

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

November, 1983

THIRD QUARTER, NINE-MONTH RESULTS SET RECORDS

On October 19, Conrail reported net income of \$85.6 million on revenue of \$760.2 million for the third quarter of 1983. Third quarter 1982 results showed net income of \$59.3 million on revenue of \$860.7 million.

For the first nine months of 1983, Conrail reported net income of \$195.5 million on revenue of \$2,268 million, compared with net income of \$119.6 million on revenue of \$2,764 million for the first nine months of 1982. Both the third quarter and nine-month results set records for the periods.

NEW LOCOMOTIVES ORDERED FOR '84

Conrail has ordered 60 new medium-horsepower locomotives from General Electric Company. The locomotives will be manufactured at General Electric's plant in Erie, Pennsylvania.

The 60 locomotives, valued at \$75 million, are scheduled for delivery to Conrail in the second quarter of 1984. The order includes 50 units of G.E.'s C30-7A model and 10 units of the C32-8, the latter a pre-production version of an advanced generation locomotive scheduled to go into full production in 1985.

Conrail, in announcing the order, said lower operating and maintenance costs of the new locomotives versus those of the units they are replacing—combined with attractive long term leasing arrangements at favorable rates—warrant this major investment. The financing was arranged by the manufacturer.

The additions to Conrail's locomotive roster will reduce the average age of Conrail's fleet and thereby provide increased assurance of reliable service to customers now and in the future. Both locomotive models are more fuel efficient than those they will replace, and can perform more work per unit.

The advanced generation C32-8 marks the introduction to locomotive design of advanced microprocessor control technology for anticipated major improvements in performance and reliability.

Earlier this year, Conrail ordered 100 new locomotives for delivery in 1983. The first of the new units are scheduled for delivery to Conrail shortly.

Net income for the third quarter and first nine months of 1983 includes \$4.6 million and \$16.4 million, respectively, from the sale of tax benefits (safe harbor leasing). Comparable 1982 figures were \$36.8 million for the third quarter and \$71.6 million for nine months.

Third quarter and first nine-months revenue for 1982 included \$153.5 million and \$463.7 million, respectively, from passenger services formerly operated by Conrail. On January 1, 1983, these operations were transferred to regional commuter agencies and Amtrak.

Under financial reporting requirements of the Interstate Commerce Commission,

BOXCAR DEREGULATION DELAYED UNTIL JANUARY 1

Deregulation of boxcar traffic, originally scheduled to go into effect on November 7, was delayed until January 1 following a vote by the Interstate Commerce Commission on October 18.

The ICC also voted on that date to deny petitions for reconsideration of their decision to deregulate this traffic. Boxcar leasing corporations, some smaller railroads and others had been lobbying for a delay or repeal of that decision because they would lose revenue gained from car hire charges collected from others who use their boxcars.

Conrail, which had actively supported boxcar deregulation, issued the following statement on the delay:

"Although Conrail is aware of and understands the concerns of those parties who sought this delay, any delay will lead to further erosion of boxcar traffic. Conrail's plain boxcar traffic has dropped by 40 percent in three years.

"Our interest is in preserving as much of the traffic as possible. The way to do this is by cutting prices. To cut prices, you must cut costs. Deregulation is a prerequisite to any significant cut in costs. Every delay in boxcar deregulation implementation makes the achievement of our goals that much more difficult.

"We intend to continue working actively with all interested parties to realize the benefits of deregulation as soon as possible."

Conrail showed net income of \$35.6 million for the third quarter and \$90.3 million for the first nine months of 1983, compared with losses of \$25.1 million and \$20.5 million for the third quarter and first nine months of 1982, respectively.

"Conrail's financial results in the third quarter of 1983 are a reflection of a combination of the tighter cost control structure we have in place across the rail system and an upturn in traffic (5.9 percent higher than the same period in 1982) which has developed in the quarter as a result of the country's economic turnaround," said L. Stanley Crane, chairman and chief executive officer.

EDITOR'S NOTE: A report on other railroads' third quarter results is inside this edition of In Brief.

CONRAIL TO HONOR RETIREES, EMPLOYEE SERVICE

Conrail has initiated a program to provide special awards in recognition of the service of retirees and employees who have been with Conrail and its predecessor railroads for 25 years or more.

