

# in brief...

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CONRAIL

December, 1982

## INDUSTRY EARNINGS FALL FOR THIRD QUARTER, FIRST NINE MONTHS

On November 18, the Association of American Railroads reported that rail industry earnings for the third quarter and first nine months of 1982 were down dramatically from earnings for the corresponding periods of 1981.

For the third quarter, the AAR reported that earnings from operations totaled \$112.1

million for the industry, 82.5 percent lower than the \$641.9 million reported for the third quarter of 1981. For the first nine months of 1982, earnings plunged almost 50 percent from the same period last year, to \$882.4 million from \$1.76 billion.

The AAR reported that Western District railroads earned \$142.4 million in the third quarter, compared with \$288 million last year. Southern District roads showed net revenue of \$24.2 million, compared with \$136.3 million a year ago.

And railroads in the AAR's Eastern District—including Conrail, Chessie Systems, Grand Trunk Railway, Long Island Rail Road, and other Class I roads in the Northeast and Midwest—reported a deficit of \$54.6 million for the 1982 third quarter, compared to earnings of \$217.6 million for the same period a year ago. Conrail earned \$59.3 million for the third quarter of 1982, including \$36.8 million from sales of tax benefits.

Revenues decreased as well as earnings, reflecting the more depressed state of the economy. For the third quarter of 1982, railroads reported revenues totaling \$6.61 billion, down from almost \$8 billion for the third quarter last year. For the first nine months of 1982, revenues totaled \$21 billion, down from \$23.2 billion for the same period in 1981.

The AAR report also stated that railroads' operating expenses came to \$6.50 billion for this year's third quarter, compared with \$7.32 billion a year ago. And for the first nine months of this year, railroads spent \$20.1 billion for operating expenses, compared with \$21.4 billion for 1981's first nine months.

## PASSENGER TRANSITION AHEAD

January 1, 1983 will be a major milestone in Conrail's history. As of that date, Conrail, under the terms of the Northeast Rail Service Act of 1981, will be relieved of its contract commuter service obligations. Conrail will also be relieved of its obligation to provide crews and other support labor to Amtrak in support of Amtrak's Northeast Corridor services, but will continue to provide, under contract with Amtrak, off-corridor intercity passenger services.

Provision of Conrail's present commuter services—operated in the states of Connecticut, New York, New Jersey, Pennsylvania, Delaware and Maryland—will become the responsibility of the commuter agencies. All of those agencies have been working with Conrail during the past year to accomplish this transfer. Intensive negotiations have been taking place between the agencies, the labor unions, Amtrak and Conrail to finalize the process by which employees and assets will be available to operate services on January 1, 1983.

These activities will result in a reduction in Conrail's labor force of approximately 11,000 employees and a transfer of approximately \$25 million in assets, when measured on a replacement value basis. The assets are comprised principally of real estate, non-revenue rolling stock and maintenance of way equipment.

The removal of commuter service and Northeast Corridor obligations from Conrail will permit Conrail to concentrate on providing efficient freight service in the Northeast and the Midwest.

## CONRAIL ADVOCATES BOXCAR DEREGULATION

On November 23, Conrail General Counsel Charles N. Marshall presented oral argument before the Interstate Commerce Commission in favor of deregulation for Conrail's boxcar traffic.

Marshall told the ICC that Conrail is seeking deregulation to provide freedom to adjust money-losing rates and to encourage efficient use of the boxcar fleet. Under Conrail's plan, carriers could store cars and avoid per diem payments after the first 72 hours. They also could charge up to 35 cents a mile for the movement of empty boxcars.

This, Marshall said, would discourage unnecessary movements, with savings of up to one billion empty car miles and \$350 million per year for the railroad industry.

Earlier this year, on March 30, Conrail filed a detailed statement with the ICC to justify Conrail's position that the marketplace, not statutory regulations, is the most effective regulator of boxcar rates.

