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December 15, 2003



BY HAND

Ms. Victoria J. Rutson, Chief
Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W., Suite 500
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**Re: Canadian National Railway *et al.* – Control – Duluth, Missabe and Iron
Range Railway *et al.* (STB Finance Docket No. 34424)**

Dear Ms. Rutson:

Enclosed, in accordance with 49 C.F.R. § 1106.4(a) and Decision No. 2 in this proceeding, is the Safety Integration Plan ("SIP") that Applicants Canadian National Railway Company and Grand Trunk Corporation (together, "CN") are submitting simultaneously with the Federal Railroad Administration in connection with their application to the Board for approval of CN's proposed acquisition of the Duluth, Missabe and Iron Range Railway Company, Bessemer and Lake Erie Railroad Company, and The Pittsburgh & Conneaut Dock Company (collectively, the "GLT Railroads").

CN is serving copies of the SIP on all parties of record in this proceeding, as well as on all environmental and state and local government agencies to whom the Environmental Appendix was distributed on or after November 10, 2003. In addition, CN is having notices of the availability of the SIP published in newspapers in communities potentially affected by CN's acquisition of the GLT Railroads, announcing the availability of the SIP and that the Board is accepting comments on that document through January 22, 2004.

Very truly yours,

Paul A. Cunningham /jmg

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Ms. Victoria J. Rutson, Chief
December 15, 2003
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Enclosures

cc: Edward W. Pritchard (FRA)

APPLICANTS' SAFETY INTEGRATION PLAN
SUBMITTED TO FEDERAL RAILROAD ADMINISTRATION



STB Finance Docket No. 34424

CANADIAN NATIONAL RAILWAY COMPANY
AND GRAND TRUNK CORPORATION
– CONTROL –
DULUTH, MISSABE AND IRON RANGE RAILWAY COMPANY,
BESSEMER AND LAKE ERIE RAILROAD COMPANY,
AND THE PITTSBURGH & CONNEAUT DOCK COMPANY

December 15, 2003

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Section 1

Executive Summary

On November 5, 2003, Applicants Canadian National Railway Company (CNR) and Grand Trunk Company (GTC) (collectively CN) filed an application with the Surface Transportation Board (STB) for approval of a proposed transaction by which CN would acquire from Great Lakes Transportation LLC (GLT) control of three small rail carriers owned by GLT: Duluth, Missabe and Iron Range Railway Company (DMIR), Bessemer and Lake Erie Railroad Company (B&LE), and The Pittsburgh & Conneaut Dock Company (P&C Dock) (collectively the GLT Railroads) (the Transaction).¹

This Safety Integration Plan (SIP), developed in accordance with the regulations of the Federal Railroad Administration (FRA) and the STB, describes how CN intends to ensure that the Transaction is conducted safely and in full compliance with all applicable laws and regulations. The SIP will address corporate culture, employee training, operating practices, motive power and equipment, signal and train control, track safety standards and bridge structures, hazardous materials, dispatching operations, highway-rail grade crossing systems, personnel staffing, capital investment, and information systems at CN and the GLT Railroads, and will explain how the CN/GLT Transaction will have no adverse effects on safety related to any of those subjects.

The SIP is modeled on CN's SIPs for the successful Illinois Central (IC) and Wisconsin Central (WC) mergers. As with those, in developing this SIP CN has applied lessons learned from other recent railroad transactions.²

¹ In the Transaction CN would also acquire control of Great Lakes Fleet, Inc. (GLF), a non-railroad that owns a fleet of vessels carrying ore and other bulk commodities on the Great Lakes. CN's acquisition of GLF is not subject to the jurisdiction of the STB.

² Although DMIR and B&LE are Class II railroads, making CN's acquisition of control of them subject to the requirement of a SIP, CN notes that in adopting its SIP rules FRA stated that

Under the proposed transaction DMIR, which operates in Minnesota and Wisconsin, would be a part of CN's Wisconsin Division and B&LE, which operates in Ohio and Pennsylvania, would be a part of CN's Michigan Division (both units within CN's United States Region).

Nearly all of the freight now carried on DMIR is (1) taconite (iron ore processed into pellets) carried from pellet plants in the Mesabi Iron Range to docks at Duluth and Two Harbors, MN (both on Lake Superior), (2) limestone and supplies carried to the taconite plants, and (3) during the winter months when the freezing of Lake Superior and closing of the locks at Sault Ste. Marie, MI, preclude movement of ore vessels, seasonal transportation of taconite from those plants to Duluth and Superior, WI, where it can be interchanged with other railroads for further transportation by rail. Because of the concentration of DMIR traffic and the relative simplicity of its flows, the Transaction would not require changes in existing operating patterns. Moreover, unified control of the parallel CN and DMIR lines between Shelton Junction and Nopeming Junction may allow moving traffic even more efficiently and safely.

the parties to a transaction involving a Class I railroad and a small Class II railroad can ask FRA to waive the SIP requirement. FRA stated that a waiver where "a Class I railroad seeks to consummate a transaction with a small Class II railroad with which it proposes to amalgamate operations may be received more favorably than a waiver request in a transaction involving two Class I railroads." 67 F.R. 11592 (2002). FRA added that "not every merger, consolidation, or acquisition covered in this rule should face a comprehensive SIP review. Rather FRA invites applicants seeking to execute less complex transactions to petition for a waiver of this rule's requirements." *Id.* In considering this option, CN has decided to prepare a SIP for DMIR and B&LE as it will assist in ensuring that all safety related issues are systematically identified and addressed. In this SIP CN also addresses the comments of the Department of Transportation (DOT), dated Dec. 10, 2003 (DOT-1), submitted to the STB on CN's Environmental Appendix.

P&C Dock is a small Class III switching railroad. As such, although it will certainly benefit from CN's safety programs and resources, its acquisition by CN is not subject to the requirement of a SIP and it will not be covered by this SIP. Accordingly, references to the GLT Railroads hereafter will refer only to DMIR and B&LE unless the context otherwise indicates.

As B&LE and the related P&C Dock, which also primarily handle iron ore, coal, and limestone, are not physically connected to CN's rail system or to the DMIR lines, CN plans no changes to their operations.

Integration would not result in major changes in operating responsibilities. Neither CN nor the GLT Railroad lines would lose critical local operating expertise. Supervisory and management responsibilities are not expected to change significantly. Very few, if any, 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 CN will work toward consolidation of a number of safety programs and practices, it will do so carefully. In such instances, retention of existing programs and practices while working towards greater integration should not create problems.

Section 2

Introduction

This Transaction would bring together several railroads with long and successful histories. CN was incorporated in 1919 as one of Canada's two transcontinental railroads, extending from Halifax on the Atlantic to Vancouver and Prince Rupert on the Pacific. Duluth, Winnipeg & Pacific Railway (DWP), which has been a CN subsidiary since creation of the CN system in 1919, extends that system from the international border at Duluth Junction/Ranier over DWP's own lines to Nopeming Junction, MN, and by trackage rights over DMIR to South Itasca, WI (near Superior). Since 1923, the CN system has also included Grand Trunk Western Railroad (GTW), which extends the system in the U.S. to Chicago from the international border at Port Huron/Sarnia and Detroit/Windsor.

In 1999, recognizing the growing importance of north-south traffic to the North American economy, CN acquired IC to position itself to better serve this growing market by extending its system from Chicago to the Gulf Coast. As a result of that transaction and of CN's 1998 marketing alliance with Kansas City Southern Railway (KCS), CN has become part of a NAFTA rail network offering shippers access to Mexico's largest rail system (TFM). In 2001, CN acquired WC and its affiliates, thus providing CN with a direct connection to its U.S. system west of the Great Lakes.

The combined CN system now includes approximately 17,500 route miles (6,000 in the U.S.) and 22,000 employees (7,000 in the U.S.). Its equipment inventory includes approximately 1,900 locomotives, and 90,000 freight cars.

GLT is a holding company that owns all of the issued and outstanding shares of common stock of non-carriers DMIR Holdings, B&LE Holdings, P&CD Holdings, and GLF Holdings. They, in turn, own all of the issued and outstanding shares of common stock of, respectively, three small railroads (DMIR, B&LE, P&C Dock) and GLF (a non-railroad that owns and operates a fleet of vessels carrying bulk commodities on the Great Lakes).

DMIR is a Class II rail carrier formed in 1937 with the consolidation of predecessor railroads. It owns and operates 212 miles of track in northeastern Minnesota and is the largest common carrier of pelletized iron ore in the U.S. The ore is loaded at DMIR-served pellet plants in the Mesabi Range and hauled either to DMIR-owned docks at Duluth and Two Harbors on Lake Superior, where it is loaded into Lake vessels for shipment to customers' steel plants, or to interchange points with other railroads.

B&LE was formed in 1900 from several predecessor railroads under Andrew Carnegie to protect a route for iron ore from Lake Erie to Carnegie's Pittsburgh steel mills. It connects the

port at Conneaut, on Lake Erie, with the Pittsburgh area. The principal commodities it carries are coal, iron ore, and limestone.

P&C Dock performs switching operations and ship-to-rail and rail-to-ship bulk transfer operations for B&LE at three docks at Conneaut, OH.

The CN/GLT Transaction would ensure that the customers of the GLT Railroads will be served by a major transportation company with a proven record in safety and customer service and with the financial resources to make long-term investments in plant, equipment and systems as they become needed. The Transaction would also give CN full ownership of its route between Winnipeg and Chicago. Ownership of the parallel CN and DMIR lines between Shelton Junction and Nopeming Junction would increase CN's operational flexibility between these points. For example, ownership of these lines would permit CN to institute "directional running," in which southbound trains would operate over the DMIR line, while northbound trains would operate over the parallel CN line, reducing the need for meets of trains running in opposite directions on the same line and thereby reducing transit times and allowing CN to provide even more reliable service.

B&LE and P&C Dock, which primarily handle iron ore, coal, and limestone, are not physically connected to CN's rail system. CN plans no changes to their operations.

As elaborated in the Operating Plan filed with the Application, CN contemplates that implementation of the CN/GLT Transaction would be relatively simple and straightforward:

- No traffic increases anticipated as a result of the Transaction
 - Capacity available in lines, yards and terminals
 - No need for new facilities
- Few changes in traffic patterns and operations
 - No basic changes in routing and no new trains

- Ownership of parallel lines between Shelton Junction and Nopeming Junction would permit coordinated operations that would maximize operational flexibility, e.g., possible directional running to cut transit times
- No effect on passenger or commuter service
- No line constructions or abandonments to implement the Transaction; no construction of connections or other capital expenditures (other than costs of integrating information technology)
- Some changes, but basic continuity, in operating organization
 - Essential continuity of major functions -- dispatching, crew calling, operating systems
 - No planned changes in local trains and yard service
 - No planned yard consolidations
 - Some greater efficiencies in equipment utilization
 - Maintenance of high safety standards.

These changes are relatively small, reflecting the fact that GLT is a small, largely specialized enterprise primarily serving the steel industry, and that the principal motivations for the Transaction are the desire of GLT's current owners to end their investment in the railroad business and CN's desire to acquire DMIR lines that would fit well with its existing network and give it full control of its route between western Canada and Chicago, while affording it the opportunity to expand its service to the North American steel industry.

Though the changes that CN plans are few and minor (especially when compared with other U.S. railroad mergers or even CN's recent acquisitions of IC and WC), implementation of the CN/GLT Transaction would (like those transactions) be made in a measured, careful, step-by-step process, ensuring that the changes that are made do not compromise safety or service.

This SIP is divided into major sections that follow FRA's Safety Integration Plan regulation.

Section 3

Safety Integration Plan

A. CORPORATE SAFETY CULTURE

1. Focus on Safety at CN

CN's safety culture is built on a strong commitment to safety that begins at the top. Key components of the railroad's safety culture are training, communication, effective supervision, and employee involvement. This approach is reflected in CN's operations on both sides of the border. As part of the successful implementation of the CN/IC and CN/WC mergers, CN has been able to take advantage of the best of the safety programs and practices of CN, IC, and WC 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 train accident ratio for CN's U.S. operations has improved by 14% from 1998 (the last full year before the CN/IC merger) to 2002.

a. *Safety Performance*

CN's train accident ratio has regularly been among the best for North American railways. Based on FRA reporting criteria, CN's full system (Canada and U.S.) ratio for 2002 was 2.0 accidents per million train miles,³ second among North American Class I freight railroads (behind only CP/SOO). These positive results continue a pattern of improvement that began following the 1996 overhaul of CN's safety programs.

CN's individual U.S. operations have also had a history of safety-related success and won a number of E.H. Harriman Institute awards for safety performance.

Although 2002 was another good year for CN, as part of its goal for continuous improvement CN has enhanced its Integrated Safety Plan -- which focuses on the key areas of

people, process, and equipment/technology -- with safety initiatives and action plans, targeting top causes of injuries and train accidents.

b. Executive Commitment to Safety

CN's safety culture is built on a strong commitment to safety that begins with a personal commitment by President and Chief Executive Officer, E. Hunter Harrison. CN management sets high goals for safety performance and makes achieving these goals a key corporate and personal priority. From the top down, safety is part of the corporate targets on which performance of all regions, functions (*e.g.*, Mechanical, Engineering, Transportation, Risk Management, Supply Management), and individual managers is evaluated.

c. CN's Safety Policy

CN's 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;
- 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 and CN/WC merger integration, CN has used a Best Practices approach by identifying and implementing the most effective safety initiatives system-wide.

d. CN Safety Organization

CN's safety organization is based on a balanced interaction between headquarters and regions. CN's safety-focused activities are developed and implemented using the coordinated efforts of headquarters and field personnel. Headquarters manages safety policies, standards and procedures, system programs, statistics and analysis, and system regulatory relations. Regions

³ The train accident ratios exclude highway-railway crossing accidents.

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 strategic working sessions, workshops, conference calls, etc. A prime example is CN's regular "best practices" workshops in which system, regional and functional safety officers work together to identify key issues affecting accidents and injuries and share best practices and knowledge acquired at different levels across the system. This allows action plans to be developed for implementation system-wide.

A key element of CN's safety program is its Safety Committees. CN has over 130 of them, 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. CN has recently completed a restructuring of the committees in the U.S. and Canada, 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 and CN/WC mergers, CN developed an extensive network of internal and external safety communications that represent the best practices of the three railroads. Examples include: safety flashes; safety posters; safety videos; CN website and intranet sites; CN Magazine; 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 communication between employees and their supervisors. All CN supervisors are required to hold daily safety meetings/briefings, referred to as "tailgate" meetings. Front line supervisors

have received training called “Meetings on the Fly” to better prepare them for this role, and CN has recently introduced a mentoring program designed to enhance this aspect of their duties.

f. Employee/Labor Involvement

Employee/labor involvement is part of CN’s culture. In addition to the Safety Committees and tailgate meetings, CN ensures employee involvement in FRA’s Safety Assurance and Compliance Program meetings and sub-committee initiatives.

