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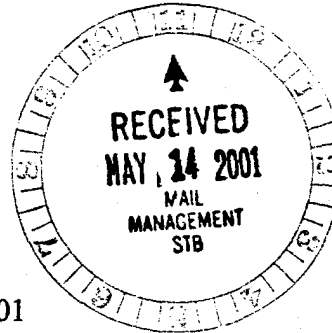
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Office of the Secretary

MAY 17 2001

Part of
Public Record

May 14, 2001

Re: STB Finance Docket No. 34000, Railroad Control Application, Canadian National Railway Company, Grand Trunk Corporation, and WC Merger Sub, Inc. – Control – Wisconsin Central Transportation Corporation, Wisconsin Central Ltd., Fox Valley & Western Ltd., Sault Ste. Marie Bridge Company, and Wisconsin Chicago Link Ltd.

Dear Reader:

As explained in more detail below, the Surface Transportation Board ("Board") has directed Canadian National Railway Company ("CN") and Wisconsin Central Transportation Corporation ("WC") to send you the attached Environmental Appendix for public review and comment.

As you may know, on April 9, 2001, CN and WC (together, "Applicants") filed an Application with the Board seeking the Board's approval for CN's acquisition of control of WC. In the Application and the Environmental Appendix, CN and WC indicate that this transaction would result in only minimal changes in railroad operations. No related rail line construction or abandonment projects have been proposed. In Applicants' view, the modest anticipated changes resulting from this transaction do not require a formal environmental review under the National Environmental Policy Act ("NEPA")¹ and the Board's environmental rules.²

Prior to filing our Application, Applicants met with the Board's environmental staff, the Section of Environmental Analysis ("SEA"), and explained that we believe our transaction is subject to a "categorical exclusion" from environmental analysis under NEPA and the Board's environmental rules (that is, that it falls into "a category of actions which do not individually or

¹49 U.S.C. §§ 4321 *et seq.*

²49 C.F.R. § 1105.6(c)(2)(i).

HARKINS CUNNINGHAM

Parties Interested in STB Finance Docket No. 34000

May 14, 2001

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cumulatively have a significant effect on the human environment"³). To afford the public an opportunity to review and comment on Applicants' conclusion that the transaction would not result in significant environmental impacts, SEA directed Applicants to prepare an Environmental Appendix providing further information to support that conclusion. SEA has reviewed Applicants' Environmental Appendix.

On May 9, 2001, the Board issued a decision accepting the Application.⁴ In its decision, the Board directed Applicants to widely distribute our Environmental Appendix, and related materials including a Safety Integration Plan ("SIP") explaining how the proposed operational aspects of the acquisition would be implemented safely, for public review and comment to SEA by **June 13, 2001**.

Accordingly, SEA is inviting written comments on all aspects of the Environmental Appendix and SIP, including whether there is any reason to expect that this transaction could result in potentially significant environmental impacts warranting the preparation of further environmental documentation. Based on SEA's consideration of all timely written comments and its own independent review of all available information, SEA will recommend to the Board whether there is a need for formal environmental review in this case. The Board will then determine whether to issue a finding of no significant impact or whether an environmental assessment or an environmental impact statement should be prepared.

If you wish to submit written comments, please provide SEA with a signed original and 10 copies. (At this time, the Board is unable to accept electronic and faxed copies of comments.) Comments must be postmarked by **June 13, 2001**, and should be sent to SEA at the address set forth below:

Office of the Secretary
Case Control Unit
STB Finance Docket No. 34000
Surface Transportation Board
1925 K Street N.W.
Washington, DC 20423-0001

Please write the following in the lower left-hand corner of the envelope:

Attention: Phillis Johnson-Ball
 Environmental Project Manager
 Environmental Filing

³40 C.F.R. § 1508.4; *see also* 49 C.F.R. § 1105.6(c)(2)(i).

⁴A copy of the Board's decision is included as Exhibit C to Applicants' Environmental Appendix.

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Parties Interested in STB Finance Docket No. 34000

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Please be as specific as possible in your comments. Thank you for your interest. If you have questions or require additional information, please call Phillis Johnson-Ball of the Board's Section of Environmental Analysis at (202) 565-1530.

Very truly yours,

A handwritten signature in cursive script that reads "Paul A. Cunningham /jmc".

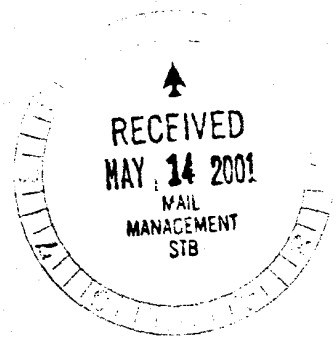
Paul A. Cunningham

Counsel for Canadian National Railway Company

Enclosure

20224x

STB Finance Docket No. 34000



Canadian National Railway Company,
Grand Trunk Corporation, and
WC Merger Sub, Inc.
-- Control --

Wisconsin Central Transportation Corporation, Wisconsin Central Ltd.,
Fox Valley & Western Ltd., Sault Ste. Marie Bridge Company, and
Wisconsin Chicago Link Ltd.

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ENVIRONMENTAL APPENDIX

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Merger Sub, Inc.

May 14, 2001

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I. Introduction

On April 9, 2001, Canadian National Railway Company ("CN") and Wisconsin Central Transportation Corporation ("WC")¹ filed an application (the "Application") with the Surface Transportation Board ("Board" or "STB") seeking the Board's approval for CN to acquire control of WC.² Applicants CN and WC have stated that the transaction would result in only minimal changes in current rail operations, and that the transaction would therefore result only in insignificant environmental impacts.

Prior to filing their Application, Applicants met with the Board's Section of Environmental Analysis ("SEA") and explained their position that the CN/WC transaction is subject to a "categorical exclusion" from analysis under the National Environmental Policy Act of 1969 ("NEPA") (that is, that it falls into "a category of actions which do not individually or cumulatively have a significant effect on the human environment"). SEA believed it to be critical that the public be afforded an opportunity to review and comment on Applicants' conclusion that their transaction would not result in significant environmental impacts. SEA, therefore, requested that Applicants prepare an Environmental Appendix providing further information to support their conclusion. On May 9, 2001, the Board issued a decision accepting the Application. In its decision, the Board directed Applicants to distribute the Environmental Appendix widely for public review and comment.

The Environmental Appendix and related materials are set forth below. Please review them, and if you wish to submit comments, please follow the directions below in the "Public Participation" section. SEA invites comments, by **June 13, 2001**, on all aspects of Applicants' Environmental Appendix and on whether the proposed transaction has the potential to cause significant environmental impacts, which would warrant the preparation of further environmental documentation. Based on SEA's consideration of all timely comments and its own independent review of all available information, SEA will recommend to the Board whether there is a need for formal environmental review in this case. The Board will then determine whether to issue a finding of no significant impact, or, alternatively, whether an environmental assessment or environmental impact statement should be prepared in this case.

¹ As used here, "CN" includes Canadian National Railway Company's railroad subsidiaries in the United States (Illinois Central Railroad Company, Grand Trunk Western Railroad Incorporated, Chicago, Central & Pacific Railroad Company, Duluth, Winnipeg and Pacific Railway Company, Cedar River Railroad Company, and Waterloo Railway Company), and "WC" includes Wisconsin Central Transportation Company's railroad subsidiaries in the United States (Wisconsin Central Ltd., Fox Valley & Western Ltd., Sault Ste. Marie Bridge Company, and Wisconsin Chicago Link Ltd.).

CN and WC are referred to together as "Applicants."

² The STB has posted the entire text of the Application, including the Operating Plan and Appendix D, detailing the projected traffic changes on the 23 rail line segments in the United States affected by the transaction, and changes in yard activity at the 9 rail yards in the United States affected by the transaction, on the Board's Web site. The Application may be viewed by going to <http://www.stb.dot.gov> and clicking on the box labeled "Filings." The Application is listed under April 9, 2001, and identified by Filing ID No. 201931 and Docket No. FD_34000_0.

³ 40 C.F.R. § 1508.4.

II. Description of Proposed Transaction

CN, headquartered in Montreal, Quebec, owns a rail network of 3,912 route miles in 14 U.S. states and 11,620 route miles in eight Canadian provinces. That network spans Canada and mid-America, from the Atlantic at Halifax, Nova Scotia, to the Pacific at Vancouver and Prince Rupert, British Columbia, and the Gulf of Mexico at New Orleans, Louisiana, and Mobile, Alabama, and it serves the key cities of Montreal, Quebec; Toronto, Ontario; Buffalo, New York; Chicago, Illinois; Detroit, Michigan; Memphis, Tennessee; East St. Louis, Illinois; and Jackson, Mississippi, with connections to points throughout North America. (See maps at Exhibit A to this Environmental Appendix.)

CN, however, does not currently own a rail line for its traffic between Superior, Wisconsin, and Chicago, which is a key link in its network, especially for NAFTA traffic. CN now bridges this gap by means of limited-term arrangements under which WC hauls CN's traffic between Superior and Chicago. The proposed CN/WC transaction would secure CN ownership and control of this vital link.

WC operates over 2,464 route miles (1,550 miles of main lines, 693 of secondary lines, and 221 miles of trackage rights over other railroads' lines) in Wisconsin, Minnesota, northeastern Illinois, and the Upper Peninsula of Michigan. It also operates nearly 300 route miles in the Province of Ontario. Its principal gateways are Chicago; Minneapolis/St. Paul, Minnesota; and Sault Ste. Marie, Ontario. See maps at Exhibit A.

The proposed CN/WC transaction would be an entirely end-to-end coupling of the existing CN and WC systems with no overlapping or parallel routes. Applicants do not plan any construction or abandonment of rail lines as a result of the transaction. CN/WC will maintain existing rail gateways affected by the transaction, and Applicants anticipate that continued service on the combined CN/WC network will be as good as, or better than, today's service.

III. Purpose and Need

As explained in more detail in their Application and Operating Plan, Applicants believe that the transaction would generate service and efficiency gains for shippers and enhance competition for rail transportation service. The transaction would make it possible to eliminate interchanges between the two railroads at Superior and Chicago, and Applicants expect to be able to provide the benefits of single-line service for WC's existing customers to points on CN's North American network. In addition, Applicants project that the transaction would make a larger pool of locomotives and railcars available to meet demand and would improve car utilization.

CN and WC expect relatively modest increases in traffic as a result of the proposed transaction. Applicants anticipate no need for new rail facilities, as existing lines, yards, and terminals have ample capacity to handle the expected increases. Applicants also project few changes in traffic patterns and operations, all of which, other than a unit train of iron ore between Superior and Memphis, would be within an area extending no further than Winnipeg, Manitoba, on the west

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and north, Champaign, Illinois, on the south, and Battle Creek, Michigan on the east. Applicants plan no major changes in the operating organization on the two systems, and intend to organize WC as the sixth operating division of CN.

IV. The Surface Transportation Board's Regulatory Review Process

The Board is an independent federal regulatory agency with jurisdiction over certain surface transportation matters, including railroad acquisitions and mergers. See 49 U.S.C. §§ 11323-11325. When the Board determines, based on a transaction's economic and competitive merits, that it is consistent with the public interest, the Board is required by statute to approve and authorize the proposed merger or acquisition. In determining the public interest, the Board's well-established and court-approved practice is to weigh the gains in operating efficiency and marketing capability realized through a particular railroad consolidation against any consequent reduction in competition.

In the case of railroad mergers or acquisitions, a Board decision approving a transaction would not require the railroads involved to transport more freight or transport existing freight by any specific route. Rather, the Board's decision is intended to allow railroads to expand their rail line systems by acquiring facilities of other railroads and, thereby, operate more efficiently and compete more effectively with other railroads and transportation modes. Railroads make decisions on an ongoing basis regarding which routes they will use in response to changes in market conditions, the economy and shipper demands.

V. NEPA and Its Implementing Regulations

NEPA⁴ generally requires federal agencies to consider "to the fullest extent possible" environmental consequences "in every recommendation or report on major federal actions significantly affecting the quality of the human environment."⁵ Regulations governing implementation of NEPA have been promulgated by the Council on Environmental Quality (CEQ),⁶ and by the Board.⁷ The Board's Section of Environmental Analysis ("SEA") is responsible for conducting the environmental review on behalf of the Board, evaluating potential environmental impacts, and recommending environmental mitigation conditions to the Board.⁸

⁴ 42 U.S.C. §§ 4321 *et seq.*

⁵ 42 U.S.C. § 4332(2)(C).

⁶ 40 C.F.R. Parts 1500-1508.

⁷ 49 C.F.R. Part 1105.

⁸ In imposing environmental mitigation conditions, the Board has consistently focused on the potential environmental impacts that would result directly from transaction-related changes in activity levels on existing rail lines and at rail facilities. The Board typically does not require mitigation for pre-existing environmental conditions, such as the effects of current railroad operations.

Under the CEQ and STB regulations, actions are separated into three classes that prescribe the level of documentation required in the NEPA process. Actions that may significantly affect the environment generally require the agency to prepare a full environmental impact statement ("EIS").⁹ Actions that may or may not have a significant environmental impact ordinarily require the agency to prepare a more limited environmental assessment ("EA").¹⁰ (An EA is a document containing environmental analysis sufficient for the STB to determine whether it should prepare an EIS or may make a finding that the transaction will have no significant environmental impact.)

Finally, actions whose environmental effects are ordinarily insignificant may normally be excluded from NEPA review.¹¹ Included in this category are merger proposals that would not result in operational changes that exceed certain thresholds – generally an increase in rail traffic of at least eight trains a day or 100% in traffic volume (measured in gross ton miles annually).¹² The following chart sets out the Board's thresholds:

Table 1
THE BOARD'S THRESHOLDS FOR ENVIRONMENTAL ANALYSIS

System Component	Noise	Air Quality Attainment ^a and Maintenance Areas	Air Quality Nonattainment ^b Areas
Rail Line Segments	Increase of 8 trains per day, or 100% increase in annual gross ton-miles		Increase of 3 trains per day, or 50% increase in annual gross ton-miles
Rail Yards	100% increase in carload activity per day		20% increase in carload activity per day
Intermodal Facilities	Increase of 50 trucks per day, or 10% increase in average daily traffic volumes on any affected road segment		

^a Air quality attainment areas are those where ambient air pollution levels meet National Ambient Air Quality Standards established to protect human health.

^b Air quality nonattainment areas are those where ambient air pollution levels fail to meet National Ambient Air Quality Standards established to protect human health.

Source: 49 C.F.R. § 1105.7(e)

⁹ 40 C.F.R. § 1501.4(a)(1); 49 C.F.R. §§ 1105.4(f), 1105.6(a).

¹⁰ 40 C.F.R. § 1501.4(c); 49 CFR §§ 1105.4(d), 1105.6(b).

¹¹ 40 C.F.R. § 1500.4(p), 1501.4(a)(2), 1508.4; 49 C.F.R. § 1105.6(c), (d).

¹² 49 C.F.R. § 1105.6(c)(2)(i).

If transaction-related changes in rail operations are projected to exceed the thresholds for review, then SEA, on behalf of the STB, would prepare either an EA or an EIS, addressing the effects of the transaction on such issues as: freight rail operations safety, hazardous materials transport safety, passenger rail safety, emergency vehicle response, highway at-grade crossing delay, traffic and roadway systems, energy, air quality, noise, cultural resources, land use, natural resources, environmental justice, and how the transaction may contribute to cumulative effects.

On the other hand, merger proposals that do exceed the thresholds in the Board's rules have enough potential for significant impacts to warrant further environmental documentation and the preparation of an environmental assessment (or a full EIS).¹³ Moreover, where properties 50 years old and older may be affected, an historic review may be required under the National Historic Preservation Act of 1966, as amended.¹⁴

VI. Applicability to this Case

In their Application, Applicants asserted that the proposed transaction will have insignificant environmental effects and therefore does not require a formal environmental review under the NEPA and the Board's environmental rules. Applicants observed that the transaction is expected to result in only minimal changes in carrier operations, none of which would exceed the thresholds triggering environmental review established in the Board's environmental rules at 49 C.F.R. § 1105.7(e)(4) and (5). The Application included an appendix (Appendix D)¹⁵ detailing the projected traffic changes on the 23 rail line segments in the United States affected by the transaction, and anticipated changes in yard activity at the 9 rail yards in the United States affected by the transaction. Based on the information in Appendix D, Applicants asserted that the proposed transaction is exempt under 49 C.F.R. § 1105.6(c)(2)(i) from environmental review and exempt under 49 C.F.R. § 1105.8(b)(1) and (3) from review under the National Historic Preservation Act.

To assist SEA in determining whether there is a need for environmental review of this transaction, SEA requested that Applicants prepare this Environmental Appendix, which provides general information about the proposal, including maps and additional analysis supporting their conclusion that this transaction does not warrant environmental documentation. SEA has reviewed this Environmental Appendix.

Applicants also have been working with the Federal Railroad Administration ("FRA") to develop a detailed Safety Integration Plan ("SIP"), under FRA guidelines, explaining how the proposed operational aspects of the merger would be implemented safely.¹⁶ The SIP describes the process by which the Applicants would combine and safely integrate the infrastructure, equipment, personnel, and operating practices of the different railroad companies, if the Board approved the proposed transaction. Applicants have submitted the proposed SIP to FRA and to the Board.

To facilitate public review and comment on all aspects of the Environmental Appendix and the SIP, the Board, in its Decision No. 2 served May 9, 2001, accepting the Application (a copy of which is attached as Exhibit C), directed Applicants to mail copies of the Environmental Appendix and SIP materials to appropriate agencies and other interested parties and to announce

¹³ 49 C.F.R. §§ 1105.6(b)(4), 1105.7(e)(5)(i)(A).

¹⁴ 16 U.S.C. § 470; *see also* 49 C.F.R. § 1105.8.

¹⁵ The information contained in the charts at Appendix D of the Application is set forth in Exhibit B of Applicants' Environmental Appendix.

¹⁶ A SIP also was prepared in other recent rail merger proceedings, including the acquisitions of Conrail by CSX Corporation and Norfolk Southern Corporation and of Illinois Central Railroad Company by CN.

that the Board is providing a 30-day period for interested parties to submit comments by June 13, 2001, to SEA.¹⁷ In addition, the Board directed Applicants to publish a notice in newspapers of general circulation in each county in the United States through which affected rail line segments pass alerting the public that the Environmental Appendix and SIP are available, and how to obtain copies and submit comments.

The Board explained in Decision No. 2 that, based on SEA's consideration of all timely comments and its own independent review of all available environmental information, including the SIP, SEA will recommend to the Board whether there is a need for formal environmental review in this case. The Board will then determine whether to issue a finding of no significant environmental impact, or, alternatively, whether an environmental assessment or environmental impact statement should be prepared in this case.

VII. Applicants' Analysis

The information described below is Applicants' evaluation of the potential environmental impacts that could result from operational changes (*i.e.*, increased activities over rail lines and at intermodal facilities and rail yards) of the proposed CN/WC transaction.

Applicants anticipate only minor changes in operations as a result of the proposed Acquisition. Their Operating Plan and the charts at Appendix D of the Application (the contents of which are found in Exhibit B of this Environmental Appendix) indicate that none of the Applicants' proposed increases in rail activity on rail line segments would exceed the Board's thresholds for environmental analysis.¹⁸ For example, Applicants project that the proposed transaction will not lead to an average increase of more than one train a day on any rail segment, except for a one-mile segment between Harvey and Markham/Chicago Intermodal Terminal, Illinois, where they project an average increase of 1.77 trains a day.¹⁹ Similarly, the charts indicate that the greatest transaction-related percentage increase in freight tonnage would be 22.48% (on the same one-mile segment), which is well below the 50% threshold for analysis under the Board's rules. As the charts at Exhibit B show, Applicants also have not identified any rail yards or intermodal facilities that would exceed the thresholds under the STB's regulations for environmental review. Furthermore, Applicants have proposed no transaction-related rail line abandonments or new rail line constructions.

In addition to information contained in Appendix D of the Application, Applicants have submitted information in Exhibit B of this Environmental Appendix regarding anticipated volumes of hazardous materials transported on rail line segments and handled in yards that would be affected by the proposed transaction. As may be seen, this information indicates that none of the rail segments would be new "Key Routes" (*i.e.*, routes on which more than 10,000

¹⁷ Decision No. 2 also stated that the Environmental Appendix and SIP would be posted on the Board's web site (<http://www.stb.gov>).

¹⁸ See 49 C.F.R. § 1105.7(e)(4), (5), and the table set forth in the text in Section V of this Environmental Appendix.

¹⁹ By way of comparison, the applicable threshold for environmental review under the Board's regulations at this location is three trains a day.

carloads of hazardous materials would be carried per year), except for the Hayford-Blue Island Junction, Illinois, segment, which CN is already operating pursuant to AAR Key Route standards, and none would be a "Major Key Route" (*i.e.*, one on which the number of hazardous materials carloads would double and would exceed 20,000 carloads per year). Applicants project that the increase in numbers of hazardous materials carloads in yards will be less than seven cars a day, as may be seen from the table in Exhibit B-2.

Accordingly, Applicants conclude that the proposed transaction is exempt under STB regulations from environmental documentation.²⁰ Applicants further conclude that the proposed transaction is exempt under STB regulations²¹ from historic review under the National Historic Preservation Act. Applicants intend to continue rail operations after CN's consummation of control of WC, and further STB approval will be required to abandon any service. Applicants have no plans to dispose of or alter properties subject to STB jurisdiction that are 50 years old or older. Moreover, the common control of CN and its rail carrier subsidiaries with the rail carrier subsidiaries of WC will not substantially change the level of maintenance of railroad property.

Finally, Applicants note that no environmental or historic report was required for the transaction.²² As discussed above, Applicants did include tables in their Application and now in this Environmental Appendix (*see* Exhibit B), setting forth the projected changes in numbers of trains operated and in tonnage handled over rail segments affected by the transaction, and changes in activity at affected rail yards. Applicants believe that the data provided will allow the Board to determine that the transaction will have no potentially significant environmental impacts, and that further environmental documentation is therefore not required.

VIII. Safety Integration Plan

As noted above, Applicants have been working with the Federal Railroad Administration (FRA) to develop a Safety Integration Plan ("SIP"), under FRA guidelines, specifically addressing the process of safely combining Applicants' two separate systems, if the proposed transaction is approved. The SIP describes the process by which the Applicants would combine and safely integrate the infrastructure, equipment, personnel and operating practices of the different railroad companies, if the Board approved the proposed transaction. Consistent with its practice in other recent railroad merger cases, the Board also has entered into a Memorandum of Understanding ("MOU") with the FRA, with the concurrence of the Department of Transportation, that sets out the respective roles of the Board and FRA in overseeing safety integration for the proposed CN/WC transaction. Applicants have submitted their proposed SIP to FRA and the Board, and, as the Board directed in its Decision No. 2 served May 9, 2001 (*see* Exhibit C), the Board is now seeking public review and comment on the proposed SIP, which is attached at Exhibit D.

The MOU establishes an ongoing safety integration monitoring process that would apply if the CN/WC transaction is approved. The process would continue until FRA advises the Board in

²⁰ 49 C.F.R. § 1105.6(c)(2)(i).

²¹ 49 C.F.R. § 1105.8(b)(1), (3).

²² See 49 C.F.R. §§ 1105.7, 1105.8.

writing that the integration of operations subject to the transaction has been safely completed. The monitoring process provides for the following actions:

- FRA would work with the Applicants to correct any inadequacies that FRA might identify in the SIP and to address other safety-related issues that may arise.
- FRA would monitor, evaluate, and review the Applicants' progress in implementing the SIP.
- FRA could request the Board to exercise its oversight authority by asking the Board to take appropriate action to correct deficiencies and address other safety-related concerns resulting from the approved transaction.
- FRA would also report to the Board periodically, but no less than biannually, regarding safety integration of CN and WC. FRA's reporting would continue until FRA advises the Board in writing that the proposed integration has been safely implemented.

The MOU is included at Exhibit E for your review.

IX. Applicants' Preliminary Conclusion

For the reasons discussed above, Applicants maintain that, because projected transaction-related operational changes are modest, as shown in Exhibit B to this Environmental Appendix, the proposed transaction is subject to a categorical exclusion from environmental review under the STB's rules. Applicants further believe that the transaction will have no potentially significant environmental effects, that there should therefore be no need for further examination of possible environmental effects of the transaction, and that there is no need for an historic review under the National Historic Preservation Act.

