

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

January, 1984



NORFOLK SOUTHERN, CSX ANNOUNCE INTEREST IN CONRAIL

On January 6, 1984, Norfolk Southern Corporation issued the following statement:

NORFOLK, VIRGINIA—Norfolk Southern Corporation, parent company of Norfolk & Western and Southern railways, announced today that it is instituting studies "looking toward the possible inclusion of Conrail in the Norfolk Southern System."

Robert B. Claytor, chairman and chief executive officer of Norfolk Southern, said that "Our preliminary studies indicate Conrail would be a logical addition to our system and would assure the continuation of competitive rail service in the East. However we are unable without making detailed studies, to determine whether such a step is financially feasible. We will make an offer for Conrail only if such studies show an investment in Conrail would produce a satisfactory return."

Claytor further pointed out that feasibility studies of a Conrail acquisition can be completed only with the full cooperation of Conrail and the Department of Transportation. "We expect to receive that cooperation, and we will proceed promptly with these studies so that we can determine whether to make an offer to acquire Conrail."

CSX Corporation, a transportation and natural resources company formed by the

merger of the Chessie System, Inc., and Seaboard Coast Line Industries, followed with this statement on January 11:

CSX Corporation said today its Board of Directors has authorized management to initiate a thorough review of Conrail to determine if CSX should acquire the carrier. CSX Chairman and Chief Executive Officer Hays T. Watkins indicated CSX had been asked by the U.S. Department of Transportation to review the Conrail situation several times over the last several months. In light of these requests, the recent expression of possible interest in Conrail by Norfolk Southern, CSX's desire to see Conrail return to the private sector, its interest in a stable and efficient Northeastern rail system, CSX Board authorized the review.

Watkins emphasized: "CSX has not decided to make an offer or proposal for Conrail. Any such offer or proposal would only come after careful analysis of CSX acquiring Conrail independently and other options." He said the analysis would begin shortly and be completed as soon as practicable.

In response to the announcements by Norfolk Southern and CSX, Conrail stated that it would cooperate with them as it has with other interested parties.

CONRAIL CLEARS FINAL PROFITABILITY HURDLE

Conrail has passed the second of two tests of its profitability mandated by the Northeast Rail Service Act of 1981, thus requiring the Secretary of Transportation to continue to attempt to sell Conrail intact to the private sector.

A profitability audit conducted by the United States Railway Association (USRA) found that Conrail earned \$161.2 million during the five-month test period ending October 31, and that Conrail increased its working capital by \$51.2 million during that period. USRA is a non-profit government corporation with financing and monitoring responsibilities towards Conrail.

Earlier, in June of 1983, Conrail had passed the first of the two tests mandated by NERSA—the purpose of which was to determine if Conrail could be profitable. The pur-

pose of the most recent test was to determine if Conrail actually was a profitable railroad during the test period.

For purposes of these tests, NERSA defines a profitable carrier as "one that generates sufficient revenues to meet its expenses, including reasonable maintenance of necessary equipment and facilities, and would have been able to borrow capital in the private market sufficient to meet all its capital needs."

Said the USRA report: "Conrail's operating and financial results for the five-month test period were quite favorable compared to the 1983 budget and to 1982 results for the same period." USRA added that Conrail's income, along with other factors, was more than sufficient to provide for capital requirements and debt service.

DOLE: DOT CONSIDERING SEVERAL CONRAIL BUYERS

Secretary of Transportation Elizabeth H. Dole, in an edition of NBC-TV's "Meet the Press," said that the Department of Transportation is looking at several potential buyers for Conrail.

Dole was asked by a *Washington Post* reporter if the DOT would accept the Railway Labor Executives Association's offer on behalf of Conrail's employees—the only formal offer so far—if no other buyers were found.

Responded Dole, "We are, first of all, looking very closely at the employees' offer, and in any final resolution of the matter, certainly we want to consider the employees' needs and their involvement. They'll have a major part to play in the final resolution of this. We do have four or five companies, both railroad and non-railroad corporations, with a very serious interest in Conrail. So I have to correct you a little on the fact that there are more than indicated who are taking a serious look at Conrail."

While none of these corporations has tendered a formal offer to buy Conrail, Dole said that, "there is interest. We are actively pursuing this with a number of firms."

