

1ST
QUARTER
2021

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Information." www.Conrail.com

Auto Industry Recovers from COVID-19 Decline

KORY JOHNSON | Terminal Superintendent-Detroit

HOW DO TRAINS HELP MAKE CARS?

From door frames to seat belts, auto manufacturers use hundreds of thousands of individual parts to build an automobile. Not only do freight railroads haul the raw materials used to manufacture auto parts, they also transport nearly 75% of America's new cars and light trucks. Whether it's petroleum products for plastics or the finished vehicle, your car's horsepower is made possible by the iron horses that ride America's rails.

ALUMINUM

This metal is critical for electrical wiring, head lamps, wheels, the transmission, engine parts and air conditioner condenser and pipes.

STEEL

An average car contains 2,400 pounds of steel, which is used in car frames, door panels, support beams, exhaust pipes and mufflers.

RUBBER

Like plastic, rubber is durable and flexible and is used to create engine mounts, seat belts, wiper blades and hose seals.

FIBERGLASS

Made from small thin strands of glass, fiberglass is fireproof and is found in front bumpers, doors, the roof, wheels and casings.



COPPER

Mostly used in car wiring and electronic parts, copper is in the radio, charging points and starter.

PLASTIC

Making up almost 50% of total parts in one car, the plastics used in cars are petroleum by-products (gas and oil) and are found in the dashboard, door handles, air vents and interior.

SAND

Used to create the glass for navigation screens, back-up cameras, mirrors and windshields.



AAR.org

North America's auto industry was hit hard during the early months of the COVID-19 pandemic. April 2020 was especially grim as sales dropped 46% from April 2019, 68 assembly plants closed their doors, and annual auto production fell to 0.1 million, down from 11.4 million in February 2020. However, once processes were established to safeguard workers against COVID-19, auto plants were able to reopen and by mid-August only a few remained closed. Rail carloads of autos and auto parts increased from about 2,700 per week in April to more than 25,000 per week by August.

The successful recovery of the auto industry was made possible in large part because of freight railroads. Because of their customer-first approach, operational expertise and investments in equipment, technology, and critical infrastructure, they were able to transport auto parts, materials, and finished vehicles from auto plants to

distribution centers in the United States, Mexico and Canada as well as exporting throughout the world, even in the midst of the worst pandemic the United States has seen in almost 100 years.

Railroads move all the materials that auto makers and their suppliers need, employing hundreds of thousands of workers in many industries. Their help in getting the auto industry back on track has created a domino effect that supports a revitalized economy – bringing people back to work, manufacturing auto parts, assembling vehicles, and finally delivering those vehicles to distribution centers.

The automakers and the railroads are partners in a vital relationship that was pushed to its limits during the early days of the COVID-19 pandemic, but both were strong enough to survive.

Goodbye 2020—2021 is a Year of Optimism

I would first like to wish all of you the very best as we begin the new year of 2021.

In 2020, we faced the unprecedented challenges that came with the COVID-19 pandemic. To date, nearly 30% of our employees have been impacted by the virus, affecting the Conrail workforce in all areas including the Mount Laurel and Philadelphia staff. The economic impact on Conrail's business from the pandemic has been significant as well with 2020 car handlings down nearly 13% representing over 125,000 cars. We continue to take all precautions to mitigate the virus by closely adhering to CDC guidelines, continued separation of Customer Service and Train Dispatch operations, weekly COVID calls to ensure CDC guidelines are being adhered to in the workplace, and continually reviewing best practices within the rail industry.

In spite of these challenges and its impact on our workforce and business, I want to recognize two key achievements that occurred during 2020. Through the hard work and commitment of many Conrail employees, we met the end of year 2020 Positive Train Control (PTC) mandate and are now successfully operating with PTC on Conrail's Lehigh Line and the host railroads of CSX, Norfolk Southern, Amtrak, New Jersey Transit, and SEPTA over which Conrail operates. PTC was a significant achievement for Conrail representing ten years of work and development and \$25 million of investment. PTC does not replace the safe operations of our employees. The safety of Conrail's operation continues to stay with the knowledge and skills of our train crews and those who maintain our infrastructure. PTC, however, is a risk-reduction system that will mitigate a mistake should one occur – that is the value of a PTC system. Conrail's PTC system is a critical component of a safe transportation system; however, I cannot stress enough the importance of all employees being fully knowledgeable and compliant with the Operating Rules that when followed, will eliminate accidents from occurring.

