

# in brief...

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CONRAIL



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## CRANE: GOOD MANAGEMENT INTEGRAL TO CONRAIL'S SUCCESS

Conrail's success over the past three years would have been impossible without good management, said L. Stanley Crane, chairman and chief executive officer, at a meeting of the Women's Transportation Seminar on November 17 in Philadelphia. Crane also said that Conrail's management must continue to improve itself in the future to help Conrail to continue its successes.

"Performance always begins with the quality of management," said Crane. "And if you are in the private sector, there is only one final measure of successful management performance: profitability. On that basis, I believe that I am justifiably proud of what our managers have achieved at Conrail."

Although the Staggers Act of 1980 gave railroads more freedom to set rates and service packages according to the marketplace, and although the Northeast Rail Service Act of 1981 (NERSA) removed many of the barriers to Conrail's profitability, these legislative actions alone would not have been enough to save Conrail, Crane said.

"Had we not managed properly during the past three years, the government would have had to continue to infuse funds to hide the basic problems that constrained management in the first place, too much physical plant, labor costs too high, and not enough revenue to support these costs," Crane said. He added that if Conrail had not seized the opportunity to turn the railroad into a profitable operation following the passage of NERSA, "Conrail might have been broken up and sold in pieces already or would be well on its way to that end."

As a result of using these legislatively-granted freedoms and managing well, Conrail has established a good financial track record and has reduced its operating ratio (operating costs as a percent of revenues) to 96.3 percent for the first nine months of 1983, Crane said. This compares to 103.4 percent for the same period last year and 114 percent for the same period in 1979.

"We have come along a lot more quickly than anyone ever thought we could, but we still have some stretching to do," cautioned Crane. "If you want to compare us with other railroads—and our earnings are comparing very well these days—you have to remember that we have benefitted substantially as a result of wage concessions from our employees, which were shared in

by our non-union people to an equal degree.

"You also have to keep the perspective that there was a 15-year history of bankruptcy on these properties in the Northeast and Midwest, and we now have a three-year record of earnings, with a very modest record for two of those years. So we still have some distance to stretch before we can say we are there."

Two of Conrail's continuing challenges cited by Crane are to build revenue and to work more closely with labor.

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"Despite the fact that you are able to control your costs, if you do not have the revenue, you can run the business for nothing and there still will be no bottom line," Crane said. "The challenge to managers is to adapt to markets and to find new markets."

On labor, Crane said that "Labor/management relations must foster coopera-

tion and minimize confrontation. We must communicate better, both ways."

Crane mentioned three strengths that will enable Conrail's management to face these future challenges: a broad capability in expense control, which brought Conrail through the worst recession in 50 years with a good bottom line; strong analytical abilities for appraising the short-run performance of the company and a good marketing structure that will continue to demonstrate the ability to build business.

But Crane also cited areas for improvement. "Management at times is too study-oriented—more inclined to launch a feasibility study than to make a hands-on decision when it is needed," he said. "Quick, and good, decisions have become ever more important in the railroad business as we moved from deregulation into a more competitive way of doing things."

Crane also said that Conrail managers must respond more quickly to market changes and new customer needs. Finally, he said, "Management needs to move closer to the action in the field. In other words, top management is too often insulated from its employees in the field or on the shop floor, and ground-level performance and motivation opportunities are missed. We need to do a better job of communicating to the individual worker the importance of his or her role in improving the productivity and customer service of the railroad."

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## DOT REPRESENTATIVE DISCUSSES CONRAIL SALE

James H. Bumley IV, deputy secretary of the Department of Transportation, said in early November that members of government and the financial community would be actively seeking more buyers for Conrail, reported *The Journal of Commerce* on November 8.

Bumley disclosed that Federal Railroad Administrator John Riley and representatives of Goldman Sachs, the investment firm coordinating the sale of Conrail, would be touring the country over the next few weeks to look for interested buyers.

According to the story in *The Journal of Commerce*, Bumley said that the DOT is continuing to talk with the Railway Labor Executives Association regarding their proposal for an employee purchase, but is also looking at other options, such as selling a controlling interest in Conrail to a railroad or non-railroad company or a public offering of stock.

