

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL



October, 1982

STRIKE AFFECTS CONRAIL'S RECEIVED TRAFFIC

While a strike by the Brotherhood of Locomotive Engineers against the rail industry last month did not directly affect Conrail, it did cause a temporary drop in the traffic that Conrail received from connecting roads.

Conrail was not affected by the nationwide strike, which lasted from September 19 to September 22, because it was not a party to the national handling of the current round of labor negotiations.

But the strike did halt a period of growth in Conrail's traffic levels that had begun in early September. During the seven-day

period ending September 23, Conrail traffic originating on other roads—excluding coal traffic—declined 16 percent. The total number of carloads moved by Conrail during that period was down 4.3 percent from the previous week. Major commodities affected included food, pulp and paper, chemicals and trailer-on-flatcar traffic.

During the next seven-day period (ending September 30), traffic began to rebound; non-coal traffic rose 6.2 percent over the depressed week. See the traffic report inside for month-end results.

PASSENGER SERVICES TRANSFER SET FOR JANUARY 1

With an increasing pace, the complete transition process is proceeding so that, as required by the Northeast Rail Service Act of 1981 (NERSA), Conrail's contract passenger service operations will be transferred to other agencies by January 1, 1983.

When NERSA was signed into law on August 13, 1981, it provided for the transfer of those contract commuter rail operating responsibilities from Conrail either to a newly-established corporation—Northeast Commuter Services Corporation (NCSC)—or directly to the regional commuter authorities, according to the wishes of the particular agencies.

Conrail currently operates almost 1,500 commuter trains daily for five regional commuter authorities, serving 127 million passengers annually. The trains are operated in New York and Connecticut under contract with the Metropolitan Transportation Authority (MTA) and the Connecticut Department of Transportation (ConnDOT); in New Jersey, under contract with NJ Transit, under contract with the Southeastern Pennsylvania Transportation Authority (SEPTA) in the Philadelphia area, and under contract with the Maryland Department of Transportation (DOT) between Baltimore and Washington, DC. In addition, Conrail presently provides the

train and engine crews and some other support services for AMTRAK's intercity passenger rail operations on the Northeast Corridor. Under NERSA, crews on those trains after January 1 will be employees of Amtrak and the other support services will be provided either by Amtrak or one of the commuter agencies.

At present, the commuter agencies with the exception of Maryland DOT have elected to begin running their passenger services operations themselves on January 1. (SEPTA, which earlier had elected to go with NCSC, reversed this decision on September 22.) Maryland DOT is currently negotiating with AMTRAK for contract commuter rail service.

In mandating the transfer of these operating responsibilities from Conrail, NERSA provided specific procedures for developing agreements as to the transfer of personnel, equipment, rolling stock, and property to the commuter agencies and for collective bargaining concerning terms and conditions of employment, such as pay scales and work rules. All of these procedures are being followed and are essentially on schedule. Employees assigned to passenger services will be informed promptly as these procedures result in completed agreements.

LABOR/MANAGEMENT PROJECT HOSTS MEETING IN PHILADELPHIA

On September 28, members of Conrail's top management and representatives of rail labor met in Philadelphia for an orientation session on the new Labor/Management Project.

The project, which seeks to establish voluntary "quality circle" employee groups at Conrail locations to improve productivity and enhance the work environment, is being spearheaded by a coalition of Conrail management and labor officials. It is receiving part of its funding from the Federal Railroad Administration.

"This project offers a chance for management and labor to work together and solve problems... the way it has to be in the future," said Conrail President and Chief Operating Officer Stuart M. Reed at the September 28 meeting. "This won't be easy. Too many times we've been used to saying 'Yes, you will,' or 'No, you won't' to each other at the bargaining table. But today, we share many common objectives."

The program kicked off in Cleveland, in July. Early plans call for it to be extended to Detroit, where representatives of labor and management met October 5, and later to Altoona, Philadelphia and other parts of the Conrail system.

Ray C. Neal, Conrail's representative on the Project's Liaison Committee, told the group that the idea of quality circles is gaining momentum in the wake of publicity about the new program.