Employee efforts are also recognized and encouraged in other ways, including:

- Employee Safety Recognition Award: Awards given by CN Regions for recognition of special safety actions toward operations or the public; and
- President’s Awards of Excellence: Annual awards to employees for accomplishments in a number of categories, including safety (IC and WC employees were included in this program immediately following the merger, and a group of IC employees have won the 1999 and 2000 and 2003 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, IC and WC programs to produce an effective integrated program, including the following elements:

Accident Investigation. CN is committed to investigating and analyzing accidents to identify their basic underlying causes. All injuries and accidents are discussed in regular conference calls. Findings are reviewed centrally on a monthly basis to determine trends and mitigation.

Trend analysis. CN has recently implemented a state-of-the art Accident Reporting and Evaluation System containing information on every accident and injury across the system (U.S. and Canada). CN’s headquarters safety group produces regular summaries of accident and injury data sorted by cause and location and compared to previous years. This information allows monthly identification of salient trends, helps CN take proactive measures to improve safety, and

aids industry benchmarking. Regions and functions are provided with annual targets, and incident/accident ratios are tracked daily using email reports. CN has developed special programs to allow field personnel to perform local statistical and trend analyses for their individual territories. CN's new system has also introduced checks and system linkages to ensure the accuracy of accident and injury information.

Board of Directors Safety Awards. As part of previous merger integration and to recognize safety at the highest level of the company, CN expanded its successful Board of Directors Safety Awards program. These reward CN's regions and functions for being the best performing in various safety categories.

External experts. CN occasionally uses external experts for investigating accidents and providing expert advice and training.

Effective Supervision. CN has recently reviewed its supervisory performance and placed increased emphasis on 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 implemented across the system, including locomotive event recorder downloads, radaring, and personal contact with subordinates. CN developed a special safety performance monitoring program to track and communicate observation results. CN's effective supervision initiative is also supported by renewed emphasis on supervisory communications training (*e.g.*, coaching).

Safety Program Audits. In addition to the efficiency test program, which allows supervisors to audit safety and compliance in their territory, CN has implemented an impartial audit process involving use of cross-territorial audit teams, to review performance across the system, and to press for achieving zero tolerance.

2. Focus on Safety at DMIR/B&LE

DMIR and B&LE are also committed to operating safe railroads and have strong corporate safety cultures featuring a number of supporting safety programs.

DMIR's commitment to safety begins with the Vice-President/General Manager who actively ensures a pro-active approach to safety by all operating departments. DMIR has a safety professional, Manager of Safety, providing continual improvement in safety performance. This official provides technical resource assistance to operating departments, develops and implements safety programs, conducts site safety surveys at company locations, ensures compliance with local, state, and federal regulations, participates in injury/incident investigations and in safety committee meetings.

The Vice President/General Manager, General Superintendent, Manager of Safety, and department heads frequently conduct site visits to operating areas throughout the railroad, providing an excellent opportunity for them to meet with employees and review safety performance and initiatives and for employees to ask safety- and business-related questions directly to the top company officials.

Safety committees play an important role in DMIR's safety program, including:

- Executive Safety Committee – Comprised of the senior management team, this committee reviews company safety performance, establishes goals and policies, and provides overall direction for the safety program.
- Safety & Health Operating Practices Committee (SHOP) – Comprised of union and management members representing all departments, this committee addresses safety issues of special interest and items that have been forwarded from departmental safety committees.
- Departmental Safety Committees – Seven separate safety committees address safety issues on the departmental level.

As reflected in its safety policy, DMIR believes that developing and maintaining a prime culture requires ongoing management, supervisory and employee commitment, and direct involvement in safety and health issues. Managers and supervisors must continue to promote safety programs and ensure that all employees are trained to work safely and are educated in making safety a prime consideration in all activities. Employees are expected to perform duties in a safe and responsible manner.

DMIR realizes that a key component to ensuring a successful safety program is a strong auditing system. Managers and supervisors play a critical role in ensuring workforce compliance with all aspects of safety policies. Where deficiencies are noted it is the duty of the manager or supervisor to take corrective action. Safety committees also perform safety audits at various locations. Personal injuries and near-miss incidents are investigated to identify contributing factors and prevent recurrence. All personal injuries and incidents are reviewed at monthly safety meetings and committee meetings.

Safety initiatives and goals are established for each year and presented to all employees through the safety committee and monthly department safety meetings, along with safety performance statistics and related items. DMIR has a company-wide safety incentive program making group and individual awards to employees when established safety performance goals are met.

The safety message is communicated in various ways. As noted, top officials visit locations throughout the railroad to discuss safety-related issues with employees. The Vice-President/General Manager also sends letters to every employee pertaining to the current safety performance and initiatives. Each operating department distributes a department safety newsletter that covers, *e.g.*, safety performance, initiatives, operating rules, recognition for outstanding

employee behavior relating to safety, and near-miss/incident information. A quarterly company-wide newsletter includes a section on safety issues.

Through employee dedication and commitment, DMIR strives for continual improvement on safety performance. It has received Harriman Awards and several safety related awards presented by the Minnesota Safety Council and the National Safety Council.

B&LE is also committed to operating a safe railroad. In 2000, B&LE was voted the Regional Railroad of the Year and received the Gold Harriman Award. B&LE has ranked in the top 10 of the Harriman standings over the past two years for class C railroads.

Safety on B&LE also begins at the top. The president reviews daily reports on all injuries. Injury and investigation information is discussed at monthly meetings, focused on preventing recurrence, through facility improvement or increased training.

B&LE views day-to-day safety management as a function of line managers. Each supervisor has responsibility and authority for managing safety, a key measurement of the success of each operating department. All injuries are thoroughly reviewed, with written reports and employee and witness statements. Each employee is responsible to report any incident, no matter how slight, to the supervisor before going off duty.

B&LE's safety message and goals are distributed to employees via internal notices and General Orders posted on all bulletin boards. Safety meetings are held quarterly in operating departments with follow-up discussions with employees more frequently. Safety committees on B&LE are made up of interdisciplinary groups, including both labor and management.

B&LE believes that safety audits and efficiency tests are important measuring tools to ensure that the safety management system is working. B&LE's efficiency testing program is conducted regularly by various levels of management.

3. Safety Integration – Corporate Safety Culture

Safety is central to the corporate cultures of CN and the GLT Railroads, and CN is committed to combining them to form the safest railroad in North America. It has already started by developing a communication plan, with CN executives meeting with GLT Railroad employees after the announcement of the Transaction, providing a forum for their questions and helping alleviate their concerns about the future.

As noted in the Operating Plan, DMIR would become part of CN's Wisconsin Division while B&LE (and P&C Dock) would become part of CN's Michigan Division, both being units of CN's U.S. Region. CN divisional and regional structure relies on dispersed autonomy in the context of a fully integrated system. The resulting continuity and responsibility for operations would help ensure that the GLT Railroads retain important elements of their corporate culture while benefiting from CN's culture and programs. As CN has done with its successful CN/IC and CN/WC mergers, CN plans to use the best practices in the respective operations of CN and the GLT Railroads in implementing the Transaction.

Although the corporate safety cultures of CN and the GLT Railroads contain many common elements, CN, due to its size, has many important system resources and tools. The Transaction would therefore allow retention of important aspects of the individual corporate cultures of the GLT Railroads while building on their safety programs through access to CN's resources.

For instance, both DMIR and B&LE would 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, trend analysis tools, and supervisory safety promotion programs.

CN would also work toward integrating other key safety programs and practices on a system-wide basis, such as:

- Safety Policy and Standards – develop common safety standards to the greatest extent possible
- Safety Communications – develop common safety communications programs and materials
- Presidents Awards Programs – review for possible consolidation
- System Safety Awards – review for possible consolidation
- Accident/injury data collection and tracking systems – integrate information to provide more complete picture of accident and incident trends and key safety issues
- Switching Operations Fatality Analysis program and best practices.

B. TRAINING

1. Training at CN

CN stresses the importance of training to ensure safe operations. Previous mergers have provided significant benefits from using best training practices at the various railroads. Extensive training programs are in place to address both general safety training and job specific training. CN's combined catalogue now contains hundreds of courses almost all of which are safety related.

Training development for all CN training programs as well as delivery for management and computer skill training is managed by CN's People Department, which also maintains all training records and the training website. CN's safety and technical training delivery is managed by the training departments in CN's Regions using functional and training instructors. The Department works with the various regional functions to develop and execute annual training plans, advise and counsel on training issues, and ensure that all training is appropriately resourced.

Most safety and technical training is delivered by internal functional and training instructors. Some programs are delivered by qualified external resources such as Rail Safety and Training Resources (RSTR). CN's policy is to provide programs that address both Canadian and U.S. requirements 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.

Details on CN training programs for U.S. operations in specific areas are as follow:

Train and Engine Employees. CN has fully consolidated its train service training program for U.S. operations, using RSTR to handle training for new trainmen. New Hire Brakeman training consists of one week in a classroom (including hands-on field training) followed by three to four weeks of on-the-job-training (OJT) with existing train crews and a Rules test.

Conductor Promotion training takes place after about six months duty as trainman. This consists of one week of classroom training, including operating rules, air brake tests, train inspections, and documentation, followed by an examination.

CN Locomotive Engineer training, also using RSTR, consists of three weeks of classroom study followed by 15 weeks of OJT. The classroom portion includes instruction on safety rules, hazardous materials (hazmat) handling, operating rules, power brake regulations, equipment restrictions, air brakes, locomotive inspections and timetable interpretation.

Students are monitored and evaluated throughout the OJT phase. CN's Road Foreman personally rides with each student engineer at least once every six weeks to evaluate progress. Following the OJT, candidates spend an additional two weeks in class, one on mechanical and trouble shooting and one on final examinations. In addition, depending on ability, additional OJT may be prescribed.

Train Dispatcher. As part of past merger integration initiatives, dispatcher training programs for CN's U.S. operations have been consolidated. The current program consists of two-to-three weeks of classroom and at-console training followed by OJT, the duration depending on territory, complexity, and student capability. During the OJT phase students are monitored daily by a qualified fellow dispatcher. The student must pass a final rules exam for initial promotion. In order to remain qualified, train dispatchers must pass subsequent exams, administered every two years.

Roadway Worker. CN provides extensive engineering training packages for employees in both Canada and the U.S. on Track Inspection Standards, Movement Over Rail Breaks and Continuous Welded Rail. The U.S. program is designed to comply with Track Safety Standards requirements and includes biennial retraining on Movement over Rail Breaks. U.S. employees also receive Road Worker Protection training annually and Operating Rules training biennially. Depending on an employee's specific occupational requirements, CN provides additional training in areas such as Fall Arrest Protection, Scaffolding (Bridges and Structures), Confined Spaces, Track Train Dynamics, Thermite Welding, Rail Grinding, Water Management, Manganese Fumes, and Simplex (rail benders). CN's bridge inspectors participate in a detailed four-day bridge inspection workshop every three years. CN also regularly audits bridge inspection practices and quality.

Signals and Communications Employees. CN provides initial training for its U.S.-based Signals and Communications (S&C) apprentices through GE Transportation Systems Mid-American School of Technology, using a three-module program with two weeks on each module. Topics include electrical fundamentals, batteries, circuits, multimeters, basic troubleshooting techniques, switch machines, track circuits, switch circuit controllers, track appliances, reading

signal plans, highway crossing warning devices, gate mechanisms, automatic signal systems, defect detectors, coding systems, electric switch locks, and time relays. Training consists of technical instruction as well as hands-on lab simulation of S&C systems and troubleshooting.

Similar apprentice training is provided for those who will be working on Communications systems (wide area networks, local area networks, dispatching systems, radio, microprocessors) as Technicians.

Road Worker Protection training is also provided annually to affected S&C employees and Operating Rules training is provided biennially. Additional technical training is provided to employees specific to their work assignments.

Mechanical Employee. Apprentice training for CN carmen, electricians and mechanics in the U.S. is provided through the services of the Railway Education Bureau. This program includes 48 lessons over a two-year period along with specific OJT. Written tests are administered throughout the program. After completing the apprentice program and serving the time required by union agreement (typically three to four years), apprentices are promoted to journeymen.

Training and examinations for qualified car and locomotive inspectors fully comply with FRA requirements in CFR Parts 215, 218, 231 and 232. Carmen training includes hazmat, FRA/AAR Mechanical Inspection Standards, Freight Car Safety Standards, Safety Appliance Standards, Brake System Standards, Blue Flag Protection and CN safety rules. As required by the Power Brake Rules (49 CFR 232.203), requalification is carried out every three years. Motive Power employees receive similar training under CN's FRA Locomotive Safety Inspection course and are also requalified on a three-year basis. Utility employees receive annual training.

In addition, OSHA Confined Space Awareness, Lockout/Tagout Procedures and Fall Protection training are provided for mechanical employees depending on their job tasks. CN provides Crane Fundamentals and Crane Operation Update training to affected employees at three-year intervals.

Specific technical training is provided in areas such as TTX brake equipment, locomotive troubleshooting, etc. This includes training on all new locomotive and freight car equipment as they are introduced. CN extensively uses GM and GE technical training for employees involved in locomotive inspection, maintenance and repair.

Hazmat. As chemicals make up a significant portion of its U.S. traffic, CN gives hazmat training a high priority and provides it for all employees covered by DOT's Hazardous Materials Regulations (49 C.F.R. Parts 171-80), 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.

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. CN is also currently completing its initial Security Plan training for all employees involved in transportation of hazmat.

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, CN uses a hazmat seminar as refresher training as needed for management employees who have already completed one of the 40-hour hazmat classes.

Supervisory. CN supervisors receive training comparable to that given employees they supervise. All supervisors and managers also have access to a number of courses aimed at business skills (e.g., CN's Business, Proactive Problem Solving) and supervisory skills (e.g., Managing Employee Performance, Introduction to Conflict Management). They also receive specific training on the Drug and Alcohol program and on Incident Command.

2. Training at DMIR/B&LE

DMIR believes that continuous education and ongoing safety training are key elements in any successful safety program. All mandated regulatory training for employees is conducted at the department level. All departments also conduct specialized training about items associated with specific crafts. Training records are kept on DMIR's Training Management System (TMS).

Specific DMIR training programs include:

Train and Engine Employees. Training of prospective train and engine employees includes four days in a classroom and one day working with live equipment in a controlled environment. Upon successful completion trainees are assigned to various yard and road train crews for four weeks of OJT, during which their performance is monitored, after which they must pass an examination.

After about six months service as a brakeman, an employee may enter a three-to-four day conductor promotion training class. This covers applicable rules in the General Code of

Operating Rules (GCOR) and DMIR Timetable, with emphasis on rules closely identified with conductor responsibilities. Candidates must complete a final examination.

All DMIR train and engine employees receive annual training and testing on approximately one-third of the GCOR and DMIR Operating Rules. The training is in a classroom environment and consists of lecture, open discussion, observing video tapes, and “hands-on” instruction.