GRAIN TRAFFIC GROWS AFTER DEREGULATION

Thanks to the marketing freedoms granted by deregulation of rail transportation in late 1980, Conrail's domestic grain traffic has soared 700 percent, said Chairman and Chief Executive Officer L. Stanley Crane.

Addressing a seminar sponsored by *Milling and Baking News*, Crane said "Conrail's innovative marketing efforts in grain began in late 1980 immediately following passage of the Staggers Act. And I think that the growth in our grain traffic reflects the success of our efforts.

"Through the first eight months of 1983, our domestic carloadings of grain increased 92 percent from the same period of 1982," said Crane. "Since 1981, our traffic in domestic whole grain has soared by about 700 percent."

continued on page 4

FIRST SERVICE PINS AWARDED BY CRANE

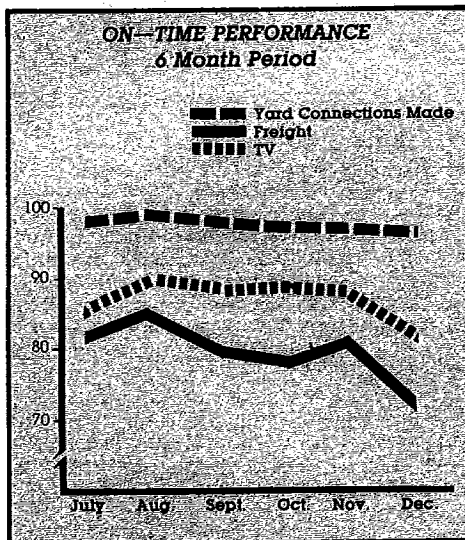
To inaugurate a new program to honor employees with 25 or more years of service, Chairman and Chief Executive Officer L. Stanley Crane presented the first service pins to four top Conrail executives.

Crane presented the pins at the weekly operating meeting for top management. Receiving pins were Senior Vice President-Operations Richard B. Hasselman, who joined the Maintenance of Way Department 36 years ago; Vice President-Engineering and Staff Clifford W. Owens, who joined the Engineering Department in 1946; Vice President-Transportation Donald A. Swanson, who joined the Car Department 34 years ago and Vice President-Labor Relations Robert E. Swert, who began work in 1946 in the Transportation Department.

In presenting the pins, Crane said that he was proud to honor the four executives' long years of service and he lamented that he would not be eligible to receive the award himself. Crane, who is 68, joined Conrail in 1981.

Under the new program, coordinated by the Resource Development Department, approximately 18,000 Conrail employees are eligible to receive service pins because they have 25 or more years of service. Beginning next month, field management at the local, divisional and regional level will be awarding gold service pins to these employees.

Also as part of the program, Conrail is recognizing the service and dedication of employees upon their retirement. Retirement award certificates, personally signed by Crane and by President and Chief Operating Officer Stuart M. Reed, are being mailed to approximately 3,000 employees who retired in 1983. Other employees will be receiving their awards as they retire.



"STEELNET" PROGRAM EXPANDS TO CHICAGO, CLEVELAND

Conrail is expanding its SteelNET program of joint rail/motor carrier rates for iron and steel shipments to include warehouses in the Chicago and Cleveland areas.

The SteelNET expansion is part of a continuing cooperative effort by Conrail and local trucking and warehouse firms to offer transportation packages that combine low-cost long-haul rail transportation with economical storage rates and truck delivery to final destinations. Conrail previously developed SteelNET service packages for the Detroit, Philadelphia, and Youngstown (Ohio)—Sharon (Pennsylvania) areas.

Conrail's SteelNET service offers metals shippers several advantages over all-truck service, including: transportation rate reductions of up to 18 percent compared to all-truck service between certain long-haul

points, easy expansion of distribution networks without additional investment in warehouse capacity; limited short-term free storage of iron and steel shipments and low-cost long-term storage rates; and no minimum shipping weight requirements for outbound movement from the warehouse.

An additional benefit is that manufacturers can use warehouses close to their shipments' final destinations to reduce inventory costs, and to ensure that ample supplies of product stored close to their customers will be accessible for easy truck delivery.

Under Conrail's single-factor SteelNET through-rates, there are no extra truck charges for "air." (Minimum weight charges applied by motor carriers often *continued on page 4*)

BUSINESS REPORT

Last month, Conrail hauled 18.5 percent more loaded cars than it did in December of 1982. Traffic levels for the year 1983 were 2.2 percent higher than levels for 1982.

