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December 3, 1997

BY HAND

Office of the Secretary
Case Control Branch
Attn: STB Finance Docket No. 33388
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Applicants' Safety Integration Plan for Conrail Shared Assets Operations

Dear Mr. Secretary:

Enclosed are the original and ten (10) copies of the "CSX/NS Safety Integration Plan for Conrail Shared Assets Operations" which has been prepared in accordance with the Board's November 3, 1997 Decision No. 52 in Finance Docket No. 33388. Also enclosed is a computer diskette containing a copy of the enclosure in WordPerfect 6.1 format. Separately, we are providing the Board's Section of Environmental Analysis ("SEA") with another ten (10) copies of this Safety Integration Plan, as well as a second diskette. Finally, we are providing one additional copy to Judge Leventhal (also by hand-delivery).

If you have any questions, please let us know.

Sincerely,

G. Paul Moates
Terence M. Hynes

Enclosures

184587

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388

CSX CORPORATION AND CSX TRANSPORTATION, INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
— CONTROL AND OPERATING LEASES/AGREEMENTS —
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

CSX/NS Safety Integration Plan For Conrail Shared Assets Operations

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BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION, INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
--CONTROL AND OPERATING LEASES/AGREEMENTS--
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

CSX/NS SAFETY INTEGRATION PLAN FOR CONRAIL SHARED ASSETS OPERATIONS

I. INTRODUCTION.

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

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

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

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

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

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

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

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

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

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

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

II. OVERVIEW OF CONRAIL SHARED ASSETS OPERATIONS.

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

A. CSAO Organization and Staffing.

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

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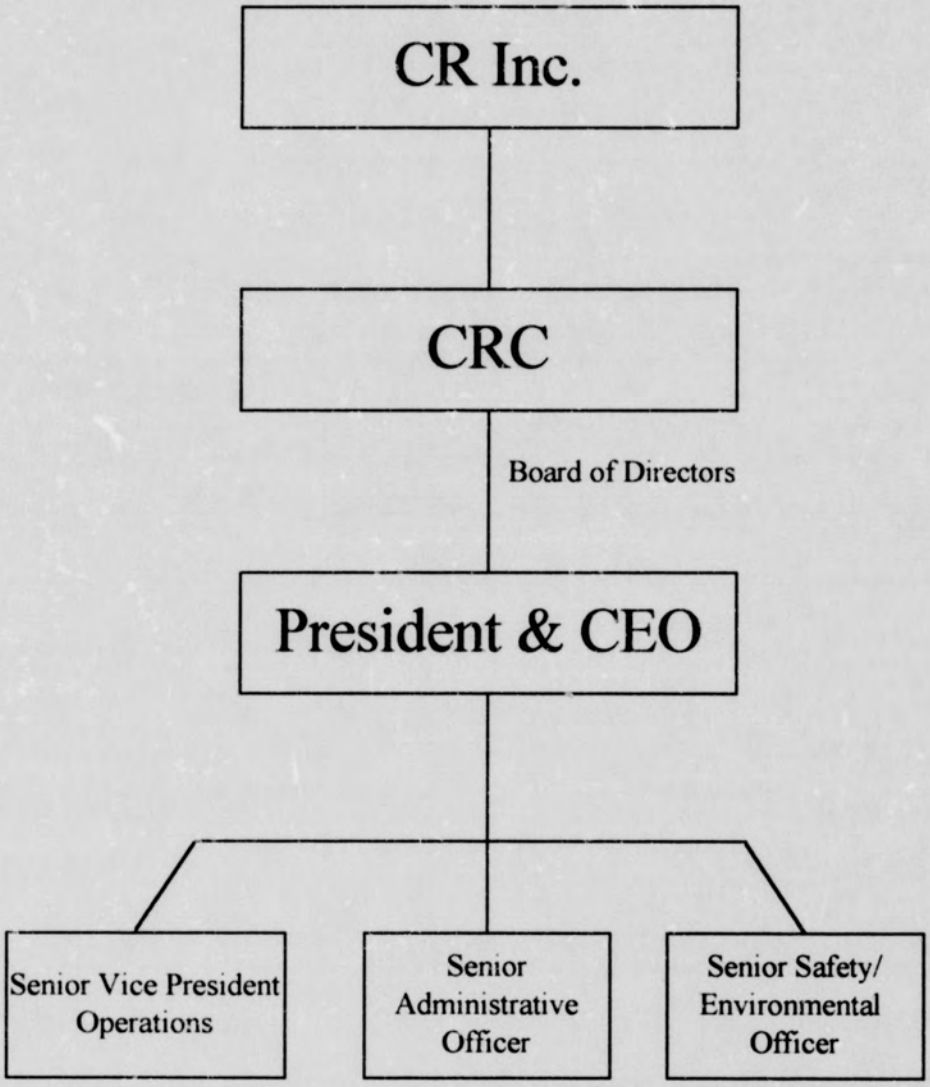
[4] The operating agreements for the SAAs are reproduced in Volume 8C of the Application: North Jersey, at 57-96; South Jersey/Philadelphia, at 97-136; and Detroit, at 137-76.

Figure I
CSAO Senior Organization



Final decisions regarding precise staffing requirements for supervisors and agreement employees within each of the SAAs have not been made at this time. However, NS and CSX anticipate that as of Day 1 the required number of such employees will not be substantially different from the number currently employed by Conrail in the SAAs.[5] Over time, as traffic levels increase, it is anticipated that additional agreement employees will be hired by the CSAO.

B. CSAO Operations.

Conrail will operate the SAAs for the exclusive benefit of NS and CSX. Conrail will not hold itself out to provide service to customers in its own name, nor will it participate directly in rates, routes, transportation contracts or billing arrangements with shippers. All car movements handled by the CSAO will be for the account of either NS or CSX. Conrail will not have access to NS or CSX proprietary customer or rate information.

Shippers seeking rail service to, from or within each SAA will make arrangements for transportation from origin to destination with NS or CSX. Operational information and instructions required for the movement of cars, and to monitor cars within the SAAs, will be conveyed electronically to CSAO personnel via direct real-time links with both NS and CSX data systems. Conrail will report actual location, spotting information and status changes for all NS or CSX cars to the applicable linehaul railroad's data system.

Operationally, each SAA will function as an extension of both the NS and CSX rail systems. CSAO responsibilities will include local switching, train make-up and break-up, car

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[5] NS or CSX may also directly employ additional supervisory personnel in connection with their own activities in the vicinity of the SAAs (e.g., at Croxton Yard for NS or South Kearny Yard for CSX).

classification and blocking services for NS and CSX within each of the SAAs. In addition, the CSAO will be responsible for equipment servicing and running repairs, and for routine maintenance of track and communications and signal facilities in the SAAs. These services will be performed by CSAO employees. Each SAA will be managed by a superintendent, who will also deploy Trainmasters and Yardmasters as necessary to oversee operations within the various yards contained in the SAA.

CSAO management will be responsible for procuring the locomotives required for operation of the SAAs, and for fueling and servicing those locomotives. As discussed below, NS and CSX are committed to making an adequate supply of properly equipped power available to the CSAO. General mechanical supervision of all locomotive operations will be under the jurisdiction of a CSAO supervisor, including fueling, servicing and running repairs to NS and CSX locomotives while at CSAO facilities. Freight car inspections and light running repairs will be performed by personnel assigned to the various yards comprising the Shared Assets Areas, under supervision of CSAO supervisors.

The CSAO will be staffed and equipped to perform ongoing routine maintenance of track, bridges and structures within the SAAs. More substantial program work beyond routine maintenance will be provided by NS or CSX as indicated in the Operating Plans.

NS and CSX each will operate road trains into, out of, and through each SAA with their own equipment and crews. In addition, NS and CSX will be permitted to operate with their own crews to any shared, customer-operated or respectively allocated facility within an SAA, subject to the local movement guidelines established pursuant to the applicable Shared Assets Area operating agreement. Customer requirements and operational efficiencies will determine the extent to which NS or CSX elect to serve customer facilities directly.

With minor exceptions (identified in the Operating Plans), all NS and CSX train movements within the SAAs will be subject to the direction and control of the CSAO dispatcher. In areas that are not dispatched (e.g., yard or industrial tracks), NS and CSX train movements will be under the direction of the designated CSAO official in charge. NS and CSX employees operating within each SAA will be subject to all applicable SAA operating rules and regulations. NS, CSX and CSAO train movements over lines that are also used by passenger operators will (on all but one short segment) be under the direction and control of the involved passenger agency's dispatchers.

Other railroads (e.g., Canadian Pacific Railway and short-line carriers) may also operate over particular line segments within the SAAs, pursuant to existing trackage rights and interchange arrangements. Train movements by such other railroads within the SAAs will be subject to the direction and control of the CSAO dispatcher.

Teams consisting of NS and CSX personnel are in the process of developing integrated operating plans for each of the three SAAs. A detailed plan for operations in the North Jersey SAA has already been completed and submitted to the STB for review. Application, Vol. 3 Supp., CSX/NS-119 at 16-166.

The anticipated CSAO operations in all three SAAs are based, to a large degree, upon Conrail's current operations. Those operations will be adjusted to the extent necessary to reflect the competitive service options to be offered by NS and CSX to, from and via the SAAs. Accordingly, changes from Conrail's current operations will primarily involve additional blocking by the CSAO to facilitate the division of cars between NS and CSX. Other minor changes are necessitated by (i) the relocation of certain local assignments to either NS, CSX or CSAO-

controlled facilities, and (ii) the redirection of some traffic currently handled by those local assignments or handled via terminals that will be controlled by a different operating entity.

C. **Dispatching of SAA Territories.**

As described in the SIPs submitted separately by NS and CSX, the carriers have devised a plan to integrate dispatching systems as a part of the division of the current Conrail dispatching offices between NS, CSX and the CSAO. The consolidation of the CSAO dispatching function for SAA lines will be accomplished in the following manner:

(i) Conrail's current Branch Line Dispatcher at Mt. Laurel will become the CSAO dispatcher for the North Jersey SAA. The Ashmore Secondary, Cement Secondary, Hudson Secondary and Washington Secondary lines, which are currently handled by the Conrail Branch Line Dispatcher but will not be part of the CSAO, will be removed from this dispatcher's jurisdiction and transferred to a NS dispatching desk. Conversely, the Conrail line segments between CP-5 and CP-SK on the River Line, and between CP-Port Reading Jct. and CP-M&H Jct. on the Trenton Line, which will be part of the CSAO, will be added to the Branch Line Dispatcher's territory. As a result, the current Conrail Branch Line Dispatcher desk at Mt. Laurel will control all CSAO trackage in the North Jersey SAA.

(ii) Conrail's current Philadelphia Dispatcher (who is also located in Mt. Laurel) will become the CSAO dispatcher for the South Jersey/Philadelphia SAA. This will be accomplished by adding the Harrisburg Line between CP-River and CP-Rock and the Chester Secondary line (which are currently handled by other desks in the Mt. Laurel dispatching office) to the Philadelphia Dispatcher desk. Several non-CSAO line segments, including the Trenton Line between CP-Park and CP-Nice, the Harrisburg Line between CP-Penrose and CP-River, the Arsenal Connection, the Belair Branch and the Blue River Branch will be removed from the Philadelphia Dispatcher desk and transferred to a CSX dispatching desk.

(iii) A Detroit SAA dispatching desk will be created in the Dearborn office by removing from the current Detroit dispatcher's jurisdiction certain line segments that will not be part of the CSAO territory.

When these steps are completed, the Mt. Laurel office will house two of the three CSAO desks, and the Dearborn office will house the third. The CSAO Detroit dispatcher's desk will eventually be relocated to Mt. Laurel as well (in connection with the planned future relocation of dispatching desks for Conrail lines allocated to NS and CSX).[6]

As a result of these changes, train operations in the SAAs will be under the supervision and control of three dedicated CSAO dispatching desks. CSAO dispatchers will not have any responsibility for train movements outside the SAAs; indeed, the removal of non-SAA line segments may, in certain instances (e.g., Detroit), result in a reduction in the geographic territory for which CSAO dispatchers will be responsible. Overall staffing of the CSAO dispatching function will be at a level equivalent to current Conrail staffing. Applicants propose to fill the CSAO dispatcher positions from the ranks of current Conrail dispatchers, so that the CSAO dispatchers are likely to be familiar with their respective territories prior to Day 1. To the extent that the reassignment of certain Conrail line segments to the CSAO dispatch desks would place line segments under the jurisdiction of a dispatcher who is not familiar with those segments, the dispatcher will receive appropriate training prior to assuming responsibility for such segments. A new dispatching workstation will be established in the Mt. Laurel office during the transition to facilitate these changes. This desk will be used to handle line segments from other desks on a temporary basis, as line segments are transferred to and from other dispatching desks. This will avoid temporarily over-burdening any particular dispatching desk by adding new line segments to that desk before an appropriate balance can be obtained by removing other line segments.

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[6] The three-phase process by which the overall realignment of Conrail, NS and CSX dispatching assignments will be accomplished is described in detail in the NS Safety Integration Plan.

D. CSAO Administrative Functions.

The CSAO organization will be responsible for its own administrative functions, including compliance with all applicable government reporting requirements, in connection with rail operations in the SAAs. The CSAO will maintain and enforce its own Internal Control Plan ("ICP"), and will report personal injuries, train accidents, grade crossing accidents, spills, train miles, employee hours of service and drug testing information as a separate entity. It will develop its own safety process to include an accident/incident reporting system. In doing so, the CSAO will draw upon the resources and prior experience of NS, CSX and Conrail, and will endeavor to adopt the "best practices" of those carriers, as well as systems and procedures suited to the specific needs of the CSAO. This comprehensive reporting system will be established by CSAO management and put in place before the CSAO assumes operation of the SAAs.

1. Senior Safety/Environmental Officer.

Applicants' strong commitment to safety and environmental compliance in connection with operations in the SAAs is reflected in their decision to create a senior CSAO management position devoted exclusively to these issues. The CSAO's Senior Safety/ Environmental Officer ("CSAO Safety Officer") will be directly responsible for assuring the CSAO's full compliance with all applicable environmental, health and safety regulations, and for establishing a strong safety culture for the CSAO. In particular, he/she will be responsible for supervising CSAO personnel who perform mandated recordkeeping and government reporting of personal injuries, train accidents, grade crossing accidents, spills, train miles, employee hours of service and drug testing information. In addition, the CSAO Safety Officer will work with state and local governments in which the SAAs are located to address railroad grade crossing and related safety issues. He/she will provide leadership in the development and implementation of

programs designed to enhance the quality of life, wellness and personal safety of CSAO employees.

2. Internal Control Plan.

The CSAO will develop its own ICP for reporting railroad accidents and incidents in compliance with FRA regulations at 49 CFR Part 225. The CSAO's proposed compliance with these regulations is discussed in Section IV.B below.

The CSAO will adopt and post its policy regarding harassment and intimidation at major shops, office buildings, terminals and facilities in each of the SAAs prior to the commencement of operations, and that policy will be effective as of Day 1. See Section X.B below. Because most railroad harassment/intimidation policy statements follow very closely the language of FRA's regulation, any of the current policies of NS, CSX or Conrail can readily be adapted for use by the CSAO.

3. Personal Injury Reporting.

Because the NS and CSX injury reporting systems are linked to their respective payroll systems, it is not deemed feasible to utilize those systems for recording and reporting CSAO injuries. The CSAO will establish its own personal injury reporting process (utilizing the existing Conrail system, if economically feasible). NS and CSX will assist the CSAO in developing its system.

Conrail currently delegates portions of this function to an outside health management contractor, Pioneer Development & Support Systems ("PDSS"). When a Conrail employee is injured, the employee's supervisor notifies the contractor. The contractor initiates an on-line CT75 injury form based upon information provided by the supervisor, and arranges any required medical treatment. When the contractor enters the information, the system creates a file

and assigns an incident number to the form. The Claims Department investigates the injury and inputs more detailed information to the CT75 form. Conrail's Safety Department is responsible for the initial evaluation of FRA reportability, while the employee's supervisor is responsible for following up on any medical treatment that may affect reportability. Monthly FRA reports are generated from Conrail's computer records maintained by the Safety Department. Monthly statistical reports on injuries are posted in accordance with FRA guidelines.

The CSAO's personal injury reporting process will be substantially similar to that followed by Conrail, with one significant difference. Rather than utilizing the services of an outside contractor, local CSAO supervisors will handle injury incidents from inception to conclusion. The supervisors will develop all required injury and accident information, will input that information into Conrail's on-line injury reporting system (which will be retained in the short term) and will make initial FRA reporting determinations. Thus, a greater degree of accountability with respect to these matters will rest with the CSAO's supervisory personnel. CSAO supervisors will receive comprehensive training with respect to FRA reporting requirements prior to assuming these responsibilities.

4. Grade Crossing and Train Accident/Incident Reporting.

The CSAO will maintain its own reporting system for grade crossing and train accidents/incidents. The CSAO system will track accident damage costs to assure compliance with FRA regulations.

Grade crossing and train accident reporting on Conrail is currently handled by the Safety Department, which accumulates information manually from a variety of sources. (Conrail does not presently have any mainframe database for grade crossing and train accident reporting.) When a grade crossing or train accident occurs, the Conrail dispatcher is instructed to make an

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

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

It is anticipated that the CSAO will adopt a train accident/incident reporting system based upon the FRA AIRG system on Day 1. In the future, consideration will also be given to alternative systems.

Both NS and CSX will operate trains into and out of CSAO territory. These activities of NS and CSX will not, however, involve trains operating exclusively within the boundaries of the CSAO. All crews will be from NS or CSX operating divisions bordering the

SAAs, and injuries to NS or CSX crew members on trains operating in CSAO territory will be reported by, and charged to, NS or CSX (as applicable). Grade crossing accident and train accident reporting will be initiated by the owning railroad (CSAO, CSX or NS). If the damage threshold is exceeded and involves track and/or signal damage, then each involved railroad will report, referencing each other's incident number(s).

5. Drug and Alcohol Testing.

The CSAO's procedures for handling drug and alcohol testing are discussed in Section IV.C below.

6. DOT 5800 Spill Reports.

The CSAO will be responsible for the preparation and filing of DOT 5800 reports in connection with spills of hazardous materials occurring in any of the SAAs. It is anticipated that the CSAO manager responsible for the initial response to a particular hazardous materials incident will also be assigned responsibility for preparation of the DOT 5800 report. A copy of this report, along with a detailed incident report, will be submitted to the CSAO Senior Safety Officer (or his designee). Within 30 days of the incident, the CSAO Environmental Department will forward copies of all DOT 5800 reports to USDOT, the Association of American Railroads and to NS or CSX (as applicable).

7. Environmental Matters.

The CSAO Safety Officer will be responsible for environmental safety matters, to include remediation, compliance and hazardous materials response. Environmental training will be handled either directly in-house or, at the discretion of the CSAO, may be secured through outside vendors. Hazardous materials training will be provided through traditional Operating Rules classes. The existing Conrail "One Plan" for spill prevention, control and countermeasures

and hazardous materials response will continue to be used by the CSAO, but will be amended as necessary to reflect new personnel, territorial boundaries, any revised response telephone numbers and other matters. Long-term environmental remediation and hazardous materials response assistance for the CSAO will be contracted for by the CSAO from CSX (subject to agreement upon contract terms agreeable to the parties). The designated CSX hazardous materials response staff will be located in Philadelphia (for the North Jersey and South Jersey/Philadelphia SAAs) and Toledo (for the Detroit SAA).

E. CSAO Customer Service.

Customers will notice little change in the way services are provided on shipments to, from, or through the SAAs. Orders will be placed with CSX and NS personnel, and CSX and NS employees will prepare waybills for these shipments. Waybilling for CSX traffic in CSAO territory will be performed at CSX's Jacksonville facility; waybilling for NS traffic will be done in Atlanta. CSX and NS will control their own shipments, with CSAO performing tracking, switching, dispatching, crew management and other necessary functions. NS and CSX will provide timely data on trains planned or en route to the SAAs, and will supply waybill and other necessary information sufficiently in advance to allow the CSAO to handle cars safely, perform all necessary services, and block or deliver cars correctly to customers. A very detailed plan has been developed to exchange train consist, hazardous materials and movement event information among CSX, NS and the CSAO, in order to ensure a safe operating environment for the movement of trains within the SAAs.

The positions which currently support Conrail's customer service function in the SAA area will be retained on Day 1. CSAO personnel will continue to perform the current "yard office" functions (such as reporting "place" and "pull" transactions, controlling inventory, and

checking information on hazardous materials) presently performed by Conrail in the SAAs. Car tracing for traffic originating in Conrail's former territory will be handled by the CSAO. Traffic originating on existing CSX and NS lines will be traced by CSX personnel in Jacksonville or NS personnel in Atlanta (as applicable), as is the practice today. Conrail's present operating systems will also remain in place at least for the near term.

Applicants recognize that disruptions attendant to Day 1 operations must be minimized. In pursuit of that end, CSX and NS have already made arrangements to hire additional customer service center personnel, who will be trained and in place on Day 1. Current and prospective customer service personnel will undergo intensive training in the handling of movements of hazardous materials.

While Conrail's present systems are capable of handling the arrival, servicing, and departure of traffic in the three SAAs in the short term, Applicants will seek to develop improved systems over the next several years. NS and CSX have requested proposals for the creation of a more sophisticated Transportation Operations Support System to replace Conrail's current system. The eventual implementation of this system is made necessary by the intense competition for traffic foreseen by NS and CSX in these industrial centers, and by the unsuitability of Conrail's computer system for operations from and after the year 2000.

III. TRAINING.

Applicants envision that the CSAO territories will be staffed from the ranks of existing Conrail employees. With few exceptions, the various yards, line segments and facilities comprising the SAAs will be under the direct supervision of CSAO managers, dispatchers and supervisors who, in many cases, previously operated them for Conrail.

Conrail currently has well-developed training practices and procedures covering all facets of its operations.[7] Since most employees initially selected to work in and supervise the CSAOs will have been previously trained, qualified and certified (where required) by Conrail, they will enter their CSAO positions already possessing the requisite knowledge and qualifications to perform their duties safely and in compliance with applicable laws. Any new employees hired by the CSAO -- and all NS and CSX employees who operate trains within the CSAO -- will likewise be trained and qualified in a manner consistent with the comprehensive procedures currently in place at Conrail.

Specifically, NS and CSX crews operating in the SAAs will be required to be qualified with respect to all operating, safety, hazardous material, air brake and train handling, and any other rules, procedures or instructions applicable to that SAA. Training for NS and CSX crews will be provided by qualified employees, and will be coordinated through the CSAO, NS or CSX. Any CSAO (or NS or CSX) employee responsible for delivering such instruction will be trained in instructional delivery methodology. As needed, NS and CSX will provide instructional resources to support the CSAO in accomplishing required training of NS and CSX employees.