DMIR applicant locomotive engineers participate in a four-week comprehensive training program that includes classroom instruction and training with actual locomotive equipment, supplemented at times with training on a Type II simulator. After completing this program, student engineers must successfully complete 500 hours of OJT with a certified locomotive engineer and must pass all written examinations. The Supervisor of Locomotive Engineers conducts final Train Handling Examination in the field or in a Type II simulator. DMIR Locomotive engineers are re-certified every 36 months through classroom instruction and a Type II simulator. In addition, annual locomotive engineer “check-ride” and “operational tests” are conducted during simulator training or by Road Foremen in the field.

DMIR has recently completed specific training and testing for brake system and car inspection by train and enginemen. Refresher courses are scheduled every three years.

Security awareness training has been added to the Operating Rules classes.

Train Dispatcher. DMIR train dispatchers receive initial training in-house and at the BNSF training centers in Kansas City, MO, and Fort Worth, TX. OJT occurs as required to qualify dispatchers on the North, South, and Chief Dispatcher position. DMIR train dispatchers receive training on Operating Rules, Roadway Worker Protection, and Hazmat at least every 36

months. To insure familiarity with their territory, all dispatchers ride their territory twice per year.

Track Employee. DMIR Engineering Maintenance of Way employees receive an initial one-day training session to review track safety standards, with refresher training biennially. The list of qualified employees is reviewed each year to ensure that their training is up-to-date. All DMIR Engineering Department employees receive an annual eight-hour training session at the start of the maintenance season, covering roadway worker protection and various federal and Minnesota OSHA requirements (such as hearing conservation, first aid, fall protection, electrical power line safety, etc.). Supervisors and employees also meet weekly to discuss various safety issues.

Signal Employee. DMIR signal employees also attend a one-day training session at the start of each maintenance season, which includes roadway worker protection training. Signal employees also receive training on an as-needed basis using the training facilities of BNSF in Kansas City, MO; Safetran in Minneapolis, MN; or Harmon Industries in Blue Springs, MO. Specific vendors have also provided on-location equipment training, including: GE Transportation Systems, Safetran, Erico, Stanley Tools, Railway Technology Inc., Craig Railcharger, Railway Equipment Co., C&D Batteries, G&B Batteries, Union Switch and Signal, and ALSTOM.

Mechanical Employee. Apprentice training for new DMIR mechanical personnel involves a three-to-four year period of formal classroom training, correspondence courses, and OJT to attain journeyman status. Formal technical training is provided locally by Lake Superior College, or through correspondence courses. Company-specific training on such topics as safety practices and equipment operation is provided in-house, followed by actual supervised work

experience (typically about three years) as OJT. All car inspectors are trained and tested on FRA requirements (49 CFR Parts 215, 218, 231 and 232).

Safety meetings conforming to OSHA and Minnesota SHA requirements are held monthly. Training is conducted by Hibbing Community College. One subject is covered per month, including Lockout/Tagout, Blue Flag, four-wheeler safety, cranes, rigging, material handling, welding, cutting, personal protective equipment, respiratory protection, hearing conservation, vehicle and mobile equipment safety.

Hazmat. A qualified instructor performs hazmat training for all DMIR hazmat employees every three years. This takes place in a classroom and consists of lecture and open discussion using such resources as the DMIR Operating Rule Book, Code of Federal Regulations, and Emergency Response Guidebook.

Supervisor. DMIR supervisors receive Drug and Alcohol Training at least every three years, and attend periodic FRA seminars regarding Operating Rules, Hours of Service, Engineer Certification, Hazmat, Roadway Worker Protection, Signals, Grade Crossings, and other relevant topics. Supervisors receive a refresher on the Employee Assistance Program (EAP) every two years.

B&LE places responsibility for the training on the department head in each specific area. All new hires are trained in their individual department on safety rules and general safety orders before going to work. Specific training includes:

Train and Engine. All B&LE train and engine employees are given one week of initial safety training, including both classroom and field instruction, covering how to properly get on and off equipment, hand brake operation, and comprehensive training on safety rules and regulations while working around equipment. After being tested the employees then receive two

weeks of OJT through work with train crews as probationary brakemen, after which they are qualified as brakemen.

Management selects candidates for promotion to conductor, who undergo a two-day training class covering the B&LE Special Instructions and Operating Rules and federal regulations pertaining to conductor responsibilities, and must pass an exam. When locomotive engineer training is offered, B&LE accepts applications on a seniority basis. Candidates undergo one week of classroom instruction and six months of OJT with a qualified engineer, followed by written and field performance examinations.

All B&LE trainmen and engineers receive a Rules Review class every two years covering the B&LE Book of Special instructions and Operating Rules and Hazmat requirements.

Train Dispatcher. B&LE train dispatcher candidates initially spend two to three months riding trains and becoming familiar with Operating Rules, different stations and meeting points. They are then closely monitored by a qualified dispatcher in hands-on training before they are qualified.

Track Employee. Roadway workers are all trained under FRA roadway worker safety regulations and through hands-on use of various tools. All roadway workers receive general safety rules training before they report to the job site.

Signal Employee. Signal employees receive general safety rules training in working on or about moving equipment. They are also trained in roadway worker safety and compliance with all Hours of Service regulations.

Mechanical Employee. B&LE mechanical employees are trained with a focus on their specific responsibilities. They are also supervised on the job by an experienced designated inspector before being permitted to work on their own. All car inspectors are tested under FRA

requirements (49 C.F.R. Parts 215, 218, 231 and 232) before being qualified as inspectors.

Electrical and mechanical employees in the Locomotive Shop must serve a three-to-four year apprenticeship period before they can qualify as an Electrician or Machinist. They learn their trade work as helpers, and are also instructed upon hiring on safety rules and regulations.

Hazmat. B&LE conducts hazmat training accordance with FRA rules and regulations, and trains clerical, mechanical and operating employees on such regulations.

Supervisor. B&LE trains Supervisors in accident/incident investigation, and in recognizing symptoms for possible alcohol or drug abuse.

3. Safety Integration – Training

CN's initial analysis of specific programs in areas such as train and engine employees, train dispatchers, engineering track and signal employees, mechanical employees, and hazardous materials, shows that CN and the GLT Railroads all have training programs that meet FRA requirements and are similar in many aspects. Although CN expects that it will initially keep the existing training programs separate, it will explore ways to take advantage of synergies and get greater benefit out of the training programs. In addition, the GLT Railroads will gain access to the resources of CN's training department. The 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 and the GLT Railroads would not require any significant training programs that would call for augmentation of their training personnel. As shown in the Labor Impact Exhibit, attached as Appendix A, under current traffic levels there would be no new hiring and very minimal relocation associated with the Transaction. Perhaps most significant for purposes of this SIP would be the projected transfer of 10 employees from the DMIR Proctor, MN, shop to CN's Woodcrest facility (near Homewood, IL). As they are already qualified for

their craft and for FRA inspection and maintenance criteria, their additional required training would be limited to local shop safety rules and practices.

Similarly, the projected transfer of four DMIR train dispatching employees to the CN dispatching centers at Pokegama Yard (Superior, WI) or Stevens Point, WI, would require training on the new systems and procedures associated with the CN dispatching equipment. As these employees would be experienced train dispatchers, and because differences in equipment and procedures are not significant, their training could be handled with existing CN resources.

The training needs of any other future integration activities would be reviewed in detail and appropriate resources would be allocated if and when they arise. CN would be able to use its experience with integrating important elements such as Operating Rules and information technology in implementing the IC and WC mergers. As noted, CN has significant in-house training resources. In addition, the availability of excellent contract training programs, widely used by CN, DMIR, and B&LE, gives CN particular flexibility in meeting future training needs.

C. 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. U.S. Region operations are overseen by the System Director-Operating Practices, a Director of Rules and Operating Practices located in Homewood, IL, and a Manager-Operating Practices in both Troy, MI, and Stevens Point. Specific U.S. Operating Practice responsibilities include developing, implementing, and enforcing: 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 initial and on-going and training of locomotive engineers.

In addition, as part of locomotive engineer certification requirements, CN has several local Supervisors of Locomotive Engineers in the U.S. responsible for compliance with all aspects of engineer certification, mandatory monitoring rides with engineers, on-going training (classroom and OJT) for engineers, skills performance testing, and initial training for new-hire train service employees. Operating Practices works closely with CN's Training Group to ensure that CN's Transportation function training needs are satisfied.

CN's U.S. operations are all subject to its U.S. Operating Rules (USOR). CN also 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 not only the operating rules, timetables, and special instructions, but also safety rules and instructions, air brake and train handling, on-track safety, equipment restrictions, motive power, and hazmat. 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 has consolidated the efficiency test program of its U.S. operating subsidiaries (GTW, DWP, WC and IC) into a program that includes 40 specific tests and fully complies with FRA requirements. All supervisors below the General Manager level conduct testing regularly and provide timely feedback to educate employees and reinforce rule compliance. Testing targets have been established for each supervisor. Employees with unsatisfactory test results get

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 (PMRC) 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 DMIR/B&LE

DMIR has adopted the General Code of Operating Rules (GCOR). The current rule book, including those GCOR rules not in effect on DMIR, is in the Operating Rules portion of the DMIR timetable, which also includes information on Physical Plant, Train Movement, Hazardous Material Instructions, Special Operating Instructions, Safety Instructions, CN Operating Rules, General Code of Operating Rules Amended, DMIR Operations Department Policies and Air Brake and Train Handling Instructions. All DMIR hazmat employees are required to have a copy of DMIR's Emergency Response Guidebook, in addition to the hazmat instructions in the timetable. DMIR also uses General Orders, Circulars, Operating Bulletins and Track Bulletins to communicate operating information.

In compliance with FRA requirements, DMIR managers require Trainmen, Enginemen and Train Dispatchers to complete Operational Tests and Inspection Reports called proficiency tests, conducted day and night, seven days per week, under actual and/or simulated operating conditions. Under DMIR policy, each Terminal Manager or Trainmaster is required to conduct a minimum of 20 tests each month. Operational Tests and Inspection Reports are kept on file at Proctor, MN.

B&LE Operating Practices are governed by its Book of Special Instructions and Operating Rules as updated through General Orders. It includes air brake and train handling instructions,

safety rules, operating rules, radio rules, hazmat requirements, specific craft responsibilities, and the physical characteristics and layout of the railroad.

B&LE's efficiency test program complies with FRA requirements. All Transportation Supervisors are required to participate in the program. Tests and results are distributed monthly to the General Superintendent. All tests are entered into a database and are kept in the Greenville, PA, office.

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

CN expects that the Operating Practices, Operating Rules, and associated programs of the respective railroads would remain separate at least in the near-term, although CN recognizes potential advantages with eventual consolidation of the Operating Rules and associated practices. With minimal operating employee relocation or territorial change associated with the Transaction, retaining the existing operating rulebooks should not result in confusion or create safety concerns. CN recognizes that there may be a number of train and engine employees who may be required to work on both CN and DMIR territory. This should not present a problem as DMIR crews affected are already familiar with CN operating rules, since they currently operate over CN track. In fact, the DMIR timetable already includes the USOR. Similarly, CN crews already operate over DMIR, governed by USOR (with minor exceptions in the timetable). Nevertheless, CN would monitor rules performance throughout implementation and, should there be evidence of problems associated with the two sets of rules, would make the necessary changes.

CN will work towards eventual extension of USOR to DMIR and/or B&LE, and should be able to do so without difficulty. CN has considerable experience in consolidating GCOR operations such as those on DMIR under its USOR. CN had reviewed the differences between USOR and GCOR as part of the conversion of DWP from GCOR to USOR in 2000, and also

successfully converted WC from GCOR to USOR in implementing the CN/WC merger.

Similarly, initial review of the B&LE operating rules indicates that they are not significantly different from those used by CN. As a result, CN is confident that USOR can safely be extended to B&LE. CN would ensure that proper training is provided for all employees as well as those on third-party railroads operating over DMIR or B&LE, using a process similar to that used for the operating rules in the CN/IC and CN/WC merger integrations.

Similarly, CN expects to retain the DMIR and B&LE efficiency test programs, at least for the short run. Any future program consolidation would be done in compliance with FRA regulations and filed with FRA as required. At that time, CN would also review possible consolidation of efficiency test record keeping and monitoring systems.

2. 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 in the two countries to conform to different regulatory environments. As part of its previous 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 U.S. Manager of Medical Services. Drug & Alcohol testing follows DOT/FRA/FHWA guidelines and regulations, and includes post-accident, reasonable suspicion, reasonable cause, pre-employment, and random testing. 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 D&A programs and policies.

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 DMIR/B&LE

Both DMIR and B&LE have drug and alcohol (D&A) programs that meet the requirements of DOT and FRA regulations. Under both DMIR and B&LE drug and alcohol testing policies:

- All new hires and employees entering hours of service positions are required to have a pre-employment drug screen
- Hours of service employees and DOT-regulated truck drivers are subject to random drug and alcohol testing
- Reasonable Suspicion and Reasonable Cause testing is performed as deemed necessary.

Both DMIR and B&LE have an EAP for employees with alcohol, drug or other problems. Employees may refer themselves voluntarily and receive confidential help. They may also be referred by a supervisor on a confidential basis. DMIR records are maintained at the Superintendent's office in Proctor, MN. B&LE D&A records are maintained through the General Superintendent's office at Conneaut, PA. FRA has successfully audited the B&LE and DMIR D&A programs.

c. Safety Integration – Drug and Alcohol

CN and the GLT Railroads all have D&A programs that are similar in many aspects and comply with FRA regulations and applicable legislation. They also have excellent EAP programs that serve an important role in the D&A program. The GLT Railroads would initially retain their existing programs, with FRA reporting being handled separately, as now. Because they have been recently and successfully reviewed by FRA and the Transaction would involve very limited employee relocation, maintaining current programs and practices should not create confusion or lead to safety concerns. CN recognizes, however, the value of a common program and would work towards that goal. This would be carried out with FRA consultation.

3. Locomotive Engineer Qualification and Certification

a. Locomotive Engineer Qualification/Certification at CN

CN has a consolidated Locomotive Qualification/Certification program for all U.S. operations, which complies with FRA regulations and has been submitted to FRA as required.

As previously noted in the training section, CN has retained RSTR for initial training requirements. This includes three weeks of classroom work followed by 15 weeks of OJT 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. The OJT phase is followed by two additional weeks in class, and by final exams, after which additional training may be prescribed.

Before being qualified, student engineers must be familiar with all of the physical characteristics of the territory in which they will be assigned before they may operate without supervision of a qualified engineer (and if later operating in new territory or expanded territory, must first be qualified for that territory). As required by regulation, the Supervisor of Locomotive

Engineers evaluates engineers for performance at least once per year. 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 DMIR/B&LE

Both DMIR and B&LE have locomotive qualification and certification programs that fully comply with FRA regulations.

The DMIR Locomotive Engineer Certification Program is administered by, and all required records are maintained through, the office of the Road Foreman of Engines in Proctor, MN. Following hearing and vision acuity testing, new applicants must participate in a four-week comprehensive training program including classroom instruction and training with actual locomotive equipment. This may be supplemented with Type II simulator operation. After completing this program, student engineers must successfully complete 500 hours of OJT with a certified locomotive engineer and pass all written examinations. The Supervisor of Locomotive Engineers conducts a final Train Handling examination in the field or in a Type II simulator. Recertification of DMIR Locomotive Engineers is carried out on a three-year cycle. The program includes an eight-hour training session in the classroom, covering operating rules, train handling, FRA Safety Practices, and mechanical equipment, followed by a written examination.

