Conrail…An Evolution of Change

The evolution of change at Conrail is segmented into a three part overview

- **Historical Milestones**
  1976 - 2015

- **Corporate Structure and Significant Statistics**
  - **Pre/Post Acquisition**
  - **Significant Statistics**

- **Shared Assets Areas**
  - **Purpose**
  - **Geographic Overview**
  - **Performance To Date**

During Conrail's 40 year history it has transformed from a Class I line haul carrier to a Switching & Terminal operation

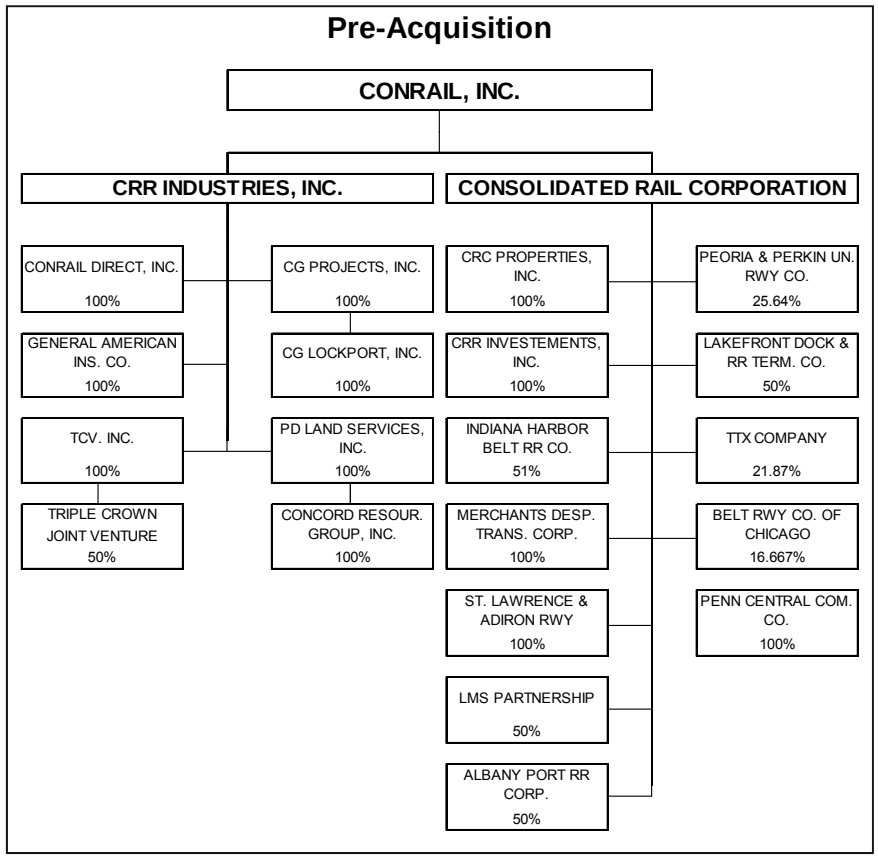
Historical Milestones

• 3R Act	January 1974
• 4R Act	February 1976
• Formation of Conrail	April 1, 1976
• Staggers Rail Act	October 1980
• NERSA	August 1981
• Initial Public Offering (IPO)	March 1987
• Acquisition by	
– CSX and Norfolk Southern Corporation	June 1997
• Control Date	August 1998
• Operating Split Date	June 1999
• Spin Date of NYC LLC and PRR LLC	August 2004
• Last Corporate Simplification	December 2012