Likewise, if CSAO employees operate in an area controlled by either NS or CSX, or if NS employees operate in an area controlled by CSX (or vice versa), those employees will be pre-qualified with respect to all operating, safety, hazardous material, air brake and train handling, and any other rules, procedures or instructions applicable to that facility or area. All necessary instruction, qualification or certification will be administered by the controlling road. This procedure replicates the well-established practice where rail employees of one company have been

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[7] A description of Conrail's current training procedures is set forth in Appendix A.

granted authority to operate over or within trackage or facilities controlled by another railroad or company.

CSAO management will be responsible for providing appropriate training for CSAO employees. Technical training for new employees and other required training may be accomplished through the use of NS or CSX training facilities or by contracting with third parties. Training will be provided on an annual (ongoing) basis, and will be supplemented as needed. When technical training on specific types of equipment is needed, field forces will be given latitude to arrange field training seminars with the involved vendors.

Teams are currently defining the specific scope of training required to support ongoing CSAO activities. The result of this effort will be a recommendation for design, development and delivery of a comprehensive system of employee training that meets or exceeds the training programs in place on Conrail today. In developing its training programs, CSAO management will draw upon the experience of NS, CSX and Conrail, and will endeavor to replicate the "best practices" of all three carriers with respect to safety training. It is anticipated that CSAO management will, at least initially, rely on the training capabilities of NS, CSX, current Conrail or third parties. NS and CSX will make their respective training resources available to the CSAO as needed to provide thorough and efficient instruction for CSAO personnel.

IV. OPERATING SAFETY PRACTICES.

A. Railroad Operating Rules.

On Day 1, all CSAO employees and facilities will be subject to the operating rules promulgated by the Northeast Operating Rules Advisory Committee ("NORAC"), and all train operations within the Shared Assets Areas (including those conducted by NS and CSX) will take place in accordance with the NORAC operating rule book. Moreover, the CSAO will request

membership in NORAC and will be an active participant in that organization. Because Conrail's existing operations in the North Jersey, South Jersey/Philadelphia, and Detroit areas are subject to NORAC rules today, adherence to those rules following consummation of the proposed transaction should help insure that CSAO operations are not disrupted or otherwise made more complex than they are today. Because NORAC operating rules fully comply with Part 217 of the FRA's Railroad Operating Rules regulations, their wholesale adoption on Day 1 will insure that operations within the CSAO areas will comport with those regulations. In addition, operations within the CSAO areas will be conducted, as today, under rules compatible with those governing operations on Amtrak's Northeast Corridor.

All operating employees on CSAO properties -- including NS and CSX employees operating trains within the SAAs -- will attend annual rules classes conducted by the CSAO dealing with such subjects as safety, hazardous materials handling and operating rules, and they will be required to complete successfully an annual rules examination. The CSAO will be responsible for maintaining a high-quality training program that incorporates the latest video training techniques, instruction manuals and knowledgeable instructors. NS and CSX are committed to insuring that the CSAO has ample resources to implement and maintain this program.

Future operating rules for the CSAO, including the possibility of modified NORAC rules that could be used by all railroads operating in the East, is a subject that has received and will continue to receive substantial attention from a team of Rules Department officials from NS, CSX and Conrail (and following consummation of the transaction, the CSAO). As the study of operating rules continues, the current NORAC rules will remain in place on CSAO properties, and the NORAC process will continue to be used for maintaining and amending the NORAC rule

book. Current timetables and Bulletin Orders on CSAO properties will be made available to all crews who will be operating on those properties, including CSAO, Amtrak, NS, CSX, CP Rail, and short-line crews.

B. Accident and Incident Reporting.

Conrail has in place a system for reporting railroad accidents and incidents in accordance with FRA regulations at 49 CFR Part 225. Currently, three types of events are reported:

- Personal injuries;
- Train accidents/incidents; and
- Crossing accidents.

The method currently followed by Conrail will be modified to the extent that certain duties that Conrail presently contracts out to a third-party vendor will instead be assigned to CSAO supervisory personnel. Specifically, it will be the responsibility of the CSAO supervisors to report and follow-up on personal injuries sustained, and train or crossing accidents that occur, in connection with CSAO operations. Thus, the CSAO supervisors will be directly accountable for handling and reporting injuries, train accidents and incidents. The CSAO supervisors will also ensure that emergency medical assistance is provided if needed. All accidents resulting in personal injury, fatalities, or damage to property will be reported to the required internal and external authorities by the quickest available means of communication.

Any CSAO employee who sustains a personal injury while on duty or while on CSAO property will be required to report the injury to his/her supervisor prior to leaving CSAO premises. The injury is to be reported to the employee's immediate supervisor, the employee in

charge of the premises or to other designated personnel for transmittal to the appropriate CSAO supervisor.

Following Day 1, the CSAO will likewise assume full responsibility for all train accident and incident data reporting for all SAA areas. Direct responsibility for reporting accidents and incidents will be assigned to the CSAO supervisors and all reporting functions will be performed internally.

Thorough training of CSAO employees with respect to recordkeeping and reporting requirements will occur prior to Day 1, in order to ensure that an effective and consistent reporting procedure is in place. All CSAO employees will be advised in writing of CSAO's commitment to prompt and accurate reporting of all injuries, occupational illnesses, accidents and incidents related to railroad operations, and of CSAO's commitment to full compliance with FRA accident/incident reporting requirements.

C. Control of Alcohol and Drug Use.

The CSAO will be directly responsible for testing for alcohol and drug use by its employees in accordance with FRA regulations. Conrail policies and procedures with respect to this critically important area will remain applicable in the CSAO-controlled territories. Conrail, CSX and NS all have policies and rules in place that prohibit employees from having in their possession, using, or being under the influence of alcoholic beverages, intoxicants, illegal drugs or medicines that could impair alertness or coordination when reporting for duty, on duty, on company property or occupying facilities provided by the company. All three railroads conduct federally mandated post-accident, reasonable cause, and random drug and alcohol toxicological testing programs pursuant to FRA regulations at 49 CFR Part 219. The proposed implementation of these required testing programs by the CSAO is discussed below.

1. **Post-Accident Toxicological Testing.**

The CSAO will continue to conduct Post-Accident Toxicological Testing in compliance with FRA requirements at 49 CFR 219, Subpart C. The Conrail procedure for toxicological testing following a qualifying event is as follows: 1) urine and blood samples are collected, usually at the nearest hospital emergency room, using FRA kits; 2) where practicable, and when it poses no delay to the collection of the urine and blood samples, a Breath Alcohol Technician (BAT) provided by a third-party vendor is dispatched to the scene of the accident to collect breath samples; and 3) shipment of the samples is arranged by the responsible railroad officer within 24 hours by air express to the designated FRA laboratory. Employees who test positive for prohibited drugs and/or alcohol in a mandatory post-accident test are removed from service and are subject to discipline.

Applicants anticipate that the CSAO will continue to utilize the third-party vendor testing facility and BAT personnel currently under contract to Conrail for post-accident testing

2. **Random Toxicological Testing.**

Random testing under the existing Conrail program -- which has been approved by the FRA -- is based on the concept of "clusters." Clusters are a combination of unique reporting points, work shifts and days of the week which determine the physical location and time frame for the occurrence of random testing. All on-duty covered employees within the clusters are tested for drugs and alcohol. Employees in through-freight service are tested if the cluster falls within their on-duty or off-duty reporting point.

Any employee who fails, under circumstances that constitute a refusal, to provide an adequate breath or urine sample for random testing under this system is removed from covered service for a minimum period of nine months. Conrail may also charge such an employee with

insubordination under company policies, potentially resulting in further discipline, including dismissal.

The CSAO will continue to implement these existing Conrail practices with regard to random toxicological testing.

3. **Testing for Reasonable Cause.**

While Subpart D "reasonable cause" permits railroads to require urine and breath testing under certain circumstances, they are not required to do so. Applicants anticipate that the CSAO will utilize the authority granted by FRA regulations to test for reasonable cause to the fullest extent practicable. Employees selected for testing under Subpart D will be tested in accordance with 49 CFR, Part 40 procedures. An independent professional outside laboratory will be used for drug testing, and a copy of the laboratory report setting forth the results will be furnished to the employee.

Conrail utilizes the services of a third party, Short Stop, in some circumstances to collect urine and breath samples for testing under Subpart D. However, Conrail does not routinely perform discretionary testing under Subpart D today. While the CSAO will utilize Subpart D authority for testing on Day 1, no final decision has been made as to whether the CSAO will continue to use the services of Short Stop.

4. **Corporate Testing Program.**

In addition to these two current FRA-required drug and alcohol testing programs, Conrail policy currently provides for a drug screen urinalysis as a mandatory part of all pre-employment, return to duty and periodic medical examinations (except where the employee is subject to random testing under FRA or FHWA testing regulations). If, during a special medical examination, the examining physician indicates that drug and alcohol testing is warranted, a urine

test and/or breath test is required of the employee. Except in mandatory post-accident testing circumstances, employees who test positive for prohibited drugs and/or alcohol for the first time (i.e., no previous positive test or Rule G violation in the past ten years) are referred to Conrail's Counseling Services Manager for evaluation and admission into an approved treatment program, if prescribed. Employees who test positive for prohibited drugs and/or alcohol are subsequently required to provide, on an unannounced basis, follow-up breath and urine specimens for a period of up to five years following their return to service.

It is anticipated that the CSAO will adopt a similar corporate testing program.

5. Medical Review Officer Review.

The CSAO Medical Review Officer ("MRO") review will be conducted by a Medical Director or associate. A decision will be made prior to Day 1 as to whether the CSAO will retain its own MRO or whether this function will be performed by an MRO associated with NS or CSX. In either case, a CSAO employee who tests positive for alcohol or drug use on a random urine or breath test will be removed from service and instructed to contact the appropriate CSAO counseling service for evaluation.

6. Employee Assistance Program.

In accordance with the requirements of 49 CFR Part 219, Subpart E, Conrail has a formal policy designed to identify and assist employees with alcohol and drug problems. The Conrail Employee Assistance Program is operated by third-party vendor PDSS. In addition to meeting the FRA requirements of Subpart E, this program offers family and emotional counseling as well as post-traumatic incident counseling. Beginning on Day 1 and continuing for the short term, this Employee Assistance Program will be continued with the present vendor to provide

services on behalf of the CSAO. Applicants have not yet determined who will be the service provider under CSAO's employee assistance program.

D. Operational Tests and Inspections.

NS and CSX are committed to maintaining a high-quality operational testing and inspection program for CSAO employees, including the many current Conrail employees who will be working in the SAAs. In order to minimize the possibility of confusion or uncertainty about applicable testing and inspection programs, Applicants have agreed that they will maintain Conrail's successful and well-established efficiency testing program on Day 1 of the consolidation. Thereafter, the CSAO General Manager, in consultation with each CSAO Superintendent, will have responsibility for effective operational testing, including any decisions about possible modification of the existing Conrail program.

NS and CSX are strongly committed to insuring that the CSAO General Manager has all necessary resources at his disposal to comply fully with Part 217.9 of the FRA's regulations. Consistent with that commitment, NS and CSX will defer to the CSAO General Manager's discretion as to the most effective and efficient manner of achieving such compliance over the long term. It is recognized that the operational testing and inspection program adopted by the CSAO General Manager must provide adequate testing not only of all CSAO employees, but also the employees of other railroads operating within CSAO territory -- including NS, CSX, Canadian Pacific and short-line operators. All such employees will be subject to operational testing administered by the CSAO General Manager (or his designee) at any time or place.

E. Certification and Qualification of Locomotive Engineers.

The program for the certification and qualification of locomotive engineers in compliance with Part 240 of Title 49 of the CFR will be the responsibility of the CSAO General

Manager and his designees. As with operational testing and inspections, NS and CSX are fully committed to insuring that sufficient resources are made available to permit full compliance with these regulations. On Day 1, the existing Conrail certification program will remain in effect for the CSAO, and CSAO supervisors will have direct responsibility for qualifying and certifying locomotive engineers under their jurisdiction. (It is worth noting that there are relatively few differences among the existing certification programs of Conrail, NS and CSX. Nevertheless, to the extent that Applicants' ongoing review of the those programs reveals a clear "best practice" in any particular area, such practices will be identified to the CSAO General Manager for his consideration in determining whether to adopt them for the CSAO.)

Consistent with the existing Conrail program, CSAO engineers will continue to be tested and recertified no less often than every three years. Testing and recertification will involve an examination on the operating and safety rules of the CSAO, including train handling and air brake application procedures; a "check ride" with a Road Foreman of Engines -- to occur at least annually -- for the purpose of conducting a performance evaluation prior to actual recertification; a test for rule compliance during actual train operations (including a test to determine if the engineer controls the train in compliance with a signal that requires action to reduce speed or to stop the train); and successful fulfillment of the medical and driving record requirements of the certification process (including vision and hearing tests and a search of the individual engineer's driving record).

NS has agreed that the CSAO may, at its option, send its locomotive engineer trainees to the Conway, PA training center which NS is acquiring from Conrail. Of course, consistent with Applicants' desire to accord the CSAO General Manager discretion with respect to all such matters, the CSAO will also be free to elect to send new locomotive engineers to any

other qualified instructional training center that the General Manager and his staff may choose. The option of using the Conway center or some other established, high-quality facility (including CSX's facility at Cumberland, MD) will enable the CSAO to avoid the expense and burden of creating and maintaining a separate (and duplicative) training facility.

F. Physical Characteristics Training.

Physical characteristics training must also be provided to employees before they are qualified to perform service on a particular line or within a particular yard or terminal. Physical characteristics training is the responsibility of the railroad operating the facility -- the railroad must identify the employees requiring physical characteristics training and assure that adequate training is provided. Such training consists of both direct contact with supervisory employees and delivering training materials containing useful facility-specific information (e.g., a diagram of the yard layout indicating track numbers, or names and safety-related information such as the location of exits from the property and the location of emergency response equipment).

Supervisors ascertain each employee's familiarity with the facility, through written directives instructing employees to notify a supervisor if they believe physical characteristics training is required, and by maintaining a list of qualified employees. When an employee requires training, local supervisors will meet with the employee and accompany him/her while operating on new property. In some cases, student trips may be arranged with experienced employees for a sufficient period of time. Supervisors will maintain a record of training activity for each employee.

Physical characteristics training for CSAO (and NS and CSX) employees will begin immediately upon implementation of the operating plan. Applicants anticipate that many (if not most) CSAO employees will not require significant physical characteristics training, because

implementing agreements will likely permit many employees to remain in the same job assignment, or at least at the same job location, where they worked prior to consolidation. However, some employees may change assignments or relocate, which may or may not result in a need for physical characteristics training, depending upon their familiarity with their eventual work location. Subsequently hired employees will receive physical characteristics training as a part of their overall training process. If new services are established as the Operating Plans are implemented, special attention will be given to making certain that employees assigned to these services are familiar with all areas where they will operate.

G. Hours of Service.

The CSAO General Manager and his designees will be responsible for insuring that appropriate records are maintained evidencing compliance with Hours of Service regulations (49 CFR Part 228). As with most other CSAO functions, Day 1 operations will be predicated upon Conrail's existing practices, which involve reporting of on-duty time on the employee's payroll timeslip. The timeslips are then processed for payroll purposes and recorded on microfilm for subsequent retrieval as needed. Because Conrail's employees successfully use this system today, Applicants do not anticipate any difficulty in continuing to utilize the same proven system for recording the time of CSAO employees. However, recognizing that CSX currently uses electronic record-keeping for Hours of Service reporting purposes, and that NS will implement such a system in 1998, the CSAO General Manager may in time explore a similar program (which would require approval by FRA). Conrail communication and signal employees covered by the Hours of Service Act currently complete a different form for Hours of Service compliance. This form is filed monthly with the local supervisor for inspection by FRA. This practice will continue on the CSAO.

On Day 1, the crew calling clerks currently in Dearborn will continue to use Conrail's existing mainframe computer system to track the status of CSAO employees and to determine which individuals to call for duty for all three of the SAAs. Crew management functions for the CSAO will eventually be centralized in Mt. Laurel.

V. MOTIVE POWER AND EQUIPMENT.

The CSAO's Mechanical Operations organization will carry out most of the mechanical department functions now performed by Conrail in the SAAs, including inspections, servicing, and light and running repairs of locomotives, freight cars and related equipment, with certain exceptions noted below (and in Applicants' Operating Plans). The CSAO anticipates retaining many of the same employees and functionally the same staffing levels currently utilized by Conrail for these activities at terminals located within the SAAs. The CSAO will continue to operate under existing Conrail labor agreements governing these activities, with each SAA being one seniority district for consistency and retention of qualified employees.

In accordance with FRA regulations, CSAO Mechanical Operations employees will continue to perform pre-departure freight car inspections, air brake tests, and daily locomotive inspections in the SAAs in the same manner and at the same locations as Conrail's current operations. The CSAO's plan to maintain current staffing levels for these activities will ensure an adequate supply of qualified personnel to perform freight car and daily locomotive inspections and air brake tests in compliance with federal regulations. If increases in traffic levels over time require additional mechanical operations staffing, the CSAO will hire and train additional employees for these activities.

When freight cars are found to be defective, CSAO Mechanical Operations personnel will make running repairs, under FRA and Association of American Railroads

guidelines, to ensure safe train operations. The CSAO will continue to operate full service running repair tracks at Oak Island and Pavonia, NJ, and at North Yard in Detroit. In addition, mobile repair forces with block trucks, equipped with air capability and jacking systems, will be assigned to several locations to make repairs to cars destined for originating trains. These locations are expected to include Oak Island, Metuchen, and Port Reading in the North Jersey SAA; Pavonia, Stoney Creek Yard, Midvale Yard, and South Philadelphia in the South Jersey/Philadelphia SAA; and in Sterling Yard, North Yard (two equipment sets), and River Rouge in the Detroit SAA.

The principal differences between Conrail's current mechanical operations and those proposed to be performed by the CSAO relate to locomotive supply, quarterly inspections, and heavy repairs and maintenance. Under the proposed transaction, all of the locomotives now owned by Conrail will be allocated and conveyed separately to NS or CSX. NS and CSX in turn will provide locomotives to the CSAO in sufficient numbers to permit the CSAO to carry out its assigned operations safely and efficiently.

NS and CSX anticipate that on Day 1, they will provide the CSAO with approximately 100 locomotives for its use in the Shared Assets Areas. These units will be similar in number and type to those currently utilized by Conrail in providing service in these areas (with certain adjustments to reflect known workload changes). Applicants will ensure that the CSAO is provided an adequate number of locomotives equipped with the necessary cab signal and automatic train control devices required to operate over Amtrak and commuter rail lines in the Northeast. In addition to existing Conrail locomotives that are already equipped with such devices, several hundred new locomotives will be purchased by NS in 1998 and 1999, many of which also will be equipped with (or pre-wired for) such cab signals and automatic train control

devices. These new purchases, in conjunction with Conrail's existing locomotives (and the locomotives in the NS and CSX locomotive fleets that are equipped with such devices) will ensure that the CSAO has an ample number of locomotives equipped with cab signaling and automatic train control devices. See Section IX below.

NS and CSX will perform all FRA-mandated quarterly inspections, as well as heavy locomotive maintenance and repairs, for CSAO locomotives. These services will be provided at facilities to be owned and operated by NS at Bellevue, OH, and Enola, PA (and, eventually, at Conway, PA), and by CSX at Selkirk, NY and Huntington, WV. Locomotive units requiring quarterly inspections or heavy maintenance will be "swapped out" of the CSAO pool and replaced by locomotives with similar capabilities (including cab signal equipment or automatic train control devices, when necessary).

CSAO diesel shops at Pavonia and Oak Island will discontinue quarterly locomotive inspections and heavy locomotive maintenance on Day 1. Staffing at these diesel shops will reflect the reduction in heavy locomotive work within the CSAO. Safety will not be affected, however, because these activities will be performed safely and effectively at NS- and CSX-owned facilities. The Pavonia and Oak Island diesel shops will continue to perform running repairs, fueling, sanding, and servicing of locomotives for use in the SAAs. The CSAO anticipates that staffing at these facilities will approximate the number of Conrail employees currently performing those remaining functions.

In certain circumstances, federal regulations permit pre-blocked cuts of freight cars to be switched or interchanged without being re-inspected individually. Properly implemented, so-called "block swapping" can enhance efficiency without impairing safety, by freeing inspection personnel from the need to perform unnecessarily duplicative inspections and tests. NS and CSX

understand that strict compliance with applicable regulations regarding block swapping is essential. This concern, however, has relatively little application to the operations of the CSAO. Given its primary role as a yard-operating agent for NS and CSX, the CSAO will engage in very few block swapping operations. Most of the traffic to be handled by the CSAO will originate (or terminate) in these areas, and will receive a full mechanical inspection. The only yards within the SAAs in which Conrail currently performs block swapping operations are Oak Island, NJ; Morrisville, PA; and Livernois Yard, in Detroit, MI. The CSAO does not currently anticipate engaging in additional block swapping operations in any other yards or areas. Block swapping inspection practices as they now exist on Conrail properties in the CSAO areas will continue as they are currently being performed. Applicants have not yet identified any specific means by which improvements to Conrail's practice could be implemented, but will continue to examine this issue.

The CSAO Mechanical Operations organization will have the responsibility and authority to implement and manage training on mechanical operating procedures and practices. Both CSX and NS training resources will be made available to the CSAO on a contract basis to assist in providing and updating training for CSAO mechanical personnel. Training of new hires for the CSAO's Mechanical Operations organization will be handled on a contract basis by NS or CSX, or by an independent third-party contractor. New hires in the CSAO areas will be trained in mechanical and safety skills and will use a course curriculum similar to those employed in the NS and CSX in-house training programs. Safety of operations will always be the focus of any training program for CSAO shop craft personnel, as well as in non-agreement supervisor training.

VI. SIGNAL AND TRAIN CONTROL.

Coordination and management of signals, train control systems and train movement protocols in the SAAs will be relatively straightforward. The CSAO will retain the signaling systems currently in place in the SAAs, and will continue to operate under NORAC rules for the foreseeable future. This approach should mitigate any concern regarding potential confusion concerning operating rules, train movement protocols, and wayside signals within the SAAs.

As noted previously, the CSAO will maintain overall staffing levels in the SAAs at or near current Conrail levels for the work remaining in the CSAO. Applicants hope to fill many, if not most, positions with Conrail operating personnel currently employed in these areas. Consequently, it is anticipated that most CSAO operating employees will be very familiar with the CSAO signaling systems and with NORAC rules on Day 1. The familiarity of existing Conrail employees with existing rules and procedures will reduce the need for extensive pre-consummation training, and will promote safety in these areas.

Existing signal and communications systems in the SAAs will be maintained, at least initially. The CSAO will continue current p ctices to prevent the operation of locomotives lacking the necessary cab signal and automatic train control systems on territory utilizing such devices today. Under current practices, entry onto such lines is controlled by the owning entity (i.e., Amtrak or commuter railroads), and, unless excepted by timetable special instructions, locomotives and trains lacking proper equipment are denied entry.