The B&LE Engineer Qualification and Certification program is administered out of Greenville, PA, where all records are available for review. As noted in the Training section, candidate locomotive engineers initially undergo a week of classroom instruction and six months of OJT with a qualified engineer. Written and field performance examinations are given at the end of the training period. B&LE engineers are recertified every two years, after a day of classroom lectures and discussions, a written exam, and a train handling exam in the field (or

simulator if available). Requalification testing is done using check rides on a locomotive or by event recorder.

c. Safety Integration – Locomotive Engineer Qualification/Certification

CN and the GLT Railroads would at least initially retain their existing separate programs. All are in full compliance with FRA regulations and have been filed with FRA. CN would explore consolidation opportunities, and future changes would meet regulatory requirements and be communicated to FRA for approval as required. CN anticipates that consolidation would take place within the first two years after the Transaction is consummated.

4. Hours of Service Laws

a. Hours of Service at CN

CN's U.S. operations, through their various Safety Assurance and Compliance Programs, have made significant advances concerning fatigue and hours of service. CN is unaware of any specific FRA concerns at this time. With crew calling and train dispatching activities still conducted from separate centers – GTW in Troy, MI, IC in Homewood, IL, WC at Stevens Point, WI, and DWP at Pokegama Yard in Superior, WI – CN continues to file separate hours-of-service reports to FRA. Consolidation of crew calling activities under its Crew Assignment and Timekeeping System (CATS) provides CN 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 DMIR/B&LE

DMIR 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. Train and engine service employees' hours of service information is recorded on service reports completed

and signed by the conductor and engineer. Train dispatchers log in and out of the Train Dispatching System (ALSTOM). Train dispatchers record their total time on-duty on payroll sheets. All DMIR service reports and payroll sheets are examined and signed by the responsible management employee. Discrepancies in hours of service are immediately investigated and reported to the Train Rules Examiner. Timely reports of violations are filed with FRA.

B&LE Hours of Service records and reporting are maintained in Greenville, PA, by the B&LE Chief Dispatcher. B&LE train crews operate in turn-around service and spend all off duty time at their home terminal, thus minimizing the risk of fatigue.

c. Safety Integration – Hours of Service

CN and the GLT Railroads are all subject to U.S. federal hours of service laws, and have approved processes in place to handle reporting requirements, which CN intends to retain at least for the near term. As the Transaction would not result in significant employee relocations or changes to local supervision or procedures, maintaining the status quo should not create safety concerns or employee confusion. Should CN integrate reporting functions at some point, it would do so in a manner that ensures compliance with FRA requirements. Training on CN's CATS system would be conducted before the change-over, as when CN successfully integrated CATS at IC and WC.

As CN expects no traffic changes on the B&LE territory, the Transaction would not affect the time on duty of train crews. One potential change that has been identified, as noted earlier, is the coordination of operations between the parallel CN and DMIR lines between Shelton Junction and Nopeming Junction, including their possible operation much like a double-track line to accommodate "directional running," with southbound trains using the DMIR line and northbound

trains using the CN line.⁴ As the DMIR line segment is 63.7 miles, and the DWP line is 60.0 miles, there would be only a minor change in the lengths of the paired movements. On the other hand, directional running would enable CN to move its trains from the Canadian border to Duluth/Superior in a more consistent and reliable manner, because it would reduce the number of train meets, which are the major source of delays on single-track lines. (On average, CN estimates that directional running would eliminate approximately one and a half meets for each train so re-routed, cutting transit time by one and one-half to two hours.) Thus, such a change in operations should have an overall positive impact on train crew on-duty times. Nevertheless, should on-duty problems occur, CN would investigate and take the necessary measures to rectify them.

D. MOTIVE POWER AND EQUIPMENT

1. Motive Power and Equipment at CN

CN has developed 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 90,000 freight cars. CN upgrades its motive power fleet as required, taking delivery of 30 new high-horsepower locomotives in 2002 with another 30 due in 2004.

CN has extensive locomotive and car maintenance, repair, and servicing facilities. In the U.S., heavy locomotive repair work is done primarily at Woodcrest Shops in Homewood, IL, while heavy car repair work is done primarily at Centralia, IL and Fond du Lac, WI. Other

⁴ To implement directional running, CN's DWP subsidiary would grant trackage rights to DMIR for DMIR's crews to run over DWP's lines between Shelton Junction and Nopeming Junction, while DMIR would grant trackage rights to DWP for DWP crews to run over DMIR's lines between the same points. (Simultaneously with the Application, CN has filed notices of exemption in STB Finance Docket No. 34424 (Sub-Nos. 1 and 2) relating to these grants of trackage rights.)

locomotive inspection and repair facilities are at Memphis, TN, Battle Creek, MI, and Fond du Lac. Designated car repair locations include Superior, Stevens Point, and Fond du Lac in Wisconsin, Detroit, Pontiac, Flint, Lansing, Battle Creek, Gladstone, and Flat Rock in Michigan, Glenn Yard, Hawthorne Yard, Markham Yard, Decatur, Champaign and Centralia in Illinois, Memphis, TN, Jackson, MS, Baton Rouge, LA, and Mobile, AL.

CN inspects and maintains car equipment and locomotives at designated terminals and in strict compliance with FRA regulations. Inspection records and defect repair information are contained in CN's SAP administrative support computer system. All train inspections on CN territory in Canada and the U.S. (including 1,000-mile inspections) are identified through CN's service design, in consultation with other carriers over whom CN operates, where applicable, and are tracked in the Service Reliability Strategy (SRS) system. Inspection requirements for trains running between Canada and the U.S. are carefully developed to ensure compliance with both countries' regulations. Train inspections are performed by qualified carmen while on duty or by train crew members properly trained in FRA regulations, if no carmen are employed at inspection points.

As noted in the Training section, employees responsible for inspection, maintenance, or repair of CN's locomotives and rail cars must complete a comprehensive apprentice/journeyman program to become qualified. Training and examinations for qualified car and locomotive inspectors fully comply with the requirements of 49 CFR Parts 215, 218, 231, and 232. Carmen training includes hazmat, FRA/AAR Mechanical Inspection Standards, Freight Car Safety Standards, Safety Appliance Standards, Brake System Standards, Blue Flag Protection, and CN safety rules. As required by the Power Brake Rules (49 C.F.R. 32.203) requalification is carried out every three years. Motive Power employees receive similar training under CN's FRA

Locomotive Safety Inspection course and are also requalified on a three-year basis. Utility employees receive annual training.

Specific technical training is provided in areas such as TTX brake equipment, locomotive troubleshooting, etc., including training on all new locomotive and freight car equipment as they are introduced. CN extensively uses GM and GE technical training for employees involved in locomotive inspection, maintenance, and repair.

Added information for mechanical employees is contained in CN's "Mechanical Safety Guidelines" manual, which provides a mechanism for communication of important safety issues from various training programs. CN uses its performance monitoring/efficiency test program (PMRC) to evaluate mechanical employee compliance with various rules, including car and locomotive inspection performance.

CN uses two important systems to help insure the safety of its car fleet. CN's Freight Integrated Repair System (FIRST) tracks all repairs CN performs. These historical data provide CN with important information in making its car fleet more reliable. CN also uses on-line systems to track repair history to identify individual or classes of cars with selected repeat defects.

CN is working with FRA in special inspection audit exercises to review the condition of interchange equipment and, if defects are found, determine the root cause and decide on corrective handling. CN is also actively involved in regular meetings with all carriers at its major interchange points, providing timely interaction to correct problems before they become safety concerns.

CN is an industry leader in its efforts to enhance the crashworthiness of locomotives, and provides all new locomotives with higher collision post protection and larger anti-climber protection than required by regulation. Virtually all are equipped with electronic event recorders.

Most of CN's high horsepower locomotives, including all new purchases, are equipped with dynamic brakes for improved train control.

All of CN's end-of-train (EOT) units have two-way communication with the head end and can put the train into emergency braking. CN has specific pre-departure and changeout procedures to ensure that trains depart with two-way EOT unit communications and emergency braking ability. Included in CN's EOT inventory is a new version that provides 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.

As detailed in the Signal and Train Control section, CN has an extensive network of wayside detectors, including hot box, hot wheel, dragging equipment and wheel impact load detectors, to help ensure the safety of its locomotive and car fleet.

2. Motive Power and Equipment at DMIR/B&LE

DMIR has a number of safety programs and initiatives in place to ensure the safety of its mechanical employees and its car and locomotive fleet, which includes 44 locomotives and about 3,300 rail cars. All cars and locomotives are inspected and maintained to comply with FRA regulations. Train inspections on DMIR are performed by carmen where employed, or by fully trained crew members. All inspections are scheduled and comply with FRA regulations.

All DMIR locomotives are equipped with solid-state event recorders, pulsating ditch lights, dynamic brakes, and EOT monitors. DMIR's EOT devices have two-way communication with the head end, allowing the operator to initiate emergency braking at the tail end.

DMIR's Proctor Locomotive Facility has capacity for inspections, running repairs and complete locomotive overhaul. DMIR also uses Proctor for major car repair facilities. Running repairs to locomotives and cars are performed at Two Harbors and Keenan, MN, with minor in-train repairs being done at Steelton Yard.

As noted in the Training section, car and locomotive personnel are qualified via apprenticeship programs using classroom, correspondence course, and OJT. All car inspectors are trained and tested on FRA requirements (49 CFR Parts 215, 218, 231 and 232). Employees receive regular refresher training. DMIR is currently updating its refresher training program to include the requirements of the FRA Power Brake regulations.

B&LE's current equipment fleet includes 19 locomotives and about 2,400 cars. Major repairs for cars and locomotives are done at Greenville and Butler, PA. Inspections and minor repairs are done at Conneaut, OH (cars and locomotives) and Butler, PA (cars). B&LE uses two-way EOT units on all freight trains, and solid-state event recorders on all its road and yard locomotives.

All B&LE car inspectors have been trained and tested on FRA sections 215, 218, 231 and 232. The required three-year refresher training program is currently under development so as to meet the April 1, 2004 deadline. All locomotive electricians and machinists serve an apprentice period before being qualified in their craft, working with experienced, trained personnel to learn their trade. BL&E also has locomotive inspectors, who have completed the apprenticeship program and have been promoted to mechanic status.

3. Safety Integration – Motive Power and Equipment

CN and the GLT Railroads all have programs and practices designed to ensure the safety of their locomotives and railcars. All conduct inspections and maintenance using qualified

employees and in compliance with FRA requirements. DMIR and B&LE would benefit through access to CN's motive power and equipment system resources and expertise, and from CN's representation on numerous AAR and industry mechanical committees.

The Transaction will also benefit the quality of the combined car fleet. The current DMIR fleet consists primarily of 70-ton ore jennies used to carry ore and limestone between the DMIR-served mines and docks. They are nearing the end of their useful lives and will eventually require replacement. As DMIR's car fleet is integrated with CN's, DMIR would be able to draw on a much larger, on average newer, and more dependable pool of equipment.

Similarly, the Transaction will allow CN to apply its locomotive management and maintenance practices to the DMIR fleet. The ability to draw upon a larger fleet than is now available for service on DMIR will provide greater flexibility and permit more efficient service to DMIR customers. As the older DMIR locomotives are retired, the DMIR fleet would become smaller, younger, and more efficient, improving safety through improvements in dependability.

CN has no plans to alter B&LE's car or locomotive fleets or for changes in the operation of the B&LE car and locomotive shops at Greenville, PA. However, based on current traffic levels and U.S. shop capacity, CN does not foresee the need to continue operating the DMIR car and locomotive shops at Proctor, MN. Rather, CN would continue to use DMIR's current facilities at Two Harbors, Steelton and Keenan, MN, for locomotive servicing and light car and locomotive repairs, while transferring heavy repair work for equipment serving the DMIR lines to one of CN's other U.S. maintenance facilities, which have ample capacity for this additional work.

As noted in the Personnel Staffing section, CN projects that some 10 DMIR employees would be offered the opportunity to follow this work to CN's Woodcrest facility. As these

employees (Machinists, Electricians, Boilermakers and Sheet Metal Workers) are fully qualified for their craft and for FRA inspection and maintenance criteria, CN foresees no integration issues with this transfer.

CN anticipates no changes in car inspection locations from the Transaction. Car and locomotive inspections would continue to comply with FRA inspection requirements, and the mechanical officers responsible for such inspections and tests would remain proficient using CN's training programs.

CN has no current plans for consolidation of territories such that mechanical employees of one railroad would be required to operate under another railroad's operating rules and track protection procedures. Nonetheless, should this occur CN will put in place measures to ensure the safety of employees, including requiring that affected employees be fully trained and qualified on applicable operating rules, track protection, and other safety procedures for the territory.

Equipment-related information systems would remain separate initially, but may be consolidated eventually. Before such consolidation, CN would first fully review system and training requirements. The success of the CN/IC and CN/WC integrations of information technology confirms the wisdom of a gradual, well-planned process, including detailed training. CN would keep FRA advised of plans in this regard as part of the monitoring process.

Based on its initial review of DMIR and B&LE's locomotive radios, EOT systems, event recorders and control systems, CN does not foresee any compatibility issues that could lead to safety or operational problems. Nonetheless, prior to implementation CN would ensure that proper measures are in place to address any potential incompatibilities. CN already has pre-departure and changeout procedures to ensure that trains do not depart without fully functioning

two-way communications for EOT units. In addition, to avoid potential confusion, CN intends to retain the existing separate locomotive identifications.

E. SIGNAL AND TRAIN CONTROL

1. Signal and Train Control at CN

CN has integrated its various S&C activities and programs throughout its Canadian and U.S. system.

The CN U.S. network includes some 2,220 miles of Centralized Traffic Control (CTC) signal systems and an additional 890 miles of Automatic Block Signals (ABS). In 2003, CN is adding over 80 miles of CTC to its DWP line. CN's communications infrastructure consists of a combination of technologies, including fiber optic, microwave, data radio, and copper circuits. CN uses a combination of owned and leased facilities to provide redundancy for critical communications functions. CN has programs in place to eliminate the approximately 250 miles of pole line that remain in service in the U.S. CN provides continuous coverage for monitoring of S&C incidents and the dispatching of qualified personnel to trouble sites. To reduce response times, CN's S&C maintainers take their vehicles home with them. Signal crews are also available to provide additional support for larger problems.

CN has over 630 wayside inspection systems along its lines in the U.S. and Canada, consisting of integrated hot box, hot wheels, and dragging equipment detectors. Information is immediately conveyed to train crews through talkers. CN is reducing spacing on critical corridors to between eight and 15 miles over the next few years.

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 under industry standard “visual” methods. CN has a system-wide network of 17 detector sites.

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.

