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June 4, 2004

By Hand Delivery

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

ENTERED
Office of Proceedings
JUN - 4 2004
Part of
Public Record

**Re: STB Docket No. 42072, Carolina Power & Light Company v. Norfolk
Southern Railway Company**

Dear Secretary Williams:

Enclosed for filing in the above-referenced proceeding are a signed original and sixteen (16) copies of the Defendant Norfolk Southern Railway Company's Statement of Position Regarding Fuel Surcharges. The parties have agreed to file replies to one another's Statements of Position, not to exceed ten pages, by June 18, 2004.

Please acknowledge receipt of this submission for filing by date-stamping the enclosed duplicate paper copy and returning it to our messenger. If you have any questions concerning this filing, please contact the undersigned. Thank you for your attention to this matter.

Sincerely,



G. Paul Moates
Paul A. Hemmersbaugh
Donald H. Smith

Enclosures

cc: Counsel for Complainant (w/encls.)



BEFORE THE
SURFACE TRANSPORTATION BOARD

Original

CAROLINA POWER & LIGHT COMPANY,

Complainant,

v.

NORFOLK SOUTHERN RAILWAY COMPANY,

Defendant.

STB Docket No. 42072

ENTERED
Office of Proceedings
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DEFENDANT NORFOLK SOUTHERN RAILWAY COMPANY'S
STATEMENT OF POSITION REGARDING FUEL SURCHARGES

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Counsel for Defendant Norfolk Southern Railway Company

DATED: June 4, 2004

INTRODUCTION

Pursuant to the Board's decision served December 23, 2003 ("Decision") and an agreement between the parties dated March 11, 2004, relating to implementation of the Decision, Defendant Norfolk Southern Railway Company ("NS") respectfully submits this statement regarding the proper treatment of its standard fuel surcharge rule in calculating the rate prescription and reparations due under the Decision.

With one exception, Complainant Carolina Power & Light Company ("CP&L") and NS have agreed on the proper calculation of the rate prescription and reparations, and their joint statement regarding the agreed-upon issues is submitted herewith.¹ The sole disputed issue pertaining to reparations is whether NS' diesel fuel surcharge rule should be applied to the line-haul rates prescribed in the Decision. NS and CP&L have agreed to address this issue in simultaneous submissions to the Board. NS respectfully submits that its fuel surcharge rule, like the other standard rules and conditions published in NS' rules tariffs and other governing publications, should be deemed to apply to the rates prescribed in the Decision.

Application of a standard fuel surcharge rule is necessary because diesel fuel is a large component of railroad operating costs, and because diesel fuel prices are highly volatile. As the Board knows, fuel surcharges are routinely applied by rail carriers, motor carriers and other transportation providers. Fuel surcharges allow NS and other rail carriers to adjust rail rates expeditiously when fuel prices change, and help to ensure that rail rates more accurately reflect the actual costs of service.²

¹ NS and CP&L each have submitted petitions for reconsideration of certain issues which also remain pending before the Board. If the Board adopts NS' position on most or all of these issues, stand-alone costs will exceed revenues and the challenged rates will be deemed reasonable. In that event, the fuel surcharge issue addressed herein will be moot.

² See STB Finance Docket No. 33388 (Sub-No. 90), *CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company--Control and Op-*

In this proceeding, the diesel fuel costs incorporated in the stand-alone railroad cost analysis accepted by the Board were approximately \$0.66 per gallon (based on NS' 2001 system average fuel costs). *See* Decision at 57. Since 2001, NS' diesel fuel costs have increased dramatically, with recent spot fuel prices reaching more than \$1.00 per gallon. This sharp increase vividly demonstrates the volatility of diesel fuel prices, and illustrates why fuel surcharge rules are an accepted and essential feature of common carrier ratemaking.

Application of NS' fuel surcharge rule to the line-haul rates at issue is both lawful and reasonable. Because CP&L elected not to challenge the reasonableness of the fuel surcharge rule in its complaint and evidence in this proceeding, the surcharge rule must be presumed to be valid and effective, and must be deemed applicable to the rates prescribed in the Decision.

I. BACKGROUND

A. The Common Carrier Rates and Fuel Surcharge Rule at Issue

The common carrier line-haul rates at issue in this proceeding apply to the movement of coal from origins in West Virginia, Kentucky, and Virginia to CP&L's electricity generating facilities in North Carolina. NS established these line-haul rates at CP&L's request. *See* letter from Bill Fox, NS Senior Vice President - Coal Services, to CP&L dated January 29, 2002 (copy attached as Exhibit A).

The NS rate quotation expressly stated that it was governed by several applicable rules tariffs and other published terms and conditions of carriage. Under the heading "Applicable Tariffs," the rate quotation stated that "[s]hipments moving on these common carrier transportation rates shall be subject to all classifications, tariffs, government, AAR, and carrier rules and

erating Leases/Agreements--Conrail Inc. and Consolidated Rail Corporation (Buffalo Rate Study), Decision No. 7 at 5 n.12, 8 n.16 (served December 17, 2001) (noting that fuel surcharges, unlike line-haul rates, are intended to reflect a "rapid and significant rise in diesel fuel prices," which are "tied directly to the price of petroleum").

regulations.” The rate quotation specifically identified certain NS rules tariffs including NS Tariffs 6004-B, 9037-I, 9219-B, and NS Conditions of Carriage #2C.³ NS Conditions of Carriage #2C included a fuel surcharge rule providing that if the price of West Texas Intermediate crude oil exceeded specified levels, certain fuel surcharges would apply to NS’ line-haul rates. A copy of NS Conditions of Carriage #2C is attached hereto as Exhibit B.⁴

NS modified the fuel surcharge rule effective March 1, 2004, making certain changes intended to more closely reflect fuel price fluctuations in the volatile diesel fuel market, while allowing more lead time for customers to react to changing fuel costs. *See* NS Conditions of Carriage #2E, Condition 55.3 (attached as Exhibit C).

The standard fuel surcharge rule applies to essentially all NS common carrier line-haul rates, and to many rail transportation contract rates as well. The fuel surcharge rule is not movement-specific, and does not reflect the specific operating characteristics or the market conditions of any particular movement. Rather, the fuel surcharge rule is a system-wide cost recovery mechanism intended to address short-term fluctuations in the highly volatile price of diesel fuel, which is one of NS’ most significant operating costs.

B. Application of the Fuel Surcharge Rule

Under the terms of NS’ Conditions of Carriage #2C/2D, the fuel surcharge rule applied to the rates at issue in the fourth quarter of 2002, in essentially all of 2003, and throughout the first quarter of 2004. CP&L consistently paid the applicable rates and surcharges without questioning

³ The specified tariffs include NS Tariff 6004, Demurrage Rules and Charges; NS Tariff 9037, Diversion and Reconsignment; NS Tariff 9219, Rules and Regulations; and NS Conditions of Carriage #2C.

⁴ NS Conditions of Carriage #2D became effective on August 25, 2003, with no significant change in the fuel surcharge rule.

their applicability during the pendency of this case, but suspended fuel surcharge payments after the Board rendered its Decision in December, 2003.