On November 7, a day earlier, *Traffic World* reported that Riley said that the government favors selling Conrail as an entity. "It is not our intention to break Conrail up," he said.

### CONRAIL, UTILITY SIGN COAL CONTRACT

Conrail and New York State Electric and Gas Corporation (NYSEG) have signed a 14-year agreement that provides for Conrail to transport bituminous steam coal to NYSEG's 625-megawatt electric generating plant now being built on the shore of Lake Ontario, in Somerset, New York.

The agreement, effective October 15, 1983 through December 31, 1997, includes an option to extend the contract's terms through December 2004.

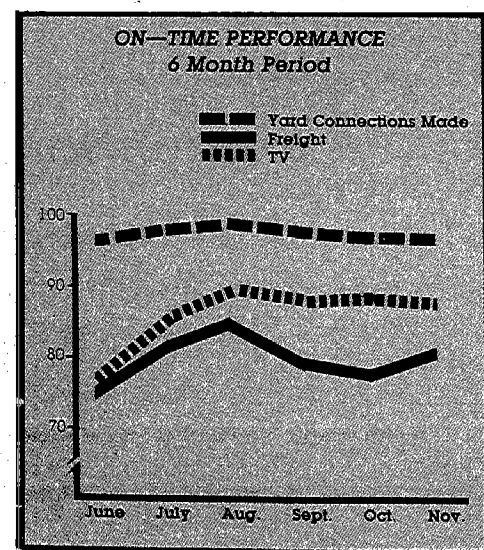
Delivery of coal to the Somerset plant began November 10 so that fuel stockpiles could be established in advance of the generating station's first "test burn" next spring, and the beginning of commercial operation, which is scheduled to start in October 1984.

Under the contract, Conrail guarantees that maximum use will be made of NYSEG's newly-purchased fleet of 190 100-ton, rotary coupler-equipped open top hopper cars. (Rotary couplers enable the cars to be turned upside down one at a time for coal dumping while the cars remain connected in a train.)

### SERVICE REPORT

Last month, 84.2 percent of the loaded freight cars measured under Conrail's Key-point Quality Control Program reached their destinations at a customer siding or interchange within 24 hours of the scheduled standard. This program measures dock-to-dock transit time and compares it against Conrail schedules.

Among Conrail's high-speed, high-priority mail trains, 83.7 percent reached their destination yards within an hour of schedule, as did 86.6 percent of the Trail-Van trains and 81.2 percent of freight trains. At Conrail yards, 97.7 percent of the cars monitored made their connections last month.



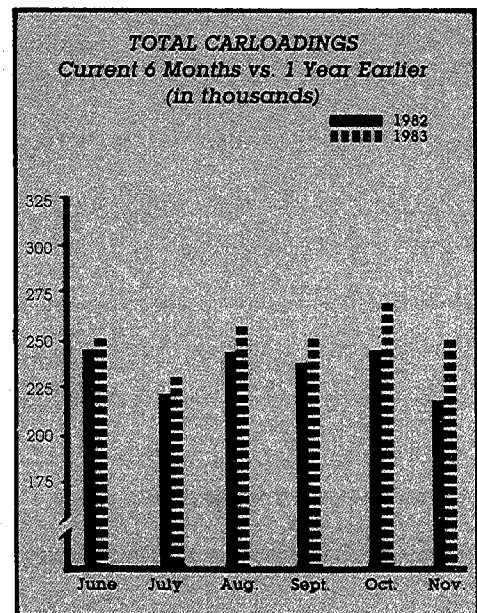
In addition, the contract offers NYSEG flexibility in its choice of Pennsylvania coal located near Conrail lines, and Pennsylvania and West Virginia coal located near Monogahela Railway Co. lines; the Monogahela is a party to a section of the Conrail-NYSEG agreement. The utility estimates that, when fully operational, the new plant will burn between 1.4 and 1.6 million tons of coal annually.