CN’s S&C General Instructions Manual describes the processes and procedures necessary to perform the inspections and tests mandated by the FRA. CN has recently implemented electronic documentation of tests, using hand-held computers.

As noted in the Training section, CN’s S&C personnel receive extensive apprentice training as well as additional regular training specific to their work assignments. S&C employees are trained on Road Worker Protection annually and operating rules biennially.

2. Signal and Train Control at DMIR/B&LE

DMIR has made good use of S&C technology to further its safety program. The DMIR network includes 80 miles of CTC territory controlled through three MCS-1 code lines (two are on communications cable and one on radio). The code line interface to the office is supported by Safetran packet switches. DMIR’s communications system includes 100 miles of pole line, 25 miles of buried communications cable, and 25 miles of coded track circuits. DMIR was the first U.S. railroad to implement a trap circuit in CTC territory using axle counting technology. The system, approved under FRA waiver, applies to steel deck bridges that have track circuits isolated from the bridge deck by insulated pads. It increases safety by reducing the chance for error in ways that traditional trap circuit signal designs cannot.

DMIR is divided into six geographic areas for signal maintenance and reported problems. Around-the-clock coverage is provided by signal maintainers, allowing a maintainer with a fully equipped vehicle to be on-site within one hour of notification. A signal crew is available for larger problems where required. Signal employees are generally drawn from the ranks of senior electricians and provided with OJT, including the importance of inspecting and maintaining signal systems to FRA standards.

The DMIR network has 10 Hot Bearing and Dragging Equipment Detectors, spaced about every 15 miles on the heavy-haul taconite routes. All detectors use talker technology to immediately convey the results of the inspection directly to the train crew. DMIR also has an additional 20 Dragging Equipment Detector locations that are equipped as radio talkers or provide CTC alarm indications to the dispatcher.

All DMIR public signaled grade crossings have remote alarm capability to notify maintainers for quick response to possible operating problems.

The CTC on B&LE is a Union Switch & Signal computer-based system with the main control board in Duquesne, PA. Track circuits are DC-coded track with all sidings equipped with occupancy indications. There are no pole line circuits, except where necessary as a source of AC power service.

B&LE's communications system consists of seven base radio stations, all equipped with discrete channels for transportation, maintenance of way and foreign-road use as needed. All radios have battery back-ups and emergency dial-up capabilities.

B&LE is divided into three territories for S&C coverage and response by signal maintainers. During normal working hours maintainers respond to reported problems. During non-scheduled hours, notification of problems goes to a designated "on-call" supervisor who in

turn contacts the appropriate maintainer(s). B&LE S&C employees are trained in signal system components and FRA requirements.

B&LE is currently carrying out a program to upgrade standby batteries and chargers at all signal locations to “maintenance free” lead-acid batteries with automatic chargers. In addition, all #9 track wires are being replaced with #6 solid wires as failures occur or when opportunities arise. Burying AC power feeds or upgrading to triplex cable has replaced all but several short sections of AC power lines.

The B&LE network is equipped with seven integrated hot bearing, hot wheel and dragging equipment detectors. These are spaced at approximately 18-mile intervals and immediately inform the train crew of inspection results through talker technology.

Safety Integration - Signal and Train Control

CN and the GLT Railroads make good use of S&C technology to improve the safety of their operations, and have procedures and systems that allow qualified employees to respond quickly to reported S&C-related problems. CN would continue to ensure that this timely response capability is retained and that employees remain qualified.

The Transaction would generally not affect current research and development or capital upgrade plans. As noted in the Capital Investment section, one exception is CN’s consideration of extending several sidings and adding CTC on its DWP line. CN’s acquisition of the parallel DMIR line and the ability to provide directional running would make these changes unnecessary.

CN and the GLT Railroads would share the results of current research initiatives and identify areas where they could benefit other locations on the combined system. A good example is the DMIR trap signal technology, which CN would review for possible expansion.

F. TRACK SAFETY STANDARDS AND BRIDGE INSPECTIONS

1. Track Safety Standards and Bridge Inspections 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 U.S. operations. Examples include the expansion of CN's acoustic emission testing program, laser clearance car, and state-of-the-art Bridge Testing System technology.

CN's Bridge Design and Rating Group has expertise in bridge management, design, testing and load rating. CN recently updated Standard Practice Circulars dealing with inspection of steel, timber, concrete and masonry bridges, and maintenance of timber bridges and bridge decks. CN's U.S. bridges are visually inspected by qualified employees annually. Detailed inspections occur at intervals based on age and annual tonnage. Bridges are also rated in each detailed inspection.

CN is developing a fully integrated Bridge Management System which will provide a comprehensive asset management tool with access to all bridge information, including inventory, condition, rating, scheduling, and costing data. CN has also recently developed a Bridge and Culvert Condition Reporting System providing a central data warehouse for all of CN's bridge and culvert condition data, consistent component and structure condition ranking, and automated sign off procedure for all inspection reports.

Two other recently implemented programs help further ensure the safety of CN's bridges. CN's Earthquake Screening and Rating System of Critical Bridges includes a post-earthquake response/inspection plan, under CN's Earthquake Notification System. CN's River Scour Hazard Assessment & Reporting Process for bridges provides automatic flood notification allowing CN to protect train operations and ensure that bridges are inspected during and after significant flood events.

b. Track and Roadway

Inspections of CN track in the U.S. are mandated by FRA Railroad Track Safety Rules. As part of previous merger implementations, CN has successfully integrated the track inspection programs of its U.S. railroads. CN's Standard Practice Circulars contain inspection requirements and recommended methods for the entire CN system.

Other important initiatives aimed at ensuring the quality and safety of CN's track include:

- Track Evaluation Car is a state-of-the-art car that measures and records track conditions under dynamic wheel loading while traveling at normal freight speeds. It is programmed to handle both FRA and Canadian track requirements, and is used on all CN territory, including the U.S., where it was extended to IC and WC as part of merger implementation and operates at least twice per year on core lines. It operates in concert with FRA T-10 Car (FRA schedule) and Amtrak Car 10002 (Passenger lines only). CN will also be adding three hi-rail mounted track geometry test units for testing yards, spurs and branch lines.
- Rail Flaw Detection Program is used on all CN territory. It involves advanced ultrasonic testing with information displayed visually to the operator on an onboard computer. Defects detected are immediately identified and reported to the Supervisor of Track who must initiate prompt corrective action. Testing is performed on all main lines. CN has also implemented a program involving increased winter testing as part of a winter safety plan, with positive results. CN has also begun to test all plug-and-use rail ultrasonically.
- An extensive rail grinding program covering over 6,000 main line miles per year is designed to maintain desired optimal rail head profile for the best wheel/rail 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 provides CN with weather forecasts as well as location and time-specific notification of weather warnings, allowing for advance planning of activities and resources.
- Earthquake Notification System on all CN territory helps CN detect and react to earthquakes. Information immediately shows as an alarm on the dispatcher's console.

c. Extensive Engineering Training Packages

Many CN training courses directed at Engineering safety have been extended to IC and WC operations as part of previous merger implementation. Track employees in both Canada and the U.S. are trained on Track Inspection Standards, Movement Over Rail Breaks, and Continuous Welded Rail. The U.S. program, designed to comply with Track Safety Standards requirements, includes biennial retraining on Movement over Rail Breaks. U.S. employees are also trained on Road Worker Protection annually and Operating Rules biennially.

Depending on an employee's specific occupational requirements, additional training is provided in areas such as Fall Arrest Protection, Bridge Scaffolding, Confined Spaces, Track Train Dynamics, Thermite Welding, Rail Grinding, Water Management, Manganese Fumes, or Simplex (rail benders).

CN's bridge inspectors receive a detailed four-day bridge inspection workshop every three years, and also receive training on bridge inspection and bridge Special Practice Circulars. CN also regularly audits bridge inspection practices and quality.

2. Track Safety Standards and Bridge Inspections at DMIR/B&LE

DMIR and B&LE both have bridge and track safety and inspection programs that meet FRA requirements.

a. Bridges and Structures

DMIR inspects and maintains bridges to industry and American Railway Engineering and Maintenance of Way Association standards. Qualified DMIR employees structurally inspect

main line bridges annually and branch line bridges every other year, making a record of each inspection. External consultants (Registered Engineers with railway bridge experience) also conduct detailed inspections of about 40% of DMIR's bridges each year. All DMIR bridges have been re-rated within the last 10 years. DMIR conducts minor bridge design and contracts out major design work to professional engineering consultants with railway bridge experience.

B&LE contracts out annual bridge inspections as well as bridge rating and design to third-party engineers with railroad bridge experience.

b. Track and Roadway

DMIR conducts track inspections in conformance with FRA standards and requirements. It maintains main line trackage to at least industry standards and FRA Class III requirements. It maintains the Spirit Lake/Interstate Branch, Wales Branch, and Hinsdale Branch to at least industry standards and Class II requirements. Inspections are recorded on appropriate forms for main line, yards and sidings, and turnouts. Frequency of inspection is also recorded to ensure compliance with standards.

Ultrasonic inspections for internal rail flaws are conducted by outside contractors twice a year on main lines and once a year on branch lines, major plant trackage, and major sidings. Rail grinding is performed yearly dependent upon availability of equipment.

Mechanized track geometry testing is carried out annually by an outside contractor on all main and branch lines, and includes gauge restraint. The segments of the Spirit Lake and Interstate Branches used jointly with CN are also tested three times per year by CN's Geometry Car.

B&LE conducts track inspections weekly and monthly in accordance with FRA Track Safety Standards (49 C.F.R. Part 213). It conducts weekly inspections of main line and siding

tracks and main line turnouts by two-man track “patrols” headed by a foreman qualified to do such inspections. The patrols also perform routine maintenance and repair tasks. Other qualified Maintenance of Way employees conduct monthly inspections on foot of track other than main line, and sidings (*e.g.*, yard tracks and switches). In addition, the track patrols conduct specific quarterly inspections of industry sidings, road crossings, and main line turnouts.

B&LE has ultrasonic rail flaw detection testing conducted annually by a national contract service. Track geometry, rail profile, and gage restraint testing are also conducted by contractors on either a 12- or 18-month cycle. Annual track maintenance programs include rail grinding when conditions dictate.

c. Training

DMIR track inspectors are qualified on the basis of experience and OJT. Bridge inspectors are qualified on the basis of experience and formal education. As noted in the training section, all DMIR bridge and track employees receive eight hours of training annually, covering roadway worker protection and various OSHA and MSHA requirements. Supervisors and employees also meet weekly to discuss safety issues.

B&LE employees assigned track inspection duties must have completed an in-house Track Foreman’s Training Program or have demonstrated the knowledge necessary to perform the inspections based on their work experience. Successfully passing a written test covering the FRA Track Safety Standards is a prerequisite for assignment as a track inspector. They also receive annual roadway worker protection training.

3. Safety Integration – Track Safety Standards and Bridge Inspections

Each of the three railroads extensively uses technology and employee training to ensure the safety of its plant and employees. All have well-maintained facilities with no deferred maintenance issues.

There are a number of opportunities for CN to extend its resources and best practices to DMIR and B&LE. For instance, they would immediately be able to take advantage of CN's expertise in areas such as bridge design and testing for the combined system, as well as CN's specialized engineering equipment, such as the laser clearance car, track evaluation cars, and bridge testing equipment. They would also gain immediate access to CN's track maintenance expertise and resources.

CN would review extension of its earthquake detection system, risk assessment initiatives in the area of water control and rockfall hazards, and potential benefits associated with integration of programs such as rail flaw detection and rail grinding. A number of CN's Engineering data systems could also benefit DMIR and B&LE, including the rail flaw detection data system and the data system associated with CN's Track Evaluation car results. As mentioned in the Training section, CN would also extend to DMIR and B&LE access to combined training resources, including courses, videos, etc. CN courses such as Water Management would seem to be of particular benefit to DMIR and B&LE.

Both CN and the GLT Railroads have Roadway Worker Protection programs that meet their requirements and have been approved by FRA. CN does not plan to consolidate these programs initially, but would look for opportunities to do so in the longer term.

CN has no current plans for consolidating track and roadway territories. Nonetheless, if engineering employees of one railroad are required to operate under another's operating rules and

track protection procedures, CN 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 for the territory.

G. HAZARDOUS MATERIALS

1. Transportation of Hazmat at CN

a. Organization

CN handles over 800,000 cars containing hazmat each year (loads and residues). To ensure safe handling and regulatory compliance on both sides of the border, CN has Managers-Dangerous Goods/Hazardous Materials at Headquarters and in the Regions. These specialists work very closely with all CN functions, customers, shippers, railway associations and regulators to ensure the safe transportation of dangerous goods/hazmats by rail. In addition, CN's Risk Managers are also fully trained in all aspects of hazmat and provide support for field operations and the Managers-Dangerous Goods. CN also has 36 Hazmat Technicians located across its system who are specially trained for emergency response (16 in the U.S., 20 in Canada).

b. Training

As chemicals make up a large portion of CN's U.S. traffic, hazmat training has 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 subjects include hazmat general awareness/familiarization, function-specific, and safety. Employees are tested on the subjects covered in the class. Retraining is done on a three-year cycle.

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). CN provides Tank Car Specialist Training – a 40-hour advanced course focusing on railroad tank car design and construction, valve repair, damage assessment and derailment response – to employees who require a higher level of training due to their involvement at derailment sites, and provides annual training for special key routes and key trains. CN is also completing its initial Security Plan training for all employees involved in transportation of hazmat.

CN is a member of AAR's Bureau of Explosives 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 who 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. These plans are based on the Incident Command System (ICS) methodology and are reviewed annually. CN response personnel are trained on the Emergency Response Plan and the ICS process. External responders also attend these training sessions. 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 Centers play important roles in the emergency response process. U.S. operations are handled out of CN's Homewood IL, Troy, MI, and Stevens Point, WI, Network Operations Centers, which closely track 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 Centers also handle immediate notification to local emergency response agencies (police, fire, emergency medical technicians), Hazmat Officers, American Chemistry Council's affiliate CHEMTREC, and appropriate regulatory agencies.

An important recent addition to CN's Emergency Response capabilities is its contract with the Center for Toxicology and Environmental Health (CTEH) which provides high quality emergency response and environmental services for releases of hazardous materials or other environmental contaminants. The contract includes toxicological, environmental, and human health consulting services, emergency preparedness and planning, on-site emergency meteorological monitoring, and air modeling and on-site air sampling and analysis (using the Safer Star computer model) to support the decision-making by CN's on site personnel. CTEH also assists CN personnel in providing technical liaison with emergency response personnel, local health care providers, local community leaders, and federal, state, and local governmental and regulatory agencies.

d. Key Trains and Routes

In accordance with AAR's directive OT-55E recommending operating practices, CN has specified Key Routes. These are reviewed annually and identified in the timetable. Key Train designation under OT-55E is also applicable 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

CN's new U.S. Operations Operating Manual includes special Hazmat Instructions covering CN's entire U.S. operations.

f. Service Reliability Strategy System

CN's SRS system 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 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 received from shippers and connecting rail carriers 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 keeps a record of car inventory by track and train to provide the standing order listing of cars, and adds the required hazmat description from waybills. Train crews use these printed documents to switch cars to 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 be contrary to regulatory requirements, a warning is given 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, which 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 the lists 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. 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, marshaling, inspections, emergency response, and training. As part of CN merger integration, the audit program was successfully expanded to IC and WC.