For December, freight loaded on Conrail lines increased 22 percent and freight received from connections increased 13.5 percent.

The strongest showings were in transportation equipment, up 60 percent for the month of December from the same period a year earlier, and up 22.8 percent for 1983 over 1982; primary metals, up 81.7 percent for December and 13.5 percent for the year; trailer-on-flatcar traffic, up 18.2 percent for

last month and 20.1 percent for the year; and chemicals, up 16.1 percent for December and 8.6 percent for the year.

Increased production due to a more robust economy helped increase demand for utility coal, thus increasing Conrail's carloadings of coal by 20.6 percent in December. But coal carloadings for the year were down 5.6 percent.

Metallic ores traffic increased 156.7 percent in December over levels for December of 1982; iron ore carloadings for the 30-day period ending December 22 was higher than any full month since October of 1981. Conrail's movements of ores in 1983 were up 10.8 percent over levels for 1982.

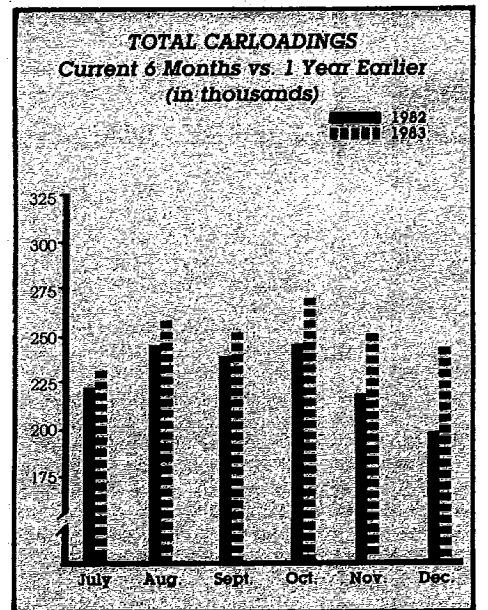
Traffic declined in farm products, down 14.4 percent for December and 5.6 percent for the year 1983; food products, down 6.7 percent for the month and 11.4 percent for the year; and pulp and paper, down 2.5 percent for December and 10 percent for 1983.

SERVICE REPORT

Last month, 76.4 percent of the carloads measured under Conrail's Keypoint Quality Control Program reached their destinations at a customer siding or interchange within 24 hours of the scheduled standard. This program logs dock-to-dock performance of selected loaded cars.

Among TrailVan trains, 81.4 percent made their destination yards within an hour of schedule, as did 78.2 percent of the mail trains and 71.3 percent of the freight trains—for an average on-time performance rate of 72.9 percent for all services. At major Conrail yards, 97.2 percent of the cars monitored made their connections.

For the year 1983, on-time performance under the Keypoint program was 82.3 percent. For mail trains, the on-time performance rate to destination yards was 85.9 percent for 1983. The rate for TrailVan service was 86.4 percent for the year, freight trains' rate was 81.1 percent and the on-time performance rate for all services was 82 percent. At major yards, 97.7 percent of the cars monitored made their connections last year.



NEWS DIGEST

RESOURCE MANAGEMENT PAYS OFF IN WESTERN REGION—Conrail's Resource Management program, a systemwide training program to help supervisors improve problem-solving techniques, produced big results recently in the Western Region. A task group of 15 managers participating in the program there completed projects that helped Conrail save almost \$1.7 million.

The program was coordinated by Regional Personnel Director Sam Dutrow and Regional Personnel Manager Lou Glenn. The managers participating in the task group included master mechanics, assistant superintendents and division engineers of the five American operating divisions on that region. Top regional managers served on special teams that provided reinforcement and practical support to the task group.

Resource Management began at Conrail in the Central Region in mid-1981 and is now coordinated around the system by regional personnel directors and managers.

NEW RECORD SET AT COAL PIER—Conrail broke its own record for transloading export coal in the Port of Philadelphia by loading 63,939 tons from 712 rail hopper cars on the coal vessel United Venture.

The shipment of metallurgical coal from central and western Pennsylvania was sent to Japan aboard the 72,844-deadweight ton ship, which is registered in Singapore. The coal was brought to Pier 124 by Conrail in 10 unit trains and loaded December 21 through 23.

