

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL



January, 1987

RAILROAD RE-REGULATION BATTLE LOOMS IN CONGRESS IN 1987, AAR CHIEF PREDICTS

Railroads will face a significant challenge this year from interests intent on changing provisions of the Staggers Rail Act of 1980, which provided regulatory reform for the railroad industry.

William Dempsey, president of the Association of American Railroads, said

THE ACCIDENT FILE

Following safety rules and developing safe work habits protects you from injury. It can save your life. The Accident File appears as a regular monthly feature of *In Brief* to help keep you aware that SAFETY IS EVERYONE'S JOB.

The Accident File is an actual incident that has occurred on Conrail. The railroad safety rules tell you how such incidents can be avoided in the future.

* * * * *

Two trackmen were standing between the rails cleaning a "group switch" in a hump yard during blizzard conditions. Both men were struck and passed over by a single-car cut. Both lost their lives.

APPLICABLE SAFETY RULES

- When it can be avoided, employees must **not** rely on the watchfulness of others. They must protect their own safety.
- Employees working on track who are not protected by foremen or watchmen looking out for trains must look out for trains themselves. They must assume a position and perform work in such a manner that will permit making frequent observations in both directions.

recently that he fully expects electric utilities and coal shippers, banded together under a group called Consumers United for Rail Equity (C.U.R.E.), to

The Staggers Act and attempts to modify it are likely to become a major issue during 1987. *In Brief* will cover developments as they occur so that Conrail employees can stay abreast of the issue and relay their concerns to their elected representatives in Congress.

push for changes in the Staggers Act in Congress during 1987.

The Staggers Act lifted decades of government regulation of rail carriers, allowing them substantial service and pricing flexibility within specific limits.

Attempts to attach re-regulation provisions to the Conrail Privatization Act of 1986, which would have changed the Staggers Act, were unsuccessful.

Re-regulation of railroads, if approved, could push the industry into a precipitous decline, taking pricing decisions out of the hands of market forces and placing them back under regulation. Under such regulation, railroads' efforts to provide efficient rail service could be severely hampered, the AAR has said.

In a text prepared for a news media briefing held in Washington in mid-December, Dempsey said that legislative events, such as the battle over Staggers, will determine "whether investment in improved plant and equipment will be possible, or whether another round of disinvestment and deferred maintenance is in the offing."

Changes in Staggers, Dempsey noted, are unnecessary, since the inequities C.U.R.E. wishes to remedy do not exist.

Rail rates for hauling coal have increased less than 5 percent since Staggers (1981), and actually declined in 1986.

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PREPARATIONS CONTINUING FOR CONRAIL PUBLIC STOCK OFFERING IN 1987

Preparations are continuing for the public offering of Conrail common stock authorized by the Conrail Privatization Act of 1986 (CPA).

As part of those preparations, Conrail is working with the six investment banks selected by Secretary of Transportation Elizabeth H. Dole — after consultation with U. S. Secretary of the Treasury James Baker and Conrail Chairman and Chief Executive Officer L. Stanley Crane — to complete a registration statement for filing with the Securities and Exchange Commission (SEC) for the public stock offering.

The registration statement, containing details of the offering and Conrail's business, must be approved by the SEC; then a prospectus — a major part of the registration statement — will be made available to parties interested in the offering.

(As more information on the offering becomes available, *In Brief* will cover details for our readers.)

THE TRAGIC ACCIDENT ON THE NORTHEAST CORRIDOR

On January 4, 1987, a tragic accident involving the collision of an Amtrak passenger train with a Conrail train in Maryland on Amtrak's Northeast Corridor resulted in the deaths of 15 persons on the Amtrak train, as well as numerous injuries. The accident received widespread news media coverage, with intense speculation by numerous parties on its cause.

Federal agencies are investigating the accident, and the National Transportation Safety Board (NTSB) has indicated that final conclusions about the accident and what may have caused it could take months to produce.

This publication will not attempt to address any specifics about the accident at this time. At a future date, when the NTSB has formally released conclusions

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CRANE AGREES TO STAY AS CEO THROUGH DEC. 1988

Conrail's Board of Directors has requested that Chairman and Chief Executive Officer L. Stanley Crane remain in his current position with the company through December, 1988.