Over time, CSAO management will evaluate existing communications and signaling ("C&S") systems and practices, and will consider any future changes in train operations in the SAAs and on neighboring lines, in determining future revisions and upgrades to C&S

systems. Management will identify best practices, and establish standards and procedures based on a "best fit" with the CSAO organization. In particular, the CSAO will develop standards for the safest and most efficient means for accomplishing changes or additions to C&S plans. CSAO management will establish a position with assigned responsibilities for developing and implementing appropriate C&S standards and procedures. The CSAO also will draw upon the expertise of CSX and NS from time to time in developing C&S standards and procedures. It is anticipated that most design work for CSAO C&S systems will be handled by outside contractors.

It is anticipated that C&S staffing in the SAAs, including manpower involved in daily signal maintenance operations, will remain at or near current levels. CSAO management will evaluate these staffing levels over time, and will recommend changes as necessary to ensure a safe and efficient operation. The CSAO's C&S manpower will include a small signal construction contingent, which will handle small projects such as installation of grade crossing systems and new turnouts in signaled territory. For large projects, services will be provided by NS or CSX as indicated in the Operating Plans.

FRA has requested information regarding budgeting for signals and train control in the Shared Assets Areas. The CSAO's projected budget for C&S will include both operating and capital elements. Operating budget funds will include all material, labor and purchased services required for ongoing operations, including inspections, FRA-mandated tests, maintenance, minor repairs, safety meetings, training, tools and other operating requirements. Capital expenditures for C&S will include those relating to C&S equipment and installations.

Formulation of the CSAO's operating budget for C&S will begin on an annual basis for budget year 1999. Monies remaining in Conrail's 1998 operating budget will be used to fund operations for the partial year 1998 (post-closing). The level of CSAO operating funding for

C&S during the remainder of 1998 will be determined by prorating Conrail's overall C&S operating budget to reflect the CSAO's share of Conrail system-wide manpower and equipment. For 1999, the CSAO's C&S operating budget will be established by annualizing Conrail's actual C&S operating expenditures for the partial year 1998, and prorating the CSAO's respective allocation of manpower and equipment. The result of these calculations will be compared to annualized actual expenditures from the CSAO's operations during 1998, with adjustments made to reflect any discrepancies.

The CSAO's capital expenditure budget for C&S will be prepared on an annual basis, reflecting a "three-year plan" of proposed capital expenditures for C&S equipment and installations. The capital budget process will focus on items that enhance the safety and reliability of C&S systems, and on replacement of items identified as worn-out or obsolete. Proposed expenditures will be categorized and prioritized, and added to the three-year plan as appropriate. During the latter part of each year, items of the highest priority will be submitted to CSAO management for consideration as upcoming-year capital improvement projects. If approved by the Conrail Board of Directors, these projects will become active capital projects in the following year. The level of C&S capital budget funding in the CSAO for 1999 will be based on capital budget numbers for Conrail, prorated to the appropriate levels based on the respective levels of manpower and equipment in the CSAO areas.

Applicants anticipate that current maintenance and repair programs will continue, with a coordination of efforts and training in systems design and operating practices to ensure continuity of safety and efficiency.

VII. ENGINEERING.

In order to ensure continued effective inspection and maintenance of track, bridges and structures in the Shared Assets Areas, the CSAO will continue to perform at least the same or higher levels of bridge and track inspections and running maintenance activities as those currently performed by Conrail. In fact, through improved efficiency and better utilization of crews and equipment, the CSAO will strive to provide enhanced inspection and light maintenance services, without increasing costs.

A. Bridges and Structures.

1. Inspections.

CSAO bridges and structures are currently covered by Conrail's bridge inspection program. Conrail's expertise will not be lost as a result of the proposed transaction. A sufficient number of maintenance of way and structures employees with Conrail experience, who are experienced in performing bridge inspections using Conrail procedures and practices, will be assigned to work in the CSAO areas. These employees will be able to sustain a CSAO bridge inspection program equivalent to the Conrail program currently in place.

NS and CSX recognize that changes (particularly increases) in traffic levels must be considered in determining the extent and frequency of bridge inspection activities. As a consequence, the CSAO will adjust inspection activities, as needed, to account for traffic increases in the SAAs that will occur as a consequence of the transaction.

2. Bridge Rehabilitation/Renewal.

Bridge and Structure maintenance and renewal will continue to be accomplished on a priority basis, within the framework of existing practices established by Conrail. Given the current age and condition of some bridges and structures in the SAAs, CSX and NS anticipate

that immediate investments will be required for work on some CSAO bridges and structures to ensure that the safety of CSAO operations does not decline in the near future.

The CSAO will oversee the maintenance, rehabilitation, and renewal of bridges and structures in the SAAs. "Spot" maintenance work on bridges and structures will be performed directly by CSAO personnel. More substantial maintenance work, including program maintenance, new construction, and emergency work, will be provided by NS or CSX as indicated in the Operating Plans. NS and CSX recognize that there will be increases in traffic levels on certain routes in the CSAO areas, and that the age and condition of bridges and structures in these areas must be considered in determining the appropriate level of rehabilitation and renewal activities for CSAO bridges and other structures. CSAO's program for the maintenance, rehabilitation, and renewal of bridges and other structures within the SAAs will fully take account of changing traffic patterns.

3. **Operating and Capital Expenditures.**

Funding sufficient to maintain the safety of CSAO bridges and structures through adequate inspection, maintenance, and renewal activities will be provided as follows: for the year 1998, funds remaining in Conrail's 1998 operating budget designated for CSAO lines will be used to support Bridges and Structures operating expenditures in the SAAs for the remainder of the year. For budget year 1999 and subsequent years, CSAO management will annually submit to the Board of Directors a proposed operating budget. The budgeted funds will cover all material, labor and purchased service monies required for ongoing operations, including those needed for inspections, FRA regulatory compliance, maintenance, minor repairs, safety meetings, training, tools, and all other operating requirements. The CSAO's 1999 Bridges and Structures operating budget will be established by annualizing Conrail's partial year operating expenditures on CSAO

territory during 1998, and adjusting that amount as appropriate to take account of changed traffic levels and other factors. After 1999, CSAO operating expenditures for Bridges and Structures will be based on historical data and practices, with adjustments made for changing traffic patterns, expensed rehabilitation work and other factors.

The Bridges and Structures capital budget for the CSAO will also be developed on an annual basis. The foundation for this process will be a "three-year plan" of proposed capital expenditures. During mid-year, CSAO field Bridges and Structures forces will make recommendations to CSAO management for capital expenditures relating to Bridges and Structures. Recommendations will include those items which would enhance the safety and serviceability of CSAO bridges and structures. Recommendations will be segregated by category, prioritized, and added to the three-year plan. During the latter part of the year, those items of the highest priority will be submitted to the Conrail Board of Directors for consideration as upcoming-year capital improvement projects. Capital projects approved by the Board will become active capital projects in the following year.

4. Manpower.

As previously mentioned, Bridges and Structures inspection, rehabilitation and renewal work in the CSAO areas will generally follow existing Conrail practices. Although the division of Conrail properties among NS, CSX and the CSAO will require the realignment of districts used by Conrail to provide maintenance and inspection services, current manpower allocations for the remaining maintenance and inspection of Bridges and Structures within the CSAO will not be reduced on Day 1. In other words, the CSAO will have sufficient manpower to maintain the same levels and quality of inspections and routine maintenance presently performed by Conrail. To the extent possible, Conrail employees will be left in place to work in familiar

territories. Any changes to bridge inspection practices which would affect manpower allocations will be made systematically only after careful study and only after employees receive training/familiarization with the new organization processes and programs.

B. Track.

1. Maintenance/Inspections.

Regular track maintenance is a vital component of any railway safety program. The CSAO will maintain rigorous procedures to ensure that tracks within the CSAO areas are regularly inspected and maintained. The objectives of this program are twofold:

i. to achieve strict compliance with FRA Track Safety Standards (found at 49 CFR Part 213) on the most heavily utilized segments, as well as secondary lines and smaller yards within the CSAO properties; and

ii. to perform inspection work on the basis of standards higher than those mandated by the FRA, so that deviations can be detected and corrected before track conditions become defective.

Regulatory compliance with track safety standards is already a mandatory objective of the Conrail inspection and maintenance activities within CSAO areas. The continuation of existing Conrail inspection and maintenance procedures by the CSAO will ensure that all track within the SAAs is maintained safely and in compliance with all applicable regulations.

The CSAO will have a staff of experienced Conrail employees to handle inspections and light track maintenance work on an ongoing basis. Additionally, each year CSAO management will determine the needs and priorities for annual rail, tie, and surfacing program work, and will present recommendations to the Conrail Board of Directors. Once approved by the Board, program work will be provided by CSX or NS as indicated in the Operating Plans.

CSX and NS recognize that traffic volumes will increase on several CSAO lines following the consummation date, and that increases in traffic volume will affect the required level of maintenance and inspection required for those lines. The CSAO will adjust the level of track maintenance and inspection performed within the Shared Assets Areas to account for fluctuations in traffic and operational changes. CSX and NS have already identified certain rail yards and facilities within the SAAs that would benefit from rehabilitation and/or maintenance beyond levels currently provided by Conrail. Thus, if anything, the proposed transaction will result in an improvement in track maintenance within the SAAs.

2. Operating and Capital Expenditures.

Funding for the inspection and maintenance of CSAO track will be determined in a manner similar to that previously described for Bridges and Structures maintenance. Funds remaining in Conrail's 1998 operating budget designated for CSAO lines will be used to support track work in the SAAs for the remainder of 1998. For budget year 1999 and for subsequent years, CSAO management will annually submit a proposed operating budget to the Board of Directors. The budgeted funds will cover all material, labor and purchased services required for ongoing operations, including those needed for inspections, FRA regulatory compliance, maintenance, minor repairs, safety meetings, training, tools, and all other operating requirements. The CSAO's 1999 track maintenance budget will be established by annualizing Conrail's partial year operating expenditures on CSAO territory for 1998, and adjusting that amount as appropriate to take account of any change in traffic levels and other factors. After 1999, CSAO operating expenditures for track work will be based on historical data and practice, with adjustments made for changing traffic patterns and other factors.

The CSAO's track program and construction capital budget will also be prepared on an annual basis. CSAO field personnel will provide recommendations for inclusion in a "three-year plan" of proposed track capital projects. Those items of the highest priority will be submitted to the Conrail Board for consideration as upcoming-year capital improvement projects. Projects approved by the Conrail Board of Directors will become active capital projects.

3. Roadway Equipment.

To the maximum possible extent, CSAO maintenance of way equipment needs will be filled by allowing existing Conrail equipment to remain on CSAO properties. Applicants do not propose to reduce maintenance of way equipment allocated to the Shared Assets Areas for routine track maintenance below current levels. Future needs for additional maintenance of way equipment for routine track maintenance activities will be determined by CSAO management and submitted to the Conrail Board of Directors for approval. Once equipment needs are approved by the Board, requests for equipment will be filled by NS and CSX. Roadway equipment for program maintenance will be supplied by the entity responsible for performing each program work project.

4. Manpower.

Track inspection and routine day-to-day maintenance work in the CSAO areas will generally follow existing Conrail practices. Although the division of Conrail properties will require the realignment of districts used by Conrail to provide routine maintenance and inspection services, Applicants anticipate that current staffing levels for remaining track inspection and routine maintenance within the SAAs will not be reduced. To the extent possible, Conrail employees will be left in place to work in familiar territories, with each SAA being one seniority district for consistency and retention of qualified employees.

VIII. HIGHWAY-RAIL GRADE CROSSINGS.

To maintain the safety of grade crossings on the shared lines following the proposed transaction, the CSAO will follow the same safety procedures and initiatives that have been utilized successfully by Conrail on these lines. Because the present safety plan will remain in effect, few new grade crossing safety issues will arise on CSAO lines as a result of the transaction. Nor will changes in the operations of the CSAO lines materially affect grade crossing safety. Specifically, no train speed increases are planned for the CSAO territories, no proposed track construction projects will affect crossings in the CSAO areas, and, as described below, traffic volume increases are minimal on those CSAO lines with rail-highway grade crossings.

This section addresses the CSAO safety plan with regard to highway-rail grade crossings in three parts: (A) Increase in Traffic Volumes; (B) Operation Lifesaver and Other Public Education Programs; and (C) Crossing Eliminations and Improvements. To the extent that the Conrail transaction poses environmental or safety issues in specific impact areas, such issues will be addressed in the Draft Environmental Impact Statement.

A. Increase in Traffic Volumes.

The projected increase in traffic volumes does not pose an increased risk to rail crossing safety with respect to rail lines that will be operated by the CSAO. Nearly all of the CSAO rail lines projected to experience an increase in rail traffic as a result of the transaction are lines that do not have highway-rail grade crossings today.

Only six individual CSAO line segments are projected to experience traffic increases of three or more trains per day as a result of the proposed acquisition. Of those six lines, five are located in the Northeast Corridor and do not have any rail-highway grade crossings. Rail-highway grade crossing safety, therefore, is not an issue for those segments.

The only CSAO line with rail grade crossings that is projected to experience an increase in train traffic is the Chemical Coast Secondary. This line is 9.1 miles long and has seven crossings. Five of those crossings are protected by gates, and all are equipped with flashing lights. This line segment is projected to experience an increase in train traffic from 11.0 trains per day to 16.2 trains per day.

Because most CSAO lines that are projected to experience an increase in traffic do not have rail-highway grade crossings, and most that do have crossings will not experience significant traffic increases, the Conrail safety plan that is presently in place will require few revisions with regard to grade crossings on CSAO lines. NS and CSX will ensure that Operation Lifesaver and other education safety programs presently in place to improve railway crossing safety focus their primary efforts in areas that may experience traffic increases.

Beginning in January of 1998, CSX and NS officials will discuss projected traffic increases and track changes with Department of Transportation officials in all states affected by traffic volume increases on CSAO lines, in an effort to insure appropriate coordination between the railroad and such agencies. Topics for these discussions will include: procedures for approval of crossing changes, identification of necessary traffic control device improvements (including funding), and potential changes in Section 130 funding projects affected by traffic changes. NS and CSX will cooperate with state Departments of Transportation to ensure that all crossings affected by increases in traffic are equipped with the appropriate safety devices.

B. <u>Public Education - Operation Lifesaver</u>.

NS, CSX and Conrail are all active supporters of public education programs designed to improve rail crossing safety, including Operation Lifesaver. For many years, members of NS, CSX and Conrail grade crossing safety groups have shared and adopted safety practices

through cooperative local, state and national Operation Lifesaver events. NS, CSX and Conrail conduct comprehensive Grade Crossing Collision Investigation Courses throughout their respective operating territories. These three-day training courses are approved for state law enforcement continuing education requirements. The program includes not only investigatory skills and attention to the legal rights and obligations of motorists at crossings, but also training in hands-on railroading and hazardous materials awareness. Police officers learn how train brake systems work and get a feel for the actual handling of a freight train.

Applicants will continue this commitment to railway crossing safety by ensuring that Operation Lifesaver and other grade crossing and trespasser safety programs continue in CSAO areas. These programs will be focused particularly in those areas that experience traffic volume increases as a result of the transaction.

NS and CSX grade crossing safety groups will support Conrail's Operation Lifesaver activities in CSAO areas, and will serve as liaisons between the CSAO and the national and state Operation Lifesaver organizations. Operation Lifesaver presentations in SAAs will be made by railroad volunteers, including employees of NS, CSX and the CSAO whose duties include operations within the SAAs. In addition to presentations to schools, governmental and community organizations, NS, CSX and CSAO will work with state Operation Lifesaver organizations to sponsor "Operation Lifesaver/Officer on the Train" special trains in CSAO areas. All Conrail-certified Operation Lifesaver presenters employed by the CSAO will be added to NS's and CSX's computerized databases.

Railroad police officers with jurisdiction over CSAO areas will conduct Grade Crossing Collision Investigation Courses within the CSAO operating territories. Moreover,

railroad police, working with local law enforcement officials, will actively apprehend, eject and prosecute trespassers on CSAO area rights-of-way.

Continuing programs such as Operation Lifesaver, and focusing them in areas where traffic increases can be expected, will help ensure that the proposed transaction does not adversely affect grade crossing safety in CSAO areas.

C. Crossing Eliminations and Improvements.

State governments have primary responsibility for highway railroad crossing safety, including the location or closure of crossings and the design and installation of crossing warning systems. Nevertheless, NS and CSX believe that it is in the interest of the public (and of the railroads) to participate actively in identifying hazardous conditions, making such conditions known to government officials, and implementing appropriate corrective measures. The CSAO, as operator of the Shared Assets Areas, will develop and share with state agencies its own recommendations for proposed grade crossing closures and improvements. NS, CSX and CSAO will work closely with the state Departments of Transportation or similar agencies to ensure that all crossings in the CSAO areas are equipped with appropriate warning devices (as determined by the relevant agency) and that such improvements are carried out in an efficient manner. The carriers will also work with state agencies to evaluate adjacent crossings, with a view toward eliminating redundant crossings.

IX. PASSENGER RAILROADS.

CSX, NS and Conrail all possess extensive experience in coordinating their operations with those of Amtrak and local commuter railroads. The CSAO will benefit from that experience. The merger will have no adverse impact -- and likely will have a beneficial impact -- on the safe coexistence of passenger and freight traffic. The plans developed by CSX and NS

with respect to passenger operations on their expanded systems are discussed in their respective SIPs.

The SAAs include only one short segment of CSAO-owned track over which passenger operations are currently conducted. New Jersey Transit Corporation ("NJT") operates commuter trains over a five-and-one-half-mile segment of track between CP-NK (near Oak Island) and Aldene, NJ. For this reason, the possibility that the proposed transaction could compromise passenger operations on CSAO-owned lines is extremely remote.

CSAO routes will include six line segments owned by Amtrak, NJT, or the Southeastern Pennsylvania Transportation Authority ("SEPTA") over which passenger trains currently operate. Those segments are described in Table 1.[8]

TABLE 1

PASSENGER LINE SEGMENTS OVER WHICH CSAO WILL OPERATE

Commuter Road	Line Segment
Amtrak	Lane, NJ - Zoo, PA
NJT	Aldene - Bound Brook, NJ
NJT	Union - Red Bank, NJ
SEPTA	Media Line, PA
SEPTA	Airport Line, PA
SEPTA	Chestnut Hill W., PA

CSAO operations on these line segments will consist of local freight trains that operate when convenient for the passenger agency. All CSAO train movements over these lines

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[8] Table 1 contains information from the Application, Vol. 3A, at 269-80 and 450, and from the Conrail System Map showing the proposed allocation of Conrail lines and rights (dated June 7, 1997).

will be controlled by the passenger agency's dispatchers. Those dispatchers, who are experienced in handling both freight and passenger movements over the subject lines, are not affected by the proposed transaction and will remain in place after Day 1. Passenger trains will continue to receive dispatching priority over freight movements on these lines -- indeed, freight movements in the SAAs will operate under the same time restrictions as exist today. See Joint Verified Statement of John W. Orrison and D. Michael Mohan, Application, Vol. 3 Supp., at 10. Amtrak, NJT and SEPTA each have adopted NORAC rules, on which CSAO crews will be fully trained and qualified. Thus, the proposed transaction will not compromise the continued safe operation of these passenger railroad-owned line segments.

In fact, the CSAO's integration of the SAA dispatching function into a single facility (at Mt. Laurel) will promote clearer communication between CSAO dispatchers and dispatchers of passenger railroads. These passenger segments are presently divided among several Conrail dispatching assignments, meaning that passenger agencies' train dispatchers must talk to two or even three Conrail dispatchers in order to coordinate train movements. Under the CSAO's integrated dispatching plan, contact with only one dispatcher per movement in each SAA will be necessary, thereby reducing the risk of miscommunication.

FRA has indicated that having a sufficient number of cab-signaled locomotives in the Northeast Corridor is a key safety consideration. All CSAO freight locomotives operating in the Northeast Corridor will be outfitted with the required cab-signaling equipment. As the NS and CSX SIPs demonstrate, NS and CSX also will have more than a sufficient number of locomotives with cab signals and Locomotive Speed Limiters ("LSLs") to support their own operations in the SAAs. By the end of 1998, NS will have 1,033 signal-equipped locomotives, with the potential for adding 113 more units in 1999 if such action becomes necessary.

Moreover, CSX will receive more than enough cab-signaled locomotives to operate the lines over which it will operate pursuant to the transaction. In sum, Applicants will have a significantly larger cab-signaled fleet available for use in the SAAs than that presently possessed by Conrail.

X. EMPLOYEE QUALITY OF LIFE.

As explained previously, one important duty of the CSAO Safety Officer will be the development and implementation of programs to improve employees' quality of life and reduce job-related fatigue and stress. CSX, NS and Conrail have all taken proactive measures to enhance employee quality of life and to ensure a fit workforce, and the CSAO will continue this progress with the support of NS and CSX. Conrail is presently training additional operating personnel who will be able to carry out CSAO functions so that the CSAO will be fully staffed as of Day 1. This planning and training will result in sufficient staffing to ensure properly rested employees on and after Day 1.

A. Work/Rest Issues.

Predictability of work hours is advantageous to maintaining alertness and eliminating the physical strain on railroad employees. Problems may arise when employees are forced to wait for late trains, or have their normal sleep patterns disrupted by an irregular and ever-changing schedule. These problems are exacerbated when crews are stretched too thin.

However, as noted above, the number of employees in the CSAO operating area will not be reduced, so that overly lean staffing will not be a potential source of unsafe conditions in the SAAs. Moreover, the CSAO's operations in the SAAs will be essentially local in nature -- the CSAO will not conduct any long-haul train operations. Accordingly, few CSAO employees will need to spend significant amounts of off-duty time away from home. Indeed, it is anticipated

that many CSAO employees will remain within their current assigned areas, and will be assigned to jobs with consistent reporting times.

Both NS and CSX currently utilize computerized crew management systems developed by PS Technology. The systems have some differences (relating to compliance issues associated with each carrier's labor agreements), but are similar in design. Applicants have not yet decided whether to use one of these systems, or Conrail's current system, for the CSAO. The NS and CSX systems can readily be modified for use in connection with the CSAO's crew management function. Utilization of such a computerized crew management system will improve the ability of crews to maintain a regular work schedule by providing up-to-the-minute information on train operations, vacancies, the availability of extra employees, extraboard standings, and rest status.

B. Perceptions of Harassment or Intimidation.

The CSAO will adopt a strict policy to protect against harassment and intimidation of employees, based upon existing NS, CSX and Conrail policies, and in full compliance with FRA regulations. This policy will become effective on Day 1, and will be posted at major facilities, terminals and on safety bulletin boards across the SAAs.