"The spirit of the Project appears to be spreading in advance of the Project itself," he said. "We have been getting phone calls from many people around the system who are asking us to bring quality circles to their workplaces. We want to keep this momentum going."

Liaison Committee member Charles Bethge, of the United Transportation Union, stressed that each Conrail location will run its own show and that the program will be voluntary at every level. "The purpose of our committee is to get labor and management together and to see if we can assist them in getting the program started," he said. "We will present the program to them, but it will be up to them to run it their own way."

CRANE: RAILROADS MUST TAKE RISKS

To meet the challenge of increased competition, railroads must learn to take reasonable risks—and railroad people must work together and communicate more effectively, said Chairman and Chief Executive Officer L. Stanley Crane on September 26 at the Second International Heavy Haul Conference.

"Our fate, more than ever, rests with our ability to make business decisions and take risks," said Crane. "It is no longer the case in the United States that we have business because we have a railroad; we have a railroad because we have business. Indeed, today that business is harder to come by.

"Truck and barge competition is severe. We must meet it head-on. The challenge is ours, because these other modes have the advantage. With a truck, you can get in and out of the marketplace with little or no capital investment. Barging is somewhat more capital intensive. But with a railroad, you have to build tracks to where you want to go; it costs money to get in, and it is expensive to get out. We have to think hard before we commit money. And we have to be more creative than ever in the ways we spend it. Now, being creative means that you are going to have to take some risks."

Railroads managers must have the ability to decide which risks are worth taking, Crane said, and good communication between railroad managers is the key to sound decision-making.

"You cannot set a rate that returns adequate revenue without considering the cost of maintaining the track," he said. "You cannot determine the cost of maintaining

the track without knowing the kind of equipment that will run over it, and how that will affect the degradation of the rail, ties or surfacing. Nor can you make decisions about track, equipment or facilities without knowing whether you have the market out there to justify expenditures."

In a deregulated environment, railroad management must work together to offer the best service at the lowest possible cost, Crane said. "Instead of M/W saying that you cannot do this, or Mechanical saying that you cannot do that, or Marketing saying that you must do this, it is critical that the entire group work together," he said.

CONRAIL HONORED FOR SUPPORT OF MINORITY BUSINESSES

Conrail recently received awards from two regional Minority Input Committees of the Minority Purchasing Council for its support of minority-owned firms in its purchasing program.

On October 6, the New York/New Jersey region of the Council presented its "Helping Hand" award to Conrail in recognition of the railroad's efforts to develop business with minorities in the New York and Northern New Jersey areas. And on October 14, the New Penn-Del region of the Council presented Conrail with an award for companies that "go the extra mile" in developing business with minorities.

In 1981, Conrail purchased \$102 million in goods and services from 450 firms owned by minorities or women. During the past three years, Conrail's purchases from minority firms have remained constant while overall purchases have dropped.

IN THE PRESS:

"As little as two years ago, no self-respecting Las Vegas bookmaker would have taken bets on the prospects of Conrail, the much-maligned Northeast transportation giant with headquarters in Philadelphia.

"Early in 1981, an exasperated Reagan administration was on the verge of trying to sell off Conrail's profitable parts and abandon the rest, a process that could have cut off rail service to hundreds of communities and businesses and thrown thousands out of work.

"Today the Conrail story is completely different. So substantial has its turnaround been that the railroad stands a good chance of being kept in one piece."

The Philadelphia Inquirer, September 26.

IRON AND STEEL COIL RATES REDUCED

In late August, Conrail began new-rail-truck combination rates for iron or steel sheet or strip, in coils, from mills in 12 locations to the Sharon, Pennsylvania-Youngstown, Ohio area. The rates, which offer savings of from five to 20 percent below average truck rates, are intended to help Conrail penetrate a market which has been served almost exclusively by motor carrier.

Conrail will haul the finished coils by rail from the 12 mills to a warehouse in Sharon, where it is transferred to truck for delivery to receivers at 13 destinations within a 25-mile radius of Sharon. In addition to Sharon and Youngstown, other destinations—all in Ohio—include Brookfield, Masury, Hubbard, McDonald, Struthers, Warren, Niles, Girard, North Jackson, Lordstown and Canfield.

