

210481

Conrail

**STB Oversight Hearing
Conrail Shared Assets Operations**

Trenton, New Jersey

April 2, 2004

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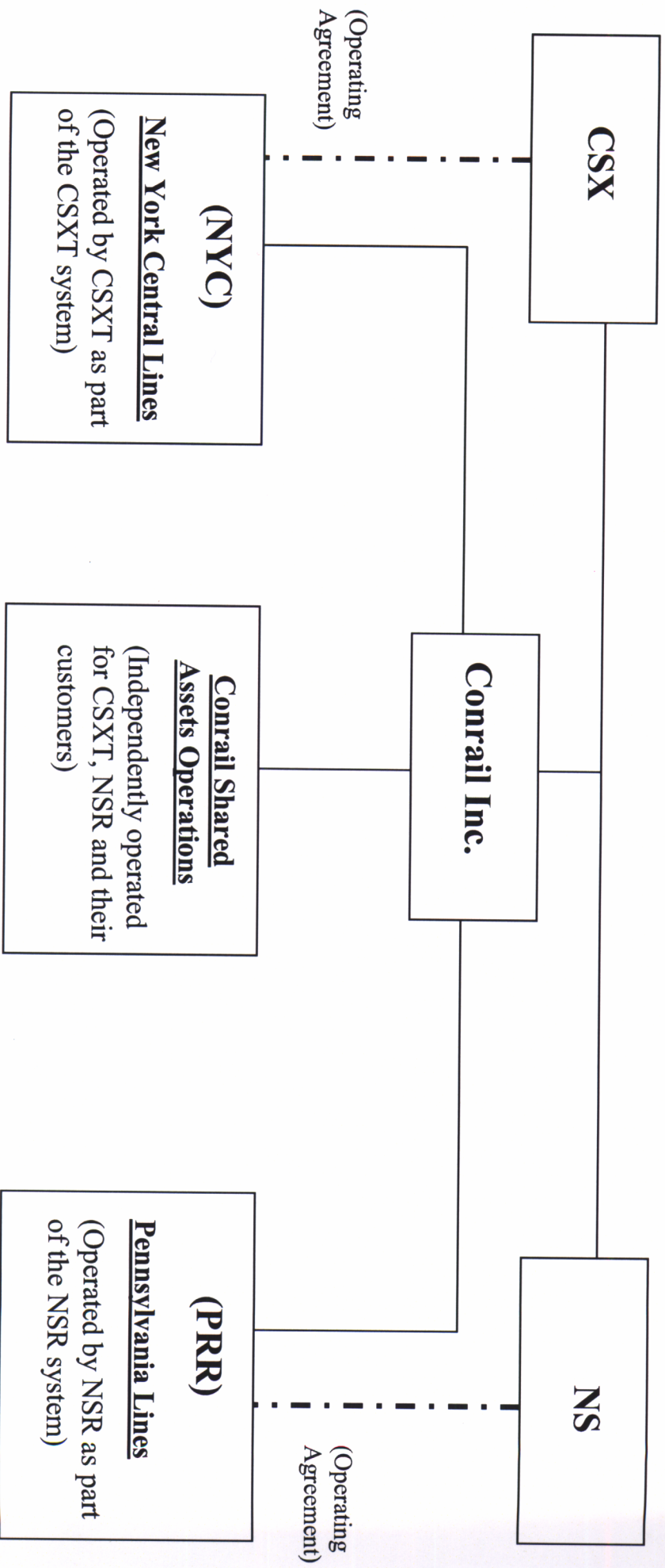
Gregory R. Weber