An agreement was reached to that effect at Conrail's monthly board meeting on December 16, 1986.

Crane has been Chairman and Chief Executive Officer of Conrail since January 1981.

LTD SYSTEM EXPANDS TO PITTSBURGH, ALBANY

Conrail has expanded its lumber transfer and distribution (LTD) system to the Pittsburgh, Pa., and Albany, N.Y. areas.

The LTD system allows lumber mills in the western United States and Canada to enter distant markets without investing in storage/distribution facilities, while lowering the delivered cost of lumber.

A facility at Leetsdale, Pa., serves the Pittsburgh, northern West Virginia and eastern Ohio markets. Another facility, in Guiderland, N.Y., serves the Albany-Troy-Schenectady area in upper New York State, as well as western Massachusetts and Vermont. Both facilities were in operation December 1.

The Guiderland center, operated by Distribution Unlimited, of Rotterdam, N.Y., offers 10 acres of outdoor storage and about 80,000 square feet of indoor storage, with room to expand.

The Leetsdale center, operated by Pennsylvania Truck Lines, a subsidiary of Conrail, offers 8.5 acres of outdoor storage, with room to expand. Another 30,000 square feet of indoor storage is available for plywood and specialty lumber.

The new LTD centers handle lumber, lumber and plywood shelving, and other specialty items. The Guiderland center handles lumber transported from Canada, while the Leetsdale facility serves western and southwestern U.S. lumber-producing mills.

Conrail's rates for LTD service include unloading of rail cars, 30 days uncovered outdoor storage of lumber, and reloading of trucks for local deliveries to distributors and retail outlets.

Five other Conrail LTD centers are located in Baltimore, Md.; Elizabeth, N.J.; Pottstown, Pa.; Poughkeepsie, N.Y.; and Stoughton, Mass. All of the facilities are operated by independent business people experienced in the lumber trade.

RAILROAD RE-REGULATION BATTLE LOOMS IN CONGRESS IN 1987 — AAR CHIEF

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"I am at a loss to understand their objectives," he said, adding that CURE has "previously failed to prove that railroads have substantially abused their regulatory freedoms."

Charles N. Marshall, Conrail's Senior Vice President-Marketing and

INDUSTRY BRIEFS

SFSP PETITIONS ICC TO REOPEN MERGER CASE

Santa Fe Southern Pacific Corp. (SFSP) petitioned the Interstate Commerce Commission on December 9 to reconsider the proposed merger between the Santa Fe Railway and Southern Pacific Transportation Co.

The request was made based on agreements SFSP has made with the Denver and Rio Grande Western Railroad Co. (DRGW) and the Union Pacific Railroad (UP) to grant trackage rights to those two carriers.

Conrail participated in earlier proceedings on the SFSP merger proposal, and may do so again with respect to the new agreements SFSP has reached with UP and DRGW.

Also, the Kansas City Southern Railroad has announced it is interested in acquiring the SP if the ICC denies the petition.

SFSP RESTRUCTURES RAIL OPERATIONS

Santa Fe Southern Pacific Corp. (SFSP) announced that it will take a \$914 million pre-tax charge against net income as part of a restructuring of the company's railroad operations.

The move will include a write-down of SFSP's underutilized railroad assets — including locomotives, freight cars and about 6,200 miles of track — and reserves to cover the cost of cutting about 7,900 jobs.

According to the company, employees affected by the cuts will be relocated or included in job buyouts.

The write-downs are expected to produce a fourth quarter and year-end loss for SFSP.

N.E. CORRIDOR ACCIDENT

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based on its findings, *In Brief* will consider publishing those conclusions.

In the interim, Conrail is fully cooperating with the NTSB and other agencies in the investigation.

Sales, said recently that consumers are reaping the benefits of the Staggers Act in lower transportation costs.

In a letter to *Business Week* magazine, Marshall said: "With lower prices, why do freight carriers and most shippers favor deregulation? They favor it because they and the consuming public no longer have to subsidize a minority (of shippers) which once received favored treatment at the expense of all the others."