Employees alleging violations of the policy may report the incident to their immediate supervisor, who will then undertake a review of the action, advising the employee in writing of the results of the review. If an employee has reasonable cause to believe he or she has been intimidated or harassed by a supervisor, the employee will have available to him/her a procedure under which his/her concerns can be brought directly to the attention of the Senior Safety Officer. In appropriate circumstances, the complaint and investigation will be treated as

confidential. The CSAO policy will strictly prohibit retaliation against any employee who reports a suspected violation.

XI. COMPUTER SYSTEMS COMPATIBILITY.

In order to determine the computer systems that will be required to operate the CSAO, NS and CSX carefully analyzed the business needs of the new organization, particularly with respect to operating department systems. In identifying the CSAO's business requirements, it became apparent that modifications would be required to use either the CSX or NS systems for the CSAO. Given the need for such modifications to existing systems to adapt them for CSAO's use, a decision was made jointly by NS and CSX to explore whether the provision of the necessary modifications by a third-party provider would best serve the CSAO's needs.

NS and CSX are currently evaluating proposals from several prospective vendors. Until the time that any new or modified system is ready for implementation, the CSAO will continue to operate using the existing Conrail system. Implementation of a new or modified system will take place only after all required training and testing have been completed. Given the relatively limited geographic areas in which the CSAO will conduct operations, implementation can probably be accomplished in one phase.

XII. TRANSITION IMPLEMENTATION PLANNING FOR THE SAAs.

NS and CSX have approached their analyses of safety issues in the Shared Assets Areas in a deliberate and collaborative manner calculated to insure that the planning teams have ample information, opportunity and incentive to develop the most comprehensive safety implementation plans possible. The hallmark of this effort has been coordination and collaboration. Both companies have assigned experienced, high-ranking officials to spearhead the process: for CSX, the company's Vice President--Operations Support has been designated the

head of a team that includes representatives from the railroad's Operations Support, Transportation, Mechanical and Safety and Environmental Departments. For NS, its Vice President--Transportation & Mechanical heads up a similarly experienced team that includes, among others, the General Manager--Staff and the Assistant Vice President--Safety and Environmental Protection.

Both the NS and CSX teams have been supported by literally dozens of other railroad employees with specialized knowledge of the many areas of significance to the SIP process. Those employees have spent hundreds of hours on the ground in the SAAs (often with their Conrail counterparts) in order to understand the nature of existing operations and practices in these areas. Much of that knowledge has, in turn, been shared both with the other members of the individual employee's "home" railroad and with their counterparts on the other acquiring line (i.e., NS or CSX), all in an effort to make certain that the implementation planning process is subject to as complete and thorough an analysis of existing operations, and potential solutions, as possible.

This process will continue unabated up to and beyond the date of actual consummation of the consolidation transaction. NS, CSX and Conrail recognize that maintaining the highest possible level of safety in the SAAs is critically important, and all three companies are committed to that goal. While many of the present practices and procedures of Conrail will be adopted by the CSAO on Day 1, the companies are committed to working with the CSAO General Manager and his staff over time to identify the "best practices" of each of the three railroads and to adapt those practices as appropriate to CSAO operations.

APPENDIX A

SUMMARY OF CURRENT CONRAIL CRAFT TRAINING

I. TRAIN AND ENGINE SERVICE TRAINING.

Conrail utilizes the services of the Academy of Industrial Training (AIT), an outside vendor, to provide new-hire training for train service employees and certain Mechanical Department employees (Carmen, Machinists and Electricians). AIT is located outside Philadelphia, on a property that includes ample space for classrooms, models, and rail spurs featuring actual locomotive and freight car equipment. Prospective Conrail employees must successfully complete initial training at AIT before being considered for employment by Conrail. During this initial phase of training, trainees are paid by AIT and are covered under Workman's Compensation.

Training provided by AIT is thorough entry-level training. The train service training is three weeks long and covers basic safety practices, operating rules and signals. If a participant successfully completes this training and is hired by Conrail, he/she continues training on-the-job at his/her designated work location. After trainees have successfully completed approximately three weeks of on-the-job training, they are promoted to Trainman. Promotion to Conductor requires passing a locally-administered Conductor examination. A similar arrangement is in place for Mechanical Department employees, with initial AIT training of eight weeks for Carmen and 10 weeks for Machinists and Electricians, followed by on-the-job training if selected to be a Conrail employee.

Conrail also operates an in-house Transportation Training Center at Conway Yard (near Pittsburgh, PA), which includes several classrooms equipped for traditional training. In addition, a TracNet (CBT) Center is located in this building. The center is equipped with a DSL-made, non-motion Locomotive Simulator that was installed in 1989. While the center is able to

provide a variety of transportation-related training activities, Locomotive Engineer Training (LET) is by far the major activity at Conway.

Conrail's LET program consists of six weeks of classroom instruction followed by approximately 14 months of on-the-job training. Each student receives from four to ten hours of simulator training (as required) during the classroom phase of training. The Transportation Training Center is also used to re-certify Conrail Roadway Foremen of Engines. Other training programs offered at this location include a two-day Supervisor of Locomotive Engineer program, a three-week New Hire Trainman Program (used where AIT cannot accommodate Conrail training requirements), a one-day Air Brake Training Class for Maintenance-of-Way ("MOW") Equipment Operators, a three-day Discipline Procedures Program for non-agreement employees, and occasional Conductor promotional classes.

II. ROADWAY AND BRIDGE WORKER TRAINING.

MOW Training at Conrail is conducted primarily by two employees who travel the Conrail system providing training to MOW/B&B employees. Classes are held at local hotels, with field trips to rail locations as appropriate. Conrail currently offers the following training for MOW, and, where appropriate, B&B employees:

- Roadway Worker Protection training.
- A four-day Introduction to Track Maintenance class for new hires.
- A two-week Track Maintenance Workshop for foremen.
- Operating Rules training (including hazardous materials handling).
- A five-day Track Inspection class for track inspectors and foremen.
- A three-day class for track inspectors (topics covered change annually).

- A two-day track inspection seminar for shippers/customers having their own rail operations.

III. TRAINING FOR MOTIVE POWER AND EQUIPMENT PERSONNEL.

Conrail operates two primary mechanical training facilities -- one at Elkhart, IN, and the other at Hollidaysburg, PA.

The Elkhart facility has been in operation since 1993, and focuses on air brake and welding training for both agreement and non-agreement employees. The main classroom at Elkhart has a capacity of 20 students, is equipped for video projection and features a ten-car air brake simulator with an operational locomotive air brake simulator. The air brake simulator employs examples of each type of control valve currently in use as well as empty/loaded equipment. In addition, full-scale operational models of brake rigging, slack adjusters, truck-mounted brake systems and a RoadRailer bogie are available.

Adjacent to the main classroom is a smaller classroom that can seat about 12 students for traditional training. It also houses the Elkhart TracNet Center, one of many CBT training facilities Conrail has implemented system-wide. Immediately outside the classrooms are a truck tear-down station, a coupler tear-down station and draft gear, cushion unit and brake rigging models. An adjacent track provides an area to spot up to 12 cars for practicing initial terminal inspection and repair.

The Elkhart facility also includes a welding training station that can accommodate four trainees. Each booth has its own power supply, work bench, tool crib and welding fume extraction fan. The facility is equipped to perform bend/stress tests and can train on "stick," wire and flux core equipment. The welding center offers 40-hour courses in S.M.A.W., G.M.A.W., F.C.A.W. and G.T.A.W. processes as well as qualifications in A.S.M.E. pipe welding procedures

and oxy-acetylene/plasma-burning procedures. Qualification tests in unlimited thickness are given to comply with AWS D.15.1 standards. Conrail has certified welding inspectors and trainers and is a voting member on the AWS D.15.1 committee.

Classes offered include an 8-hour Initial Terminal Test course, an 8-hour Repair Track Test course, a 20-hour Supervisor Seminar and a 40-hour Air Brake Course. In addition, Elkhart provides Air Brake Training classes for AAR and FRA field inspectors. While not currently doing so, the Elkhart facility is equipped to provide complete training for new-hire Freight Car Repairers. When not in use during training courses, the Elkhart Air Brake Simulator is often used as an analytical tool to identify causes of air brake-related train delays and incidents.

Conrail's second primary mechanical training facility is at its Hollidaysburg shops. The training facilities at Hollidaysburg include two classrooms equipped for traditional instruction and a 10-booth welding training facility. Hollidaysburg has an air brake simulator similar to the one at Elkhart, and is generally equipped to provide the same training programs (although there is no TracNet Center at Hollidaysburg). Hollidaysburg is capable of providing the same classes taught at Elkhart and is also equipped to provide new-hire Carmen training.

In a smaller Mechanical training facility, consisting of a recently renovated conference room located in the Roundhouse, Machinist and Electrician training is delivered on each of three shifts.

IV. DISPATCHER TRAINING.

Conrail's Dispatcher Training consists of both classroom and on-the-job activities. Trainees begin their training with two weeks of classroom training usually conducted at Canton, OH. This is followed by one week of field training actually riding trains, followed by one week of dispatching simulation and operating rules review in Dearborn, MI. Trainees are then assigned

four weeks of on-the-job training, after which they return to Canton for review and training in hazardous materials. Trainees then return to their divisions and continue on-the-job training until qualified by local officers.

V. SIGNAL TRAINING.

Conrail's Signal Repair and Training facility is located at Buckeye Yard in Columbus, OH. The signal training building houses several medium-size classrooms. A wide array of models is available in the classroom building to support training on various types of signal systems. New signal employees attend four nine-day training sessions within the first two years of employment.

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

VI. HAZARDOUS MATERIALS TRAINING.

General hazardous materials training is conducted for all Transportation and Engineering Department employees, as part of their annual operating rules training. Employees whose positions so require attend annual hazardous materials update training. Depending on the nature of the work the employee will be doing, a range of job-specific training events are available. Some of this specific training is done by dedicated training personnel, but most is done by field supervisors or specific hazardous materials teams who have been trained in instructional techniques.

VII. ANNUAL OPERATING RULES TRAINING.

All operating department crafts (other than Mechanical Department employees) participate annually in an eight-hour operating rules class.

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December 3, 1997

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423

Re: Finance Docket no. 33388, CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company -- Control and Operating Leases/Agreements -- Conrail Inc. and Consolidated Rail Corporation

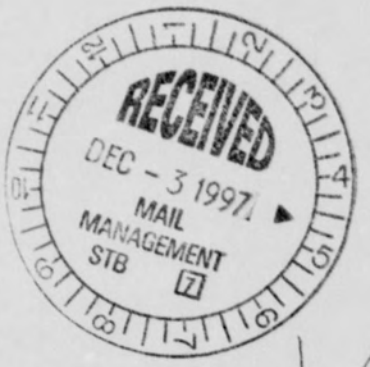
Dear Secretary Williams:

Enclosed for filing in this proceeding please find ten copies of the Safety Integration Plan submitted pursuant to Board Decision No. 52 on behalf of CSX Corporation and CSXT Transportation, Inc. A disk containing a copy of the document in Word Perfect format will follow shortly.

Sincerely,

David H. Coburn
Attorney for CSX Corporation and
CSXT Transportation, Inc.

cc: Section of Environmental Analysis



BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION, INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
-- CONTROL AND OPERATING LEASES/AGREEMENTS --
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

SAFETY INTEGRATION PLAN
OF
CSX CORPORATION AND CSX TRANSPORTATION, INC.

December 3, 1997

SAFETY INTEGRATION PLAN
OF
CSX CORPORATION AND CSX TRANSPORTATION, INC.

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-- CONTROL AND OPERATING LEASES/AGREEMENTS --
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

SAFETY INTEGRATION PLAN
OF
CSX CORPORATION AND CSX TRANSPORTATION, INC.

This Safety Integration Plan ("SIP") is submitted on behalf of CSX Corporation and CSX Transportation, Inc. (jointly, "CSX") in connection with the proposed acquisition of control of Conrail Inc. and Consolidated Railroad Corporation ("Conrail") by CSX and Norfolk Southern Corporation and Norfolk Southern Railway Company (jointly, "NS"). This SIP has been prepared in compliance with Decision No. 52 issued by the Surface Transportation Board ("Board") on November 3, 1997 for inclusion in the Draft Environmental Impact Statement ("DEIS") issued in connection with this proceeding. The purpose of this SIP is to describe the process by which the safety standards, procedures and programs administered by CSX Transportation,

Inc. ("CSXT") will be integrated with Conrail's standards, procedures and programs so as to ensure a safe transition from Conrail operation to CSXT operation on those Conrail lines that will be allocated to CSXT. Separate SIPs have been prepared that address NS safety integration and safety integration plans for the Conrail Shared Assets Operations ("CSAO"), the operator of the three Shared Assets Areas.

Safety has been a focus of CSXT's planning for the Conrail transaction for many months. As explained further below, CSXT has been engaged in meticulously studying Conrail's operating practices, identifying differences between Conrail and CSXT practices, and determining the best means of effectuating the transaction in a manner that will ensure continued safe operations. Certain safety-related impacts of the transaction were addressed in the Environmental Report submitted as part of the Application and are addressed in other sections of the DEIS. This SIP provides additional information as to certain of these matters (e.g., grade crossing programs and hazardous materials programs), and also addresses other matters not previously addressed in the Environmental Report.

The genesis for the preparation and submission of this SIP is found in the October 21, 1997 Comments filed in this

proceeding on behalf of the Department of Transportation ("DOT Comments"). Those comments proposed that CSX and NS be required to submit SIPs for the Conrail lines allocated to them and for the CSAO operations. The Verified Statement of Edward R. English, Director of the Office of Safety, Assurance and Compliance of the Federal Railroad Administration ("FRA") was appended to the DOT Comments. The English Statement set forth in substantial detail the matters that FRA believes should be addressed in the SIP.

Following the submission of the DOT Comments, and the issuance of Decision No. 52 by the Board, CSXT personnel engaged in extensive consultations with FRA officials concerning the scope and contents of this SIP. This SIP adheres to SIP Guidelines provided by FRA and covers each of the matters addressed in the English Statement.

In the next section of this SIP, CSXT will describe its safety planning and integration process. Following that discussion, the SIP will address the specific subject matter areas defined in the FRA Guidelines as follows: (A) corporate safety culture, (B) training, (C) operating practices, (D) mechanical (motive power and equipment), (E) signal and train control, (F) engineering (track and structures), (G) hazardous materials, (H) dispatching

operations, (I) highway-rail grade crossings, (J) allocation and deployment of personnel in various operational and safety-related sectors, (K) employee quality of life/morale issues, (L) the relationship between freight and passenger service, and (M) information systems compatibility. While considerable detail is provided as to each of these areas, the safety integration process is a dynamic one. Therefore, in most instances, the actions to be taken by CSXT are subject to further review and consideration. No decisions will be made hastily; all will be carefully reviewed as the integration process is implemented.

I. OVERVIEW OF CSXT'S SAFETY PLANNING AND INTEGRATION PROCESS

A. CSXT's Long-Standing Commitment to Safety

CSXT has established itself as an industry leader in train accident and personal injury prevention. It has done so by selecting the best job applicants, providing formal and field training that exceeds industry standards, investing heavily in the maintenance of track and rolling stock, and targeting for elimination behavior that creates the risk of accidents and injury.

CSXT's leadership position in railroad safety is the direct result of a decade of intense focus on injury and accident reduction. At the core of this campaign is the shared belief that all casualty events are preventable and that no job is so important, no service so urgent, that the time cannot be taken to perform all work safely. CSXT's work force is empowered to make decisions and take actions necessary to prevent personal injuries. While these core beliefs are not sufficient to assure a successful safety record, they are necessary to making any safety program successful. A brief overview of some of the key aspects of CSXT's approach to safety follows.

1. The Overlapping Safety Committee Process

To assure that its commitment to safety is reflected in the behavior of everyone associated with CSXT, the Overlapping Safety Committee Process was initiated. The overlapping process drives communication up, down and across the organization structure.

The Executive Vice President & Chief Operating Officer of the railroad is the chairman of the CSXT Safety Committee. This committee meets monthly to act on concerns addressed to it by other -- departmental, divisional or field -- safety committees throughout the railroad. These other committees also meet at least monthly to share ideas, address safety concerns and raise issues for resolution at appropriate levels of the organization. The process facilitates participation by every company employee and manager -- at every level of the organization -- at least monthly.

This communication process has led to the development or enhancement of a very large number of safety initiatives which have generated dramatic improvements in CSXT's safety performance. Some of the key initiatives have been: the industrial track inspection program, new hire training, return-to-work training, consistent and effective root cause

analysis for accidents and injuries, new and improved items of personal protective equipment, training and awareness tools on the use of lifting and rigging devices, the publication of safe job procedures for every operating craft at the railroad, and peer intervention training programs to assist employees and managers in confronting the unsafe behavior of co-workers.

For example, Operation Prevention is a voluntary, craft employee-developed and run program that is used in the CSXT's Transportation, Engineering, and Mechanical Departments. It uses peer intervention instead of discipline to try to reduce unsafe behavior. Another example is Operation RedBlock. This alcohol and drug abuse prevention program is led exclusively by craft employees. CSXT provides funding for full-time coordinators and administrative services, but it is the daily, unpaid participation of thousands of employees that makes this program effective.

The overlapping safety process has also fostered the development of public safety programs. These initiatives include programs to eliminate highway grade crossings; to educate the public and law enforcement personnel on the dangers of ignoring grade crossing protection devices

(Operation Lifesaver); to train community emergency management personnel on rail accident prevention and emergency response procedures (the Transportation Community Awareness and Emergency Response, or TRANSCAER, Program); and to prevent hazardous materials incidents (the Responsible Care Program initiated by the Chemical Manufacturers Association).

2. Train Accident Prevention

CSXT is particularly proud of its approach to preventing derailments. Every field operating unit has a train accident prevention committee that investigates and determines the root cause of every derailment in its territory. Leadership of the committee is rotated throughout the year among the transportation, mechanical and engineering functions to encourage open-mindedness in the committees' deliberations. Committee members are trained by a specialized accident prevention team using a comprehensive cause finding manual that has become a model for other railroads to follow. Computer simulation equipment is used to analyze the effects of train and track alignment on buff and draft forces throughout the length of the train.

3. Continuous Improvement

Statistics show a track record of continuous improvement in safety at CSXT. In the past seven years, CSXT has reduced its employee injury rate by 79 percent and its train accident rate by 64 percent. 1996 was the railroad's seventh straight year of improvement in rail safety and, in that year, CSXT had the lowest accident rate per train mile traveled among all of the Class I railroads. CSXT has also reduced grade crossing collisions per train mile by 47 percent over the past several years.

Despite its excellent safety record, CSXT recognizes that there is always room for improvement. During the summer of 1997, CSXT was the subject of an intensive FRA Safety Assurance and Compliance Program ("SACP") review. CSXT did not wait for FRA to issue a final report before initiating projects to address FRA's concerns. The SACP process has led to the creation of 16 labor-management-FRA teams that are working together, building upon past successes, to find real and lasting improvements to the remaining safety challenges identified by FRA.

Very recently, CSXT hired Jim Schultz, FRA's former Associate Administrator for Safety, one of the highest-ranking FRA safety officials. Mr. Schultz will be

intimately involved in Conrail safety integration planning and implementation, with a focus on safety culture matters, a subject discussed in further detail later in this document.

B. Safety Has been Paramount During the Transition Planning Process in Connection with the Conrail Transaction

Safety issues will be the highest priority of CSXT as planning for the integration of the allocated portion of Conrail moves forward. The goal of this extensive planning process is to have a seamless transition, invisible to customers and to the communities in which CSXT will be operating on "Day 1" -- the date following any Board decision granting control on which the Conrail assets will be divided between CSXT and NS.

The integration process for rail operations does not contemplate an immediate "flip the switch" implementation. Rather, the transition will be structured to avoid major operational changes all at once. For example, Conrail computer systems vital to safe operations of the railroad will remain operational on Day 1. CSX systems will be transitioned to the allocated territory in a phased approach and system redundancy will be maintained through testing, user training and system acceptance. Training will be a key throughout the transition, as will an assessment of best practices from each railroad, as determined from review and experience. At the same time, operational inconsistencies

that could lead to confusion will be eliminated prior to Day 1 in a manner that focuses on a safe transition.

The four subsections which follow discuss CSXT's transition planning in more detail. These sections cover:

1. Learning from Other Mergers
2. Organizing for Integration
3. CSXT's Integration Planning Methodology
4. CSXT's Capital Budgeting Methodology

1. Learning from Other Mergers

CSXT has more experience in safety integration than many railroads, having evolved from the combination of the Chessie System and the Seaboard Lines in 1980, and from several prior mergers. CSXT has also more recently assumed control of and assimilated the rail assets of two smaller companies into the CSXT systems and culture. These assets were purchased from the Richmond, Fredericksburg & Potomac ("RF&P") and the Three Rivers Railroad (which purchased the track assets of the Pittsburgh & Lake Erie). In each of these transactions, and in the Chessie/Seaboard merger, employees learned new rules, received new or different training, became accustomed to different computer systems, territories, signal systems (including cab signals and train control systems) and processes without service interruptions

and without compromising safety. The key lessons of these activities were that advance planning and constant communications are essential to a smooth transition. As stated in other sections of this filing, the people who implement this type of change must play a critical role in the planning for change. Many of the lessons current CSXT management has learned through these successful past mergers will be applied to the Conrail transaction.

At the same time, many of the challenges that arose in the recent merger of the Union Pacific ("UP") and Southern Pacific ("SP") are not present here. The SP was in poor financial and operating condition before and at the time of its merger, while UP was still in the process of dealing with issues related to its earlier acquisition of CNW. This placed the combined UP-SP in a position of playing "catch-up" from the outset, particularly with respect to operations over the former SP lines. Further, as the DOT Comments observe, UP and SP had the first and second highest accident rates among the Class I railroads for five of the last six years (see the English Verified Statement at pages 3-4).

By contrast, the Conrail transaction involves three successful, well-run and financially healthy railroads with long-standing commitments to safety. As reflected in Table

1 at page 4 of the English Statement, CSXT and NS both have had a significantly lower accident rate than any of the other Class I railroads over the last five years.

Following the allocation of Conrail's assets, CSXT's safety and operations management teams will remain in place, buttressed by the addition of highly experienced Conrail officials that CSXT has added, and plans to add, to its management team. Thus, CSXT will be in a position to build on the strong safety culture that already is in place at Conrail -- with the assistance of Conrail expertise and senior management, as discussed further below.

In further contrast to the western mergers, the Conrail transaction will not involve the shedding of significant redundant lines or assets or a significant reduction in forces. Rather, this transaction contemplates the expansion of the CSXT network by approximately 4,100 miles of allocated track, with virtually no retirement of track. The recent western mergers were of much larger scope -- the merged UP/SP system has more than 36,000 miles of track and involved the absorption by UP of over 11,000 miles of SP track. The Conrail transaction will result in fewer employee reductions than in the western mergers. Furthermore, in key operational areas, employment will

actually be increased to handle the transition and expected traffic growth. Importantly, on Day 1 CSXT anticipates that no safety-sensitive areas will experience manpower reductions that would threaten safe operations.