Origin mill locations include: Granite City and Riverdale, Illinois; Burns Harbor, Portage, Gary, East Chicago and Indiana Harbor, Indiana; Sparrows Point, Maryland; Detroit and Trenton, Michigan; Buffalo, New York; and Fairless, Pennsylvania.

NEWS DIGEST

Conrail pursues coal traffic

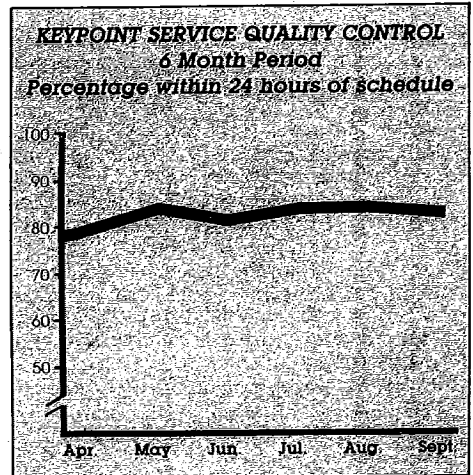
COMPETITIVE PRICES FOR PA COAL EXPORTERS—Conrail, in a pricing action aimed at making Pennsylvania coals more competitive on the world market, has returned to 1979 rate levels for Keystone State bituminous coal moving via Conrail for export through Pier 124 in Philadelphia. The reductions apply to both trainload and less-than-trainload shipments.

The new rates, which took effect October 11, are five to seven percent below comparable Chessie System rates offered to the competing Curtis Bay facility in Baltimore, and seven to 10 percent lower than current rates to Pier 124. Conrail has exempted the new rates from increase until at least January 1, 1984. This action will save exporters using Conrail more than \$90,000 from the current rates on a shipment moving in larger ocean-going vessels.

SERVICE REPORT

During the month of September, 83 percent of traffic measured under Conrail's Keypoint Quality Control Program reached its destination within 24 hours of schedule. The program compares actual performance of loaded freight cars against Transportation Department schedules. The slight drop in the Keypoint index from August's level of 85.3 percent was due to temporary slowdowns over the Labor Day holiday weekend and during the nationwide strike by rail engineers.

On-time performance within one hour of schedule improved in all areas last month over August performance. In September, mail trains were 97 percent on time; TrailVan trains were 90 percent on time; and freight trains 91 percent on time. At major Conrail yards, 97 percent of the freight cars monitored made their connections.



Conrail also announced that it will not increase export rates on anthracite coal above January 1, 1982, levels until at least January 1, 1984.

Conrail's action on Pennsylvania bituminous coal export rates, coupled with reductions on Kanawha Valley, West Virginia, coal shipments to Pier 124, will enhance its competitive position in the export market to coincide with the increased capacity at its modernized and expanded Pier 124 facility on the Delaware River.

LOWER RATES OFFERED FOR EXPORT COAL—Rates for export coal moving from West Virginia to Pier 124 in Philadelphia have been reduced lower than rates provided by rail competition to Hampton Roads (Lamberts Point and Newport News) Virginia.

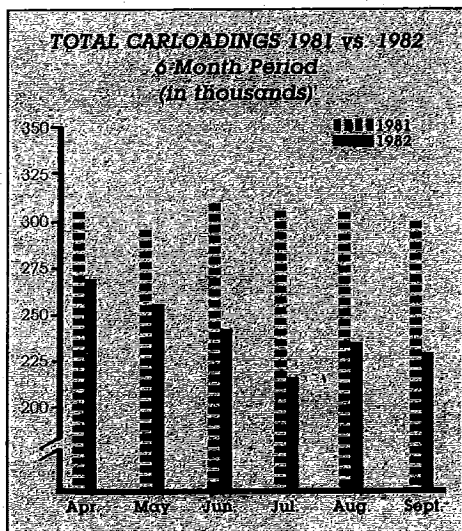
The new rates took effect October 1 to capitalize on soon-to-be expanded coal handling capacity at Pier 124. The rates,

BUSINESS REPORT

Despite a rally early in the month, Conrail's traffic levels for the month of September were slightly below those for August and a full 22.6 percent lower than traffic for September of 1981.