In addition to the service and coal-origin flexibility provisions of the agreement, Conrail will be investing up to \$20 million during the life of the contract in track rehabilitation and improvements, and in the purchase of equipment. As part of that commitment earlier this year, Conrail invested \$3 million to install 14.8 miles of continuous welded rail and nearly 7,000 crossies on the Falls Road Branch between Lockport and Niagara Falls, New York, which carries the coal traffic on the final leg of the Conrail route to the Somerset plant.

NYSEG's investment in the project is \$60 million. This money was used for the construction of the 17 miles of tracks which connect the Somerset plant with the Falls Road Branch at Lockport. The utility also established the Somerset Railroad Corporation as a wholly-owned subsidiary, which built and operates the 16-mile spur. Conrail has signed an agreement with the Somerset Railroad Corporation which gives Conrail operating rights over the Somerset trackage to deliver coal to the power plant.

### BUSINESS REPORT

Conrail's freight carloadings were 14.5 percent higher last month than they were in



### PIGGYBACK SERVICE NOW ONE DAY FASTER

Conrail has reduced by one day the transit time for piggyback shipments from the Midwest to the Delaware Valley. Modernized intermodal terminals at East St. Louis, Illinois and Morrisville, Pennsylvania, and rehabilitated trackage between those points make the improved schedule possible.

At the same time, Conrail has cut one day off the transit time—from third morning to second morning delivery—for piggyback traffic moving from the Port of New York-New Jersey and Allentown, Pennsylvania to the Midwest, by revising schedules for connecting services at Harrisburg.

The swifter eastbound service permits Conrail to offer second morning delivery of piggyback freight (truck trailer and marine container shipments moving on railroad flatcars) from the St. Louis, Indianapolis and Columbus metropolitan areas to Conrail's Delaware Valley Intermodal Terminal at Morrisville in Falls Township. The improved service, which started recently, is faster than that offered by any other railroad to the Delaware Valley.

Cutoff time for receipt of trailers for the eastbound service is 6 p.m. at East St. Louis, 8 p.m. at Indianapolis, and 8 a.m. at Columbus. Trailers are available at the Delaware Valley Intermodal Terminal at 5 a.m. the second morning. This service is available daily from East St. Louis and Columbus, and Monday through Saturday from Indianapolis. In addition, Sunday eastbound service from East St. Louis and

November of 1982, as the economic recovery continued. Conrail hauled 250,049 carloads of freight last month. Traffic loaded on Conrail lines was up 19.3 percent; traffic received from connections was up 7.9 percent.

Traffic levels in all but four commodity areas increased. A stronger automobile industry helped push carloadings of transportation equipment up 56.4 percent over levels for November of 1982. Primary metals traffic rose 55.2 percent, mostly because of increased movement of sheet steel used by auto manufacturers. Strength in agricultural chemicals helped push Conrail's chemicals carloadings up 19.4 percent above levels for a year earlier. And increased movements of utility coal pushed coal traffic levels up 8.1 percent.

Other increases were reported in metallic ores traffic, up 89.5 percent; lumber and wood products, up 1.9 percent; stone, clay and glass, up 10.3 percent; waste and scrap, up 20.2 percent; coke, up 42.7 percent and Trailer-on-Flatcar, up 17.3 percent.

Carloadings were down last month from last year's levels in farm products, down 17 percent; food products, down 9.2 percent; non-metallic minerals, down 0.9 percent and pulp and paper, down 5.7 percent.

Columbus is now available to Conrail intermodal terminals in Pittsburgh and Harrisburg, in Pennsylvania, and at Kearny, New Jersey, which serves the New York-New Jersey metropolitan areas.

Conrail has invested \$3.8 million to modernize its piggyback terminal at Rose Lake Yard in East St. Louis, which serves Conrail's third largest intermodal territory after Chicago and northern New Jersey.

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### PIER 124 HANDLES LARGEST COAL SHIPMENT

The largest shipment of export coal ever transloaded via the Port of Philadelphia—59,148 tons or 650 rail hopper carloads—was loaded on the Japanese coal vessel, Sunosaki Maru, October 29-31 at Pier 124. The shipment of metallurgical coal from central Pennsylvania was shipped to Japan aboard the recently commissioned 60,953-deadweight ton ship.

The largest coal shipment previously loaded at the Pier was 55,895 tons taken on in April, 1983, by the Orient Rose, which weighs 58,491 dwt.