Marshall's comments were in response to a *Business Week* cover story that claimed deregulation has been a boon only to the dominant companies in the transportation industry. "The public has repudiated regulation in favor of efficiency and low prices because regulation amounted to a tax on all for the benefit of a few," said Marshall.

AAR President Dempsey also noted that most of the recent decisions by the Interstate Commerce Commission (ICC) interpreting Staggers have been to the benefit of shippers, not the railroads.

CONRAIL REBUILDING CONVEYOR AT ASHTABULA COAL DOCKS IN OHIO

The first phase of reconstruction was completed in early January on the coal conveyor crossing the Ashtabula River at the Conrail Coal Transloading facility at the Ashtabula, Ohio, Docks.

The coal conveyor was damaged by a September 13, 1986 fire in which two Conrail employees died. The conveyor is used to transfer coal dumped from incoming trains to ground storage facilities across the river. From there, the coal is loaded into vessels bound for destinations along the Great Lakes.

In 1985, Conrail transloaded more than 4.3 million tons of coal via the Ashtabula pier. Through September 13, the date of the fire, Conrail had transloaded nearly 3.3 million tons of coal via the Ashtabula facility.

The initial phase of the project included repairs to the conveyor's supporting trusses; installation of a new conveyor belt, and replacement of the damaged rollers which are part of the conveyor system. That work was begun in October of last year. Additional renovations, including the construction of a new enclosure for the conveyor, are scheduled for completion in June of this year.

"If one studies the recent ICC decisions, one might wonder why the railroads aren't pressing for changes in the law to compel ICC decisions that favor railroads," he said.

Dempsey also explained the rail industry position on altering Staggers in a letter to electric utilities and coal industry officials. "The battle over Staggers, I suggest, can harm the railroads — but it can't help the utilities in any significant way, nor will it create markets for coal where none now exist," he said.

Dempsey urged CURE to avoid what could be "another destructive legislative struggle," and instead work with railroads to improve market opportunities for both industries. In his prepared text, he added that the Staggers Act, if left alone, could provide railroads with the tools to improve the bottom line.

"I am confident that if Congress does not tamper with the limited market freedoms it has provided us, and if labor continues the responsible position it has been taking at the negotiating table, we will persevere," Dempsey stated.

"In any case, our future would be in our own hands. Regulatory reform was never intended to provide earnings guarantees — only opportunities to become revenue adequate."

RAIL RETIREMENT TAXES WILL INCREASE IN 1987

The amount of compensation subject to railroad retirement taxes will increase in 1987, according to the Railroad Retirement Board.

Although tax rates for rail retirement taxes will remain the same as in 1986, the increase in compensation limits will effectively increase rail retirement taxes by making more income eligible for taxation.

The maximum amount of income subject to the 7.15 percent Tier I tax on employees and employers will rise to \$43,800 annually, compared with \$42,000 in 1986. The income limits on Tier II taxes will increase to \$32,700 per year from \$31,500 in 1986. Tier II tax rates are 4.25 percent for employees and 14.75 percent for employers.

The maximum amount of railroad retirement taxes that an employee can pay will rise to \$4,521.45 in 1987. That amount is up \$179.70 from the maximum of \$4,341.75 in 1986. Maximum taxes payable by Conrail and other railroad employers on each employee's earnings will rise to \$7,954.95 in 1987, from \$7,649.25 in 1986, an increase of \$305.70.

STEELNET FACILITY OPENS TO SERVE S.E. MICHIGAN

Conrail has opened a new SteelNET distribution center in Dearborn, Michigan to serve steel users in the southeastern part of the state.

In the SteelNET program, shipments of steel products are transported in railcars from major Northeastern and Midwestern steel mills to the SteelNET centers. The centers offer low-cost short-term storage of iron and steel shipments, which allows shippers to keep inventory close to local customers for availability and immediate truck delivery to meet "just-in-time" production schedules.

