

# *in brief...*

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

January, 1985

## **MANAGEMENT SUBMITS PROPOSAL FOR PUBLIC OWNERSHIP OF CONRAIL**

On January 4, Conrail's management submitted a detailed proposal to the U.S. Department of Transportation for a public offering of stock as a method of transferring Conrail to the private sector.

The DOT, which is charged with transferring the federal government's 85 percent share of Conrail's common stock to private sector ownership, is still negotiating with three potential purchasers. They are Norfolk Southern Corporation, Alleghany Corporation and a group of investors headed by hotel magnate J. Willard Marriott.

Conrail Chairman and Chief Executive Officer L. Stanley Crane, in a letter accompanying the proposal to Secretary of Transportation Elizabeth Dole, noted, "In our view, the plan best satisfies the multiple constituencies involved (government, taxpayers, minority investors, shippers and employees) and assures the public interest obligation of continuity of railroad service."

### **Financing Plan**

Crane said that the Conrail plan would provide the government with \$1.4 billion for its share of Conrail. The money would come from a public offering of Conrail common stock raising at least \$500 million, from a sale of preferred stock worth \$600 million, and from \$300 million of Conrail's cash reserves, which presently total in excess of \$800 million. Crane noted that the plan would result in a sound financial structure for Conrail.

"The plan proposes use of equity securities exclusively and does not contemplate leveraging Conrail with additional debt financing," he said. "This results in what may be the most favorable debt/equity ratio in the industry and provides enormous future financing flexibility."

The Conrail plan's financial value to the government, Crane added, "represents a significant premium over that proposed by the other bidders." Each of the plans submitted by the three other bidders has been estimated to be worth approximately \$1.2 billion in proceeds to the government.

### **Employee stock ownership/wage restoration**

The proposal also provides that employee ownership of Conrail would be increased from 15 percent of the common stock—cur-

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rently held in trust for employees through an Employee Stock Ownership Plan—to 30 percent. "There would be no forced buyout of the ESOP at a price which could be said to be unfair to ESOP participants," said Crane.

In addition, the proposal assumes that:

- Retroactive to July 1, 1984, employees would be restored to industry wage levels. Conrail employees currently are earning 12 percent less than their counterparts in the rest of the rail industry as a result of an agreement made in May of 1981.

- Conrail would begin paying state taxes effective January 1, 1985.

Crane, in his letter to Dole, stressed that management's proposal was not endorsed or favored by Conrail's Board of Directors. But he added, "Conrail's Board of Directors believes it to be in the best interests of the Corporation that this proposal be considered on the same basis as the three other proposals which remain under consideration."

After the DOT recommends an option for transferring Conrail to private sector ownership, the choice must be reviewed and approved by Congress.

## **MORGAN STANLEY TO WORK WITH MANAGEMENT**

On January 22, Morgan Stanley & Company announced that it had agreed to help Conrail management to further a plan which includes a public offering of stock for the return of Conrail to the private sector. Morgan Stanley also said that it had completed its consulting assignment for Conrail's Board of Directors.

Morgan Stanley, a privately-owned investment banking firm based in New York, had been retained by the Board since last April as a financial consultant.

In a statement issued on January 22, the Board announced that Morgan Stanley "had successfully completed its work as a financial consultant to Conrail" and that the Board was "satisfied and grateful" for the work performed by the investment banking firm.

As a result of these actions, Morgan Stanley is now free to advocate the public offering approach.

### **To our readers:**

*This issue of In Brief is arriving late so that we could bring you the most timely news available on the events pertaining to Conrail's sale.*

*Throughout the coming months we will strive to publish In Brief on a regular schedule so that it will reach you between the 20th and 25th of each month. However, since our first priority is to bring you important news as quickly as possible, we may occasionally delay an issue in order to include a late-breaking story.*

**REED: TEAMWORK HELPS CONRAIL BEAT THE COMPETITION**

President and Chief Operating Officer Stuart M. Reed, speaking before the Atlantic States Shippers Advisory Board, said that all railroad traffic is vulnerable to competition—and that rail labor and management are working together to beat that competition.

"People historically have thought that a railroad is the most effective transportation medium for bulk freight," said Reed. "Coal can't go anywhere except in cars on the railroad. Ore has got to be in cars on the railroad. All of these things are no longer true. There isn't any traffic anymore that you can say belongs to the railroad industry."