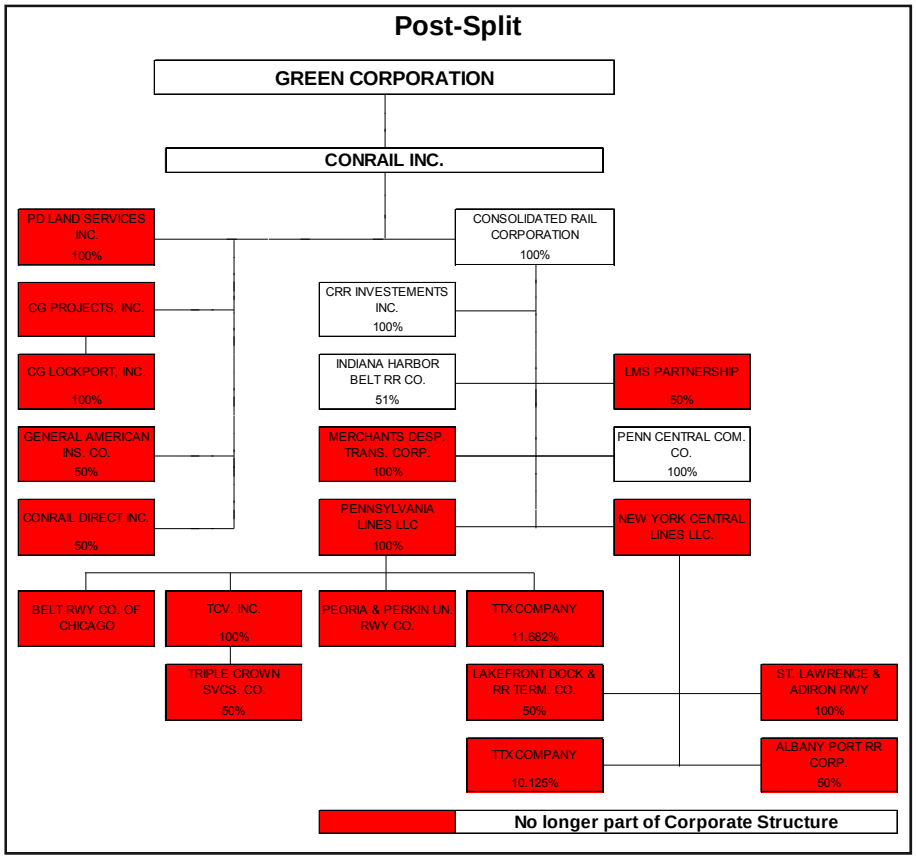
Corporate Structure of Conrail continues after acquisition and control by CSX and Norfolk Southern Corporation with most notable changes taking place through NYC LLC and PRR LLC

Corporate Structure

Pre-Acquisition



Post-Split



Conrail made significant reductions during its Class I era thus setting the stage for refinements made beyond split date of June 1, 1999

	1977	1998	Percent Variance	2000	2015	Percent Variance
Route Miles	19,222	10,826	44%	585	566	3%
Track Miles	40,678	20,941	49%	1,216	1,209	1%
Employees	94,605	19,611	79%	1,731	1,122	35%
Locomotives	4,877	1,944	60%	142	87	39%
Worked & Compensated Man-Hours	186,898,323	40,950,141	78%	3,814,512	2,193,989	42%