CSXT is also committed to spending sufficient capital to ensure a smooth transition of operations by increasing expenditures on track maintenance, reducing signal pole lines and improving service reliability on CSXT property prior to Day 1.

2. Organizing for Integration

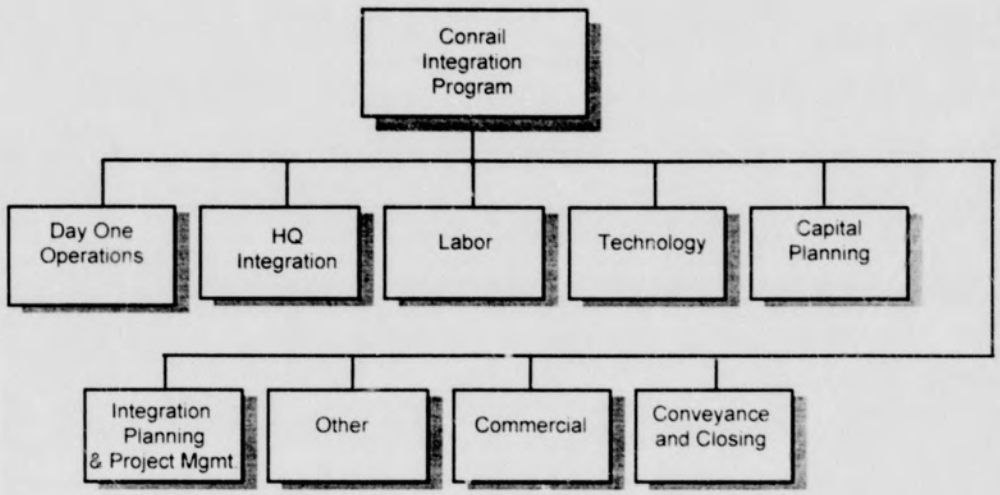
In its safety planning process, CSXT has also avoided two fundamental errors that others have made in the past -- the failure to commit adequate resources to integration planning at an early stage and the failure to recognize that the personnel that will be implementing the integration plan are the ones that need to be involved in the planning process. CSXT's planning for the safe integration of Conrail began shortly after its interest in the transaction was first made public, has continued unabated and will continue through and beyond Day 1.

In furtherance of its integration goals, CSXT is devoting a large number of high-level executive managers and other highly qualified operational staff and consultants to

plan and implement the transition effort. Significantly, CSXT has built integration teams with the people who will execute the plans. If the "planners" and the "doers" are one and the same, the result should be practical plans which operations people are ready to carry out because they were present at their creation.

Nearly a dozen major cross-functional groups of integration teams comprise the CSXT Transportation Integration Program. As shown below, teams are grouped under the following headings: Day 1 Operations, Headquarters Integration, Labor, Technology, Capital Planning, Integration Planning and Project Management, Commercial, Other (Financial Statement Management, Corporate Governance, etc.), and Conveyance and Closing (Asset Division). Cross-functional representation on the teams assures that interdependencies are considered. In all, there are more than 55 Teams.

Exhibit I.1
CSXT's Integration Team Groupings



CSXT's integration planning process includes the following steps:

- Project identification
- Scope definition and team establishment
- Deliverables identification and timeline establishment
- Fact discovery
- Best practices/synergies identification
- Establishment of desired-state vision
- Implementation plans development
- Resource/Technology training commitment
- Transition plans development

- Contingency planning
- Testing
- Implementation

Although many of the functional teams have a role to play in furthering CSXT's safety efforts, the areas with the most direct responsibility for safety are Day 1 Operations, Headquarters Integration, and Capital Planning.

a) <u>The Day 1 Operations Teams</u>

The Day 1 Operations Teams have a broadly defined mission of planning and implementing the actions necessary to prepare for the first day of railroad operations of the combined and shared companies to ensure that the present high levels of operations and safety are maintained or improved. The Teams' core activities include developing the following safety-related plans, among others:

- Comprehensive operating procedures and rules,
- A training and hiring plan for train crews and dispatchers,
- A special plan focused on the Chicago area and Indiana Harbor Belt operations,
- Plans for operations in the Shared Assets Areas (formulated in coordination with NS), and

- A technology plan to assure that all safety related information is available in the field and in the dispatch centers prior to Day 1 operations.

In order to achieve their mission, the Day 1 Operations Teams are addressing the safety related functions of train crew management (calling and assignment), dispatching, communications, train control systems (signals), operating rules, and the inspection and maintenance of track, rail cars and locomotives.

The Teams are headed by CSXT's Gerry Gates, Vice President for Consolidation who came to CSXT from Conrail in 1997, having formerly gained detailed knowledge of the Conrail operation by having served at Conrail in a variety of positions, including Vice President for Transportation, Mechanical and Customer Support. The Day 1 Operations Teams include eight sub-teams devoted to such important areas as work force, operations, technology, and the Shared Assets Areas. The sub-teams are led by a number of high-level personnel from CSXT, including vice presidents, assistant vice presidents, general managers, and assistant general managers.

b) The Headquarters Integration Teams

The Headquarters Integration Teams are responsible for ensuring that there is appropriate headquarters support for the combined railroad on Day 1, including establishing the infrastructure to ensure that CSXT's historical level of safety is maintained. The actions of the Headquarters Integration Teams are closely linked with those of the Day 1 Operations Teams -- and some employees have roles in both areas.

The Headquarters Integration Teams are co-headed by CSXT's Vice President and Controller and by the President of CSX Technology (a CSX Corporation subsidiary). They are assisted by a number of team members, including most notably for safety purposes, the CSXT Vice President-Operation Support, who also is the Safety Integration Officer. The Safety Integration Officer has primary responsibility for identifying and evaluating the best safety practices in the rail industry and applying those practices on CSXT and on the Conrail lines to be assigned to CSXT. He is currently working with other rail safety officers, including NS counterparts and Association of American Railroads ("AAR") officials, to identify and compare rail safety practices across other railroads and with other industries.

The Headquarters Integration Project Plan addresses four specific planning stages:

1. Determine CSXT and Conrail differences
2. Create a future state vision
3. Create detailed implementation plans
4. Execute detailed implementation plans

The first 2 tasks have been completed for the most part and significant progress has been made towards completing Step 3. Each area includes development, verification, and review.

c) The Capital Planning Team

The Capital Planning Team is responsible for coordinating the capital planning, budgeting and execution for the Conrail transaction. This Team is headed by CSX Technology's Vice President-Advanced Rail Signaling & Dispatch Technology. This Team serves important safety functions, including having responsibility for upgrading signaling systems where appropriate throughout the system.

As noted above, integration planning in each of these areas is well underway with an immediate goal of a safe and seamless "Day 1" transition and a longer-term goal of integrating the railroads in a way that takes advantage of the best practices of each. The following section discusses

certain aspects of CSXT's planning methodology in more detail.

3. CSXT's Integration Planning Methodology

Beginning in June, 1997, CSXT established its formal Conrail integration program to implement CSXT's operating plan. This formal planning effort has centered on creating a comprehensive integration of Conrail's management knowledge and expertise of its territory with CSXT's. This effort has, from the beginning, sought to explore and understand the differences between CSXT and Conrail approaches to management and safety, to identify the best practices of each company and to capitalize on those best practices at the earliest practical date. The integration planning effort at CSXT has been all-encompassing. Every area of management on both Conrail and CSXT has been involved in this effort. The focus of the planning effort has been to identify each activity which may require coordination or integration between Conrail and CSXT. As those activities were identified, coordination and integration requirements were documented. CSXT officers in every affected department have contacted their Conrail counterparts to understand their approach to the same management issues.

a) The Context for Choosing Best Practices

With the allocation of Conrail assets, CSXT will grow from approximately 18,500 route miles to approximately 22,650 route miles. In the expanded CSXT, former Conrail property will make up approximately 18 percent of the total system and former CSXT lines will make up 82 percent, excluding the Shared Assets Areas. Both Conrail and CSXT have systems and processes to ensure safe and efficient operations. Many of these systems and processes are parallel and would be redundant under common management. For most systems and processes, it is more efficient and cost effective to adopt one rather than meld two.

Where it is determined that CSXT's and Conrail's practices achieve the same level of safety, CSXT recognizes that it will be more efficient to change 18 percent of the network instead of 82 percent. At the same time, where there are obvious "best practices" which directly affect safety, those practices will be adopted, regardless of the practices' origin. The search for the best practice has been and will continue to be thorough. In some situations, both Conrail and CSXT processes will run in parallel until there is a good understanding of the advantages and disadvantages of both approaches. Conrail's expertise and

institutional knowledge will not only be respected, but Conrail employees will play a critical role in the successful melding of the two cultures and in creating a safe, efficient integration of operations.

b) Comprehensive Planning Enables a Flexible Response

The comprehensive nature of this planning has been such that safety programs and issues are specifically dealt with in every functional unit at both Conrail and CSXT. The planning effort is specifically designed to be flexible with respect to addressing new issues. At the same time, the plan is aggressively setting a course to integration so that all long lead time resources are identified and acquired prior to implementation.

This planning effort is not static. The plan must and will change to take advantage of any and every practical enhancement. In addition, where there are significant risks that an integration strategy may not occur by the time of implementation, those risks have been addressed with a contingency plan. This SIP is thus essentially a snapshot of CSXT's planning efforts to date. CSXT fully expects this plan to evolve not only until Day 1, but beyond, until a

complete integration of operations and management has been achieved.

The planning process addresses resource requirements including personnel, training, capital, technology and ongoing operating budgets. Timelines are also being developed for every implementation effort. However, no plan, no matter how detailed and well thought out, can be expected to perfectly predict future events. Flexible plans are more likely to be successful than static plans which are made too far in advance of the implementation. To the extent that CSXT's planning efforts deal with unknown or unknowable future events, the plan establishes a method for gaining the appropriate knowledge and then planning the integration. In some cases, that plan may involve operating CSXT and Conrail functions separately for a period of time to more fully understand the differences and advantages in each railroad's approach.

4. CSXT's Capital Budgeting Methodology

The capital budget process is an example of how this planning effort has led to immediate actions to address long lead-time issues. Shortly after the terms of the transaction were negotiated, a multi-disciplinary team reviewed the Conrail track structure, CSXT's track structure

and the anticipated traffic flows. This high level review determined that a substantial investment in capacity would be required. The major need is in the Chicago, IL to Albany, NY line segment. Specifically, major segments of double-track will be needed to handle additional business efficiently and safely. Given the high priority and long lead time, a $196 million project was initiated in June of this year. Using the planning methodology described above to ensure the coordination of material, personnel, and equipment, this construction is well underway.

In addition to the double-track project, other construction projects were identified and prioritized. Specific, detailed plans and funding are now in place to undertake construction of these most critical capacity investments. These projects have been detailed in CSXT's Operating Plan, Volume 3A of its June 23, 1997 Application filed with the Board. In future years, capital requirements will be identified and prioritized in virtually the same manner as they are today on both Conrail and CSXT. Future capital expenditures will be made as traffic levels and operations require.

II. DISCUSSION OF INTEGRATION PLANS FOR SPECIFIC FOCUS AREAS

In the discussion of each of the thirteen safety focus areas identified by FRA that follows, CSXT will address, as appropriate, how Conrail practices differ from CSXT's, how CSXT intends, as of this date, to operate the Conrail assets as of Day 1 and longer-term, how the integration process will proceed and how CSXT plans to ensure compliance with federal rules. The areas are: (A) corporate safety culture, (B) training, (C) operating practices, (D) mechanical (motive power and equipment), (E) signal and train control, (F) engineering (track and structures), (G) hazardous materials, (H) dispatching operations, (I) highway-rail grade crossings, (J) allocation and deployment of personnel in various operational and safety-related sectors, (K) employee quality of life/morale issues, (L) the relationship between freight and passenger service, and (M) information systems compatibility.

A. Corporate Safety Culture

There are few phrases so widely used yet so hard to define as "safety culture." Cultures normally evolve gradually through interactions among people engaged in collective experiences. Shared beliefs and values result, which define behavioral norms within an organizational structure. Present day CSXT comprises numerous different predecessor railroads, each bringing individual cultures to the combined company. Many of the lessons learned from these prior mergers are guiding the current effort to seamlessly integrate the CSXT and Conrail safety cultures.

CSXT's fundamental guiding principle is that there is nothing more critical to sound safety practices than a non-adversarial culture that recognizes and rewards safety advocacy at all levels. To enrich CSXT's "social contract" with its employees, the company is re-energizing its efforts to institute a system-wide safety culture that engages all stakeholders, with nobody left on the sidelines. CSXT is working toward a culture rooted in mutual trust, respect, and openness, where employees are rewarded for identifying safety concerns and helping in their resolution. To enable CSXT to take advantage of every safety opportunity, the

company is establishing an atmosphere where coaching, mentoring, and follow up are expected managerial qualities.

CSXT's goal is direct: achieve zero fatalities, injuries, collisions, and derailments. This goal is reachable and the employees and managers of CSXT will not be satisfied until it is achieved -- not only on current CSXT lines, but also on lines allocated from Conrail.

In building a sound corporate safety culture, several general principles are central. These include:

- CSXT is a good company, but it can get better.
- CSXT listens to employees, welcomes their ideas, and follows up.
- CSXT can significantly enhance service to its customers and increase the value of the company to all stakeholders through a revitalized corporate safety culture.
- CSXT employees are professionals who want to do a good job every day.
- Employees who have pride in their work/company feel a direct connection with the quality of service provided.

- CSXT can improve safety, further promote mutual respect/trust, and develop more openness in the workplace.

The remainder of this section on corporate safety culture covers four main topics:

1. The CSXT Way Program
2. Existing CSXT Safety Initiatives
3. Plans for Further Strengthening CSXT's Safety Culture
4. Integrating the Conrail Safety Culture

1. The CSXT Way Program

CSXT initiated a move toward a more open and inclusive safety culture about five years ago with the implementation of a progressive set of corporate values defined under the flag "*The CSXT Way*." These seven precepts are shown in Exhibit II.1. Developed with the input of hundreds of CSXT employees, these values have been the company's "North Star" and are central to its successes to date.

Exhibit II.1
"The CSXT Way"

1. We value our employees and respect their dignity.

2. We are committed to teamwork, openness and candor.

3. We are committed to increased quality and continuous improvement.

4. We are committed to increased empowerment and personal accountability.

5. We are committed to ethical conduct.

6. We encourage innovation and change.

7. We have a sense of urgency and a bias for action.

Through observance of these values the railroad has achieved increasing levels of safety and efficiency. As noted, in the past seven years, CSXT has reduced the employee injury rate by 79 percent and the train accident rate by 64 percent. In 1996, its seventh straight year of improvement, CSXT had the lowest train accident rate per train mile traveled of any Class 1 railroad. During this

same time period, CSXT also reduced grade crossing collisions per train mile by 47 percent.

2. Existing CSXT Safety Initiatives

CSXT has implemented Best Safety Practices in many phases of its operation. A "Best Safety Practice" is the best method for performing a task or accomplishing a safety objective. Best safety practices are used by professionals to perform quality work, safely, in a cost-effective manner. Repetitive use of best safety practices cultivates an atmosphere of empowered, injury-free performance.

The following CSXT processes and programs are considered to be Best Safety Practices:

a) Overlapping Safety Meeting (OLSM) Process

This process is used to survey safety issues, disseminate safety information, address unsafe conditions and develop policies designed to improve the effectiveness of safety efforts. The monthly, system-wide meetings create an environment that encourages participation by all employees. These safety committee meetings ensure dissemination of, and encourage compliance with, policies and procedures at all levels of the organization. Of equal value is the ability of these committees to bring ideas and

energies of employees at all levels into the process for upward consideration. There are four or more levels of meetings within the overlap process.

System OLSM. The first senior officer level meeting is the System OLSM, chaired by the Executive Vice President & Chief Operating Officer (EVP&COO) and attended by his direct reports and operations department heads. Since the EVP&COO is ultimately responsible for safety, the major function of this committee is to establish policies and priority programs.

Operating OLSM. The Senior Vice President-Transportation & Mechanical and Chief Transportation Officer chairs the Operating OLSM. This OLSM ensures that safety policies are communicated to the next level and that all disciplines within the Operating Departments are involved in the process.

Departmental OLSM. The department heads conduct their OLSM with their direct reports to implement system policies and develop control measures unique to their respective areas of responsibility. They exercise functional authority over their respective safety processes and provide resources and leadership to ensure a safe environment for all employees.

Field OLSM. As each successive supervisory level conducts their meetings, out to and including each craft-person, the field OLSM implement system and departmental policy and further develop control measures specific to their needs. Ideas, opportunities and concerns which cannot be resolved in local level meetings are successively passed through the various levels of committees until brought to conclusion. Two-way communication is critical to the success of this process.

b) Local Safety Director and Committee

In addition to putting the OLSM process into action, the local safety director and his committee note unsafe practices and coach co-workers in how and why to change their behavior. They also recognize good behavior by teammates and urge them to continue working safely. They regularly receive safety suggestions and investigate reports of unsafe conditions. They also conduct safety audits of their areas, and initiate correction of safety hazards.

If there are injuries or close calls, the local team assists with the root cause analysis to make the necessary changes that will prevent recurrence. The safety director and team participate in safety conference calls to represent their location and to gain insight into what might be

working at other locations. The team also conducts safety training, safety meetings, safety blitzes, clean sweeps, cookouts and special safety initiatives.

c) System Safety Calls

In order to keep safety awareness high, conference calls are conducted on a regular basis to involve the field teams in safety discussions. The purpose for the calls is not to allow headquarters to convey a message to the field, but rather to give the field safety committees the opportunity to talk about their latest safety initiatives and successes. Every other Saturday there is a call conducted with all operating departments. Managers and craft-persons alike contribute to the call. Calls are also conducted at the beginning of each shift for safety and operations updates, and as needed to address areas of special focus.

d) Operation Prevention

The Operation Prevention Program is a craft employee-developed and run program. It was developed by a Waycross, GA sheet metal worker in 1992 to allow craft employees to help other craft employees become safer workers.

A three-person peer interview team is selected from craft employees recommended by the local chairman/chairmen

at each facility whose employees request the program. To be an interview team member you have to be honest, sincere and respected by your peers. The peer interview team is trained in basic interview skills, with particular emphasis on listening and on using forms of speech that reduce the likelihood of the other person tuning out or becoming defensive.

The peer intervention program allows employees to help each other become safer workers. At locations where Operation Prevention has been adopted, intervention is offered by the team to those employees it feels may be susceptible to injuries, for whatever reason. The program is supported by management and is recognized as an alternative to discipline; however, it is usually not offered to those employees who have flagrantly violated safety rules or safe practices, or who persistently work in an unsafe manner.

e) Safety Rules Certification

Each Operating Department craftsperson is safety certified each year. The process varies somewhat from department to department, but in each case requires a formal test, success on which is linked to the safety shoe subsidy program. Each employee who passes the certification test

with a score of 90 percent or better receives a coupon for a free pair of steel toe safety shoes. The coupon may be exchanged for another safety item if shoes are not needed.

The process for developing the certification program in the Engineering and Mechanical Departments is as follows. In the fall of each year a committee of craftsmen review the safety incidents that have occurred during the last 12 months and determine what areas should receive particular focus during the annual certification process. To make the subject more interesting to review, the committee develops a study guide with pictures, illustrations and captions. This guide is sent to each employee's home to make sure that he or she receives it and has time for self-study before classes are held, and also to get the family involved in safety. There is also a video depicting safety rules. The process in the Transportation Department culminates with testing through CSXT's network of multimedia computer "PODS," rather than in a classroom setting. (The PODS are described further in the description of Operating Rules Training, Section II.C.1.c).

f) Behavior Observations

1996 was the first year in eight that CSXT did not make a year-to-year reduction in personal injuries. In the fall

of 1996 CSXT benchmarked ten large companies with good safety records to see if there were any programs they were using that might enable CSXT to recapture the momentum that had been driving its injury rate downwards. The benchmarking revealed that CSXT, along with those companies, had used *rules compliance* first (requiring employees to comply) and then safety *programs* later (getting employees involved in development and implementation), to make safety improvements.

Of the companies that were benchmarked, the more successful ones had progressed from rule and program-based approaches to a behavior-based approach. This is considered to be the third and last step to safety excellence. Behavior-based safety is actually a systematic development and reinforcement of safe behavior. Initializing the process involves identifying tasks performed on the job (especially those which could potentially result in an injury if performed incorrectly), assembling a template of desired behaviors, and training volunteer observers.

Periodically, volunteers fan out and observe their co-workers at work. Positive, as well as "at-risk," behaviors are noted and discussed on site with those observed. All observations are non-punitive and the data is recorded and

aggregated. The data is then evaluated and action plans are developed to reduce incidences of at-risk behavior.

g) Take Stock in Safety

In 1995 a new program was created to reward good safety performance. The railroad was divided into field safety teams and the combined departments worked together to prevent injuries. Each individual on the teams that were successful in meeting a frequency index goal was awarded shares of company stock. There were two annual award levels: $500 in stock for those teams with good safety performance and $1,000 in stock for those with superior safety performance. The program has now been changed, at the request of the craft-persons, to smaller departmental teams who compete against a frequency index on a quarterly basis.

The program has caused employees to take a greater interest in the safety of those around them, resulting in fewer injuries, and rewarding those who work the hardest at being injury free.

h) Back In Motion

"Pro-Back" lifting principles (1. Keep it close, 2. Keep the upper body erect, 3. Lift smoothly, don't jerk, and 4. Don't lift and twist) were introduced at CSXT in the late

1980s. In 1994 "Back in Motion" was introduced as the next step in promoting physically fit and healthy employees.

The Back in Motion Program addresses the proper lifting techniques and exercises that will help employees elude injuries by avoiding positions that place undue stress on the back and joints. In most cases it is simply a difference between working hard and working smart.

i) Slips, Trips and Falls

CSXT has made tremendous strides toward reducing injuries. However, slips, trips and falls, as a category, have proven to be more difficult to eradicate than other areas. There is no single cause for slips, trips and falls and there is no single solution. But there are some common conditions and personal actions responsible for these injuries: slippery, unstable or uneven walking surfaces, horseplay, loss of balance, pushing, shoving and pulling, running or turning sharply, poor lighting, inappropriate footwear, contaminants (e.g., oil or grease) on walking surfaces or bottoms of shoes, inattentiveness, reduced vision, and carelessness.