Ronald L. Batory

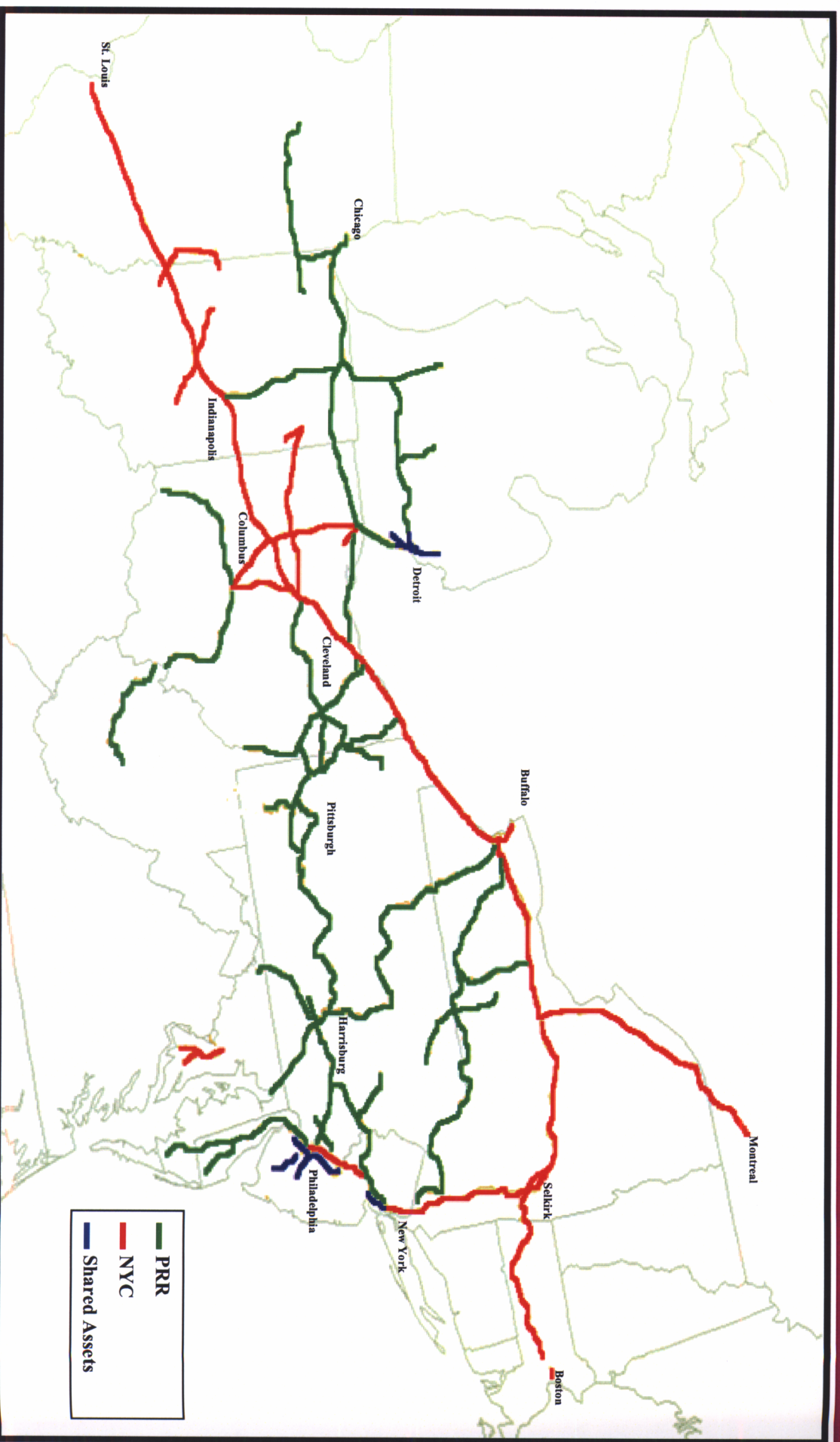
Background



Since the acquisition by CSX and Norfolk Southern, Conrail assets have been operated in three segments.



The geographical depiction of post-acquisition Conrail reflects the three major areas – PRR, NYC, and Conrail Shared Asset Operations (CSAO)



The STB has approved Conrail's "spin-off" of NYC and PRR to CSX and NS



- ◆ CSXT and NSR are already operating NYC and PRR assets
- ◆ Transfer of ownership interests only
- ◆ No change in CSAO ownership or operations

The quantitative profile of CSAO breaks down as follows:

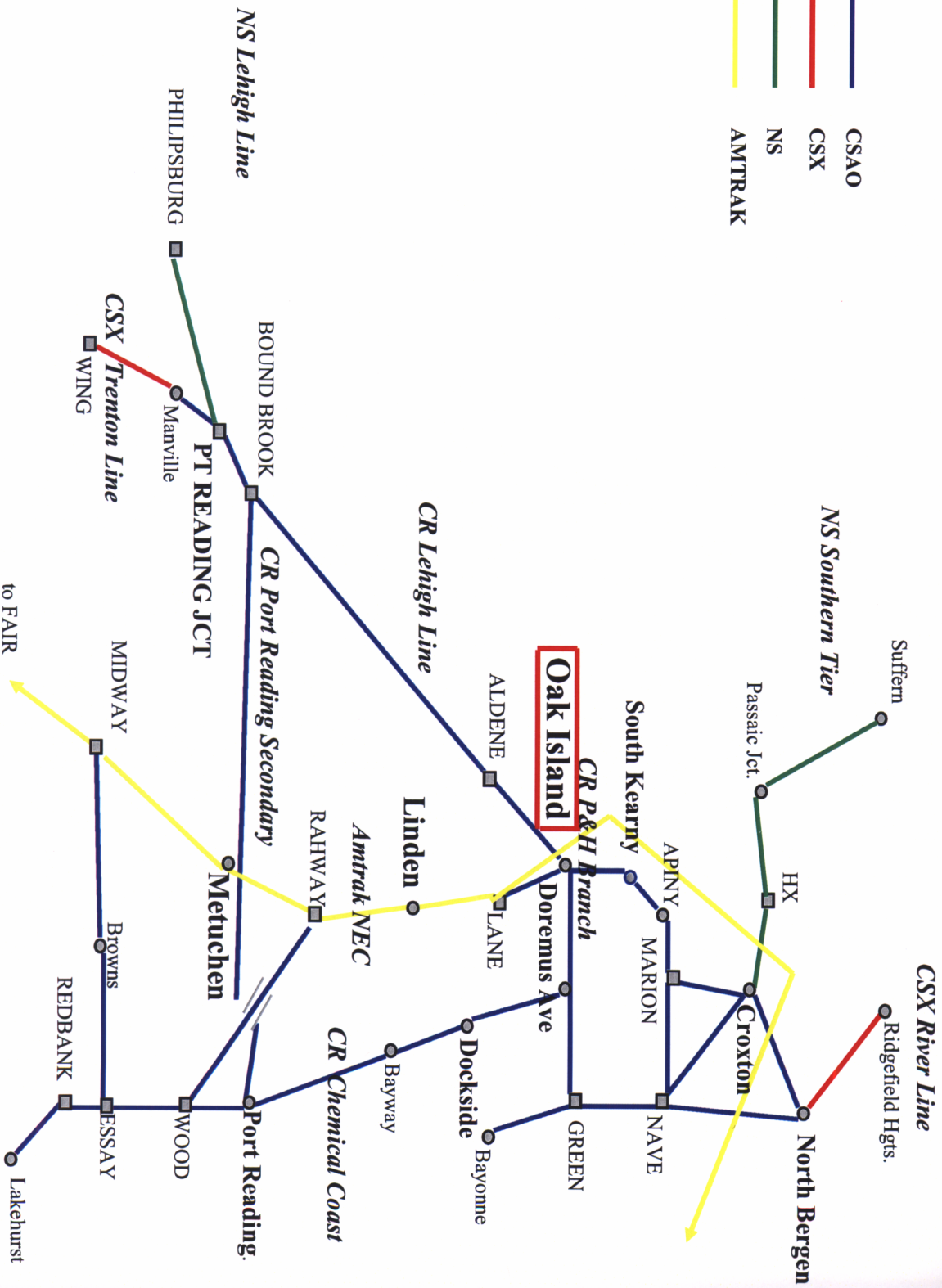


- ◆ 1,350 total employees
- ◆ 1,200 miles of track
- ◆ 3 major classification yards and 25 support yards
- ◆ 100 locomotives