X. Public Participation

To facilitate public review and comment on all aspects of Applicants' Environmental Appendix and the SIP, the Board's Decision No. 2 (attached at Exhibit C) directed the Applicants to mail copies of the Environmental Appendix and SIP materials to appropriate government agencies and other interested parties, and to place notices in newspapers delivered to potentially affected communities, to announce the availability of Applicants' Environmental Appendix and that the Board is providing a 30-day period for interested parties to submit comments by June 13, 2001, to SEA.

The Board's purpose in directing the Applicants to distribute the Environmental Appendix to the public is to encourage public and agency involvement and consultation to gain input on any potentially significant environmental impacts related to the transaction so that the Board can assess public concerns and issues in determining whether further environmental analysis is necessary.

SEA encourages the public to participate in the environmental review of the proposed CN/WC Acquisition by commenting on Applicants' Environmental Appendix, and the proposed SIP and related materials, during the 30-day comment period, which ends on **June 13, 2001**. SEA invites written comments on all aspects of Applicants' Environmental Appendix and whether there is any reason that this transaction could result in potentially significant environmental impacts warranting preparation of further environmental documentation. Comments may be submitted to the address below. The public may file comments on both the Environmental Appendix and the proposed SIP in one submittal.

The STB has posted the entire text of the Application, including the Operating Plan and Appendix D, detailing the projected traffic changes on the 23 rail line segments in the United States affected by the transaction, and changes in yard activity at the 9 rail yards in the United States affected by the transaction, on the Board's Web site.

The Application may be viewed by going to <http://www.stb.dot.gov> and clicking on the box labeled "Filings." The Application is listed under April 9, 2001, and identified by Filing ID No. 201931 and Docket No. FD_34000_0.

When submitting comments, please provide **one original and ten copies** to:

Office of the Secretary
Case Control Unit
Finance Docket No. 34000
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Attention: Phillis Johnson-Ball
Environmental Project Manager
Environmental Filing

The Board cannot accept oral comments or comments submitted electronically by email at this time. If you have questions, please contact Phillis Johnson-Ball of the Board's Section of Environmental Analysis at (202) 565-1530.

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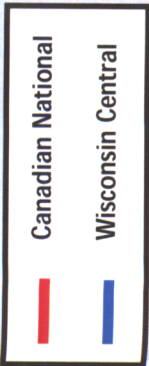
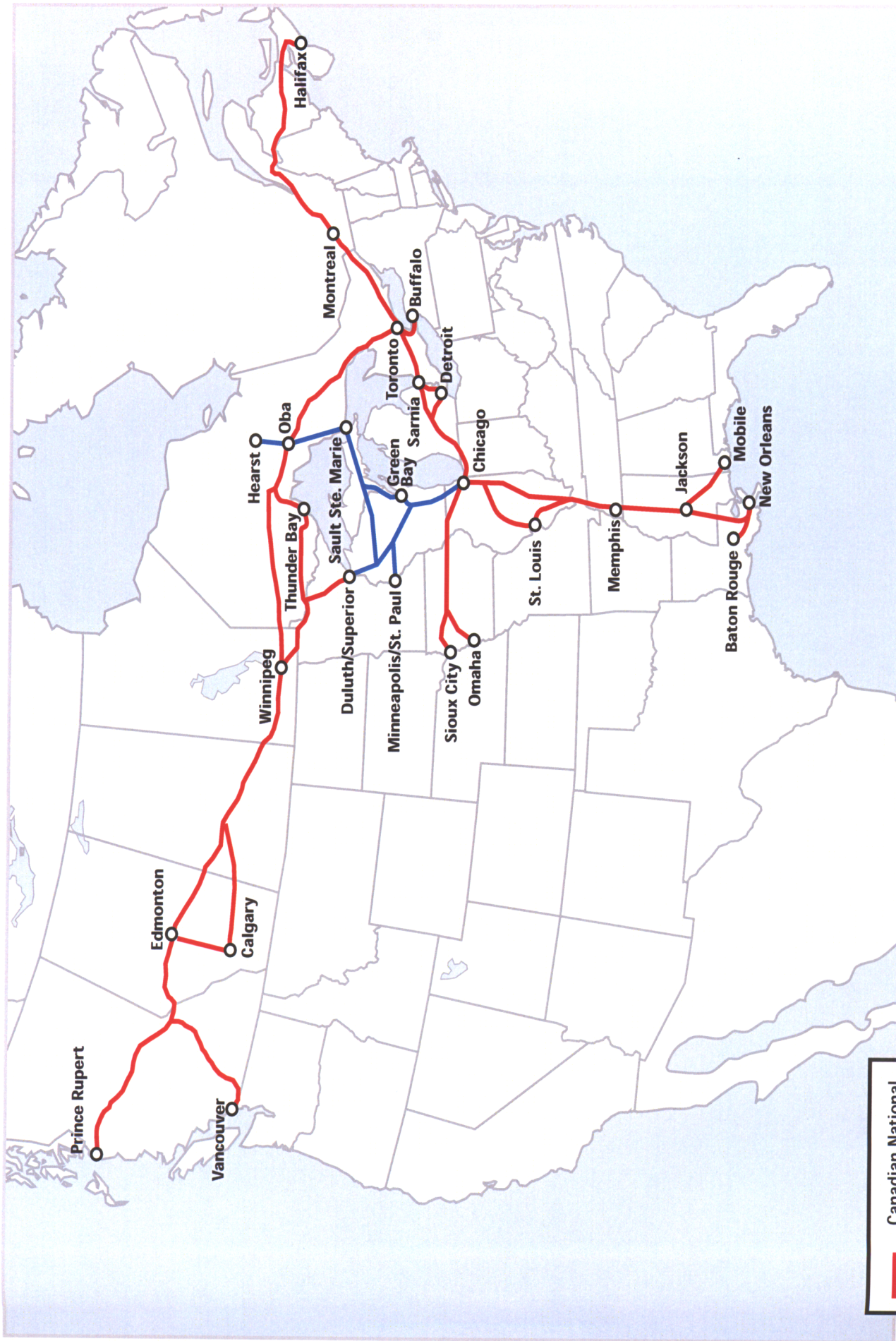
Exhibit A

Maps

A-1 CN/WC System

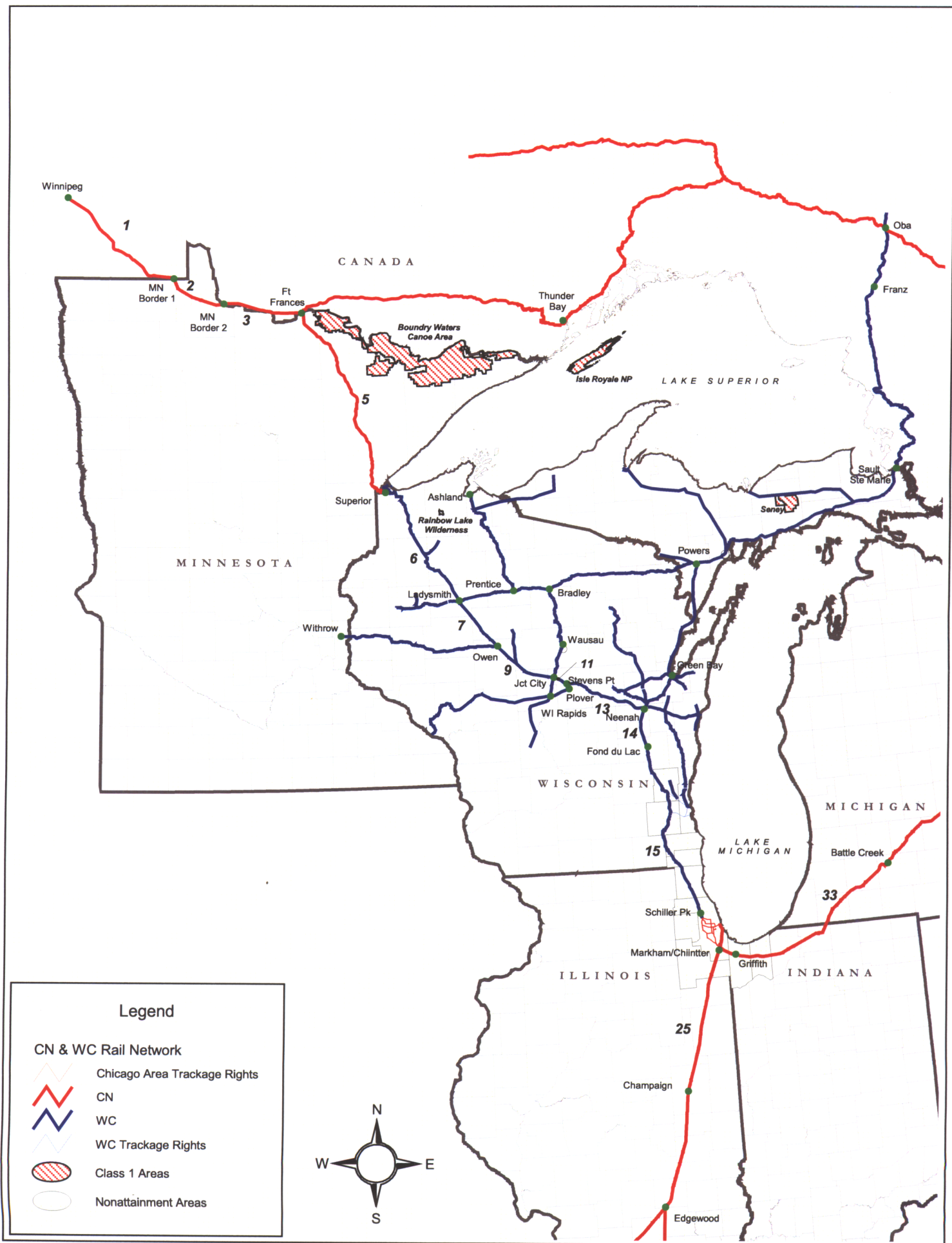
A-2 Area Affected by CN/WC Transaction

CN-WC System



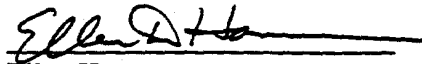
www.cn.ca

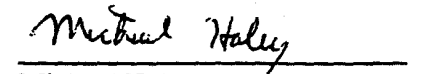
www.wclx.com



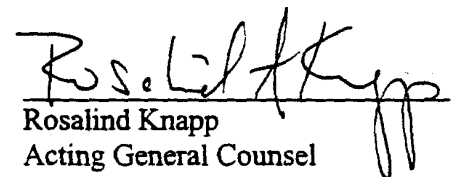
4. In those circumstances in which FRA informs the Board of safety deficiencies that may require Board action, FRA will identify the deficiencies, describe the nature of the deficiencies, and provide recommendations for correcting the deficiencies.
5. FRA will report to the Board from time to time, as FRA deems appropriate, but not less than biannually, regarding the Applicant's implementation of the SIP. FRA will report to the Board until it advises the same in writing that the integration of operations subject to the Acquisition has been safely completed.

IN WITNESS HEREOF, the parties hereto have executed this MOU on the 30th day of April, 2001.


Ellen Hanson
General Counsel
Surface Transportation Board


Michael Haley
Acting Chief Counsel
Federal Railroad Administration

The Department of Transportation hereby concurs in this MOU.


Rosalind Knapp
Acting General Counsel
U.S. Department of Transportation

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Exhibit B

Rail Operations Tables

- B-1 Traffic Changes on Rail Line Segments in United States Affected by CN/WC Transaction**
- B-2 Changes in Activity at Rail Yards in United States Affected by CN/WC Transaction**

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Exhibit B-1

Traffic Changes on Rail Line Segments in United States Affected by CN/WC Transaction

Rail Line Segment Description			Length	Passenger and Freight Trains/Day				Freight: Gross Tons/Day				Hazard: Carloads/Year			Thresholds Met or Exceeded			
Segment Number	From Station	To Station	Road	Miles	Pgr	Freight Base ¹	Freight Merged	Freight Difference	Threshold Trains/Day	Base	Merged	Difference	Percent Change	Threshold Percent Increase	Base	Merged	Difference	Air Quality Note
5	FORT FRANCES	SUPERIOR	CN	166	0	13.0	13.00	0.00	8	83,412	87,516.25	4,104.25	4.92%	100%	15,699	18,254.00	2,555.00	N
6	SUPERIOR	LADYSMITH	WC	124	0	11.0	11.91	0.91	8	88,466	99,573.95	13,107.95	15.16%	100%	15,378	17,860.00	2,482.00	N
7	LADYSMITH	OWEN	WC	46	0	11.0	11.91	0.91	8	93,890	108,997.85	13,107.95	13.96%	100%	15,378	17,860.00	2,482.00	N
9	OWEN	JCT CITY	WC	53	0	15.0	15.91	0.91	8	114,795	127,632.43	12,837.43	11.18%	100%	19,919	22,401.00	2,482.00	N
11	JCT CITY	STEVENS PT	WC	12	0	19.0	19.91	0.91	8	128,493	141,330.43	12,837.43	9.99%	100%	22,273	24,755.00	2,482.00	N
13	STEVENS PT	NEENAH	WC	68	0	17.0	17.91	0.91	8	118,630	130,967.19	12,337.19	10.40%	100%	20,482	22,964.00	2,482.00	N
14	NEENAH	FOND DU LAC	WC	28	0	25.0	25.91	0.91	8	135,370	147,632.33	12,262.33	9.06%	100%	20,038	21,534.50	1,496.50	N
15	FOND DU LAC	SCHILLER PARK ²	WC	136	10	22.0	21.77	(0.23)	3	140,055	152,361.35	12,306.35	8.79%	50%	19,898	21,429.00	1,533.00	N
38	SCHILLER PARK	FRANKLIN PK	WC	2	10	22.0	21.77	(0.23)	3	140,055	152,361.35	12,306.35	8.79%	50%	19,898	21,429.00	1,533.00	N
46	BLUE ISLAND JCT	HARVEY	CN	4	0	12.0	12.90	0.86	3	85,478	92,568.49	7,090.49	8.30%	50%	10,198	12,855.20	2,657.20	N
48	HARVEY	RIVERDALE	CN	3	0	10.0	10.91	0.91	3	88,877	97,992.06	9,115.06	10.26%	50%	13,596	13,596.00	0.00	N
63	FORDHAM	RIVERDALE	CN	5	0	10.0	10.91	0.91	3	88,877	97,992.06	9,115.06	10.26%	50%	12,841	12,841.00	0.00	N
49	FORDHAM	16TH ST	CN	10	0	10.0	10.91	0.91	3	88,877	97,992.06	9,115.06	10.26%	50%	12,841	12,841.00	0.00	N
50	16TH ST	ASH ST	CN	4	4	10.0	10.91	0.91	3	57,906	67,021.06	9,115.06	15.74%	50%	12,735	12,735.00	0.00	N
60	BROADVIEW	HAWTHORNE	CN	6	0	16.0	14.91	(1.09)	3	70,975	80,073.91	9,098.91	12.82%	50%	9,114	4,025.90	(5,088.10)	N
61	HAWTHORNE	MP 8.54	CN	1	0	10.0	10.91	0.91	3	57,906	65,494.10	7,588.10	13.10%	50%	5,577	6,599.00	1,022.00	N
62	MP 8.54	ASH ST	CN	3	0	10.0	10.91	0.91	3	57,906	67,021.06	9,115.06	15.74%	50%	4,457	4,457.00	0.00	N
69	HAYFORD	BLUE ISLAND JCT	CN	8	0	12.0	12.00	0.00	3	50,410	49,612.66	(797.34)	-1.58%	50%	9,749	10,000.85	251.85	N
70	ASHLAND JCT	HAYFORD	CN	3	0	2.9	2.90	0.00	3	35,049	34,221.19	(827.81)	-2.36%	50%	135	386.85	251.85	N
71	HARVEY	MARKHAM/Chilinter	CN	1	4	14.2	15.97	1.77	3	79,644	97,551.53	17,907.53	22.48%	50%	31,397	34,054.20	2,657.20	N
25	MARKHAM/Chilinter	CHAMPAIGN	CN	106	4	14.1	15.01	0.91	3	119,895	130,307.52	10,412.52	8.68%	50%	25,689	26,017.50	328.50	N
32	HARVEY	GRIFFITH	CN	13	5	21.8	21.80	0.00	3	152,937	154,638.98	1,701.98	1.11%	50%	25,668	25,868.00	0.00	N
33	GRIFFITH	BATTLE CREEK	CN	145	0	24.3	24.30	0.00	3	153,591	155,292.98	1,701.98	1.11%	50%	31,598	31,598.00	0.00	N

¹ The base numbers for segments 25, 32, 33, and 75 differ from those in the Application (vol. 1, p. 45), due to correction of errors that overstated the freight base.

² Note: Passenger trains on this segment only operate between Antioch and Schiller Park.

NOTE: Included in the traffic detailed in this table is a movement of iron ore between Superior, Wisconsin, and Memphis, Tennessee. This traffic would add 0.91 trains per day on the CN line between Champaign, Illinois, and Memphis, via Akin Junction, Illinois, an amount well below either train threshold. (There are four passenger trains per day on this line between Champaign and Edgewood, no passenger trains between Edgewood and Fulton, Kentucky, and two passenger trains per day between Fulton and Memphis.) This traffic would add 9,115.06 gross tons per day between Champaign and Memphis, an amount well below either tonnage threshold.

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Exhibit B-2

Changes in Activity at Rail Yards in United States Affected by CN/WC Transaction

Railroad	Yard	Total Cars Handled/Day						Total Hazmat Carloads/Day				Threshold Met	
		Base	Merged	Difference				Difference					
				Switched	Block Swap	Total	Percent Change in Total Yard Activity	Threshold Percent Change in Car Activity	Switched	Block Swap	Total		Air Quality
WC	SUPERIOR	358.00	415.09	57.09	0.00	57.09	15.9%	100%	6.96	0.00	6.96	N	Noise
WC	STEVENS PT	678.00	540.33	(151.40)	13.73	(137.67)	-20.3%	100%	(31.70)	1.57	(30.13)	N	
WC	NEENAH	398.00	419.43	21.43	0.00	21.43	5.4%	100%	4.78	0.00	4.78	N	
WC	FOND DU LAC	1,071.00	1,099.28	36.45	(8.17)	28.28	2.6%	100%	4.34	(0.30)	4.04	N	
CN	CHINTTIER ¹	796.88	873.33	76.45	0.00	76.45	9.6%	20%	0.00	0.00	0.00	N	
CN	HAWTHORNE	326.52	253.52	(73.00)	0.00	(73.00)	-22.4%	20%	(10.22)	0.00	(10.22)	N	
CN	MARKHAM	785.86	857.07	71.21	0.00	71.21	9.1%	20%	6.19	0.00	6.19	N	
CN	BATTLE CREEK	776.29	797.83	21.54	0.00	21.54	2.8%	100%	0.44	0.00	0.44	N	
CN	CHAMPAIGN	603.37	619.68	16.31	0.00	16.31	2.7%	100%	0.88	0.00	0.88	N	

¹ Calculated in units based on 6.54 units per car.

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Exhibit C
Decision No. 2
STB Finance Docket No. 34000

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31815
EB

SERVICE DATE - MAY 9, 2001

SURFACE TRANSPORTATION BOARD

Decision

STB Finance Docket No. 34000

**CANADIAN NATIONAL RAILWAY COMPANY, GRAND TRUNK CORPORATION, AND
WC MERGER SUB, INC.—CONTROL—WISCONSIN CENTRAL TRANSPORTATION
CORPORATION, WISCONSIN CENTRAL LTD., FOX VALLEY & WESTERN LTD.,
SAULT STE. MARIE BRIDGE COMPANY, AND WISCONSIN CHICAGO LINK LTD.**

AGENCY: Surface Transportation Board.

ACTION: Decision No. 2 in STB Finance Docket No. 34000; Notice of Acceptance of Application; Issuance of Procedural Schedule.

SUMMARY: The Surface Transportation Board (Board) is accepting for consideration the application filed April 9, 2001, by Canadian National Railway Company (CNR), Grand Trunk Corporation (GTC), and WC Merger Sub, Inc. (Merger Sub),¹ and by Wisconsin Central Transportation Corporation (WCTC), Wisconsin Central Ltd. (WCL), Fox Valley & Western Ltd. (FVW), Sault Ste. Marie Bridge Company (SSMB), and Wisconsin Chicago Link Ltd. (WCLL).² The application seeks Board approval and authorization under 49 U.S.C. 11321-26 for the acquisition of control by CNR and GTC of WCTC and through it of WCTC's rail carrier subsidiaries WCL, FVW, SSMB, and WCLL.³ As a result of the transaction, WCTC and its rail carrier subsidiaries would become indirect wholly owned subsidiaries of CN. The Board further finds that this is a "minor transaction" under 49 CFR 1180.2(c).

The Board has considered applicants' petition for scheduling order, filed April 9, 2001. With a modification to provide additional time for public comments, the Board is adopting the procedural schedule applicants have proposed (which, as modified, would result in a decision being issued some 28 days prior to the statutory deadline, assuming as explained later on that no oral argument is held and no unanticipated environmental review is required). The Board's

¹ CNR, GTC, and Merger Sub are referred to collectively as CN.

² WCTC, WCL, FVW, SSMB, and WCLL are referred to collectively as WC. CN and WC are referred to collectively as applicants.

³ Merger Sub, an indirect wholly owned subsidiary of CNR, will be merged into WCTC, whereupon the separate existence of Merger Sub will cease.

schedule provides for the issuance of a final decision no later than 45 days after the close of the record.

DATES: The effective date of this decision is **May 9, 2001**. Applicants must submit their Safety Integration Plan (SIP) to the Board by **May 9, 2001**. Applicants also must distribute their Environmental Appendix and SIP to the public and initiate publication of newspaper notices by **May 14, 2001**. Any person who wishes to participate in this proceeding as a party of record must file, no later than **May 25, 2001**, a notice of intent to participate. All comments on applicants Environmental Appendix and SIP must be filed no later than **June 13, 2001**. All comments, protests, requests for conditions, and any other evidence and argument in opposition to the application, including filings by the U.S. Department of Justice (DOJ) and U.S. Department of Transportation (DOT) must be filed by **June 25, 2001**. Response to comments, protests, requested conditions, and other opposition, response to comments of DOJ and DOT, and rebuttal in support of the application must be filed by **July 25, 2001**. For further information respecting dates, see Appendix A (Procedural Schedule).

ADDRESSES: Send an original and 25 copies of all pleadings referring to STB Finance Docket No. 34000 to: Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001.⁴ In addition, one copy of all documents in this proceeding must be sent to: (1) Secretary of the United States Department of Transportation, 400 Seventh Street, SW, Washington, DC 20590; (2) Attorney General of the United States, c/o Assistant Attorney General, Antitrust Division, Room 3645, Department of Justice, Washington, DC 20530; (3) Paul A. Cunningham, Esq., Harkins Cunningham, 801 Pennsylvania Avenue, N.W., Suite 600, Washington, DC 20004-2664; and (4) William C. Sippel, Esq., Fletcher & Sippel LLC, Two Prudential Plaza, 180 North Stetson Avenue, Chicago, IL 60601-6721.

In addition to submitting an original and 25 copies of all paper documents filed with the Board, parties also must submit, on 3.5-inch IBM-compatible floppy diskettes (disks) or on compact discs (CDs),⁵ copies of all textual materials, electronic workpapers, data bases and

⁴ In order for a document to be considered a formal filing, the Board must receive an original and 25 copies of the document, which must show that it has been properly served. Documents transmitted by facsimile (FAX) will not be considered formal filings and are not encouraged because they will result in unnecessarily burdensome, duplicative processing. In addition, each formal filing must be accompanied by an electronic submission per our requirements as discussed in detail in this decision. As an exception to these requirements, parties filing comments to environmental documents should follow procedures as provided with such documents.

