

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL



November, 1982

THIRD QUARTER BOOSTED BY COST REDUCTIONS, TAX BENEFIT SALES

Conrail has reported net income of \$59.3 million on revenue of \$860.7 million for the third quarter of 1982. For the third quarter of 1981, Conrail reported net income of \$64.9 million on revenue of \$1,064.9 million.

Conrail's continuing program of cost reduction was a key element in the third quarter 1982 profit, which was achieved despite a 25.2 percent decline in freight traffic handled compared with the same period in 1981 (680,600 vs. 910,500 carloads, respectively).

Third quarter 1982 net income includes \$36.8 million from sales of tax benefits under the recently revised Federal tax regulations governing safe harbor leasing. There were no such sales in the comparable period of 1981.

For the first nine months of 1982, Conrail reported net income of \$119.6 million on revenue of \$2,763.7 million vs. net income of \$12.8 million on revenue of \$3,196.8 million for the same period of 1981.

The 1982 results include income of \$71.6 million resulting from sales of tax benefits. Conrail had previously deferred income realized on such sales subsequent to February 19, 1982, as pending legislation could have substantially modified those transactions.

With the recent passage of the Tax Equity and Fiscal Responsibility Act of 1982, the net proceeds of tax benefit sales from February 19, 1982 through June 30, 1982 have been retroactively recorded. This resulted in a loss of \$23.5 million for the first

quarter (compared with a previously reported loss of \$25.7 million) and net income of \$83.8 million for the second quarter (compared with previously reported net income of \$56.2 million). There were no tax benefit sales during the nine months ended September 30, 1981.

Under financial reporting requirements of the Interstate Commerce Commission, Conrail showed a loss of \$25.1 million for the third quarter of 1982 and a loss of \$20.5 million for the first nine months of 1982, compared with third quarter and nine months 1981 losses of \$32.7 million and \$102.2 million, respectively.

L. Stanley Crane, Chairman and Chief Executive Officer, said, "Conrail continued to make substantive progress in the third quarter of 1982 toward its goal of self-sustaining operations through cost-cutting and marketing initiatives, despite the drop in traffic handled. The latter, of course, is a reflection of the economic difficulties encountered by the basic industries we serve, such as steelmakers and automobile manufacturers. The quality of our service continues to be among the best in the railroad industry.

"As I've noted in the past, Conrail's financial results will continue to be heavily affected by the nation's progress toward economic recovery. As the latter develops, Conrail will be in a position to benefit."

EDITOR'S NOTE: For a rundown of how rail-served industries fared during the third quarter, turn to page 2.

CONRAIL DEDICATES EXPANDED COAL PIER

On October 25, Conrail, along with state and local officials, dedicated the modernized and expanded Coal Pier 124 in Philadelphia.

The pier improvements are expected to bring more coal traffic and revenue to Conrail, and to enable Pennsylvania coal producers to be more active participants in the export coal market. The \$41 million cost of modernizing the pier was shared by Conrail and the Commonwealth of Pennsylvania, which contributed \$22.6 million.

Said Pennsylvania Governor Richard Thornburgh: "One of the major problems that was cited by coal producers was their inability to expand coal shipments to waiting domestic and foreign markets because of a bottleneck in the Port of Philadelphia. I am happy to say that we have broken that bottleneck."

The renovations have increased the pier's shiploading capacity to 5,000 tons per hour, up substantially from the 1980 average of 1,350 tons per hour. Annual coal handling capacity has nearly tripled from 3.5 million tons to approximately 10 million tons.

The modernization, which began in 1981, involved improving the structure of the pier and replacing or rehabilitating much of its equipment. The rotary dumper/loading

system was modified to permit simultaneous operation of both north and south sides of the pier.

Other improvements included a new infra-red thawing shed for coal frozen by cold weather, modified and improved retarders for cars moving to and from the coal dumpers, yard reconstruction, and improvements to the pier's electrical and mechanical systems.

To encourage use of the expanded pier, Conrail recently introduced two complementary rate reduction programs aimed at making Pennsylvania coal more competitive on the world market. The reduced rates are for West Virginia coal that is blended with Pennsylvania coal for export, and for Pennsylvania bituminous coal. (See the October edition of *In Brief* for more details on both new rates.)

"For Conrail, Pier 124 is an important new opening for growth," said Conrail Chairman and Chief Executive Officer L. Stanley Crane at the ceremonies. "The pier, along with our concentrated marketing efforts to improve the competitive advantages of Pennsylvania coal, will bring additional growth of coal traffic—allowing Conrail to make the most of previous improvements to its equipment fleet and the rail lines serving the coal fields."