To further combat the problem of slips, trips, and falls, CSXT introduced a program in 1996 called GAPS (Gait, Awareness, Physical Alignment, and Shoes). The brochure and

accompanying dialogue attempt to bring to the employee a fresh perspective on something most of us rarely think about -- the act of walking itself. GAPS reviews what factors can lead to unexpected walking failures, and which factors can lead to higher probabilities of success. The program contributes to employee well-being both on and off the job.

j) Tap On The Shoulder ("TOTS")

TOTS is a concept that was conceived by a CSXT craft-person at the Winston, FL Car Shop. He explained that everyone might not be willing to accept constructive criticism, but if they accepted and wore a "TOTS" hard hat decal, then everyone would know that person was ready to receive and share safety knowledge. The concept was distributed to the entire CSXT system and has become a commonly heard term associated with employees taking care of each other.

k) Job Briefings

One of the best real-time, ground-level safety practices is an effective job briefing that is conducted by the employees who are going to do the work, before beginning the job task. This is a routine that employees have been doing informally for years, but CSXT now makes it a

requirement before any job is started, and when any job changes. There are different types of job briefings:

- Supervisor to employee
- Employee to supervisor
- Employee to employee
- Self

Everyone who will be involved or could potentially be impacted by the job must be a part of the discussion and a plan must be developed to avoid every hazard identified. The step-by-step discussion of the job, with particular attention to potential hazards, is a hands-on approach to identifying the safest way to do a routine task.

1) Safe Job Procedures

One of the best ways to disseminate safe practices is through Safe Job Procedures ("SJPs"). SJPs are the result of a formal process used to identify the safest method for performing a task. The basic steps required to perform the job are listed and then each step is examined for potential safety hazards or opportunities for an accident. The actions that must be taken to prevent an injury are then included in the job step. The SJPs are distributed to all field locations as a ready reference to the craft-person doing the job.

m) CSXT Safe Way Rulebook

Unlike most rulebooks, which are a list of do's and dont's compiled by management, the CSXT Safe Way was developed by craft representatives as a guide to their peers on how to safely conduct themselves in the work place. Rather than try to create a rule for every occasion, they listed only general, department-specific rules and procedures. Where no rule or procedure applied, they empowered everyone with the right and responsibility to make safe decisions, to rely on good judgment and follow the safe course.

n) Personal Protective Equipment

CSXT has one of the best Personal Protective Equipment (PPE) programs in the transportation industry. All equipment necessary to protect the human body from known hazards is furnished at no cost to the employee, supplied by a single-source vendor and made available through a PPE Catalog. Operating Department representatives meet semi-annually with the vendor to review quality and usage of current stock and to evaluate new products.

CSXT, a fore-runner in requiring safety eye wear, has virtually eliminated eye injuries. Steel toe safety shoes are required for all employees involved in work that is

potentially hazardous to the feet and are made available as a reward for successfully completing the Safety Rules Certification Program.

3. Plans for Further Strengthening CSXT's Safety Culture

CSXT recognizes that safety requires continuing attention and commitment. CSXT's senior management is focusing its efforts to improve safety in several areas, including: (1) rewarding safety advocacy; (2) improving workplace quality of life; (3) review of discipline programs; (4) review of how employees/management relate with each other; (5) review of training programs and operational testing; (6) review of promotional opportunities and professional development; (7) engendering of a sense of community among all employee groups; and (8) finding ways to tie employee rewards to company performance.

Quick fixes are not the answer. A sustained effort is required with clearly articulated company values, vision, mission, goals, and strategies. It is essential that everyone be engaged and that all understand that they are individually important to the company's current and future success.

a) Safety Planning Team

In order to further enhance its company-wide safety efforts and build on its already strong programs, CSXT will be establishing a "Planning Team" to review existing programs and review possible new programs. The Team will consist of representatives of rail labor, safety management officials, and key operations, mechanical and other personnel, among others. This Team will review, among other matters, developing a methodology for a permanent "ombudsman" process to handle internal employee concerns; developing a suggested permanent "cultural change" team charter and membership; and making recommendations on what, if any, additional resources or programs will be required. The Team will also develop a strategy to translate objectives into action steps and prioritize issues. The Team's aim is to develop goals for review by senior management by late February 1998 and initiate a formal safety culture "reinvention" effort shortly thereafter.

b) Strengthening the Dialogue

CSXT will also be establishing a program of interviewing key employees over the next several months to gain their input on safety matters. In addition, CSXT will

review its Operations Center activities and develop objectives and plans to improve current operations.

To further underscore its commitment to safety, CSXT is planning a "President's Roundtable" in December 1997. This session will be chaired by CSXT President Pete Carpenter, who will be the first railroad president to host such a safety forum. The goal is to open a further dialogue on safety and enhance the feeling of "openness" on issues such as corporate culture and safety. FRA officials will be invited to the session, and the agenda will closely follow similar sessions hosted by the FRA.

In addition to all of the above, CSXT will be putting a formal "ombudsman" process into place shortly. The Planning Team described above will fill this role until a more formal process is developed. The ombudsman will document, handle and follow up on employee concerns.

CSXT is committed to the goal of becoming the first railroad to achieve zero collisions, injuries and fatalities. It is understood that reaching this goal means that CSXT must continue to build the relationships of mutual trust and respect on which a sound safety culture rely. The company's desire is to provide visible recognition for

safety advocacy. This is part and parcel of the CSXT business plan.

4. Integrating the Conrail Safety Culture

a) Conrail's Safety Culture

The culture at Conrail has changed significantly over the last several years, resulting in a solidly established environment in which safety and risk management are a first priority. Conrail tracks its progress in managing risk by structural oversight of five key focus areas: personal injury safety, environmental quality, damage prevention, public safety, and training provided to manage all areas of risk. In each of these focus areas, goals are monitored and measures applied to demonstrate progress. It is within this framework that Conrail has established a prevention-based risk management culture, in which safety is a value of the highest order.

The Vision Statement for the managing of risk at Conrail provides as follows:

> As risk managers, we are committed to anticipating, avoiding, preventing, reducing and responding to risk to our employees, customers and the public.
>
> We will establish and communicate integrated processes by which every employee recognizes and shares responsibility for identification, analysis and management of risk,

ensuring the preservation and enhancement of human, physical and financial assets.

In order to realize this vision, Conrail has established a broad-based cross-departmental organizational structure to support the safety effort. A Safety Focus Team is comprised of senior officers and staff and provides support for all corporate activities impacting safety and performance. They are charged with providing guidance, removing barriers to safety initiatives, and finding necessary resources for the achievement of identified objectives.

The Safety Focus Team sponsors the activities of five Quality Improvement Teams ("QITs") which report regularly to the Focus Team. These QITs deal with the areas of employee personal injury safety, damage prevention, environmental quality, public safety and training. Each of these teams is cross-functional in nature, drawing from various departments in the company, thus broadening the understanding and commitment to process improvement in these areas. Each group has specific goals, performance measures and in-process measures which drive their activities.

Senior management is visible and accessible to all employees, both at headquarters and in the field, through

the implementation of several interactive exchange mechanisms. 1-800 telephone lines are in place on all divisions and at headquarters to provide access for voicing any safety-related concerns. The electronic mail system in place throughout Conrail affords another means of surfacing issues for review and/or resolution. Conrail's Chairman has specifically assigned each non-operating officer as a "Safety Champion" to a division. Each Safety Champion averages one visit per month to his or her division, with maximum geographical and shift coverage within the assigned division.

The most ambitious and visible undertaking is the operation of Risk Management "Safety Train" trips each year. Under the direction of Conrail's Senior Vice President of Operations and the Risk Management Department, the business office car train makes an excursion to each of the operating divisions during the year, stopping along the route so that management may hold sessions with all field personnel available, both at small and large facilities. Employees communicate their concerns, suggestions and feedback on all issues directly to the officers of the corporation. All input is reviewed and action plans for meeting concerns are developed and communicated back to the employees. In 1995,

1996 and 1997, face-to-face discussions took place with over 15,000 employees each year on safety-related issues. These tangible manifestations of the commitment of the corporation to "be the safest carrier" provide a foundation and framework for all of the efforts undertaken to support the tenets of the "Safety First" culture.

Safety Committees in the field, at both the division and district level, are the next level of organizational structure involved in Conrail's safety efforts. Safety Committees are instrumental in (a) establishing and maintaining proper awareness and safety consciousness in employees; (b) identifying unsafe work behaviors and conditions; (c) formulating solutions to inappropriate work behaviors and conditions; and (d) positively reinforcing safe work behaviors. Safety Committees contain both craft and supervisory employees. Conrail's safety objective is to achieve consistently safe working conditions by instilling in employees a genuine interest and awareness in the safety program. Employees' interest and awareness is fostered through training, participation in local Safety Committee activities, and active leadership by supervisors at all levels.

Within the Conrail corporate structure, the Risk Management Department directs and guides the safety effort. Incorporating what had formerly been the departments of Safety, Environmental Quality, Hazardous Materials, Damage Prevention, Health Services, Claims Services, Insurance and Police, the Risk Management Department was formed as part of a strategic plan to manage all those factors of "risk" impacting performance.

The corporate Risk Management staff supports and enhances field efforts by supplying training programs, awareness of compliance and regulatory requirements, and staff specialists to help the field effort. Complimentary division-based risk management teams exist in the field to drive the effort to integrate risk management on a local level, and to partner with others in the Operating Department to reach Conrail's goals.

Two days of risk management training are required each year for all major crafts. The B-SAFE program emphasizes safe behaviors and positive reinforcement for reaching habit strength in those behaviors. Environmental compliance team training and the "I am Hazmat confident" campaign have resulted in greater knowledge and ownership in the field relative to environmental and hazardous materials

transportation responsibilities. Ride Quality Teams work with customers to eliminate damage to lading in transit, and industrial hygienists work with field management to help proactively create a protective work environment for employees. Conrail is an industry leader in the work/rest fatigue countermeasures area. Its hazardous materials program has been recognized as one of the best in the industry.

Conrail drives accountability for safety performance by applying a premium allocation system to the divisions, making each responsible for its own cost of risk. The company rewards safe behavior through one-to-one positive reinforcement, B-SAFE celebrations and the Safety Shares program, which provides financial rewards for reaching safety goals. Each employee knows that he is responsible for his own safe behavior and that his individual performance and safety district's team performance will be rewarded if appropriate. Most importantly, however, Conrail employees know that the company is committed to safety as its first priority, and have created an environment in which creative problem-solving, teamwork and open communication are encouraged.

b) Integration of Conrail and CSX Safety Cultures

Prior to and after Day 1, CSXT plans to integrate best practices from both Conrail and CSXT safety processes. These combined safety practices and programs will be established during the year following Day 1.

In particular, CSXT plans to adopt some form of Conrail's "B-Safe" safety program. This behavior-based program was established with assistance from a consulting firm called Aubry Daniels. The consulting firm trained Conrail management and safety committees to understand the B-Safe system and to perform safety observations in an analytical, structured manner. Managers and safety committees are now used to perform job, behavioral, and environmental safety observations, identify problems areas, and communicate issues to personnel.

The B-Safe program enables Conrail to iteratively identify three main "pinpoints" (specific behaviors or practices) to focus on during weekly or monthly safety audits. During these audits, managers or members of the safety committee provide feedback to employees. Feedback is in the form of positive reinforcement for safe practices or coaching for insufficient safety practices. A tracking

system is used to analyze safe behaviors and practices in the workplace. If a specific "pinpoint" is tracked for 21 days and results in over 95 percent safe performance, a positive habit or new behavior is considered to have been developed. Since this "pinpoint" is now "no longer" an issue, another "pinpoint" is identified. This system continues so that there are three "pinpoints" being investigated at all times. As discussed earlier, benchmarking has shown that such a behavior-based approach is the key third step to reduce injuries and accidents once the benefits due to rule- and program-based approaches have plateaued.

Melding the Conrail culture with the CSXT culture will be less daunting because of CSXT's up-front commitment to develop a standardized cultural enrichment action plan based upon collaboration with rail labor and the FRA. The programs now in place, CSXT's expanded focus represented by the action plan above, and the series of specific plans and actions described in this document, will together create an atmosphere conducive to cultural integration across the new CSXT-Conrail system.

Success is the best remedy for rough spots brought about by change. The changes coming from the transaction

will be successful because they will be met by a safety culture that has established parameters and the full commitment of management.

B. Training

The expanded CSXT railroad must have a sufficient number of well-trained employees to operate the expanded rail system in a safe and efficient manner. In order to maintain safety, CSXT plans to have more employees, including trainers, available on Day 1 than otherwise might be required. CSXT anticipates that additional engineers, conductors and trainmen will enter training early in 1998 so that necessary lead times will be met. (This hiring and training is distinct from and incremental to anticipated post-control hiring and training of current Conrail employees.) Thus, a sufficient number of employees will be available to serve as pilots to familiarize train crews with new territories until familiarity and regular schedules are established. By this means, CSXT will also help prevent problems associated with unreasonable employee fatigue and stress.

In addition, CSXT and NS will discuss with Conrail mechanisms to ensure an appropriate pool of train and engine service talent. CSXT is making every effort to retain experienced Conrail field operating personnel.

According to survey results and personal visits with CSXT Human Resources and management personnel, the majority

of Conrail's field management personnel have indicated a strong desire to continue their railroad employment after the transaction. By retaining experienced Conrail field personnel, CSXT will reduce the burden of training replacements and will retain the safety benefits associated with substantial railroading experience.

Training specific to each functional area is detailed within the broader discussion of that area in Sections C-M which follow. Training of train and engine crews is addressed next in Section C, Operating Practices.

C. Operating Practices

CSXT and Conrail will retain their existing operating practices for Day 1 in order to help maintain the focus on safe operations. CSXT plans to phase in most operating practices changes over time, rather than abruptly switching approaches on Day 1. For example, as noted further below, CSXT does not anticipate utilizing a unified operating rulebook on Day 1. Rather, separate rules will continue to govern operations until a combined rulebook is completed and distributed, and until all affected employees have been fully trained on any new rules.

Maintaining effective operating rules training is essential to Day 1 integration, and will continue to be a high priority after Day 1. Rules training programs will continue in their current state for employees receiving initial and refresher training. Employees who may cross over into territory operating under the other rulebook will be cross-trained: current CSXT employees in the Northeast Operating Rules Advisory Committee (NORAC) rules currently used by Conrail, and current Conrail employees in CSXT rules.

The remainder of this section on Operating Practices is divided into eight subsections, as follows:

1. Operating Rules
2. Trainman/Conductor Training
3. Locomotive Engineer Training, Certification, and Re-certification
4. Operational Testing
5. Accident/Incident Reporting
6. Alcohol and Drug Programs
7. Hours of Service Tracking & Initiatives
8. Yard/Terminal Operations

1. Operating Rules

a) Operating Rulebooks

CSXT and Conrail have different operating rulebooks. Operations over Conrail lines are governed by NORAC rules and over CSXT by its own rulebook. Even though CSXT has not adopted the NORAC rules, its management is familiar with them. CSXT officers began meeting with Conrail rules officers in July and have met on both CSXT and Conrail properties totaling 20 plus days. Additionally, CSXT officers have attended classes held by Conrail including Cab Signal operation, Train Dispatcher training classes and the NORAC fall meeting.

On Day 1, NORAC operating rules will continue to govern movements over rail line segments allocated from Conrail.

Regarding Metro North, SEPTA, New Jersey Transit and Amtrak, CSXT expects no change in their operation under NORAC rules, nor should there be. Operating rules for CSXT lines also will not change on Day 1.

Over the longer term, a single set of operating rules will govern operations over the expanded CSXT network. CSXT and Conrail representatives have already begun work on a combined set of operating rules. The head start gained from this activity will assure that unified rules will be available at the appropriate time and that comprehensive training can take place well prior to implementation. In addition, there is an early-stage initiative involving NORAC, CSXT, and NS to discuss the potential for a unified rulebook east of the Mississippi. Meetings are scheduled with CSXT, NS and Conrail beginning December 8, 1997 to initiate discussions on the subject.

b) Operating Rules Administration

The NORAC group administers changes to the Conrail rules. NORAC meetings are held three times a year to discuss operating rules. Administration of the CSXT operating rules is done autonomously by CSXT's System Operating Rules Committee. Conrail and CSXT have operating rules departments that:

- provide expert guidance to the field and to dispatching personnel on technical rules interpretation questions,
- design operating rules training, and
- provide periodic rule changes and updates.

On Day 1, it is anticipated that operating rules department personnel will continue to provide support to their respective territories. The former Conrail operating rules personnel employed by CSXT for its Conrail allocated areas will report to the Operating Rules Department of CSXT. CSXT plans to leave Conrail rules officers in place on Day 1 and to cross train them on both Conrail and CSXT rules. Longer term, the need for these field positions will be re-evaluated following the successful integration of operating rules, operating rules training, train dispatching, and systems for issuing directives and work orders.

c) <u>Operating Rules Training</u>

On Conrail, annual operating rules training is conducted in face-to-face, classroom settings, at the division level. Classes are conducted by two Conrail Operating Rules staff officers (Manager and Supervisor of Operating Rules) located in each of the divisions.

On CSXT, operating rules training and testing is conducted using interactive, multi-media computer systems (a.k.a. "PODS") installed at major field locations and at headquarters. The PODS use a multi-scenario, random-question-generation approach to testing. This means that employees sitting next to each other working on the same subject can be viewing different scenarios and addressing different questions.

The 1998 rules program is presently in the test mode with officer testing to begin shortly. The 1998 program has been enhanced to further reduce the potential for employees receiving outside assistance or cheating. This program has added two new "runs" (Work Train and Coal Train) to the existing six from 1997 (Mixed Freight, Intermodal, Passenger, Local, Road Switcher and Yard), and employees will have to answer questions from six of the eight runs during their test. In 1998, there are also 300 new questions that the computer will pick at random.

In addition to the new runs and question choices, Safety, Hazardous Material, and Environmental questions are now included in the rules program. Formerly, these areas were not tested using the random question generation approach. This further reduces the possibility of employees

receiving assistance or cheating during their annual testing.

(i) Benefits of Multi-Media Training

Multi-media training has been proven to aid retention. Studies show that people retain 20 percent of what they hear, and 40 percent of what they see and hear. Retention jumps to 70 percent, however, when, as in multi-media training, people hear, see and do something. Multi-media training, as implemented on the CSXT wide-area network, has the additional advantage of offering employees the convenience of scheduling their training themselves. Record keeping is built into the CSXT multi-media program.

(ii) Operating Rules Training on the Expanded System

On Day 1, operating rules training for employees operating over, dispatching or maintaining current CSXT lines will not change. Similarly, operating rules training for employees operating over, dispatching or maintaining line segments solely in the allocated territories will continue to be provided by Conrail divisional Operating Rules staff located at division headquarters.

As noted, employees who may cross over into territory operating under the other rulebook will be cross-trained prior to Day 1. CSXT intends to hold face-to-face rules classes for Conrail employees learning CSXT rules. CSXT feels these employees need to be able to interact with the instructors to clear up any misunderstandings that they may have. The same will hold true for CSXT employees learning NORAC rules.

Following the adoption of a unified operating rulebook, a unified approach to initial employee operating rules training will be developed. Annual refresher training is likely to be provided through the multi-media interactive network of PODS.

d) Timetables

CSXT and Conrail use somewhat different formats for their timetables. CSXT will endeavor to provide timetables for the new CSXT Service Lanes prior to Day 1. CSXT will furnish these timetables to FRA after they are completed. Should those timetables not be completed prior to Day 1, then those which had been in effect would remain in effect until new timetables are completed.

These timetables are likely to be in CSXT format. The reason for going to a single format is that the new CSXT

Service Lanes will include both former Conrail and CSXT operations. A single format will standardize the information and give the employees a single source of reference as to what the operation is at any given location. CSXT also intends to identify by shading or highlighting where NORAC rules apply.

One of the differences in the current CSXT and Conrail timetable production process is that CSXT prints its timetables in house, while Conrail uses a third party vendor. The plan going forward is that the expanded system timetables will be produced in house.

Later, when consolidated operating rules are ready for implementation, new timetables will be published for all CSXT Service Lanes, divisions and business units. Prior to that time, consideration will be given to the formatting differences that had existed pre-transaction, and a unified format will have been developed.

2. Trainman/Conductor Training and Qualifying

a) <u>Trainman/Conductor Classroom Training</u>

Currently, Conrail uses the services of an outside contractor, the Academy of Industrial Training ("AIT"), to train prospective Conrail train crew employees. AIT provides a three-week classroom training program for

prospective employees that covers rail safety, NORAC rules and rail equipment.

CSXT recruits individuals who have completed a five-week classroom training program offered by community colleges. The trainman training portion of the program provides the basics needed to perform trainman duties: safety, basic operating procedures, train movement, communication skills, speed rules, signals, hazardous materials, switching, train documents, and computer skills. The conductor portion of the program covers more advanced duties. Modules include computer skills, hazardous materials, restricted equipment, switching, proper train building, train inspection and air brake tests, signal systems, and train movement.

Currently, there are three community colleges offering this training. They are in Clayton, GA (near Atlanta), Cincinnati, OH, and Jacksonville, FL. A fourth location in Philadelphia is expected to begin this program in February 1998.

Crew Management and Employee Relations will determine where train service personnel shortages may exist and the extent of those shortages. Based on this assessment,

decisions will be made with regard to where, when, and how many new hires are required.

Once this information is made available, it will initially require about 22 weeks to hire, train, and qualify a new hire trainman/conductor. The administrative process to hire, assign, and establish payroll and crew management records requires about seven weeks. The total training process (college and CSXT) is approximately 15 weeks, as described further below.

On Day 1, each classroom training system will continue to be used in its respective territory. However, CSXT expects to migrate trainman/conductor classroom training to its current approach soon thereafter. The opening of CSXT's fourth classroom program in Philadelphia should help facilitate this transition.

b) Trainman/Conductor Field Training

Conrail does not have a formalized field training and testing policy that is uniformly applied throughout its system. Instead, Conrail divisions determine field training requirements for trainmen/conductors.

CSXT trainman/conductor field training occurs in two phases. The first phase is a one-week introduction, held in Atlanta. This one-week program provides structured hands-on

exercises and simulated practice in a safe, controlled environment. Simulations include switching cars and building trains, performing placements, completing work orders, performing railcar inspections and air brake tests, making necessary car repairs, coupling and uncoupling cars, etc. The students are also equipped with the appropriate gear and clothing necessary for the position. CSXT field supervisory personnel have been highly complimentary of this recently instituted phase of training. Orienting new trainman/conductor employees to field operations at a central location emphasizes standardized safe job procedures during this critical first week.

The second nine-week phase of trainman/conductor field training is on-the-job. It provides new hires with specific information regarding the physical plant and characteristics of assigned territories. Topics included are yard layouts, track capacities, close clearances, main tracks, industry layouts, terminal signals, and local radio procedures. At the conclusion of the nine weeks, the trainee takes the Advancement to Conductor Exam ("ACE"), and, if he or she passes, is promoted to conductor, qualified on a particular subdivision. This exam includes a general information test of 100 questions, with a passing grade of 85%, a physical

characteristics test of at least 25 questions, and the standard CSXT operating rules exam.

(i) Trainman/Conductor Field Training Program Integration

On Day 1, each training system will continue to be used in its respective territory. However, CSXT expects to migrate trainman/conductor hiring and training to its current approach soon thereafter. The one-week intensive introduction to field operations will continue to take place at CSXT's facility in Atlanta, with the potential for a second location at a future date.

