Conrail

STB Oversight Hearing
Conrail Shared Assets Operations

Trenton, New Jersey
April 2, 2004
Background
Since the acquisition by CSX and Norfolk Southern, Conrail assets have been operated in three segments.

- **CSX**
  - **Conrail Inc.**
    - **(NYC)** New York Central Lines (Operated by CSXT as part of the CSXT system)
    - **Conrail Shared Assets Operations** (Independently operated for CSXT, NSR and their customers)
- **NS**
  - **Conrail Inc.**
    - **(PRR)** Pennsylvania Lines (Operated by NSR as part of the NSR system)
The geographical depiction of post-acquisition Conrail reflects the three major areas – PRR, NYC, and Conrail Shared Asset Operations (CSAO).
The STB has approved Conrail's "spin-off" of NYC and PRR to CSX and NS

- Asset transfer only

- CSXT and NSR are already operating NYC and PRR assets

- No change in CSAO ownership or operations

- "Spin-off" is anticipated to be completed by June 30, 2004
The quantitative profile of CSAO breaks down as follows:

- 1,350 total employees
- 1,200 miles of track
- 3 major classification yards and 25 support yards
- 100 locomotives
North Jersey is the largest of the three CSAO areas
South Jersey/Philadelphia is a critical point for North/South and East/West traffic.
Detroit is the gateway to heavy automotive traffic
Despite challenging economic conditions, CSAO has experienced substantial traffic growth.

<table>
<thead>
<tr>
<th>(Carloads in Thousands)</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2000-2003 % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Jersey</td>
<td>429</td>
<td>423</td>
<td>449</td>
<td>457</td>
<td>6.5%</td>
</tr>
<tr>
<td>South Jersey/Phila.</td>
<td>163</td>
<td>167</td>
<td>163</td>
<td>175</td>
<td>7.4%</td>
</tr>
<tr>
<td>Detroit</td>
<td>213</td>
<td>237</td>
<td>235</td>
<td>250</td>
<td>17.4%</td>
</tr>
<tr>
<td>CSAO Total</td>
<td>805</td>
<td>827</td>
<td>847</td>
<td>882</td>
<td>9.6%</td>
</tr>
</tbody>
</table>
As projected, intermodal traffic through the CSAO territories is growing rapidly.

(Carloads in Thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Intermodal</th>
<th>Merchandise</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>272</td>
<td>533</td>
</tr>
<tr>
<td>2001</td>
<td>279</td>
<td>549</td>
</tr>
<tr>
<td>2002</td>
<td>312</td>
<td>535</td>
</tr>
<tr>
<td>2003</td>
<td>342</td>
<td>540</td>
</tr>
</tbody>
</table>
Operations
Since 2000, CSAO has delivered solid operating results in all three major categories

◆ Safety
  ~ Received E. H. Harriman safety awards every year since 2000
  ~ Reduced FRA reportable injuries by 13%
  ~ Reduced derailments by 30%

◆ Service
  ~ Improved on-time train departures by 56%
  ~ Maintained 90+% performance in customer switching service
  ~ Reduced yard dwell hours by 19%

◆ Efficiency
  ~ Enhanced locomotive fleet efficiency by 30%
  ~ Improved crew efficiency by 4%
  ~ Reduced cost per car handled by 20%
Conrail’s safety-first focus continues to be our highest priority

Conrail Shared Assets Operation
Average Injuries per Month
2000 through 2003
Reducing average elapsed hours between arrival in and departure from major classification yards maintains system fluidity

Yard Dwell Time *

<table>
<thead>
<tr>
<th>Year</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time</td>
<td>30.3</td>
<td>28.0</td>
<td>25.5</td>
<td>24.5</td>
</tr>
</tbody>
</table>

* Measured in hours
Despite some 2003 slippage, on-time train departures have remained well above the 2000 level.
Capital expenditure levels have allowed CSAO to maintain, enhance and upgrade its infrastructure.

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Track</strong></td>
<td>$7,891</td>
<td>$8,470</td>
<td>$6,745</td>
<td>$8,435</td>
</tr>
<tr>
<td><strong>Bridges, Tunnels &amp; Other structures</strong></td>
<td>1,368</td>
<td>955</td>
<td>1,141</td>
<td>830</td>
</tr>
<tr>
<td><strong>Crossing Protection /Train Control</strong></td>
<td>2,853</td>
<td>1,295</td>
<td>1,679</td>
<td>1,818</td>
</tr>
<tr>
<td><strong>Equipment and Facilities</strong></td>
<td>5,085</td>
<td>2,350</td>
<td>3,548</td>
<td>4,332</td>
</tr>
<tr>
<td><strong>Special Projects</strong></td>
<td>425</td>
<td>7,009</td>
<td>6,493</td>
<td>2,098</td>
</tr>
<tr>
<td><strong>Total Capital</strong></td>
<td>$17,622</td>
<td>$20,079</td>
<td>$19,606</td>
<td>$17,513</td>
</tr>
</tbody>
</table>
Other Initiatives
Conrail has partnered with public transportation agencies, jointly investing in a number of major projects:

<table>
<thead>
<tr>
<th>Partnership</th>
<th>Project Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conrail/NJT:</td>
<td>Northern Branch Double Track</td>
<td>$18 million</td>
</tr>
<tr>
<td>Conrail/NJDOT/PANYNJ:</td>
<td>North Jersey Infrastructure</td>
<td>$50 million</td>
</tr>
<tr>
<td>Conrail/MDOT:</td>
<td>Detroit Livemois Intermodal Expansion</td>
<td>$10.5 million</td>
</tr>
<tr>
<td>Conrail/Municipalities:</td>
<td>Various projects in Detroit, Lincoln Park, P. Amboy, S. Amboy, Sayreville, Bayonne</td>
<td>Various</td>
</tr>
</tbody>
</table>
CSAO coordinates an active industrial development function with NS and CSX

- New side track applications have increased 30% since 2000

- The current inventory of new customer projects includes 25-30 proposals

- Project proposals include:
  - expansion of existing capacity
  - reactivation of dormant industrial sites
  - provision of transportation solutions to emerging growth industries
CSAO continues Conrail’s long tradition of working with short lines to expand its rail business

- CSAO, CSXT and NS meet regularly to expedite short line initiatives
- Since split date, CSAO has processed approximately 20 such initiatives
- The shortline initiatives have included sales, new shortline start ups, and enhancement of existing shortline arrangements
- The great majority of shortline initiatives have been favorably implemented
- CSAO remains open to new initiatives
Conclusion
The rationale for the 1997 acquisition of Conrail remains valid today and the CSAO entity is performing well

- Expanded access to Northern New Jersey/New York, the largest freight market in the U.S.
- Created single line economies east of the Mississippi
- Expanded high growth intermodal line of business
- Provided economies of scale/synergies
- Partnered with governmental agencies