CONRAIL, NY STATE SIGN SOUTHERN TIER AGREEMENT...

On October 12, Conrail and the New York State Department of Transportation signed a new multi-year agreement for rail freight service across New York's Southern Tier and its extensions into New Jersey, Pennsylvania and Ohio.

The agreement spells out the terms of the new Conrail commitment to the Southern Tier for the next five years and is renewable for another five-year period. If Conrail fails

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SOUTHERN TIER AGREEMENT (continued from page 1)

to meet prescribed standards, the railroad must allow the State to purchase the line and bring in another operator.

Under the agreement, Conrail will operate six through trains daily (except Sundays and holidays) of at least 50 cars each, through February 2, 1983. After that date, Conrail will operate 30 through freight trains per week over the Southern Tier line. In addition, Conrail will provide local service to shippers at least three days a week.

The agreement also specifies that Conrail provide enough maintenance of the Southern Tier route to support an adequate speed for good freight service. To date, Conrail and the New York DOT have each invested approximately \$27 million to upgrade track and facilities on the Southern Tier; Conrail has spent \$2 million for track work in the area this year.

... AND AREA FARMERS GET A PRICE BREAK

On October 15, Conrail reduced rates for transportation of corn and grains from northwestern and north central New York state to dairy and poultry farms in the Southern Tier of the state. The new rates are nearly 50 percent lower than comparable truck rates.

Conrail's goal in implementing the rates is to capture a substantial portion of the intrastate feed grain market currently moving in trucks and to continue its commitment to aggressively market the railroad's services in the Southern Tier.

The rates apply to corn, grain screenings, oats, soybeans, and wheat, gathered from a 350-mile radius around all Conrail stations in New York State—but mainly from the northern part of the Finger Lakes region around Rochester, Buffalo and Batavia and moving to Binghamton, Calicoon, Cochection, Horseheads, Kennedy, Middletown, Narrowsburg, Owego, Port Jervis and Waverly.

SURVEY OF THIRD QUARTER INDUSTRIAL PROFITS SHOWS DECLINE IN KEY RAIL-SERVED BUSINESSES

According to a *Wall Street Journal* survey of industrial earnings in the third quarter, "the recession again pushed corporate profits down to low levels," although significant increases are being forecast for next year with signs that a recovery is developing.

The survey results, published November 1, showed that railroads earned 36 percent less in the third quarter of this year than in the third quarter of 1981. Railway equipment companies fared poorly too, with a 36 percent decline in earnings.

Other results showed that key rail-served industries did not fare too well either. Automobile and equipment companies lost more than \$151 million (an improvement

from last year's losses of \$815 million); and steel manufacturers fared the worst—losing more than \$700 million during the 1982 third quarter, compared with earnings of \$834 million for the same period last year. Mining companies lost \$86 million for the third quarter this year.

Here is what the survey results showed for earnings of other rail-served industries during the third quarter:

• Building materials	down 57 percent
• Chemicals	down 51 percent
• Food products	down 1 percent
• Pulp and paper	down 34 percent
• Petroleum products	down 15 percent

SAFETY FILM STRESSES TRESPASSING RISKS

Shooting was completed last month for a Conrail-sponsored safety film aimed at preventing trespassing accidents among young children and teenagers. The film is being produced with Ohio State University and is expected to be released at the beginning of 1983.

The 15-minute film will be a documentary showing the hazards of playing on rail property. Now in the editing stages, the film includes interviews with Conrail engineers, conductors and other operations personnel, and simulates trespassing incidents as well as an accident scene.

Conrail's Columbus Division and property in the Washington, D.C. area, including Benning Yard, were sites for on-location

filming during September and October. Conrail employees also served as actors.

"We're very enthusiastic about this film," said Mike Mitchell, Conrail's safety director. "We not only feel a responsibility regarding the safety of our employees, but we also feel a responsibility to educate the public about the dangers that confront people when they trespass on railroad property. Children are the prime target of this project since they are most often the victims of trespassing accidents."

The film will be distributed to elementary schools, community groups and other organizations in a program coordinated by Conrail's Safety, Police and Public Affairs departments.

INTERMODAL TERMINAL OPENS AT MORRISVILLE

A new \$7.4 million intermodal terminal has opened at Morrisville Yard in Falls Township, Pennsylvania (northeast of Philadelphia), and it is expected to help boost intermodal business and reduce operating costs.

The new terminal, designed to be one of the most efficient of its kind in the country, is operated by Pennsylvania Truck Lines, Inc., a Conrail subsidiary, and handles piggyback operations formerly performed at Conrail's facility at 52nd Street in Philadelphia.