The largest coal shipment previously loaded on a single vessel at the Pier was

59,148 tons on Oct. 29-31 in the Japanese coal vessel, Sunosaki Maru.

AUTO CARLOADINGS HIT THREE-YEAR HIGH—For the week ending December 17, railroads' carloadings of motor vehicles and equipment industrywide reached their best levels for the week since the corresponding week in 1979. The carloadings, which totaled 21,575, were also 61.8 percent better than the corresponding week in 1982. For all commodities, traffic levels rose 14.2 percent for the week ending December 17 over the same week a year earlier.

In other good news about the auto industry, U.S. automakers reported recently that their output in 1983 rose 33 percent over 1982's output, to their best production levels since 1979. Production last month was up 50 percent from December of 1982.

CONRAIL, ALLIED SIGN 10-YEAR CONTRACT

Conrail and Allied Corporation have signed a 10-year contract for rail transportation of synthetic soda ash (produced at Allied's Solvay, New York, plant) to customers at more than 150 different Conrail-served destinations in the Northeast and Midwest.

The contract includes provisions for stability in rates, equipment, and service for Allied's customers. As part of the agreement, Allied will provide a fleet of 240 hopper cars supplied by the Shipper Car Line Division of ACF Industries and Evans Transportation Co., a subsidiary of the Rail Car Division of Evans Products Co.

The soda ash produced at Solvay is used primarily in the manufacture of glass, and also in various industrial processes.

The soda ash shipments from Solvay will be classified for movement throughout the Conrail system at DeWitt Yard.

James A. Hagen, Conrail's senior vice president-marketing and sales, said, "This contract demonstrates Conrail's willingness

and ability to put together rate and service packages that meet the specific needs of our customers and their customers."

The Staggers Rail Act of 1980 gave railroads much greater freedom to enter into transportation contracts; previously, railroads could enter into contracts, but also had to rely on cumbersome tariff procedures, which made it difficult to respond to market conditions or the special needs of individual shippers and receivers. Through late 1983, Conrail had negotiated more than 700 transportation service contracts under the provisions of the Staggers Act, representing annual revenue in excess of \$400 million, or about 13 percent of Conrail's total revenue.

One example of how contracts can reduce transportation costs is the supply of equipment by the customer. "We encourage shippers to provide their own rail cars," said Hagen. "As a result, in many instances, we can reduce our rates. In such contracts, we can make the customer's investment worthwhile by guaranteeing car utilization levels."

WILSON IS NEW VP-LAW

Bruce B. Wilson has been appointed as Conrail's vice president-law. In this position, Wilson is the chief legal officer of Conrail. He succeeds John W. Rowe, who resigned to take a position with another company.

Wilson, who joined Conrail in 1979 as special counsel, had served as vice president and general counsel since June of 1982. He also previously was Conrail's general counsel-antitrust/litigation.

Prior to joining Conrail, Wilson was a deputy assistant attorney general in the Antitrust Division of the U.S. Department of Justice, and was an attorney in private practice with Montgomery, McCracken, Walker and Rhoads, a Philadelphia law firm.

UNEMPLOYMENT BENEFITS EXTENDED TEMPORARILY

Unemployed railroad workers with less than 10 years of service may now be eligible for up to 50 days of temporary extended unemployment benefits payable by the U.S. Railroad Retirement Board.

While 10 years of rail service is normally an eligibility requirement for extended unemployment benefits paid by the Board, legislation enacted on November 30 provides railroaders having less than 10 years of service with up to 10 weeks of extended benefits on a temporary basis until June 30, 1984.

This legislation reinstates temporary benefit provisions previously in effect from

TV SPECIAL WILL FEATURE CONRAIL

Conrail is among the railroads which will be featured in "Love Those Trains," a National Geographic special to be televised by the Public Broadcasting Service on February 8, 1984. In Philadelphia, the program will be broadcast at 8 p.m. that day over WHYY, Channel 12. Most public television stations in the country will also air the broadcast that evening.

The program, narrated by James Whitmore, has a solid fifteen minute segment (about half way through the show) on the essentiality of modern freight railroads and the contributions of rail workers to America. Footage of the Santa Fe, Southern Pacific, Union Pacific, Chicago and Northwestern, and Norfolk Southern as well as Conrail, is included.