In addition, we achieved the difficult task of relocating our Operating headquarters in Mount Laurel and our offices in Philadelphia as well. Our former Mount Laurel location had been our headquarters for nearly 28 years, and the long overdue move provides more modern and efficient space for our staff, our Customer Service organization, and our Train Dispatch functions. I truly want to recognize all those employees who were involved with these projects during 2020, as we achieved these goals during the difficult time of the pandemic.

In 2021, our continuing and most critical challenge is ensuring the health and safety of our employees and their families, and I would like to make a renewed request to all of you to continue to strictly follow the CDC guidelines, both at home and in the workplace. Wearing a mask, social distancing, proper hygiene, and staying home if you have any COVID-19 symptoms is critical to eliminating future spread. While there is reason to be hopeful that a vaccine will be widely available sooner rather than later, the reality is that the coronavirus will not go away anytime soon. As vaccines become available, I would strongly encourage everyone to consult with your medical professional and consider getting inoculated as soon as possible for your health and the health of your families.

I am confident that our business will continue to improve and stabilize in 2021 and traffic volumes should return to pre-COVID levels. We continue to work with our parents, CSX and Norfolk Southern, and other outside agencies, to be strategic in our thinking and planning for the future. Having a skilled workforce, the proper level of assets, and a well-defined vision for the future positions us well for future growth of the rail industry in the areas where we operate. Our transportation services connect to the North American freight network, and Conrail is vital to the local commerce and the national economy as a whole. We are critically important to the customers we serve and their employees who heavily depend on our transportation services. Working together with our customers, we ensure not only their success but ours as well.

I want to take this opportunity to thank all of you for your perseverance and commitment that allowed us to get through 2020. Our key to success going forward is getting the pandemic far behind us. I am hopeful that 2021 will be a year when we can get back to doing the things we enjoy - interacting with our employees more often on a daily basis and at company-sponsored events such as our Family Days and holiday parties.

As difficult as 2020 was, I am optimistic that 2021 will be better. If we stay safe at work, follow CDC guidelines to rid ourselves of COVID-19, and most importantly, take care of ourselves and our families, all these things can work together for a better 2021.

Timothy C. Tierney
President and Chief Operating Officer

Detroit's Delray Tower Closed

JONATHAN QUINLEY | Reprinted from Trains Magazine, November 17, 2020



One of the few remaining manned towers in the United States, and one of just two remaining in Michigan, was idled Monday, as CSX Transportation's Delray Tower in Detroit — said to be the last tower to use strong-arm levers — was switched over to control of the CSX RN Dispatcher in Jacksonville, Fla.

The busiest interlocking in Michigan, the tower is located on the city's south side. The project to modernize the interlocking has long been planned, but last year, work began to upgrade the track, signals and interlocking plant. The project involving CSX, Norfolk Southern, and Conrail Shared Assets, all of whom own trackage at the tower site; Canadian Pacific and Canadian National also operate through the interlocking with trackage rights.

Conrail played a key role in the upgrade, receiving a \$10.5 million grant from the Michigan Department of Transportation as part of its Detroit Intermodal Freight Terminal project. That project also involved removing two diamonds, and adding a third track along Conrail's Detroit Line between CP Delray and CP Waterman.

Delray Tower was built in 1945 by the Pere Marquette Railroad to replace a wooden tower from the late 1800s, with ownership subsequently passing via merger to Chesapeake & Ohio and then CSX. Its lever operation was eventually replaced with computer screens. Many of the signals guarding the junction were also relics of its predecessor railroads; the old searchlights were also cut over on Monday.