In his November 23 argument, Marshall outlined a number of other factors that have made boxcar traffic unprofitable for Conrail. For example, much of the railroad's merchandise traffic has been diverted to other types of rail service and to modes—such as barges and trucks—that are more competitive because they have been deregulated. As a result, each Conrail boxcar in service today is carrying half the number of loads per year that it did in 1977, while trainloads of empty cars pass each other because of the archaic car hire system.

(continued on page 2)

## SPRENG HEADS UP EASTERN REGION

Joseph F. Spreng has been appointed general manager of Conrail's Eastern Region, effective December 1.

Spreng, formerly general manager of Conrail's Metropolitan Region in New York, replaces Donald N. Nelson, who resigned to accept the position of vice president at Metro-North—a subsidiary of the New York Metropolitan Transportation Authority with responsibility for commuter rail services.

With more than 40 years of railroad service, Spreng has also served as assistant general manager of Conrail's Central Region, and as general superintendent of the Metropolitan Region.

**BOXCAR DEREGULATION**  
(continued from page 1)

Deregulation would allow Conrail to drive down the costs for operating this type of service, thus making it more competitive in a fiercely competitive market, Marshall said. By cutting down on the movement of empty cars, Conrail can pare 10 percent from its operating costs for boxcar traffic.

This will also improve the profitability of Conrail's boxcar service. Currently, Conrail spends \$1.00 for every \$1.27 in revenue from pulp and paper shipped in boxcars; lumber brings Conrail only 92 cents for every dollar spent.

In Brief will keep you informed on future developments in the boxcar deregulation effort.

**USRA REPORT:  
CONRAIL IS HELPING ITSELF**

Despite lower traffic levels due to the recession, Conrail is helping itself by lowering costs and taking advantage of opportunities to increase revenues, said the United States Railway Association in a recent report to Congress.

The report on Conrail's progress was required by the Northeast Rail Service Act of 1981 (NERSA). USRA is a nonprofit federal corporation that developed the plan for reorganizing seven bankrupt railroads into the Conrail system.

The report noted that Conrail's financial picture was undermined by steadily worsening traffic levels. "Carloads during the first nine months of 1982 dropped 21 percent from the same period in 1981," USRA reported.

"The traffic picture in general reflected the weakness of the economy, particularly in the basic steel and capital goods manufacturing sectors as well as in lumber and wood products and automobile manufacturing... The only volume increase from January through September, 1981 to 1982, was a 3.5 percent increase in farm products, reflecting improved carloadings of grain."

Despite these problems, Conrail has taken the initiative to bring costs in line with traffic levels, the report noted, adding that "Conrail has achieved most of its cost control success by reducing transportation costs."

Besides controlling costs, Conrail also has used legislative freedoms granted by the Staggers Rail Act and NERSA to improve its revenues, said USRA.

"Conrail has entered into over 190 contracts for services, expected to produce revenues of approximately \$300 million annually—or about 8 percent of its annual freight revenue," USRA reported. "Over 140 of the contracts were issued in 1982. It is expected that in the future an increasing proportion of Conrail's business will be conducted under contracts."

**FIRST Q/C GROUPS  
ESTABLISHED IN CLEVELAND**

As part of Conrail's systemwide Labor/Management Project, the first quality circle group of employees was established last month in the Cleveland Division's Communications and Signals Department. More are being organized in that division and will begin meeting this month.

The C and S group, established November 12, has since met weekly on company time for training in problem-solving techniques. The other groups being organized are for clerical employees at Conrail's Cleveland Division headquarters; for two work shifts at the Collinwood Diesel Shop; for the Track Department; and for the Macedonia Car Shop.

The groups, which are strictly voluntary, are comprised of agreement employees and first-line supervisors. Once trained, the quality circles will meet regularly on company time to discuss and solve work-related problems.

**IN THE PRESS:**

The new-look Conrail has drawn the admiration of analysts. Henry Livingston, of Kidder Peabody and Co., says Conrail has "done a heck of a good job in bringing down expenses in line with traffic." Although its earnings history is "thin," Livingston notes, "In these times it's an extraordinary performance."