The terminal incorporates a number of design features to increase its efficiency. Two "run-through" tracks, each with

capacity for up to 33 trailer- or container-carrying flatcars, are being used to receive whole trains in a single movement, reducing or eliminating the need for costly and time-consuming car switching in the yard.

In addition, trailer storage areas are located directly adjacent to the tracks so that trailers can be transferred on and off railroad flatcars more quickly. Two side-loading cranes known as "Piggy Packers" are used to lift truck trailers and marine containers.

The new terminal has capacity for 66 railroad flatcars, and sufficient trailer parking on-site to accommodate an annual

capacity of 75,000 "lifts" or transfers between flatcars and trailers.

Three inbound and three outbound piggyback trains are now using the new terminal daily. Transit time for trailer traffic to Chicago and Detroit has been reduced by as much as one day.

Conrail and Pennsylvania Truck Lines have spent \$16 million over the last 15 months on piggyback equipment and facilities, including the recent major expansion and modernization of Conrail intermodal terminals in Springfield, Mass., Baltimore, Md., Worcester, Mass., and Harrisburg, Pa.

NEW SERVICE BEGINS FOR KELLOGG

Conrail has restructured its service for Kellogg products moving out of Battle Creek, Michigan, in response to growing competition from trucks for that traffic.

The weekly service, which began October 15, moves carloads of Kellogg products from Battle Creek to Conrail destinations in the East and to connections with other railroads. It is expected to improve transit time by at least 48 hours, and to generate 70 carloads of traffic per week.

BUSINESS REPORT

Traffic levels for October improved by more than 7,000 carloads over September's levels, but were still more than 22 percent lower than carloadings for October of 1981. Conrail carried 238,989 carloads last month.

The corn and soybean harvests helped increase grain traffic. Rate and service packages offered by Conrail to grain shippers this year helped to boost this traffic by 400 to 600 percent over levels during last year's harvest. Carloadings of all farm products, including grain, rose by 42.3 percent.

Otherwise, carloadings of most other commodities continued lower than for October of 1981, with the exception of a 9.6 percent increase in trailer-on-flatcar traffic. The steepest declines were in metallic ores, down 80.4 percent; primary metals, down 49.6 percent; and waste and scrap, down almost 43 percent.

Train BCEL, which leaves Battle Creek every Friday at 9 a.m., brings Kellogg traffic to Conrail's major classification yard in Elkhart, Indiana. The same day, the Kellogg traffic connects with other Conrail trains bound for Conway and Allentown yards in Pennsylvania; Oak Island Yard in New Jersey; and Frontier, Rochester, DeWitt and Selkirk yards in New York.

From those locations, the Kellogg carloads are delivered to approximately 70 destinations on the Conrail system. Depending on the destination, total transit time is from two to four days.

During the first four weeks of the service Conrail moved 188 carloads of Kellogg products; Train BCEL was 100 percent on schedule, and over 95 percent of the cars were delivered to customers or connections on schedule.

SERVICE REPORT

Last month, 83.6 percent of carloads measured under Conrail's Keypoint Quality Control Program reached their destinations within 24 hours of the published standard. This program compares actual performance of loaded freight cars against Transportation Department schedules.

In other areas, mail trains were 88.1 percent on time (within one hour of schedule); TrailVan trains were 86.5 percent on time, and freight trains 89.9 percent on time. Of selected cars monitored at major Conrail yards, 97.7 percent made their connections.

OHIO TRACK PROJECT COMPLETED

Conrail crews have recently completed the final phase of a \$6.3 million track improvement program to upgrade the Western Branch, a key route connecting Toledo, Bowling Green, Findlay and Columbus, Ohio.

The work—completed October 29—included installation of 18,000 cross-ties, surfacing (raising and leveling) of 18.3 miles of track, and the renewal of 33 switches in the Columbus area. On the portion of the line between Toledo and Raymonds, more than 43,700 cross-ties were installed and about 110 miles of track were surfaced. The project also included the rehabilitation of 77 public and 33 private highway grade crossings between Toledo and Columbus.

The first phase of the work, completed in late July, involved the installation of 18.3 miles of continuous welded rail in the Columbus area.

Principal commodities shipped via rail over the Western Branch include: coal, iron ore, auto parts and general freight.

Through 1981 on the Western Branch, Conrail had invested \$16.7 million in track improvements. Previous work included installation of 72.6 miles of continuous welded rail, more than 108,500 cross-ties and surfacing of some 430 miles of track.