II. STATEMENT OF POSITION

NS' fuel surcharge rule, like other standard classifications, rules, and practices published in NS rules tariffs and other governing publications, should be presumed to be valid and effective, and should be deemed applicable to the rates prescribed in the Decision. Thus, amounts paid by CP&L resulting from the fuel surcharge rule should not be deemed unreasonable except to the extent the fuel surcharge was applied to that portion of the challenged rates ultimately found to be unreasonable (if any).

A. CP&L's Complaint and Evidence Did Not Challenge the Lawfulness of the Fuel Surcharge Rule at Issue.

The governing statute draws a clear distinction between common carrier *rates*, on one hand, and common carrier *classifications, rules and practices*, on the other. 49 U.S.C. § 10704(a)(1) (distinguishing (1) "a rate charged or collected by a rail carrier for transportation," and (2) "a classification, rule, or practice" established by a carrier); *see* 49 U.S.C. § 10702 (distinguishing between (1) "rates" charged or collected by rail carriers for transportation and services, and (2) "rules and practices on matters related to that transportation or service").

The fuel surcharge rule at issue was published in NS' Conditions of Carriage #2C (and successor publications), which established standard rules and practices applicable to essentially all common carrier coal shipments on NS. In this case, however, CP&L's complaint and evidence challenged *only* the line-haul *rates* established by NS at CP&L's request, as shown in the NS rate quotation dated January 29, 2002 (attached as Exhibit A). *See, e.g.*, Complaint ¶ 14 (describing the "common carrier rates assailed in this Complaint"). CP&L's complaint did not even mention the fuel surcharge rule at issue, nor did it otherwise challenge any *classification*,

rule or practice established by NS.⁵ The Complaint's prayer for relief (at 8-9) similarly focused solely on NS' line-haul rates, requesting a finding that "the common carrier rates applicable to the transportation [at issue] are unreasonably high," and seeking an order "prescribing the maximum reasonable rates that Defendant may assess and collect from CP&L for the described transportation...."

CP&L's evidence also contained no mention of the fuel surcharge rule, or of any other classification, rule or practice published in NS Conditions of Carriage, or in any other NS rules tariff or governing publication. The relief specifically requested by CP&L in its evidence related solely to NS' line-haul rates, and did not refer to the fuel surcharge rule, or any other NS rule or practice. *See, e.g.*, CP&L Opening Evidence at I-7 (seeking a determination that NS' "common carrier rates applicable to the transportation of CP&L's coal purchases between the specified origins and the specified CP&L plant destinations" were unreasonably high, and requesting prescription of the maximum reasonable rates for "coal transportation services between the specified origins and the specified CP&L plant destinations").

B. Standard Fuel Surcharges May Be Applied to Prescribed Rates.

Although CP&L did not challenge the NS fuel surcharge, CP&L nevertheless contends that it is entitled to (i) recover all fuel surcharges it paid NS on prior moves covered by the prescribed rates, and (ii) decline to pay any fuel surcharges on current and future moves covered by the prescribed rates. CP&L's legal position appears to be that as a matter of law a railroad may not, under any circumstances, impose a fuel surcharge on a rate prescribed by the Board. While NS is aware of no Board ruling specifically addressing this point, CP&L's position cannot

⁵ CP&L's Complaint (at 1) mentioned in passing that it sought the establishment of "reasonable rates and other terms" for the coal transportation service at issue, but did not mention the fuel surcharge, and failed to identify any classification, rule, or practice for the transportation at issue that it alleged to be unreasonable or otherwise unlawful.

be reconciled with the clear statutory distinction between line-haul “rates” established pursuant to 49 U.S.C. §§ 10701(c) and 10702(1), and other “rules and practices” established pursuant to 49 U.S.C. § 10702(2). It is entirely consistent with this statutory distinction for the Board to prescribe a line-haul rate for a given movement, while allowing a carrier to enforce its standard rules and practices (including a fuel surcharge rule) for the same movement. This is particularly true when the challenged rate quotation expressly incorporates a fuel surcharge provision and no objection is raised with respect to that provision.

The Board has recently acknowledged that in assessing rate levels in an environment of rapidly increasing fuel costs, it is appropriate to consider surcharges for fuel cost recovery separately and apart from revenues for line-haul transportation services. In the *Buffalo Rate Study* proceeding instituted by the Board in connection with its oversight of the Conrail acquisition proceeding, the Board required NS and CSX Transportation, Inc. (“CSX”) to submit revenue data relating to line-haul transportation in the Buffalo area, in order to permit the Board to assess whether Buffalo-area rates were increasing as a result of the Conrail transaction.⁶ The Board noted that the CSX line-haul revenue data submitted by CSX itself, and in a separate study by the U.S. Department of Transportation, “do not include any revenues associated with [CSX’s] diesel fuel surcharges.” The Board explained that “as in [CSX’s] prior report in this proceeding, the waybill revenues it has examined only incorporate revenues for transportation services, and do not include any surcharges for fuel cost recovery.” The Board approved this approach, acknowledging the fact that in a prior decision, “we had found this omission to be appropriate because our *Buffalo Rate Study* is not intended to focus on whether the rapid and significant rise

⁶ See STB Finance Docket No. 33388 (Sub-No. 90), *CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company--Control and Operating Leases/Agreements--Conrail Inc. and Consolidated Rail Corporation (Buffalo Rate Study)*, Decision No. 8 (served November 15, 2002).

in diesel fuel prices, or any other adverse industry-wide cost trend, is eventually reflected in rail rates.” Thus, the Board acknowledged that fuel cost recovery surcharges should be regarded as separate and distinct from “revenues for transportation services,” and should be examined separately in assessing rate levels for transportation services.

Historically, maximum reasonable rates prescribed by the ICC were deemed to be subject to general rate increases and zone-of-rate-freedom increases permitted under then-existing law. *See, e.g., Burlington Northern Inc. v. United States*, 459 U.S. 131, 136 n.2 (1982); *CSX Transportation v. United States*, 867 F.2d 1439 (D.C. Cir. 1989). Although these specific statutory provisions no longer exist, these precedents demonstrate that prescribed rates historically have been deemed to be subject to broad cost recovery surcharges, like the fuel surcharge rule at issue here.

Under the governing statute, rail carriers “may establish any rate for transportation or other service provided by the rail carrier.” 49 U.S.C. § 10701(c); *see* Docket No. 42068, *Capitol Materials Inc. – Petition for Declaratory Order – Certain Rates and Practices of Norfolk Southern Ry. Co.* (served April 12, 2004) (NS’ standard demurrage charges not shown to be unlawful; stating that “the law gives a railroad the right to set its own rates and charges”). The Board has authority to consider the reasonableness of a rail carrier’s rate, classification, rule, or practice “only on complaint.” 49 U.S.C. §§ 10704(b), 11701(a). A complaint that challenges only a particular line-haul rate cannot be deemed to encompass every classification, rule, or practice that also could apply to the transportation at issue. 49 U.S.C. §§ 10701(c), 10702, 10704(a)(1). Thus, a classification, rule or practice that is not challenged by a shipper in its complaint and evidence is presumptively valid, and must be applied in accordance with its terms.

C. Application of the NS Fuel Surcharge Rule to the Rates Prescribed by the Board is Reasonable.

As shown above, the statute does not prohibit the application of a standard fuel surcharge to a rate prescribed by the Board. The specific facts of this case clearly demonstrate why the application of such a surcharge is appropriate.

