENSE (F)			
520	ADMINISTRATIVE SUPPORT OPERS (CONT.)									
521	COMMUNICATION SYSTEMS OPERATION	77	264				264		264	520
522	LOSS & DMG CLAIMS PROCESSING	78								521
523	FRINGE BENEFITS	12 00					(1,668)		(1,668)	522
524	OTHER CASUALTIES & INS	52/53 00					1,760		1,760	523
525	JOINT FACILITY-DR	37 00								524
526	JOINT FACILITY-CR	38 00								525
527	OTHER	99								526
528	TOTAL ADMIN SUPPORT OPER		1,250	38	376	119	1,783		1,783	527
529	TOTAL TRANSPORTATION		89,157	12,297	13,721	38,681	153,856		153,856	528
601	GENERAL AND ADMINISTRATION:									
602	OFFICERS-GEN'L ADMINISTRATIVE	01	260	1	723	(9)	975		975	601
603	ACCTG, AUDITING & FINANCE	86	2,217	4	7,471	237	9,929		9,929	602
604	MANAGEMENT SERVICES & DATA PROC	87	5,140	4	8,414	139	13,697		13,697	603
605	MARKETING	88	100		2	8	110		110	604
606	SALES	89								605
607	INDUSTRIAL DEVELOPMENT	90	551	1	203	19	774		774	606
608	PERSONNEL & LABOR RELATIONS	91	7,845	240	2,515	1,146	11,746		11,746	607
609	LEGAL & SECRETARIAL	92	1,875	6	25,455	2,726	30,062		30,062	608
610	PUBLIC RELATIONS & ADVERTISING	93								609
611	RESEARCH & DEVELOPMENT	94								610
612	FRINGE BENEFITS	12 00				11,674	11,674		11,674	611
613	CASUALTIES & INSURANCE	52/53 00				1,213	1,213		1,213	612
614	WRITEDOWN OF UNCOLL ACCTS	63 00				226	226		226	613
615	PROPERTY TAXES	64 00				1,806	1,806		1,806	614
616	OTH TAX EXCEPT ON CI OR P/R	65 00				15,391	15,391		15,391	615
617	JOINT FACILITY-DR	37 00								616
618	JOINT FACILITY-CR	38 00								617
619	OTHER	99	22,024	183	505	(6,260)	16,452		16,452	618
620	TOTAL GENERAL & ADMINISTRATIVE		40,012	439	45,288	28,316	114,055		114,055	619
621	TOTAL CARRIER OPERATING EXPENSES		151,450	30,032	141,983	425,319	748,784		748,784	620

Conrail Inc

R-1 Report to STB for Year 2000

Mileage Operated at Close of Year (Schs 700 & 702) and Train Switching Hours (Sch 755)

Schedules 700 & 702 - Mileage Operated at Close of Year 2000:

	Switching			Total
	Road	Other Main	Yard	
Delaware	1			1
New Jersey	831	24	154	1,009
Michigan	120	25	153	298
Pennsylvania	245		99	344
Grand Total	1197	49	406	1,652 * Note A

* Note A Total includes 609 miles of Trackage Rights

Schedule 755 Line 116 (9-02) Train Switching Hours:

1/1- 12/31 89,047

Year 2000 89,047