

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Filed by the Registrant / /

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or Section 240.14a-12

CONRAIL INC.

(NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

NORFOLK SOUTHERN CORPORATION

(NAME OF PERSON(S) FILING PROXY STATEMENT, IF OTHER THAN THE REGISTRANT)

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- - - - -

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CSX/CONRAIL OVERLAPPING COMMUNITIES

[Graphic: Box with map of Pennsylvania, Delaware, Maryland, Ohio, and parts of West Virginia, Michigan, Indiana, and Illinois with names of cities with major rail service only from CSX and Conrail]

WHERE WILL CONRAIL EMPLOYEES BE IF  
COMPETITION DIES?

One look at this map shows why a combination with CSX isn't good for Conrail employees.

The 60-plus communities on it are those with major rail service only from CSX and Conrail. Indeed, CSX and Conrail run parallel from Ohio to Philadelphia and elsewhere. At the same time, Conrail's major Hollidaysburg and Altoona shops are within just 70 miles of CSX's facilities at Cumberland, Md. Redundancies like these could add up to lost jobs.

The sheer size of a CSX/Conrail combination would dominate rail transportation in the East, depriving shippers of the balanced competition that promotes safe and efficient service--service that encourages economic development and brings the marketplaces of the world to every shipper's doorstep. Lack of competition means lack of growth--lack of rail business, lack of train service, lack of maintenance: in short, fewer opportunities for employees.

With this in mind, Conrail employees have every reason to support a combination with Norfolk Southern. Norfolk Southern's system extends and complements Conrail's system, rather than duplicating it.

Conrail employees want to be part of a winning future. Norfolk Southern has the best employee safety record of any major carrier. The best operating ratio. A world-class infrastructure. A reputation for innovation and industrial development. It's why The Thoroughbred has been called one of America's most admired companies.<sup>1</sup>

Norfolk Southern and Conrail can both boast overfunded, healthy pension funds, ensuring peace of mind for retirees. CSX's claim to fame is its recent recognition as one of the "Top 50 Companies with the Largest Underfunded Pension Liability".<sup>2</sup>

CSX hasn't said much about these issues. It does not want to remind Conrail employees that your system overlaps CSX. It doesn't want to remind you that CSX/Conrail would create a virtual "no-competition zone" from eastern Ohio to the Atlantic. And it certainly doesn't want to remind you that Conrail's pension money could be merged with CSX's woefully underfunded pension fund.

IT'S TIME TO ACT

If you're a Conrail employee, take action. Let your board of directors, management, labor leaders and lawmakers know that you support jobs, growth, opportunity, competition and a healthy pension fund.

If you own shares of Conrail, say NO to the CSX/Conrail deal by voting at the stockholders' meeting December 23. Vote your shares AGAINST Conrail's proposal to "opt out" of the fair value statute. If you are a participant in the Conrail ESOP, instruct the ESOP Trustee to vote your shares AGAINST the

proposal.

ESOP participants should know that their votes are especially important because each allocated share represents both a financial and voting interest by the participants equivalent to at least five shares. This is because allocated ESOP shares control the voting of both unallocated ESOP shares and Employee Benefits Trust shares. And remember--your vote is strictly confidential.

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- 1 FORTUNE, Annual Corporate Reputations Survey, March 4, 1996.
- 2 Pension Benefit Guaranty Corporation: News Release 96-16, December 6, 1995.

Employees should also know that a number of senior Conrail executives have been selling Conrail shares not only pursuant to the CSX offer but also in the open market. Does this manifest a lack of confidence in the value and the chances of completion of CSX's proposed deal, which would have 75% of the remaining Conrail shares converted into CSX stock in the back-end merger?

[NORFOLK SOUTHERN LOGO]

The Thoroughbred of Transportation

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[NORFOLK SOUTHERN LOGO]

NORFOLK SOUTHERN CORPORATION

SHAREHOLDER PRESENTATION

NORFOLK SOUTHERN IS OFFERING CONRAIL SHAREHOLDERS SUPERIOR VALUE

- - - - -

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NORFOLK SOUTHERN OFFER

CSX OFFER

- - - - -	
o Nominal value of \$110.00 per share	o Nominal value of \$92.78 per share(3)
- - - - -	
o \$8.0BN total value(4)	o \$6.7BN total value(2)
- - - - -	
o No equity risk -- all cash	o Equity risk -- no voting trust, 75% stock
- - - - -	
o No regulatory risk -- voting trust	o Regulatory risk for stock portion
- - - - -	
o No synergy risk -- all cash	o Synergy risk -- 75% stock
- - - - -	
o Immediate value	o Timing of back-end exchange uncertain

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- 3      Based on 25% cash/75% stock, reflects CSX 12/2 closing price of \$46.875, represents discounts of 15.7% to Norfolk Southern offer
- 4      For remaining shares

NORFOLK SOUTHERN'S OFFER IS ALSO SUPERIOR FOR OTHER CONSTITUENCIES

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#### EMPLOYEES

- Safety:                      Norfolk Southern has established itself as the safest railroad in terms of employee safety for the past seven years
- Better fit:                  Norfolk Southern's rail system has less overlap and duplications, providing greater opportunity for maintaining employment
- Pension funds:              Norfolk Southern and Conrail have overfunded pension plans; CSX has an underfunded pension plan