Employees who have already retired in 1983 are now receiving retirement certificates recognizing their years of service. Other employees will receive their certificates as they retire.

The retirement certificates, individually signed by Chairman and Chief Executive Officer L. Stanley Crane and President and Chief Operating Officer Stuart M. Reed, are presented in a blue leatherette cover with a railroad scene silk-screened on the inside. Employees will receive their retirement awards from regional management, division management, department heads or supervisors.

Beginning early next year, Conrail will award gold pins to active employees who have marked 25 or more years of service with Conrail and its predecessors. Approximately 18,000 long-term employees are currently eligible to receive these awards.

The program is being coordinated by the Resource Development Department.

ECONOMY IMPROVES OTHER ROAD'S EARNINGS, TOO

A recovery in the economy, which was partially responsible for Conrail's record-setting third quarter financial results, had favorable impact on most other railroads as well.

Here is a report on how some of the major railroads fared financially for the third quarter and first nine months of 1983.

Norfolk Southern Corporation earned a net income of \$83.9 million for the third quarter of 1983 and \$214.7 million for the first nine months of the year. Third-quarter results were 36.9 percent better than the same period last year and 12 percent better than the second quarter of 1983. But nine-month financial results this year were 35.1 percent lower than the same period in 1982. The increase in third-quarter earnings was attributed to increases in general merchandise traffic.

Santa Fe Industries, parent company of the Santa Fe Railway, earned \$60.9 million for the third quarter, up 2.9 percent from the same period last year. Santa Fe earned \$158.6 million for the first nine months of 1983, up from \$154 million for the same

period a year ago. Increased freight business was behind the increase in earnings.

Southern Pacific Company's railroad operations improved their financial results dramatically in the third quarter. The railroad earned \$9.2 million in the third quarter of 1983, compared to a loss of \$3.5 million for the same quarter last year.

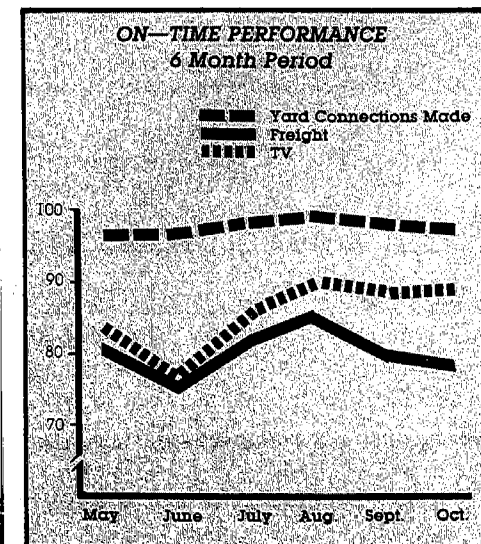
The Union Pacific System, which includes the Union Pacific and Missouri Pacific railroads, earned \$63.3 million in the third quarter, up 21 percent from the combined earnings of the two railroads for the same period last year. (The two railroads merged in September of 1982.) Behind the increase this year were higher carloadings in grain, coal, soda ash and chemicals, mine products, autos and trailer traffic. Carloadings on the Union Pacific System were up 10 percent in the third quarter.

CSX Corporation, parent company of the Chessie System and Seaboard Coast Line Industries, suffered from a decline in shipments of export coal. Their third-quarter earnings were \$34.9 million, 17.5 percent lower than earnings for the same period last year. Nine-month earnings for 1983 totaled \$94.1 million, 41 percent lower than the same period last year. Coal shipments account for about 30 percent of CSX's revenue.

SERVICE REPORT

During October, 84.6 percent of the loaded freight cars measured under Conrail's Keypoint Quality Control Program reached their destinations at a customer siding or interchange within 24 hours of the scheduled standard. The program measures dock-to-dock performance of loaded freight cars and compares it against Conrail's schedules.

Among mail trains, 85.7 percent reached their destination yards within one hour of schedule last month, as did 88.4 percent of the TrailVan trains and 79.1 percent of freight trains. At major Conrail yards, 98 percent of the cars monitored made their connections.



BUSINESS REPORT

Increased movements of several of Conrail's major freight commodities last month helped push traffic levels up 12.9 percent above levels for October of 1982.

Conrail hauled 267,465 carloads of freight last month. Traffic loaded on Conrail lines was up 13.8 percent, traffic received from connections was up 9.4 percent.