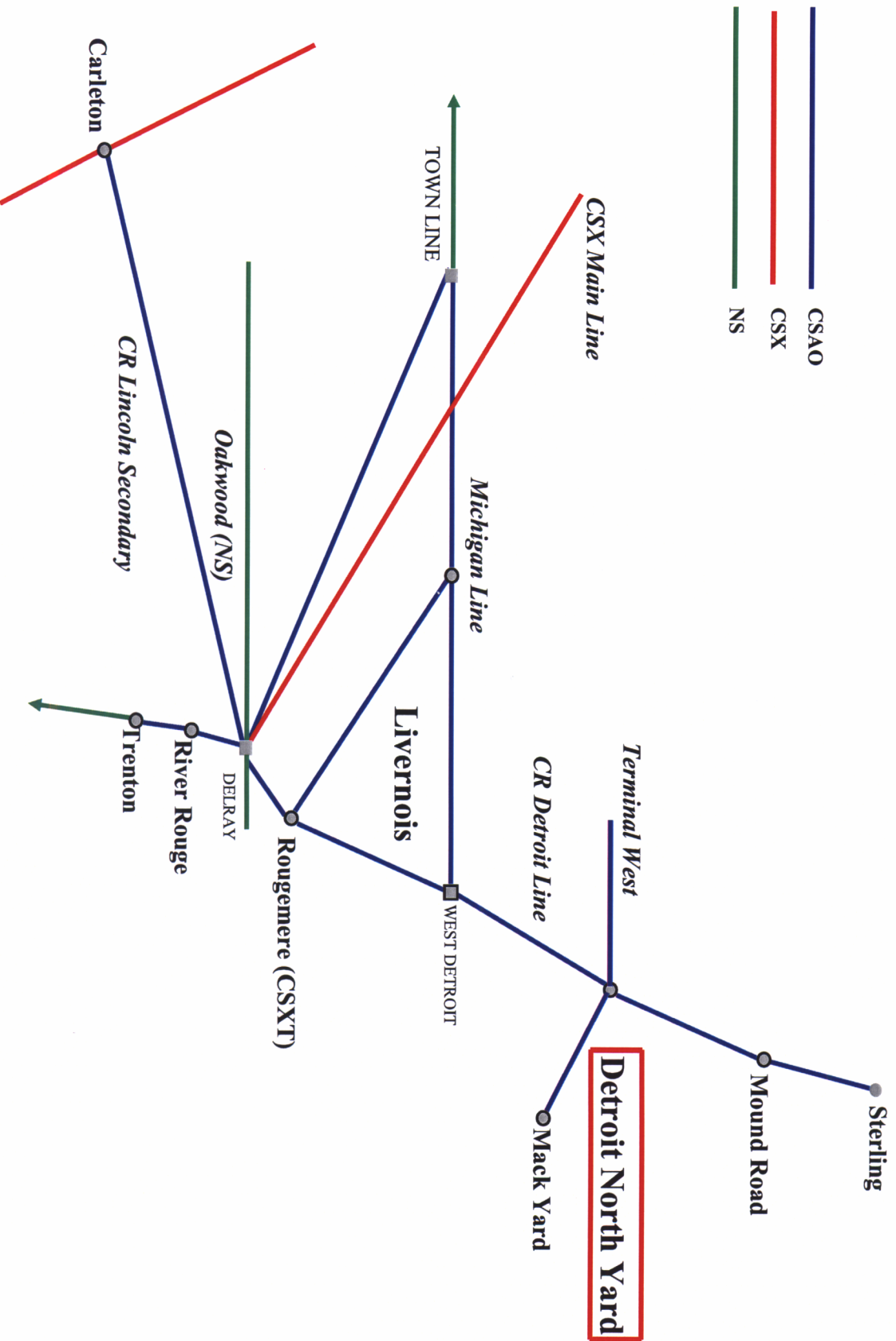
North Jersey is the largest of the three CSAO areas

- CSAO
- CSX
- NS
- AMTRAK





Detroit is the gateway to heavy automotive traffic



Despite challenging economic conditions, CSAO has experienced substantial traffic growth