CSXT's nine-week on-the-job training and examination process will be expanded to allocated Conrail properties with no major differences. The written tests on operating rules and general information will be modified to address knowledge of Conrail operating rules and any subject matter specific to Conrail property. Physical characteristics testing will also be the same for former Conrail properties, understanding that proper application of Conrail rules will be tested rather than CSXT rules.

Policies regarding promotion from trainman to conductor currently differ between Conrail and CSXT. In consultation with Conrail crew management in Dearborn, MI, Conrail

divisions set divisional guidelines, while CSXT headquarters sets uniform criteria that are used throughout most of its system. Subject to labor negotiations, it is planned that the expanded system will have a uniform set of guidelines.

Upon implementation of unified rules on CSXT and former Conrail properties, the rules and physical characteristics training will be adjusted to enhance understanding of the new rules.

c) Trainman/Conductor Qualifying on a New Territory

Trainmen or conductors who transfer or otherwise obtain new assignments also need to qualify on the physical characteristics of the new territory to which they are assigned. To become qualified on a new territory, the trainman or conductor must learn the specific physical characteristics of that territory.

Newly assigned employees receive a comprehensive package containing all reference materials applicable to the facility, including layouts, emergency contact data, any directives applicable to operations within the facility and any High Performance Organization ("HPO") playbook that may exist for the position (see Section II.C.8 for further discussion of CSXT's HPO process). If circumstances

require, qualified employees are to be assigned to work alongside the newly assigned employees until they can safely perform all functions of the position. At that time, the newly assigned employee takes a "physical characteristics" test. If he or she passes, they become qualified on that territory.

Physical characteristics qualifying is also needed for employees assigned to perform service in a yard or terminal where they have not previously worked. While it is anticipated that, subsequent to the transaction, implementing agreements will permit most employees to remain in the same job location where they previously worked, there may be some situations where assignments will change. If the new job assignment is in a yard unfamiliar to the employee, physical characteristics qualifying will be necessary.

3. Locomotive Engineer Training, Qualifying, Certification, and Re-certification

Currently, Conrail and CSXT both have extensive training, certification and re-certification programs for locomotive engineers. Locomotive engineers are certified in accordance with FRA regulations, undergo efficiency testing

on a regular basis, take annual operating rules tests and are re-certified every three years.

a) Locomotive Engineer Training - Classroom

(i) Conrail Programs

Conrail trains and certifies prospective locomotive engineers at a company-run school at Conway Yard. Training is not scheduled evenly throughout the year, but is based on needs. Conrail has a core staff of three trainers, supplemented by "Peer Trainers" as needed. Conrail also has a secretary and re-certification supervisor responsible for administration and record-keeping. The syllabus calls for a six- to seven-week training schedule depending on class size, which can be as large as 25 to 30 persons. The Conrail syllabus includes:

- Introduction and orientation
- Running gear (trucks & couplers)
- Prime mover (mechanical systems, fuel conservation)
- Air Brakes
  - Compressor, 26L locomotive brake system/EPIC, 24 and 6 locomotive brake systems
  - Freight car air brakes

- Locomotive brake tests
- Train brake tests

- Electrical systems
- Operation of locomotives and train handling
  - Track train dynamics
  - Hands on training on all types of Conrail locomotives
- Troubleshooting and safety rules
- Inspection and reporting procedures
- Operating rules

The maximum student to instructor ratio for hands-on training is 5-to-1. Conrail provides simulator training in conjunction with classroom training. The simulator is of the type that provides students with a video depiction of the given line of road being reviewed in the training. At Conrail, all written examinations are completed during the classroom portion of training. (As described below in the section on field training, physical characteristics exams are administered locally.)

(ii) <u>CSXT Programs</u>

CSXT schedules its training programs evenly throughout the year. Engineer training is conducted by full-time staff

at CSXT's facility in Cumberland, MD. Historically, the staff size has varied depending on the level of hiring and the training needs for that year. A five-week training schedule is followed and standard class sizes are 10 to 12 persons, smaller than the maximum Conrail class size. Two instructors are assigned to each class. CSXT does not have any personnel devoted exclusively to record keeping.

The syllabus for the classroom portion of the CSXT engineer training course includes:

- Orientation to CSXT and safety
- Locomotive mechanical systems, e.g., lube oil, fuel, and cooling systems -- both EMD and GE
- Locomotive electrical systems
- Starting and stopping a diesel engine
- Air brake theory, mechanical systems, and tests
- Train handling
- Operating rules
- Signals
- Hazardous material, restricted equipment, and on-track worker safety rules.

At the end of the five-week course, the engineer trainee is subjected to three tests: a signal exam, an operating rules exam, and a mechanical exam. To pass the

tests, the trainee must achieve a score of 100 percent correct on the signal portion (18 or 22 questions), 85 percent on the operating rules portion (50 questions), and 80 percent on the mechanical portion (150 questions). If the student passes each of these tests, he receives his Student Engineers Card, and moves on to the field portion of the training process.

CSXT uses a Train Dynamics Analyzer ("TDA") to show students how buff and draft forces are managed while operating various train consists over differing terrain features. Conrail's use of a simulator provides students with a somewhat more realistic classroom training experience than TDA equipment does because the simulator is equipped with a video display that allows the student to see what an engineer would see were he operating the train.

(iii) Program Integration

While the content of the engineer training offered by CSXT and Conrail is essentially the same, there are some process differences. The smaller class size and the larger number of full-time instructors combine to produce an enhanced student-to-teacher ratio for the CSXT engineer training program. For this reason, CSXT expects to find that its program would result in a better educational

experience. CSXT's use of two instructors and the smaller class sizes also facilitate having field trips as part of the curriculum.

Conrail's practice of having a secretary and re-certification supervisor dedicated to the administration and record-keeping of engineer training and engineer certification may be preferable. This would free instructors of that administrative burden, and allow them more time to devote to program and technological development.

Immediately following the transaction, new locomotive engineers for the expanded system will be trained at CSXT's Cumberland facility, since Conrail's school will become part of the Norfolk Southern system. Qualified NORAC instructors will be included on the training staff. As described earlier, training will be based on separate rulebooks until such time as a combined rulebook is completed. A separate curriculum will be designed for employees who will only operate on former Conrail territory.

b) Locomotive Engineer Training - Field

(i) Conrail Programs

Conrail requires a minimum of 240 hours of Road Freight Train "seat time" as well as three to four weeks of yard and

local service by the engineer trainee prior to certification. Locomotive Engineer trainees meet with the Division Road Foreman periodically as required. Road Foremen participate in two progress rides and a qualification ride. Additional observation rides are held with peer trainers. There are no limits on the number of trainees assigned to a Division Road Foreman or a particular location.

(ii) CSXT Programs

CSXT has a formalized field training program used system-wide. The program requirements are well documented, and a comprehensive training manual guides both the student engineer and the instructors through the process to ensure system-wide consistency of topics covered. Written testing is required at the end of the field training portion, just as it is at the end of the classroom training. The field program is 21 weeks long and there is no minimum amount of "seat time." The CSXT Road Foreman of Engines ("RFE") has primary responsibility for monitoring training. The program is designed for the RFE to meet with the trainee, and conduct observation rides, biweekly. At a minimum, the RFE must conduct observation rides with the trainee seven times during the course of the field training.

At the end of the 21 weeks of field training, the CSXT engineer trainee is again subject to a series of three tests: an operating rules exam, the Locomotive Operations and Train Handling ("LOTH") exam, and a physical characteristics test (a.k.a. the "Qualification Ride"). To pass the tests, the trainee must achieve a score of 90 percent correct on the operating rules portion (100 questions), and 85 percent on the Locomotive Operations and Train Handling portion (150 questions). The physical characteristics test is administered by the RFE and is designed to demonstrate that the student engineer has mastered the specific characteristics, appropriate train handling capabilities, and method of operation of a particular railroad subdivision -- anything from where the tunnels and curves are, to what types of signals are in use, to the characteristics of the grade crossings; a score of 85 percent is required to pass.

If the student passes each of these tests, he or she then is a certified locomotive engineer, qualified to operate on a particular subdivision.

(iii) Program Integration

There are several key process differences between Conrail's and CSXT's field programs. At Conrail, the

classroom training staff is more involved in monitoring the trainee's performance during the field training phase; at CSXT, that responsibility is held completely by the RFE. Consequently, the CSXT RFE has a more involved relationship with the trainee, participating in more frequent observation rides. This more closely monitored and personal approach may prove to be preferable, but this depends on RFE staffing levels being adequate to oversee all trainees. To support and maintain this strong commitment to field training of engineers, CSXT is currently in the process of selecting and training more than 30 new RFEs.

Locomotive Engineer data which is maintained in the Certification Validation screen will be revised to enable identification of separate rosters/categories of engineers. Currently, engineers are identified as Train Service Engineers or Servicing Engineers (hostler). Two new categories will be added to identify Officer Engineers (engineers working a non-contract position) and Student Engineer (training for initial certification as a train service engineer)

c) Locomotive Engineer Qualifying on a New Territory

To become qualified on a new territory, a certified locomotive engineer must learn the specific physical characteristics of that territory. The new-to-the-territory engineer rides with a fully qualified engineer for a period of time until he is comfortable that he knows the territory. At that time, he takes a "physical characteristics" test (qualifying ride), administered by the RFE. If he passes, he becomes qualified on that territory.

It is intended that promoted engineers will be required to complete a specified number of round-trips over a new territory. The first round-trip may be an "observation trip," however, the remaining round-trips must be actual operating time under the guidance of a qualified-on-that-territory engineer. Additionally, the responsible road foreman may establish a higher "familiarization trip" minimum if deemed necessary. The road foreman, or any other supervisor, will conduct an observation ride with the qualifying engineer prior to that engineer being permitted to operate over the territory without pilot services.

Physical characteristics qualifying is also needed for engineers assigned to perform service in a yard or terminal

where they have not previously worked. While it is anticipated that implementing agreements will permit most employees to remain in the same job location where they previously worked, there may be some situations where assignments will change. If the new job assignment is in a yard unfamiliar to the employee, physical characteristics qualifying will be necessary.

Newly assigned engineers will receive a comprehensive package containing all reference materials applicable to the facility, including layouts, emergency contact data, any directives applicable to operations within the facility and any HPO playbook that may exist for the position (see Section II.C.8 for further discussion of CSXT's HPO process). If circumstances require, qualified employees will be assigned to work alongside the newly assigned employees until the newly assigned employee can safely perform all functions of the position.

d) Locomotive Engineer Annual Observation Ride

In addition to formal re-certification as described under the next subhead, CSXT requires its engineers to satisfactorily complete an annual observation ride with the RFE, at which time the RFE will sign the engineer's license.

Each annual ride carries the same weight as his or her tri-annual skills performance ride.

e) Locomotive Engineer Re-certification

By law, locomotive engineers are subject to re-certification testing every three years. Conrail schedules engineers to be re-certified during a specified half-year. The re-certification is administered in the field by local division rules personnel. In conjunction with Conrail's annual Operating and Safety rules classes, re-certification questions are posed along with the operating and safety sections. This test is supplemented by a physical characteristics exam. Tests are mailed by the division rules personnel to Conrail's central training school for processing. The Road Foremen mail or fax qualification data to Conrail headquarters, where the data is input into a computer tracking system.

A two-day, re-certification program is conducted by CSXT at Cumberland and Atlanta. Engineers are asked to report on a specific date, and re-certification is handled by centralized training personnel. The process is conducted separately from annual operating rules and safety training. In addition to a comprehensive written test, the CSXT engineer re-certification syllabus currently includes:

- Personal injuries
- Efficiency tests
- Human factor derailments
- Train handling/operation procedures manual
- Fuel conservation
- Dynamic braking
- Train documentation
- AC locomotives
- Train Dynamics Analyzer (TDA) and pre-trip analysis
- Air compressors/air brake tests
- Telemetry
- Operating rules

The CSXT commitment to engineer re-certification represents a substantial investment. Given hours of service regulations, the time required to travel to the training facility, and the two-day duration of the course itself, the total loss of operating time per engineer is typically four days. CSXT's centralized approach appears to provide a more comprehensive instructional experience, and as such, is currently planned to be the approach used in the expanded system.

In the expanded system, re-certification will be conducted at two-day training sessions to be held at both

Cumberland and Atlanta. Engineers requiring re-certification will be mailed study material, instructions and a date to report to the designated CSXT facility. This mailing will be made 60-90 days prior to the scheduled training session. CSXT's current record-keeping system will be retained. These plans will be carried through on a longer-term basis following Day 1 implementation.

A key step in the migration from today's approaches to the approach under the expanded system will be for CSXT to input Conrail certification/re-certification data into its computer system. This will facilitate correct identification of those Conrail engineers needing to be re-certified at a particular time.

4. Operational Testing

Operational tests (a.k.a. "Efficiency Tests") evaluate the employee's ability to comply with operating rules and procedures. In general, any employee operating on the track or controlling the movement of trains is subject to operational testing. Currently, CSXT and Conrail have separate systems for conducting and documenting operational tests and inspections pursuant to FRA rules at 49 C.F.R. Part 217.

a) CSXT's Operational Tests

CSXT's operational tests are conducted by supervisory personnel following standard guidelines documented in the CSXT Efficiency Test Manual. Specific efficiency tests have been developed to evaluate the employee's ability to perform specific tasks with or without supervision, in compliance with specific operating rules. Operating rules and safety practices are an area which leave no margin for shortcuts or misinterpretation. The Manual covers or will (when revised) cover:

- The definition and objectives of efficiency testing
- The types of tests
- The organization and officers responsible for the testing
- Groups of employees to be tested
- Frequency of testing
- Regulations governing the tests
- Procedures for preparing for and performing specific tests safely
- Intervention protocols for immediately addressing unsafe behaviors
- Providing crews with positive feedback on satisfactory performance

- Record keeping

b) Conrail's Operational Tests

The Conrail Operating Rules Testing Policy also spells out the reasons for operational testing, frequency of testing, methods to be used, and actions to be taken in the case of a test failure. Conrail's guidelines note that non-contract field supervisors in transportation, mechanical, and engineering must conduct at least 25 tests per month.

c) Similarities and Differences in Operational Testing

Both CSXT and Conrail operational testing programs advise employees that they are subject to operational testing at any time or place. Both railroads also specify the frequency with which each type of testing is to be conducted, as will the combined entity. There are some differences in the reporting systems of both railroads, but these have been identified and will not pose safety integration issues.

d) Operational Testing on the Expanded System

For Day 1 implementation, separate systems for documenting the performance and results of operational tests will be maintained for tests conducted under the NORAC rules

and tests performed under the CSXT rules. These records will be maintained at CSXT headquarters in Jacksonville.

After the transaction, Conrail and CSXT trackage will be divided into field management areas known as Service Lanes. Conrail management hired by CSXT and in place on the new Service Lanes will perform operational testing as in the past in former Conrail territories. Where both ex-Conrail and CSXT supervision coexist on given Service Lanes, CSXT will arrange cross training of management on both CSXT and NORAC rules. CSXT intends to have qualified officers on each affected Service Lane by having a "Train the Trainer" program. It is intended to bring representatives from each Service Lane to a centralized location for operational testing instruction. Those managers will then return and train officers on their Service Lanes.

When a single, integrated rulebook is adopted for the expanded CSXT system, only one operational testing system will be retained, with the exception that records stored in the abandoned system will be maintained long enough to meet statutory recordkeeping requirements.

e) <u>The Safety Action Team</u>

To further enhance CSXT's efficiency testing program, a safety action team consisting of CSXT managers, affected

craft employees, and FRA representatives formed in September 1997 is collaboratively revising the CSXT Efficiency Test Manual and procedures. This team has already produced the first draft of the CSXT 1998 operational testing program.

5. Accident/Incident Reporting

Both CSXT and Conrail currently have Internal Control Plans for reporting railroad accidents and incidents as required by FRA regulations at 49 C.F.R. Part 225. There are three types of events reported:

- Personal Injuries
- Train Accidents
- Crossing Accidents

The subsections below address current procedures and differences for each of these three areas, while a summary subsection addresses the Day 1 and long-term expectations for accident and incident reporting as a whole.

a) Personal Injuries

At Conrail, a third-party vendor inputs the data related to a personal injury. The process begins when the vendor is contacted by the supervisor. The vendor then creates a CT75 tracking form on line with basic information surrounding the incident. The vendor then notifies the

Claims department, which initiates an investigation. Claims completes the second portion of the CT75 by providing additional information, e.g., the temperature at the time of the incident, the chronology of events, etc. Claims then forwards the CT75 to the Government Reporting department. Accident reporting clerks evaluate the information provided and status for reportability according to FRA criteria. Any updates or revisions are handled by this Reporting function. The 55A FRA report is generated from the database of CT75 reports.

Injury posting at Conrail is accomplished through a combination of reporting systems that access the CT75 database and e-mail. Monthly and weekly statistical reports are generated and are posted in accordance with guidelines.

At CSXT, two personal injury report forms (PI-1A/PI-1) are completed, the former by the employee and the latter by a supervisor. The forms are faxed to the Safety Department. Accident reporting clerks enter the data into the mainframe tracking system, evaluate the information provided, follow up to collect any additional information required, and determine the status for reportability according to FRA criteria. Once a month, personal injury information is forwarded to FRA via e-mail. Entering data from the PI form

into the mainframe tracking system automatically alerts the Claims department of the incident. The Claims department then follows through to complete their portion of the process.

Injury posting on the CSXT property is completed via an e-mail system connected with CSXT's mainframe database. Monthly and weekly statistical reports are generated off of the mainframe, and are posted in accordance with guidelines.

The main difference between the two railroads in this area is that at CSXT, a supervisor fills out a separate report contemporaneous to that completed by the employee. Another difference is that since the Conrail data surrounding the event is entered on-line, the employee does not sign the report.

b) Train and Crossing Accidents

The train accident reporting process and repository of historical train accident data at Conrail have recently been improved. The current process uses a PC database package linked to online data entry screens. This replaced a system which relied on initial paper reports that were later keypunched. One of the business advantages of the newer approach is that the initial data entry can be

simultaneously routed to other departments, e.g., the divisions, freight claims and damage, hazmat, etc.

To complete FRA reporting requirements, however, relevant data is re-keyed into the AIRG FRA reporting system. This is a stand-alone system, not linked to internal Conrail databases. FRA train accident report forms 54 and 57 are printed from this system, and a diskette accompanies these reports to FRA.

At CSXT, accidents are recorded in the field on paper (RE-2I and RE-2 for Rail Equipment incidents, and HX-3 for Highway Crossing incidents), then faxed to headquarters. There, reporting clerks enter the train accident information into the mainframe computer system. Once a month, this train accident information is forwarded to FRA via e-mail.

For both personal injuries and accidents, the CSXT mainframe database is accessible from the field through a variety of online screens for interactive queries, and through the FOCUS report generation language. Thus, performance statistics by division, Service Lane, etc., can be easily determined.

c) Accident/Incident Reporting for the Expanded System

Immediately following Day 1 implementation, CSXT's procedures will be followed for completion of mandatory monthly reporting for accidents and incidents. A thorough plan for communicating CSXT's procedures and values will help ensure that a consistent reporting culture develops across the expanded system.

(i) Harassment and Intimidation

Conrail employees joining CSXT will be advised in writing of CSXT's, like Conrail's, commitment to complete and accurate reporting of all accidents, injuries, incidents, and occupational illnesses arising from railroad operations. New and existing employees will also be advised that CSXT requires its employees to comply with the letter and spirit of the FRA's accident/incident reporting regulations and that the following conduct will constitute a violation of this requirement:

- Harassment or intimidation of any person calculated to discourage or prevent that person from receiving proper medical treatment or from reporting any accident, incident, injury or illness;

- Falsification of any accident, incident, injury or illness record or report;
- Retaliation against any person for complaining that this policy has been violated.

These written policies and guidelines will be conveyed to Conrail employees working for CSXT by any of several means, e.g., with their initial employment and benefits package, with their first paycheck, and/or by some equally effective means that CSXT may devise. All CSXT employees will also be given telephone numbers, both a toll free number and a company line, and an address to use for reporting any violation of policy, including any situation where intimidation or harassment is perceived. Periodic reminders of the existence and contents of this policy will be included in company publications, such as, *CSXT Today*.

(ii) Training

Another key step in implementation will be to clearly communicate to new Conrail territory supervisors their expected role in accident/incident reporting.

All former Conrail/CSXT supervisors will be trained prior to Day 1 in regard to accident reporting procedures. This will be accomplished through the Human Resources Training and Development Department. This group is

currently developing a comprehensive training program to cover all facets of CSXT policies and procedures. This training may be conveyed through any of the following vehicles: face to face classroom setting, multi-media pods, or videos, among others.

In order to expedite this transition, the new territories will be furnished with all reporting forms for personal injuries, train accidents, and grade crossings. They will also be given instructions on how to secure these forms in the future. The Accident/Incident Reporting Procedures Manual will also be furnished for their use.

(iii) Record Keeping

The transition from the current separate reporting systems to the CSXT systems will involve several important steps. A key step is to extend CSXT's accident/incident reporting computer and communication systems, including the injury files, train accident files, grade crossing files and FRA monthly submission files, to the allocated territory. CSXT's current systems and databases are sufficient to support this additional requirement.

Posting of FRA injuries on the allocated Conrail territory will remain in place prior to Day 1 and then will be replaced by the CSXT posting the following month. Once

Conrail employees have been assigned CSXT IDs, any new injuries incurred would be added to the CSXT posting. This would be accomplished by the employee completing a CSXT personal injury form which would then be input into the mainframe database.

The new territories will obtain their postings through CSXT's internal communications network. They will be furnished with instructions on how to accomplish this.

6. Alcohol and Drug Programs

Both CSXT and Conrail have strong programs in place to educate employees about the problems associated with drug and alcohol use. Both companies also have policies and rules prohibiting employees from having in their possession, using, or being under the influence of, alcoholic beverages, intoxicants, illegal drugs, or medicines that could impair alertness or coordination when reporting for duty, on duty, on company property or occupying facilities provided by the company. Also, both companies conduct DOT/FRA mandated Pre-Employment (Drugs Only), Post-Accident, Random, and Reasonable Suspicion Drug and Alcohol Testing programs under the terms of 49 CFR Parts 40 and 219, as well as additional testing beyond that mandated by these federal rules. Each company's programs are on file with, and approved by the

FRA. The programs are discussed in further detail below as are CSXT's plans for integrating its programs with Conrail's.

a) Operation RedBlock

CSXT provides funding for full-time coordinators and donates administrative services for a craft employee-designed and managed drug and alcohol abuse prevention program called Operation RedBlock. The program educates employees on the effects of drugs and alcohol, and provides employees with training on how to intervene when they notice a fellow employee who appears to have a substance abuse problem.