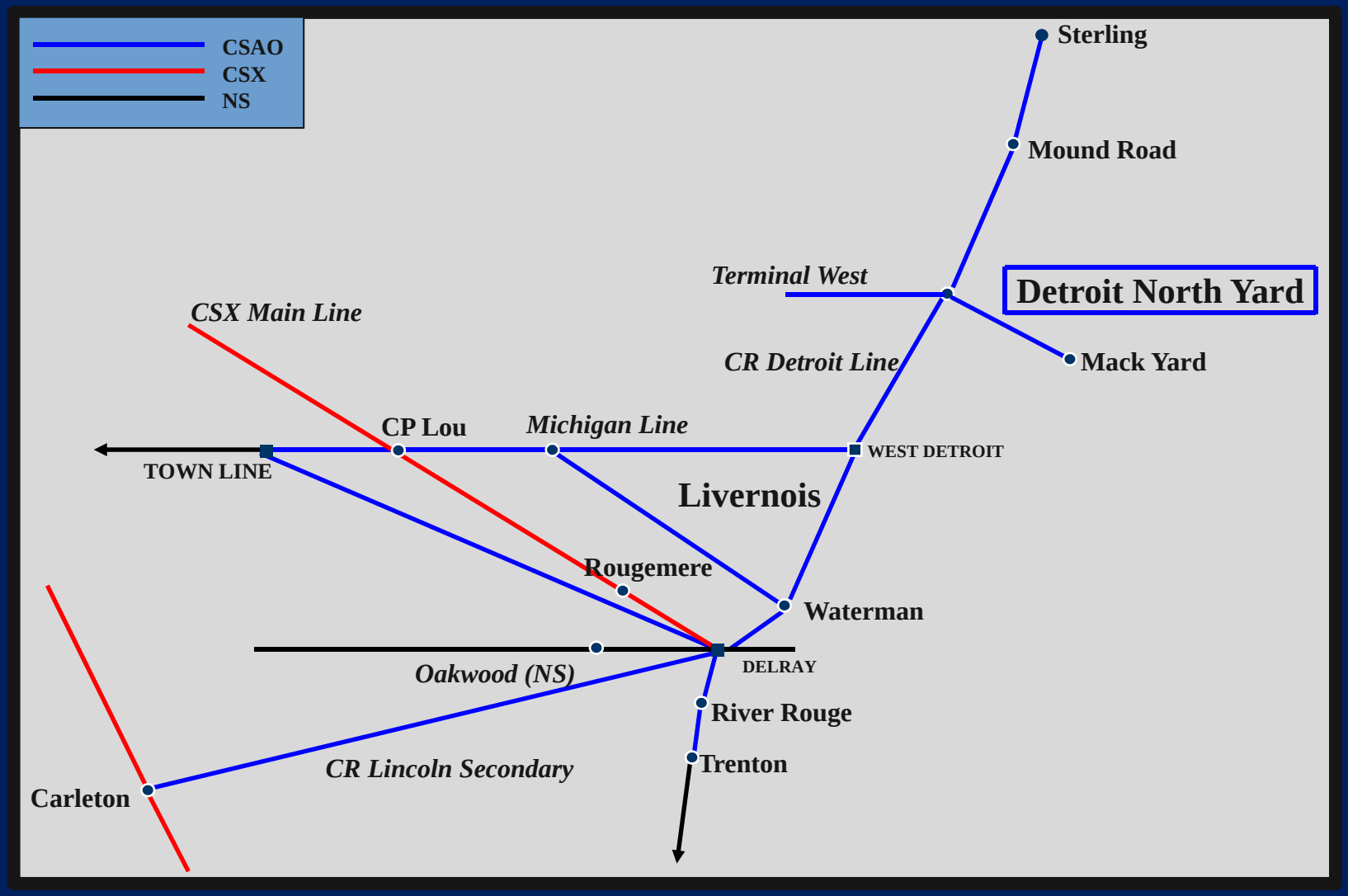
Shared Assets Areas

Why?...Because the arrangements of Shared Assets Areas permits:

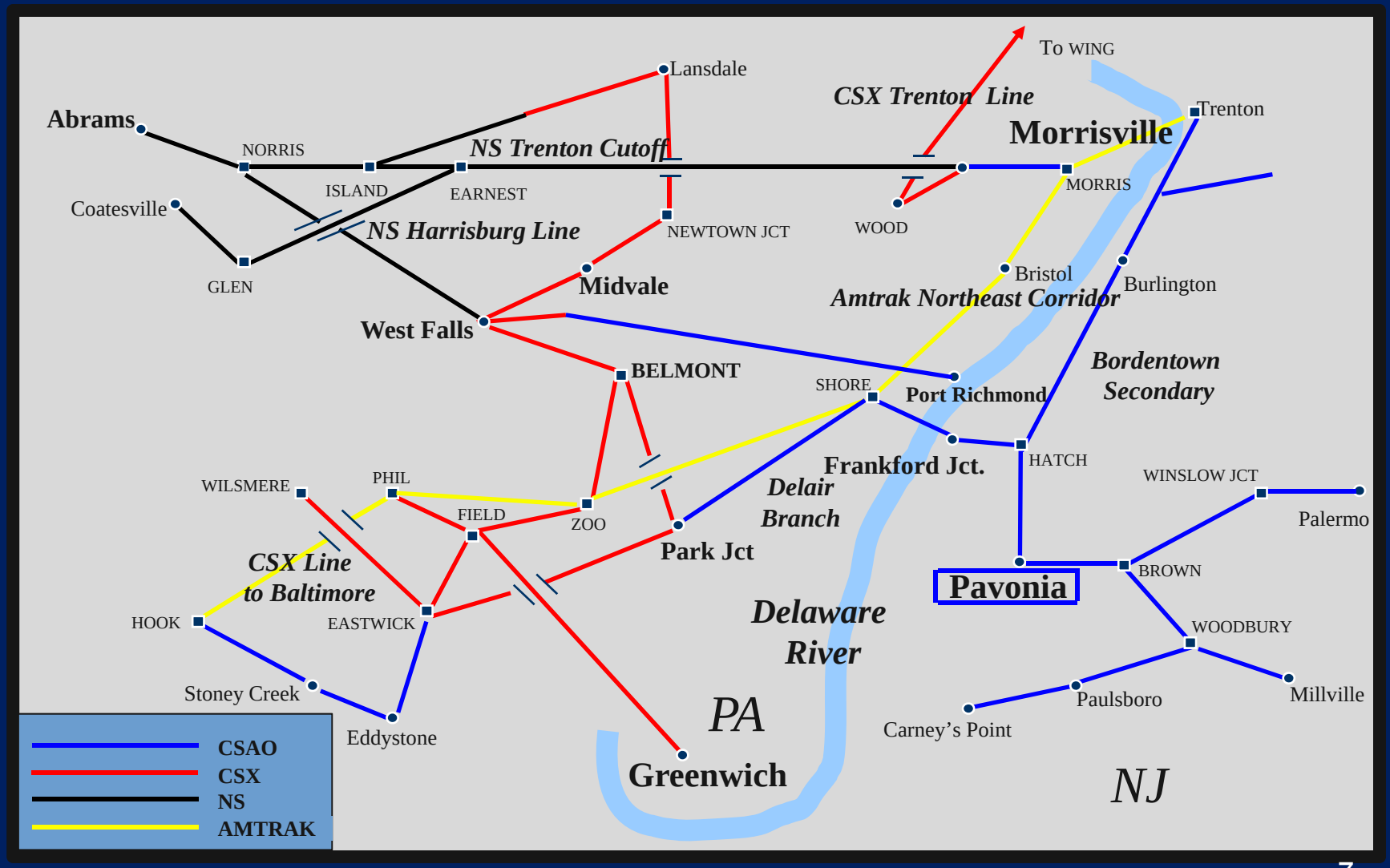
- Customer choice of either NS or CSX routings, price, service and equipment in an extensive number of origin-destination markets
- Simple, direct business transaction contact with the line haul carriers, NS and CSX
- Train make-up, break-up and terminal switching service by a single efficient entity, minimizing duplication in very congested geographic areas
- Hosting run-though train service to and from points within the Shared Assets Areas, as highlighted in the Operating Plan

