

NORFOLK SOUTHERN PURCHASE OF CONRAIL

The following facts highlight the benefits of a sale of Conrail to the Norfolk Southern Corporation.

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Federal Government

- \$1.2 billion cash
- Give up of \$2.1 billion operating loss tax carry forwards
- Give up of \$275 million investment tax credits

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States and Local Government

- Returning Conrail to the private sector will mean a resumption of annual state and local tax payments of \$25 million as follows:

CN.	\$ 266,400	N.Y.	\$4,632,900
IL.	171,400	OH.	3,424,000
IN.	859,400	PA.	8,234,800
KY.	5,200	R.I.	6,200
MD.	52,900	VA.	1,000
MA.	333,000	W. VA.	155,800
MI.	1,045,000	D.C.	28,400
N.J.	5,839,500	Other	243,000

- Restoration of regular ICC procedures for rail abandonments

Employees

- Greater long-term security of continued rail service
- Agreement employees get return, retroactive to July 1, 1984, to industry wage scale (approximate 12% wage increase, perhaps \$250 to \$500 per month) worth \$124 million per year
- Non-agreement employees get increased compensation (\$20 million per year) and improved fringe benefits worth about \$7 million per year
- Approximately \$375 million in cash or NS stock (average well over \$8,000 per employee) for their interests and claims
- Participation in NS Stock Purchase Plan for agreement employees (to which NS contributes)
- "New York Dock" labor protection for adversely affected employees -- up to 6 years pay
- Provision of one year protection, over a 3-year window of eligibility, for Conrail employees against introduction of efficiencies, subject to a 36-month moratorium on new protective agreements.

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Shippers

- Better single-system routes creating new single-system competition for traffic between the Northeast, Midwest and Southeast
- Greater long-term security of continued rail service
- Restoration of regular ICC procedures for rail abandonments
- Reopening of direct, competitive routes with small eastern railroads
- Preservation of most existing competitive choices by making available to another railroad(s) duplicate track

Other Railroads

- Greater long-term security of continued rail service in the Northeast
- Reopening rail competition by reducing Conrail's routing restrictions against small eastern railroads, including the Grand Trunk, Pittsburgh and Lake Erie, and the Guilford System Railroads
- Sale of duplicate track in order to preserve and increase existing competition and jobs

Norfolk Southern Corporation

- Assets -- \$8 billion (more than \$1 billion in cash and short term investments)
- Favorable 18 percent debt-equity ratio
- Current income tax payments (1984) \$154.7 million Federal; \$22.4 million state; \$179.9 million deferred
- Income taxes 1984 -- current Federal \$154.7 million; current state \$22.4 million; deferred \$179.9 million
- Railroad operating revenue 1984 -- \$3.5 billion
- Working capital 1982 - \$640.4 million; 1983 - \$867.0 million; 1984 - \$914.5 million
- Carloadings 1982 -- 3.5 million; 1983 -- 3.6 million; 1984 -- 3.8 million