In its Decision, the Board applied the fuel cost evidence submitted by CP&L, which was based on the system average fuel cost reported in NS' Annual Report R-1 for the year 2001, and indexed forward to 2002, yielding a cost per gallon of \$0.6574. *See* Decision at 57. The Board applied the RCAF-U index to adjust the fuel cost data submitted by CP&L for use in subsequent years. *Id.* at 27-28. But the RCAF-U index has increased only slightly since that time, producing an implied average fuel cost of only \$0.6728 for the first quarter of 2004 (an increase of less than \$.02 per gallon). In fact, real-world diesel fuel prices have increased dramatically during that time period. As shown in NS' publicly-available financial reports, NS' actual fuel costs averaged \$0.807 during 2003 and averaged \$0.831 during the first quarter of 2004. *See* NS' Quarterly Financial Review - First Quarter 2004, at 18-19 (attached as Exhibit D). NS' actual fuel cost data for the first quarter of 2004 reflect an increase of more than 25 percent over the cost applied in the Board's SAC analysis. Moreover, the current price of diesel fuel on the spot market is even higher than the cost reflected in NS' first quarter 2004 data, in part because fuel prices have continued to rise in recent months, and in part because of NS' fuel hedging program, which is intended to reduce the impact of volatile price swings in the diesel fuel market on NS'

diesel fuel expenses.⁷ Spot market fuel prices were in excess of \$1.00 per gallon in the first quarter of 2004, and averaged nearly \$1.10 in May, 2004. Thus, both NS' actual fuel costs for the first quarter of 2004 and recent spot market prices are considerably higher than the \$0.66 per gallon figure applied in the Board's Decision.

The application of NS' standard fuel surcharge rule to the prescribed rates is not a "double-count" of fuel price increases included in the Board's SAC analysis. The small fuel price increases projected over the 20-year period of the SAC analysis bear no relationship to the recent dramatic increases in real-world fuel prices. This disparity is not surprising, because the RCAF-U index is intended to reflect gradual changes, over time, in the cost of the group of inputs needed to produce rail services. Conversely, the fuel surcharge rule established in the NS Conditions of Carriage is intended to reflect temporary spikes in the price of one specific input, diesel fuel, which is known to fluctuate sharply in price based on rapidly changing market factors that are beyond the control of railroads or shippers. Unlike the small, steady cost increases reflected in the RCAF-U, the fuel surcharge rule applies only as long as the benchmark fuel price exceeds the stated level, and is eliminated as soon as fuel prices return to normal levels.

NS does not seek to reargue the Board's choice of fuel cost data as applied in the Decision. Rather, NS asks that it be allowed to do what it said it would do. NS' standard Conditions of Carriage clearly stated that fuel surcharges would be applied to its common carrier rates when fuel prices exceeded certain stated levels – a common and accepted practice applied by most rail carriers (and most other transportation providers as well). CP&L did not challenge

⁷ Although NS' fuel hedging program is intended to reduce the impact of rapid changes in diesel fuel prices, it does not fully offset higher fuel prices. Because NS does not hedge all of its fuel needs, NS must pay spot market prices for the portion of its diesel fuel which is not hedged. Moreover, when fuel prices decline, NS' hedged fuel costs will tend to be higher than the then-current spot market price. Thus, while NS' fuel hedging program helps to reduce the impact of

NS' fuel surcharge rule in its complaint and evidence in this proceeding. Therefore, NS' fuel surcharge rule should be deemed to be valid, effective, and applicable to the rates prescribed in the Decision.

CONCLUSION

For the foregoing reasons, NS requests that the Board issue an order clarifying that the standard fuel surcharge rule published in NS' Conditions of Carriage should be deemed to apply to the rates prescribed by the Board in its Decision served December 23, 2003. Amounts paid by CP&L resulting from the fuel surcharge rule should not be deemed unreasonable except to the extent the fuel surcharge was applied to that portion of the challenged rates ultimately found to be unreasonable (if any), and the reparations and interest due pursuant to the Decision should be calculated accordingly.

Respectfully submitted,

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Counsel for Defendant Norfolk Southern Railway Company

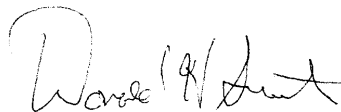
DATED: June 4, 2004

diesel fuel price volatility in the short run, it does not guarantee that NS will pay lower total fuel costs in the long run.

CERTIFICATE OF SERVICE

I hereby certify that, on this 4th day of June, 2004, I served the foregoing
"Defendant Norfolk Southern Railway Company's Statement of Position Regarding Fuel
Surcharges" by causing five (5) copies thereof to be delivered, via hand delivery, to:

C. Michael Loftus
Christopher A. Mills
Frank J. Pergolizzi
Peter A. Pfohl
Daniel M. Jaffe
Slover & Loftus
1224 Seventeenth Street, N.W.
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Bill Fox
Senior Vice President
Coal Services

January 29, 2002
CP&L

VIA AIRBORNE EXPRESS

Mr. William R. Knight
Vice President
Electric Fuels - Carolina
Carolina Power & Light Company
P. O. Box 1551
Mail Code 333-3
Raleigh, NC 27602

Dear Bill:

This is in response to CP&L's request for common carrier transportation rates applicable for the movement of coal from NS-served coal loading origins for consumption at CP&L's steam stations located at Roxboro, NC, and Mayo Creek, NC (Destinations). These common carrier transportation rates are per net ton for trainload shipments subject to the following conditions:

Effective Date: April 1, 2002.

Route: NS-direct.

Equipment: NS supplied rail cars.

Minimum Train Size: Trainload shipments of 110-cars, unless further restricted by mine origin or route constraints; however, under no circumstances shall shipments be less than 100 cars per train.

Minimum Loading Requirement: All cars shall be loaded to not less than 98% of Umler capacity. Cars that are loaded to less than 98% of Umler capacity shall be subject to full freight deficit charges equal to the deficit tonnage (defined as 98% Umler capacity minus actual loaded capacity) multiplied by the applicable per ton common carrier rate.

Mr. William R. Knight
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Loading Free
Time:

Trainloads originating at floodload locations shall be governed by NS Tariff 9219-B. Trainloads originating at non-floodload locations shall be governed by RPS-6008.

Unloading Free
Time:

CP&L shall completely unload and release all cars in each shipment within the allowable free time, which begins when the trainload shipment is actually placed for unloading or is tendered for unloading as documented in CTMS and other data monitoring systems.

Trainload shipments may be placed for unloading at anytime by NS twenty-four hours a day, seven days a week, at Destination(s). Free Time for unloading shall be six hours per trainload shipment at Destination(s).

Detention charge shall be \$500 per hour or fraction thereof after actual placement or tender of a shipment for unloading. The trainload shipment shall be released and detention charges for the shipment shall cease once the shipment has been completely unloaded and the empty equipment released via CTMS by CP&L.

Applicable Tariffs:

Shipments moving on these common carrier transportation rates shall be subject to all classifications, tariffs, government, AAR, and carrier rules and regulations. These shall specifically include but shall not be limited to NS Tariffs 9037-I, 9219-B, 6004-B, RPS-6008, and NS Conditions of Carriage #2C.