The new Dearborn facility, which began operations in early November, brings the number of SteelNET terminals on Conrail to 16. Other SteelNET facilities are located in the following areas: Baltimore; Chicago (2); Cleveland; Detroit (3); Indianapolis; Jackson, Mich.; New Haven, Conn.; Newark, N.J.; Leetsdale, Pa.; Pottstown, Pa.; and Sharon, Pa. (2).

The new facility at Dearborn is being operated by Dearborn Steel Center which offers an enclosed, heated, humidity-

controlled warehouse. The distribution center has 225,000 square feet of storage space, eight overhead cranes and computerized inventory control. Trucking for local deliveries is provided by ALCO Express.

Under Conrail's door-to-door SteelNET through rates, which include both rail and local truck portions of a shipment, the shipper pays only for the amount of material being transported. In contrast, motor carriers apply minimum weight charges which often result in the steel shipper paying for thousands of pounds of unused capacity if the steel shipment weighs less than the trucker's minimum weight requirement.

Conrail began the SteelNET program with a facility in Sharon, Pa., in September 1982, as a price-competitive alternative to direct motor carrier movements of steel products. SteelNET traffic volume in 1986 is expected to total seven times the volume handled in 1983, the first full year of SteelNET operations.

CONRAIL ANNOUNCES OPERATIONS DEPT. APPOINTMENTS

Three members of Conrail's Operating Department have been appointed to new posts.

Richard S. Pyson has been named Regional Superintendent — Transportation for Conrail's Central Region, with offices at Greentree, Pa., near Pittsburgh; and Robert N. Dawson has been named Division Superintendent — Pittsburgh Division, also with offices at Greentree, replacing Pyson in his former position.

Also, William F. Wulfhorst has been named Director-Passenger/Freight Coordination at corporate headquarters in Philadelphia. William C. Wieters retired from his position as National Railway Passenger Corp. Operations Officer in October 1986.

In his new position, Pyson is responsible for overseeing train operations on the Columbus and Southwest Divisions of the Central Region. He replaces Jack H. Kithcart, who was named Assistant General Manager-Southern Tier District at Elmira, N.Y., earlier this year. Pyson joined the Pennsylvania Railroad, a predecessor of Conrail, in 1964 as a draftsman and has held various engineering and supervisory positions, including Division Superintendent of the Toledo Division and Chief Regional Engineer for the former Southern Region, based at Indianapolis.

Dawson, formerly Division Superintendent of the Youngstown Division, is responsible for train operations and maintenance of railroad facilities and equipment of Conrail's Pittsburgh Division. He joined the New York Central System, another Conrail predecessor, in 1966. Since then he has held supervisory positions in the Mechanical Department, and was named Regional Mechanical Superintendent — Locomotive and Car for the Southern Region in 1982. He became Assistant Superintendent of the Columbus Division in 1983 and Division Superintendent at Youngstown in 1984.

Wulfhorst served most recently as Director — Customer Service at Conrail's corporate headquarters in Philadelphia. In his new position, he is responsible for Amtrak intercity trains and commuter trains operated by public agencies when they use Conrail tracks. Wulfhorst will also continue to work on special projects on behalf of Conrail's Operating Department as its liaison with other railroads. He joined the Pennsylvania Railroad in 1955 as a sales department trainee and has held various positions in Conrail's Sales and Operating departments.

ENOLA DIESEL TERMINAL REACHES ONE MILLION INJURY-FREE HOURS

The diesel terminal at Conrail's Enola Yard in Harrisburg surpassed the goal of 1 million employee-hours without recording a lost-time injury. The million employee-hour injury-free period covered 18+ months.

The terminal reached the million mark on September 11, 1986. The last lost-time injury at the terminal before the million-hour achievement began occurred February 13, 1985.

In addition to reaching the plateau, the Enola terminal gains the distinction of being Conrail's first diesel terminal to reach the mark.

On December 10, shop employees were presented with commemorative jackets and a million employee-hour certificate marking the achievement. The awards were presented by Charles R. Medovich, Conrail's General Mechanical Superintendent — Locomotives; and Al Ray, Superintendent Motor Power — East.

Representing the diesel shop were Shop Manager Ira Bonsall, Assistant Manager J. R. Baranko and Shop Superintendent and Safety Supervisor Brent Weisser.