#### SHIPPERS

- Safety:                      Norfolk Southern has the lowest derailment ratio in the industry, resulting in superior service to customers
- Service:                     Norfolk Southern is the most efficient railroad, providing the highest level of service to its shippers
- Balanced competition:      Norfolk Southern/Conrail would create a more balanced competitive landscape in the Eastern U.S.
- Innovation:                  Norfolk Southern created innovative ventures such as the Triple Crown Intermodal Network using RoadRailer [trademark symbol] technology

CONRAIL'S BOARD CAN SATISFY THE REMAINING CONDITIONS TO NORFOLK SOUTHERN'S OFFER

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Condition	Satisfied		Comment
	Yes	No	
Voting trust approval condition	x		Satisfied 11/18 pursuant to informal nonbinding written

opinion by STB

HSR condition	x	Satisfied 11/18 pursuant to FTC Premerger Notification Office confirmation
Financing condition	x	Satisfied 11/15; over \$20.1 BN in commit- ments received
Subchapter F condition	x	Conrail Board action required
Rights condition	x	Conrail Board action required
CSX termination condition	x	Conrail Board action required

#### CSX'S OFFER -- MUCH LESS VALUE, REALLY HOSTILE TO SHAREHOLDERS

##### Much less value

##### Really hostile

Structure	Amount	Earliest receipt date	
25% cash	\$110.00	Jan. 1997	o Hostile approach - coercive bid o Hostile structure - multi-tier, front-end loaded
75% equity (1.85619 shares)	\$87.01(1)	Jan. 1998(?)	o Hostile back-end -- uncertain timing AND value on 75% of the bid
BLENDING VALUE: \$92.78			o Hostile vote -- 5:00 p.m. the night before Christmas Eve

1 Based on CSX 12/2 closing price of \$46.875

#### CSX'S OFFER NOW EXPOSES SHAREHOLDERS TO DOWNSIDE RISKS FOR 75% OF CONSIDERATION

- o Regulatory risk
  - STB does not approve transaction
  - STB imposes conditions unacceptable to CSX and Conrail
- o Timing risks
- o Equity market risk
- o Synergy risk
  - Synergy realization (gross number)
  - Synergy realization (net number; STB "give-ups")

SIGNIFICANT REGULATORY RISK IS BORNE BY CONRAIL  
SHAREHOLDERS IN THE CSX PROPOSAL

"2-to-1" points comparison

Cities with over 100,000 population

NS/CR			CSX/CR		
Cities	Population(1)	General merchandise sales(1) (\$000s)	Cities	Population(1)	General merchandise sales(1) (\$000s)
Erie, PA	280,600	\$396,696	Baltimore, MD	2,465,700	\$2,442,491
Fort Wayne, IN	470,400	545,487	Dayton, OH	957,100	1,471,145
			Grand Rapids, MI	990,400	1,738,886
			Indianapolis, IN	1,473,300	1,937,260
			Philadelphia, PA	4,958,300	4,551,065
			Pittsburgh, PA	2,399,600	2,526,381
			Youngstown, OH	603,600	797,138
TOTALS	751,000	\$942,183		13,848,000	\$15,464,366

"SHIPPERS, PORTS, AND CONGRESS OPPOSE CONRAIL SALE TO AN UNEXPECTED EXTENT . . .  
OPPOSITION IS LIKELY TO FORCE THE WINNING BIDDER INTO COSTLY CONCESSIONS, INCLUDING  
SELLING ASSETS AND ROUTES."

-- The Wall Street Journal, November 27, 1996

1 Source: Rand McNally, Commercial Atlas & Marketing Guide, 127th edition

CSX'S OFFER -- FAULTY SYNERGY MATHEMATICS

- o EQUITY RISK: value of 75% stock is highly dependent on synergies realized
- o SYNERGY RISK:
 

	CSX (year 2000)	NSC (year 2000)
1st time	\$550 million	\$660 million
2nd time	\$730 million	\$660 million
3rd time	?	\$660 million
- o STB RISK:
  - Market share dominance in CSX-Conrail transaction
  - Significant market overlap in CSX-Conrail transaction
  - Need for balanced competition
- o Because we believe CSX must give up more track and revenue than NSC, it is unlikely to have more synergies
  - CSX will have more losses from enhanced competition and therefore less net revenue enhancements
  - CSX will have less track and revenue remaining and therefore less operating savings opportunities

CSX'S OFFER EXPOSES SHAREHOLDERS TO DOWNSIDE RISKS WITH SIGNIFICANT

VALUE IMPLICATIONS ON BACKEND

NO COMPLETION OF BACK-END

Back-end value               \$71.00  
  
Discount to NS               (35.0%)  
all cash offer

EQUITY MARKET RISK

Back-end value               \$73.96  
  
Discount to NS               (32.8%)  
all cash offer

ASSUMPTIONS

- o CRR reverts back to pre-CSX announcement price of \$71.00
  
- o STB fails to approve or approves on terms unacceptable to CSX

ASSUMPTIONS

- o Equity market (including CSX) drops 15% before completion of back-end exchange

YOU MUST VOTE "NO" ON OPT-OUT TO PROTECT THE VALUE OF YOUR SHARES

NO VOTE

- o Helps secure higher value for shares
- o Sends important signal on shareholder rights
  
- o Helps NS win
  - More immediate value
  - No up-front risk
  - No back-end risk
  - Superior transportation system
  - Superior equity investment opportunity

YES VOTE

- o CSX wins despite
  - Delivering inferior value
  - Loading substantial risk on shareholders
  - Using coercive structure to squeeze out owners at a lower price

Every vote counts -  
To realize the benefits  
available you must vote against  
opt-out