During the first nine days of September, Conrail's traffic levels were 5.3 percent higher than expected for that period. This growth was halted when the Brotherhood of Locomotive Engineers' strike hit Conrail's connecting roads (see story on page one.)

Traffic in all commodities declined over levels for September of 1981. Smallest losses were in trailer-on-flatcar traffic, which fell .7 percent, and farm products, which fell .1 percent. Both of these commodities had increased in previous months over levels for the corresponding periods in 1981.



which will be maintained until January 1, 1984, apply to coal moved from mines in West Virginia served by Conrail and the Nicholas, Fayette and Greenbrier Railroad (NF&G).

The goal is to attract low sulphur coal from mines in West Virginia's Kanawha Valley—historically moved through Hampton Roads—to Pier 124 for blending with higher sulphur coals currently moving through the Pier and for full-cargo shipping.

Under the new tariff, rates on full-cargo consignments of Kanawha Valley coal are reduced as volumes increase. The new rates from West Virginia are from four to thirteen percent below existing rates to Hampton Roads and from 38 percent to 44 percent below existing rates to Philadelphia's Pier 124.

SHIPMENTS CAPTURED FROM TRUCKS—Conrail has been successful in capturing coal shipments for movement to the western portion of New York State's Southern Tier—a direct result of the aggressive marketing efforts promised in its commitment last April to the region. The coal movements were attracted from trucks.

Under a trial, 120-day coal tariff aimed at testing the mutual coal-handling capabilities of Conrail and a local utility, Conrail is hauling Pennsylvania coal to the Board of Public Utilities electric generating plant in Jamestown, New York. Conrail has not handled coal shipments to Jamestown since June, 1981, when truck competition won the business from the railroad.

The Jamestown service represents the fourth regular movement of coal over the Southern Tier line. Conrail already hauls coal through the Southern Tier to electric power plants in Ludlowville, Johnson City, and Dresden, New York.

Conrail hauls the coal from producing areas in northwestern Pennsylvania over its Harrisburg-Buffalo main line, a principal north-south route. The coal cars are handled by train "ENBU", a through freight train operating daily between Harrisburg and

Buffalo. Local trains, operating on a six-day-a-week schedule between Olean and Jamestown, transfer the coal cars to the Jamestown power generating station.

PA COAL ROUTES UPGRADED—Three principal coal routes in western Pennsylvania are being improved at a cost of nearly \$2.4 million.

The three lines—the Ellsworth Secondary, between Ellsworth and Monongahela; the Marianna Branch, between Marianna and Ellsworth; and the Cokeburg Branch, from Cokeburg to Bethlehem Mine No. 60—connect to form the principal route for coal traffic handled by Conrail from the Bethlehem Steel Corp. mines in Ellsworth, Marianna, and Cokeburg to Bethlehem's plants in Pennsylvania, New York, Maryland, and Indiana.

On the Ellsworth Secondary, crews are installing almost 12 miles of continuous welded rail and surfacing about 18 pass-miles of track between Ellsworth and Monongahela. The \$1.25 million project includes rehabilitation of 15 public and six private grade crossings surfaces, and the renewal of five switches.

Conrail crews were expected to complete by mid-October the \$752,000 installation of 7.5 miles of continuous welded rail, and surfacing of 7.5 pass-miles of rail bed on the Marianna Branch. The Marianna Branch, which directly connects with the Ellsworth Secondary, serves Bethlehem Mine No. 58 at Marianna.

After completing the Marianna Branch track work, crews will begin installation of 1.9 miles of continuous welded rail and 2,200 cross-ties, and surfacing of 12.4 pass-miles of track on the Cokeburg Branch and in the Bethlehem Mine No. 60 yard complex, at a cost of \$373,000.

Since more than 7.5 billion tons of Pennsylvania coal are accessible to Conrail, a high level of track maintenance is needed to meet customers' needs for reliable service.