⁵ Parties must clearly label each formal filing with an identification acronym and number. See 49 CFR 1180.4(a)(2). Each disk or CD should be clearly labeled with the

(continued...)

spreadsheets used to develop quantitative evidence. Textual materials must be in WordPerfect 9.0 or compatible with this version of WordPerfect.⁶ Electronic spreadsheets must be in Lotus 1-2-3 Release 9 or Microsoft Excel 97 or compatible with these versions of the software. In the past, the Board has encountered problems with the "links" in spreadsheets functioning properly when the spreadsheets are installed on desktop computers or network servers. To avoid such problems, naming and linking conventions should be used that will permit the spreadsheets to operate on the Board's computers.⁷ Electronic data bases should be compatible with the Microsoft Open Database Connectivity (ODBC) standard.⁸ The Board currently uses Microsoft Access 97, and data bases submitted should be either in this format or another ODBC compatible format. Otherwise, submitters should explain why it is not possible to submit the data base in this format and seek a determination as to whether it is feasible for us to accept the data base in another format. A copy of each disk or CD submitted to the Board should be provided to any other party upon request. Further details are discussed below.

FOR FURTHER INFORMATION CONTACT: Julia M. Farr, (202) 565-1613. [TDD for the hearing impaired: 1-800-877-8339.]

SUPPLEMENTARY INFORMATION: Applicants are seeking approval of a proposed transaction set forth in their application (CN/WC-2) filed on April 9, 2001.⁹ The proposed transaction involves the acquisition of control by CNR and GTC of WCTC and through it of

⁵(...continued)

identification acronym and number of the corresponding paper document, and labeled as containing confidential or redacted materials. These electronic filing requirements do not apply to filings addressing environmental documents.

⁶ Absent a waiver for good cause, we require submissions to be in WordPerfect format so that they can be quickly and accurately disseminated electronically to Board staff.

⁷ We will not specify a particular naming and linking convention. It is incumbent upon the submitter to use generic naming and linking conventions that will permit the spreadsheets to operate on desktop computers or from a network server. Questions concerning naming and linking matters and/or compatibility with our computers can be addressed to William Washburn, Office of Economics, Environmental Analysis, and Administration, at (202) 565-1550.

⁸ ODBC is a Windows technology that allows a data base software package, such as Microsoft Access, to import data from a data base created using a different software package. All data bases must be supported with adequate documentation on data attributes, SQL queries, programmed reports, etc.

⁹ On April 27, 2001, applicants filed a list of errata (CN/WC-4) to their CN/WC-2 application.

WCTC's rail carrier subsidiaries WCL, FVW, SSMB, and WCLL. As a result of the transaction, WCTC and its rail carrier subsidiaries would become indirect wholly owned subsidiaries of CN.

Applicants state that, because the proposed transaction does not involve the merger or control of two or more Class I railroads, their application is subject to 49 U.S.C. 11324(d). Applicants also assert that this is a "minor transaction" as defined in 49 CFR part 1180.¹⁰

Applicants argue that the proposed transaction would have no anticompetitive effects, noting that it would result in the end-to-end connection of two railroad systems that do not overlap. Applicants also state that there would be no 2-to-1 or 3-to-2 shippers on the CN/WC system,¹¹ no reduction in geographic or product competition and no increase in market power. According to applicants, the transaction will enhance competition and provide significant benefits to the shipping public.

On April 9, 2001, applicants also filed a petition for a scheduling order, as discussed below, that would provide for a more expedited processing of the application than the maximum time allotted for consideration of minor transaction applications. On May 1, 2001, Great Lakes Transportation, LLC (Great Lakes), late-filed a reply in opposition to the applicants' expedited scheduling petition, requesting also that the Board find that the proposed transaction is significant and dismiss the application as incomplete or require supplemental information.¹² Great Lakes also sought leave to file its reply one day late. Given our statutory deadline for publishing notice of acceptance of the application in the Federal Register, it is difficult to understand why Great Lakes waited so long to make this filing in connection with the much-publicized transaction. Nevertheless, the filing will be accepted.

¹⁰ In proceedings not involving the merger or control of at least two Class I railroads, a transaction is minor if a determination can be made either (1) that the transaction clearly will not have any anticompetitive effects, or (2) that any anticompetitive effects of the transaction will clearly be outweighed by the transaction's anticipated contribution to the public interest in meeting significant transportation needs. 49 CFR 1180.2(b).

¹¹ A 2-to-1 shipper would be a shipper served by both CN and WC, but by no other railroad, and a 3-to-2 shipper would be a shipper served by CN, WC, and a third railroad. As a result of a merger between applicants into one railroad entity, a 2-to-1 shipper would have only one serving railroad and a 3-to-2 shipper would have two serving railroads. While applicants state there are no such shippers on the CN/WC system, applicants note that Oba, Ontario, is technically a 2-to-1 location, but that there are no industries served by either of the two railroads at that point and therefore no adverse effect on competition for rail service there.

¹² We also have received correspondence asking us to find that the proposed transaction is significant, and not minor.

Great Lakes indirectly controls: (1) USS Great Lakes Fleet, Inc. (USS Fleet), a water carrier that operates on the Great Lakes; (2) The Duluth, Missabe & Iron Range Railway Company (DM&IR), a Class II railroad; (3) The Bessemer & Lake Erie Railroad Company (B&LE), also a Class II railroad; and (4) The Pittsburgh & Conneaut Dock Company (P&C Dock), a dock company that is also a Class III rail carrier. Great Lakes, entirely owned by the Blackstone Group and the management team at Great Lakes, is primarily concerned about the effects of the CN/WC transaction on the transportation of taconite pellets from Northeastern Minnesota to steel plants in the Midwest. According to Great Lakes, DM&IR moves taconite from taconite plants in Minnesota to dock facilities at Duluth and Two Harbors, MN, where it is loaded onto USS Fleet boats for movement on the Great Lakes. Great Lakes indicates that some of the taconite is then unloaded at P&C Dock and loaded onto B&LE trains for movement to U.S. Steel's Edgar Thomson steel mill in Pittsburgh, PA. Great Lakes maintains that the CN/WC's possible diversion of this taconite traffic to all-rail movements threatens to undermine the economics of water transportation service on the lakes and to eliminate essential rail and water services now provided by Great Lakes' affiliated carriers, as well as employment on those carriers. Great Lakes also asserts that all-rail movements would be less efficient and less safe than transportation that includes water movements across the Great Lakes. Because of the expressed concerns about the possible effects of the transaction on its companies, and potentially on users of their services, Great Lakes asserts that the applicants have not demonstrated that the proposed transaction is minor, and thus that the Board should find it to be significant and the application incomplete. Great Lakes also argues that we should require applicants to submit more detailed environmental information.

The applicants filed a reply to Great Lakes' filing on May 2, 2001. The applicants oppose Great Lakes' request for a finding that the transaction should be deemed "significant" and its request that the application be dismissed.

On April 27, 2001, The National Industrial Transportation League (NITL) filed a statement in support of approval of the application and in support of finding that it involves a minor transaction. NITL states that it has entered into an agreement with CN, by which CN has agreed to provide certain protections for rail shippers.

THE APPLICANTS. CN is a major Canadian railroad¹³ that operates a rail network consisting of 3,912 route miles in 14 states in the United States, and 11,620 route miles in eight Canadian provinces. CN has principal routes (1) to every major metropolitan area in Canada; (2) to the major U.S. cities of Buffalo, NY; Detroit, MI; Duluth, MN/Superior, WI; and Chicago, IL; (3) north-south between Chicago and the Gulf of Mexico, reaching every major metropolitan area on the Mississippi River, including Chicago, IL, East St. Louis, IL/St. Louis, MO,

¹³ CN indirectly controls two Class I railroads — Grand Trunk Western Railroad Incorporated and Illinois Central Railroad Company — and several non-Class I railroads operating in the United States.

Memphis, TN, and New Orleans, LA; and (4) east-west between Chicago and Nebraska and Iowa, extending from Sioux City, IA, and Omaha, NE/Council Bluffs, IA. in the West to Chicago in the East. The eastern terminus of CN's network is Halifax, Nova Scotia; the western termini are Vancouver and Prince Rupert, British Columbia; and the southern terminus is New Orleans. CN's traffic, between Duluth/Superior and Chicago, is carried under haulage agreements over the lines of WC.

WC¹⁴ operates over 2,464 route miles in Wisconsin, Minnesota, Northeastern Illinois, and the Upper Peninsula of Michigan, and over 296 route miles in the Province of Ontario. WC's main route extends from outside Chicago north through the Fox River Valley region of Wisconsin through Fond du Lac to Neenah and then northwestward through Stevens Point to Superior, WI. Another main route diverges from this line and extends to Withrow, MN, via trackage rights over CP to Minneapolis/St. Paul, MN. Other WC lines extend to Green Bay, Milwaukee, Wausau, Wisconsin Rapids, Ashland, and East Winona, WI; to Sault Ste. Marie, MI; and between the iron ore ranges around Ishpeming, MI, and the lake docks at Escanaba, MI. WC, through its ACRI subsidiary, also operates 296 miles of rail line in Canada between Sault Ste. Marie and Hearst, ON. WC's principal yard terminals and shop facilities are located at Fond du Lac and Stevens Point, WI, and Sault Ste. Marie, ON. Major interchange locations on WC's routes are Chicago, Superior, Minneapolis/St. Paul, and Sault Ste. Marie, ON.

The principal routes of the combined CN/WC rail system would be identical to those of the individual railroads, with the addition of through routes where interchange or haulage is now required. Applicants state that no track redundancies would be created by the transaction, and no abandonments would result from the combination of the two systems.

CN/WC Agreement. According to the applicants, on January 29, 2001, CNR, Merger Sub, and WCTC entered into an Agreement and Plan of Merger (Agreement). Subject to the Board's authorization and other conditions, Merger Sub (a Delaware corporation and an indirect wholly owned subsidiary of CN) will be merged into WCTC in accordance with Delaware law, whereupon the separate existence of Merger Sub will cease, and WCTC will be an indirect wholly owned subsidiary of CNR. The Agreement provides that, upon the merger of Merger Sub into WCTC, each share of WCTC that was outstanding immediately before the merger will be converted into the right to receive \$17.15 in cash.¹⁵ On April 4, 2001, approximately 79% of WCTC's outstanding shares were voted on the proposal, and 99% of those shares voted were in favor of the Agreement.

¹⁴ WC consists of three Class II railroads (WCL, FVW, and SSMB), one Class III railroad (WCLL), and a Canadian carrier (Algoma Central Railway Inc. (ACRI)). WCTC is a noncarrier holding company.

¹⁵ Applicants stated that all monetary amounts listed in the application are stated in U.S. dollars, unless otherwise noted.

PUBLIC INTEREST. Applicants assert that the transaction will further the public interest by improving the quality of rail transportation service to the public with an extended unified network, offering more efficient single-line routings linking markets in the United States and Canada, improving or eliminating interchanges, and improving equipment utilization, which will reduce operating costs and reduce terminal dwell time and overall cycle times for both cars and locomotives. Applicants claim that quantified public benefits arising from efficiencies of the transaction would be approximately \$52 million per year.

LABOR IMPACT. Applicants have submitted one Labor Impact Statement which shows the projected effects of the CN/WC merger on all categories of employment, including both agreement and nonagreement personnel of the combined CN/WC system. The Labor Impact Statement is organized by location and, for each location, reflects job classification(s) that will be created, eliminated, or transferred. Also indicated are the number of positions affected at each location by classification and the year in which positions will be moved to another location, abolished, or added. If a position is to be relocated, the Labor Impact Statement identifies the new location.

As explained in the Operating Plan,¹⁶ the transaction will have a relatively small impact on CN/WC's employment levels. The applicants foresee that throughout the implementation period the major mechanical shops in Stevens Point and Fond du Lac will remain in place, as will the Stevens Point customer service, train dispatching, crew management and clearance bureau operations.¹⁷ As new systems are implemented, applicants will focus significantly on training to ensure that all present employees acquire the necessary skills to continue operating safely and efficiently in their new environments.

Applicants anticipate that the merger will likely affect employment levels in three primary areas. First, duplicative administrative activities will be streamlined, which primarily will affect executive and senior management personnel in WC's Rosemont corporate headquarters. Second, the transaction will give rise to significant improvements in equipment utilization and maintenance activities, which will reduce the need for mechanical shop employees. Third, the greater maintenance-of-way resources of the larger system can support meaningful maintenance-of-way efficiencies, thereby reducing that work force, which mostly will affect temporary and seasonal employees across the WC service territory. Applicants

¹⁶ See CN/WC-2, Vol. 1, at 410-13.

¹⁷ Applicants expect that improved productivity of the locomotive and car fleets will allow CN/WC to eliminate most locomotive repair work at Stevens Point, relying instead on Fond du Lac, and to reduce the need for car repair work at Stevens Point and Fond du Lac. Applicants state that they do not currently plan any major changes in the day-to-day maintenance of way and signal maintenance operations as a result of the transaction. CN/WC-2, Vol. 1, at 403-04.

believe that some of these expected employment reductions will be accomplished through normal attrition.

Applicants acknowledge that, if we approve the transaction proposed in the application, the transaction would be subject to the employee protective conditions and other procedures adopted in New York Dock — Control — Brooklyn Eastern District Terminal, 360 I.C.C. 60, aff'd sub nom. New York Dock Rv. v. United States, 609 F.2d 83 (2d Cir. 1979).

ACCEPTANCE OF APPLICATION. Under 49 CFR part 1180, the Board must determine whether a proposed transaction is major, significant, or minor. Great Lakes opposes the designation of the transaction as minor, based on the alleged impact on taconite traffic that it handles in combined rail-water service. Great Lakes' own submission appears to show that this taconite traffic can already move in all-rail service, whether or not the application is approved. Great Lakes' filing does not make enough of a showing that the proposed transaction, as described, has regional or national transportation significance as referenced in 49 U.S.C. 11325 or that there would be anticompetitive effects that would outweigh the transaction's anticipated contribution to the public interest in meeting significant transportation needs pursuant to 49 CFR 1180.2(b)(2). But Great Lakes' concerns (including environmental concerns) can be fully addressed in the submissions of all interested parties and considered by the Board within the schedule we are establishing for this proceeding. Accordingly, we will treat the proposal as a minor transaction under 49 CFR 1180.2(c) subject to the procedural provisions of 49 U.S.C. 11325(a)(3) and 11325(d). Because the application complies with the applicable regulations governing minor transactions, we accept the application for consideration.

PUBLIC INSPECTION. The application, including various accompanying exhibits, are available for inspection in the Docket File Reading Room (Room 755) at the offices of the Surface Transportation Board, 1925 K Street, N.W., in Washington, D.C. In addition, they may be obtained from applicants' representatives named above.

PROCEDURAL SCHEDULE. In their petition for a scheduling order, applicants request that we issue a final decision in this proceeding within 180 days from the filing of the application. Applicants propose that all comments, protests, and requests for conditions, and any other evidence or argument in opposition to the application by all parties be due June 8, 2001 (30 days after publication of the Federal Register notice accepting the application), and that applicants' rebuttal or other responses to those filings be due July 9, 2001 (30 days later). According to applicants, this schedule leaves ample time for the Board to schedule an oral argument if warranted and to render a decision within the statutory deadline. As noted above, Great Lakes opposes the applicants' proposed schedule.

We will adopt a procedural schedule that provides some additional time to that proposed by applicants for comments on their application, but still provides for less total time than that provided by the deadlines set forth at 49 U.S.C. 11325(d), to ensure proper review of the transaction, including consideration of the position of Great Lakes. The statute allows for 6

months for the processing of minor consolidation proceedings. Under 49 U.S.C. 11325(d)(2), the Board must conclude the evidentiary stage of the proceeding by the 105th day after publication of the Federal Register notice accepting the application, and must issue the final decision by the 45th day after the conclusion of the evidentiary stage.

Accordingly, all comments, protests, and requests for conditions, and any other evidence or argument in opposition to the application by all parties will be due 45 days after publication of the Federal Register notice accepting the application, which will be on June 25, 2001. As suggested by applicants, applicants' rebuttal and other responses to those filings will be due 30 days later, on July 25, 2001. The final written decision addressing the application will be issued within 45 days thereafter. If we determine that an Environmental Assessment or Environmental Impact Statement is required, we will adjust the procedural schedule as necessary. Also, if oral argument is held, then the final decision will be issued within 45 days after the argument. Other relevant due dates are discussed in detail under our discussion of filing due dates.

NOTICE OF INTENT TO PARTICIPATE. Any person who wishes to participate in this proceeding as a party of record (POR) must file with the Secretary of the Board, no later than **May 25, 2001**, an original and 25 copies of a notice of intent to participate, accompanied by a certificate of service indicating that the notice has been properly served on the Secretary of the United States Department of Transportation, Attorney General of the United States, and on applicants' representatives. In addition, as previously noted, parties must submit one electronic copy of each document filed with the Board. Further details respecting such electronic submissions are provided below.

We will serve, as soon as practicable, a notice containing the official service list (the service list notice). Each party of record will be required to serve upon all other parties of record, within 10 days of the service date of the service list notice, copies of all filings previously submitted by that party (to the extent such filings have not previously been served upon such other parties). Each party of record also will be required to file with the Secretary of the Board, within 10 days of the service date of the service list notice, an original plus 10 copies of a certificate of service, along with an electronic copy, indicating that the service required by the preceding sentence has been accomplished. Every filing made by a party of record after the service date of the service list notice must have its own certificate of service indicating that all PORs on the service list have been served with a copy of the filing. Members of the United States Congress (MOCs) and Governors (GOVs) are not parties of record (PORs), and therefore, need not be served with copies of filings, unless any such Member or Governor has requested to be, and is designated as, a POR.

We will serve copies of our decisions, orders, and notices only on those persons who are designated on the official service list as either POR, MOC, or GOV. All other interested persons are encouraged to make advance arrangements with the Board's copy contractor, Dā-to-Dā Office Solutions, to receive copies of Board decisions, orders, and notices served in this proceeding. Dā-to-Dā Office Solutions will handle the collection of charges and the mailing

and/or faxing of decisions, orders, and notices to persons who request this service. The telephone number for Dā-to-Dā Office Solutions is: (202) 756-1649.¹⁸

COMMENTS, PROTESTS, REQUESTS FOR CONDITIONS, AND OTHER OPPOSITION EVIDENCE AND ARGUMENT, INCLUDING FILINGS BY DOJ AND DOT. Any interested persons, including the U.S. Attorney General and the U.S. Secretary of Transportation, may file written comments, protests, requests for conditions, and any other opposition evidence and argument no later than **June 25, 2001**. This deadline applies to comments, etc., addressing the application.

Parties addressing the application, filing comments, protests, requests for conditions, and any other opposition evidence and argument (including filings by DOJ and DOT) must submit an original and 25 copies of such documents, referring to STB Finance Docket No. 34000 (lead docket). All submissions must be filed with the Surface Transportation Board, Office of the Secretary, Case Control Unit, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, as previously noted, parties must submit one electronic copy of each document filed with the Board. Further details respecting such electronic submissions are provided below.

Written comments, etc., must be concurrently served by first class mail on the U.S. Attorney General and the U.S. Secretary of Transportation, applicants' representatives, and all other parties of record.

Consistent with 49 CFR 1180.4(d)(1)(iii), written comments, etc., must include:

- (A) the docket number and title of the proceeding;
- (B) the name, address, and telephone number of the commenting party and its representative upon whom service shall be made;

¹⁸ An interested person does not need to be on the service list to obtain a copy of the application or any other filing made in this proceeding. Our Railroad Consolidation Procedures provide: "Any document filed with the Board (including applications, pleadings, etc.) shall be promptly furnished to interested persons on request, unless subject to a protective order." See 49 CFR 1180.4(a)(3), as recently amended in Railroad Consolidation Procedures—Modification of Fee Policy, STB Ex Parte No. 556, 62 FR 9714, 9717 (Mar. 4, 1997) (interim rules), 62 FR 28375 (May 23, 1997) (final rules). The application and other filings in this proceeding also will be available on the Board's website at "www.stb.dot.gov" under "Filings." Furthermore, Dā-to-Dā Office Solutions will provide, for a charge, copies of the application or any other filing made in this proceeding, except to the extent any such filing is subject to the protective order entered heretofore in this proceeding.

(C) the commenting party's position, i.e., whether it supports or opposes the proposed transaction;

(D) a statement whether the commenting party intends to participate formally in the proceeding, or merely to comment on the proposal;

(E) if desired, a request for an oral hearing with reasons supporting this request; the request must indicate the disputed material facts that can be resolved only at a hearing; and

(F) a list of all information sought to be discovered from applicant carriers.

Because we have determined that this proposal is a minor transaction, no responsive applications will be permitted. See 49 CFR 1180.4(d)(4)(i).

Protesting parties are advised that, if they seek either the denial of the application or the imposition of conditions upon any approval thereof, on the theory that approval without imposition of conditions will harm either their ability to provide essential services and/or competition, they must present substantial evidence in support of their positions. See Lamoille Valley R.R. Co. v. ICC, 711 F.2d 295 (D.C. Cir 1983).

RESPONSE TO COMMENTS, PROTESTS, REQUESTED CONDITIONS, AND OTHER OPPOSITION, INCLUDING DOJ AND DOT; REBUTTAL IN SUPPORT OF APPLICATION. Parties submitting responses to comments, protests, requested conditions, and other opposition, including DOJ and DOT, and rebuttal in support of the application must be filed with the Board by **July 25, 2001**.

OTHER DATES. The procedural schedule adopted in this decision further provides: (1) that applicants must file a SIP on **May 9, 2001**, as they have proposed; (2) that applicants must distribute copies of their Environmental Appendix and SIP to the public and initiate publication of newspaper notices by **May 14, 2001** (within 5 days of service of this decision); (3) that all comments on applicants' Environmental Appendix and SIP are due on **June 13, 2001**; and (4) that the final written decision, addressing the application will be served on **September 7, 2001**, if we determine that no Environmental Assessment or Environmental Impact Statement is required and that there will be no oral argument. If oral argument is held, the decision will be served 45 days thereafter.

DISCOVERY. Discovery may begin immediately. We encourage the parties to resolve all discovery matters expeditiously and amicably.

ENVIRONMENTAL MATTERS. Applicants assert in their application that the proposed transaction will have insignificant environmental effects and therefore does not require a formal environmental review under the National Environmental Policy Act of 1969 (NEPA).

Applicants state that the transaction will cause only modest changes in carrier operations, none of which would exceed the thresholds triggering environmental review established in our environmental rules at 49 CFR 1105.7(e)(4) or (5). Applicants further state that the transaction is exempt under 49 CFR 1105.6(c)(2)(i) from environmental reporting requirements and exempt under 49 CFR 1105.8(b)(1) and (3) from historic preservation reporting requirements.

To assist the Board's Section of Environmental Analysis (SEA) in determining whether there is a need for environmental review of this transaction, SEA directed applicants to prepare an Environmental Appendix providing additional details and explanation, including maps, supporting applicants' conclusion that this transaction does not warrant environmental documentation. SEA has reviewed the Environmental Appendix.

Applicants also have been working with the Federal Railroad Administration (FRA) to develop a Safety Integration Plan (SIP), under FRA guidelines, specifically addressing the process of safely combining applicants' two separate systems, if the proposed transaction is approved. Applicants indicate that they will submit the SIP to SEA by **May 9, 2001**.

To facilitate public review and comment on all aspects of the Environmental Appendix and the SIP, we are directing applicants, within 5 days of the service date of this decision (i.e., **May 14, 2001**), to mail copies of these materials to appropriate federal, state, and local agencies and other interested parties and to announce that we are providing a 30-day period for interested parties to submit comments by **June 13, 2001**, to SEA. In addition, we direct applicants to publish a notice in newspapers of general circulation in each county in the United States through which affected rail line segments pass alerting the public that the Environmental Appendix and SIP are available, and how to obtain copies and submit comments. We will further ensure broad access to the Environmental Appendix and SIP by making them available on the Board's web site at www.stb.dot.gov. Applicants shall certify that they have met these mailing and newspaper notice requirements.

Based on its consideration of all timely comments and its own independent review of all available environmental information, including the SIP, SEA will recommend to the Board whether there is a need for formal environmental review in this case. We will then determine whether to issue a finding of no significant environmental impact, or, alternatively, whether an Environmental Assessment (EA) or Environmental Impact Statement (EIS) should be prepared. If it appears that an EA or EIS is required to meet the Board's NEPA obligations, the procedural schedule set forth here will be adjusted accordingly. Even if no EA or EIS is warranted, consistent with our recent practice, we intend to impose a condition on any decision approving the transaction requiring applicants to comply with the SIP.