Source: Railroad Control Application before STB/Finance Docket #33388

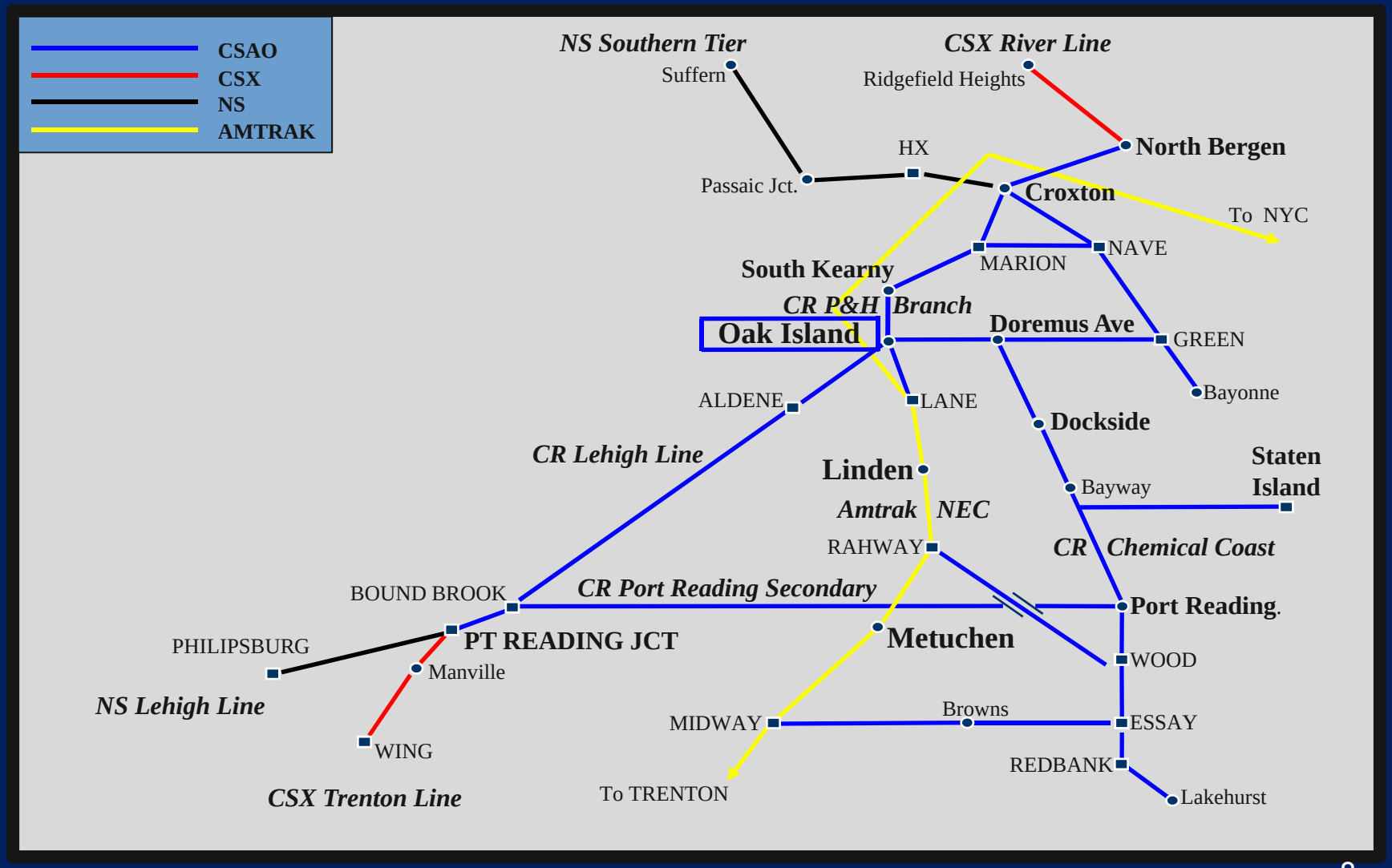
Detroit is a very efficient terminal area with a non-hump linear network reliant on pre-classification of inbound traffic flows