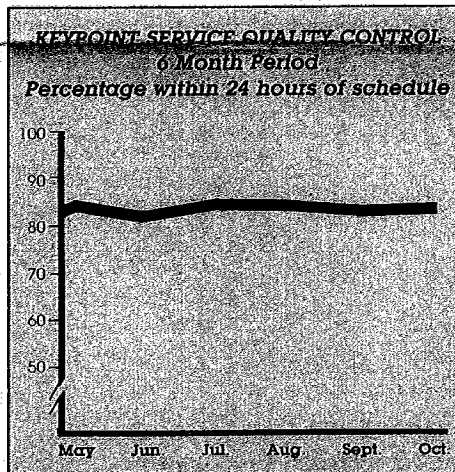
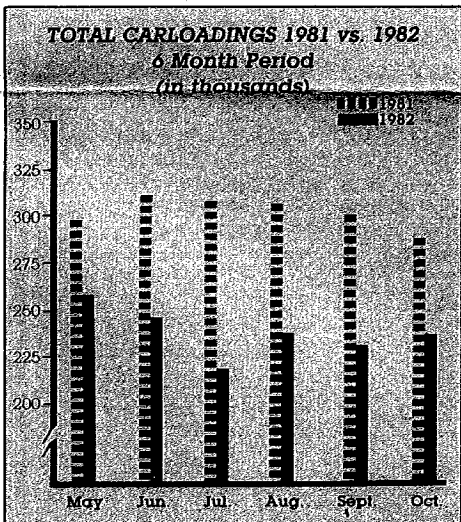
LABOR/MANAGEMENT PROJECT MOVES INTO DETROIT

A 22-member Joint Improvement Committee has been established at Conrail's Detroit Division as part of its system-wide Labor/Management Project.

Like the highly successful Cleveland Joint Improvement Committee, the Detroit group is comprised of representatives of rail labor and Conrail management. The purpose of the Detroit Joint Improvement Committee is to discuss work-related problems that affect the entire division and to identify areas for improvement.

Co-chairman of the Committee are Dennis Boston, local chairman of the Brotherhood of Railway Signalmen; Bob Cates, local chairman of the American Railway Supervisors Association; and Gary Spiegel, assistant division superintendent.

The group, which will meet monthly to discuss problems and identify solutions, will in turn appoint a Steering Committee for setting up quality circle groups of employees at various workplaces in the division.



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SAFETY PERFORMANCE SETS RECORD FOR YEAR

Systemwide, Conrail's safety performance in September set a record for the year, with a lost-time injury frequency rate of 3.95. This rate, which measures the number of lost-time injuries per 200,000 man hours worked, was 27.4 percent better in September than in August and 42.2 percent better than performance for September of 1981.

Through the first nine months of this year, Conrail's safety performance, as measured by injury frequency rate, improved by 15.7 percent over the first nine months of 1981.

All freight regions improved their safety performance by more than 30 percent over performance for September of 1981. The Central and Western regions had the lowest lost-time frequency rates—1.63 and 1.69, respectively—and the greatest percent improvements of 73.5 percent and 73.9 percent.

Early reports show that October's safety performance continued this positive trend.

YEAR TO DATE LOST TIME FREQUENCY RATE BY DIVISION SEPTEMBER, 1982

Rank	Division	Rate
1	Canada	0.00
2	Toledo	1.92
3	Allegheny	3.21
4	Pittsburgh	3.32
5	Cleveland	3.43
6	Chicago	3.44
7	Youngstown	3.89
8	Columbus	4.74
9	Buffalo	4.89
10	Mohawk-Hudson	5.39
11	Southwest	5.75
12	New Jersey	5.86
13	Harrisburg	6.04
14	Detroit	6.51
15	Michigan	7.35
16	New England	8.55
17	Philadelphia	8.63

CONRAIL, U.P. OFFER REFUND INCENTIVE

Conrail is offering truck-competitive rates for Northeastern and Midwestern shippers on certain boxcar shipments to the Pacific Northwest through a \$200 per carload refund program.

To take advantage of the program, which went into effect on September 15, each shipment must originate on the Conrail system and be loaded into Union Pacific-marked plain, 50-foot boxcars. The shipments must be destined for any point in Washington, Oregon or Idaho and be routed to the Union Pacific via any of the following points: Fremont, Nebraska; Council Bluffs, Iowa; Kansas City, Kansas; or Kansas City, Missouri.

Conrail and Union Pacific hope that the refund incentive will generate additional freight traffic currently moving via highway to the Pacific Northwest.

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

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