ELECTRONIC SUBMISSIONS.¹⁹ As already mentioned, in addition to submitting an original and 25 paper copies of each document filed with the Board, parties must submit, on disks or CDs, copies of all textual materials, electronic workpapers, data bases and spreadsheets used to develop quantitative evidence. Data must be submitted on 3.5 inch IBM-compatible floppy disks or CDs. Textual materials must be in, or compatible with, WordPerfect 9.0. Electronic spreadsheets must be in, or compatible with, Lotus 1-2-3 Release 9, or Microsoft Excel 97. Each disk or CD should be clearly labeled with the identification acronym and number of the corresponding paper document, see 49 CFR 1180.4(a)(2), and a copy of such disk or CD should be provided to any other party upon request. Also, each disk or CD should be clearly labeled as containing confidential or redacted materials. The data contained on the disks and CDs submitted to the Board will be subject to the protective order granted in Decision No. 1, served February 5, 2001, and will be for the exclusive use of Board employees reviewing substantive and/or procedural matters in this proceeding. The flexibility provided by such computer data will facilitate timely review by the Board and its staff.²⁰

This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. The application is accepted for consideration under 49 U.S.C. 11321-26 as a minor transaction under 49 CFR 1180.2(c).
2. Great Lakes' filing of May 1, 2001, is accepted.
3. Great Lakes' request for dismissal of the CN/WC application is denied.
4. Parties must comply with the Procedural Schedule adopted by the Board in this proceeding as shown in Appendix A.
5. Parties must comply with the procedural requirements described in this decision.

¹⁹ As noted previously, these requirements do not apply to filings addressing environmental documents. Parties submitting comments to applicants' Environmental Appendix and SIP should follow procedures as provided with such documents.

²⁰ The electronic submission requirements set forth in this decision supersede, for the purposes of this proceeding, the otherwise applicable electronic submission requirements set forth in our regulations. See 49 CFR 1104.3(a), as amended in Expedited Procedures for Processing Rail Rate Reasonableness, Exemption and Revocation Proceedings, STB Ex Parte No. 527, 61 FR 52710, 52711 (Oct. 8, 1996), 61 FR 58490, 58491 (Nov. 15, 1996).

STB Finance Docket No. 34000

6. This decision is effective on May 9, 2001.

Decided: May 3, 2001.

By the Board, Chairman Morgan, Vice Chairman Clyburn, and Commissioner Burkes.

Vernon A. Williams
Secretary

APPENDIX A: PROCEDURAL SCHEDULE

April 9, 2001	Application and Petition for Scheduling Order filed.
May 9, 2001	Board notice of acceptance of application published in the <u>Federal Register</u> .
May 9, 2001	Safety Integration Plan (SIP) due.
May 14, 2001	Applicants distribute Environmental Appendix and SIP to public and initiate publication of newspaper notices.
May 25, 2001	Notice of intent to participate due.
June 13, 2001	All comments on Environmental Appendix and SIP due.
June 25, 2001	All comments, protests, requests for conditions, and any other evidence and argument in opposition to the application due, including filings of the U.S. Department of Justice (DOJ) and the U.S. Department of Transportation (DOT).
July 25, 2001	Response to comments, protests, requested conditions, and other opposition due. Response to comments of DOJ and DOT due. Rebuttal in support of application due (close of record).
September 7, 2001	Date of service of final decision (if no Environmental Assessment or Environmental Impact Statement is required and there is no oral argument).

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Exhibit D
Safety Integration Plan

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**APPLICANTS' SAFETY INTEGRATION PLAN
SUBMITTED TO FEDERAL RAILROAD ADMINISTRATION**

STB Finance Docket No. 34000

**CANADIAN NATIONAL RAILWAY COMPANY, GRAND TRUNK CORPORATION,
GRAND TRUNK WESTERN RAILROAD INCORPORATED, AND
WC MERGER SUB, INC.**

- CONTROL -

**WISCONSIN CENTRAL TRANSPORTATION CORPORATION,
WISCONSIN CENTRAL LTD., FOX VALLEY & WESTERN LTD.,
SAULT STE. MARIE BRIDGE COMPANY, AND
WISCONSIN CHICAGO LINK LTD.**

May 9, 2001

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Section 1

Executive Summary

On April 9, 2001, Applicants CN and WC¹ filed an application with the Surface Transportation Board ("STB") for approval of a proposed transaction by which CN and WC would come under common control ("Transaction"). This Safety Integration Plan ("SIP"), developed in consultation with the Federal Railroad Administration ("FRA"), describes how CN and WC intend to ensure that the Transaction is conducted safely and in full compliance with all applicable laws and regulations. The SIP follows FRA's "Safety Implementation Guidelines" dated November 7, 1997. In addition, this SIP is modeled on the SIP for the successful CN/IC merger. As with CN/IC, in developing this SIP the Applicants have applied lessons learned from other recent railroad transactions.

This is an end-to-end merger, like the CN/IC transaction, with no overlapping lines, no substantial duplication of facilities, and very small changes in activity, with no lines or terminals experiencing traffic increases reaching the threshold for environmental review under STB rules (compared to five yards and 11 line segments in CN/IC). Applicants presently anticipate no major restructuring of operations, either on "Day 1" or over the entire three-year implementation period. The few consolidation activities that will be carried out will be done on a gradual basis, as was done in CN/IC. Integration will not result in major changes in operating responsibilities.

The CN/WC system will not lose critical local and regional operating expertise. For the most

¹ Canadian National Railway Company ("CNR"), Grand Trunk Corporation ("GTC"), and WC Merger Sub, Inc. ("Merger Sub") are referred to collectively as "CN." Through its subsidiary, CNR controls the following rail carriers subject to the STB's jurisdiction: Grand Trunk Western Railroad Incorporated ("GTW"), Duluth, Winnipeg & Pacific Railway Company ("DWP"), St. Clair Tunnel Company ("SCTC"), Illinois Central Railroad Company ("IC"), Chicago, Central & Pacific Railroad Company ("CCP"), Cedar River Railroad Company ("CRRC"), and Waterloo Railway Company ("Waterloo"). Wisconsin Central Transportation Corporation ("WCTC"), Wisconsin Central Ltd. ("WCL"), Fox Valley & Western Ltd. ("FVW"), Sault Ste. Marie Bridge Company ("SSMB"), and Wisconsin Chicago Link Ltd. ("WCLL") are referred to collectively as "WC." WC's subsidiary Algoma Central Railway Inc. ("ACRI") operates in Ontario. "Applicants" refers to CN and WC.

part, experienced employees will continue to perform the same tasks as they do today and at the same locations. Supervisory and management responsibilities are not expected to change significantly. Very few changes in labor agreements are anticipated, and they should not be disruptive. Job changes that do take place will be handled carefully to ensure that knowledgeable personnel are retained.

While Applicants will work toward consolidation of a number of safety programs and practices, they will do so gradually. With this end-to-end, no overlap transaction, retention of existing programs and practices while working towards greater integration should not create problems.

Section 2 Introduction

Like the CN/IC merger, this Transaction will join two railroads that have abundant operating experience and strong management.

CN operates Canada's largest freight railway system. It was founded in 1919 by the Canadian Government as a means of consolidating a number of smaller Canadian railways. In November 1995, CN was privatized. At that time it had for many years owned DWP and GTW in the U.S. On July 1, 1999, CN acquired Illinois Central Corporation and its wholly-owned subsidiary, Illinois Central Railroad Company, which traces its origins to 1851. The combined railroad now includes 16,532 owned route miles in the U.S. and Canada and has approximately 22,500 employees, 1,900 locomotives, and 18,000 freight cars. In conjunction with its acquisition of IC, CN adopted a geographic divisional structure, with three divisions in Canada and two in the U.S.

Wisconsin Central Ltd. began operations in 1987 on railroad lines and trackage rights largely in Wisconsin, acquired principally from the Soo Line Railroad Company. WC's Fox Valley & Western Ltd. subsidiary began operations in 1993 after acquiring the operating assets of three short lines from IteL Corporation. WC's ACRI acquired track and trackage rights in 1995, extending from Sault Ste. Marie to Hearst, ON.

SSMB, formed in 1886 to build and operate the international railroad bridge between Sault Ste. Marie, MI and Sault Ste. Marie, ON, was acquired in 1987 by WCTC from Soo. In 1997, WC purchased track and trackage rights from Union Pacific (commonly referred to as the Duck Creek North lines), extending from North Green Bay, WI, to various locations in Michigan.

In its North American rail system WC owns or operates approximately 2,760 route miles and it has approximately 2,200 employees, 243 locomotives and 13,000 railcars. WC connects with other railroads at Chicago, Superior, Green Bay, Milwaukee, Minneapolis/St. Paul, and Sault Ste. Marie, ON.

On January 29, 2001, CN and WC entered into a Merger Agreement. Under that agreement, subject to STB authorization, WC will become an indirect wholly-owned subsidiary of CN. It will operate as the sixth CN division.

For two basic reasons, CN and WC do not expect to make any significant physical changes to their systems. First, CN and WC today are highly complementary systems. They have no overlapping or redundant lines and do not cross anywhere in the U.S. (and at only one location in Canada). They are entirely end-to-end systems, connecting only at the northern and southern ends of WC's main line at Superior, WI, and Chicago, IL.

Second, for several years, CN and WC have already been cooperating under limited-term haulage agreements to move CN traffic over WC's line between Superior and Chicago.² They have developed a close, coordinated working relationship and have sought to achieve as many of the efficiencies as possible out of a contractual relationship between independent companies. For example, through train operations for haulage traffic have been designed to take advantage of improved blocking plans, locomotive plans, and enhanced interline connections with other carriers. This was done to provide CN with a link between Superior and Chicago that did not require CN to interchange with another carrier.

The WC haulage arrangement permits the CN traffic involved to move to or from Chicago with other carriers (e.g., to the Southeast or Northeast), and to take advantage of key terminal facilities in Chicago (e.g., CN's Gateway and Moyers intermodal terminals). Some of the traffic moving via WC haulage is block-swapped at WC's Fond du Lac Yard for direct connection to CSX and NS in Chicago, thereby reducing switching and handling in Chicago.

However, the haulage terms limit CN and WC's ability to mix trains by including CN and WC traffic on the same train without specific agreements, which have been short-term in duration when made. These contractual limitations, commonly found in haulage arrangements, reflect the fact that issues concerning such matters as fuel cost allocation and impacts of performance goals can arise with mixed trains. Any haulage agreement also entails the service

² Prior to 1998, CN had separate haulage agreements with BNSF and WC to move traffic for CN between CN's facilities in Superior and Chicago. WC handled intermodal traffic for CN's account over WC's line through Fond du Lac, WI, under a 10-year agreement made in 1997, and BNSF handled bulk and merchandise traffic over its longer-distance route through Minneapolis/St. Paul, MN and East Dubuque, IL. CN could also interchange traffic moving between Duluth/Superior and Chicago with WC or other carriers. In 1998, CN terminated the BNSF agreement and entered into a 20-year agreement with WC to handle CN's bulk and merchandise haulage traffic, using WC's route between Superior and Chicago. However, the 1998 agreement, like the intermodal agreement, applies only to overhead (through) traffic in addition to other exceptions. WC had not been willing to permit CN direct access to shippers located on the WC system.

reliability risks associated with having another railroad handling CN's business in trains over which CN does not have more control. And, there are other limitations with reliance upon haulage arrangements, no matter how efficiently conducted, as compared with ownership and control of the train or line used.

The Operating Plan contemplates that this end-to-end Transaction will be simple and straightforward:

- Modest increases in traffic, yet ample capacity to accommodate growth
 - Capacity available in lines, yards, terminals
 - No need for new facilities
- Few changes in traffic patterns and operations
 - No changes in routing and a net total of only one new train pair
 - No impact on passenger or commuter service
 - Only one small yard consolidation and no line abandonments
- No major changes in operating organization
 - WC continues as a distinct entity – the sixth division of CN
 - Essential continuity of major functions, *e.g.*, dispatching, crew calling, customer service
 - Only modest reductions in work force
- No major implementation risks
 - No abrupt "day-one" changes
 - Information technology transition by experienced team with proven track record
 - No identifiable safety risks or significant environmental impact

The modest nature of the changes expected reflects the fact that the Transaction was not driven by a desire to enter new markets. Rather, it is the result of (a) WC's conclusion that it could not continue to serve its customers in the future as it has in the past without becoming a

part of a larger system with more resources, and (b) CN's desire to secure permanent control over the important Superior-Chicago connection.

CN/WC will maintain the strong dedication to safety, quality service, customer focus, and operational efficiency and stability shared by CN and WC today. The benefits of the Transaction will come from extended and expanded single-line service, additional market reach for CN and WC, more efficient equipment utilization, train capacity synergies, through-blocking opportunities, reduced car handlings, improved use of information technology, and improved communications systems made possible by the Transaction.

By comparison with the recent successfully implemented CN/IC merger, or other recent transactions involving the integration or division of substantially overlapping, major railroad operations, the CN/WC merger will, as noted, involve relatively few operating changes. Nevertheless, an important principle underlying the Operating Plan is measured, careful step-by-step integration of CN and WC without compromising safety or service. CN and WC are committed to seeing that the changes that do take place will be implemented without any diminution in service for shippers. The Operating Plan incorporates substantial capacity and operational flexibility to implement the relatively limited and few changes anticipated.

CN and WC are two of the most efficiently run railroads in North America, and their combined experience and expertise enable them to assure that service levels will be the same or better for their customers. Further detail regarding CN/WC's service planning and service commitment is set forth in the Service Assurance Plan included as part of the Application.

Although a SIP for this Transaction (a "minor" one under STB standards) is not required by existing rules of FRA or STB, Applicants voluntarily undertook to provide a SIP and to work

with FRA in its development. This SIP is divided into major sections that follow FRA's guidelines.

Section 3 Safety Integration Plan

A. CORPORATE SAFETY CULTURE

1. CN's Focus on Safety

CN's safety culture is built on a strong commitment to safety that begins at the top. Key components of the railroad's safety plan are communications, effective supervision, and employee involvement. This attitude is reflected in CN's operations on both sides of the border. As part of the successful implementation of the CN/IC merger, CN has been able to take advantage of the best of CN and IC's safety programs and practices to improve the safety of its entire North American operation. Although implementation of some programs is still relatively recent, results have been extremely encouraging as the FRA accident/incident ratio (a measure of overall safety performance) for CN's U.S. operations has improved by 7.5% from 1998 (the last full year before the merger) to 2000.

a. Safety Performance

CN has regularly been among the best North American railways with respect to FRA's train accident ratio. Based on FRA reporting criteria, CN's full system (Canada and U.S.) train accident ratio for 2000 was 2.11 accidents per million train miles. This places it second among North American Class 1 freight railroads (behind only CP/SOO). CN was also second in 1999 with a ratio of 2.21. (Prior to its merger with IC, CN was first overall in both 1997 (ratio of 2.2) and in 1998 (ratio of 1.4)). The 2000 results are the continuation of a pattern of improvement that began following the 1996 overhaul of CN's safety programs.

The various individual U.S. operations under CN have also had a history of safety-related success. For instance:

- DWP has received a prestigious E.H. Harriman Institute award 11 times over the past 24 years for the "Best Safety Record" in its class, including four bronze, six silver, and one gold (1995).
- IC has won a Harriman award for 12 consecutive years due to the continuous improvement of its safety performance, including a gold medal in 1999 and silver in 2000. During this period, IC's personal injury ratio (reportable injuries/200,000 work-hours) has dropped from 7.00 to 3.85 (45% improvement).
- GTW has demonstrated significant improvement since 1993 (e.g., train accident ratio excluding highway-railway crossings has dropped from 9.04 in 1993 to 3.71 in 2000, a 59% improvement, while employee injury ratio has dropped from 16.13 to 5.85, a 64% improvement).

Although 2000 was a good year for CN, as part of its goal for continuous improvement, its 2001 targets are even more challenging:

- FRA train accident ratio – 1.8
- FRA injury ratio – 4.35

To support these ambitious goals, CN has developed a program of specific 2001 safety initiatives with associated action plans, to address injuries and train accidents, and to further CN's overall safety program.

b. Executive Commitment to Safety

CN's safety culture is built on a strong commitment to safety that begins at the top with a personal commitment by President and Chief Executive Officer, Paul M. Tellier. CN management sets high goals for safety performance and makes compliance with these goals a key corporate and personal priority. Safety is part of the corporate targets from the top down on which performance of all divisions, functions, and individual managers is evaluated.

c. CN's Safety Policy

CN Safety Policy states in part that the company will:

- take all reasonable measures to ensure the protection of employees, customers, property, and the general public;
- address promptly all environmental and safety concerns;
- analyze all accidents and incidents resulting in, or having potential for, loss or injury, and take remedial action promptly to prevent recurrence; and
- provide employees with appropriate training to enable them to work safely.

This corporate policy is supported by a manual of safety processes, procedures, and standards.

As part of its CN/IC merger integration, CN has used the best safety standards from CN and IC to produce consistent system-wide versions.

d. CN Safety Organization

CN's safety organization is based on a balanced interaction between headquarters and divisions and represents the best attributes of the CN and IC pre-merger safety organizations. CN's safety-focused activities are grouped under the Risk Management function and include significant representation at both headquarters and the field. Headquarters manages safety policies, standards, and procedures, system programs, statistics and analysis, and system regulatory relations. Divisions and functions execute safety programs and procedures, monitor compliance, investigate and report accidents, and solicit proposals for safety improvement.

CN maintains an active interaction between headquarters and field risk management resources through joint committees, workshops, conference calls, etc. A prime example is CN's recent "best practices" workshops in which system and division safety officers worked together to identify key issues affecting accidents and injuries and shared best practices and knowledge

acquired across the system. This allowed action plans to be developed for implementation system-wide.

A key element of CN's safety program is its Health and Safety ("H&S") Committees. CN has over 130 H&S Committees (called Safety Committees in the U.S.), with active participation by labor and management. They act as the safety representatives of the company and its unions in the field and take immediate action to communicate and resolve unsafe situations. As part of CN/IC merger integration, CN has completed a restructuring of the committees in the U.S., resulting in their being more consistent and responsive, and having greater authority.

e. Communications

CN considers effective communication to be one of the most important elements of a successful safety program. As part of its implementation of the CN/IC merger, CN maintains an extensive network of internal and external safety communications that represent the best practices of the two roads. Examples include: safety flashes; safety posters; safety videos; CN website and intranet sites; MOVIN and CN magazines; Mid-Week News; quarterly and annual results presentations; and family safety days.

Probably the most important form of safety communication at CN is the daily communications between employees and their supervisors. All CN supervisors are required to hold daily safety meetings/briefings, referred to as "tailgate" meetings. Training called "Meetings on the Fly" has been delivered to front line supervisors to better prepare them for this role, and CN has recently introduced a mentoring program designed to enhance this aspect of a supervisor's duties.

f. Employee/Labor Involvement

Employee/labor involvement is part of CN's culture. CN has successfully expanded this approach to its U.S. operations while building on some of IC's excellent initiatives in this area. In addition to the Safety Committees and tailgate meetings, CN ensures employee involvement through Safety Congresses – meetings of all safety committees in the division or the system to share ideas and solve problems – and FRA's Safety Assurance and Compliance Program ("SACP") meetings and sub-committee initiatives.

Employee efforts are also recognized in a number of forums, including:

- **Employee Safety Recognition Award:** Awards given by CN divisions for recognition of special safety actions toward operations or the public; and
- **President's Awards of Excellence:** Annual awards to employees for their accomplishments in a number of categories, including safety (IC was included in this program immediately following the merger and a group of IC employees won both the 1999 and 2000 safety awards).

g. Supervision/Monitoring/Auditing

CN understands the importance of effective supervision, monitoring, and auditing as part of its safety program. To this end, CN has combined the best of the CN and IC programs to produce an effective integrated program, which includes the following elements:

Accident Investigation. As stated in CN's corporate safety policy, CN is committed to conducting investigations and analyses of accidents that will lead to identifying their basic underlying causes. All injuries and accidents in U.S. operations are discussed as part of a conference call the next day. Findings are reviewed centrally on a monthly basis to determine trends and mitigation.

Trend analysis. The CN Accident Reporting and Evaluation System ("CARES") contains information on every accident and injury across the system (Canada and U.S.). CN's

headquarters safety group produces regular summaries of accident and injury data sorted by cause and location and compared to previous years. This allows monthly identification of salient trends and helps CN take proactive measures to improve safety. The information also aids industry benchmarking. Divisions and functions are provided with annual targets, and incident/accident ratios are tracked daily using email reports automatically generated by CARES. Special programs have been developed to allow field personnel to perform local statistical and trend analyses for their individual territories. In 2001, CN will be carrying out a major overhaul of its CARES program. Designed to make it easier to use and more flexible in producing reports, it will also allow CARES to be used directly for FRA reporting, and will introduce a number of checks and system linkages to ensure the accuracy of accident information similar to those that IC had been working on as a part of its accident program improvements.

System and Executive Safety Awards. As part of merger integration, CN expanded its successful system and executive safety award programs to IC. These reward the railroad's divisions and functions for being the best performing in a number of safety categories.

External experts. CN occasionally uses external experts for investigating accidents, auditing safety programs, and providing expert advice and training.

Effective Supervision. CN has recently reviewed its supervisory performance and placed increased emphasis on the importance of effective supervision, stressing the fostering of accountability for safety performance at all levels of the organization. As part of this program, efficiency testing has been expanded from the U.S. to CN's Canadian operations. All levels now have safety requirements targets for locomotive event recorder downloads, efficiency tests, radaring, and for personal contact with subordinates. To assist in this regard, a special safety

performance monitoring program has been developed and is used to track and communicate observation results. CN's effective supervision initiative is also supported by renewed emphasis on supervisory communications training (e.g., meetings on the fly, coaching).

Safety Program Audits. In addition to the efficiency test program, which allows supervisors to audit safety and compliance in their territory, CN has developed a divisional audit template as part of its Safety Management System. This allows individual divisions to audit their overall safety programs and performance.

h. Regulatory Relations

CN prides itself on maintaining a good working relationship with regulators on both sides of the border. Throughout the company, officers and employees are committed to cooperating with the safety direction given by agencies such as FRA and the National Transportation Safety Board (and their Canadian counterparts) and to working with the agencies to resolve safety concerns. CN is also an active participant in the FRA's Railroad Safety Advisory Committee ("RSAC") process, which brings together railways, unions, and regulators in a problem-solving forum.

An example of the constructive relationship between railroad and regulator is CN's involvement in FRA's SACP. CN continues to hold regular SACP sessions with labor, management, and FRA for both the GTW and IC territories. As part of the CN/IC merger, CN took advantage of some of the important safety improvements put in place by IC during its SACP and extended them to all of its U.S. operations, e.g., accident reporting process. CN voluntarily provides FRA auditors with access to these plans and programs on a regular basis.

2. WC's Focus on Safety

WC is committed to operating a safe railroad. From 1996 to 2000, the WC FRA reportable train accident ratio declined from 9.92 to 8.62, an improvement of 18%. During the same period, WC's FRA reportable injury rate also dropped 18%, from 5.31 to 4.32.

a. Executive Commitment

Safety at WC also begins at the top. The President and CEO, Thomas F. Power, Jr., chairs a monthly safety meeting of his direct reports. This Corporate Safety Committee heads a structure of departmental and interdepartmental committees, establishes policy, provides direction, and audits performance. The President and CEO receives daily reports of employee injuries, train accidents, and grade crossing accidents and conducts weekly and monthly discussions of the results of the investigations of those incidents.

b. WC's Safety Policy

WC's Safety Policy was developed in part by employees participating in one of the interdepartmental safety committees. It commits WC to creating a culture "where safety is the highest value – a culture rooted in mutual trust and respect where employees are encouraged to identify safety concerns and help in their resolution." It is supported by a set of safety principles setting forth how WC will ensure the safety of its operations and employees.

c. WC's Safety Organization

WC views safety management as a function of line operations, with each operating department having authority and responsibility for managing safety. Each operations management position has safety as a key measure and each department measures safety performance by supervisor area. WC's safety organization includes a network of safety

committees, including a corporate committee, departmental committees, interdepartmental committees, and special committees.

The Corporate Safety Committee meets monthly to review performance and handles matters of policy and overall corporate direction. Meetings are held at various locations throughout the WC system so as to generate visibility and to audit the activities of the local committees, which are invited to make presentations to the Corporate Committee.