Mr. William R. Knight
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Trainload Common Freight rates for trainload shipments per net ton shall
Carrier Freight Rates: be as shown in the Origin/Destination matrix below:

Destination/Origin		Interstate	
		CV1 & 2	Virginia
	Kanawha	St Charles	Thacker I
	Kenova	Tiller	Thacker II
Roxboro Plant	\$16.74	\$16.86	\$16.56
Mayo Plant	\$16.74	\$16.86	\$16.56

Non-Trainload Common Shall be made pursuant to Freight tariff NS
Carrier Freight Rates: 4203-J.

NS is preparing contract proposals for transportation service to Brickhaven, Goldsboro, and Asheville. Please contact Tom Rappold or Jim Hamilton to determine a mutually acceptable time and location for the continuance of our contract discussions.

Very truly yours,

Bill Fox

NORFOLK SOUTHERN RAILWAY COMPANY

NS CONDITIONS OF CARRIAGE # 2-C
Replaces NS Conditions of Carriage #2 - B

COAL, COKE and IRON ORE

Effective February 6, 2002

Issued On January 17, 2002 By:

Coal Business Group
Norfolk Southern Corporation
110 Franklin Road, S. E.
Roanoke, Virginia 24042-0026

NS CONDITIONS OF CARRIAGE FOR COAL, COKE AND IRON ORE

CONDITION 1.1 – SUBSIDIARIES AND AFFILIATED CARRIERS

These conditions apply to Norfolk Southern and the subsidiaries and affiliated carriers listed here. References to "NS" include the listed carriers:

Norfolk Southern Railway Company
Atlantic and East Carolina Railway Company
Camp Lejeune Railroad Company
Chesapeake Western Railway
Central of Georgia Railroad Company, The
Georgia Southern and Florida Railway Company
State University Railroad Company
The Alabama Great Southern Railroad Company
The Cincinnati New Orleans and Texas Pacific Railway Company
Tennessee, Alabama & Georgia Railway Company
Tennessee Railway Company

CONDITION 5.1 – GENERAL APPLICATION

The provisions of this Document apply (a) to transportation of coal, coke from coal and iron ore when such transportation (i) originates on NS and (ii) moves under single line rates or single factor joint line through rates offered by NS itself or in conjunction with a connecting railroad as an exempt rate or as a regulated common carrier rate; and (b) to the NS portion of through movements under AAR Accounting Rule 11 or other combination or proportional exempt or common carrier rates. In the absence of a separate contract specifically covering the transportation, the terms and conditions of these Conditions of Carriage constitute a unilateral offering of such terms and conditions of a bilateral contract between NS and its connecting lines on the one hand, and the user of the transportation service on the other upon acceptance by such user. Tender of shipments to the originating carrier shall constitute acceptance of both the terms of service as set out in these Conditions of Carriage and the rate governing the shipment.

When NS is not the originating carrier, but does participate in a movement under single factor or joint through rates, the Conditions of Carriage or comparable offering of the originating carrier shall, along with the exempt or common carrier rates, apply to such transportation performed by NS unless specified otherwise in the terms of a rate quotation or separate contract specifically covering the transportation involved. When such originating carrier does not issue or have in effect such an offering, the terms of service contained herein shall apply.

Any tender of a shipment with different or additional terms and conditions submitted by

Shipper shall be considered a counteroffer and such different or additional terms and conditions shall be deemed rejected by NS unless electronically confirmed or agreed in a writing executed on behalf of NS by a Marketing Vice-President of NS, regardless of whether the shipment is accepted or moved by NS.

However, if there are provisions in an applicable contract, tariff or quotation that are inconsistent with the terms of these Conditions, the terms of the applicable contract, tariff or quotation shall govern.

CONDITION 10.1 – APPLICATION OF REFERENCED TARIFFS AND PUBLICATIONS

These Conditions incorporate and include the provisions of the following tariffs and publications (and their successor publications):

- Open and Prepay Station List OPSL 6000-Series
- Standard Transportation Commodity Code STCC 6001-Series
- Official Railway Equipment Register RER 6412-Series
- NS Mileage RPS 6301-Series
- Uniform Freight Committee UFC 6000-Series
- NS Switching NS 8001, 8211-Series
- Demurrage Rules and Charges -- NS 6004-Series ; NS 9209-Series
- Weighing and Reweighing NS 8002-Series
- Storage, Transfer and Reshipment - NS Tariff 4219, 9167, 9177- Series
- Diversion and Reconsignment - NS Tariff - 9037- Series
- Rules and Regulations - NS Tariff - 9219-Series
- Provisions of CR Tariff 4605-Series where specifically applicable
- Dumping at Lamberts Point, VA NS Tariff 9038 - Series
- Rules and Charges on Accessorial Services NS 8002 Series
- RRRA 6000 Master (Rail re-organization, rerouting, etc.)
- NS Currency Exchange Regulations on International Traffic NS 6316

References to specific publications herein include successor publications.

CONDITION 15.1 – ABSORPTION OF CONNECTING LINES SWITCHING CHARGES

Rates making reference to this document will include full absorption of connecting line reciprocal switching unless otherwise agreed to in separate contracts or stated in a rate quotation.

CONDITION 20.1 – BILL OF LADING

Transportation by NS under these Conditions shall be subject to the terms of the Uniform Bill of

Lading as contained in the Uniform Freight Classification UFC 6000-Series, as modified from time to time. Any alteration, addition or erasure in the bill of lading made without special notation thereof of an NS agent shall be without effect, and the rate agreed upon by contract or quotation as originally reflected in the bill of lading shall be the applicable rate.

The order of precedence for the application of terms and conditions for transportation services provided by NS shall be as follows:

- 1) Written Contract
- 2) NS Customer Specific Rate Quotation
- 3) General rate Tariffs and General NS Rate Quotations
- 4) Conditions of Carriage
- 5) Other Applicable NS Publications, if any
- 6) Uniform Bill of Lading

CONDITION 25.1 -- LOADING

The consignor/shipper shall load tendered rail cars to full visible capacity unless NS advises otherwise, shall load in accordance with the provisions of any applicable contract, quotation or tariff, and shall notify NS when the cars are loaded. Consignor/shipper at origin agrees to be bound by origin detention rules and agrees to pay any resultant demurrage charges, upon acceptance of cars for loading.

CONDITION 30.1 -- TRANSPORTATION

NS will arrange for reasonable transportation and delivery in accordance with instructions shown on the Bill of Lading and other conditions mutually agreed upon by the parties. Separate services such as weighing, switching and dumping not covered by the Bill of Lading or applicable contract must be arranged for separately with NS by the consignor or consignee.

CONDITION 35.2 -- UNLOADING

Upon arrival and placement of rail cars for unloading at destination, the consignee accepts and agrees (a) to unload cars in a manner that does not damage equipment (b) release cars in a condition suitable for reloading by another shipper and (c) accepts liability for any demurrage and detention charges accruing for all cars placed at consignee's destination pursuant to applicable demurrage and detention provisions applying thereto.

