

Conrail - 40 Years of Operational Success

Delaware Valley Regional Planning Commission
April 15, 2016



Big Conrail – 1976 to 1999

- In the early 1970's, the list of bankrupt railroads was alarming
- Congress acted in 1974 by establishing the USRA (United States Railway Association)
- Losing \$1 million a day
- A lot of decisions being made were politically driven
 - Led to substantial de-regulation (the Staggers Act of 1980), which Conrail fully took advantage of
 - In 1981, the NERSA Act relieved Conrail of operating suburban commuter lines
- By the early 1980's, the government wanted to stop subsidizing our operations
- By 1987, Conrail went public with an IPO of common stock

Big Conrail – 1976 to 1999

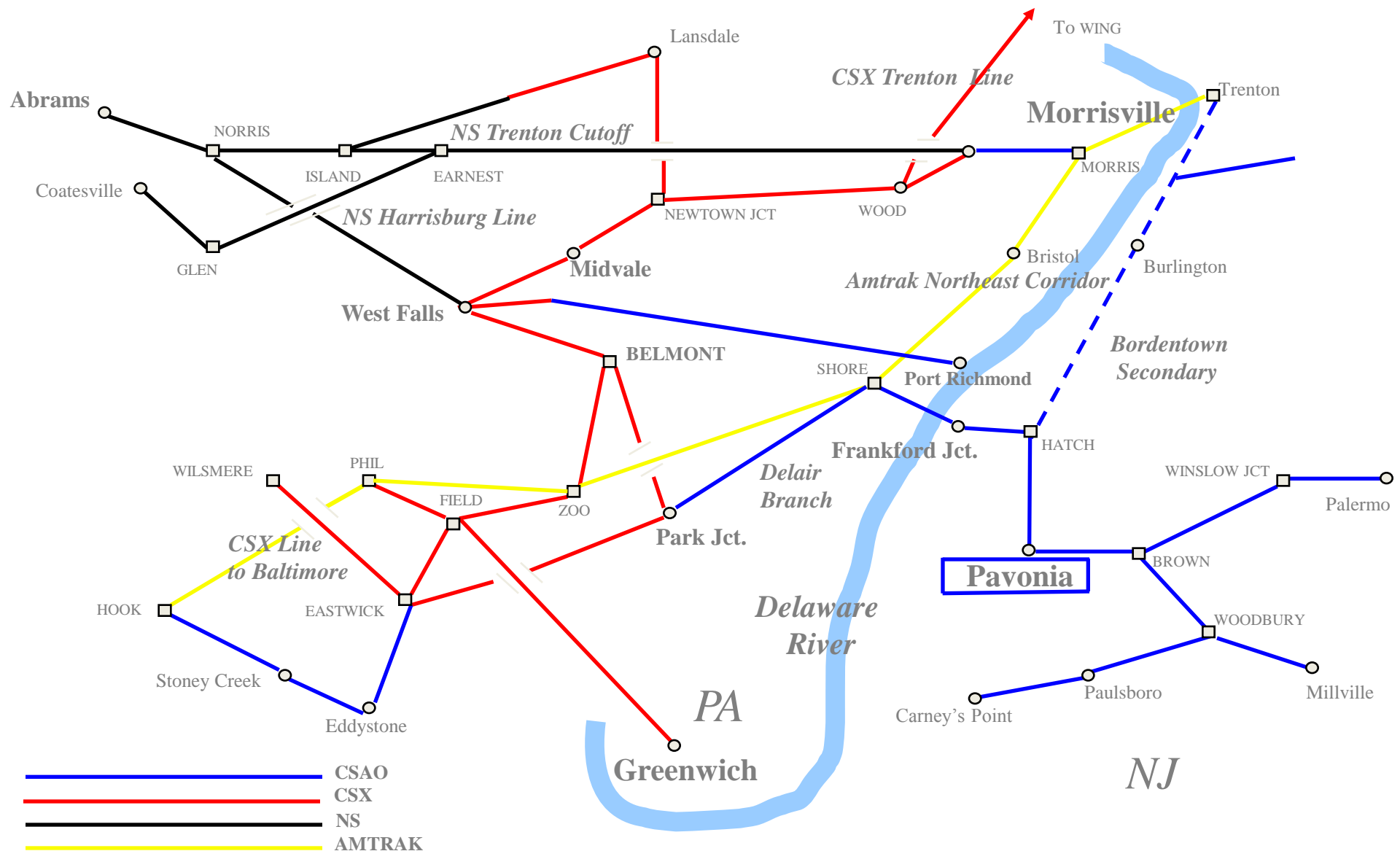
- We had shaped Conrail to be an efficient company
- We were making \$1 million a day
- Intermodal/containerization and autos became premium markets for us
- By the mid-1990's, we had reduced the track miles by nearly 50% and reduced our employees to under 20,000
- The remaining employees were truly survivors and were competent and qualified
- During the 1990's, there was constant pressure to perform and survive