Conrail moved the coal for the Sunosaki Maru to the Pier in seven unit trains.

The increasing size of coal shipments at Pier 124 has been made possible by the \$41 million expansion and modernization of the Pier's coal loading facilities, funded jointly by Conrail and the Commonwealth of Pennsylvania. The modernization project, completed last year, was designed to nearly triple the Pier's coal loading capacity to 10 million tons annually.

### NEW LOCOMOTIVES ORDERED FROM GM

Conrail has ordered 40 new 3,500-horsepower locomotives from the Electro-Motive Division (EMD) of General Motors Corporation. The locomotives will be manufactured at EMD's La Grange, Illinois plant.

The 40 SD-50 locomotives, valued at about \$48 million, are scheduled for delivery to Conrail in the second quarter of 1984.

Lower operating and maintenance costs of the new locomotives, versus those of the units they are replacing, will offer sufficient positive cash flow to warrant this major investment. The manufacturer assisted in arranging the financing.

These new units will reduce the average age of Conrail's locomotive fleet and thereby provide increased assurance of reliable service. The locomotives are also more fuel-efficient than those they will replace, and can perform more work per locomotive and per gallon of fuel.

Earlier this year, Conrail announced three separate orders for a total of 160 new locomotives for delivery this year and in 1984.

### UPDATE ON LABOR/MANAGEMENT PROJECT

Conrail's 17-month-old Labor/Management Project is continuing to save money for Conrail and encourage members of labor and management to solve problems together through joint committees and through quality circles.

The program is now established in the Cleveland, Detroit, Toledo and Columbus divisions, as well as at system shops in Altoona, Pennsylvania and at 32nd Street offices in Philadelphia. Here is an update on recent developments in the Labor/Management Project.

- In the Columbus Division, where the program was established most recently, a joint labor/management cooperative committee was formed to discuss and solve problems affecting that division. The committee, formed October 18, includes 10 members of Conrail's division management and 25 labor representatives. Because the Columbus Division is so large, subcommittees were formed for the Columbus, Cincinnati/Dayton, and Charleston areas.

- In Toledo, 12 first line supervisors volunteered for quality circle leader training that began December 13... the first step in establishing quality circles at that location. The Toledo Joint Improvement Committee has successfully implemented several of its projects, including programs to reclaim waste paper and to improve the diesel pad at Stanley Yard.

- In Philadelphia, the quality circle program at 32nd Street has moved on to a second round of projects to solve problems and cut costs; the quality circle steering committee is working with employees at Six Penn Center and 1528 Walnut Street to determine interest in expanding the program to those locations.

- In Altoona, the joint labor/management committee has begun steps towards establishing quality circles at the Juniata

### OPERATING APPOINTMENTS ANNOUNCED

Gerald N. Corcoran has been named Regional Superintendent-Transportation for the Southern Region in Indianapolis, replacing Robert J. Gemon, who resigned to take a position with another company. Corcoran, who most recently was superintendent of Conrail's Cleveland Division, previously held Operating Department assignments in Detroit and Cleveland.

Joe H. Reid, formerly superintendent of Conrail's Youngstown (Ohio) Division, replaces Corcoran in Cleveland, and Michael G. Peterson will assume Reid's post in Youngstown. Prior to assuming his Youngstown position last year, Reid had held Operating Department positions in Harrisburg, Pennsylvania, and Elizabethport, New Jersey. Peterson had previously been superintendent of the Indiana Harbor Belt Railroad Company, a Conrail subsidiary, and worked for the Milwaukee Road.

Locomotive Shop and the Hollidaysburg Car Shop.

- In Cleveland, a quality circle for clerical workers at division headquarters has successfully completed a project that will improve maintenance of personnel records at that location, in connection with Conrail's computerized Work Force Information System.

- In Detroit, a second quality circle for clerical employees began meeting last month.

### TRACK WORK WRAPS UP IN CHICAGO, OHIO

Conrail has completed \$6 million worth of track improvement projects to upgrade several lines in the Chicago area.