The Transportation, Mechanical, and Engineering Departments all have departmental safety committees with the Vice Presidents as chairmen. These meet monthly and address departmental and local issues. In addition, there are ad hoc departmental committees as necessary to accomplish specific goals. There are also interdepartmental safety committees at all of WC's major terminals and at corporate headquarters. They meet monthly and report to the Corporate Committee. Ongoing, specialized corporate safety committees also meet on a periodic basis (e.g., OSHA Compliance and Hazmat Review and Policy).

d. Communications

WC employees receive communications about safety issues in a number of formats, including: THE WRITE TRACK – company newsletter; regular safety postings on the company intranet website; safety and health postings on bulletin boards at all work sites; special paycheck mailings; and special workplace posters, updated weekly to promote the safety award program.

e. Employee/Labor Involvement

WC actively solicits the input and participation of all employees in the safety process on committees or otherwise. Interdepartmental committees include management and non-management employees.

In efforts to build upon its process of employee involvement in safety, WC's Mechanical Department has over the past two years implemented a behavior-based peer review safety program in which employees are trained to recognize unsafe behavior among fellow employees and to take appropriate action. The program is now being expanded to the Engineering Department in selected areas.

WC employees also are involved in the joint management-labor-FRA SACP meetings. This involvement has been expanded in the Transportation Department to include regular management and labor follow-up meetings.

Employee dedication is recognized as part of WC's Special President's Awards, given to employees who go above and beyond the call of duty. Candidates are nominated by fellow employees. A System Safety Awards program is also used to reward safety performance. Individual functions compete, with winners being declared and rewarded every two months and annually.

f. Supervision/Monitoring/Auditing

WC believes that safety audits and efficiency tests are important mechanisms to ensure that all of the elements of the safety management system are working properly. Tests are conducted regularly by all levels of management. In some situations, non-management employees will also conduct audits. The OSHA Compliance Committee conducts audits on a periodic basis at different locations to provide a perspective outside the usual internal audits. The Corporate Safety Committee conducts an annual audit of the effectiveness of the WC safety management system as a whole. All employee injuries and train accidents are investigated by the first-line supervisor, with results being discussed at the appropriate safety committee meeting. Employee injuries and accidents are also discussed at the Corporate Safety Committee meetings.

The railroad captures information on all train accidents, crossing accidents, injuries and miscellaneous damage in its mainframe safety system. The system is directly tied into WC's human resources and claims database, allowing for improved accuracy of information. The system is used to produce weekly performance and trend analysis reports, which are sent to all operating managers and department heads by email, and are posted on employee bulletin boards.

g. Regulatory Relations

WC shares a positive working relationship with the various regulatory agencies in the railroad industry. It has been particularly complimented by FRA for the efforts made as part of its SACP, through which WC has carried out major improvements in training, efficiency testing and employee involvement in safety programs. Joint management-labor subcommittees have also been formed as offshoots of the system SACP process.

3. Safety Integration – Corporate Culture

Safety is central to both CN's and WC's corporate cultures. Both have a number of existing safety programs that utilize communications, effective supervision, auditing/monitoring, and employee involvement. Both recognize the problems associated with past mergers and the importance of maintaining a strong corporate safety culture in any combination. Both are committed to forming the safest railroad in North America. As CN and IC did with the CN/IC merger, CN and WC plan to take similar advantage of the best practices in their respective operations as part of merger implementation.

Although much of the current field organization and structure is planned to remain as is, WC will clearly benefit from many of CN's corporate safety programs and resources, such as Accident and Injury Best Practice Workshops, the Safe Work Procedures program, Safe Handling Awards program, and trend analysis tools and supervisory safety promotion programs.

CN and WC will also work toward integrating other key safety programs and practices on a corporate basis, such as:

- Safety Policy and Standards – CN/WC will develop common safety standards to the highest extent possible;
- Safety Communications – CN/WC will work to develop common safety communications programs and materials;
- FRA's Switching Operations Fatality Analysis initiatives – CN/WC will review for best practices in promotion of this important program;
- Activity Based safety – CN/WC will examine adding "activity" based aspects to CN's safety program, learning from the experiences of WC in its ongoing evaluation of behavior-based safety approaches in its Mechanical and Engineering groups.
- Presidents Awards Programs – CN/WC will review for the best means of consolidation;
- System Safety Awards – CN/WC will review for possible consolidation;
- Accident/injury data collection and tracking systems – CN/WC will integrate this information to provide a more complete picture of accident and incident trends and key safety issues and allow for the development of consistent action plans to improve safety;
- Health and Safety Training – CN/WC will explore opportunities to expand aspects of CN's innovative training program to WC safety committees; and
- SACP cooperation – While retention of existing programs and the importance of carefully planned integration will require retaining the existing local SACP initiatives, Applicants expect that CN/WC's safety management will monitor other sessions and share best practices derived from SACP.

B. MANAGEMENT OF U.S. OPERATIONS

As with the CN/IC merger, Applicants expect that their U.S. operations will continue to be managed by U.S.-based executives reporting directly to the railroad's upper executives, with WC becoming a new sixth division of CN. Within this organization, Applicants expect that CN/WC's day-to-day operations will continue to be handled and overseen by personnel located

in the U.S. under the immediate supervision of management also located in the U.S. Records will continue to be accessible in the U.S. Dispatching operations for track presently dispatched from the U.S. will continue to be dispatched from the U.S. Applicants do not presently foresee any significant changes in the existing local management and supervision of their field forces. As a result, important local knowledge and skills will remain in place.

C. TRAINING

1. Training at CN

CN stresses the importance of training to ensure safe operations and invests some \$45-\$50 million in this area every year. The CN/IC merger provided significant benefits from using best training practices of CN and IC. Extensive training programs are in place to address both general safety training and job function specific training. CN has won awards for technical and management training. CN's combined catalogue now contains almost 500 courses, almost all of which are safety related.

CN's corporate training function is under the Performance and Development group within the Human Resources Department. This group works with the various functions and divisions to advise and counsel on training performance issues, determine training requirements, and ensure that all training is appropriately resourced. CN's training is developed and delivered by qualified training suppliers. In some cases, an internal expert may be appointed to deliver a program. Much of CN's technical training is supplied by Canac, a CN subsidiary. Another supplier, Rail Safety and Training Resources, is also used for many of the train and engine crew training programs.

CN's policy is to provide training programs that address both Canadian and U.S. requirements wherever possible and to meet the higher safety standard. All U.S. training programs must also meet U.S. regulatory requirements and are subject to FRA review.

2. Training at WC

Safety training is provided by full-time trainers in WC's Transportation, Engineering, and Mechanical Department who conduct training at field locations and at the Transportation Training Center in Plover, WI. In addition, WC contracts for safety and technical training as necessary. WC has made major upgrades in its training programs since the mid-1990s as part of its FRA-overseen SACP efforts. Training resources include a Class II Simulator used to enhance locomotive engineer training and as part of engineer promotion and recertification programs.

3. Safety Integration – Training

Applicants' initial analysis of specific programs in the areas such as locomotive engineers, conductors, train dispatchers, engineering track and signal employees, mechanical employees, and hazardous materials, shows that both railroads have training programs that fully meet FRA requirements and for the most part are quite similar. Applicants expect that existing training organizations will remain separate, at least initially, but that CN/WC will explore ways to take advantage of synergies to get greater benefit out of the training process. Some specialized CN courses (*e.g.*, Water Management) appear well-suited to WC operations. WC will become part of CN's functional training committees. The two railroads will also share their training catalogues, videos, and other training products so as to identify courses that could benefit each other.

The integration of CN's and WC's operations will not require augmentation of the railroads' training personnel. As shown in the Labor Impact Statement, attached as Appendix A, Applicants expect to hire only a few additional employees to handle some eventual modest increase in traffic on their lines, and will train those employees. Based on a review of projected yard and segment traffic increases, Applicants anticipate the need to fill four conductor and four engineer jobs. The number of expected new hires is minimal in relation to the number of employees that CN and WC hire and train each year. Applicants will provide full training to existing employees moving to a new occupation. The content and duration of this training will be identical to that provided for new employees entering these occupations.

The railroads' training groups have reviewed the labor impact associated with the Transaction and are confident that existing training programs and facilities can comfortably handle this training requirement. In any event, insofar as CN/WC requires additional training support, it will not hesitate to hire or contract for that support. The availability of excellent contract training programs, which are widely used by CN, WC, and other railroads, gives CN/WC particular flexibility in meeting its training needs.

The most significant new training that CN/WC may need to undertake will be with respect to those areas where there will eventually be integrated operations, such as computer systems. Although such areas will be relatively minimal, in all cases employees will have fully completed their training and be fully qualified before CN/WC will make changes in operations. The sections that follow dealing with operating rules, dispatching, motive power and equipment, train and yards operations, and information systems provide more detail regarding those subjects.

D. OPERATING PRACTICES

1. Operating Rules, Practices, and Instructions

a. Operating Rules, Practices, and Instructions at CN

CN's Operating Practices group helps ensure the highest degree of safety and productivity in day-to-day operations. In addition to the System Director-Operating Practices, CN has a Manager of Operating Practices for each of its Canadian divisions. U.S. Operations are overseen by a Director of Rules and Operating Practices located in Homewood along with a Manager-Operating Practices in Troy, MI. Specific U.S. Operating Practice responsibilities include development, implementation, and enforcement of: Operating Rules; Air Brake & Train Handling Rules; On-Track Safety Rules; System Timetables and Special Instructions; Efficiency Tests and Inspections program; Locomotive Engineer Certification Program; Operating Bulletins and Bulletin Notices; and on-going and initial training of locomotive engineers.

In addition, as part of Locomotive Engineer certification requirements, U.S. Operations have several local Road Foremen who are responsible for compliance with all aspects of Engineer Certification submission; mandatory monitoring rides with engineers; on-going training (classroom and on-the-job) for engineers; skills performance testing; and initial training for new-hire train service employees. Operating Practices works closely with the Performance and Development (Training) group to ensure that CN's Transportation function training needs are addressed.

As part of the CN/IC merger integration, CN successfully consolidated its U.S. operating rules for U.S. operations ("USOR"). (Prior to the merger, operations over CN's U.S. properties were governed by several sets of operating rules, including the General Code of Operating Rules ("GCOR"). In addition, CN uses a combination of timetables with subdivision specific

instructions, Operating Bulletins, and train specific Tabular General Bulletin Orders to govern railroad operations.

Operating information is kept in a consolidated Rail Operations Manual containing the operating rules, timetables, special instructions, safety rules, air brake and train handling rules, on-track safety rules, hazardous material instructions, equipment restrictions, and motive power rules. As part of CN/IC merger implementation, a single manual was prepared for all of CN's U.S. operations. Changes to operating instructions are communicated through bulletins until incorporated in a revised version of the instructions or rules themselves. Train specific information and restrictions (such as temporary slow orders) are communicated to train crews through issuance of Tabular General Bulletin Orders.

CN also consolidated the efficiency test program of the GTW, DWP and IC lines into a program that includes 40 specific tests and is fully compliant with FRA requirements. Testing is conducted regularly by all supervisors below the General Manager level, who provide timely feedback to educate employees and reinforce rule compliance. Testing targets have been established for each supervisor. Employees with unsatisfactory test results are given instruction so that they have a thorough understanding of what they did not perform correctly and of the importance of rules compliance to the safety of train operations. Test results are entered into CN's performance monitoring program where they are used to monitor non-compliance trends and compared to accident causes for development of system or local safety programs.

b. Operating Rules, Practices, and Instructions at WC

The WC Training and Operating Practices Group includes a director and eight others who are responsible for developing, implementing, and enforcing the same types of rules as CN. WC operations are governed by GCOR. WC uses General Orders to convey changes in rules or

other instructions, while Daily Operating Bulletins provide information on daily restrictions such as temporary slow orders. Hazardous material information is provided by timetable special instructions. WC also provides operating information for train crews and other operating employees through the issuance of Timetables, Air Brake & Train Handling Instructions, and Safety Rules.

WC has an FRA-approved efficiency test program consisting of 41 tests. WC continues to work with FRA through SACP and other forums to improve the program and to make full use of information collected. Tests are conducted by all managers in Transportation, Engineering, and Mechanical, who are themselves tested by Superintendents. Specific targets are set for the number of tests that must be performed. Results are entered into WC's mainframe computer system by the testing supervisor and are reviewed each month at the functional safety meetings, where performance against target is checked and safety focus areas are identified based on non-compliance results. WC has produced and distributed to supervisors a program manual with guidelines and descriptions on how to conduct each of the tests and measures to be taken in the case of non-compliance.

c. Safety Integration – Operating Rules, Practices, and Instructions

Applicants expect that their respective Operating Practices organizations will remain separate at least in the near-term. Operating Rules and associated programs will also remain separate at least initially. CN reviewed the differences between USOR and GCOR as part of the conversion of DWP from GCOR to USOR in 2000 in the CN/IC merger. As a result, it is confident that the differences are minimal and will not adversely affect safety. Furthermore, with minimal employee relocation or territorial changes, and with WC at least initially retaining

its current train dispatching system (which is tied into GCOR), keeping existing operating rulebooks should not result in confusion or create safety concerns. Nevertheless, CN/WC will monitor rules performance throughout merger implementation and, should there be evidence of problems associated with the two sets of rules, will make the necessary changes.

Applicants recognize that there may be a small number of employees who will be required to work on both CN and WC territory. For instance, in Superior WC train crews may be using CN's nearby Pokegama yard instead of WC's facility at South Itasca. This should not present a problem as WC crews are already familiar with Pokegama and CN operating rules, since they currently pick up and deliver trains there. Nonetheless, if this change is made, CN/WC will ensure that all affected crews are fully trained and qualified in USOR and are familiar with Pokegama prior to commencing such operations.

If at some time in the future CN's USOR were to be extended to WC, that should not be a problem. As previously mentioned, DWP operated under GCOR, and its consolidation and transition to the very similar USOR was smooth. CN will ensure that proper training is provided for all employees as well as those on third-party railroads operating over WC, using a process similar to that used for CN/IC merger consolidation.

Similarly, Applicants expect to retain their existing efficiency test programs. Any future program consolidation will be done in compliance with FRA regulations and will be filed with FRA as required. At that time, Applicants will also review possible consolidation of efficiency test monitoring systems.

2. Accident/Incident Reporting

a. Accident/Incident Reporting at CN

CN is committed to complete and accurate reporting of accidents and incidents to FRA. By consolidating all U.S. accident/incident reporting out of Homewood, IL, CN has been able to take advantage of the expertise of IC's staff and to develop consistent procedures and instructions for supervisors across the U.S. Reporting is currently handled using FRA's Accident/Incident Report Generator program, pending CN's development of a new system which will add checks and system linkages to ensure even better the accuracy of accident information.

CN has also developed a consolidated Internal Control Plan ("ICP"), which accounts for the changes in reporting activity, largely modeled after the IC ICP, which was significantly improved as part of IC's SACP activities. As required by FRA regulations, the ICP also details how information on personal injuries will be disseminated to employees and identifies how employees can bring safety concerns to management's attention. CN audits the reporting performance with its Internal Audit department.

b. Accident/Incident Reporting at WC

Like CN, WC has a reputation for complete, accurate, and honest reporting of accidents and incidents to FRA. The Assistant Manager Claims-Administration is the designated Reporting Officer and submits monthly reports to FRA and various states. They are prepared manually with information from WC's mainframe safety information system, which is tied directly into WC's human resources and claims database, allowing for improved accuracy of information. As required by FRA regulations, WC has produced an ICP, sent to all employees, which demonstrates its commitment to accuracy in reporting. WC audits the reporting performance with its Internal Audit department.

c. Safety Integration – Accident/Incident Reporting

Applicants expect at least initially to retain their existing separate accident/incident reporting programs and practices. While filing regulatory reports separately, they will explore consolidated reporting for U.S. operations. They will consider establishing a consolidated ICP for U.S. operations, to be done in a manner that ensures compliance with all FRA regulations. In any event, Applicants will work toward establishing a common accident/incident information system, which would allow for enhanced trend analysis capability, identification of key safety issues, and development of consistent action plans to improve safety.

3. Drug and Alcohol Programs and Reporting

a. Drug and Alcohol Programs at CN

CN has extensive Drug and Alcohol ("D&A") programs in place for its Canadian and U.S. operations, carried out separately due to different regulatory environments. Although not required by law in Canada, CN has put in place the most extensive D&A program of any Canadian railroad. As part of its IC merger implementation activities, and in consultation with FRA, CN has successfully consolidated D&A programs for its U.S. operations, making good use of IC's expertise and well respected programs. The new program is administered by CN's Director of Medical Services. D&A testing follows DOT/FRA/Federal Highway Administration guidelines and regulations, and includes post-accident, reasonable suspicion, reasonable cause, pre-employment, and random testing as required. The program has been successfully audited by FRA.

In addition to mandatory testing, CN also has its own D&A testing requirements concerning probationary period testing, reasonable suspicion testing of management and other

non-regulated employees, return-to-work physicals, pre-employment testing, and follow-up testing.

As part of merger implementation, CN expanded IC's Substance and Alcohol Free Environment policy to all of CN's U.S. operations, setting out the programs and policies with respect to D&A.

The Employee Assistance Program ("EAP") encourages supervisor and co-worker referrals of employees with substance abuse problems. Employees who test positive are referred to the EAP and meet face-to-face with a Substance Abuse Professional, who, based on the assessment, may require the employee to participate in education and treatment programs before being allowed to return to work, and during a follow-up period.

b. Drug and Alcohol Programs at WC

WC's policy is to provide a safe, alcohol-free and drug-free working environment for the protection of all employees and the general public. In keeping with this policy, WC expects all employees – on the job and off work – to conduct themselves in a manner that does not jeopardize the safety of themselves, other employees, or the general public. WC's D&A testing is under the direction of the Human Resources Department, and complies with the requirements of FRA and FHWA regarding control of D&A in the workplace. FRA recently approved amendments to WC's plan, and FRA audits have not found any significant issues of concern.

WC conducts D&A testing on various occasions: post-offer new hires, transfer, return to work, reasonable suspicion, reasonable cause (accident/incident), random, and post-accident. Any employee found in violation of the policy's prohibitions is immediately suspended without pay pending investigation, and remains suspended until being returned to work or terminated. If

not terminated, the employee is required to comply with the EAP recommendations and the WC D&A policy.

c. Safety Integration – Drug and Alcohol

CN and WC both have extensive D&A programs that are fully compliant with FRA regulation and applicable legislation, and are very similar. CN and WC both have excellent EAP programs that serve an important role in the D&A program. They will initially retain their existing programs, with FRA reporting being handled separately as now. Because the existing programs have both been recently and successfully reviewed by FRA and the Transaction will involve only limited employee relocation, maintaining current programs and practices should not create confusion or lead to safety concerns. Applicants recognize, however, the value of a common program and will investigate such opportunities, to be carried out with FRA consultation.

4. Locomotive Engineer Qualification and Certification

a. Locomotive Engineer Qualification/Certification at CN

CN has recently consolidated its Locomotive Qualification/Certification program for all U.S. operations. It complies with FRA regulations and has been submitted to FRA as required. CN has retained the services of Rail Safety and Training Resources for initial training requirements, and includes three weeks of classroom work followed by 15 weeks of on-the-job training with qualified locomotive engineers. Students are monitored and evaluated throughout that phase, with a road foreman riding with a student engineer at least once every six weeks to evaluate progress, followed by two additional weeks in class, including final exams requiring 85% correct to pass. Depending on performance, additional such training may be prescribed at that time.

Before being qualified, student engineers must be familiar with all of the physical characteristics of the territory in which they will be assigned and, if later operating in new territory or expanded territory, must be qualified for that territory before operating without supervision of a qualified engineer. As required by regulation, engineers are evaluated for performance at least once per year by Road Foreman/Supervisor of Locomotive Engineers. Recertification every three years includes two days of classroom instruction and a written examination (as well as medical and driver license clearance).

b. Locomotive Engineer Qualification/Certification at WC

WC's program, administered by the Director of Transportation and Training, is also in complete compliance with FRA regulations. It consists of 20 days of classroom and 480 hours (approximately 60 trips) at the controls of a locomotive. As with CN, classroom content includes safety training, operating rules and airbrake rules and theory, hazardous material training, mechanical troubleshooting, train handling techniques, and fuel conservation. WC's program uses a Class II Simulator. Students are required to demonstrate classroom training at the controls of a locomotive. Examinations require 90% correct to pass. Recertification is carried out every three years and consists of five days of training on safety rules, hazardous materials, GCOR, airbrakes, train handling rules, and theory. The Managers of Locomotive Operations are responsible for final certification of student engineers and maintain engineer certification in the field.

c. Safety Integration – Locomotive Engineer Qualification/Certification

CN and WC will retain their existing separate programs, at least initially, with minimal changes to locomotive engineer territories or supervision. CN and WC will explore best practice

consolidation opportunities, and any future changes will meet regulatory requirements and be communicated to FRA for approval as required.

5. Hours of Service Laws

a. Hours of Service at CN

GTW and IC, through their individual SACPs, have made significant advances in fatigue and hours of service issues and believe that there are no specific FRA concerns at this time.

With crew calling and train dispatching activities still conducted from separate centers – GTW in Troy, IC in Homewood, and DWP in Pokagama – CN continues to file separate hours-of-service reports to FRA. Consolidation of crew calling activities under CN's Crew Assignment of Timekeeping System ("CATS") has allowed CN to have a common source of information for train crew time on duty. Signals & Communications Maintainer hours are also reported using common forms but from separate locations.

b. Hours of Service at WC

WC reports all hours of service violations as required by FRA regulations. Reporting is done on a fair and accurate basis, and there are no outstanding issues with FRA. Signal Maintainers report by filling out forms and sending them to the Stevens Point Signal officer where they are reviewed for completeness, and violations are forwarded to FRA. Train Dispatcher hours are recorded on dispatcher train sheets and given at the end of each shift to the Assistant Chief Dispatcher, who forwards any violations to the Transportation Training group for reporting to FRA. Train crews fill in time slips, which are forwarded to the Transportation Timekeeper for review. Violations are forwarded to Transportation Training Center for reporting to FRA and are reviewed with the train dispatchers and train crews involved so that preventative actions can be taken.

c. Safety Integration – Hours of Service

CN and WC are both subject to U.S. federal hours of service laws, and have approved reporting processes in place to handle reporting requirements. They intend to retain existing separate monitoring and reporting processes. As the transaction will not result in significant employee relocations or changes to local supervision or procedures, this status quo approach should not create safety concerns or employee confusion. Should reporting functions be integrated in the future, it will be done in a manner that ensures compliance with FRA requirements.

Traffic increases will be extremely small, as shown in the chart attached as Appendix B, and therefore should not affect time on duty. Only a small segment (less than one mile within the Chicago terminal) will increase by more than one train per day, and it will face an increase of only 1.77 trains per day. There is only one minor potential change to crew runs, with crew changes currently made at WC's South Itasca yard possibly being moved to CN's nearby Pokegama yard, both in Superior. The change would not adversely affect time on duty for train crews. Nevertheless, should on-duty problems occur, CN and WC would investigate and take the necessary measures to rectify any problems.

6. Yard/Terminal Operations

As shown in the chart attached as Appendix C, only a very small number of yards and terminals on the CN/WC system will experience discernible increases in activity as a result of the merger. Only one yard, CN's Pokegama yard, is expected to experience workload increases of 10% or more, primarily due to the projected shift of work previously performed at WC's South Itasca yard. To ensure that the additional workload would be handled in a safe manner, CN and WC have reviewed capacity at Pokegama and are satisfied that the facilities have

existing capacity to handle the projected increase without the need for expansion.

Notwithstanding, as explained in the Service Assurance Plan appended to the Application (pp. 424-53), Applicants have established contingency plans to address any situation where capacity is a problem at this or any other affected yard on the system.

Applicants expect the Transaction to have a beneficial effect on operations in the Chicago area, with a modest reduction in switching activity and existing yards all remaining open and serving the same functions. In addition, CN and WC are already part of established programs associated with coordination efforts in the Chicago area, and will continue this participation.

E. MOTIVE POWER AND EQUIPMENT

1. Motive Power and Equipment at CN

CN has developed mechanical programs that combine proven practices, new initiatives, technology, and research to enhance the safety of its motive power and car equipment operations. CN's current fleet is made up of approximately 1,900 locomotives and 78,000 freight cars. CN has major locomotive inspection and repair facilities at Homewood (Woodcrest), IL, Memphis, TN, and Battle Creek, MI. Car heavy repair work is carried out primarily at Centralia, IL.