As a result of higher sales that spurred auto production, Conrail's movements of automobiles, parts and other transportation equipment increased 47.3 percent in October over levels for a year earlier. Carloadings of primary metals was up 60.7 percent, mostly due to increased movements of sheet steel used by the auto industry.

Because the hot summer depleted many utilities' coal reserves, Conrail's movements of coal rose 6.8 percent last month as utilities sought to replenish those reserves. And this year's cold, wet Spring, which prevented agricultural fertilization, resulted in an increase in fertilization activity during the Fall. As a result, Conrail's movements of fertilizers rose sharply, thus increasing its traffic in chemicals by 18.7 percent last month.

Other increases were in metallic ores, up 243.9 percent, lumber and wood products, up 12.0 percent, stone, clay and glass, up 5.3 percent, waste and scrap, up 28.1 percent and piggyback traffic, up 19.3 percent.

Traffic declined in farm products, down 24.5 percent, non-metallic minerals, down 7.3 percent, food products, down 7.7 percent, pulp and paper, down 6.5 percent and coke, down .2 percent.

REED: CONRAIL MUST BEAT THE COMPETITION

Armed with the pricing and service freedoms granted by the Staggers Act three years ago, Conrail must direct its efforts towards beating the competition, said President and Chief Operating Officer Stuart M. Reed at a meeting of the Cincinnati Rotary Club.

"There is a new vigor in the railroad industry, and there is new vigor at Conrail," said Reed. "With fewer restrictions in how we price our service, and limitless potential for tailoring our service, we can meet shippers' needs to get their business. We can now dedicate ourselves to becoming the high performance, low cost carrier."

Reed told the group that the Staggers Act was the single most significant event that helped Conrail and the railroad industry to survive the recent recession. And Conrail, faced with the decline of smokestack industries in its operating region and growing competition from trucks, has responded with some of its own initiatives.

"We've overcome the obstacles by doing everything we can to manage our business carefully and profitably," said Reed. "We've increased productivity, cut our costs, reordered our business priorities and invested in technology in order to provide the best service possible and remain profitable."

These improvements, along with an operating region that has 47 percent of the nation's total manufacturing output, will help Conrail to stay competitive in the future, Reed said. "Our service is excellent; over-the-road schedule performance, yard connections made and dock-to-dock delivery are at their highest levels ever. Our track, our equipment fleets are in excellent shape. And from the standpoint of welded rail and tie condition, we have a railroad

that's as good or better than any other in the country."

But Conrail needs more profitable business, Reed said. "Nationally, trucks are handling four times the amount of traffic as all railroads combined, and with increased widths, lengths and weights now permitted, they certainly have a handle on the Cincinnati area."

"We must offer superior service," Reed said. "Without it, customers will go elsewhere, and our employees understand that. We must be aggressive. We must get out in front with our willingness and our creativity so that shippers will want to do business with us. We must keep our costs low so that we can offer shippers the best price they can get. And we must remain profitable. If not, we can't stay in business."

AGREEMENT EMPLOYEES TO RECEIVE NEW INSURANCE CARDS

Next month, The Travelers Insurance Company will begin issuing new identification cards to Conrail agreement employees covered under Group Policy Contracts GA-23000 and GA-838255 (Police).

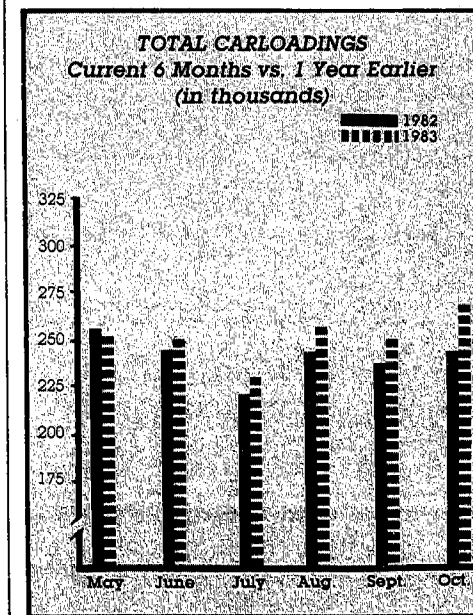
All covered employees who rendered compensated service in the month of October will receive their cards during the initial distribution in December. Any covered employees who do not receive cards next month, because they did not work in the month of October, will receive their cards at a later date.