But the most important part of Conrail history has yet to be written. Difficult times are in store in 1983, most likely the last year Conrail will be owned by the government, its sole stockholder.

"It's going to be a difficult challenge for us," says Chairman and Chief Executive Officer L. Stanley Crane. "There's no doubt about that."

Passing the profitability tests may prove difficult for two reasons: the severity of the recession and the accounting method the railroad uses to report its earnings.

"Our economists don't really look for much upturn in the year 1983," said Crane. "We got a modest revenue forecast which is essentially flat for this year. And what we're going to have to do is further pare and control our expenses so that we do a little bit better in the year 1983 than we did in the year 1982, because our objective is to get in the black on that ICC basis."

The 67-year-old chairman says Conrail probably will be in the red on an ICC basis this year by \$20 to \$25 million. He admits, "That's not good enough. We ought to be in the black on an ICC basis if we're really going to do as well as our fellow railroads."

On the GAAP basis, Crane figures Conrail will report a profit of \$120 million to \$130 million this year.

—United Press International, December 13, 1982

**CRANE:  
COMMITMENT MAKES COUNSELING PROGRAM A SUCCESS**

Conrail's Employee Counseling Service is a success because both management and rail labor are committed to making it work, said Conrail Chairman and Chief Executive Officer L. Stanley Crane to an international group of representatives of employee assistance programs.

Crane, addressing the Association of Labor/Management Administrators and Consultants on Alcoholism (ALMACA) on

November 4, said the railroad industry has taken the lead in dealing with employees having alcoholism problems.

"One reason for that is that the railroad industry is perhaps the only industry that has seriously investigated the costs, and the impact of problem drinking and alcoholism," he added.

Crane cited a 1978 study by the Federal Railroad Administration which showed that while problem drinking was no more common among rail workers than the national average, alcoholism hurt railroad employees at all levels as well as the railroads' bottom line. The study, which was used by Conrail in planning its counseling program, "lead to a strong positive response—a commitment by management and labor," he said.

"Now, as a result, there is probably no better example of management commitment to employee assistance programs than the program that exists at Conrail today," Crane continued. "That is due in large part to what we learned from the FRA study, but it also grew out of the concern of the rail brotherhoods about their members. The unions were successful in getting management to look at the problem on the Penn Central railroad when the Penn Central was bankrupt. The employee assistance program established by the Penn Central came to Conrail and was expanded to include employees of the five other predecessor railroads as well."

As a result of that commitment, Crane noted, Conrail's counseling service has been expanded over the years to include more counselors who can help employees and dependents with a wider range of problems—such as drug abuse, emotional and mental handicaps, marital and family problems, and financial struggles.

From the years 1978 through 1981, the number of employees and dependents seeking help through Conrail's Employee Counseling Service increased by more than 130 percent. Nearly half of the employees who used the service last year sought help on their own, of those referred by supervisors, 91 percent were referred before disciplinary action was necessary. "This means that we are heading off disciplinary measures for work-performance problems that stem from personal problems," Crane said.

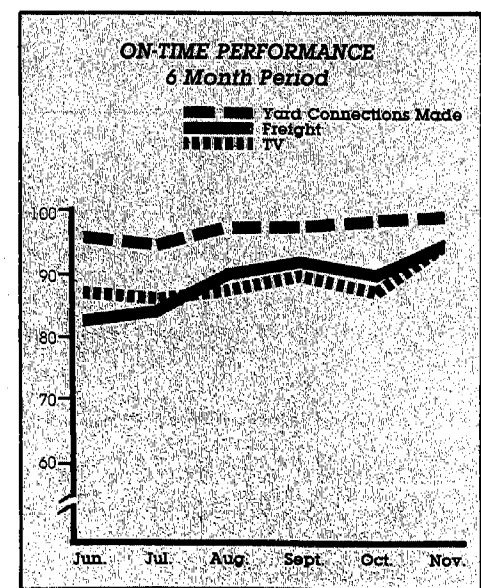
Besides helping employees and families, the program has also saved money for Conrail, he noted. "In 1981, we saved five dollars for every one dollar we spent on the counseling service," he said.