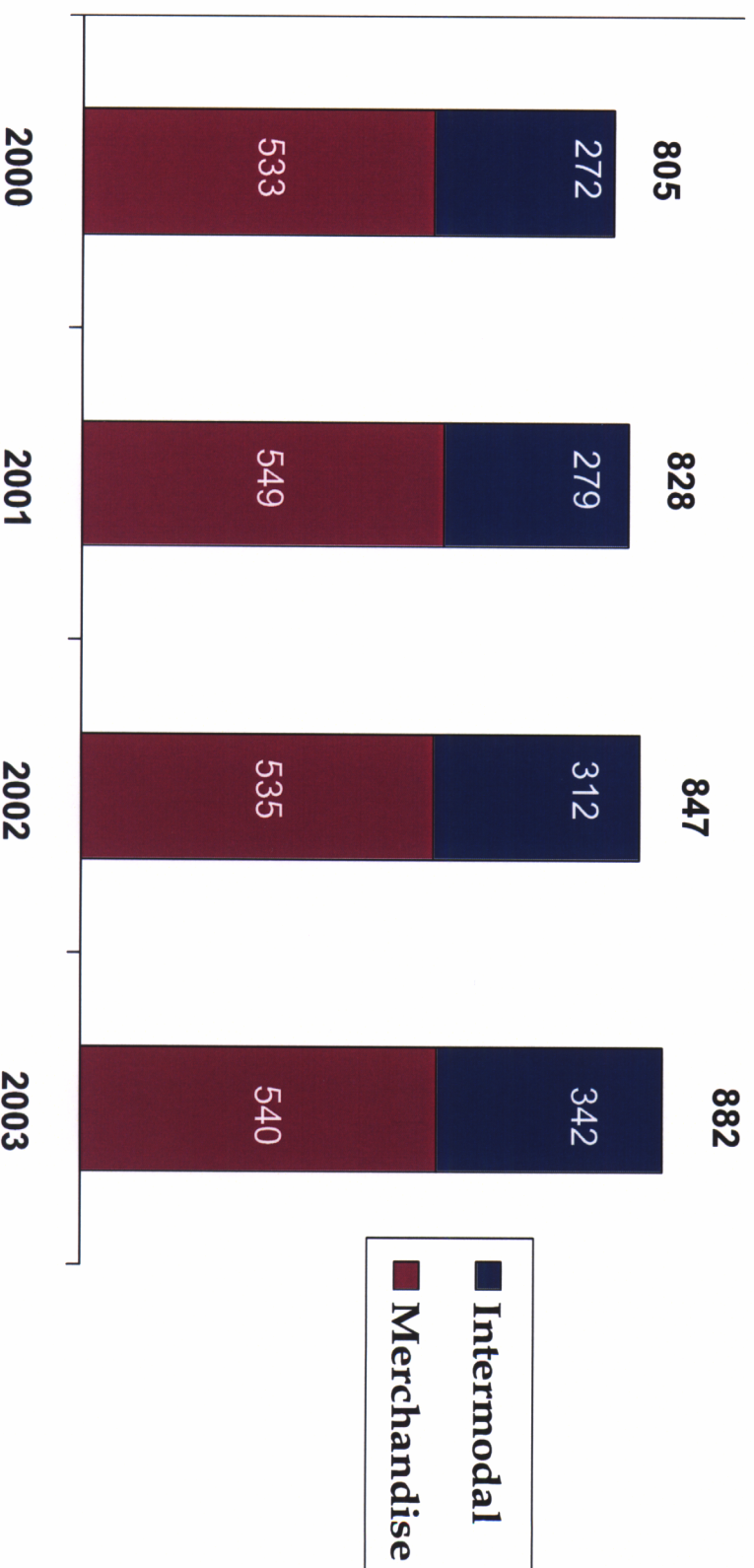


	2000-2003			
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
<i>(Carloads in Thousands)</i>				<u>% Change</u>
North Jersey	429	423	449	457
				6.5%
South Jersey/Phila.	163	167	163	175
				7.4%
Detroit	213	237	235	250
				17.4%
CSAO Total	<u>805</u>	<u>827</u>	<u>847</u>	<u>882</u>
				<u>9.6%</u>

As projected, intermodal traffic through the CSAO territories is growing rapidly



(Carloads in Thousands)



Operations

Since 2000, CSAO has delivered solid operating results in all three major categories



◆ **Safety**

- ~ Received E. H. Harriman safety awards every year since 2000
- ~ Reduced FRA reportable injuries by 13%
- ~ Reduced derailments by 30%

◆ **Service**

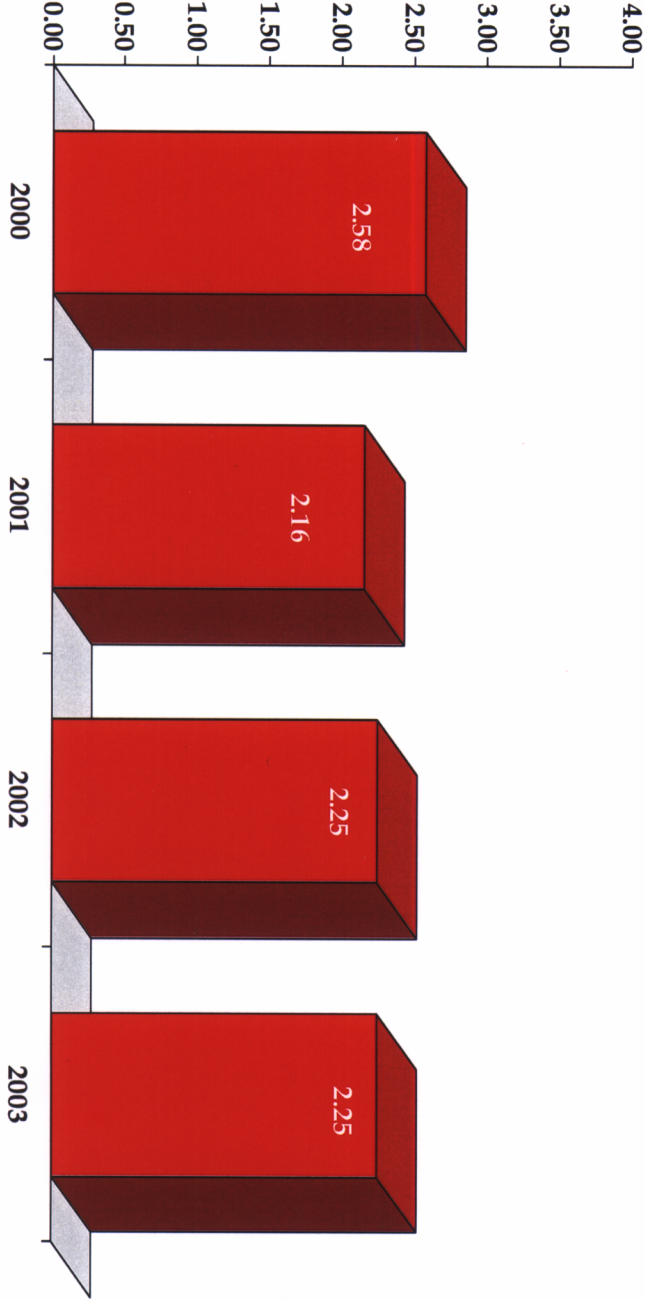
- ~ Improved on-time train departures by 56%
- ~ Maintained 90+% performance in customer switching service
- ~ Reduced yard dwell hours by 19%