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 state inspectors.

h. Operation Respond

Operation Respond is a non-profit organization aimed at improving information available to first responders (*i.e.*, police, fire, rescue personnel) 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/hazmat. Over 100 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. 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-accidental release information. CN is committed to working in close partnership with its customers continuously to

improve hazmat handling. CN extended the program to IC in 1999 and WC in 2002. In 2002, the 120 winners included 49 U.S.-based companies.

k. Responsible Care®

CN actively participates in the chemical industry's Responsible Care® program and has extended participation to IC and WC as part of merger implementation. Through Responsible Care®, member and partner companies are committed to supporting a continuing effort to improve the industry's responsible management of chemicals, including community outreach and emergency response. CN became the first rail carrier to join the Responsible Care® initiative in Canada and has 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 successfully carried out. In 2001 CN completed the successful implementation of Responsible Care® for its Canadian operations following a thorough third-party verification of its management practices. CN is currently preparing for a Responsible Care® re-verification in Canada and certification in the U.S.

2. Transportation of Hazmat at DMIR/B&LE

Although transportation of hazmat is a minor part of the DMIR and B&LE operations, both ensure that the necessary training and emergency planning are in place.

DMIR has developed an Integrated Contingency Plan in the event of a hazmat release on its lines. DMIR's Integrated Contingency Plan contains Hazardous Emergency Response procedures. The Plan details roles and responsibilities in the event of a hazmat incident and contains detailed information for Initial Response, Sustained Actions, Termination, and Follow-up Actions. It has been distributed to Managers at Proctor, Keenan, and Two Harbors, and to Train Dispatchers at Keenan.

Under the Plan, any employee, including those on trains, shall immediately notify the Dispatcher who will then notify the Operations Supervisor on duty or the Supervisor from the area. The Train Dispatcher's office becomes the initial communication center between all involved personnel and will notify emergency response team members. Operations Supervisors or Facility Supervisors are the DMIR Emergency Response Coordinators and act in an initial leadership role unless Fire or Police departments or a Federal agency respond.

DMIR and the clerks at its Proctor office use a third party, RailConnect, for handling hazardous car documents and movements. Hazardous waybills are electronically transmitted with connecting carriers. Electronically received hazardous waybills are printed and inspected for Standard Transportation Commodity Code or car type (tank or hopper) errors. Clerks at Proctor are responsible for all Hazmat paperwork processing and maintaining current car status. Conductors, at all locations, receive Hazmat paperwork for hazardous car movements from the Proctor clerk.

Once every three years all hazmat employees receive hazmat training in a classroom environment consisting of lecture and open discussion using resources in the DMIR Operating Rule Book, Code of Federal Regulations, and Emergency Response Guidebook.

B&LE handles only one hazmat commodity, transportation of argon gas from North Bessemer to Butler, PA. Cars associated with this interline move are inspected by train crews at the North Bessemer interchange and by personnel of the connecting railroad, Union Railroad, an affiliate of U.S. Steel Co. Billing information and response information is provided to the B&LE crew before they pick up the car. B&LE train crews and clerks receive hazmat training every two years, supplemented by annual training on an as-needed basis for changes in instructions or regulations.

3. Safety Integration – Transportation of Hazmat

With hazmat traffic making up an important part of its business, CN has developed a number of excellent programs to ensure safety in this area. These programs directly address the potential hazmat-related concerns that FRA has raised about rail control transactions, such as inspections, communications, emergency response, and IT systems.

Although hazmat is not a major part of either DMIR's or B&LE's traffic, each has appropriate hazmat programs in place. CN has initially reviewed them and identified a number of elements of CN's hazmat programs that could be expanded to DMIR and B&LE operations, including CN's successful hazmat audit programs and its Safe Handling Awards program. DMIR and B&LE would also be brought under CN's Responsible Care® partnership, and would gain immediate access to CN's Incident Command training and CTEH contract resources.

Expansion of CN's hazmat-related programs and practices to the GLT Railroads would ensure that the combined system is well situated to address potential concerns such as field inspection, hazmat communications standards, emergency response procedures, and information systems/personnel involved in transmitting and receiving hazmat information. Key aspects of this plan include CN's extensive audit program and the eventual extension of CN's SRS information system.

CN successfully expanded SRS and other aspects of its Hazmat safety program in the IC and WC mergers, and would use the same careful process and ensure the same high level of employee training and monitoring here. Throughout, CN would concentrate on ensuring the quality of its information technology and hazmat documentation, and would establish contingency plans to address unexpected problems.

Crews. Crew calling and timekeeping for CN's U.S. operations parallel its train dispatching operations, using facilities in Troy, MI, Superior and Steven's Point, WI, and Homewood, IL. As part of previous merger implementation activities CN has completed the successful consolidation of all of its U.S. crew management activities into CN's CATS System.

2. Dispatching at DMIR/B&LE

Trains. DMIR train dispatching operations are located at Forbes, MN (Keenan Yard). Two dispatchers (North and South) and a Chief Dispatcher are on duty for each day shift, seven days a week, with one dispatcher covering both the North and South Dispatcher position on the afternoon and night shifts. The DMIR Chief Dispatcher supervises seven dispatchers, including four regular positions, two relief positions, and one extra board position. They dispatch approximately 80 miles of CTC and 120 miles of Track Warrant Control, including 50 miles with ABS territory. Dispatchers have been trained in-house and at the BNSF training centers in Kansas City, MO, and Fort Worth, TX. OJT occurs as required to qualify dispatchers on the North, South, and Chief Dispatcher positions. DMIR dispatchers take road trips within their territories twice per year. They are subject to proficiency testing by the Operations Manager at Keenan.

In 2002 DMIR installed an integrated dispatcher's office system purchased from ALSTOM, including many features to increase dispatcher safety and efficiency. "Point and click" operations are used to issue authorities to trains and Maintenance of Way crews. The system features fully integrated CTC, Track Warrant Control, Track Bulletins, and Train Sheets. Train sheet data are automatically communicated through an interface with the Crew Dispatch system, with all information archived on computer disks for easy retrieval.

B&LE train dispatching is conducted jointly with U.S. Steel affiliate Union Railroad in Duquesne, PA. (Until a few years ago B&LE and Union were both affiliates of U.S. Steel.) B&LE uses CTC for the majority of its network, including its main line. It also employs a manual block (Form X) system on the Erie Branch and a "staff" system on the Conneaut, Hillards, and Western Allegheny Branches. B&LE's CTC system is a Union Switch and Signal computer-based system with the main control board in Duquesne, PA. Two desks are manned by two dispatchers (one Union Railroad and one B&LE) working the day shift Monday-Friday, and one joint dispatcher working all other shifts. Three Union Railroad employees and three B&LE employees are qualified to work as dispatchers.

Crews. DMIR crew management is located at Proctor Yard. One Supervisor supervises four crew callers (three regular positions, one relief position) and maintains the crew calling database. The office provides around-the-clock coverage. DMIR crew callers also perform the functions of car control clerks (Movement Clerks). Information is kept using a mainframe mechanized crew dispatch system created in-house with assistance from an outside contractor.

B&LE Crew Dispatching functions are done in Greenville, PA, by clerical personnel.

3. Safety Integration – Dispatching

Although both train and crew dispatching operations would initially remain separate for CN and the GLT Railroads, CN expects to integrate DMIR's crew management and train dispatching systems within the first two years after consummation of the Transaction. The consolidation would likely be in Superior or Stevens Point, WI.

Specific plans have not yet been developed for this consolidation at any final location, however, CN would ensure that the consolidation is carried out carefully and that all training and familiarization as to both operating rules/procedures and systems, is completed prior to the

CN is very active in the Operation Lifesaver Inc. program. Over 150 employees have become certified Operation Lifesaver trainers, putting on some 1,000 presentations each year to schools and other community organizations, driver education classes, and school bus and to 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 more than 30 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.

Details on all crossing accidents in Canada and the U.S. are captured in CN's SAP 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 partnership required to further crossing safety.

CN has added prominently posted 1-800 emergency location numbers to all public crossings in Canada and the U.S., allowing the public quickly to contact it with information on emergency situations or signal crossing problems 24 hours per day. CN has also greatly expanded the number of its crossing systems equipped with constant warning detection, employs widespread use of 24-hour electronic crossing monitors, and has installed signal lights using LED technology. As part of its ongoing search for effective, low-cost solutions for less-traveled

crossings, CN has also pioneered the use of walk light technology and convex mirrors at private crossings in Canada. CN has special contact information for operators of wide or heavy vehicles on its corporate web site.

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

CN Police's Communication Center in Montreal has computerized information that allows assist-respond calls to CN's 1-800 emergency number, posted at 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.

2. Grade Crossing Safety at DMIR/B&LE

Although grade crossing accidents are relatively infrequent on both DMIR and B&LE (average of 1.5 (DMIR) and 1.0 (B&LE) accidents per year over the past five years), both railroads have a number of important programs and practices.

DMIR has 35 signaled grade crossings including many using constant warning detection and LED signal technology.

DMIR works closely with the Minnesota Department of Transportation, county and city agencies, and individuals to improve grade crossing safety. DMIR Certified Operation Lifesaver employees regularly make presentations to local schools and groups. A 1-800 emergency number is prominently displayed at all signaled grade crossings. All DMIR public-signaled grade crossings have remote alarm capability to notify maintainers for quick response to possible operating problems. All local law enforcement agencies have provided DMIR with non-

emergency telephone numbers so that they can be notified should a crossing warning system malfunction as required by FRA rules. DMIR's web site contains special contact information for operators of high/wide loads.

In the event of an accident, emergency response is coordinated through the DMIR train dispatcher. All crossing accidents are recorded and reported to FRA as required by regulation. DMIR is actively identifying those crossings that meet closure/consolidation guidelines.

B&LE is also actively involved in crossing safety. It works with Pennsylvania DOT officials and local municipalities to upgrade and improve grade crossings and to close or consolidate crossings where practical.

B&LE is one of three railroads in Pennsylvania to participate in a four-year project to install constant warning time devices at public road crossings. By the end of 2003, the first 10 of 39 crossings will be complete. Each installation incorporates Grade Crossing Predictor (GCP) technology along with low battery monitors, and data recorder modules. Each recorder can capture and store a history of train activity, power on/off, battery voltage, and gate positioning, along with other parameters. B&LE has also already upgraded an additional 12 crossings with GCP technology, and others are being retrofitted.

B&LE has 1-800 numbers and the DOT crossing number clearly displayed on signal cases at each of its protected crossings. Motorists and local 911 operators regularly report suspected malfunctions to the B&LE Train Movement Director.

3. Safety Integration – Grade Crossing Safety

CN and the GLT Railroads would largely retain their existing crossing safety programs that combine education, enforcement, and technology. The programs, however, do provide best practice elements from which the combined system could benefit. These include: research and

development initiatives such as advanced crossing technology; crossing closure/consolidation programs; integrated accidents database; and Operation Lifesaver resources.

As mentioned, CN may coordinate operations over the parallel CN and DMIR lines between Shelton Junction and Nopeming Junction to maximize efficiency. In effect they would be operated much like a double-track line. Under such a program, CN could institute “directional running” so that, for example, southbound trains would primarily use the DMIR line while northbound trains would primarily use the CN line.

The Transaction would have no effect on yard volumes. Nor are there any other changes expected that would increase the potential for blocked crossings. To the contrary, directional running, if adopted, would likely reduce the time crossings are occupied by reducing the number of train meets.

The CN line today handles an average of 13 trains per day (six southbound loaded trains, six northbound empty trains, and one local). The parallel DMIR line handles between one and 14 trains per day, depending on the particular segment. Rerouting to accommodate coordinated operations on the parallel lines could bring about a net increase of about 6.5 trains per day on the DMIR line, and a net decrease of about 6.5 trains per day on the CN line. (CN believes that this is the maximum traffic change likely to occur from shifts of traffic resulting from the transaction, and it could in fact be less).

This increase on the DMIR line is below the eight train/day threshold used in STB environmental analyses. 49 C.F.R. § 1105.7(e)(5)(A). In reviewing the safety aspects of the potential increase, CN has found no reason to expect that the affected crossings would become less safe. The line passes through a relatively sparsely populated portion of northeastern Minnesota. As noted in the list contained in Appendix B (based on data from DOT), there are

only 37 roadway crossings on this section of DMIR, the vast majority of which have very low volumes of vehicular traffic (most less than 100 vehicles per day). Only six exceed 500 vehicles per day, all of which have active warning systems in place, and four of those, including the two with the highest traffic volumes (4800 vehicles per day), have gates and constant warning time circuitry. It is also important to note that this line has recently handled much greater train volumes, as shown in the train traffic data in Appendix B. Prior to 2003, train traffic from the EVTAC mine and pellet plant resulted in levels that were similar to those under the potential post-transaction operation. Moreover, since the two rail lines are never more than 12 miles apart, many of these roadways would likely experience a reduction in rail traffic at the nearby crossing of the CN line.

Although crossing safety is not expected to be adversely impacted by the Transaction, CN will ensure that the Minnesota State Department of Transportation (MnDOT) is aware of the traffic levels where roadways cross DMIR and will consult with MnDOT so that it can take these traffic levels and projected increases in train traffic at affected crossings into account in reviewing the adequacy of existing grade crossing protection.

CN would also continue current initiatives in working with local police and emergency response authorities and providing 1-800 number information at crossings to ensure proper emergency response in the event of an accident.

No traffic changes are expected for B&LE operations.

J. PERSONNEL STAFFING

CN estimates that the GLT Transaction would result in the abolishment of 122 positions and the transfer of 18 positions. It anticipates that some of those impacts of the Transaction could be accommodated through normal attrition through the implementation period, and affected

employees could in some cases have the opportunity to fill other positions that might open up elsewhere in CN's U.S. operations.

The Transaction would generate efficiency gains that would likely affect employment levels in three primary areas.

First, as shown in the Labor Impact Exhibit set forth as Appendix A, the largest anticipated impact is in the area of general and administrative ("G & A") positions. CN intends to streamline duplicative administrative activities, including those performed by third parties. This would primarily affect executive and senior management personnel in Monroeville, PA and Duluth, as well as clerical ranks providing administrative services for the GLT Railroads. After the Transaction, B&LE would no longer perform administrative work that it currently performs on behalf of GLF. CN has no current plans for workforce reductions at P&C Dock.

Second, the CN/GLT Transaction would permit significant improvements in equipment utilization and maintenance activities. As newer cars and locomotives are integrated into the fleet of the combined system, maintenance requirements should drop. Further, as noted earlier in the discussion of Motive Power and Equipment, under CN's current plans heavy locomotive repair work would be relocated to the CN Woodcrest shop at Homewood, IL, where there is sufficient capacity to handle the additional work. Some employees would be offered the opportunity to follow this work. CN plans to continue carrying out lighter locomotive and car repair work at existing DMIR shops at Keenan Yard and Two Harbors.