At its wartime peak, the tower saw some 240 daily movements. During the Conrail era, 60 to 80 movements a day were commonplace; today, the normal average is 32 to 38, still enough to make the area a choke point. A current normal weekday will see several CSX intermodal trains and a pair of Norfolk Southern intermodal trains in and out of Livernois Yard, just north of the tower; a few yard jobs out the east end of CSX Rougemere Yard, just west of the tower; a NS yard job to work the Boat Yard area to the tower's east; NS moves to wye power for Oakwood Yard, to the southwest; NS trains to and from Sterling Yard, on Conrail to the north; Conrail locals that work nearby industries as needed; several CP run-throughs to and from Canada (intermodal, racks, oil, and mixed freight); a pair of CP locals to and from Canada's Windsor Yard in Canada, to interchange with CSX and NS; and several CN mixed freights (and occasional sand and empty rack trains).

Safety/Service Measures

Maintaining a safe workplace is our #1 Goal. Overall, safety performance has improved in 2021.



SYSTEM 100% Improvement 2021 vs. 2020
DETROIT 0% Improvement 2021 vs. 2020
NORTH JERSEY 30% Improvement 2021 vs. 2020
SOUTH JERSEY 33% Improvement 2021 vs. 2020

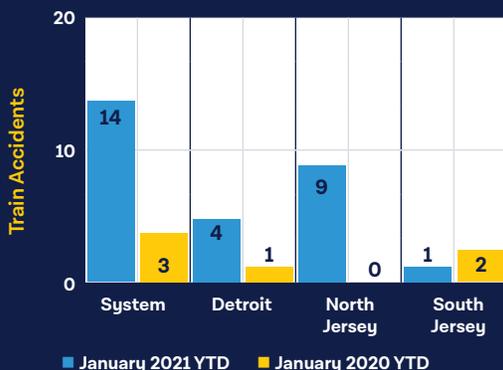
The cost of Train Accidents has increased in 2021



SYSTEM 4,365% Increase 2021 vs. 2020
DETROIT 1,091% Increase 2021 vs. 2020
NORTH JERSEY 31,020,300% Increase 2021 vs. 2020
SOUTH JERSEY 95% Improvement 2021 vs. 2020

Safety/Service Measures

The number of Train Accidents has increased in 2021 vs. 2020



SYSTEM 367% Increase 2021 vs. 2020
DETROIT 300% Increase 2021 vs. 2020
NORTH JERSEY 9,000% Increase 2021 vs. 2020
SOUTH JERSEY 50% Improvement 2021 vs. 2020

The number of Derailments has increased in 2021 vs. 2020



SYSTEM 367% Increased 2021 vs. 2020
DETROIT 300% Increased 2021 vs. 2020
NORTH JERSEY 9,000% Increased 2021 vs. 2020
SOUTH JERSEY 50% Improvement 2021 vs. 2020

Waverly Loop

RYAN HILL | Chief Engineer Design and Construction



The Waverly Loop is a major infrastructure project in the North Jersey District, connecting Conrail’s P&H Line and Greenville Running Tracks at the west end of Oak Island Yard in Newark, NJ. Once complete, the Loop will provide a progressive move north out of Greenville Yard in Bayonne, NJ and an alternate north/south route from Port Newark. This flexibility will help support the existing and future intermodal business Conrail handles out of the Port Authority of New York and New Jersey terminals.

The project is in the first of two phases, with the first phase consisting of roadbed construction for the new tracks and two new bridges over Wheeler and Peddie Ditch. The tracks, signal system and other supporting infrastructure are scheduled to be built in the summer of 2021 as a part of the second phase. With the effort of Conrail’s entire Engineering Department the Waverly Loop will be ready for service at the end of the year.

Waste By Rail Tenant At Oak Island

ROB WINEGRAD | Senior Director Real Estate

When Conrail was formed in 1976, a 28 acre section, with track, within Oak Island Yard (Newark, NJ) was designated to the Delaware & Hudson Railway Company (D&H). This area within the Yard permitted D&H access to the Conrail network allowing a second railroad into the market opposed to Conrail controlling all the freight. At some point, D&H sold assets to Canadian Pacific (CP), CP took over the 28 acres.