Conrail assisted the producers of the program in filming a segment following a shipment of lettuce from California to the Hunts Point Terminal Market in New York City on trains PXSE and SEOP. Most of this segment was filmed in June and August 1982 between Blue Island and Oak Point.

March 10 to June 30, 1983. Railroaders who already received 50 days of extended benefits during that period will not qualify for further temporary extended benefits; those who received less than 50 days may be eligible for the balance.

The November 30 legislation provided financing for these temporary extended benefits from Federal general revenue funds rather than unemployment insurance taxes on railroads. Federal funds have similarly been made available to State unemployment programs for payments of supplemental extended unemployment benefits during periods of high unemployment.

in brief...

SAFETY SHOE PROGRAM BEGINS NEXT MONTH

Beginning February 1, Conrail will allow all employees to purchase up to two pairs of safety shoes each year at a reduced cost, with Conrail subsidizing the purchases by \$15 per pair.

The program is being coordinated by the Safety Department so that by June 1, 1984 Conrail will be in compliance with federal regulations which require foot protection for employees working in certain operations. Employees will be eligible to participate in the subsidized safety shoe program if they purchase safety shoes through payroll deduction from Conrail-authorized vendors.

According to the Bureau of Labor Statistics, 80 percent of all foot injuries occur to workers who are not wearing safety shoes. The three main causes of injuries to the foot are falling objects, accountable for 60 percent of the injuries; stepping on sharp objects, accountable for 16 percent and objects rolling over onto the foot, accountable for 13 percent.

The *Conrail Inside Track*, in a future edition of its Safety Page, will include more information on how to purchase shoes through the new program.

"STEELNET"

continued from page 2

result in the steel shipper literally paying to transport thousands of pounds of "air" if the steel shipment weighs less than the trucker's minimum weight requirement.) SteelNET helps shippers and receivers improve inventory and distribution control, lowering their overall operating costs.

ALLEGHENY DIVISION MAINTAINS LEAD IN SAFETY

In November, Conrail's Allegheny Division had the best record in safety performance for the second month in a row, with no lost time injuries.

Two other divisions—Detroit and Canada—had no lost time injuries in November, with lost time injury frequency rates of 0.00. The frequency rate measures the number of injuries per 200,000 man hours worked. When two or more divisions have the same rating, the higher ranking is given to the division with the most man hours.

For the year 1983 through November, the top divisions in safety performance are Canada, with a frequency rate of 0.00; Southern Tier, with 0.75; Allegheny, with 0.98; Pittsburgh, with 1.26 and Toledo, with 1.31.

The Central Region had the best lost time frequency rate for November, with 0.70; and for the year to date, with 1.30.

Systemwide, Conrail's lost time injury frequency rate was 2.13 for the month of November and 2.10 for the year to date. Around the Conrail system, there were 67 lost time injuries in November.

LOST TIME FREQUENCY RATE BY DIVISION November, 1983

Rank	Division	Rate
1	Allegheny	0.00
2	Detroit	0.00
3	Canada	0.00
4	Pittsburgh	0.67
5	Columbus	0.75
6	Buffalo	0.97
7	Cleveland	1.06
8	Harrisburg	1.12
9	Youngstown	1.28
10	Chicago	1.29
11	Southern Tier	1.69
12	Philadelphia	1.94
13	Michigan	2.20
14	New England	2.86
15	New Jersey	3.17
16	Southwest	3.58
17	Toledo	4.63
18	Mohawk-Hudson	7.20

GRAIN TRAFFIC

continued from page 1

One of the first actions taken by Conrail following the Staggers Act was to restructure its 4000-page grain tariff into a simplified 150-page document, Crane said. This paved the way for other innovations.

"For example, our gathering rates are designed to compete for short-haul grain traffic under 175 miles to terminal elevators and local processing plants," said Crane. He added that as a result of this innovation, Conrail is now hauling 250 to 400 cars of

grain in the short-haul market each week, compared to 15 to 20 cars a week in 1981.

"For long-haul traffic, the number of carloads has increased by 60 percent," said Crane, citing price reductions and better car availability as measures that have helped Conrail attract grain traffic.

"But lower and stable prices are not the whole picture," said Crane. "The ability to sense trends and needs, and the ability to respond quickly are also important. We recognize the need for flexibility."

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