South Jersey area is a hub and spoke operation centered at Pavonia Yard whereas the Philadelphia Metropolitan Area comprises a network of five distinct island yards



North Jersey is a repetitive hub and spoke operation comprised of Oak Island Hump Yard and nine satellite yards



Since split date, Conrail's mission has been to administer consistent service levels to plan with the least amount of cost structure

- The Shared Assets Areas initiated field operations with component levels not in excess of pre-split Conrail
- An organizational "Change Agent" mentality delivered a re-engineered structure during the past fifteen years
- Continual focus for improved operating efficiency has bred year over year benefits
- Seizing synergies and maximizing economies of scale were realized by adopting "Best Practices" from parent company ownership

As our evolution began to a Switching and Terminal configuration, a profile was developed in 2000 for purposes of ongoing comparison

- Human Resources
- Infrastructure
- Equipment and Highway Vehicles
- Facilities
- Operating Plan
- Productivity/Service Performance

Conrail Transportation Profile 2000 - 2015

( ) = Decrease

	2000	2015	Variance	Percent Variance
Human Resources				
OTE Work Force	222	130	(92)	(41%)
T+E Work Force	614	429	(185)	(30%)
Total Transportation Work Force	836	559	(277)	(33%)
Transportation Worked and Compensated Man-Hours	129,741	88,893	(40,848)	(31%)
Operating Plan				
Owner Road Trains Dispatched Daily	96	103	7	7%
Passenger/Commuter Trains Dispatched Daily	66	63	(3)	(5%)
Owner Road Trains Made Up Daily	21	26	5	24%
Owner Road Trains Terminated Daily	19	25	6	32%
Number of CSX/NS Classifications Made	122	112	(10)	(8%)
Number of Serving Yards	27	22	(5)	(19%)
Number of CR Crews operated	145	164	19.0	13%
Route Miles DCS	234.6	215.5	(19.1)	(8%)