If consignee fails or refuses to remove all lading or other material from a car and close car doors the car shall not be considered as released and shall remain on applicable demurrage or detention until consignee releases the car in clean condition with doors closed. If a car is not properly cleaned or car doors are left open, and is subsequently released and removed, then the

railroad discovering such failure may undertake to remedy such failure and the consignee will be responsible for reimbursement to the railroad for the cost, including associated switching, to make such car suitable for loading.

In order for cars to be released, consignee must advise the agent of the delivering railroad by telephone, or by fax on a mutually agreed form, that the cars are unloaded and available. Consignee must provide the name of the person furnishing the car initials and numbers.

CONDITION 40.1 -- APPLICABLE TRANSPORTATION CHARGES

The charges applicable to the transportation from origin to destination will be those contained in the applicable contract, tariff or quotation in effect on the shipping date, as reflected on the Bill of Lading

Customer-specific rates (contracts or specific quotes) will take precedence over open or non- customer-specific rates (general quotes). Within each of those two categories, point-to-point rates will apply regardless of any group or scale rates available, and group rates will be applied to the exclusion of any scale rates.

Unless otherwise agreed upon by NS and the purchaser of transportation subject to this publication, where NS can serve both shipper and receiver (either directly or through reciprocal switching by another carrier), NS single-line rates will apply to the exclusion of any joint-line rates.

. Rates applicable via NS apply only over the most direct lines of NS, forming the shortest possible NS mileage, from the first point at which NS receives the shipment (from consignor or other railroad) to the last point at which NS delivers the shipment (to consignee or other railroad). NS reserves the right to actually handle shipments via any route over NS lines.

CONDITION 45.1 -- PAYMENT AND CREDIT

Acceptance by NS of a tender of a shipment by Shipper does not constitute the extension of credit by NS to Shipper or to party responsible for payment of NS freight charges ("Payor"). Credit shall only be extended through the Credit Department of NS. If NS extends credit, it is granted only as a convenience to the Shipper or Payor and may be revoked by NS at any time, as to any shipment (including those in transit), and without notice to Shipper or Payor. Any changes in Shipper's or Payor's ownership or financial condition which materially affects Shipper's financial standing must be reported to NS' Credit Department.

Where credit has been extended to Shipper or Payor, Shipper or Payor agrees to pay all charges in fifteen (15) days from the date of the freight bill or invoice. Where credit has not been extended to Shipper or Payor, payment of transportation charges must be made to NS in advance of the shipment in cash. Where credit has been extended but is revoked while shipment is in

transit, payment must be made to NS, in cash, before NS will release the car(s) to receiver at destination.

In the event that Shipper or Payor shall dispute the amount of a bill, Shipper or Payor shall pay to NS within the credit period the undisputed amount of the bill. Shipper or Payor shall also notify NS within the credit period of the disputed amount and the basis for the dispute. Payment of bills, or any portion thereof, by Shipper or Payor which later are determined to be incorrect will not prejudice Shipper's right to seek a refund within the statutory period.

NS shall have the right to recover from Shipper or Payor all reasonable costs of collection, including but not limited to reasonable attorneys' fees, in the event of any violation of the credit terms of NS by Shipper or Payor. NS reserves the right to charge interest on all payments not timely made under this Condition 45.

Placement of cars by NS under a credit agreement shall be deemed acceptance of the shipment. Acceptance of the shipment shall be deemed acceptance of responsibility for payment of all charges occurring on the shipment, including detention and switching services performed at destination. All payments shall be in U.S. money and will not be reduced to offset claims, damages to property, or for other reasons.

CONDITION 50 -- CARRIER LIABILITY FOR LOSS OR DAMAGE TO LADING

NS will assume liability for loss and damage under the terms of 49 USC 11706 and the terms of the Uniform Bill of Lading, provided that where provisions maintained by other railroads in the through route differ, then the rules of the origin carrier will apply.

CONDITION 52 - AGGREGATE RULE

Unless specifically authorized in writing by NS, point-to-point rates may not be combined to provide a through rate when an existing through rate is in place. Example: Customer has a rate quote from Point A to Point C (the "A to C Rate"). Customer also has a rate quote from Point A to Point B (the "A to B Rate") and from Point B to Point C (the "B to C Rate"). The A to C Rate applies, and Customer may not combine the A to B Rate with the B to C Rate unless specifically authorized in writing by NS.

CONDITION 53 - INTERMEDIATE RATES

Except as otherwise specifically provided in individual contracts or rate quotations, rates will not apply from or to points intermediate to the origins or destinations specified in such individual contracts or rate quotations.

CONDITION 55.1 – FUEL SURCHARGE

In the event the price of West Texas Intermediate Crude Oil, as published in the Wall Street Journal, exceeds \$28.00 per barrel for thirty (30) consecutive business days, NS will apply a fuel surcharge to the freight charge(s) contained in this authority in effect on the date the fuel surcharge is applied, herein after referred to as the “Base Freight Charge(s)”. The fuel surcharge shall be applied according to the following schedule:

Texas Intermediate Crude Oil (Price per barrel)	Cumulative Fuel Surcharge (Percentage)
\$28	2%
\$33	4%
\$38	6%
\$43	8%
Each \$5.00 per barrel increase Thereafter	An additional 2%

The price of West Texas Intermediate Crude Oil must exceed a given bracket for thirty (30) consecutive business days for the surcharge under that bracket to be applicable. If the price of West Texas Intermediate Crude Oil ceases to be available from the Wall Street Journal or some other readily accessible source, a substitute to measure will be utilized.

Customers will receive notice of any fuel surcharge not less than twenty (20) days prior to its application. Any fuel surcharge applied to the freight charge(s) in this authority will be removed or reduced when the price of West Texas Intermediate Crude Oil remains below the price which triggers a specific surcharge bracket for thirty (30) consecutive business days, as tracked on the NS Website at : http://www.nscorp.com/nscorp/html/marketing/pricing/fuel_news.html. Reductions will be made promptly after they become applicable. In no case will the freight charge(s) be reduced below the Base Freight Charge(s) nor will the application or removal of the fuel surcharge be retroactive.

RULE 60 – NON-WAIVER

Any waiver on the part of NS of any term or condition of these Conditions of Carriage shall not constitute a precedent, nor require NS to continue waiving such term or condition or to waive any succeeding breach of the same or any other of the terms and conditions of these Conditions of Carriage. No waiver or purported waiver on the part of NS shall be deemed to bind NS unless made in writing and signed by an authorized NS Marketing Officer.