CN performs car and locomotive inspections at designated terminals in compliance with FRA standards. All train inspections on CN territory in Canada and the U.S. (including 1,000 mile inspections) are determined through CN's service design, in consultation with foreign carriers where applicable, and are tracked in the Service Reliability Strategies ("SRS") system. Inspection requirements for trains running between Canada and the U.S. are carefully developed to ensure compliance with both country's regulations. Train inspections are performed by

qualified Carmen craft where on duty or by train crew members properly trained in FRA regulations, if no Carmen are employed at inspection points. Where block swapping is used, it is carried out in compliance with FRA regulations.

CN meets regularly with carriers at major interchange points to address safety issues before they become safety concerns. CN trains its mechanical employees to perform their duties in a safe manner, in compliance with regulations. An innovative program, which came out of IC's SACP initiatives, is the Freight Car Partnership Council, a joint CN/labor/FRA committee that meets regularly at various locations on CN's network to review car equipment issues, including items local to the meeting site. Initiatives noted at individual locations often form the basis for system programs. A similar Locomotive Partnership Council is now underway. CN is also actively represented on numerous Canadian and U.S. mechanical industry committees.

In addition to Early Warning and Maintenance Advisory blitzes recommended by the Association of American Railroads ("AAR"), CN, on its own initiative, conducts blitz inspections of selected car fleets when a problem is suspected. Two important systems are used to help CN insure the safety of its car fleet. As part of the AAR billing process, CN's Freight Integrated Repair System tracks all repairs performed on domestic as well as foreign cars. These historical data provide CN with important information in making its car fleet more reliable. This system was expanded after the IC merger. CN uses its Journal Advanced Warning System to track repair history to identify cars with selected repeat defects. This provides important information about individual cars and classes of cars. CN is currently redesigning this system and will be introducing a newer version as part of its Integrated Systems Program package in early 2002. The new version will be expanded to IC.

CN is involved with National Research Center (Canada) in research on wheel shelling, the results of which will be of value on both sides of the border. As an offshoot of the SACP process, CN has worked with labor and FRA in special inspection audit exercises, reviewing the condition of interchange equipment and determining root cause and corrective handling for defects. CN is also an industry leader in its use of Wheel Impact Load Detection ("WILD") technology to identify out-of-round wheels and to reduce rail failures due to wheel impact.

In recent years, CN has made substantial investments in new locomotives, purchasing 405 new locomotives since 1995. Most of CN's high horsepower fleet of locomotives, including all new purchases, are equipped with dynamic brakes for improved train control.

CN is an industry leader in its efforts to provide enhanced crashworthiness of locomotives. Most CN locomotives and all new locomotives are equipped with higher collision post protection and larger anti-climber protection than required. Virtually all of CN's locomotives are equipped with electronic event recorders.

All of CN's end-of-train units have two-way communication with the head end and can put the train in emergency. CN has specific pre-departure and changeout procedures to ensure that trains depart with two-way end-of-train unit communications and emergency braking ability. CN is also currently testing a new version of end-of-train unit that will provide service brake applications from the tail end of the train, resulting in improved train handling and reduced braking distance.

CN has 24-hour technical support (Diesel Doctors) to respond quickly to operating crew concerns about locomotive performance, alarms, or failures. They maintain a database of all failures, which is used to improve locomotive reliability. This program is being extended to IC.

CN inspects and maintains locomotives in strict compliance with FRA regulations. Inspection records and defect repair information is contained in CN's Regional Equipment Production and Information Reporting system, which was expanded to IC as part of merger integration.

CN's handling of dimensional loads is coordinated through its Clearance Bureau. Offices in Montreal and Homewood authorize movement of dimensional loads on all CN lines, using mainframe programs and databases. CN also uses an obstruction database that includes clearance diagrams from readings by CN's laser car. Dimensional car messages are sent by email bulletin board and CN's SRS (for display on train consist). Handling messages are transmitted through Lotus Notes and faxed to other railroads.

2. Motive Power and Equipment at WC

WC has in place a wide variety of safety programs and initiatives to ensure the safety of its mechanical employees as well as its car and locomotive fleet, which includes 243 locomotives and about 13,000 rail cars. Major repair facilities include Fond du Lac and Stevens Point, WI, as well as Sault Ste. Marie, ON. The Fond du Lac car shop has capacity to build freight cars and perform complete locomotive overhaul work, while the Stevens Point car shop performs running repairs to cars. Facilities in Gladstone and Escanaba, MI, Green Bay, WI, and Sault Ste. Marie also repair freight cars and service locomotives. WC managers participate on AAR Mechanical committees.

Train inspections on WC are performed by Carmen where employed, or by fully trained crew members. All inspections are scheduled and comply with FRA regulations. WC conducts block swapping at Fond du Lac. FRA has audited car inspection procedures associated with this operation and has indicated that it is being conducted in compliance with FRA regulations.

As previously described, efficiency testing plays an important role in the WC Mechanical safety program, with emphasis on areas such as blue flag protection.

WC has a WILD strategically located at Oshkosh, WI to read a large percentage of WC's train traffic. WC requires that WILD set out any car with a bearing detected with a reading in excess of 200°F regardless of visual indications. WC removes any wheel set involved in overheating and sends the wheel to a contract shop for a tear-down inspection.

WC utilizes end-of-train devices with two-way communication with the head end, allowing the operator to initiate an emergency brake application at the rear of the train.

WC conducts locomotive inspections under FRA mandated standards. All WC locomotives are equipped with event recorders, the majority have dynamic braking, and all road locomotives are equipped with intercom headphone jacks. WC has a number of special locomotive upgrade programs underway, including installing weather stripping on locomotive cab doors, applying knuckle holders, applying front and rear ditch lights on road locomotives, installing 30 air dryers, upgrading event recorders for increased storage of data, and relocating multiple unit connectors to the sides of locomotives for safer operations during snow conditions. Locomotive inspection information is retained in WC's Transportation Control System ("TCS").

As part of a recent overhaul, WC has instituted a comprehensive training program for mechanical employees. Training classes meeting FRA requirements are held at Fond du Lac and Stevens Point. The bulk of WC's technical training takes place in Stevens Point, utilizing Electro-Motive Division and in-house trainers.

Of particular note is the specific training provided to ensure that inspectors of car and locomotives are qualified. This includes 10 days initial training followed by approximately three months of supervised on-the-job training accompanied by an experienced designated inspector,

along with modular instruction and testing. At completion of the modular training program the employee must score 80% correct on both a written exam and a performance evaluation test to become a designated inspector.

Handling of restricted clearance equipment is done out of WC's Customer Service Center. Clearances are checked manually using sets of bridge and line segment drawings. Car shop employees measure all dimensional loads originating on WC to confirm working measurements. Information is provided to train crews and other transportation officers by message.

3. Safety Integration – Motive Power and Equipment

No major changes are planned for the handling of motive power and car equipment. CN and WC are exploring some opportunities for specialization to make CN/WC mechanical functions more efficient. This is expected to allow a reduction in locomotive repair work at Stevens Point, and reduced car repair work at Stevens Point and Fond du Lac.

Information systems (such as CN's Freight Integrated Repair System or its Journal Advanced Warning System) will remain separate initially, but will likely be consolidated over the longer period. This will not likely take place until the third year or thereafter. Prior to any decision to consolidate systems, Applicants must conduct a full review of system requirements and training requirements. The experience from previous mergers and the success of the CN/IC merger integration clearly confirm the wisdom of a gradual, well-planned process, including detailed training. CN/WC will keep FRA advised of plans in this regard as part of the merger monitoring process.

Similarly, Applicants have no plans at this time to consolidate mechanical standards or practices. As CN and WC both have excellent programs that are in full compliance with FRA

and AAR requirements, retention will not result in safety problems. Should CN/WC pursue such consolidation at some time in the future, they will precede it by a detailed review and development of a full training plan, including required training material.

Applicants intend to retain their existing clearance operations, at least initially, but will investigate opportunities to consolidate information. In the meantime the two centers will continue to coordinate moves involving dimensional loads as is done today.

All car inspections will continue to comply with FRA inspection requirements. With little change in train service and only minor traffic increases, this can readily be accomplished with existing resources. Applicants propose no changes in car inspection locations from the Transaction. They are considering using CN's Pokegama yard in Superior for traffic handled by WC's very small nearby yard at South Itasca, but if that occurs inspections will be carried out by experienced employees. No other location will experience an increase in workload of 10% or more. There will be increased use of block swapping operations at WC's Stevens Point yard, but this will not present safety problems as CN and WC currently use this operation and will continue to ensure that all block swap operations comply with FRA requirements. FRA has recently audited WC's block swapping operations and found that they comply with all FRA requirements. Nonetheless, Applicants will review their block swapping procedures and instructions prior to the start of any increased block swapping operations to ensure that they are in compliance with FRA regulations. Employees at Stevens Point will also be provided with reinforced information on block swapping, brake test, and inspection requirements.

There are no plans for consolidation of territories such that mechanical employees of one railroad would be required to operate under the other railroad's operating rules and track protection procedures. Nonetheless, should this occur in the future, CN/WC will put in place

measures to ensure the safety of employees, including requiring that affected employees be fully trained and qualified on operating rules, track protection, and other safety procedures for the territory.

CN/WC would have a total fleet of approximately 2,000 locomotives that the Transaction will allow it to utilize more efficiently, providing benefits through improved cycling, reduced yard dwell time, and improved matching of locomotive power to service demands. The Transaction will allow the cascading of older, high-horsepower locomotives into less demanding services and ultimately allow disposition of 87 WC locomotives, which will improve the overall safety of the fleet through overall improvements in dependability. Reductions will not be made precipitously, but rather in a careful manner over the first two years of implementation.

Operations and locomotive inspections will continue to comply with FRA regulations. Existing labor agreements relating to locomotive amenities will be respected. Applicants have reviewed locomotive equipment as to radios, end-of-train systems, event recorders and locomotive control systems and have concluded that they are essentially compatible and will not lead to safety or operational problems. Nonetheless, prior to merger implementation Applicants will ensure that proper measures are in place to address any potential incompatibilities. They already have predeparture and changeout procedures to ensure that trains do not depart without fully functioning two-way communications for end-of-train units. In addition, to avoid potential confusion, Applicants intend to retain their existing separate locomotive identifications.

CN/WC would have a total fleet of about 90,000 cars. The Transaction will allow for benefits in car fleet utilization through changes in car scheduling, trip planning, and scheduling synergies, which should allow CN/WC to reduce its fleet by 1,580 cars. Elimination of older

cars will allow CN/WC to maintain an overall newer fleet that is subject to fewer problems.

Inspections will continue to be fully conducted according to FRA requirements.

These significant improvements in equipment utilization and maintenance activities will reduce Applicants need for mechanical shop employees. By making available a pool of newer or otherwise more reliable locomotives, and by introducing changes in the way trains are powered, the size of the needed locomotive fleet will decline. Similarly, operating our larger and more flexible CN/WC car fleet more efficiently over our expanded network will yield significant operating efficiencies, reducing the need for equipment assets and, in turn, permitting the reduction of car maintenance activity. The smaller and more reliable equipment fleet, as well as a concurrent realignment in workload between the Stevens Point and Fond du Lac shops, will affect mechanical positions in these two locations, as indicated in the Labor Impact Statement. The reductions in mechanical workers at the principal WC repair facilities over the three-year implementation period are expected to be as follows:

	Pre-Transaction Forces	Yr. 1	Yr. 2	Yr. 3	Total
Fond du Lac	219	-10	-9	-2	198
Stevens Point	105	-43	-2	-10	50
Gladstone/ Escanaba	37	-5			32

These projected reductions are almost entirely attributable to the anticipated reduced maintenance workload expected to arise from the planned efficiency-related reductions in CN/WC's equipment and locomotive fleets, and will be implemented in coordination with the fleet reductions. Applicants anticipate that some of these expected employment reductions will be accomplished through normal attrition.

F. ENGINEERING

1. Engineering Procedures and Practices at CN

Engineering safety at CN is ensured through the combination of company standards and guidelines, extensive training programs and significant use of technology. CN safely operates its system in some of the world's most difficult climatic conditions and most challenging terrain. In addition, CN works with others in the industry to improve safety through its involvement in various AAR and American Railway Engineering Maintenance of Way Association committees.

a. Bridges and Structures

CN has applied its considerable expertise and technology in this area to its IC operations. Examples include the expansion of CN's acoustic emission testing program, laser clearance car, inspection bucket trucks, and state-of-the-art Bridge Testing System technology.

b. Signals and Communications

CN has completed the integration of its various CN and IC Signals and Communications ("S&C") activities and programs, including S&C General Instructions. CN has also consolidated S&C Network Management Centers, providing seven day-a-week, 24-hour coverage for monitoring S&C incidents and dispatching personnel to trouble sites.

c. Wayside Inspection Systems

CN has over 450 wayside inspection systems along its lines in the U.S. and Canada, consisting of integrated hot box, hot wheels, and dragging equipment detectors. On its Canadian core lines, where spacing is now between eight and 30 miles, CN is reducing spacing on critical corridors to between eight and 15 miles. CN is beginning a two-year program to increase the number of detectors on IC (thereby reducing spacing) by adding 20 single-track and three double-track detectors.

d. Wheel Impact Load Detectors

CN has led the railway industry in the use of Wheel Impact Load Detectors ("WILD") and is the only railroad to integrate a number of its sites into a network to manage high impact loads. The goal is to find high impact wheels earlier and remove them sooner than industry standard "visual" methods. CN has a system-wide network of 14 detector sites with 16 detectors covering core traffic routes. Quick detection and response is important to reduce impact forces that result in rail breaks. Since implementation, CN has experienced a reduction in broken rails and derailments due to broken wheels. CN's U.S. sites use two sets of criteria, for colder and for warmer months, each having established levels for immediate set off (tied into dispatcher alarms), removal at next repair location, or removal after the car is emptied.

e. Electronic Detection Systems

CN has extensive electronic detection systems as part of its safety technology, including fallen rock detectors in many high risk areas. Various washout detection technologies, including electro-level beam, guided radar, time domain reflectometry, and slump/washout detection, are being evaluated at various locations across the system. All are connected to CN's signal system.

f. Earthquake Notification System

CN recently implemented an earthquake notification system in all CN territory to help detect and react to earthquakes. Information immediately shows as an alarm on the dispatcher's console. The alarm is currently linked to dispatching offices in Canada, which relay messages to U.S. dispatching centers as required.

g. Track and Roadway

Inspections are mandated by FRA Railroad Track Safety Rules and Canadian Track Safety Rules. Integration of CN and IC programs is well underway and will include production of consolidated Standard Practice Circulars and recommended methods for the entire CN system.

Other important initiatives include:

- Track Evaluation Car is a high-tech geometry car that measures and records track conditions under dynamic wheel loading while traveling at normal freight speeds. It is programmed to handle FRA track requirements, and is used on all CN territory, including the U.S., where it was extended to IC as part of merger implementation and operates at least twice per year on core lines. CN plans to replace this car with state-of-the-art equipment in 2002.
- Rail Flaw Detection Program is used on all CN territory as a combination of existing CN and IC programs. It involves ultrasonic testing using Harsco "System 1000" equipment, with information being sent to an onboard computer for visual display to the operator. Any defects detected are immediately identified and reported to the Supervisor of Track who must initiate immediate corrective action. Testing is performed on all main lines. In Canada, CN has implemented a program involving increased winter testing as part of a winter safety plan, with positive results. This program was also introduced onto GTW territory and is being reviewed for expansion to other parts of CN in the northern U.S.
- An extensive rail grinding program covering over 13,000 core line miles per year is designed to maintain desired optimal rail head profile to provide the best wheel/rail

e. Signals and Communications Center

A call center response for reported problems is handled through the WC dispatching center.

f. Track and Roadway

WC's track and roadway are designed and constructed in accordance with railroad track standards. WC has published a Track Maintenance Handbook detailing the day-to-day practices to be used to maintain the plant. Track geometry testing is contracted out. WC has an aggressive rail flaw detection program under Harsco, in which some 6,000 miles of track are tested each year, with some line segments, such as the Chicago-Superior line, being tested four times per year. Rail grinding is carried out using Loram, aimed at maintaining profile at key locations. WC has a contract weather warning service through the Dispatching office.

g. Training

WC has an extensive program of engineering training, including in-house safety and rules training as well as specialized technical training offered by third-party organizations. Like CN, WC also provides Engineering employees with annual Roadway Worker Protection training that complies with FRA requirements and has been approved by AAR.

3. Safety Integration – Engineering

As is evident from the preceding descriptions, CN and WC make extensive use of technology and training to ensure the safety of their plant and employees. Both have well-maintained facilities with no deferred maintenance issues. There are a number of opportunities for CN resources and best practices to be expanded to WC. CN/WC will immediately take advantage of CN's expertise in areas such as bridge design and testing for the CN/WC system, as well as CN's specialized engineering equipment such as the laser clearance car, inspection

bucket trucks, track evaluation cars, and bridge testing equipment. Although Applicants have no plans at this time to add additional WILD sites on WC, CN's extensive experience with the WILD technology will also be of value to WC, as will the expertise of CN's System Supervisor-Rail Testing in reviewing rail testing and ensuring that standards for testing accuracy are met, and CN's bridge design and rating expertise.

CN/WC will review expansion of CN's earthquake detection system as well as risk assessment initiatives in the area of water control and rockfall hazards, and will review potential benefits associated with integration of CN and WC's existing Harsco rail flaw detection and Loram grinding contracts. A number of CN's Engineering data systems could beneficially be expanded to WC, including the rail flaw detection data system and the data system associated with CN's Track Evaluation car results. As previously mentioned in the Training section, CN and WC will also share access to combined training resources, including courses, videos, etc. Specific CN courses such as Water Management would seem to be of particular benefit to WC. Applicants have reviewed their Roadway Worker Protection training packages and found that they are largely similar; both comply with FRA regulations, and have been approved by AAR. Applicants do not plan to consolidate these programs, at least in the implementation period.

There are no plans for consolidation of territories. Nonetheless, if engineering employees of either railroad would in the future be required to operate under the other's operating rules and track protection procedures, CN/WC will adopt measures to ensure the safety of employees, e.g., affected employees will be fully trained and qualified on applicable operating rules, track protection, and other safety procedures.

WC's track is in good condition, reflecting relatively high levels of investment in recent years. There are no significant maintenance deficits to address nor any need to construct new

interface and to control development of rail surface fatigue defects that can lead to premature failure. Grinding is performed by state-of-the-art machines.

- Weather Forecast Service, under contract, provides CN with territory-specific weather forecasts and advance notification of weather warnings. It allows for advance planning of activities and resources.
- Spring and Winter readiness manuals give CN's Engineering field forces best practice information, including check lists for specific issues associated with spring flooding and winter conditions.
- Risk Management methodologies developed by CN provide state-of-the-art risk assessment techniques for identification, assessment, and mitigation of natural hazards, Beaver Activity Hazard Assessment system, Rockfall Hazard and Risk Assessment.

h. Extensive Engineering Training Packages

CN's catalog of training courses includes many that are directed at Engineering safety. Many CN courses have been extended to IC operations. Engineering training includes annual Roadway Worker Protection training, which complies with FRA regulations and has been approved by FRA.

2. Engineering Procedures and Practices at WC

WC has made great effort to improve its engineering plant and employee training in recent years, which has helped improve the safety of its operations.

a. Bridges and Structures

WC employs a full-time bridge inspector and has three other qualified inspectors available to ensure the quality of its bridge inventory. Bridges on main corridors are inspected one or two times per year with branch lines covered every two years. Based on inspection results, bridges are prioritized for maintenance or reconstruction. All bridges were load-rated in the 1990s. WC used consultants for bridge design and also contracts out to third parties for specialized testing or equipment.

b. Signals and Communications

WC has made good use of S&C technology to further its safety program. It uses an enhanced network to monitor automatically the health of the crossing warning systems. WC also makes considerable use of Data Radio communications. WC's wayside signal system control is predominantly microprocessor-based electronic coded track circuits. Less than 10% of the WC signal control circuits are on pole line and WC plans to eliminate the remaining pole line circuits.

c. Wayside Inspection System

WC has over 47 wayside inspection systems along its line, spaced from 18 to 38 miles apart, consisting of Hot Box, Hot Wheel, and Dragging Equipment Detectors. Messages are conveyed immediately to the train crew through talker technology. More wayside detectors are being added every year.

d. Wheel Impact Load Detectors

WC has a WILD strategically located at Oshkosh, WI, to read a large percentage of its train traffic. Quick detection and response are important to reduce impact forces that result in rail breaks.

connections between CN and WC. Thus, the Transaction comes at a time when ample route capacity is available and the network can meet the high safety standards expected of CN/WC through maintenance of way activities. The pooling of program maintenance equipment and resources of the new CN/WC system, and system-wide standardization of maintenance practices and inspections, will permit the achievement of these efficiencies.

Although Applicants do not currently plan any major changes in the day-to-day maintenance of way and signal maintenance operations as a result of the Transaction, they have identified changes in the planning, prioritization, and execution of maintenance of way projects that will result in greater efficiency in capital programs and in the use of the non-revenue equipment and fleet that supports those programs. WC currently maintains an engineering workforce that is considerably larger, in proportion to the size of the track plant and the amount of tonnage carried, than those maintained by most class I railroads, a disproportion that may reflect that WC has recently completed a number of non-recurring capital improvement projects. As indicated in the Labor Impact Statement, Applicants expect these changes to make possible a reduction in some maintenance of way activity, mostly affecting temporary/seasonal employees across the WC service territory, rather than at any one location. Applicants anticipate that some of these expected employment reductions will be accomplished through normal attrition.

G. HAZARDOUS MATERIALS

1. Dangerous Goods/Hazardous Materials at CN

a. Organization

CN handles over 573,000 cars containing dangerous goods/hazardous materials ("hazmat") each year (approximately 12.5% of total loads handled). To ensure safe handling and regulatory compliance on both sides of the border, CN has Managers-Dangerous

Goods/Hazardous Materials at headquarters, in the Intermodal function, and in the territorial Divisions across the network. These specialists work very closely with all CN functions, customers, shippers, railway associations and regulators to ensure the safe transportation of dangerous goods by rail. In addition, CN's Risk Managers for U.S. operations and the Managers-Dangerous Goods are fully trained in all aspects of hazmat and provide support for field operations. CN also has 32 Hazmat Technicians located across its system who are specially trained for emergency response (12 in the U.S., 20 in Canada).

b. Training

As chemicals make up a large portion of CN's U.S. traffic, hazmat training is given a high priority, and is provided for all employees covered by DOT's Hazardous Materials Regulations, including train crews, dispatchers, engineering maintenance of way employees, mechanical employees and waybill personnel. Training includes general awareness/familiarization, function specific and safety training. Employees are tested on the subjects covered in the class. Retraining is done on a three-year cycle.

All Transportation Supervisors must undergo 40 hours of hazmat training at AAR's Transportation Technology Center at Pueblo, CO. This course exceeds the requirements of OSHA certification as an Operations Level Hazardous Materials Emergency responder. Specialized training is given to all "incident responders," including the requirements of OSHA regulations on Hazardous Waste Operations and Emergency Response (40-hour initial training), followed by eight hours of annual refresher training, along with medical surveillance). Tank Car Specialist Training – a 40-hour advanced course focusing on railroad tank car design and construction, valve repair, damage assessment and derailment response – is given to employees who require a higher level of training due to their involvement at derailment sites. Annual

training under AAR's Key Train/Key Route Circular (OT-55C) is provided for special key routes and key trains.

CN is a member of the Bureau of Explosives of AAR and takes advantage of its annual specialized training programs for additional training as required. For instance, a hazmat seminar is used as a refresher training as needed for management employees that have already completed one or more of the 40-hour hazmat classes.

c. Emergency Response

CN has two types of preparedness plans for handling hazmat or other emergencies. System Hazmat Emergency Response plans for both Canadian and U.S. operations set out the framework and identify the procedures and responsibilities in place for safe and efficient response to hazmat accidents or incidents. They are reviewed annually. Local Emergency Response Plans for individual yards and facilities are tailored to the facility and set out roles and responsibilities, locations of supplies, access routes, emergency meeting points, civilian agency contacts, notification requirements and methods for warning employees of emergency conditions. Drills and exercises are conducted at least annually to evaluate the effectiveness of each local plan.