Each employee will receive two identification cards, with one for the employee to carry and the other for a spouse or for the employee to use as a spare. The cards will verify to doctors or hospitals that the employee's health care benefits are provided under GA-23000 or GA-838255 through The Travelers.

The cards will also identify the Railroad Employees Health and Welfare plans as participants in an electronic claim submission program through the National Electronic Information Corporation (NEIC). The program is expected to speed up the payment of claims.

The hospitals who participate in this network will use the card to electronically transmit claims to insurance companies through an NEIC clearinghouse. The card links employees under either of The Travelers plans to this network.

For health care providers not yet participating in NEIC, the card will serve as an employee's identification. Employees should always present their cards when entering a hospital, since the number of health care providers participating in NEIC is growing rapidly.



SCHOLARSHIPS AVAILABLE FOR EMPLOYEES' CHILDREN

Each year, a number of four-year college scholarships are awarded to eligible dependent children of active, retired or deceased railroad employees. Funds for these scholarships, based on academic excellence and financial need, are provided by private trusts.

Women's Aid Scholarships are available to both men and women planning to enter a four-year college, regardless of the field of study selected.

Frank Thomson Scholarships are awarded to railroad employees' dependent sons who are planning to enter a four-year college. Special consideration is given to candidates entering a technical field of study.

The above scholarships help recipients with tuition and other expenses associated with undergraduate college study. All winners are subject to annual requalification to ensure continuing financial need and good academic standing. Individual awards vary according to the applicant's financial need, the number of applicants and the amount of funds available.

The **John Clark Sims Memorial Scholarship** is offered by the University of Pennsylvania to a dependent son of a railroad employee. It is based on financial need as determined by the university.

The **William Henry Brown Memorial Scholarship**, which is to be used toward educational expenses while attending Princeton University, is open to employees'

dependent sons who have been admitted to the university and have met the requirement of demonstrated financial need.

HOW TO APPLY FOR 1984-85 SCHOLARSHIPS

Applicants for **Women's Aid Scholarships** for the college year beginning September 1984 must take the Scholastic Aptitude Test (SAT), the TSWE (Test of Standard Written English), and two Achievement Tests (one of which must be English Composition; the other can be one of their choice). These tests must be taken no later than **January 28, 1984**.

Frank Thomson Scholarship applicants must take the SAT, TSWE and Achievement Tests in English, Level I Mathematics and Physics or Chemistry by **January 28, 1984**.

Deadline for submission of applications is April 1 for both Women's Aid and Frank Thomson Scholarships.

Information and application forms are available for both scholarships from department heads, at regional Personnel offices throughout Conrail, or by writing to Scholarships, Conrail, Room 1010, Six Penn Center, Philadelphia, PA 19104.

For further information on either the **John Clark Sims** or **William Henry Brown Scholarships**, write to the Student Financial Aid Office at the University of Pennsylvania or to the Undergraduate Financial Aid Office at Princeton University.

A REMINDER: SEXUAL HARASSMENT IS ILLEGAL

Sexual harassment in the workplace is against federal and state law and contrary to Conrail's policies.

Employees, both female and male, have a right to a work environment free from sexual harassment such as sexual intimidation, uninvited and unwelcome sexual advances or requests for sexual favors, and unwanted physical or verbal conduct of a sexual nature. Conrail will not tolerate any form of sexual harassment by its employees, and will act expeditiously to correct any instances of sexual harassment in the workplace.

Under the guidelines promulgated by the Equal Employment Opportunity Commission, sexual harassment is a violation of Title VII of the Civil Rights Act of 1964. The guidelines specifically provide:

"Unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature constitute sexual harassment when:

- Submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment;
- Submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting such individual; or

- Such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile, or offensive working environment."

All managers and supervisors shall make it clear, by action and example, that all forms of sexual harassment are prohibited by law, are against Conrail's policy and will not be tolerated. When allegations of sexual harassment arise, management is obligated to investigate immediately and take appropriate corrective action.