Transitioning from Big Conrail to Shared Assets

- After merger was announced, significant Day 1 projects were necessary
- At split date, June 1, 1999, employees working in the Shared Assets areas generally stayed at Conrail
- Locomotives and rolling stock were allocated to parents
- Conrail Shared Assets became one of several of CSX's and Norfolk Southern's subsidiaries
- Class 1 to Switching and Terminal carrier
 - 1200 miles in 3 regional areas
 - 1150 employees



Conrail – Philadelphia Metropolitan Area



Conrail connects the region to the North American freight rail network



- Conrail provides direct service with head-to-head competition among two Class 1 railroads – CSX and Norfolk Southern
- Conrail interchanges with 11 of 14 New Jersey shortline railroads and 3 in the Philadelphia, Pennsylvania area, providing safe, reliable, and efficient rail service to our customers
- Contributes to the region through employment and economic development as an environmentally friendly transportation alternative

Conrail provides safe and reliable freight transport service to this region's businesses



- 114 companies are served in the South Jersey/Philadelphia area
- Over 130,000 carloads are delivered annually to these customers
 - Equivalent to 450,000 truck loads removed from area highways
 - Every ton mile of freight moved by rail versus truck reduces greenhouse emissions by two-thirds
- Commodities delivered support a wide range of commerce from agricultural to housing and construction to health care

Conrail makes significant investments in the region that enhance safety, improve service, and expand capacity

- Over \$111 million has been invested from 2000 to 2015
- In addition, over \$67 million of additional investment have been made through public-private partnerships benefiting the region
 - Delair Bridge project
- In 2015 alone, nearly \$12 million was invested in South Jersey/Philadelphia capital projects
- Additionally, \$35 million annually is spent operating and maintaining the rail infrastructure, providing safe and reliable service

Conrail partners with agencies in New Jersey and Pennsylvania to coordinate intermodal transportation as well as participation in public/private partnerships

- Local and county agencies
- New Jersey Department of Transportation
- PENNDOT
- New Jersey Transit and its commuter agencies
- SEPTA
- Delaware Valley Regional Planning Commission
- South Jersey Transportation Planning Organization
- North Jersey Transportation Planning Authority
- Philadelphia Regional Port Authority
- South Jersey Port Corporation
- Amtrak

Conrail's Ongoing Focus and Commitment

- Managing risk associated with our human and physical assets
- Providing superior service to customers and short line partners on behalf of CSX and Norfolk Southern
 - Technical innovations
 - Pavonia Yard Enhancement Project
- Being visible in future freight and passenger rail initiatives
- Staying ahead of growth opportunities
- Smart investments
 - Keep existing and attract new business
 - Public/Private projects
 - Add capacity to enhance service
- Development of the Port of Paulsboro
- PTC
- Raising the 263K weight capacity limit on Amtrak and New Jersey Transit lines