CN's Network Operations Center, Operations Centers, and Dispatching Centers play important roles in the emergency response process. U.S. operations are handled out of CN's Homewood Operations Center which closely tracks train movements and, in the event of a hazmat incident, can quickly locate and transmit emergency information to the site, using advanced communication and computer systems. The Center also handles immediate notification to local emergency response agencies (police, fire, emergency medical technicians),

Hazmat Officers, American Chemistry Council's CHEMTRAC, and appropriate regulatory agencies.

d. Key Trains and Routes

In accordance with AAR's directive OT-55C, CN has specified Key Routes. These are reviewed annually and identified in the timetable. Key Train designation is also applicable if a train meets the OT-55C definition and is applied automatically by CN's SRS to printed train lists to ensure train crew awareness of the possible need for any special measures. CN's Operating Instructions also require crews to be responsible for determining if Key Train status applies to their train. This includes reviewing the train if its consist is changed en route.

e. Hazmat Instructions

As part of CN/IC merger implementation initiatives, CN is developing special Hazmat Instructions for inclusion in its new Canadian National/Illinois Central Railroad Operating Manual, covering CN's entire U.S. operations.

f. Service Reliability Strategies System

CN's SRS system, which was expanded to cover IC in October 2000, is designed to support all aspects of hazmat shipment transportation and documentation. CN's Customer Service Center uses SRS to prepare waybills from shipper bills of lading, which may be in the form of a fax, phone call, or electronic data interchange ("EDI") document. CSC personnel enter information directly into computerized templates, and use it to prepare the waybill. Editing routines for waybill entries, whether from imaging or phone sources, are used to ensure that data is entered in required fields and with required coding. EDI data sets are received from shippers and connecting rail carriers and are automatically transferred into the fields of a CN waybill. If an error is detected, the EDI data is referred to CSC's waybilling staff for manual correction.

SRS accumulates car inventory by track and train to provide the standing order listing of cars, and adds the required hazmat description from waybills. Crews use these printed documents to switch cars into tracks for destination and to have a listing of shipments in their train. When each train list is initially generated, an SRS routine checks for proper in-train placement of the hazmat shipments. If a condition appears to the contrary to regulatory requirements, a warning is received and corrective action implemented. Train lists also include automatically generated emergency response information for each hazmat in the train, available through an SRS inquiry. An interface also exists between the SRS train list program and CN's network of wayside Automatic Equipment Identification readers. The readers scan tags affixed to each rail car to verify location of the equipment and provide a listing of the order of all cars in the train. This list is automatically compared to the SRS-generated list and if they do not match the data are sent to field support personnel for resolution and crew notification.

Train and track list information, waybills and other shipping papers for hazmat shipments are readily available in SRS for dissemination to emergency responders. A communications link permits faxing from the SRS mainframe directly to the response agency. Information can also be produced for FRA inspection from any location with an SRS terminal (all yards, offices, etc.).

g. Audit and Inspection Programs

CN has a comprehensive Transportation of Dangerous Goods/Hazardous Materials compliance audit program. Assisted by a third-party consultant, the audit program includes elements such as Canadian, U.S., and international hazmat regulations, company policies, and best management practices. Audits include review of documentation, placarding, switching and humping activities, marshalling, inspections, emergency response and training. As part of CN merger integration, the audit program was successfully expanded to IC in 2000. Waybill and

documentation audits, along with impromptu audits and spot checks, are also carried out by CN's Managers of Dangerous Goods, Hazmat Technicians and Risk Managers during the course of their duties. Inspectors from the AAR's Bureau of Explosives also inspect CN facilities to evaluate compliance with regulations, as do FRA hazardous materials inspectors, and a number of states.

h. Operation Respond

Operation Respond is a non-profit organization aimed at improving information available to first responders at hazmat and passenger train incidents. One of its primary goals is national distribution of the Operation Respond Emergency Information System software that connects police and fire departments with the databases of railroads and motor carriers, so that first responders can quickly obtain accurate information on the cargo contents. CN actively participates in the U.S. and in initial pilot projects in Canada. As part of its involvement, CN has assisted in the purchase and set-up of the Operation Respond software for a number of local emergency management agencies.

i. TransCAER

CN is active in the Transportation Community Awareness and Emergency Response ("TransCAER") program of the chemical industry, an information training program for communities through which dangerous goods are transported. CN participates with the chemical industry in information sessions for community leaders and responders about emergency procedures to be followed in incidents involving dangerous goods/hazardous materials. Some 60 presentations a year are conducted in Canada and the U.S. Training is done by CN employees and, in some cases, CN has paid for community responders to be trained at AAR's Pueblo center. A number of CN's U.S. employees are also members of state TransCAER Advisory

Committees. CN also maintains a list of local Emergency Planning Committees along its system and assists in emergency response planning and exercises. As part of its community training program, CN has set up a special "CN 911" hazmat training tank car.

j. Safe Handling Awards

Since its inception in 1992, CN's annual Safe Handling Awards Program has become a highly regarded hallmark of excellence among shippers of regulated goods by rail. These awards to shippers help demonstrate the commitment to safety and environmental protection made by thousands of industry employees every day. Winners are chosen based on non-accident release and overloaded car information. CN is committed to working in close partnership with its customers continuously to improve hazmat handling. CN expanded the program to IC in 1999. In 2000, the 83 winners included 34 U.S.-based companies.

k. Responsible Care®

CN actively participates in the chemical industry's Responsible Care® program and has extended participation to IC. Through Responsible Care®, member companies are committed to supporting a continuing effort to improve the industry's responsible management of chemicals by improving performance concerning health, safety and environmental quality. CN became the first rail carrier to join the Responsible Care® initiative in Canada and extended the ethics and guiding principles of Responsible Care® from the handling of chemicals to all aspects of CN's operations. In 1998, a third-party review of CN's Rail Carrier Self Assessment Protocol for U.S. operations was completed; a third-party Responsible Care® verification is scheduled for May 2001 in Canada and is planned for 2003 in the U.S.

2. Transportation of Hazardous Materials – WC

Hazmat training and emergency planning are given a high priority by WC, which has many important initiatives in place and plans to implement others in 2001.

a. Organization

WC's Hazardous Materials Officer is the Superintendent, Car Department, who, with the Environmental Director and the Environmental Engineer, have been trained to the Incident Command level and serve as members of the Hazmat Committee, chaired by the Assistant Vice President for Safety & Claims. The Hazmat Committee meets quarterly to review policy and assess preparedness for incident debriefings. WC has a total of 16 people trained to the technical level who work primarily in the Car Department. Technicians receive specialized annual physical examination and have a full complement of emergency response equipment available to them.

b. Training

WC provides:

- Awareness level training for all employees in the Transportation, Engineering, and Mechanical Departments, with refresher training every three years;
- Technical level training for all members of the Hazardous Materials Response Team at the AAR center in Pueblo, an 80-hour course that exceeds all regulatory requirements for certifications of Hazardous Material Technicians;
- Specialist Level training at Pueblo for selected members of the Hazardous Materials Response Team including: Advanced Hazmat Technician, Tank Car Specialist, Advanced Tank Car Specialist, Environmental Management of Hazmat Incidents, and Incident Command. This involves 40 hours of training in addition to that required for technician level.
- Attendance by Hazmat Response Team members at the Bureau of Explosives annual Railroad Hazmat seminar for refresher training;

- Training by the Hazmat Officer on different topics every two months for the Hazmat Team technicians;
- Training by WC to external parties and responders such as fire, police, emergency medical personnel, emergency planning committees, and other disaster management agencies;
- A training funding program for selected community responders at the AAR center in Pueblo; and
- Hazmat certification of all Customer Service Center employees every two years, although FRA requires recertification only every three years.

c. Emergency Response

WC has developed a detailed Hazmat Emergency Response Plan outlining roles and responsibilities in the event of a hazmat incident. It has been distributed to all management employees, each of the county Emergency Planning Committees, and each community fire department. It contains a list of responders and contact information. To assure systematic notification, it provides that, in the event of a hazmat incident, the train crew will inform the train dispatcher, who will contact the railroad's Hazmat Team and Operations Control Group, which will contact police, fire, ambulance, etc., and handle regulatory reporting. The Hazmat Team leader will handle all on-site coordination with responders.

To reinforce the requirements of the plan, WC participates in community awareness programs by providing information and training sessions to external parties and responders, such as fire, police, emergency medical personnel, emergency planning committees, and other disaster management agencies. These typically include "tabletop" drills to test the plan. Individual WC yards and facilities also have their own emergency response plans.

WC participates in the Operation Respond Emergency Response Program, which allows emergency responders to access WC's information database through the Operation Respond

System. Although currently not a member, WC has started the process to apply to the Responsible Care® Partnership Program by developing a corporate safety management plan and completing an audit of its Rail Carrier Self Assessment.

As part of year 2001 initiatives, WC is also beginning to track its non-accidental release incidents.

d. Key Trains and Routes

WC currently does not have any designated key trains or key routes, but is planning to conduct a review in 2001 to identify the need for such designations.

e. Hazmat Instructions

Instructions for the proper handling of hazmat shipments is found in a special section in WC's timetable. In addition, all train crews are required to carry the Emergency Response Guidebook.

f. Transportation Control System

WC's Transportation Control System ("TCS") contains all of the required hazmat designation, handling, and response information and provides information on train consists and switching documents. WC is subject to DOT Exemption 7616 permitting the receipt of telephonic hazmat shipping information, which is entered into TCS by Customer Service employees. Information from TCS, including track and train, waybill and shipping information, is available at any terminal or yard, office, dispatching center, etc. A direct link from WC's 29 Automatic Equipment Identification readers to TCS will alert Customer Services if possible errors in consist are detected.

g. Audit and Inspection

Proper handling of hazmat shipments is part of the WC efficiency test program. WC's internal procedures require that train crews confirm the first six cars on their consist to help ensure consist accuracy. In addition, FRA has conducted audits of yard operations and the Customer Service Center to ensure that shipments are properly waybilled, placarded, and handled in full compliance with federal regulation, and all audit results have been positive.

3. Safety Integration – Transportation of Hazmat

With hazmat traffic making up a significant and important part of its business, CN has developed a number of excellent programs to ensure safety in this area. Although hazmat is not a major part of WC's traffic, it has ensured that it has the required programs in place and has, on its own, taken steps to significantly advance its programs. Applicants have initially reviewed programs and have identified a number of elements that could be expanded to all U.S. operations, including:

- CN's successful hazmat audit programs;
- CN's Safe Handling Awards program (this will lend itself well to WC's goal of tracking non-accidental releases beginning in 2001);
- WC will be brought under CN's existing Responsible Care® membership (WC's work preparing to apply will help CN in performing the initial gap and needs analysis).

CN/WC will continue WC's commitment to assess key train/key route requirements. CN and WC are involved in Operation Respond, and will work toward consolidation of such efforts. As discussed in connection with Information Systems, Applicants are devoting considerable effort to ensuring that the eventual implementation of SRS on WC is handled safely.

H. DISPATCHING OPERATIONS

1. Train Dispatching at CN

Management and dispatching of trains across CN is currently done from dispatching centers in Montreal, Toronto, Edmonton, Troy, Pokegama, and Homewood, linked with CN's Network Operations Center in Edmonton. They manage traffic over both signaled (CTC and ABS³) and dark territories. They are supported by a variety of different control systems, including CTC, CN's Computer Assisted Manual Block System (used for both the Canadian non-signaled territory and GTW/DWP Radio Controlled Block System territories) and track warrant operation (on IC's ABS and non-signaled territory).

Independently of the Transaction, CN is upgrading its dispatching system on most of its U.S. lines to a common platform, which will result in train control being handled by signal indication for CTC territory and track warrants for ABS and non-signaled territory. As part of CN/IC merger implementation, CN's General Bulletin Order system will be expanded to U.S. operations in June 2001.

Dispatching center employees are provided with detailed training and instructional manuals for each type of dispatching system used by CN. CN's Canadian and GTW operations use territory-specific special instructions issued for inclusion in personal Rail Traffic Control manuals. The use of a similar "Special Instructions" system for all of CN's U.S. operations is planned for implementation in 2001.

³ Centralized Traffic Control and Automated Block Signaling.

2. Crew Dispatching at CN

Crew calling and timekeeping for CN's U.S. operations parallel its train dispatching operations, using facilities in Troy, Pokegama, and Homewood. During 2000, CN completed the successful consolidation of IC and GTW crew management activities onto CN's Crew Assignment and Timekeeping System. DWP crew calling is scheduled to be moved over to this system in 2001.

3. Train Dispatching at WC

WC's Operations Center is located at Stevens Point, where CTC territory is dispatched using WC's computer-aided CTC system ("Traintracks"). Track Warrant Control is in effect on all remaining routes, using a computerized track warrant system.

4. Crew Dispatching at WC

WC crew management, also located at Stevens Point, is led by a manager, who supervises a lead caller and nine shift callers and maintains the crew calling database. WC recently began conversion to a centralized computer-assisted crew dispatching system, which is very similar to CN's system. Full implementation is scheduled for the second quarter of 2001.

5. Safety Integration – Dispatching

Dispatching operations for both crews and trains are expected to remain separate for CN and WC. U.S. operations currently dispatched out of the U.S. will continue to be dispatched from the U.S. Maintaining the status quo should not present any safety concerns and, in fact, will help ensure that existing expertise is maintained in this important area. Any changes would be made in consultation with FRA. With projected traffic increases very small (only one very small segment experiencing an increase of over one train per day) there will be a negligible effect on dispatcher workload.

I. CROSSINGS, TRESPASSING, AND RAILWAY SECURITY

1. Crossings and Trespassing Safety at CN

Grade crossing and trespasser safety are major parts of CN's safety program on both sides of the border. CN's grade crossing safety program focuses on the traditional "3 E's" of Education, Engineering, and Enforcement, with emphasis also placed on regulatory change. Through various initiatives and programs addressing education, engineering, and enforcement, CN has reduced crossing accidents on its Canadian lines by over 40% in the last decade. IC and GTW have had similar success with 21% and 35% reductions respectively from 1997 to 2000.

CN is very active in the Operation Lifesaver, Inc. program, with over 150 employees who have become certified Operation Lifesaver trainers, putting on some 1,000 presentations each year to schools and other community organizations as well as driver education classes, school bus and other professional drivers. CN participates in Operation Lifesaver state committees in every state where it operates, and in Operation Lifesaver booths at state and local fairs, railroad shows, community and civic events, as well as state and national Operation Lifesaver Day festivities. IC has run an annual Operation Lifesaver Santa train in northern Illinois for 30 straight years, has produced crossing and trespass safety videos for a variety of audiences, and has worked with Southern Illinois University in filming crossing safety videos. CN's U.S. operations were heavily involved in promoting and lending financial support for the recent "Highways or Dieways" campaign in the U.S.

Details on all crossing accidents in Canada and the U.S. are captured in CN's CARES computer system and are analyzed to identify trends. A "Near Crash" program allows for reporting and follow-up investigation of close calls at crossings.

Enforcement activities include both Officer/Trooper- and Judge-on-a-train programs, blitzes with local police authorities, and information sessions for local police forces and the judiciary. CN conducts highway-rail grade crossing collision investigation training courses for law enforcement personnel. CN regularly discusses crossing safety with states and other road authorities, ensuring the necessary partnership required to further crossing safety.

In recent years, CN has added 1-800 emergency location numbers to all public crossings in Canada and the U.S., allowing the public quickly to contact the railway with information on emergency situations or signal crossing problems 24 hours per day. CN has greatly expanded the number of its crossing systems equipped with constant warning detection, has begun widespread use of 24-hour electronic crossing monitors, and is testing signal installations using LED technology. As part of its ongoing search for low-cost solutions for less-traveled crossings, CN has also pioneered the use of walk light technology and convex mirrors at private crossings.

CN's U.S. operations have successfully used U.S. programs to eliminate crossings. CN works with all state DOT agencies along its U.S. lines on grade crossings identified as needing improvement and in "corridor improvement" initiatives designed to close or consolidate crossings. CN regularly updates railroad information in the DOT grade crossing inventory.

As trespassing accidents have become an increasing problem in the U.S. and Canada, CN has placed increased focus on this issue. Much of the focus is in the area of education, with CN working with Operation Lifesaver to develop new presentation packages and videos to address trespassing on railway rights-of-way. CN has also installed Trespassing Danger billboards at certain major problem areas and developed working relationships with snowmobile and cross-country ski organizations to address those particular areas of the trespassing problem. Hand-in-hand with the education initiatives is a stepped-up emphasis on trespassing enforcement

activities. CN regularly conducts information sessions and enforcement blitzes with local police agencies in Canada and the U.S. Special programs are being developed to inform the judiciary of their important role in reducing railway trespassing. CN firmly believes that the best trespass prevention programs are those that fully involve the community, and has made this principle a cornerstone of its initiatives.

2. Crossings and Trespassing Safety at WC

WC is also actively involved in Operation Lifesaver programs to promote crossing safety and control trespassing. As the largest railroad in Wisconsin, WC provides the most financial support and actively participates in the state Operation Lifesaver Committee. WC has 21 certified Level 1 presenters on the system and averages over 300 presentations a year to schools, driver education classes, adult groups, and professional drivers. WC also participates in Operation Lifesaver booths at state fairs, railroad shows, and various community and civic events; operates an annual Operation Lifesaver Santa Train in northern Wisconsin and participates with METRA Santa Trains each year; is sponsoring a regional Operation Lifesaver Workshop at Green Bay in September 2001; and conducts highway-rail grade crossing collision investigation training courses for law enforcement personnel.

WC also uses technology for Highway-Rail Grade Crossing Warning Devices and is installing constant warning time devices, Vital HD link radio systems for data communications, and a remote monitoring network system at warning device locations, which will automatically notify the Chief Dispatcher's office of malfunctions. WC is also testing new crossing control system technology.

WC works closely with all state agencies along the system to improve grade crossings and on "corridor improvement" initiatives designed to close or consolidate crossings. It has

installed reflective signs, with a 1-800 number, on warning device and control housings instructing motorists to report malfunctions or emergencies to the Chief Dispatcher, and is working with Wisconsin to have similar 1-800 signage on passive protected crossings.

3. Safety Integration – Crossings and Trespassing

CN and WC will retain their extensive programs that combine education, enforcement, and technology. Their crossing and trespass accident prevention programs, however, provide a number of best practice elements from which the CN/WC system can benefit. These include: research and development initiatives such as advanced crossing technology; crossing closure/consolidation programs; integrated accidents database; and Operation Lifesaver resources.

As previously mentioned, there are no segments for which traffic is expected to increase by more than two trains per day, and only a small segment in the Chicago area (less than one mile) will experience an increase of more than one train per day (1.77). In addition, there are no speed increases planned nor changes in track configuration near crossings. In sum, the Transaction will not create additional problems related to crossing or trespass issues.

4. Railway Security at CN

CN Police is headed by a Chief, assisted for Canadian operations by 83 directors, inspectors, and special agents. As part of the CN/IC merger implementation, U.S. operations are now headed by a General Director based in Homewood with two Directors located in Ferndale and Chicago, and 41 inspectors, special agents, and commissioned risk managers providing field coverage for U.S. operations. All CN Police officers in Canada and the U.S. have full peace officer status within their jurisdiction and, in most states and provinces, also have police officer status that allows them to issue citations under state/provincial laws, like highway codes

covering grade crossing violations. Although CN Police officers hold enforcement powers, their main goal is to reduce or eliminate risk of rail injuries and death and related losses to the company. Accordingly, CN Police work hard to establish important liaisons with local police forces to help educate them on specific issues such as crossing and trespass.

CN Police's Communication Center in Montreal has computerized information that allows assist-respond calls to CN's 1-800 emergency number, posted on every CN public crossing in Canada and the U.S., by quickly identifying any location on the system and dispatching necessary internal or external responders.

Other key activities for U.S. operations include investigating criminal activities; providing protection of personnel, lading, and property; enforcing state, county, and municipal regulations with regard to railroads; testifying in court on criminal and civil infractions; conducting preliminary investigations for train/auto and train/pedestrian accidents; and developing and implementing Emergency Response Plans.

5. Railway Security at WC

While WC does not have its own security force, it has developed a close relationship with the police forces in the various communities in which it operates. In addition, WC management handles many of the issues typically handled by railroad police, e.g., investigating crossing accidents. WC contracts out for security services when required for situations such as derailment sites, theft, or vandalism problems.

6. Safety Integration – Railway Security

Although Applicants have not determined how police services will be handled on WC, it is likely that CN will use its Police organization to provide a police presence, particularly in

areas such as Chicago where CN is already present. Outside of Chicago, the railroads will review current organizations and requirements to determine how this function will be handled.

J. ALLOCATION AND DEPLOYMENT OF PERSONNEL

Applicants contemplate only minimal transfers of personnel: no operating personnel, and only seven management positions will be transferred from WC to CN locations in Chicago (.03% of total CN/WC workforce). The few employees affected will be fully advised of their options, and will be provided with appropriate orientation training. Applicants recognize that properly trained and experienced personnel are an important part of a safe operation and have made this a guiding principle of the merger planning process.

K. EMPLOYEE QUALITY OF LIFE

1. Rest/Time Away from Home

a. Rest/Time Away From Home at CN

CN has been a key player in the Canadian railway industry "CANALERT" program and has initiated a number of important alertness assurance initiatives in such areas as lifestyle training, bunkhouse improvements, time pool scheduling, and locomotive cab improvements. IC had been working for some time to address crew fatigue and lifestyle problems by reducing time away from home, and implemented innovative changes to crew scheduling, such as "crew turnaround," which have been extended to other parts of CN's U.S. operations. IC has also supported a number of research activities, including participation in locomotive engineer fatigue study in conjunction with FRA.

Since the CN/IC merger, CN has consolidated its Crew Assignment and Time Keeping System and its Train Operation Planning and Control System systemwide to provide train crews with more accurate information on train location and the expected time of arrival at a particular

terminal or crew change point. CN is currently involved in a pilot project on two U.S. crew districts designed to provide an 8:00 a.m. markup for train crews coming off vacation or personal days. This replaces the traditional 12:01 a.m. markup and will improve rest and alertness. CN also works with AAR, FRA, and labor on a number of North American reviews of alertness assurance, including representation on AAR's Work/Rest Review task force and North American Rail Alertness Partnership ("NARAP"), and has set up regular meetings with local union chairpersons and FRA as part of a local SACP working group formed to address alertness issues. CN is also applying a number of fatigue countermeasures to engineering employees.

b. Rest Away from Home at WC

WC has long designed its transportation crew management system with attention to quality of life issues, as evidenced by most employees having a fixed predictable work/rest schedule. WC participates in NARAP and the AAR Work/Rest Review taskforce. WC provides non-smoking rooms for away from home crews and monitors service and quality issues relating to taxi transport and accommodation providers. WC has equipped all of its road locomotives with intercom headphone jacks to assist in crew communications. Other initiatives are in progress, including: centralized crew calling; allowing for programmed rest days for extra board employees; 6 a.m. markup for employees returning from rest on pool and extra board assignments rather than midnight; and a training program to educate *all* employees about fatigue and alertness strategies.

c. Safety Integration – Rest/Away from Home

Although their programs will continue to remain separate, both CN and WC have been pursuing similar initiatives and are committed to establishing strong fatigue management

programs and implementing new fatigue countermeasures as they are developed. To this end best practices will be reviewed for possible expansion.

2. Harassment/Intimidation Policies & Programs

a. Harassment/Intimidation Programs at CN

CN has strong rules against the harassment and intimidation of employees. Its U.S. operations are governed by an ICP in compliance with FRA requirements. GTW, DWP, and IC plans have recently been consolidated as part of the CN/IC merger implementation. The Plan details how CN ensures the accuracy and completeness of accident and injury reports, clearly states CN's policy against employee harassment and intimidation, and explains how employees can make a complaint. The new policy has been mailed to all employees and posted on bulletin boards throughout the U.S.

b. Harassment/Intimidation Programs at WC

WC has also established a harassment/intimidation policy, which sets out a specific procedure to be followed by employees who feel they have been harassed or intimidated. Copies have been provided to all employees, supervisory personnel, and management, and posted on company bulletin boards.

c. Safety Integration – Harassment/Intimidation Programs

As previously noted, CN and WC will initially retain their existing ICPs and associated harassment/intimidation policies and complaint procedures. At the same time, they will review the possible extension of the consolidated CN ICP to all U.S. operations, subject to FRA approval, including a common policy on harassment and intimidation.