Crane added that Conrail will continue its commitment to employee counseling.

**SERVICE REPORT**

During the month of November, 83.6 percent of the loaded freight cars measured under Conrail's Keypoint Quality Control Program reached their destinations within 24 hours of the published standard. This program logs, in hours, the time it takes Conrail to deliver the carload of freight from the shipper or interchange with another railroad to its destination on the Conrail system—a customer's siding, interchange, or constructive placement in a yard. Last month's Keypoint index matched that for October.

In other areas, on-time performance matched or improved over levels for October. Almost all of Conrail's mail trains—99 percent—reached their destination terminals within one hour of schedule. TrailVan trains reached their destination yards 94 percent on-time, freight trains were 93 percent on-time, and 98 percent of cars monitored at Conrail yards made their connections.



**NEWS DIGEST**

**KEY NJ ROUTE UPGRADED**—Conrail has recently completed more than \$7 million in track maintenance and rehabilitation projects on its Lehigh main line between Newark and Manville, New Jersey, a principal through-route for freight trains connecting northern New Jersey with the rest of Conrail's Northeast/Midwest rail network.

Conrail crews, which began working on the program in late August, installed 19 miles of continuous welded rail and more than 7,000 crossies and surfaced more than 76 pass-miles of railbed. In addition, Conrail rehabilitated 11 railroad bridge surfaces and installed 19 new switches.

The upgrading program will increase freight train speed on one of the line's two tracks from 30 to 50 mph.

The Lehigh main line is a principal link between Conrail's northern New Jersey terminal area—which serves the metropolitan New York-New Jersey area—and Conrail's 15-state rail freight network. Trains using the line carry a wide variety of freight, including automobiles and automobile parts, coal, livestock, plastics, industrial goods and materials, food products, and general merchandise.

Some of this freight traffic is handled by Conrail's high-speed, high-priority TrailVan (piggyback) trains, which carry truck trailers or marine containers on railroad flatcars. The marine containers are usually bound for or from the Port Authority of New York and New Jersey's Elizabeth-Newark containership complex, which is served by the adjacent Conrail Portside Terminal.

The portion of the Lehigh main line between Newark and Roselle Park is also used by New Jersey Transit for its Raritan Valley rail commuter service.

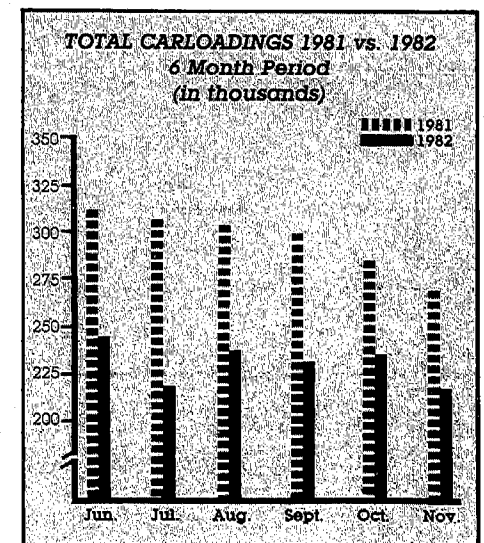
**BUSINESS REPORT**

Conrail moved 218,614 carloads of freight last month—down more than 20,000 from carloadings for October and more than 20 percent from carloadings for November of 1981.

Traffic loaded on line was down 16.1 percent from levels for the same period a year ago, traffic received from connections decreased by 21.3 percent from 1981 levels.

The harvest season continued to improve the traffic picture for farm products, up 23.6 percent from levels a year ago, and trailer-on-flatcar traffic continued strong, up 14 percent from the November of 1981.

Steepest declines were in primary metals, down 45.7 percent; metallic ores, down 47.6 percent; and coke, down 49.5 percent.