NORFOLK SOUTHERN RAILWAY COMPANY

NS CONDITIONS OF CARRIAGE # 2-E
Replaces NS Conditions of Carriage #2-D

COAL, COKE and IRON ORE

Effective March 1, 2004

Issued On January 23, 2004

**Coal Business Group
Norfolk Southern Corporation
110 Franklin Road, S. E.
Roanoke, Virginia 24042-0026**

NS CONDITIONS OF CARRIAGE FOR COAL, COKE AND IRON ORE

CONDITION 1.1 – SUBSIDIARIES AND AFFILIATED CARRIERS

These conditions apply to Norfolk Southern and the subsidiaries and affiliated carriers listed here. References to “NS” include the listed carriers:

Norfolk Southern Railway Company
Atlantic and East Carolina Railway Company
Camp Lejeune Railroad Company
Chesapeake Western Railway
Central of Georgia Railroad Company, The
Georgia Southern and Florida Railway Company
State University Railroad Company
The Alabama Great Southern Railroad Company
The Cincinnati New Orleans and Texas Pacific Railway Company
Tennessee, Alabama & Georgia Railway Company
Tennessee Railway Company

CONDITION 5.1 – GENERAL APPLICATION

The provisions of this Document apply (a) to transportation of coal, coke from coal and iron ore when such transportation (i) originates on NS and (ii) moves under single line rates or single factor joint line through rates offered by NS itself or in conjunction with a connecting railroad as an exempt rate or as a regulated common carrier rate; and (b) to the NS portion of through movements under AAR Accounting Rule 11 or other combination or proportional exempt or common carrier rates. In the absence of a separate contract specifically covering the transportation, the terms and conditions of these Conditions of Carriage constitute a unilateral offering of such terms and conditions of a bilateral contract between NS and its connecting lines on the one hand, and the user of the transportation service on the other upon acceptance by such user. Tender of shipments to the originating carrier shall constitute acceptance of both the terms of service as set out in these Conditions of Carriage and the rate governing the shipment.

When NS is not the originating carrier, but does participate in a movement under single factor or joint through rates, the Conditions of Carriage or comparable offering of the originating carrier shall, along with the exempt or common carrier rates, apply to such transportation performed by NS unless specified otherwise in the terms of a rate quotation or separate contract specifically covering the transportation involved. When such originating carrier does not issue or have in effect such an offering, the terms of service contained herein shall apply.

Any tender of a shipment with different or additional terms and conditions submitted by Shipper shall be considered a counteroffer and such different or additional terms and conditions shall be deemed rejected by NS unless electronically confirmed or agreed in a writing executed on behalf of NS by a Marketing Vice-President of NS, regardless of whether the shipment is accepted or moved by NS.

However, if there are provisions in an applicable contract, tariff or quotation that are inconsistent with the terms of these Conditions, the terms of the applicable contract, tariff or quotation shall govern.

CONDITION 10.1 – APPLICATION OF REFERENCED TARIFFS AND PUBLICATIONS

These Conditions incorporate and include the provisions of the following tariffs and publications (and their successor publications):

Open and Prepay Station List OPSL 6000-Series
 Standard Transportation Commodity Code STCC 6001-Series
 Official Railway Equipment Register RER 6412-Series
 NS Mileage RPS 6301-Series
 Uniform Freight Committee UFC 6000-Series
 NS Switching NS 8001, 8211-Series
 Demurrage Rules and Charges—NS 6004-Series ; NS 9209-Series
 Weighing and Reweighing NS 8002-Series
 Storage, Transfer and Reshipment - NS Tariff 4219, 9167, 9177- Series
 Diversion and Reconsignment - NS Tariff - 9037- Series
 Rules and Regulations - NS Tariff - 9219-Series
 Provisions of CR Tariff 4605-Series where specifically applicable
 Dumping at Lamberts Point, VA NS Tariff 9038 – Series
 Rules and Charges on Accessorial Services NS 8002 Series
 RRRRA 6000 Master (Rail re-organization, rerouting, etc.)
 NS Currency Exchange Regulations on International Traffic NS 6316

References to specific publications herein include successor publications.

CONDITION 15.1 – ABSORPTION OF CONNECTING LINES SWITCHING CHARGES

Rates making reference to this document will include full absorption of connecting line reciprocal switching unless otherwise agreed to in separate contracts or stated in a rate quotation.

CONDITION 20.1 – BILL OF LADING

Transportation by NS under these Conditions shall be subject to the terms of the Uniform Bill of Lading as contained in the Uniform Freight Classification UFC 6000-Series, as modified from time to time. Any alteration, addition or erasure in the bill of lading made without special notation thereof of an NS agent shall be without effect, and the rate agreed upon by contract or quotation as originally reflected in the bill of lading shall be the applicable rate.

The order of precedence for the application of terms and conditions for transportation services provided by NS shall be as follows:

- 1) Written Contract
- 2) NS Customer Specific Rate Quotation
- 3) General rate Tariffs and General NS Rate Quotations
- 4) Conditions of Carriage
- 5) Other Applicable NS Publications, if any
- 6) Uniform Bill of Lading

CONDITION 25.1 – LOADING

The consignor/shipper shall load tendered rail cars to full visible capacity unless NS advises otherwise, shall load in accordance with the provisions of any applicable contract, quotation or tariff, and shall notify NS when the cars are loaded. Consignor/shipper at origin agrees to be bound by origin detention rules and agrees to pay any resultant demurrage charges, upon acceptance of cars for loading.

CONDITION 30.1 – TRANSPORTATION

NS will arrange for reasonable transportation and delivery in accordance with instructions shown on the Bill of Lading and other conditions mutually agreed upon by the parties. Separate services such as weighing, switching and dumping not covered by the Bill of Lading or applicable contract must be arranged for separately with NS by the consignor or consignee.

CONDITION 35.2 – UNLOADING

Upon arrival and placement of rail cars for unloading at destination, the consignee accepts and agrees (a) to unload cars in a manner that does not damage equipment (b) release cars in a condition suitable for reloading by another shipper and (c) accepts liability for any demurrage and detention charges accruing for all cars placed at consignee's destination pursuant to applicable demurrage and detention provisions applying thereto.

If consignee fails or refuses to remove all lading or other material from a car and close car doors the car shall not be considered as released and shall remain on applicable demurrage or detention until consignee releases the car in clean condition with doors closed. If a car is not properly cleaned or car doors are left open, and is subsequently released and removed, then the railroad discovering such failure may undertake to remedy such failure and the consignee will be responsible for reimbursement to the railroad for the cost, including associated switching, to make such car suitable for loading.

In order for cars to be released, consignee must advise the agent of the delivering railroad by telephone, or by fax on a mutually agreed form, that the cars are unloaded and available. Consignee must provide the name of the person furnishing the car initials and numbers.

CONDITION 40.1 – APPLICABLE TRANSPORTATION CHARGES

The charges applicable to the transportation from origin to destination will be those contained in the applicable contract, tariff or quotation in effect on the shipping date, as reflected on the Bill of Lading

Customer-specific rates (contracts or specific quotes) will take precedence over open or non-customer-specific rates (general quotes). Within each of those two categories, point-to-point rates will apply regardless of any group or scale rates available, and group rates will be applied to the exclusion of any scale rates.

Unless otherwise agreed upon by NS and the purchaser of transportation subject to this publication, where NS can serve both shipper and receiver (either directly or through reciprocal

switching by another carrier), NS single-line rates will apply to the exclusion of any joint-line rates.

Rates applicable via NS apply only over the most direct lines of NS, forming the shortest possible NS mileage, from the first point at which NS receives the shipment (from consignor or other railroad) to the last point at which NS delivers the shipment (to consignee or other railroad). NS reserves the right to actually handle shipments via any route over NS lines.

CONDITION 45.21 – PAYMENT AND CREDIT

Acceptance by NS of a tender of a shipment by Shipper does not constitute the extension of credit by NS to Shipper or to party responsible for payment of NS freight charges ("Payor"). Credit shall only be extended through the Credit Department of NS. If NS extends credit, it is granted only as a convenience to the Shipper or Payor and may be revoked by NS at any time, as to any shipment (including those in transit), and without notice to Shipper or Payor. Any changes in Shipper's or Payor's ownership or financial condition which materially affects Shipper's financial standing must be reported to NS' Credit Department.