◆ **Efficiency**

- ~ Enhanced locomotive fleet efficiency by 30%
- ~ Improved crew efficiency by 4%
- ~ Reduced cost per car handled by 20%

Conrail's safety-first focus continues to be our highest priority

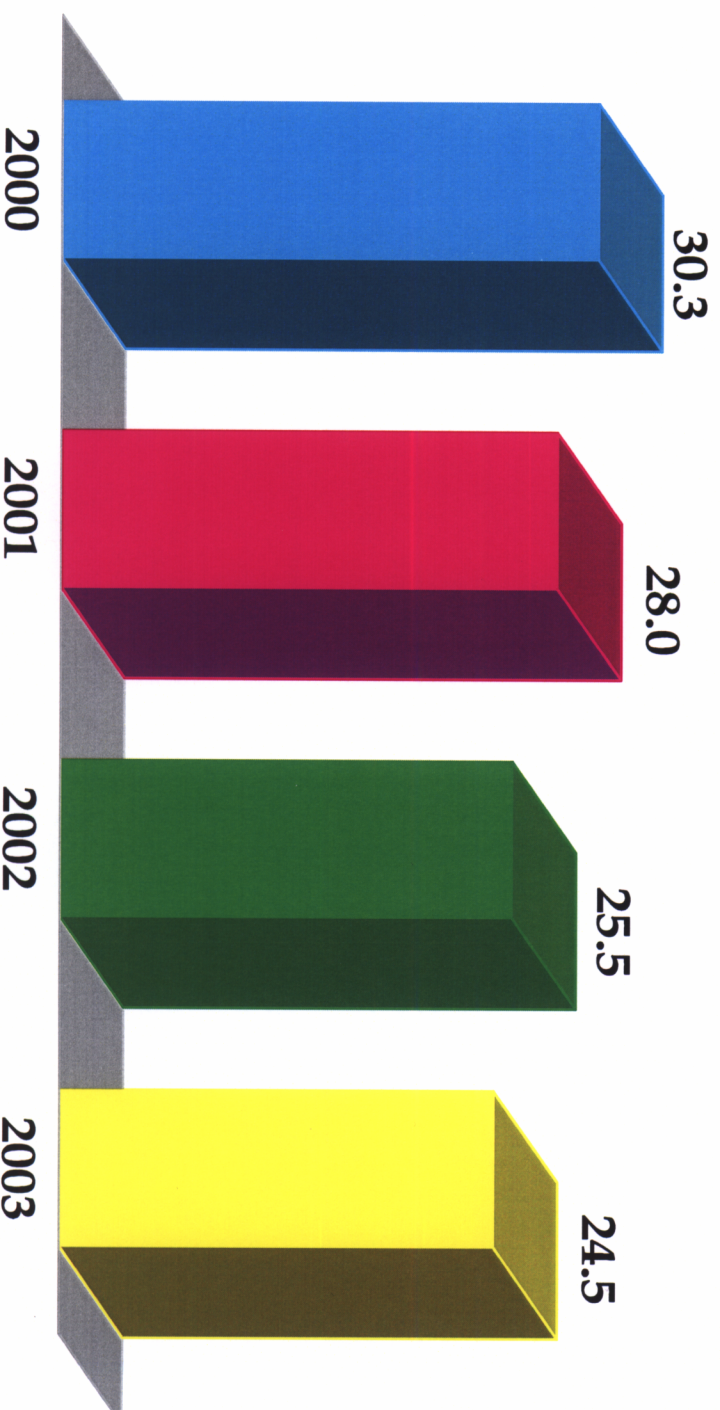
Conrail Shared Assets Operation
**Average Injuries per Month
2000 through 2003**



Reducing average elapsed hours between arrival in and departure from
major classification yards maintains system fluidity