Finally, in the transportation area, dispatching and crew calling offices may be combined with those in other CN locations, resulting in some job reductions. Some employees would have the opportunity to relocate to follow this work. The dispatching and crew calling offices would

only be combined once systems have been put in place to ensure proper coordination of train movements across CN and the GLT Railroads.

CN does not foresee that the exchange of trackage rights between DWP and DMIR, which CN proposes in order to enhance the flexibility of its operations on the parallel lines between Shelton Junction and Nopeming Junction, would result in any adverse effect on train and engine service employees.

Management employees whose positions are eliminated as a result of the Transaction, and who are not offered a job opportunity elsewhere in the CN system, would be offered severance packages. If relocation to another job is offered, CN would offer to relocate the management person in accordance with the then current CN management relocation plan.

The projected changes represent CN's best estimate, based on information presently available, of the changes necessary to effect the public transportation benefits and the efficiencies of the Transaction. However, additional changes may be required in carrying out the approved transaction, as circumstances change, opportunities open elsewhere on the CN system, traffic and shipping patterns evolve, and CN acquires experience in operating the combined system.

K. CAPITAL INVESTMENT

CN expects to spend approximately \$300 million capital additions to plant, equipment, and infrastructure in the U.S. in 2003 and 2004, driven by strong focus on a safe, reliable network and increased customer satisfaction. An important feature of CN's capital spending is further improvement in the fluidity of the network in order to further improve service, reliability and speed, as well as the overall safety of its operations.

The Transaction would not require any capital investment by CN, other than that associated with the eventual integration of information systems, such as CN's SRS system. The

Transaction is not otherwise expected to affect CN's capital investment plans for 2004 and beyond. One exception concerns CN's consideration of possibly extending sidings and adding CTC on the portion of its line between Shelton Junction and Nopeming Junction. As noted earlier and in the Operating Plan, the Transaction would allow CN to coordinate operations over the parallel CN and DMIR lines between these points, permitting them to be operated much like a double track line. In addition to improving the efficiency of the lines, such coordination would obviate the need for those investments.

The GLT Railroads have relatively modest plans for continuing investment in plant and infrastructure. After consummation CN would carefully review such investment plans in the context of broader system requirements.

L. INFORMATION SYSTEMS

1. Information Systems at CN

CN extensively uses computerized information systems to manage train operations. CN's Information Technology group oversees the design, development, and maintenance of all CN information systems. CN has completed extension of its key information systems to IC and WC.

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. After a major planning and training program, CN successfully extended SRS to IC in 2000, and to WC in 2003.

CN's CATS, used for management of train crews, was successfully extended to IC and WC.

As noted in the Train Dispatching section, CN has recently completed upgrading its dispatching system on all of its U.S. lines to a common platform, using a DigiCon Control System. Other systems are described in other sections of this SIP.

As a result of heightened security concerns in the past few years, CN has focused intensely on its disaster recovery and system security capabilities. It has established a detailed plan and the necessary capabilities, and conducts annual disaster recovery simulations to ensure that its capabilities remain up to date.

2. Information Systems at DMIR/B&LE

Both DMIR and B&LE use a Railcar Management, Inc. system to manage rail operations. This system provides information on car, train, and locomotive origin, destination and most recent location, with tonnage profiles, car information, any speed restrictions or special instructions for train crews, and the necessary hazmat waybill and response information. DMIR and B&LE have established Disaster Recovery plans in association with Railcar Management, Inc.

As noted in the Train Dispatching section, DMIR dispatching is handled using an Alstom dispatch system while B&LE uses a Union Switch and Signal system.

3. Safety Integration – Information Systems

CN and the GLT Railroads have already started reviewing the individual railroad information systems and are confident that they will safely and efficiently support the combined rail system following implementation of the Transaction.

The information systems used by DMIR and B&LE, although less extensive than CN's SRS, meet their requirements. They are much smaller operations than CN, handling a relatively

small amount of traffic, in a limited number of categories, most of which moves in unit trains between a limited number of origins and destinations and does not require complex, specialized computer applications for planning and tracking. CN plans to extend SRS to the GLT Railroads at an appropriate time. CN has experience in such an initiative, having successfully expanded SRS to both IC and WC. As with those transactions, CN would provide railroad personnel training, including field testing, and allow them to get familiar with SRS prior to full cutover.

Absent consolidation, existing systems would be linked through electronic data interface using enhanced protocols that would support efficient single-line-like service. As noted in the Dispatching section, the railroads would also assess the possibility of consolidating crew management information using CN's CATS system.

Although the GLT Railroads have disaster recovery plans for their key information systems, CN will work towards integration of the GLT systems into the CN recovery plan and include it in the annual test simulations.

Section 4

Implementation of Safety Integration Plan

As required by the FRA regulations, CN has developed a SIP implementation plan which sets out how it would carry out the initiatives described in this document and the resources to be assigned to each initiative (Appendix C). The plan is based on the Safety Integration Plan Accountabilities (SIPA) documents that had been successfully used to monitor merger implementation in the CN/IC and CN/WC transactions. As was the case with those SIPAs, CN expects that the plan would be dynamic, changing with experience and as decisions are made. CN would again provide FRA with regular updates of the SIPA.

CN's General Manager–Wisconsin Division and General Manager–Michigan Division would bear direct responsibility for seeing that the SIP is safely implemented, supported by executive and senior management of CN and the GLT Railroads. If in doubt about any particular issue, CN would maintain the status quo (with proper procedures) until assured that implementation could take place with no adverse safety consequences. CN's recent experience with the successful implementation of the CN/IC and CN/WC mergers provides important guidance in how best to consolidate programs and build on each of the combining railroads' strengths.

CN would work closely with FRA throughout and welcomes any constructive comments.

APPENDIX A
Copy of Labor Impact Exhibit

**ATTACHMENT B
CN-GLT Labor Impact Exhibit**

DMIR

Location	Classification	Jobs Transferred	Jobs Abolished	Jobs Created	Transferred To	Year
Proctor, MN	Machinists	6	13		Homewood, IL	1
Proctor, MN	Electricians	2	16		Homewood, IL	1
Proctor, MN	Boilermakers	1			Homewood, IL	1
Proctor, MN	Sheet Metal Workers	1			Homewood, IL	1
Duluth, MN	Train Dispatchers	4	3		Stevens Point, WI, or Superior, WI	1
Duluth, MN	Clerks		17			2
Duluth, MN	Management	4	27		Homewood, IL	1
Totals		18	76			

B&LE

Location	Classification	Jobs Transferred	Jobs Abolished	Jobs Created	Transferred To	Year
Monroeville, PA	Clerks		17			2
Monroeville, PA	Management		24			1
Monroeville, PA	Management		5			2
Totals		0	46			

**GRAND
TOTAL**

18	122
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APPENDIX B

List of highway-railroad crossing with projected increase in rail traffic

Exhibit C
Potential Changes in Tonnage and Train Counts
on Affected Rail Line Segments

DMIR Line

GROSS TONNAGE PER YEAR (millions)

EVTAC Traffic Excluded from Base	PRE-MERGER				POST-MERGER										Overall		
	DMIR				Less DMIR Trains				DMIR TOTAL				Increase/(Decrease)				
	NB		SB		NB		SB		NB		SB		NB			SB	
Segment																	
Shelton Junction-Wolf (2.9 mi.)	1.8		5.0		0.0	22.1	0.0	0.0	1.8	27.1	0.0	22.1	0.0	43%		323%	
Wolf-Iron Jct. (2.2 mi.)	10.9		31.7		0.0	22.1	0.0	0.0	10.9	53.8	0.0	22.1	0.0	70%		52%	
Iron Jct.-Fairlane (4.4 mi.)	5.0		9.5		0.0	22.1	-1.2	0.0	3.8	31.6	-1.2	22.1	-25%	23%		143%	
Fairlane-Adolph (48.2 mi.)	5.0		9.5		0.0	22.1	-1.2	0.0	3.8	31.6	-1.2	22.1	-25%	23%		143%	
Adolph-Nopemning Jct. (6.0 mi.)	1.1		4.0		0.0	22.1	-1.1	0.0	0.0	26.1	-1.1	22.1	-98%	54%		407%	

EVTAC Traffic Included in Base	PRE-MERGER				POST-MERGER										Overall		
	DMIR				Less DMIR Trains				DMIR TOTAL				Increase/(Decrease)				
	NB		SB		NB		SB		NB		SB		NB			SB	
Segment																	
Shelton Junction-Wolf (2.9 mi.)	7.6		26.3		0.0	22.1	0.0	0.0	7.6	48.4	0.0	22.1	0.0	84%		65%	
Wolf-Iron Jct. (2.2 mi.)	16.7		53.0		0.0	22.1	0.0	0.0	16.7	75.1	0.0	22.1	0.0	42%		32%	
Iron Jct.-Fairlane (4.4 mi.)	10.8		30.8		0.0	22.1	-1.2	0.0	9.5	52.9	-1.2	22.1	-12%	73%		50%	
Fairlane-Adolph (48.2 mi.)	6.3		15.1		0.0	22.1	-1.2	0.0	5.1	37.2	-1.2	22.1	-20%	14%		97%	
Adolph-Nopemning Jct. (6.0 mi.)	1.5		5.4		0.0	22.1	-1.2	0.0	0.2	27.5	-1.2	22.1	-86%	41%		305%	

TRAIN COUNT PER DAY

EVTAC Traffic Excluded from Base	PRE-MERGER		POST-MERGER					
	DMIR		Less DMIR Trains		DMIR TOTAL		Increase/(Decrease)	
	NB	SB	NB	SB	NB	SB	NB	SB
Shelton Junction-Wolf (2.9 mi.)	1.3	1.3	0.0	0.0	1.3	7.8	0.0	6.5
Wolf-Iron Jct. (2.2 mi.)	7.0	7.0	0.0	0.0	7.0	13.5	0.0	6.5
Iron Jct.-Fairlane (4.4 mi.)	2.6	2.6	0.0	0.0	2.6	9.1	0.0	6.5
Fairlane-Adolph (48.2 mi.)	2.6	2.6	0.0	0.0	2.6	9.1	0.0	6.5
Adolph-Nopemning Jct. (6.0 mi.)	0.5	0.5	0.0	0.0	0.5	7.0	0.0	6.5

EVTAC Traffic Included in Base	PRE-MERGER		POST-MERGER					
	DMIR		Less DMIR Trains		DMIR TOTAL		Increase/(Decrease)	
	NB	SB	NB	SB	NB	SB	NB	SB
Shelton Junction-Wolf (2.9 mi.)	7.3	7.3	0.0	0.0	7.3	13.8	0.0	6.5
Wolf-Iron Jct. (2.2 mi.)	13.0	13.0	0.0	0.0	13.0	19.5	0.0	6.5
Iron Jct.-Fairlane (4.4 mi.)	8.6	8.6	-1.1	0.0	7.5	15.1	-1.1	6.5
Fairlane-Adolph (48.2 mi.)	3.8	3.8	-1.1	0.0	2.7	10.3	-1.1	6.5
Adolph-Nopemning Jct. (6.0 mi.)	0.8	0.8	-0.8	0.0	0.0	7.3	-0.8	6.5

Exhibit C
Potential Change in Tonnage and Train Counts
on Affected Rail Line Segments

DWP Line

GROSS TONNAGE PER YEAR (millions)

EVTAC Traffic Excluded from Base	PRE-MERGER			POST-MERGER								Overall				
	DWP			Plus DMIR Trains				DWP TOTAL					Increase/(Decrease)		% Increase/(Decrease)	
	NB	SB		NB	SB		NB	SB	NB	SB	NB		SB			
Segment																
Shelton Junction - Noperming Jct (60.0 mi.)	9.2		22.1				1.2	0.0	10.4	0.0		1.2	-22.1	14%	-100%	-67%

EVTAC Traffic Included in Base	PRE-MERGER			POST-MERGER								Overall				
	DWP			Plus DMIR Trains				DWP TOTAL					Increase/(Decrease)		% Increase/(Decrease)	
	NB	SB		NB	SB		NB	SB	NB	SB	NB		SB			
Segment																
Shelton Junction - Noperming Jct (60.0 mi.)	9.2		22.1				1.2	0.0	10.4	0.0		1.2	-22.1	14%	-100%	-67%

TRAIN COUNT PER DAY

EVTAC Traffic Excluded from Base Segment Shelton Junction - Noperming Jct (60.0 mi.)	PRE-MERGER		POST-MERGER							
	DWP		Less CN Trains		Plus DMIR Trains		DWP TOTAL		Increase/(Decrease)	
	NB	SB	NB	SB	NB	SB	NB	SB	NB	SB
	6.5	6.5	0.0	-6.5	1.1	0.0	7.6	0.0	1.1	-6.5

EVTAC Traffic Included in Base Segment Shelton Junction - Noperming Jct (60.0 mi.)	PRE-MERGER		POST-MERGER							
	DWP		Less CN Trains		Plus DMIR Trains		DWP TOTAL		Increase/(Decrease)	
	NB	SB	NB	SB	NB	SB	NB	SB	NB	SB
	6.5	6.5	0.0	-6.5	0.8	0.0	7.3	0.0	0.8	-6.5

Exhibit D

Average Daily Traffic At Road Crossings Along DMIR Line Between Shelton Junction and Nopeming Junction			
DMIR Rail Segment	Roadway	DMIR Subdivision and Milepost	Average Daily Traffic ^a
Shelton Junction-Wolf	CSAH 7 (KANE RD VOSS RD)	VIRGINIA 0.77	930
Wolf-Iron Junction	CSAH 127	MISSABE 63.5	330
Iron Jct.-Fairlane	CSAH 127	MISSABE 63.21	680
Iron Jct.-Fairlane	CO 310 (KEENAN RD)	MISSABE 61.24	175
Iron Jct.-Fairlane	CSAH 16 (TOWNLINE RD)	MISSABE 60.19	475
Iron Jct.-Fairlane	TWP	MISSABE 59.2	55
Fairlane-Adolph	CO 311 (PERMOY RD)	MISSABE 58.7	60
Fairlane-Adolph	CO 312 (NORWAY RD)	MISSABE 57.17	195
Fairlane-Adolph	CSAH 27	MISSABE 55.7	330
Fairlane-Adolph	CO 28 (SAX RD)	MISSABE 49.12	120
Fairlane-Adolph	CO 52 (ARROLA RD)	MISSABE 46.14	110
Fairlane-Adolph	CO 160	MISSABE 45.14	55
Fairlane-Adolph	CSAH 29	MISSABE 44.68	50
Fairlane-Adolph	CO 980 (MCKAY RD)	MISSABE 44.14	5
Adolph-Nopeming Jct.	CO 696 (ST. LOUIS RIVER RD)	SPIRIT LAKE 1.07	4800
Fairlane-Adolph	CR 740 (SWENSON RD)	MISSABE 40.32	5
Fairlane-Adolph	CSAH 133	MISSABE 39.32	740
Fairlane-Adolph	CO 142 (TREMBLAY RD)	MISSABE 35.27	5
Fairlane-Adolph	CSAH 47	MISSABE 32.41	430
Fairlane-Adolph	CO 8	MISSABE 28.79	125
Fairlane-Adolph	CO 867	MISSABE 26.57	5
Fairlane-Adolph	CO 694 (CENTER LINE RD)	MISSABE 26.06	45
Fairlane-Adolph	CO 874 (GRAND LAKE RD)	MISSABE 22.47	285
Fairlane-Adolph	CO 875 (VIBERT RD)	MISSABE 21.11	5
Fairlane-Adolph	CO 873 (SEVILLE RD)	MISSABE 20.28	85
Fairlane-Adolph	CO 864 (MAPLE GROVE RD)	MISSABE 16.57	260
Fairlane-Adolph	CO 880 (LEISTE RD)	MISSABE 16.26	5