Further, Operation RedBlock provides a procedure for identifying and removing from railroad property workers who report to work in an impaired state, and by doing so, creates a safer workplace environment for all employees. This union-initiated, management-supported program also contributes to a healthy labor/management safety culture by creating an initial level of intervention that is peer-to-peer and non-disciplinary. In short, Operation RedBlock is a program that addresses a real problem in a no-nonsense manner, but without adversely affecting the level of trust between labor and management.

The program was initiated in 1984 by the Brotherhood of Locomotive Engineers (BLE) and the United Transportation Union (UTU). In 1986 the Railroad Yardmasters of America merged with the UTU, bringing their members into Operation RedBlock. During the following year the Brotherhood of Railway Signalmen (BRS) joined the program. In 1994, the American Train Dispatchers Association (ATDA) joined and, in 1997, the International Brotherhood of Firemen & Oilers (IBF&O) became the first non-operating craft to join Operation RedBlock. (Subsequent to their participation, the ATDA became the ATDD, the American Train Dispatchers Division of the BLE). For these crafts, the program is systemwide.

Currently, Conrail has an Operation RedBlock agreement with the BLE only. CSXT would welcome further labor initiation of Operation RedBlock in the allocated Conrail territory.

b) Further Substance Abuse Information Programs

In addition to Operation RedBlock, CSXT's substance abuse information and public communications response is quite varied. Its other components include:

- The Employee Assistance Program ("EAP") brochure

- EAP Supervisory Manual
- Videos including:
  - EAP informational video
  - CSXT Alcohol & Drug Education companion video to on-site training (60 minutes)
  - Drug and Alcohol supervisor training
  - Educational interaction at employee meetings by EAP Managers

The CSXT EAP consists of six full time managers (supported by contract service providers), a clinical director and an administrative director whose responsibility overlies all functions. All clinical personnel are Certified Employee Assistance Professionals ("CEAPs") and can perform Substance Abuse Professional ("SAP") evaluations. EAP Managers interact with the chosen SAP in order to complete all requirements and pass all relevant information to the Medical Department for return-to-work considerations.

EAP Managers are also an integral component of the follow-up testing program. They interact with the employee to obtain a return-to-work treatment contract and determine a schedule for follow-up testing. They remain in contact with the employee to ensure compliance with aftercare

programs such as Alcoholics Anonymous. It is anticipated that Conrail employees will be brought into the CSXT EAP.

c) CSXT Drug and Alcohol Testing Policies

CSXT has rules concerning the use of alcohol or drugs. They state:

- Employees reporting for duty, on duty, on CSXT property or occupying facilities provided by CSXT are prohibited from having in their possession, using, or being under the influence of alcoholic beverages or intoxicants.
- Employees shall neither report for duty nor perform service while under the influence of, nor use while on duty or on CSXT property any drug, medication or other substance, including prescribed medication, that will in any way adversely affect the employees' alertness, coordination, reaction, response or safety.
- The illegal use and/or possession of a drug, narcotic or other substance that affects alertness, coordination, reaction, response or safety, is prohibited while on or off duty.

CSXT uses several different testing programs in coordination with its policies:

1. FRA Random Testing
2. FRA Post-Accident Testing
3. FRA Reasonable Suspicion Testing
4. CSXT Agreement Testing
5. Federal Highway Administration Testing
6. CSXT Random Testing for Officers
7. Physical Examinations

These programs are described in further detail below.

1. FRA Random Testing - Random testing for hours of service employees.
2. FRA Post-Accident Testing - Testing based on one of the following criteria being met (A through D, with exceptions as noted).

   A. Major Train Accident:

   - FRA Reportable Accident with a fatality to any person
   - FRA Reportable Accident with a release of hazardous material with an evacuation or reportable injury as a result of the hazardous materials leak.
   - FRA Reportable Accident with $1,000,000 or more railroad damage.

   B. Impact Accident:

- FRA Reportable Accident with a reportable injury to any person.
- FRA Reportable Accident with $150,000 or more railroad damage.

C. Fatal Train Accident:

- A fatality resulting from movement of on-track equipment where the fatality was an on-duty railroad employee.

D. Passenger Train Accident:

- A FRA Reportable Accident of a passenger train with reportable injuries to any person.

Note: If the incident qualifies as a major train accident all train crews must be tested regardless of whose fault it is. Other categories require that only those responsible for the accident are to be tested.

Exceptions: No testing is required if the incident is:

- A rail/highway grade crossing accident, and
- wholly attributable to a natural cause, or
- wholly attributable to vandalism.

3. FRA Reasonable Suspicion Testing - Testing on hours of service employees where suspicion exists

that they are under the influence of either drugs or alcohol.

4. CSXT Agreement Testing - CSXT has labor agreements which permit toxicological testing under specified circumstances *on injuries* (both non-reportable and reportable that are the fault of the employee) and *FRA reportable accidents* (accidents not qualifying for FRA Post-Accident Testing) that were caused by the employee. Such agreements have been structured with the United Transportation Union (UTU), the Railroad Yardmasters of America (RYA)(now merged with the UTU), Brotherhood of Locomotive Engineers (BLE), Brotherhood of Railroad Signalmen (BRS), the American Train Dispatchers Division of the BLE (ATDD), the Transportation Clerks Union (TCU), and the Brotherhood of Maintenance of Way Employees (BMWE). For the most part, these agreements are system-wide.

5. FHWA Testing - Certain CSXT employees are subject to drug and alcohol testing under regulations issued by the DOT and FHWA. These employees operate commercial motor vehicles and are required

to obtain commercial driver's licenses. FHWA regulations require pre-employment (drugs only), random, post accident, reasonable suspicion, return to duty and follow-up drug and alcohol testing.

6. CSXT Random Testing for Officers - Officers who have specified job functions are required to be randomly tested under conditions similar to those required by DOT/FRA for hours of service employees.

7. Physical Examinations - Drug tests are required on pre-employment and specified return-to-service physical examinations.

In all of these programs, CSXT follows FRA guidelines for collection and analysis. An employee who tests positive for drugs or alcohol (except for Agreement testing) is charged with the appropriate rules violations and violations of FRA regulations. The employee charged with a violation has the option of choosing to participate in a bypass program to set aside the rule charges provided the employee agrees to participate in the company's employee assistance program. Upon completion of the requirements established by the EAP counselor, the employee will return to work, but

must remain in a short-notice monitoring program, subject to certain conditions, for a period of five years from the time of the incident. Failure to comply with the program, or another positive drug and/or alcohol test within the five-year period, will subject the employee to dismissal from the company. If the employee is a locomotive engineer, CSXT follows the FRA's regulations with respect to the consequences of positive test results.

An employee who tests positive for drugs or alcohol in the Agreement testing program is deemed medically disqualified and will not be allowed to return to work until certain conditions are met. The employee must also agree to participate in the company's employee assistance program.

d) Conrail Drug and Alcohol Testing Policies -- Key Differences

The selection process for FRA Random Testing varies between CSXT and Conrail. CSXT's selection for testing is by train number or job number at a certain location and for a specified period of time. Currently Conrail tests all hours of service employees at a randomly selected location and shift.

Conrail does not have Agreement Testing. Rather, Conrail uses FRA Reasonable Cause testing (Section

219.301) -- hours of service employees having a FRA reportable injury or accident which was the employee's fault and/or certain rule violations are subject to testing.

The process an employee goes through following a positive drug and/or alcohol test, and the time period during which employees are subject to dismissal if a second positive test occurs also differ between the two railroads. CSXT's policy is described above. Conrail employees found to be positive for drugs or alcohol (except for FRA Post-Accident Testing) are medically disqualified, and, if in a ten-year period, are again tested positive, are subject to dismissal from the company.

Another area of difference between the CSXT and Conrail programs are the procedures for follow up short notice testing post-positives. Under Conrail's system the Medical Department notifies the employee's supervisor of the need for a test. It is then the supervisor's responsibility to obtain the test at the appointed time. In the CSXT program, the EAP Manager (who has remained in contact with the employee) arranges for the test. The manager makes sure the appropriate form is used and the proper substance (breath alcohol vs. urine drug) is tested. He functions as an agent of the company in this regard.

e) Drug and Alcohol Testing Policies on the Expanded System

On Day 1, CSXT will implement the following tests on allocated Conrail territories:

- FRA Random Testing - CSXT currently anticipates that its FRA random testing plan which has been approved and is on file with the FRA will be applied to the allocated Conrail territories. Any changes in the random testing plan will be preceded by appropriate notice to FRA. The transition from the current separate database systems for random testing selection will be to migrate historical Conrail data into the CSXT database in time for the Day 1 beginning of the program. Prior to Day 1 a list of Conrail trains and job numbers will be loaded into the randomization program and a pick of the train numbers and job numbers will be available for testing by Day 1. The list will be run separately until the CSXT list is generated again on a quarterly basis.
- FRA Post-Accident Testing - Both companies have the same criteria for qualifying and testing as

per Part 219 (subpart C) of the federal regulations. CSXT will implement its policy of requiring approval for testing from certain headquarters personnel.

- FRA Reasonable Suspicion Testing - Both companies have the same criteria for qualifying and testing as per Part 219 (subpart D) of the federal regulations.
- FRA Reasonable Cause Testing - CSXT does not do this type of testing, but will continue to use this type of testing on allocated Conrail properties until/unless other testing agreements can be accomplished.
- FHWA Testing - Certain CSXT employees are subject to drug and alcohol testing under regulations issued by the DOT and FHWA. These employees operate commercial motor vehicles and are required to obtain commercial driver's licenses. FHWA regulations require pre-employment (drugs only), random, post accident, reasonable suspicion, return to duty and follow-up drug and alcohol testing.

- Random Testing for Officers - CSXT will apply its current testing program to its expanded system after Day 1. This will require integration of the database (for officers on allocated Conrail territory) into the CSXT database in time for the Day 1 beginning of the program.

CSXT will use its present collector (EMSI) to handle all testing on allocated Conrail properties. EMSI has been notified and has assured the carrier that it can provide collection functions at Conrail facilities. EMSI is a nationwide organization with many existing offices in Conrail territory.

Conrail employees who accept employment with CSXT will be given appropriate notice of CSXT policies on drugs and alcohol and programs associated thereto. CSXT intends to seek application of its current agreement provisions for voluntary (reasonable cause) testing to allocated Conrail territory.

f) <u>Recent Drug & Alcohol Testing Results</u>

As shown below in Exhibit II.2, results of random drug tests performed on CSXT employees since 1990 demonstrate a generally favorable trend with respect to drug and alcohol

use (note that the threshold levels for positive tests were lowered in 1994).

Exhibit II.2
CSXT Random Testing Results

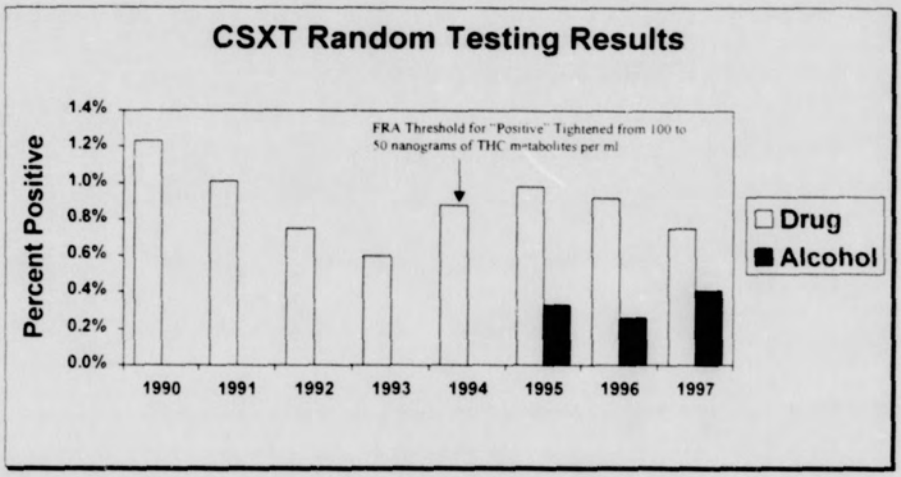
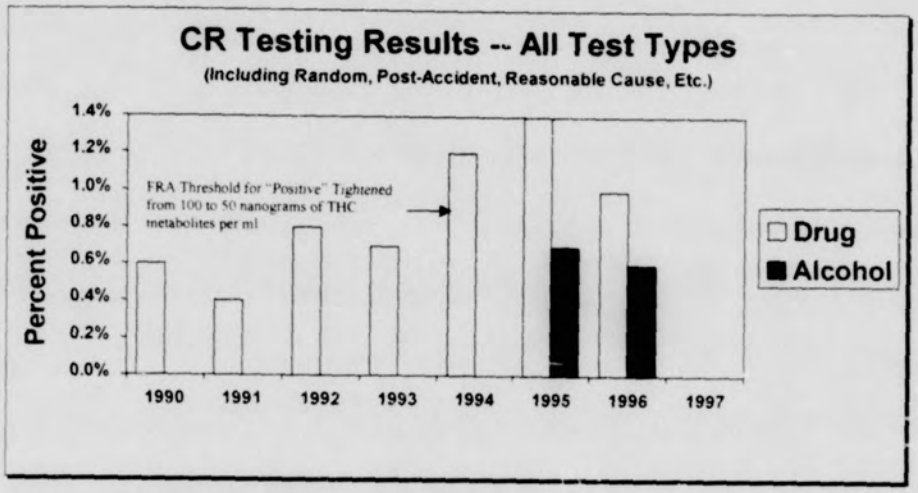


Exhibit II.3 shows Conrail positive test results. The percent positive is based on the total number of tested personnel - not just those tested under FRA random testing.

Exhibit II.3
Conrail Testing Results



7. Hours of Service Tracking & Initiatives

Certain FRA prescribed reporting and record keeping requirements are necessary with respect to the hours of service of certain railroad employees. These employees are individuals who 1) are actually engaged in or connected with the movement of any train including a hostler, 2) are dispatching, reporting, transmitting, receiving, or delivering orders pertaining to train movements by the use of telephone, radio, or any other electrical or mechanical device, or 3) are engaged in installing, repairing or maintaining signal systems.

In general, records must be signed by the employee whose time on duty is being recorded, or, in the case of train and engine crews, signed by the ranking crew member, retained for 2 years, and available for inspection by the FRA. Information required on hours of duty records are specified by FRA regulations (identity of employee, place, date, beginning and ending times for hours of duty, etc.).

Both Conrail and CSXT provide some level of training to employees in Hours Of Service Act requirements. CSXT utilizes electronic systems for increased accuracy and efficiency in tracking and maintaining hours of service information.

A specific area of difference in the CSXT and Conrail training programs on Hours Of Service Act requirements, is the training given to signal and train control personnel. All CSXT train control and signal personnel received such training in 1997. By contrast, Conrail signal employees are not provided hours of service training on a regular basis.

CSXT plans to extend its hours of service training program for signal employees to the Conrail territory allocated to CSXT. This effort will involve 450 man-days of training for the former Conrail signal employees in the allocated areas. The training program will be implemented

as part of the employee orientation and safety training program which is scheduled to be implemented prior to Day 1. Additionally, all newly hired signal employees will receive hours of service training as part of a two-week new hire training program.

The Conductor training program for prospective CSXT train and engine employees also includes discussion of the Hours of Service Act and the importance of lifestyle changes in staying alert. CSXT's safety and operating rules classes emphasize rest as a key factor in being alert for conditions which require quick response. Hours of Service Act requirements and the importance of rest are also part of CSXT's engineer re-certification curriculum. CSXT's operating rules require employees to conduct job briefings prior to and while performing any task requiring the coordination of two or more employees. This helps employees focus on the task at hand and on staying alert. Supervisors emphasize job briefings in discussions with crews and by example in meetings. The C&O Business Unit has developed a formal mentor program to help new hires adjust to the requirements of railroad lifestyle and work schedules.

a) Hours of Service Electronic Record Keeping

CSXT electronically captures employees hours of work through the Transportation Employees Calling System ("TECS"), a crew calling system. This system enables CSXT to fully comply with FRA requirements to maintain and retain employee records of hours of service. Conrail manually records time/hours worked. The long term vision is to migrate the allocated territories towards the electronic recording of time through TECS. The automation of the process will yield benefits in accuracy, ease of retrieval and consistency.

b) Centralizing Crew Management Functions

Both CSXT and Conrail have centralized (and highly computerized) crew management systems to perform crew management functions such as notifying employees of crew assignments and displacements, tracking employee availability status, and maintaining data on the nature and scope of each assignment. Conrail uses a sophisticated system acquired from PS Technology. CSXT uses a modified and customized version of this same technology, which subsequently integrates with the payroll system. The use of the same vendor by both CSXT and Conrail will significantly

ease the transition to the CSXT TECS system. Consultants from PS Technology have already been engaged in the reconciliation of the two systems.

On Day 1, crew calling clerks for CSXT's Conrail-allocated territory will continue to use the present Conrail calling system on Conrail's mainframe system in Dearborn, MI. CSXT management will be in place in Dearborn but there will be minimal system connectivity between the CSXT and Conrail crew calling systems.

Thereafter, CSXT will transfer a number of Conrail work functions to CSXT's crew management center in Jacksonville where crew management will be consolidated. The transition to the TECS system will also occur over time. Former Conrail clerical employees will be trained to use the CSXT calling system. After Day 1, one calling desk approximately every three weeks will be cut over from Conrail's crew management system to CSXT's TECS until all eight desks are cut over. The completion of the transition to the CSXT calling system and CSXT mainframe is expected to occur no later than December 31, 1999.

As a result of the centralization of crew management functions in Jacksonville, changes to headcount and positions are anticipated. It is expected, subject to

further review, that 41 clerical and seven management crew dispatcher positions will be transferred to Jacksonville to accommodate the increased crew management functions.

8. Yard/Terminal Operations

Yard and terminal facility operations vary by size and function. There are four generic types of yard or terminal operations:

- Hump yards
- Terminals
- Local yards
- Industrial yards

Hump yards are the mixing centers for blocking and classifying cars into trains. Terminals at the major interchanges tend to serve as the crew change and inspection location for run-through trains. Local yards tend to handle setoffs to and pickups from customers. Some large manufacturers require their operations in industrial yards. Most yards perform a combination of the functions described above. The size of the facility, physical configuration, volume of business, and functions performed at each yard make each facility's operation unique.

At the same time, many yard and terminal facility activities are identical across facilities. For example,

freight cars are inspected and documented the same way at every facility. As a result, measurements of yard and terminal facility activities can also be standard across locations. The actual departures and arrivals of trains vs. the schedule, the scheduled and actual dwell time of cars, and the classification of cars into trains correctly or incorrectly are all measurements made at each facility.

a) CSXT's High Performance Organization (HPO)

In 1996, CSXT began its Operational Excellence program for yards and terminals. This program, called High Performance Organization ("HPO"), created a so-called Playbook for each of the 54 most critical yard and terminals across the CSXT system. Each Playbook was created by a team of contract and supervisory associates who work at the location.

The Playbook describes in detail every process used at the location. Along with the process description is the preferred course of action and the contingency plans if the preferred action is not available. The level of detail is such that if a new employee enters the facility for the first time, the Playbook can provide a guide to every job in the facility.

The process of building teams at each facility and standardizing processes for each facility has had dramatic results in terminal operating performance. The Exhibits below show the improvements at Waycross, GA as the HPO process was implemented on March 6, 1996.

Exhibit II.4
On-Time Departures at Waycross, GA As HPO Was Implemented

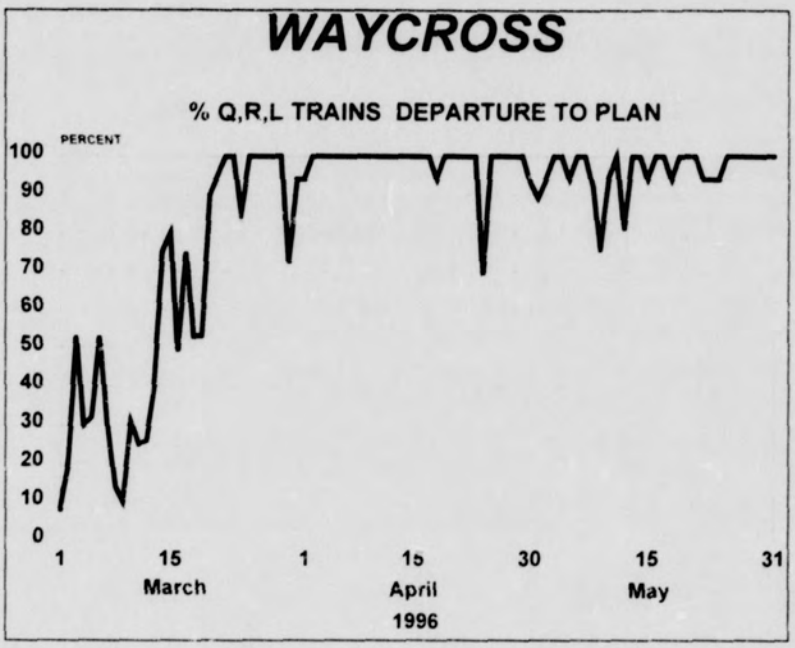
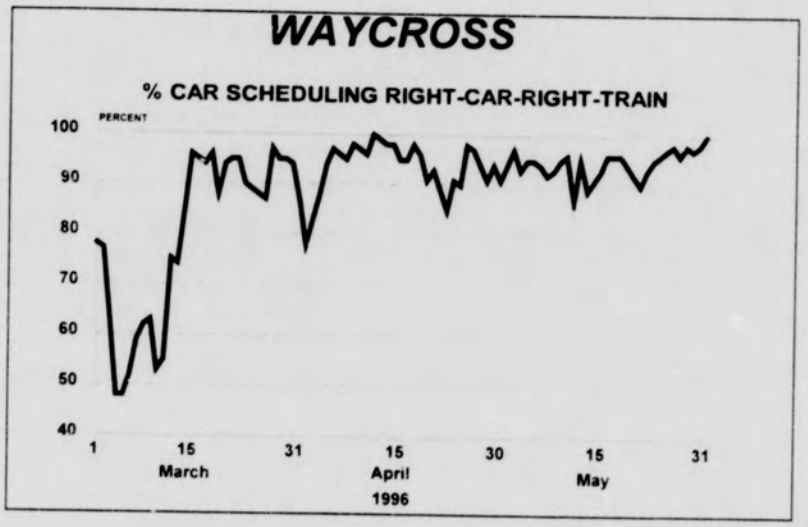


Exhibit II.5
Car Classification Accuracy at Waycross, GA As HPO Was Implemented



Why are on-time departures and car classification accuracy important? The advantages of higher service reliability are that car and locomotive utilization improves, thereby increasing capacity, reducing future capital requirements, and more easily handling increased traffic. Crews can better predict work schedules and time at home terminals. Freight traffic movements are not only more predictable, but, overall network velocity increases, thus reducing transit times for customers. Ultimately, there is also a positive effect on safety as operations are more predictable and routine and the negative impacts of service interruptions are dampened.