"What you are able to get on the railroad is what you are able to compete for in price and in service," Reed continued. "This is competition. And on Conrail, we believe we do this very well. Shippers think so too."

One of the reasons for Conrail's competitiveness is good cooperation between labor and management, Reed noted. "Our dedication is to maintain a level of service that is better than other modes, and to

involve our people in the field in that effort," he said.

"Our employees have a great respect for the fact that only 20 percent of total manufactured tonnage in this country moves by rail. Our challenge is to provide service that is truck competitive, and to do so in a manner that will provide us with a profit. On the ground level, our people are coming to see that they have a very large hand in the achievement of these objectives, and a very large stake in the results."

As examples of how employees are helping Conrail to stay competitive, Reed cited the Labor/Management Project—which gives employees the chance to contribute ideas and solve problems through quality circles—and the Resource Management Program, a training and problem-solving program for first line supervisors.

He added: "The interesting thing is that the communication and cooperation required to complete these projects is doing away with one of the worst traditions to be found on a railroad. That is the existence of artificial barriers that divide departments and sap any organization of its responsiveness and vitality in providing a service."

Continuing competition will require continuing teamwork, Reed concluded. "The challenge of competition is an exciting one," he said. "It demands the kind of teamwork that has never really been necessary before... For the first time, instead of tugging through procedures and rate manuals, we market a total service package—to anyone, when and where they need it. Today, the sky's the limit, and the options that we can offer are numerous."

**RETIREMENT BOOKLET AVAILABLE FOR AGREEMENT EMPLOYEES**

If you are retiring now or planning to retire soon, the new **Railroad Employees National Early Retirement Major Medical Benefit Plan Booklet** (GA-46000) is available to you.

This Plan provides Major Medical benefits to you and your dependents after you retire, but before you or your dependents are eligible for Medicare, provided that you retire (apply for your Railroad Retirement Annuity):

- while covered under the Railroad Employees National Health and Welfare Plan, (The Travelers Group Policy Contract GA-23000)
  - following 30 years of railroad service, and
  - on or after attaining age 61.
- The new booklet describes the improved Plan benefits which include:
- an increase in the maximum benefit from \$50,000 to \$75,000 effective in 1982, and
  - the addition of Ambulatory Surgical Center coverage effective January 1, 1984.
- It is important to read the GA-46000 Plan booklet before you retire to see if you meet the eligibility requirements to participate in the plan.
- To obtain a booklet, please contact the Labor Relations Office in your division.
- For more information about the Plan, contact Conrail's Employee Benefits Information Center, 15 N. 32nd St., Philadelphia, PA, 19103.

**INDUSTRYWIDE, '84 TRAFFIC INCREASED 10.9 PERCENT**

Last year, railroad freight traffic totaled about 916 billion ton-miles, or 10.6 percent above levels for 1983, according to the Association of American Railroads. Traffic on the nation's railroads reached its highest levels since 1980.

The AAR's figures showed that carloadings for the year 1984 totaled 20,248,795, or 7.6 percent above carloadings for 1983. The higher increase in ton-miles was because railroads have been moving their freight in larger cars.

Fifteen of the AAR's 21 major categories of freight showed improved carloadings from 1983 to 1984. Coal traffic in carloadings increased 13.6 percent, motor vehicles and equipment carloadings increased 16.5 percent and chemicals and allied products traffic increased 6.1 percent.

The chart below shows how carloadings of some kinds of freight increased or decreased from 1983 to 1984.

**EMPLOYEE RECOGNITION PROGRAM CONTINUES**

Under a program that began early in 1984, Conrail has honored almost 17,000 employees with 25 or more years of service to Conrail and its predecessor roads.

In addition, employees who retired in 1983 and 1984 have received special certificates recognizing their contribution to the company. The certificates were signed personally by Chairman and Chief Executive Officer L. Stanley Crane and President and Chief Operating Officer Stuart M. Reed.

Conrail is continuing to honor employees upon their 25th service anniversaries and their retirements. Conrail expects to award service pins to 615 employees who will mark 25 years of service in 1985.

Employees planning to retire in 1985 should let their supervisors know as early as possible so that their retirement certificates will be ready for them.

The service pins and the retirement certificates will be presented by regional management, division management, department heads or supervisors. The program is coordinated by Conrail's Resource Development Department in Philadelphia.

Employees with questions about their years of service should ask their supervisors. Other questions about Conrail's program to honor long-service employees and retirees should be directed to Earl Ruark, the program's coordinator, at SMART 333-4511.