3. Health and Wellness Programs

a. Health and Wellness Programs at CN

CN has successfully integrated CN and IC Health and Wellness programs for U.S. operations, taking a dual perspective focusing on reduction in both frequency and duration of illness and injury.

Prevention initiatives include health promotion through education and awareness material and events, and the establishment of fitness centers. CN offers First Aid and CPR training to all employees. CN's EAP also plays an important role, giving CN employees and their families free professional and confidential services 24 hours per day, seven days per week, through a 1-800 line, and providing counseling in personal and family problems such as stress, depression, divorce, bereavement, coping with child and elder care, drug and alcohol addiction and traumatic events. The EAP program was consolidated for all U.S. operations as part of CN/IC merger integration.

Ergonomic research has been part of CN's safety program for many years, using expert consultants. Recent studies include a review of dispatcher workstations and locomotive cabs. Field surveys of major work locations by certified professional industrial hygienists ensure proactive recognition, evaluation, and control of work place health hazards. Initiatives include a Hearing Conservation Program and a Respiratory Protection Program. CN has also developed disability management initiatives maximizing medical recovery and functional recovery through early and safe return-to-work strategies.

CN's Occupational Health Services are also responsible for: medical standards; pre-placement and periodic medical examinations; return to work physicals; special physicals for suspected medical problems; executive physicals; medicals for transfer from one craft to another

(where required); and medical surveillance: drug and alcohol, audiometric testing, medical leave of absence, respirator and asbestos.

CN's medical department has established programs to ensure compliance with FRA/DOT requirements regarding medical programs for Engineer certification, Commercial Driver License physicals, hazmat physicals, and blood-borne pathogens.

b. Health and Wellness at WC

WC has an extensive health and wellness program for its employees, administered by the Director of Occupational Health. WC has established programs to ensure compliance with FRA/DOT requirements regarding medical programs in the same areas as CN's.

WC has also established policies for medical surveillance in the following areas: medical leave of absence, return-to-work physicals in the Engineering Department, follow-up status reporting from private physicians; independent medical examinations in some on-duty injury cases; periodic medical exams for engine and train service personnel; and examinations for transfer from one craft to another.

WC has employee wellness programs covering issues such as cancer awareness, blood pressure, stress, nutrition, flu shot, smoking cessation, and weight loss. WC subsidizes memberships in health clubs or other fitness activities or classes. WC offers first aid classes to all employees, and a medical management program to help employees get back to work.

Ergonomics is handled through outside experts, and has been applied to areas such as office layout and tool handling. WC's EAP program, including counseling for addiction, stress, legal problems, family issues, and finances, is open to all persons living in the household. A Critical Incident Program has been in place since 1998, and provides counseling and debriefing following certain accidents.

c. Safety Integration – Health and Hygiene

CN and WC have similar extensive and excellent programs that cover a wide variety of areas. They expect to retain their existing programs following the Transaction, but will investigate opportunities to share existing resources, *e.g.*, ergonomic research and industrial hygiene expertise.

4. Availability and Distribution of Personal Protection Equipment

a. Personal Protection Equipment at CN

CN believes that a strong Personal Protection Equipment (“PPE”) program is an important part of a company’s safety program. CN has policies and programs with respect to use of hard hats, work boots, gloves, respirators, protective eyewear, etc., which meet all FRA and OSHA requirements. In 2000, CN completed consolidating PPE programs on the entire CN system. In addition to combining best practices, this process helped to simplify unclear areas and reflect current technologies and equipment.

b. Personal Protection Equipment at WC

WC also recognizes its responsibility to ensure that employees are equipped to work safely. WC provides quality PPE free or with subsidies, *e.g.*, full range of high-quality OSHA safety protective equipment free of charge; safety boots and optional work apparel (rain wear, work clothes available to all employees through payroll deduction with a 50% company contribution; prescription safety glasses provided free of charge.

c. Safety Integration – Personal Protection Equipment

Although the programs and standards are very similar and initially will remain separate, CN and WC will work toward the development of common standards and programs for U.S. operations, as was successfully done in the CN/IC merger implementation.

5. Morale

As described earlier, employee involvement is a cornerstone of CN's and WC's safety programs. Both have numerous programs in the area of health and hygiene and strong policies against harassment and intimidation, make active use of health and safety committees as part of their efforts to ensure morale, and are committed to retaining and in many cases enhancing these programs. CN and WC both believe that the key to employee morale is effective two-way employee communications. They have existing programs to foster communications and will introduce new ones specifically for the merger. Communications during the CN/IC merger was a key to its success and will be a major part of this Transaction. Employees will be kept up to date on progress through the approval and implementation stages by a number of means, including special newsletters and a 1-800 information line.

L. PASSENGER SERVICE

1. Passenger Railroads at CN

CN does not conduct passenger or commuter operations in the U.S., but hosts such operations. It has extensive experience and an excellent safety record in coordinating freight, intercity passenger and commuter operations. All U.S. passenger activities are coordinated through the Passenger Services office in Homewood. As a host railway, CN ensures that passenger operators comply with FRA's standards.

Amtrak operates over CN between Chicago and New Orleans; Chicago and Carbondale, IL; Chicago (21st Street) and Joliet, IL; Chicago and Indianapolis, a small portion of which operation runs over six miles of CN track from Munster, IN to Thornton Jct., IL; Battle Creek and Pt. Huron, MI; Detroit and Pontiac, MI; Montreal, PQ and Rouses Point, NY; Toronto, ON and Niagara Falls, NY; and East Bridge Junction and Southport Junction, near New Orleans, LA.

METRA operates three commuter trains each direction between Chicago and Joliet, using the same right-of-way but not CN's freight tracks. The passenger or commuter railroad provides the crews, while CN provides dispatching. A line used by the Northwest Indiana Commuter Transportation District ("NICTD") crosses a CN line at grade at Kensington in the Chicago area.

2. Passenger Railroads at WC

WC does not operate or host intercity passenger trains for Amtrak. WC hosts METRA commuter trains between Chicago and Antioch (five trains each direction, weekdays only); WC and METRA have agreed to expand METRA service by 2005, after completion of major improvements to the line, which will result in much of it being double-tracked. Train crews are provided by METRA and dispatched by WC.

3. Safety Integration – Passenger Services

Since WC currently does not deal with Amtrak, there is no need to change the separate passenger services organizations. The railroads will work closely together to coordinate their involvement with METRA and other commuter operations, and will review best practices in this area to identify items that warrant expansion on a system basis. Since there is only a limited amount of intercity and commuter passenger operations on CN and WC in the U.S., most such operations will be unaffected by the Transaction and none will experience any identifiable adverse effects. Applicants anticipate no traffic increase on any line north of Chicago used for passenger or commuter operations, and only a very small increase in traffic (one train in each direction, three days per week) between Chicago and Memphis. The lines affected all have sufficient capacity to accommodate this minor increase without adverse affect on passenger train performance or safety.

The portion of CN track that NICTD crosses is expected to experience an increase of only one train each way, three days per week, which will not adversely affect performance or safety. The WC segment between Antioch and Chicago is expected to see a reduction of eight trains per week. The WC line between Chicago and Fond du Lac will see a similar reduction. CN's and WC's passenger service organizations will continue to work with passenger and commuter operators during the implementation period to ensure that service is not adversely affected and to address any concerns that may arise.

As is true with CN, WC, Amtrak, and METRA today, emergency preparedness coordination will be carried out under FRA/DOT regulations.

M. INFORMATION SYSTEMS AND OPERATIONS TECHNOLOGY

1. Information Systems at CN

CN makes extensive use of computerized information systems to manage train operations. The Information Technology group oversees the design, development, and maintenance of all of the company's information systems. CN has completed extension of most information systems to IC. In this area, CN proceeded gradually with emphasis on planning and training. This approach proved to be very successful and will be used with WC as well.

CN manages the operation of its trains by using SRS, whose sophisticated capabilities support waybilling, car and train scheduling, and tracking. This integrated system allows employees at any location to use the same information to build trains, manage traffic, and measure performance. SRS has a number of safety features, including train weight and length capacity edits, overload checks, hazmat marshaling and hump checks, dimensional checks for handling and marshaling, and a speed restriction table linked to waybill, train makeup and

marshaling. In October 2000, after a major planning and training program, CN successfully expanded use of SRS to IC.

CN's Crew Assignment and Timekeeping System is used for management of train crews and was successfully expanded to IC in 2000. Other systems are described in other sections of this SIP.

2. Information Systems at WC

As noted earlier, WC uses TCS for management of railroad operations. It provides information on car, train, and locomotive origin, destination, and most recent location, and railcar contents. TCS provides train crews with a tonnage profile and information on car-related speed or special handling requirements, including the necessary waybill and response information for hazmats. WC's crew management activities are being transferred to a centralized computer-assisted dispatching system that is very similar to CN's.

3. Safety Integration – Information Systems

CN/WC will mainly adhere to the status quo, but will work toward phased-in integration of some systems approximately 12-18 months following STB approval. This process will be aided by the fact that WC's major systems are largely identical to what IC had prior to its successful integration. Thus, CN/WC can take advantage of an experienced integration team and use much of the same training materials and process, following a step-by-step project management approach with thorough review of each step. WC personnel will receive training, including field testing, and will be able to use SRS in parallel with TCS prior to full cutover. Waybills will be captured using SRS well before cutover to ensure that the system accommodates all requirements. Trainers will remain on-site following cutover to help with

questions and concerns. Until consolidation, existing systems will be linked through electronic data interface, using enhanced protocols that will support efficient single line service.

A similar process will be used for integration of other business systems.

Applicants have estimated costs of \$12.7 million for integration of information systems and telecommunications, including \$4.1 million for training alone.

4. Technology at CN

Technology plays an important role in CN's safety programs. Examples discussed elsewhere include: wayside inspection systems, WILD, earthquake notification system, electronic detection systems, track evaluation cars, bridge testing system, train information and braking systems, laser clearance car, and the fiber optic data communications network.

5. Technology at WC

As previously discussed, WC also uses technology to further its safety program, including crossing protection technology currently being tested, the network used to monitor crossing warning systems health, data radio communications, and WILD.

6. Safety Integration – Technology

CN has been an industry leader in the use of technology to improve safety. At the outset, CN will be able to extend much of this technology to WC, e.g., CN's track evaluation, bridge inspection technology, and the laser clearance car. In addition, CN's experience with technology such as WILD and in testing of new technologies will be of value to WC. CN will gain from WC's experience testing the technology for grade crossing protection.

Section 4

Implementation of Safety Integration Plan

Building on Applicants' safety integration efforts, this SIP will be followed by development of detailed implementation plans tracking individual initiatives (so-called Safety Integration Plan Accountabilities to be reviewed periodically with FRA. CN's VP Risk Management and the officer responsible for safety in the new WC division will bear direct responsibility for seeing that the SIP is safely implemented. They will be supported by executive and senior management on both systems. If in doubt about any particular issue, they will maintain the status quo (with proper procedures) until sure that implementation can take place with no adverse safety consequences. CN's recent experience with the successful implementation of the CN/IC merger provides important guidance in how best to consolidate programs and build on each other's strengths. Applicants will work closely with FRA and welcome any constructive comments.

APPENDIX A

Copy of Labor Impact Statement, Application pp. 417-19

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CN - WC Labor Impact Statement

Location		Classification	Jobs Transferred	Jobs Abolished	Jobs Created	Transferred To		Year
Rosemont	IL	Management	2	31		Chicago	IL	1
Rosemont	IL	Management		23				2
Rosemont	IL	Management	1	7		Homewood	IL	3
Rosemont	IL	Clerical		4				1
Rosemont	IL	Clerical						2
Rosemont	IL	Clerical						3
Stevens Pt	WI	Management	2			Chicago	IL	1
Stevens Pt	WI	Management		4				2
Stevens Pt	WI	Management		4				3
Stevens Pt	WI	Clerical						1
Stevens Pt	WI	Clerical						2
Stevens Pt	WI	Clerical		1				3
Stevens Pt	WI	Car/Locomotive Mechanics		43				1
Stevens Pt	WI	Car/Locomotive Mechanics		2				2
Stevens Pt	WI	Car/Locomotive Mechanics		10				3
Stevens Pt	WI	Conductor		2				1
Stevens Pt	WI	Conductor						2
Stevens Pt	WI	Conductor						3
Stevens Pt	WI	Engineer		2				1
Stevens Pt	WI	Engineer						2
Stevens Pt	WI	Engineer						3
Green Bay	WI	Management		2				1
Green Bay	WI	Management	1			Chicago	IL	2
Green Bay	WI	Management						3
Fond du Lac	WI	Management						1
Fond du Lac	WI	Management	1	2		Chicago	IL	2
Fond du Lac	WI	Management						3
Fond du Lac	WI	Clerical						1
Fond du Lac	WI	Clerical		2				2
Fond du Lac	WI	Clerical						3
Fond du Lac	WI	Car/Locomotive Mechanics		10				1
Fond du Lac	WI	Car/Locomotive Mechanics		9				2

Location		Classification	Jobs Transferred	Jobs Abolished	Jobs Created	Transferred To	Year
Fond du Lac	WI	Car/Locomotive Mechanics		2			3
Gladstone	MI	Car/Locomotive Mechanics		5			1
Gladstone	MI	Car/Locomotive Mechanics					2
Gladstone	MI	Car/Locomotive Mechanics					3
System		Management					1
System		Management		2			2
System		Management		2			3
System		Maintenance of Way		85			1
System		Maintenance of Way					2
System		Maintenance of Way					3
Superior	WI	Conductors		1			1
Superior	WI	Conductors					2
Superior	WI	Conductors					3
Superior	WI	Engineers		1			1
Superior	WI	Engineers					2
Superior	WI	Engineers					3
Schiller Park	IL	Conductor		2			1
Schiller Park	IL	Conductor					2
Schiller Park	IL	Conductor					3
Schiller Park	IL	Engineer		2			1
Schiller Park	IL	Engineer					2
Schiller Park	IL	Engineer					3
Champaign	IL	Conductor			1		1
Champaign	IL	Conductor					2
Champaign	IL	Conductor					3
Champaign	IL	Engineer			1		1
Champaign	IL	Engineer					2
Champaign	IL	Engineer					3
Fulton	TN	Conductor			1		1
Fulton	TN	Conductor					2
Fulton	TN	Conductor					3
Fulton	TN	Engineer			1		1
Fulton	TN	Engineer					2

Location		Classification	Jobs Trans- ferred	Jobs Abol- ished	Jobs Created	Transferred To	Year
Fulton	TN	Engineer					3
Memphis	TN	Conductor			1		1
Memphis	TN	Conductor					2
Memphis	TN	Conductor					3
Memphis	TN	Engineer			1		1
Memphis	TN	Engineer					2
Memphis	TN	Engineer					3
Markham	IL	Conductor			1		1
Markham	IL	Conductor					2
Markham	IL	Conductor					3
Markham	IL	Engineer			1		1
Markham	IL	Engineer					2
Markham	IL	Engineer					3
Total			7	260	8		

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APPENDIX B

Copy of Table showing traffic changes, Application p. 45

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**Traffic Changes on Rail Line Segments in United States Affected
by Canadian National/Wisconsin Central Transaction**

Rail Line Segment Description			Length			Passenger and Freight Trains/Day				Freight Gross Tons/Day				Thresholds Met or Exceeded	
Segment Number	From Station	To Station	Miles	Pgr	Freight Base	Freight Merged	Freight Difference	Threshold Trains/Day	Base	Merged	Difference	Percent Change	Threshold Percent Increase		
5	FORT FRANCES	SUPERIOR	188	0	13.0	13.00	0.00	8	83,412	87,516.26	4,104.26	4.92%	100%	N	N
6	SUPERIOR	LADYSMITH	124	0	11.0	11.91	0.91	8	88,488	99,573.95	13,107.95	15.16%	100%	N	N
7	LADYSMITH	OWEN	48	0	11.0	11.91	0.91	8	93,890	108,997.95	13,107.95	13.99%	100%	N	N
9	OWEN	JCT CITY	63	0	15.0	16.81	0.91	8	114,795	127,632.43	12,837.43	11.18%	100%	N	N
11	JCT CITY	STEVENS PT	12	0	19.0	19.91	0.91	8	128,493	141,330.43	12,837.43	9.99%	100%	N	N
13	STEVENS PT	NEENAH	68	0	17.0	17.91	0.91	8	118,930	130,997.10	12,067.10	10.40%	100%	N	N
14	NEENAH	FOND DU LAC	28	0	25.0	25.91	0.91	8	135,370	147,832.33	12,462.33	9.09%	100%	N	N
15	FOND DU LAC	SCHILLER PARK ¹	138	10	22.0	21.77	(0.23)	3	140,056	182,391.55	12,308.55	8.79%	60%	N	N
38	SCHILLER PARK	FRANKLIN PK	2	10	22.0	21.77	(0.23)	3	140,069	182,381.35	12,308.35	8.79%	50%	N	N
48	BLUE ISLAND JCT	HARVEY	4	0	12.0	12.80	0.80	3	85,479	92,589.40	7,090.40	8.30%	60%	N	N
48	HARVEY	RIVERDALE	3	0	10.0	10.91	0.91	3	88,877	97,992.08	9,116.08	10.26%	60%	N	N
63	FORDHAM	RIVERDALE	5	0	10.0	10.91	0.91	3	88,877	97,992.08	9,116.08	10.26%	60%	N	N
49	FORDHAM	16TH ST	10	0	10.0	10.91	0.91	3	88,877	97,992.08	9,116.08	10.26%	50%	N	N
50	16TH ST	ASH ST	4	4	10.0	10.91	0.91	3	87,908	97,021.06	9,113.06	10.36%	80%	N	N
60	BROADVIEW	HAWTHORNE	8	0	8.0	4.91	(1.09)	3	13,000	14,579.81	1,579.81	11.56%	60%	N	N
61	HAWTHORNE	MP 6.54	1	0	10.0	10.91	0.91	3	87,908	97,021.06	9,113.06	10.36%	60%	N	N
62	MP 6.54	ASH ST	3	0	10.0	10.91	0.91	3	87,908	97,021.06	9,113.06	10.36%	60%	N	N
69	HAYFORD	BLUE ISLAND JCT	8	0	12.0	12.00	0.00	3	60,410	49,512.08	(10,897.92)	-1.80%	80%	N	N
70	ASHLAND JCT	HAYFORD	3	0	2.9	2.90	0.00	3	38,049	34,221.19	(3,827.81)	-2.36%	60%	N	N
71	HARVEY	MARKHAM/Chilinter	1	4	31.0	32.77	1.77	3	18,844	17,881.53	(962.47)	-2.48%	60%	N	N
25	MARKHAM/Chilinter	CHAMPAIGN	108	4	31.0	31.91	0.91	3	119,896	130,307.52	10,412.52	8.69%	60%	N	N
32	HARVEY	GRIFFITH	13	5	35.0	35.00	0.00	3	182,837	154,636.98	(28,196.02)	-1.11%	50%	N	N
33	GRIFFITH	BATTLE CREEK	145	0	35.0	35.00	0.00	3	183,991	155,292.98	(28,698.02)	-1.11%	60%	N	N

¹ Note: Passenger trains on this segment only operate between Antioch and Schiller Park.

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APPENDIX C

Copy of Table showing yard activity changes, Application p. 46

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**Changes In Activity at Rail Yards In United States Affected
by Canadian National / Wisconsin Central Transaction**

Railroad	Yard	Total Cars Handled/Day								Threshold Met	
		Total	Merged	Difference				Air Quality	Noise		
				Switched	Block Swap	Total	Percent Change In Total Yard Activity			Threshold Percent Change In Car Activity	
WC	SUPERIOR	358.00	416.09	57.09	0.00	57.09	15.9%	100%	N	N	
WC	STEVENS PT	678.00	540.33	(151.40)	13.73	(137.67)	-20.3%	100%	N	N	
WC	NEENAH	398.00	419.43	21.43	0.00	21.43	5.4%	100%	N	N	
WC	FOND DU LAC	1,071.00	1,099.28	38.45	(8.17)	28.28	2.6%	100%	N	N	
CN	CHINTTIER ¹	796.88	873.33	76.45	0.00	76.45	9.6%	20%	N	N	
CN	HAWTHORNE	326.52	253.52	(73.00)	0.00	(73.00)	-22.4%	20%	N	N	
CN	MARKHAM	785.86	857.07	71.21	0.00	71.21	9.1%	20%	N	N	
CN	BATTLE CREEK	776.29	797.83	21.54	0.00	21.54	2.8%	100%	N	N	
CN	CHAMPAIGN	603.37	619.68	16.31	0.00	16.31	2.7%	100%	N	N	

¹ Calculated in units based on 6.54 units per car.

NOTE: At Symington Yard, the only yard in Canada expected to be affected by the Transaction, there would be an average increase of 39.56 cars handled per day (an increase of 2.5% over pre-Transaction levels)

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Exhibit E

Memorandum of Understanding Between Surface Transportation Board and Federal Railroad Administration

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MEMORANDUM OF UNDERSTANDING
BETWEEN THE SURFACE TRANSPORTATION BOARD
AND THE FEDERAL RAILROAD ADMINISTRATION

CN AND WC MERGER, FINANCE DOCKET NO. 34000
IMPLEMENTATION OF SAFETY INTEGRATION PLAN

WHEREAS, the Surface Transportation Board (Board), the United States Department of Transportation (DOT), and the Federal Railroad Administration (FRA), the agency within DOT that is responsible for administering and enforcing the Federal railroad safety laws, are concerned about the impact that the Canadian National Railway Company's (Applicant) proposed acquisition (Acquisition) of the Wisconsin Central Transportation Corporation may have on rail safety; and

WHEREAS, the Applicant asserts that it has been working with FRA to develop and issue a Safety Integration Plan (SIP) that will explain the process by which it intends to integrate operations of the properties subject to the transaction in a manner that will maintain safety at each and every step of the process should the Board approve the proposed Acquisition, and that it intends to file the proposed SIP with the Board when it is issued (i.e., within about 30 days of its filing of the Application); and

WHEREAS, the Board's Section of Environmental Analysis intends to seek public review and comment by all interested persons on the proposed SIP during the Board's acquisition proceeding; and

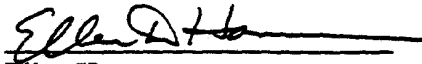
WHEREAS, FRA and the Board wish to enter into a memorandum of understanding (MOU) that clarifies the roles and responsibilities of each respective agency to ensure the successful implementation of the SIP process should the Board approve the Acquisition;

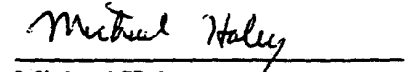
NOW THEREFORE, DOT, FRA, and the Board do hereby agree as follows:

1. FRA may file written comments on the proposed SIP with the Board. After the SIP is issued, FRA will continue to work with the Applicant to correct any deficiencies that it may identify in the SIP and address other safety related issues that may arise.
2. FRA and the Board recognize that safety integration is an ongoing process that involves both agencies. Accordingly, FRA will exercise its authority over all rail safety matters in monitoring, evaluating, and reviewing the Applicant's progress in implementing the SIP.
3. FRA will apprise the Board of the Applicant's progress. If deemed necessary by FRA, the agency may exercise its safety authority or request that the Board take appropriate action to correct deficiencies identified and address other safety related concerns that arise from the approved transaction.

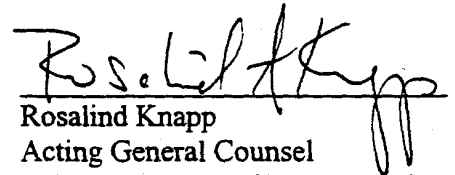
4. In those circumstances in which FRA informs the Board of safety deficiencies that may require Board action, FRA will identify the deficiencies, describe the nature of the deficiencies, and provide recommendations for correcting the deficiencies.
5. FRA will report to the Board from time to time, as FRA deems appropriate, but not less than biannually, regarding the Applicant's implementation of the SIP. FRA will report to the Board until it advises the same in writing that the integration of operations subject to the Acquisition has been safely completed.

IN WITNESS HEREOF, the parties hereto have executed this MOU on the 30th day of April, 2001.


Ellen Hanson
General Counsel
Surface Transportation Board


Michael Haley
Acting Chief Counsel
Federal Railroad Administration

The Department of Transportation hereby concurs in this MOU.


Rosalind Knapp
Acting General Counsel
U.S. Department of Transportation