Where credit has been extended to Shipper or Payor, Shipper or Payor agrees to pay all charges in fifteen (15) days from the date of the freight bill or invoice. Where credit has not been extended to Shipper or Payor, payment of transportation charges must be made to NS in advance of the shipment in cash. Where credit has been extended but is revoked while shipment is in transit, payment must be made to NS, in cash, before NS will release the car(s) to receiver at destination.

In the event that Shipper or Payor shall dispute the amount of a bill, Shipper or Payor shall pay to NS within the credit period the undisputed amount of the bill. Shipper or Payor shall also notify NS within the credit period of the disputed amount and the basis for the dispute. Payment of bills, or any portion thereof, by Shipper or Payor which later are determined to be incorrect will not prejudice Shipper's right to seek a refund within the statutory period.

NS shall have the right to recover from Shipper or Payor all reasonable costs of collection, including but not limited to reasonable attorneys' fees, in the event of any violation of the credit terms of NS by Shipper or Payor.

Effective October 1, 2003, NS will assess a finance charge of one percent (1%) per month (twelve percent (12%) per annum) against unpaid linehaul freight bills beyond credit terms. Finance charges will be calculated using a daily rate of .0329% (12%/365 days) which will be applied to unpaid linehaul freight bills that are not paid within the governing credit period. The finance charge will accrue daily until payment is received by NS.

Placement of cars by NS under a credit agreement shall be deemed acceptance of the shipment. Acceptance of the shipment shall be deemed acceptance of responsibility for payment of all charges occurring on the shipment, including detention and switching services performed at destination. All payments shall be in U.S. money and will not be reduced to offset claims, damages to property, or for other reasons.

CONDITION 50 – CARRIER LIABILITY FOR LOSS OR DAMAGE TO LADING

NS will assume liability for loss and damage under the terms of 49 USC 11706 and the terms of the Uniform Bill of Lading, provided that where provisions maintained by other railroads in the

through route differ, then the rules of the origin carrier will apply.

CONDITION 52 - AGGREGATE RULE

Unless specifically authorized in writing by NS, point-to-point rates may not be combined to provide a through rate when an existing through rate is in place. Example: Customer has a rate quote from Point A to Point C (the "A to C Rate"). Customer also has a rate quote from Point A to Point B (the "A to B Rate") and from Point B to Point C (the "B to C Rate"). The A to C Rate applies, and Customer may not combine the A to B Rate with the B to C Rate unless specifically authorized in writing by NS.

CONDITION 53 - INTERMEDIATE RATES

Except as otherwise specifically provided in individual contracts or rate quotations, rates will not apply from or to points intermediate to the origins or destinations specified in such individual contracts or rate quotations.

CONDITION 55.3 – FUEL SURCHARGE

In the event the average monthly price of West Texas Intermediate Crude Oil exceeds \$23.00 per barrel calculated using the daily prices published in the Wall Street Journal. Norfolk Southern will assess a fuel surcharge on all linehaul freight charges (as set forth below, the "WTI Average Price").

The applicable fuel surcharge percentage shall be applied to each shipment having a bill of lading dated on or after the 1st day of the second calendar month following the calendar month of a given WTI Average Price Calculation. The fuel surcharge will change monthly per the table below.

Calendar Month of WTI Average Price	Fuel Surcharge Applied	Calendar Month of WTI Average Price	Fuel Surcharge Applied
January	March 1	July	September 1
February	April 1	August	October 1
March	May 1	September	November 1
April	June 1	October	December 1
May	July 1	November	January 1
June	August 1	December	February 1

The fuel surcharge will be 0.4% of the linehaul freight charge for every \$1.00 per barrel, or portion thereof, by which the WTI Average Price exceeds \$23.00. The WTI Average Price for a given calendar month will be determined by adding the daily West Texas Intermediate Crude Oil prices published in the Wall Street Journal during a calendar month, and dividing the result by the number of days so published in that given month. The result will be

rounded to the nearest cent. If the Wall Street Journal ceases publication of the price of West Texas Intermediate Crude Oil, NS will employ a suitable substitute source of price or measure. The following schedule reflects the applicable fuel surcharge within the WTI Average Price ranges noted below.

WTI Average Price Per Barrel	Fuel Surcharge Percentage	WTI Average Price Per Barrel	Fuel Surcharge Percentage
\$23.00 and below	No Surcharge	\$36.01 - \$37.00	5.6%
\$23.01 - \$24.00	0.4%	\$37.01 - \$38.00	6.0%
\$24.01 - \$25.00	0.8%	\$38.01 - \$39.00	6.4%
\$25.01 - \$26.00	1.2%	\$39.01 - \$40.00	6.8%
\$26.01 - \$27.00	1.6%	\$40.01 - \$41.00	7.2%
\$27.01 - \$28.00	2.0%	\$41.00 - \$42.00	7.6%
\$28.01 - \$29.00	2.4%	\$42.01 - \$43.00	8.0%
\$29.01 - \$30.00	2.8%	\$43.01 - \$44.00	8.4%
\$30.01 - \$31.00	3.2%	\$44.01 - \$45.00	8.8%
\$31.01 - \$32.00	3.6%	\$45.01 - \$46.00	9.2%
WTI Average Price Per Barrel	Fuel Surcharge Percentage	WTI Average Price Per Barrel	Fuel Surcharge Percentage
\$32.01 - \$33.00	4.0%	\$46.01 - \$47.00	9.6%
\$33.01 - \$34.00	4.4%	\$47.01 - \$48.00	10.0%
\$34.01 - \$35.00	4.8%	\$48.01 - \$49.00	10.4%
\$35.01 - \$36.00	5.2%	\$49.01 - 50.00	10.8%

Notice of changes in the percentage amount of the fuel surcharge will be published on NS's web page at www.nscorp.com.

RULE 60 – NON-WAIVER

Any waiver on the part of NS of any term or condition of these Conditions of Carriage shall not constitute a precedent, nor require NS to continue waiving such term or condition or to waive any succeeding breach of the same or any other of the terms and conditions of these Conditions of Carriage. No waiver or purported waiver on the part of NS shall be deemed to bind NS unless made in writing and signed by an authorized NS Marketing Officer.

Quarterly Financial Review

First Quarter 2004

Exhibit D



Norfolk Southern Corporation

Finance Department

Three Commercial Place

Norfolk, Virginia 23510.2191

NS NORFOLK
SOUTHERN

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Financial Inquiries:	Henry C. Wolf.....	(757) 629-2650
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	Leanne D. McGruder.....	(757) 629-2861

The accompanying unaudited interim financial statements should be read in conjunction with: (a) the financial statements and notes included in the Corporation's latest Annual Report on Form 10-K and in subsequent Quarterly Reports on Form 10-Q, and (b) any Current Reports on Form 8-K.