**RAIL-TRUCK SERVICE EXPANDED IN NEW ENGLAND**

Conrail has added two new terminals to expand its rail-truck transfer program—which combines the cost advantages of long-haul rail transportation of bulk commodities with the convenience and flexibility of local truck delivery—in New England.

The privately-operated terminals are located at Worcester and Pittsfield, Massachusetts. Existing Conrail-operated facilities are located in Boston and Framingham, Massachusetts, and Hartford, Connecticut. The expansion allows Conrail and cooperating motor carriers to serve bulk commodity receivers—with or without railroad sidings—in Connecticut, Massachusetts and Rhode Island, southern portions of Maine, New Hampshire and Vermont, as well as eastern sections of New York State.

Dry and liquid bulk commodities such as foodstuffs (flour, grain, corn syrup, etc), cement, and plastic pellets and powders

are delivered to bulk commodity terminals by long-distance freight trains. Freight cars containing the commodities are placed at the terminals, where the commodities are transferred to trucks for local deliveries to processors and manufacturers as they are needed.

The new Worcester and Pittsfield terminals are currently dedicated to serving the New England plastics industry. Conrail assisted the operators of the new terminals—Delaware Express Co. in Worcester and Pittsfield— in establishing the new service.

**BUSINESS-REPORT**

Conrail hauled 216,151 carloads of freight last month, 4.4 percent less than it hauled in December of 1983. But carloads for the year 1984 totaled 3,081,233—5.5 percent ahead of traffic levels for 1983.

Traffic loaded on Conrail lines decreased 1.6 percent in December over the same period a year earlier, traffic received from connections decreased 8.5 percent.

The strongest increase in December was in farm products, which was 38.4 percent ahead of carloadings for a year ago. Food products traffic was ahead 2.8 percent; automobiles and parts traffic increased 2.4 percent and trailer-on-flatcar traffic improved 8.8 percent.

But an overabundance of coal supplies continued to affect Conrail's movements of this commodity, and coal traffic for December was down 23 percent. Other decreases were in pulp and paper, down 4.1 percent; chemicals, down 7 percent; metals, down 20.2 percent and waste and scrap, down 13.5 percent.

For the year, many of the commodities that supply the largest part of Conrail's business finished ahead of levels for 1983. Coal traffic was 2.1 percent ahead; metals traffic increased 10.6 percent; automobiles and parts increased 11 percent; piggyback traffic was ahead 8.8 percent and chemicals traffic improved by almost 3 percent.

**CONRAIL OFFERS ACCESS TO SOUTHERN COAL**

A barge-rail transportation service developed by Conrail is providing Eastern utilities and industries with an alternate route to the low sulfur coal fields of West Virginia and Kentucky.

An initial shipment of 15,000 tons of low sulfur coal from West Virginia has been delivered to Baltimore Gas and Electric's generating plants in Maryland. The shipment was the first Conrail movement of West Virginia river barged coal to an Eastern utility and the first Conrail joint barge-rail rate for an Eastern utility. Participating in the movement with Conrail were the Ohio River Company and the Union Railroad.

Under the agreement with Baltimore Gas and Electric, coal from origins on the Ohio River Barge network was shipped in vessels supplied by the Ohio River Company to the Dusquene Wharf in Pittsburgh, where the coal was transferred to rail cars. The cars were switched to Conrail lines by the Union Railroad. Conrail unit trains then delivered the coal to the utility.

The Staggers Act of 1980, which gave the railroad industry price and service flexibility, made it possible for Conrail, the Union Railroad and the inland waterway barge operators to offer this innovative service. This service will provide Eastern shippers with an alternate route from the West Virginia and Kentucky low sulfur coal fields that is reliable, efficient and price competitive.

**RESNICK APPOINTED AVP—PUBLIC AFFAIRS**

Effective January 2, Saul Resnick was appointed as assistant vice president, Public Affairs Department.

In his new position, Resnick, who formerly was director of media communications in the Public Affairs Department, is responsible for and coordinates the work of that department. Public Affairs is primarily responsible for working on behalf of Conrail with the news media, for corporate communications, which includes employee publications, and for marketing communications, which includes Conrail's advertising programs.