Fairlane-Adolph	CSAH 98 (CANOSIA RD)	MISSABE 15.21	810
Fairlane-Adolph	CR 223 (MUNGER-SHAW RD)	MISSABE 14.23	340
Fairlane-Adolph	TWP (JEFFERY RD)	MISSABE 13.69	30
Fairlane-Adolph	CSAH 13 (MIDWAY RD)	MISSABE 10.79	4800
Adolph-Nopeming Jct.	T-146 (RATIKA RD)	SPIRIT LAKE 5.13	41
Adolph-Nopeming Jct.	CR 899	SPIRIT LAKE 4.94	80
Adolph-Nopeming Jct.	TWP 5487 (TREE FARM RD)	SPIRIT LAKE 3.77	55
Adolph-Nopeming Jct.	CSAH 45	SPIRIT LAKE 3.24	385
Adolph-Nopeming Jct.	TWP 123	SPIRIT LAKE 2.46	55
Adolph-Nopeming Jct.	CO 894 (STARK RD)	SPIRIT LAKE 2.22	230

^a Source: U.S. Department of Transportation

APPENDIX C

Safety Integration Plan Accountabilities

CN/GLT Safety Integration Plan - SIPA Action Items

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Item	Description	SIP ref. page	Est. Start Date	Est. End Date	Resources	Accountability	Comments
Safety Culture							
SC1	Employee Communications Plan a) develop communications plan b) Implement communications plan	15	6/1/2003	3/31/2004	\$10,000 meetings, material, etc	D. Demers	Plan to include meetings with executives, email information and published material Underway. Initial meetings held with GLT employees
SC2	Integration of safety policy and standards a) review current policies and standards b) Produce and communicate common policies and standards	16	10/1/2004	12/31/2004	\$3,000 Distribution	S. Berrada/R. Keane	
SC3	Expansion of key CN corporate safety initiatives a) Provide information on initiatives b) Identify required modifications c) Expand initiatives to GLT	15	1/1/2005	6/30/2005	\$5,000 Material and training/information	S. Berrada/R. Keane	To include Safe Work Procedures, Best Practices sessions, Trend analysis resources
SC4	SOFA program integration a) review current SOFA initiatives b) Identify best practices c) Integrate best practices into common program	16	5/9/2004 6/1/2004 5/9/2004	12/31/2004 12/31/2004 12/31/2005	\$2,000 Material production and distribution	S. Berrada/R. Keane	Actual costs to depend on initial analysis
SC5	Integration of safety publications and material a) review current material and publications b) Integrate corporate magazines c) Integrate posters and other safety material	16	10/1/2004 10/1/2004 1/1/2005	12/31/2004 12/31/2004 6/30/2005	\$10,000 Production and Distribution	D. Demers/S. Berrada	To include employee magazines, newsletters, safety posters and other material
SC6	Expansion of CN Corporate Safety Awards a) Implement safety tracking for GLT b) Include GLT in regular performance updates c) Include GLT in safety awards program	16	5/9/2004 6/1/2004 6/1/2004	12/31/2004 12/31/2004 12/31/2004	\$15,000 Systems modifications	S. Berrada	To be implemented using ISP system for accidents/incidents GLT will be included in performance of U.S. Region and WI and MI Divisions
SC7	Expansion of CN Corporate President's Awards of Excellence	16		12/31/2004	\$3,000 Informational material	L. Dakens	

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Item	Description	SIP ref. page	Est. Start Date	Est. End Date	Resources	Accountability	Comments
Training							
T1	a) Provide program information and nomination material to all GLT employees		7/1/2004	9/30/2004			
	Sharing of training programs and resources	26			\$5000 (To depend on review of needs)	S. Seebach/Indiv. Functions & Regions	Key programs are identified elsewhere in SIPA under specific initiatives. General reviews to be carried out by individual functions with assistance of training coords. Cost depend on extent of identified work to be done.
	a) Review current programs and resources		5/9/2004	12/31/2004			Share course catalogue and details on particular courses of interest such as water mgmt
	b) Determine suitability and identify those ready or requiring change		6/1/2004	12/31/2004			
	c) Modify as required		6/1/2004	12/31/2005			
	d) Implement training as required		6/1/2004	12/31/2005			
Operating Practices							
OP1	Consolidation of Operating Rules	30			\$15,000 (Final costs to depend on extent of differences and training required)	R. Anderson	Prior to consolidation, railroads will monitor for any operation problems
	a) Identify differences		11/1/2003	12/31/2004			In progress
	b) Develop training material		4/1/2004	12/31/2004			
	c) Provide training		6/1/2004	12/31/2005			
	d) Notification of 3rd party roads		6/1/2004	12/31/2005			
	e) Implementation		10/1/2004	12/31/2005			
	c) Address any identified interpretation problems		10/1/2004	12/31/2005			
OP2	Drug and Alcohol Programs	33			\$7,500 (Final costs to depend on extent of differences)	H. Burthoe	Existing programs to be retained in short term.
	a) Review existing programs, procedures and systems for potential areas of consolidation		5/9/2004	12/31/2004			
	b) Undertake modifications required to address identified changes		9/1/2004	7/31/2005			
	c) FRA approval for changes in program		6/1/2005	12/31/2005			
	d) provide training on new features and systems		6/1/2005	12/31/2005			
	e) Implement new process		6/1/2005	12/31/2005			

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Item	Description	SIP ref. page	Est. Start Date	Est. End Date	Resources	Accountability	Comments
OP3	Consolidation of Locomotive Engineer Qualification and Certification Program	35			\$10,000 (Final costs to depend on extent of differences)	R. Anderson	Existing procedures to be retained. Any future decision to consolidate will be reflected in revised SIPA. Actual costs to depend on results of review
	a) Review existing programs, procedures and systems for potential areas of consolidation		5/9/2004	12/31/2004			
	b) Undertake modifications required to address changes		7/1/2004	9/30/2005			
	c) FRA approval for changes in program		10/1/2004	12/31/2005			
	d) provide training on new features and systems		10/1/2004	12/31/2005			
	e) Implement new process		10/1/2004	12/31/2005			
OP4	Hours of Service Records	36			\$25,000 (changes to CATS, training)	J. Bright/G. Anderson	Actual costs to depend on extent of differences. Existing process and systems to be retained in short term.
	a) Review existing systems and procedures for potential areas of consolidation		5/9/2004	12/31/2004			
	b) Undertake modifications required to consolidate		6/1/2004	7/31/2005			
	c) Train employees on new procedures		10/1/2004	12/31/2005			
	e) Implementation		10/1/2004	12/31/2005			
Mechanical							
M1	Expansion of CN expertise and resources	42			No cost involved	J. Danielwicz	Includes representation on AAR and industry committees
	a) Advise local officers of resources		5/9/2004	9/30/2004			
M2	Consolidation of Information Systems	43			\$10,000 Systems, \$3,000 training	J. Danielwicz	Actual costs to depend on extent of systems changes required for GLT
	a) Review and identify change requirements		9/1/2004	12/31/2004			
	b) Make system modifications		9/1/2004	3/31/2005			
	c) Provide training		9/1/2004	3/31/2005			
	d) Implement consolidated systems		11/1/2004	12/31/2005			
M3	Car Fleet and Locomotive management	42			No incremental cost	TBD	
	a) Add to combined fleet inventory and planning models		5/9/2004	6/30/2006			
M4	Transfer of Heavy Repair Work from Proctor to CN Facilities	43			TBD	J. Danielwicz	Actual costs to depend on detailed review
	a) Advise employees		5/9/2004	2004/09/31			

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Item	Description	SIP ref. page	Est. Start Date	Est. End Date	Resources	Accountability	Comments
	b) Provide training in local shop rules c) Implement expanded operations at Woodcrest & Centralia		6/1/2004	12/31/2004			
M5	Review of EOT, radio, event recorder and locomotive control system compatibility a) Conduct review and identify potential incompatibilities b) Develop mitigation to address any identified incompatibility issues c) Implement mitigation where required	43-44	6/1/2004	12/31/2004	TDB (potential systems, training and communications)	J. Danielwicz/D. Tays	Actual costs to depend on results of review
			11/15/2003	12/31/2003			Preliminary review has been conducted. No major issues identified
			1/1/2004	5/8/2003			Must be in place on Day 1
			5/9/2004				
Signals and Train Control							
ST1	Sharing of research initiatives to identify expansion a) Share information on research initiatives b) Expand as required	47	5/9/2004	12/31/2004	TDB (will depend on extent of expansion)	D. Tays/GLT Engineering	Actual costs to be determined based on identified needs
			1/1/2005	12/31/2005			
Engineering							
E1	Expansion of CN bridge design and testing resources and expertise a) Communicate existence of resources b) Develop plan for specialized testing	53	5/9/2004	6/30/2004	\$20,000 testing	D. Tays/GLT Engineering	Actual costs to be determined based on identified needs
			5/9/2004	12/31/2004			
E2	Expansion of CN Rail Testing expertise a) Communicate existence of resource	53	5/9/2004	6/30/2004	No incremental cost	D. Tays	To be accomplished during initial Engineering Cabinet meeting
E3	Expansion of specialized track testing and evaluation equipment a) Develop plan for expansion on GLT b) Carry out necessary changes to equipment systems c) Train employees/implement	53	5/9/2004	9/30/2004	\$15,000	D. Tays/GLT Engineering	Costs to depend on required changes to systems
			6/1/2004	12/31/2004			
			1/1/2005	6/30/2005			
E4	Expansion of engineering systems a) Identify required changes to systems for GLT use b) Modify systems as required c) Train employees/implement	53	5/9/2004	10/30/2004	\$10,000 systems changes and communications	D. Tays/GLT Engineering	Actual costs to depend on results of review.
			10/1/2004	3/31/2005			
			5/3/2005				

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Item	Description	SIP ref. page	Est. Start Date	Est. End Date	Resources	Accountability	Comments
Hazmat							
H1	Expansion of CN Safe Handling Awards Program	62			\$5,000 systems and awards program	J. Ouellette	
	a) Provide GLT with program information		7/1/2004	12/31/2004			
	b) Implement process to allow for capturing of NARs on GLT		9/1/2004	12/31/2004			Implementation date will depend on extent of work required to implement equivalent tracking on GLT.
	c) Implement monitoring		1/1/2005	1/1/2005			
	d) Initial awards		3/1/2006				
H2	Expansion of Hazmat Audit program	62			\$5,000 modify audit protocol (if required) \$10,000 per audit	J. Ouellette /M. Desmedt	
	a) Review and modify audit protocol for use on GLT		5/9/2004	9/30/2004			Protocol has already been modified for US regulations as part of implementation on GT, IC and WC. Therefore additional modifications should not be significant
	b) Conduct initial audit		1/1/2005	6/30/2006			
H3	Expansion of Incident Command and CTEH programs	62			\$5,000 training	J. Ouellette /M. Desmedt	
	a) Provide local officers with information on resources		5/9/2004	12/31/2004			
	b) Conduct initial training		1/1/2005	12/31/2005			
H4	Expansion of Responsible Care program	62			\$35,000 CMA fee \$ Mitigation Cost	J. Ouellette	Mitigation cost to depend on results of gap analysis
	a) Review status of GLT efforts and application		5/9/2004	9/30/2004			
	b) Identify local code champions		7/1/2004	12/31/2004			
	c) Make application to CMA		1/1/2005	6/30/2005			
	d) Perform initial gap analysis		1/1/2005	6/30/2005			
	e) Receive Resp. Care membership		1/1/2005	6/30/2005			
Dispatching							
D1	Integration of DMIR Train Dispatching	65-66			TBD	R. Anderson	Costs and timetable to depend on final implementation plan
	a) develop plan		5/9/2004	9/30/2004			
	b) Advise employees		TBD	TBD			
	c) Provide training		TBD	TBD			
	b) Implementation		6/1/2004	3/31/2006			
D1	Integration of DMIR Crew Dispatching	65-66			TBD	G. Anderson	Costs and timetable to depend on final implementation plan
	a) develop plan		5/9/2004	9/30/2004			
	b) Advise employees		TBD	TBD			
	c) Provide training		TBD	TBD			

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Item	Description	SIP ref. page	Est. Start Date	Est. End Date	Resources	Accountability	Comments
Crossing and Trespass Safety							
CT1	b) Implementation		6/1/2004	3/31/2006			
	Coordination of Crossing Safety Activities	69			No incremental costs expected	D. Tays/ GLT Engineering	To include closure/consolidation programs, Operation Lifesaver pgms, technology, research, clearing programs, etc.
	a) Review best practices		7/1/2004	12/31/2004			
	b) Develop common plan for sharing of results and future plans		10/1/2004	6/30/2005			
CT2	Review traffic changes with MDOT	71			No incremental costs expected	T. Zeinz	
	a) Provide MDOT information on final train traffic counts		3/1/2004	3/31/2005			
Info. Systems and Ops. Technology							
IT1	Integration of SRS	76			\$1M labor, \$0.5M system mods, \$.5M training (TBD)	J. Bright	Actual costs to depend on comparability reviews and scope of identified modifications
	a) Detailed planning of required changes		5/9/2004	6/30/2004			Initial "needs analysis" underway
	b) Produce detailed specifications and make necessary modifications		6/1/2004	9/30/2004			
	c) Develop training material		6/1/2004	9/30/2004			
	d) Provide training		10/1/2004	3/31/2005			
	e) Implement integrated systems		1/1/2005	3/31/2005			
IT2	Integration of Other IT Systems	76			TBD	J. Bright	Includes payroll, accounting, etc. Cost to depend on scope of identified changes
	a) Detailed planning of required changes		5/9/2004	12/31/2004			Initial "needs analysis" underway
	b) Produce detailed specifications and make necessary modifications		6/1/2004	12/31/2005			
	c) Implementation		10/1/2004	12/31/2005			
IT3	Integration of Disaster Recovery Plans	77			TBD	J. Bright	Actual costs to depend on scope of identified modifications
	a) Detailed planning of required changes		5/9/2004	8/30/2004			Initial "needs analysis" underway
	b) Produce detailed specifications and make necessary modifications		6/1/2004	12/31/2004			
	c) Implementation		10/1/2004	12/31/2005			