The track upgrading involves work at several locations. The rail work, begun in mid-October, is taking place on the main line between South Chicago and Union Station, and on the former Chicago River and Indiana line, which connects the main line with other railroads via the former stockyards area.

The total track work included the installation of 34 miles of continuous welded rail and nearly 40,000 crossies, and the surfacing of 111 pass-miles of railbed. Also included is the rehabilitation of 36 switches.

In Ohio, Conrail is completing nearly \$1.4 million worth of track improvement projects to upgrade its Pittsburgh-Chicago line in the Alliance and Canton areas.

The track work in the Alliance/Canton area includes the installation of 15.2 miles of continuous welded rail and 370 crossies, and the surfacing of about 17 pass-miles of railbed. Also included is the rehabilitation of 26 public highway grade crossings.

### TRACK GEOMETRY CAR NOW ON DUTY

Conrail has purchased a \$2 million Track Geometry Car outfitted with state of the art equipment to give the most complete picture possible on the condition of the railroad's 15,000-mile system.

Data gathered by the car as it travels 25,000 miles a year will be processed at Conrail's headquarters and will be used to develop a track quality index of the Conrail system. This index will be of great importance because it will enable Conrail to plot more precisely and in greater detail the condition of the railroad, aiding in the decision-making process as to exactly which trackage to rehabilitate from year to year.

The 90-foot-long, dark green car went into service last month. A feature and photos about the car will appear in the next edition of *The Conrail Inside Track*.

## in brief...

### PIGGYBACK SETS INDUSTRY RECORD

On the week ending November 5, piggyback traffic industrywide broke the 1982 record for total revenue trailers and containers loaded on the nation's freight railroads.

Total year-to-date piggyback loads reached 3,431,962 trailers and containers on that week, surpassing the number of loads for all of 1982 by 1.0 percent. Last year's loads totaled 3,396,973, setting a record in the industry.

But 1983 had already broken that record by the end of the week of November 5. During that week alone, the major railroads hauled 90,790 piggyback trailers and containers, up 26.1 percent from the corresponding week of 1982.

At Conrail, piggyback traffic through the end of November was up 20.3 percent for the year-to-date over the same period last year.

### PIGGYBACK SERVICE

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This terminal allows Conrail to quickly load cars bound for the Delaware Valley onto a high speed, high priority intermodal train.

In September 1982, Conrail opened a \$7.4 million intermodal terminal at Morrisville in Falls Township, northeast of Philadelphia, to serve the Delaware Valley—Philadelphia, Southeastern Pennsylvania, and Central and Southern New Jersey. This terminal is one of the most efficient in the country.

### ALLEGHENY TAKES LEAD IN SAFETY

The Allegheny Division, Conrail's most improved in safety for the month of September, took the lead in safety for the following month, with no lost time injuries. That division, among the top five at Conrail for the year to date, had last held the lead in monthly safety performance in February.

Five other Conrail divisions—Cleveland, New England, Southern Tier, Detroit and Canada—had no lost time injuries in October, with frequency rates 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 that division with the most man hours.

Most improved division for October was the Cleveland Division, which improved their ranking to second place from 15th place in September. For the year to date, the top five divisions in safety performance are Canada, with a frequency rate of 0.00; Southern Tier, with 0.66; Toledo, with 0.96; Allegheny, with 1.07 and Pittsburgh, with 1.32.

The top region in safety for October and the year to date is the Central Region, with a frequency rate of 1.36 for October and 0.65

for the year to date. Systemwide, Conrail's lost time injury frequency rate was 2.10 for October and 2.09 for the year to date.

#### LOST TIME FREQUENCY RATE BY DIVISION October, 1983

Rank	Division	Rate
1	Allegheny	0.00
2	Cleveland	0.00
3	New England	0.00
4	Southern Tier	0.00
5	Detroit	0.00
6	Canada	0.00
7	Youngstown	0.59
8	Columbus	0.69
9	Toledo	0.90
10	Pittsburgh	1.28
11	Mohawk-Hudson	1.66
12	New Jersey	1.79
13	Philadelphia	1.89
14	Harrisburg	2.20
15	Chicago	2.38
16	Southwest	2.90
17	Michigan	4.19
18	Buffalo	4.49

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