Financial, Traffic and Operating Statistics

Traffic and Operating Statistics		2002				
Page	Item	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
	• No corresponding charts for this data.					
8	Railway carloads (thousands) (See page 8 for details):					
8	Coal	398.5	393.5	412.4	405.2	1,609.6
8	General merchandise	659.1	723.4	698.1	676.4	2,757.0
8	Intermodal	548.8	599.6	625.3	580.4	2,354.1
8	Total railway carloads	1,606.4	1,716.5	1,735.8	1,662.0	6,720.7
	• Revenue ton miles (RTMs) (billions):					
	Coal	13.2	12.7	13.2	13.2	52.3
	General merchandise	24.1	25.6	24.9	24.5	99.1
	Intermodal	6.7	7.0	7.1	6.8	27.6
	Total	44.0	45.3	45.2	44.5	179.0
	• Revenue (dollars) per thousand RTMs:					
	Coal	\$ 27.20	\$ 27.51	\$ 28.12	\$ 27.39	\$ 27.56
	General merchandise	\$ 36.06	\$ 37.06	\$ 36.78	\$ 37.30	\$ 36.81
	Intermodal	\$ 40.20	\$ 42.11	\$ 43.88	\$ 44.87	\$ 42.78
	Total	\$ 34.04	\$ 35.16	\$ 35.36	\$ 35.53	\$ 35.03
	• Gross ton miles (GTMs) (billions)					
		84.1	87.3	86.1	85.3	342.8
	Revenue ton miles (RTMs) (billions)	44.0	45.3	45.2	44.5	179.0
	Railroad employees (average)	28,909	28,677	28,456	28,306	28,587
	Total operating expense (dollars) per thousand GTMs (see note 1 on page 16)	\$ 14.99	\$ 14.56	\$ 14.95	\$ 15.16	\$ 14.91
	Compensation and benefits (dollars) per thousand GTMs (see note 1 on page 16)	\$ 6.22	\$ 5.69	\$ 5.68	\$ 6.02	\$ 5.90
	Total operating expense (dollars) per thousand RTMs (see note 1 on page 16)	\$ 28.65	\$ 28.05	\$ 28.48	\$ 29.05	\$ 28.56
	Compensation and benefits (dollars) per thousand RTMs (see note 1 on page 16)	\$ 11.88	\$ 10.97	\$ 10.82	\$ 11.53	\$ 11.30
14	Total operating revenue (\$ thousands) per employee	\$ 51.8	\$ 55.5	\$ 56.2	\$ 55.9	\$ 219.4
15	Total operating expense (\$ thousands) per employee (see note 1 on page 16)	\$ 43.6	\$ 44.3	\$ 45.2	\$ 45.7	\$ 178.8
	GTMs (thousands) per employee	2,910	3,045	3,025	3,012	11,992
14	RTMs (thousands) per employee	1,522	1,580	1,588	1,572	6,262
14	Carloads per employee	55.6	59.9	61.0	58.7	235.2
14	RTMs (thousands) per mile of road operated	2,043	2,106	2,102	2,064	8,315
15	Total operating expense (dollars) per carload (see note 1 on page 16)	\$ 785	\$ 740	\$ 741	\$ 778	\$ 761
	Compensation and benefits (dollars) per carload (see note 1 on page 16)	\$ 326	\$ 290	\$ 282	\$ 309	\$ 301
	RTMs (thousands) per carload	27.4	26.4	26.0	26.8	26.6
	Diesel fuel consumed (thousands of gallons)	120,072	119,764	113,484	119,170	472,490
	Average price (cents) per gallon of diesel fuel	67.1	70.3	72.7	80.1	72.5
	RTMs per gallon of fuel consumed	367	378	398	373	379
15	GTMs (thousands) per train hour	95.2	94.8	92.6	93.4	94.0
15	RTMs (thousands) per train hour	49.8	49.2	48.6	48.7	49.1
	Percent of loaded-to-total car miles	57.6	58.1	58.0	58.3	58.0
	Total new crossties installed (thousands)	568	832	730	646	2,776
	Total track miles of rail laid (miles)	72	51	56	56	235

2003					2004				
First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year- to-date
395.2	420.2	406.8	392.4	1,614.6	406.3				406.3
674.6	707.7	687.9	709.8	2,780.0	702.6				702.6
578.2	607.9	627.2	653.3	2,466.6	648.1				648.1
1,648.0	1,735.8	1,721.9	1,755.5	6,861.2	1,757.0				1,757.0
12.8	13.7	13.1	13.0	52.6	13.9				13.9
25.3	26.0	25.5	25.6	102.4	26.2				26.2
6.5	6.8	7.2	7.6	28.1	7.3				7.3
44.6	46.5	45.8	46.2	183.1	47.4				47.4
\$ 27.69	\$ 28.43	\$ 28.35	\$ 29.69	\$ 28.54	\$ 28.58				\$ 28.58
\$ 36.29	\$ 36.34	\$ 35.73	\$ 37.23	\$ 36.40	\$ 36.90				\$ 36.90
\$ 44.37	\$ 44.10	\$ 43.84	\$ 44.12	\$ 44.10	\$ 45.03				\$ 45.03
\$ 35.00	\$ 35.15	\$ 34.89	\$ 36.25	\$ 35.33	\$ 35.70				\$ 35.70
85.1	88.9	86.6	88.9	349.5	89.9				89.9
44.6	46.5	45.8	46.2	183.1	47.4				47.4
28,260	28,446	28,597	28,147	28,363	27,770				27,770
\$ 15.62	\$ 15.03	\$ 14.86	\$ 16.34	\$ 15.46	\$ 14.98				\$ 14.98
\$ 6.18	\$ 6.02	\$ 6.13	\$ 7.68	\$ 6.51	\$ 6.06				\$ 6.06
\$ 29.82	\$ 28.73	\$ 28.10	\$ 31.41	\$ 29.51	\$ 28.41				\$ 28.41
\$ 11.80	\$ 11.51	\$ 11.59	\$ 14.77	\$ 12.43	\$ 11.49				\$ 11.49
\$ 55.2	\$ 57.4	\$ 55.9	\$ 59.5	\$ 228.0	\$ 61.0				\$ 61.0
\$ 47.1	\$ 46.9	\$ 45.0	\$ 51.6	\$ 190.6	\$ 48.5				\$ 48.5
3,013	3,123	3,028	3,158	12,322	3,237				3,237
1,578	1,633	1,602	1,643	6,456	1,708				1,708
58.3	61.0	60.2	62.4	241.9	63.3				63.3
2,070	2,159	2,130	2,148	8,507	2,203				2,203
\$ 807	\$ 769	\$ 747	\$ 827	\$ 788	\$ 767				\$ 767
\$ 319	\$ 308	\$ 308	\$ 389	\$ 332	\$ 310				\$ 310
27.1	26.8	26.6	26.3	26.7	27.0				27.0
121,116	116,507	111,989	122,623	472,235	128,560				128,560
85.9	80.1	77.4	78.9	80.7	83.1				83.1
368	399	409	377	388	369				369
88.1	91.9	93.4	93.0	91.6	91.7				91.7
46.1	48.0	49.4	48.4	48.0	48.4				48.4
58.3	57.6	58.1	58.8	58.2	58.8				58.8
522	653	682	894	2,751	420				420
76	70	55	32	233	77				77

<<< *

* Average price
(cents) per gallon
of diesel fuel