Yard Dwell Time *

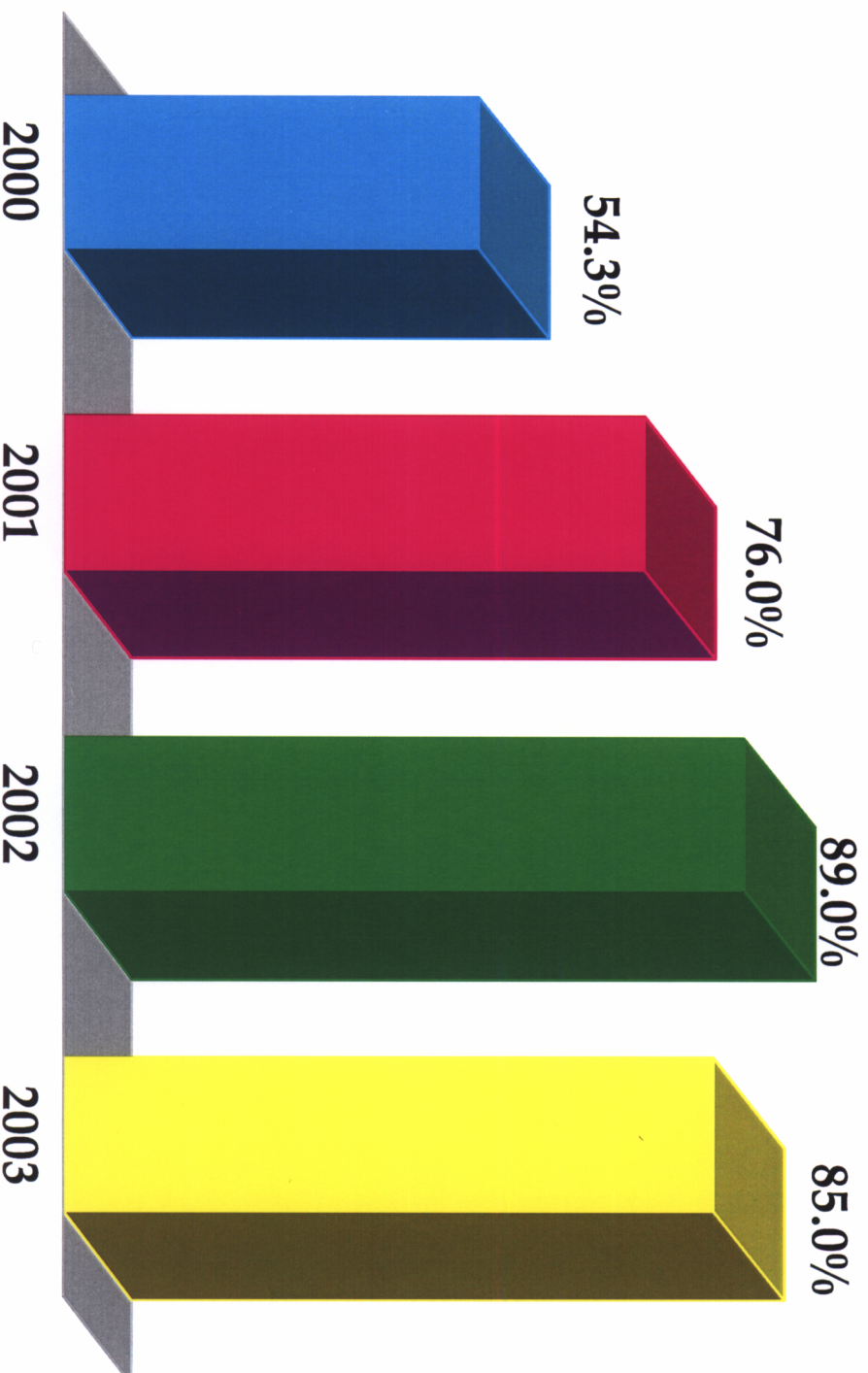


* Measured in hours

Despite some 2003 slippage, on-time train departures have remained well above the 2000 level