**AAR CHIEF NOTES PROGRESS UNDER DEREGULATION**—Because of the Staggers Rail Act, which partially deregulated the rail industry just over two years ago, railroads are now "truly customer-oriented," said William Dempsey, president of the Association of American Railroads, on November 18.

Addressing the National Industrial Traffic League in Detroit, Dempsey noted that "Deregulation is working—to the benefit of railroads, and railroad shippers."

Dempsey credited deregulation with helping the industry to achieve higher earnings, better service, and continued maintenance and capital improvement programs "at levels that wouldn't have been possible in years past."

"Now that we are seeing the benefits of deregulation," he said, "we ought to look ahead, not backward. The railroad industry can grow and prosper and provide quality service if it continues on the path that we started on two years ago."

**PORT TO FINANCE CONRAIL IMPROVEMENTS**—The Philadelphia Port Corporation has agreed to provide \$463,000 in financing for improvements to Conrail and Chessie System lines in Philadelphia, to allow more high-and-wide shipments to reach the port by rail.

Conrail will spend \$373,000 to raise tracks at West Falls Yard, shift track at Perkiomen, undercut track on two bridges at Park Junction and adjust signal lamps at five locations.

The improvements are expected to eliminate the tight spots that prevented high-and-wide cargoes—as large as 18 feet high and 11 feet wide—from moving to port by rail. When completed, the projects will enable these cargoes to move through the City of Philadelphia for the first time.

## in brief...

### "STOP" TARGETED AT REDUCING INJURIES

A new safety program designed to reduce the incidence of on-the-job injuries began this month. The Safety Training Observation Program (STOP) is designed to improve employees' safety awareness through personal contact and training from supervisors.

Under this program, supervisors will observe each employee under their jurisdiction during their regular work period. Results of the observation will be shared with the employee and additional training in safe work habits and practices will be provided as necessary.

While Maintenance of Equipment and Maintenance of Way employees were observed and contacted by supervisors on the job under former safety programs, STOP extends this personal involvement to supervisors and employees in all crafts.

Safety Department personnel will introduce STOP to management in Conrail operating regions, shops and system departments beginning this month, shortly thereafter, the program will be introduced to division officers, general foremen, track supervisors, trainmasters, and others systemwide.

A brief slide/tape presentation will be shown to all crafts explaining the fundamentals of the program.

### ALL REGIONS CONTINUE SAFETY IMPROVEMENTS

#### YEAR-TO-DATE LOST TIME FREQUENCY RATE BY DIVISION OCTOBER, 1982

| Rank | Division      | Rate |
|------|---------------|------|
| 1    | Canada        | 0.00 |
| 2    | Toledo        | 2.26 |
| 3    | Allegheny     | 3.15 |
| 4    | Pittsburgh    | 3.21 |
| 5    | Cleveland     | 3.27 |
| 6    | Chicago       | 3.42 |
| 7    | Youngstown    | 3.69 |
| 8    | Columbus      | 4.57 |
| 9    | Buffalo       | 4.87 |
| 10   | Mohawk-Hudson | 5.07 |
| 11   | New Jersey    | 5.72 |
| 12   | Southwest     | 5.74 |
| 13   | Harrisburg    | 6.11 |
| 14   | Detroit       | 6.47 |
| 15   | Michigan      | 7.55 |
| 16   | New England   | 7.80 |
| 17   | Philadelphia  | 8.36 |

All Conrail regions reported more than 30 percent fewer lost time injuries in October than were reported for the same period a year ago.

The systemwide lost-time injury frequency rate of 4.41 for October was 38 percent better than the rate reported for October of 1981. Frequency rate represents the number of injuries per 200,000 man hours worked. For the year to date, Conrail has a frequency rate of 5.43, a 17.4 percent improvement from the first ten months of 1981.

The Central Region held on to its number-one spot in safety performance, with a lost-time injury frequency rate of 1.99, a 66.8 percent improvement over October of 1981. The Northeastern Region, in second place, improved their injury frequency rate by almost 80 percent, to 2.42.

And among Conrail divisions, the New England Division had the best lost-time injury frequency rate for the month of October.

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