IMPROVEMENTS CONTINUE ON BUSY EAST-WEST ROUTE

Conrail crews are in the midst of an \$8.5 million project to improve the Harrisburg-Pittsburgh main line—one of the busiest rail freight corridors in the world—and four branch lines which connect with it.

Work began in mid-August on the installation of five miles of continuous welded rail on the line in the Johnstown area. Earlier this summer, crews completed installation of nearly 60,000 cross-ties on the main line and branches. The 1982 program also includes the rehabilitation of 42 public and 62 private highway grade crossings and the surfacing of more than 400 pass-miles of railbed. Work is being performed at Newport, Lewistown, Mt. Union, Hunting-

don, Tyrone, Altoona, Gallitzin, Lilly, Cassandra, South Fork, Conemaugh, and Johnstown.

Other work is being performed on the Black Lick, Cresson, Susquehanna and Ben's Creek branch lines, which pass through Cresson, LaJose, Munster, Black Lick, Josephine, Heshbon, Portage, and Patton.

The Harrisburg-Pittsburgh main line is one of Conrail's principal east-west routes, handling nearly 100 million gross tons of freight traffic in 1981. Since Conrail's start-up in 1976, more than \$100 million has been invested in track upgrading and improvements on this important line.

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CONRAIL CONTINUES SAFETY IMPROVEMENTS

Systemwide, Conrail's safety performance continued to improve in August over performance for the same period a year ago—both for the month and for the year-to-date.

**YEAR-TO-DATE
LOST TIME FREQUENCY RATE BY DIVISION
AUGUST, 1982**

Canada	0.00
Toledo	2.17
Allegheny	3.43
Pittsburgh	3.50
Chicago	3.61
Cleveland	3.64
Youngstown	4.04
Columbus	4.95
Buffalo	5.01
New Jersey	5.38
Mohawk-Hudson	5.42
Lehigh	5.71
Southwest	5.97
Harrisburg	6.22
Detroit	7.05
Michigan	7.59
Philadelphia	8.32
New England	9.34

The lost-time frequency rate (number of lost time injuries per 200,000 man hours worked) stood at 5.5 for the month and 5.6 percent for the year, improving 27.7 percent and 12.3 percent, respectively, over the same periods in 1981. Most Conrail regions reported improvements in their lost-time injury frequency rates of 30 percent or better for the month, compared to August of 1981. The Western Region continued to have the best record, with a frequency rate of 3.0 and an improvement of more than 59 percent.

The chart at left shows safety standings, as measured by lost-time injury frequency rate, for Conrail divisions.

SCHOLARSHIPS AVAILABLE

Applications are now being accepted for Conrail's 1982-83 scholarships, which are offered by private non-railroad foundations to dependent children of employees. Frank Thomson Scholarships (for males only) and Women's Aid Scholarships are offered to high school seniors planning to attend a four-year college or university. Applicants for either scholarship must take the Scholastic Aptitude Test, as well as certain achievement tests.

For more information and application forms, write to Scholarships, Conrail, Room 1010, Six Penn Center, Philadelphia, PA 19104. Be sure to include your name and employee number, as well as the name of your dependent.

COMPETITIVENESS EXPECTED FROM SUPPLIERS

Conrail is looking not only for price, service and product quality from its suppliers, but also for greater competition, said Jeremy T. Whatmough, vice president-materials and purchasing, to the Railway Supply Group in Chicago on October 8.

Whatmough told the group that new suppliers have joined the competition for Conrail's business, offering attractive products and prices. "This competition presents opportunities that perhaps did not exist before," he said. "Now, the purchasing

manager at Conrail will be presented with more alternatives and opportunities to evaluate various suppliers' products against those products that we have traditionally been purchasing. The traditional sources, geographic limits, payment terms, product limitation... all are changing. So, we must all develop new strategies to take advantage of these new competitive opportunities. I believe we are at the beginning of a new supplier/customer era."

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In Brief is published by the Public Affairs Department of Consolidated Rail Corporation, Room 1040, Six Penn Center, Philadelphia, Pennsylvania, 19104.

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