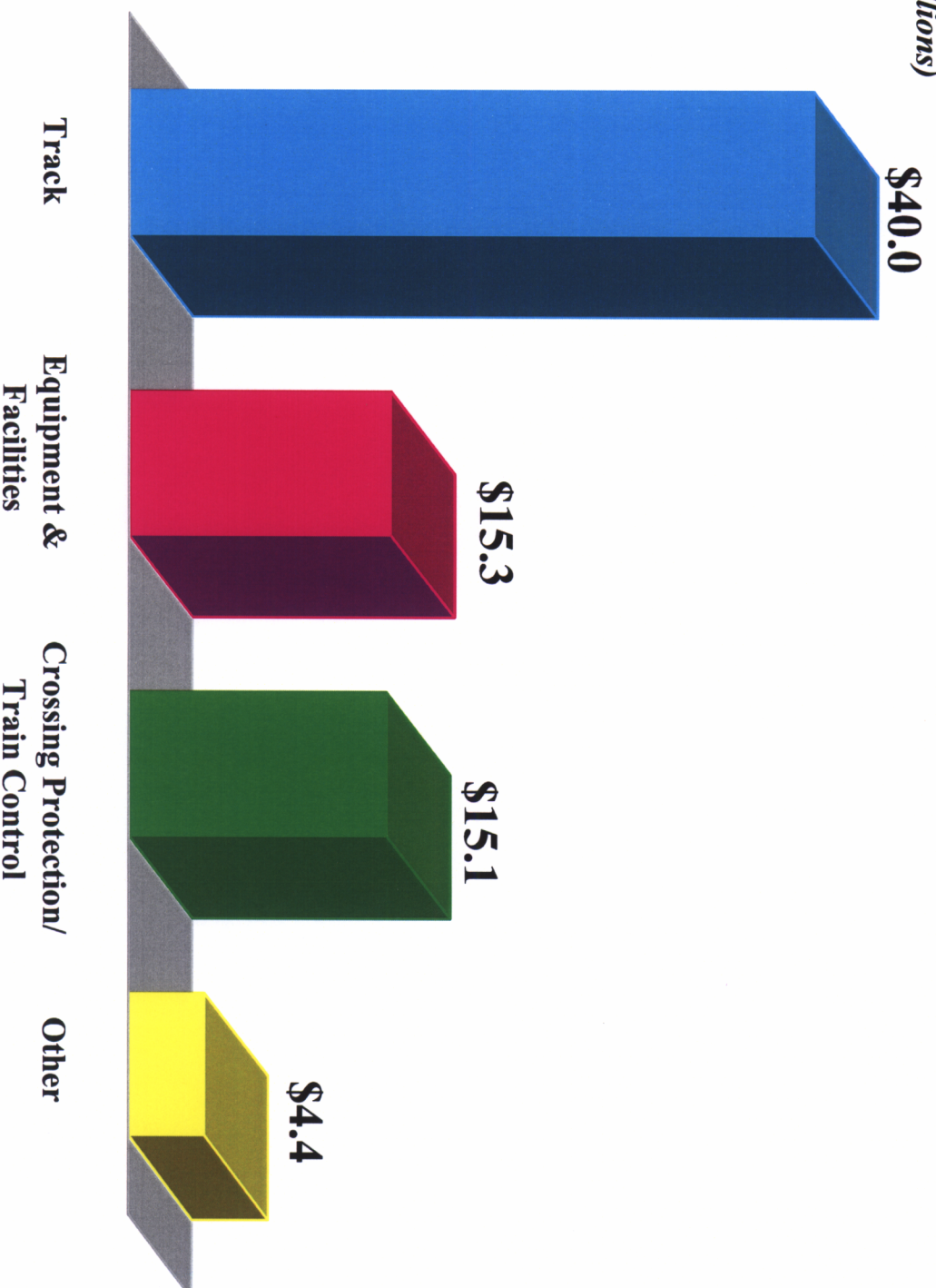
Train Departures vs. Schedule



To maintain, enhance and upgrade its infrastructure, CSAO has invested \$75 million in the 2000-2003 period



(Dollars in Millions)



Other Initiatives

Conrail has partnered with public transportation agencies, jointly investing in a number of major projects



- ◆ Conrail/NJT: Northern Branch Double Track - \$18 million
- ◆ Conrail/NJDOT/PANYNJ: North Jersey Infrastructure - \$50 million
- ◆ Conrail/MDOT: Detroit Livernois Intermodal Expansion - \$10.5 million
- ◆ Conrail/Municipalities: Various projects in Detroit, Lincoln Park, P. Amboy, S. Amboy, Sayreville, Bayonne - Various

CSAO coordinates an active industrial development function with NS and CSX



- ◆ New side track applications have increased 30% since 2000
- ◆ The current inventory of new customer projects includes 25-30 proposals
- ◆ Project proposals include:
 - ~ expansion of existing capacity
 - ~ reactivation of dormant industrial sites
 - ~ provision of transportation solutions to emerging growth industries

CSAO continues Conrail's long tradition of working with short lines to expand its rail business



- ◆ CSAO, CSXT and NS meet regularly to address short line initiatives
- ◆ Since split date, CSAO has processed approximately 20 such initiatives
- ◆ The shortline initiatives have included sales, new shortline start ups, and enhancement of existing shortline arrangements
- ◆ The great majority of shortline initiatives have been favorably implemented
- ◆ CSAO remains open to new initiatives

Conclusion

The rationale for the 1997 acquisition of Conrail remains valid today and the CSAO entity is performing well



- ◆ Expanded access to Northern New Jersey/New York, the largest freight market in the U.S.
- ◆ Created single line economies east of the Mississippi
- ◆ Expanded high growth intermodal line of business
- ◆ Provided economies of scale/synergies
- ◆ Partnered with governmental agencies