The site was operational for over 35 year. Around 2016, CP sold a portion of their assets, returning this area of Oak Island back to Conrail. For several years, a portion of the site sat dormant until United Rail Transportation Corp. LLC., (“United”) took an interest in approximately one third of the property. United put a business plan together to ship waste by rail, utilizing the existing track and building.

United signed a lease with Conrail, rail cars started moving from Oak Island to a landfill in AL. United has now been a tenant for Conrail for over a year. They performed track repairs, cleaned up the site from sitting vacant for several years and now maintain the property while steadily increasing the volume of rail cars. Conrail looks forward to a long relationship with United while the business continues to grow.

Willits Road Clearance Project

LARRY HENSHAW | Project Engineer

The boxcar has been an important piece of railroad equipment since the early 19th century. A boxcar's size is indicated by its plate, and over time boxcars have increased in size to provide more value to the railroad and its customers. Most recently, the industry has transitioned from the Plate C Boxcar to the larger Plate F Boxcar, and as AAR rules dictate a specific service life of boxcars, the existing Plate C fleet has continued to shrink. The Bustleton Industrial Track in Philadelphia was limited to a 16'-3" clearance at the overhead bridge at Willits Road, limiting passage to only Plate C Boxcars. The existing industrial complex on the wrong side of Willits Road had seen a decline in rail traffic due to continual reduction in the availability of those Plate C Boxcars, deterring rail business in the area.

In an effort to grow the business on this line, Conrail partnered with the Commonwealth of Pennsylvania to secure a grant to increase the vertical clearance under Willits Road and allow the passage of Plate F Boxcars. The increased vertical clearance was achieved by removing the existing track structure, lowering the existing grade, and replacing the track with new track material. The project also included the installation of retaining walls designed to support the embankment where the railroad was in a cut, as well as add drainage facilities to ensure the newly lowered section of track would stay dry and reduce maintenance in the future. The project was successful and achieved the required 17'-4" clearance required to pass Plate F Boxcars. The industrial complex that was previously held out from receiving Plate F Boxcars has already started planning to bring new business to the area; including rolled paper, pulp board, a wine distributor, and a general transload operation.

Paulsboro Wye Track

RYAN HILL | Chief Engineer Design and Construction



The Paulsboro Wye was recently completed and provides a head on connection from Pavonia Yard in Camden to the Paulsboro Marine Terminal. The new track between the Penns Grove Secondary and Paulsboro IT will provide a more efficient operation into the Marine Terminal. This will reduce the number of train movements through downtown Paulsboro, reduce blockage of several at-grade crossings and relieve traffic in the community. The project required collaboration from several entities including Conrail, NJDOT, the South Jersey Port Corporation, and Railroad Construction of South Jersey, whose property the wye track traverses. The project presented numerous challenges, but will provide Conrail with the infrastructure needed to support the business growth of the Paulsboro Marine Terminal.

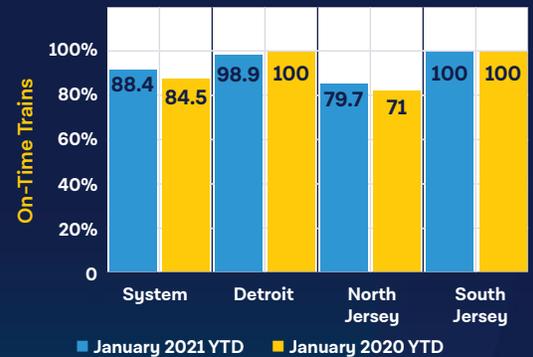
Safety/Service Measures

Average Daily 32 Hour Cars has improved in 2021 vs. 2020



SYSTEM 1% Improvement 2021 vs. 2020
DETROIT 46% Improvement 2021 vs. 2020
NORTH JERSEY 108% Deterioration 2021 vs. 2020
SOUTH JERSEY 5% Deterioration 2021 vs. 2020

On Time Road Train Departure performance has improved in 2021 vs. 2020



SYSTEM 6% Improvement 2021 vs. 2020
DETROIT 1% Deterioration 2021 vs. 2020
NORTH JERSEY 12% Improvement 2021 vs. 2020
SOUTH JERSEY 0% Improvement 2021 vs. 2020