Medovich said the diesel terminal employees were extremely proud of their achievement, and eager to repeat the million-hour feat.

CHICAGO DIVISION, STATIONS MOVE AHEAD IN SAFETY RANKINGS

Conrail's Chicago Division and Stations Department during October moved to the top of the divisional and departmental safety rankings, respectively, through the first 10 months of 1986.

Chicago became the leader with a total injury frequency rate of 4.27 per 200,000 employee-hours. Following Chicago are Harrisburg at 4.31, Mohawk-Hudson at 4.34, Buffalo at 4.36 and Toledo at 4.50.

The goal for the entire Conrail system in 1986 was a rate of 4.50 or better.

In the monthly rankings for October, 11 Conrail divisions had total injury rates better than the 1986 goal, led by the Southern Tier, which recorded an injury-free month at 0. Other divisions that were better than goal in October included: Philadelphia, 1.63; New Jersey, 1.81; Toledo, 2.04; Chicago, 3.07; Mohawk-Hudson, 3.39; Harrisburg, 3.45; Southwest, 3.65; Youngstown, 3.66; Pittsburgh, 3.71 and Michigan, 3.85.

Stations moved to the top spot in Conrail's department rankings, posting a 1.32 total injury rate for the first 10 months of 1986, followed by Materials and Purchasing at 2.29, Flexi-Flo at 2.29 and Mechanical at 4.19.

During the month of October, Materials and Purchasing posted an injury-free month, and four other departments were better than the 1986 goal, including Stations, 1.28; Police, 1.92; Mechanical, 3.46; and Transportation, 3.60.

For the entire Conrail system, the total injury rate for October was 3.49. The rate was 4.26 for the first 10 months of 1986.

TOTAL FREQUENCY RATE BY DIVISION

Divisions listed in order of year-to-date rank

| Rank | Year-to-date Division | Rate | October Rank | October Rate |
|------|-----------------------|-------|--------------|--------------|
| 1 | Chicago | 4.27 | 5 | 3.07 |
| 2 | Harrisburg | 4.31 | 7 | 3.45 |
| 3 | Mohawk-Hudson | 4.34 | 6 | 3.39 |
| 4 | Buffalo | 4.36 | 12 | 5.45 |
| 5 | Toledo | 4.50 | 4 | 2.04 |
| 6 | Southern Tier | 4.59 | 1 | 0.00 |
| 7 | New Jersey | 4.75 | 3 | 1.81 |
| 8 | Allegheny | 4.83 | 14 | 6.37 |
| 9 | Pittsburgh | 4.89 | 10 | 3.71 |
| 10 | Columbus | 4.98 | 13 | 5.65 |
| 11 | Philadelphia | 5.55 | 2 | 1.63 |
| 12 | Southwest | 5.57 | 8 | 3.65 |
| 13 | Youngstown | 5.70 | 9 | 3.66 |
| 14 | Michigan | 6.57 | 11 | 3.85 |
| 15 | Cleveland | 6.64 | 15 | 7.70 |
| 16 | New England | 10.04 | 16 | 11.95 |

TOTAL FREQUENCY RATE BY DEPARTMENT

Departments listed in order of year-to-date rank

| Rank | Year-to-date Department | Rate | October Rank | October Rate |
|------|-------------------------|-------|--------------|--------------|
| 1 | Stations | 1.32 | 2 | 1.28 |
| 2 | Materials & Purch. | 2.29 | 1 | 0.00 |
| 3 | Flexi-Flo | 2.29 | 8 | 10.39 |
| 4 | Mechanical | 4.19 | 4 | 3.46 |
| 5 | Maintenance of Way | 4.74 | 6 | 5.29 |
| 6 | Transportation | 5.84 | 5 | 3.60 |
| 7 | Police | 6.30 | 3 | 1.92 |
| 8 | Auto Terminals | 18.16 | 7 | 10.24 |

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Christopher Mykrantz, editor
Marsha Biderman, production coordinator

753903 AC

EF KELLEY
102 WITCHWOOD RD

SD YARMOUTH MA 02664