Conrail Maintenance Profile 2000 - 2015

( ) = Decrease

	2000	2015	Variance	Percent Variance
Human Resources				
Maintenance & Inspection Workforce	551	451	(100)	(18%)
Maintenance & Inspection Worked & Compensated Man-Hours	109,039	74,969	(34,070)	(31%)
Physical Plant				
Total Track Mileage	1,257.5	1,208.9	(48.65)	(4%)
Class I Miles	842.6	778.7	(64.0)	(8%)
Class II Miles	210.9	207.0	(3.9)	(2%)
Class III Miles	130.7	142.6	11.9	9%
Class IV Miles	32.7	60.4	27.7	85%
Excepted Track Miles	40.6	20.2	(20.4)	(50%)
Road Crossings	958	901	(57)	(6%)
Route Mile CWR	321.8	356.8	35.0	11%
Route Mile Jointed	263.2	208.9	(54.3)	(21%)
Yard CWR	307.1	384.0	76.9	25%
Yard Jointed	424	374	(50)	(12%)
Manned Towers	8	2	(6)	(75%)
Manned Moveable Bridges	10	3	(7)	(70%)
Buildings	60	45	(15)	(25%)
Air Compressors	35	35	-	0%
Switch Heaters	169	321	152	90%
Utility Services	848	921	73	9%
Leased Circuits	2,458	1,124	(1,334)	(54%)
Equipment & Highway Vehicles				
Locomotives	142	87	(55)	(39%)
Roadway Vehicles	274	222	(52)	(19%)
M/W Equipment	32	16	(16)	(50%)

Favorable performance results have been achieved during this period from engaging constructive change

- Injuries – 55% reduction in injuries as of 2015
- Derailments – 72% reduction in derailment occurrences as of 2015
- Operating and maintenance positions – 30% reduction
- Operating and maintenance man-hours – 31% reduction
- Capital Expenditures have been matched to maintain level of utility, provide return on investment and improve efficiency through the application of technology
- "PPP" over past 15 years represents 29% of total capital expenditures
- Operating Performance and Productivity Improvements

( ) = Decrease

	2000	2015	Variance	Percent Variance
Performance Indicators				
Average Crew Size	2.50	1.96	(0.54)	(22%)
Average T&E Overtime per Start	2.29	1.40	(0.89)	(39%)
On-Time Train Departures	54%	96%	42%	77%
Yard Dwell Hours	30.3	19.1	(11.2)	(37%)
Cycle Time (Days)	9.6	6.5	(3.1)	(32%)
Worked & Compensated Man-Hours Per Cars Handled	3.01	2.13	(0.9)	(29%)

CSX and NSC have realized the benefits of ongoing change initiatives at Conrail

Implemented Initiatives:

- Transportation reporting systems
- On-board customer work order reporting
- T&E crew management system
- Technology advancements
- Adopting parent's material standards and specifications
- Consolidated track geometry testing
- Conveyance of property protection services

CSX and NSC continue to realize the benefits of ongoing change initiatives at Conrail

Continuing Initiatives:

- Managing work force attrition while maximizing productivity of man-hours
- Adopting proven parent company technology to produce change and efficiency
- Continuing subscription of best business practices from parent companies
- Benchmarking analysis of S & T companies owned by CSX and NSC

Since split date the employees of Conrail have demonstrated unprecedented performance in safety, service and productivity

Continuous Safety Improvement

- Seven Consecutive E.H. Harriman Awards (*Longest Streak in Conrail History*)
- Employee Injury Reduction by 55%
- Derailments Reduced by 72%

Service Consistency

- Execute a System Yard Dwell Time of 19.1 Hours
- Execute a System On-Time Train Departure Rate of 95.7%
- Execute the Dispatching of Inter-City and Passenger Trains at Rates in Excess of 95.6% of Schedule
- Execute Industry Switching Compliance in Excess of 93% of Customer Expectation

Productivity Gains

- Locomotive Asset Base Reduced by 39%
- Vehicle Asset Base Reduced by 19%
- Worked & Compensated Man-Hours Reduced by 42% (*Delivering 12 Months of Value with 5.0 Months of Labor*)

Adaptation of Technology

- Remote Control Moveable Bridges
- Real Time GPS Monitoring of Locomotive and Vehicle Fuel Conservation and Utilization
- Elimination of Manned Interlockers
- Implementation of Remote Control Locomotives
- On-Board Industry Work Order Reporting
- Voice Over Internet Protocol Communications
- Eliminated Pavonia hump and converted it to an exclusive remote control “one man crew” operation

CSX and NSC Fact Based Assessments

* "*....Operations in the Shared Asset Areas – A True Success Story….*"

- Mr. Michael J. Ward, Chairman, President & C.E.O., CSX Corporation

* "*The transaction also brought two carrier competitive services to the Shared Assets Areas…and that is working smoothly and well*."

- Mr. David R. Goode, Chairman, President & C.E.O., Norfolk Southern Corporation

"*The Shared Assets Areas continue to be part of the Conrail success story for NS and CSX….*"

- Wick Moorman, Chairman, President & C.E.O., Norfolk Southern Corporation

***Source: STB Testimony, Washington, DC, May 3, 2004**