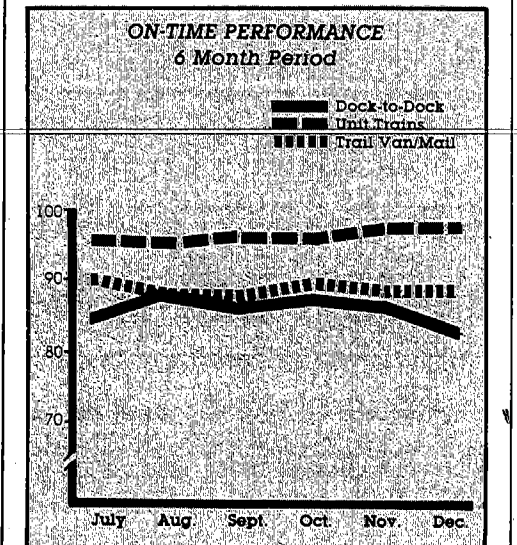
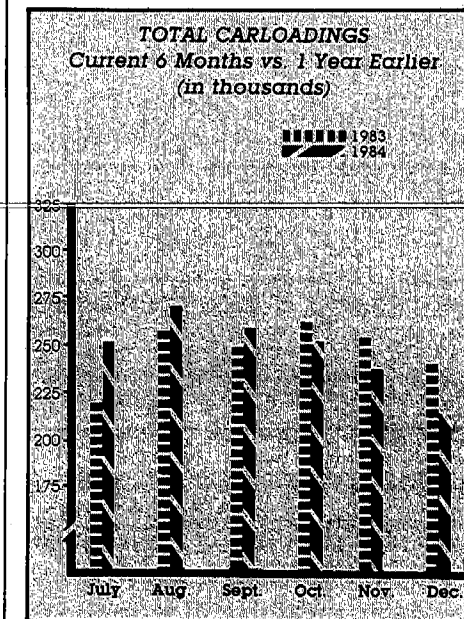
The Public Affairs Department was formerly headed by Vice President—Public Affairs Richard W. Garbett, who died of cancer on December 20.

Resnick joined the Penn Central in 1968 and has held various positions in the Public Affairs Department since then. He was named director of creative services in 1976 and director of media communications in 1979. Before joining the railroad, Resnick was a Philadelphia-based journalist.

**SERVICE REPORT**

In December, 82.1 percent of the loaded cars tracked by Conrail's Keypoint Quality Control Program reached their destinations at a customer siding or interchange within 24 hours of schedule. This program compares actual performance of the car against Conrail's published schedules.

In other performance areas last month, 86.7 percent of Conrail's high-priority TrailVan and mail trains reached their destination yards within one hour of schedule, as did 96.7 percent of the unit trains (96.3 percent of the coal trains, 100 percent of the ore trains and 97.2 percent of the grain trains.) At major Conrail yards, 99.2 percent of the cars monitored made their connections.



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### SEVEN DIVISIONS ARE INJURY—FREE IN NOVEMBER

In November, seven Conrail divisions worked through the month without a single lost-time injury. The Toledo Division was number-one for the month because it worked the most man hours.

All seven had frequency ratings of 0.00. This rating measures the number of lost time injuries per 200,000 man hours worked. When two or more divisions have the same rate, the higher ranking is given to that division with the most man hours.

The top five divisions for the year 1984 through the month of November are

Canada, with a frequency rate of 0.00 for the year to date, Columbus, with 0.51; Allegheny, with 0.73; Toledo, with 1.18 and Mohawk-Hudson, with 1.24.

The Northeastern Region had the best safety record among regions for the month of November, with a frequency rate of 0.30. The Central Region has the best record for the year to date, with 1.31.

The frequency rate for all Conrail employees was 1.22 for the month of November and 1.85 for the year to date. Conrail's goal is to finish 1984 with a frequency rate of 1.80 or lower.

#### LOST TIME INJURY FREQUENCY RATE BY DIVISION November, 1984

Rank	Division	Rate
1	Toledo	0.00
2	Pittsburgh	0.00
3	Philadelphia	0.00
4	Mohawk-Hudson	0.00
5	New England	0.00
6	Southern Tier	0.00
7	Canada	0.00
8	Harrisburg	0.66
9	Chicago	0.78
10	Allegheny	0.89
11	Buffalo	0.97
12	Cleveland	1.12
13	Youngstown	1.38
14	Columbus	1.59
15	New Jersey	1.89
16	Michigan	2.60
17	Southwest	3.48

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Letters to the editor are welcome and should be sent to the above address.

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