Sexual harassment can occur in the workplace in many forms, including when an employee's work environment is made uncomfortable by unnecessary and unappreciated comments of a sexual nature or when submission to a supervisor's sexual advances is made a condition of employment or advancement. Whatever form it takes, whether as sexual advances, suggestive language, or the display of erotic material, if it offends an employee or employees and if it continues to occur despite protests from such employees, it is most certainly a clear case of sexual harassment. The sexual harassment affects not only the employee who is the focus of the harassment, but also other employees under the direction of the supervisor.

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HARASSMENT

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If you feel you are being sexually harassed, or if you have knowledge of sexual harassment occurring, you should:

- Bring the situation to the **immediate attention** of your manager or supervisor, if that is not appropriate, you should,
- Contact the Regional Director-Personnel, or
- File an internal discrimination complaint with the Regional Personnel Manager or the Manager-Equal Employment (for system headquarters employees).

Whatever you do, keep these things in mind: sexual harassment has no place under the law or at Conrail, retaliation for making complaints about sexual harassment also is against the law and Conrail's policies, and Conrail will protect from reprisal any employees who register complaints of sexual harassment, and if you keep concerns about sexual harassment to yourself, Conrail cannot prevent or eliminate it.

PITTSBURGH UNSEATS TOLEDO IN SAFETY

In safety performance for the month of September, Conrail's Pittsburgh Division was back on top after being unseated by the Toledo Division for the month of August. Pittsburgh had no lost time injuries for the month of September, with a frequency rate of zero.

The frequency rate 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 the division with the most man hours. In September, the Toledo, Allegheny, New England and Canada divisions also had no lost time injuries, but Pittsburgh had the most man hours.

The most improved division in safety for September was second-placed Allegheny, which improved their ranking from 12th place in August. The best divisions in safety for the year-to-date are Canada, with a frequency rate of 0.00; Southern Tier, with 0.74; Toledo, with 0.86; Allegheny, with 1.20 and Pittsburgh, with 1.32.

Among Conrail regions, the Central had the best lost time injury frequency rating for September, with 0.69, and also for the year-to-date, with 1.45.

Systemwide, Conrail's lost time injury frequency rate was 1.58 in September.

LOST TIME FREQUENCY RATE BY DIVISION September, 1983

Rank	Division	Rate
1	Pittsburgh	0.00
2	Allegheny	0.00
3	Toledo	0.00
4	New England	0.00
5	Canada	0.00
6	Harrisburg	0.58
7	Buffalo	0.91
8	Southwest	1.23
9	Columbus	1.49
10	Southern Tier	1.56
11	Mohawk Hudson	1.72
12	Detroit	1.74
13	Chicago	1.93
14	Youngstown	1.94
15	Cleveland	2.07
16	Michigan	2.15
17	New Jersey	2.47
18	Philadelphia	3.28

DUAL RAIL GANGS AT WORK IN OHIO

Conrail has begun a \$14.7 million track rehabilitation project on its Cleveland-Indianapolis main line, between Ridgeway and Ansonia, Ohio. Coupled with a \$5.9 million rail renewal project completed on the line in late September, this project brings Conrail's 1983 investment in the line to \$20.6 million.

The project will involve the use of two "dual" rail gangs, which install both rails simultaneously starting at two points on this stretch of track—the first time Conrail has committed manpower on that scale to a single line segment.

Because of continuing increases in Conrail's rail freight traffic volumes, especially in TrailVan piggyback service, Conrail determined that this additional work would be of substantial benefit to customers who depend on its rail reliability for consistent on-time delivery of their products.

One portion of the project involves \$12.9 million in rail improvements on the second of two tracks between Bellefontaine and Ansonia. Conrail crews began working on the new project in mid-September, with rail installation started in mid-October. The work

is expected to be completed by the end of this month.

It includes the installation of 49.1 miles of continuous welded rail and 38,000 cross-ties and the surfacing of 113.2 pass-miles of railbed. Also included in the project is the rehabilitation of 30 public and 16 private grade crossings.

The other portion of the project, a \$1.8 million program, calls for the installation of 14 miles of continuous welded rail between Ridgeway and Bellefontaine, the installation of six new switches, and the surfacing of 28 pass-miles of railbed.

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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.

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

Change of addresses: Obtain Conrail Form G-2101 (Change of name and/or address) from your paycheck distributor or office manager. Send the completed form to Director-Payroll Operations, Room 207, 15 N. 32nd Street, Philadelphia, Pennsylvania, 19104.

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