Yard Dwell Time has improved in 2021 vs. 2020



SYSTEM 2% Improvement 2021 vs. 2020
DETROIT 1% Improvement 2021 vs. 2020
NORTH JERSEY 5% Improvement 2021 vs. 2020
SOUTH JERSEY 7% Deterioration 2021 vs. 2020

Every Week is Rail Safety Week

Here are some tips to stay safe:

- Always expect a train; freight trains don't follow published schedules.
- A typical freight train can take more than a mile to stop.
- The train you see is likely closer and faster-moving than you think.
- The only safe place to cross the tracks is at a designated crossing.
- Being on railroad tracks and property is not only dangerous – it's illegal!



We would like to recognize all of our employees who have reached injury free milestones. Thank you for your dedication to safety.

Injury Free

DETROIT

Jordan Coaltrain, Engineer, *20 Years of service*
Michael Jones, Electrician, *15 Years of service*
Scott Beutner, Car Inspector, *10 Years of service*
Jeffrey Binkley, Inspector, *10 Years of service*
Christopher Holmes, Mechanic, *10 Years of service*
Phillip McGaha, Wreckmaster, *10 Years of service*
Joshua Osmialowski, C&S Supervisor, *10 Years of service*
Thomas Ott, Inspector, *10 Years of service*
Matthew Reed, Carman, *10 Years of service*
Kyle Van Stone, Mechanic, *10 Years of service*
Jason Jopek, Welder Foreman, *15 Years of service*
Christopher Kovalchik, Welder Foreman, *15 Years of service*
Nicolas Pfeiffer, Foreman, *15 Years of service*
Jason Melkonian, Engineer, *25 Years of service*

MOUNT LAUREL / PHILADELPHIA

Julie Barsh, HR Generalist, *10 Years of service*
Douglas Brown, IT Technician, *10 Years of service*
Caitlyn Garlock, Chief Clerk, *10 Years of service*
Kristyn Lake, Crew Dispatcher, *10 Years of service*
Ashley Lehm, Customer Service Rep., *10 Years of service*
Kelly Rozing, Train Dispatcher, *5 Years of service*
Michael Diarenzo, Mgr Asset Planning & Admin, *15 Years of service*

NORTH JERSEY

Edward Stukel, Conductor, *5 Years of service*
Christopher Wallace, Conductor, *5 Years of service*
Michael Calello, Foreman, *10 Years of service*
Terence O'Brien, C&S Maintainer, *10 Years of service*
Jose Padilla, Stevedore, *10 Years of service*
Frank Toti, Engineer, *10 Years of service*
Warren Wabst, C&S Maintainer, *10 Years of service*
Desmond Wright, Maintainer/Repairman, *10 Years of service*
Kevin Wright, Foreman, *15 Years of service*
Jorge Dasilva, Welder Foreman, *10 Years of service*
Joseph Monaco, Conductor, *10 Years of service*

SOUTH JERSEY

Stephen Decker, Conductor, *5 Years of service*
Thomas Eden, Car Inspector, *5 Years of service*
Michael O'Malley, Car Inspector, *5 Years of service*
William Robertson, Car Inspector, *10 Years of service*
Bobby Scott, Conductor, *10 Years of service*
Charles Hanby, Electrician, *15 Years of service*
Joseph Lucidi, C&S Maintainer, *15 Years of service*
Keith Fee, Engineer, *20 Years of service*
Daniel Cogan, Supervisor CI&R, *10 Years of service*
James Farruggella, Conductor, *10 Years of service*
Michael Lynch, Electrician, *10 Years of service*
James Clapper, Engineer, *20 Years of service*

Meet the North Jersey Crew MA1

MO MEGALI | Terminal Superintendent



Engineer Thomas Green and Conductor John Loricchio work out of Manville Yard. Tom has 33 years of service (30 years injury-free). Married for 32 years with 2 daughters, he enjoys traveling, playing golf, running, cycling, and has participated in 6 marathons. John has 28 years of service (15 years injury-free). He enjoys spending time with his wife and 2 sons, riding his Harley, and hiking.

Tom and John have this word of advice to the younger Conrail generation: “The railroad is a great career. It allows you to support your family and put a roof over your head. It’s imperative for crews to always work safely and watch each other’s backs. It’s really the only way we know how to operate.”

Meet the Detroit Crew FD67

WILLIAM AYARS | Service Delivery Compliance Officer

Engineer Scott Brenamen and Conductor Codee Bennett work the relief job at Sterling Yard. This crew builds and advances the NS31M and the NS121 trains which are loaded with auto parts and finished vehicles. The FD67 crew also serves Metalsa truck frame sequencing facility and Sterling Heights Assembly Plant.

Scott has been with Conrail since 2009. Codee joined Conrail in 2012 and has this to say, “I really like being on this job. The autos are really important to Detroit, and it feels good knowing that the work we are doing has a direct impact on our area.”



Meet the South Jersey Crew FJ2

STEPHEN MCGINNIS | Communications Coordinator

The FJ2 crew services customers out of Frankfort Junction in Philadelphia and is crewed by Engineer Richie Canfield and Conductor Pat Sears. Each of them comes from a long line of railroaders, and with more than 40 years of service between them, their knowledge and experience is vital to Conrail’s operation.

“Our number one priority is to work safely and provide the best service possible to our customers, that’s what we’re here to do. We live and die by our relationships with our customers,” said Sears.

Canfield echoed that sentiment and added, “You have to take pride in your work, take pride in being part of the Conrail family, and be proud to work along side people like Pat.” Looking back on his career and everything he has accomplished over the years, Canfield credited his loved ones for his success. “I have to admit, I would never have been able to do this job if it weren’t for the love and support from my wife and kids. They are amazing and made it possible for me to do a job that I love.”





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Congratulations Frank Palazzolo

KATHY DURSO | Executive Assistant

Frank Palazzolo was recently named one of Railway Age's "Fast Tracker 20 Under 40" and is featured in their February 2021 issue. Hired in the Transportation Department in April 2012 as a conductor, his commitment to safety, strong communication skills, and his ability to lead under pressure have earned him several promotions leading to his current position as Trainmaster at North Yard. Frank's accomplishments include successfully managing Conrail's North Yard expansion project, increasing service to Fiat Chrysler, and overhauling the Transportation crews' schedules to provide safer and more efficient customer service. A certified conductor, licensed remote control operator, and Haz-Mat first responder, Frank's eight years of railroad service are just the beginning of what promises to be a long and successful career with Conrail. Congratulations, Frank!

In recognition of his dedication to Conrail's Core Values - *People, Risk, Service, Productivity, and Initiative*,

Conrail congratulates



Frank Palazzolo
Trainmaster

on being named one of Railway Age's *Fast Tracker 20 Under 40*

CONSOLIDATED RAIL CORPORATION
www.conrail.com

Need financial assistance to attend college?

Apply for a
Frank Thomson Scholarship

Eligibility requirements

- Applicants must:
- Be high school seniors or undergraduate students currently enrolled in college.
 - Be dependent children of an active, retired, or deceased employee of: (a) Conrail; or (b) The Penn Central Corporation, who were employed by Penn Central Transportation Company or Pennsylvania Railroad Company before April 1, 1976; or (c) Amtrak, who were employed by Penn Central Transportation Company or Pennsylvania Railroad Company before April 1, 1976; or (d) Norfolk Southern Corporation, who were employed by Conrail prior to June 10, 1997; or (e) CSX, who were employed by Conrail prior to June 10, 1997.
 - Be planning to attend full-time an accredited two-year or four-year college, university or technical college located in the United States.

Additional Desired Qualifications:

- A minimum cumulative unweighted GPA of 2.0 on a 4.0 scale.
- Demonstration of financial need.
- Preference is given to applicants pursuing a technical education, defined as skilled trades, applied sciences, modern technologies and career preparation. Examples are majors in physics, mathematics, architectural science, engineering, computer science, robotics, information technology, and most vocational/trade programs.

Eligible applicants can apply at
www.csascholars.org/thomson

Deadline

To be considered for a scholarship, applications and all supporting documentation must be received by 5:00 p.m. Eastern Time on **April 29, 2021**.