

# *in brief...*

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL



December, 1984

## CONRAIL WILL REPORT RECORD EARNINGS FOR 1984

In a year-end statement issued on December 17, Conrail reported that it would report record earnings approaching \$500 million for 1984, thanks to small but significant freight traffic increases fueled by the nation's economic recovery, improved pricing and service flexibility encouraged through regulatory reform, and lower operating costs.

Conrail will report final fourth quarter and full year 1984 results early in 1985. Net income for 1984 will be an improvement of more than 50 percent over the \$313 million net income reported for 1983, and will be the best bottom-line performance in Conrail's history. Net income for the first nine months of 1984 was \$410.6 million—the best result ever for a nine-month period in the company's history.

"The strength of our 1984 financial results is primarily a reflection of the positive impact of traffic increases coming from resurgent economic activity in the first nine months of the year, and of our stringent cost control program, which enabled a greater proportion of the revenue from the traffic increases to flow directly to our bottom line," said L. Stanley Crane, chairman and chief executive officer. "Our employees maintained the railroad's performance with renewed cost-reduction efforts, and continued initiating highly competitive marketing strategies and superior rail service. We intend to continue such actions in 1985 to ensure that Conrail will be a financially strong, robust competitor in the rail transportation marketplace."

Crane also noted that Conrail should continue its profitability, stating, "Even taking into account that Conrail may have added costs in 1985 resulting from the possible resumption of state tax payments and higher wages to employees, we believe that additional efficiencies we make in our operations will help Conrail to continue highly satisfactory levels of earnings, providing there is reasonable stability in the nation's economy."

Other highlights of 1984:

- Conrail continued accumulating additional cash to meet future needs, with a cash balance in excess of \$800 million by the end of 1984, while making substantial capital investments in its facilities to improve service to customers.

- Conrail spent almost \$550 million by the end of 1984 for the year's capital pro-

gram, including about \$270 million for the installation of about 540 miles of continuous welded rail and nearly 1.5 million cross-ties. Conrail also acquired locomotive and freight car equipment valued at more than \$160 million in 1984, including the addition of special equipment to its car fleet to better serve the needs of shippers.

- Conrail continued to capitalize on ratemaking and marketing freedoms granted to the railroad industry under the Staggers Rail Act of 1980, taking aggressive and innovative marketing initiatives to secure, retain and increase profitable traffic. For example, Conrail had negotiated more than 1,000 transportation service contracts with shippers, representing more than \$400 million in annual revenue, by the end of October 1984. Transportation contracts offer shippers price stability and service guarantees, and can assist railroads in equipment planning and provide predictable traffic and revenue levels.

- Conrail also embraced advanced railroad technologies in 1984. The Union

Pacific, Chicago & North Western, and Conrail inaugurated special coast-to-coast intermodal service for American President Lines using highly-efficient "double deck" piggyback flatcars that permit the stacking of two marine cargo containers, one on top of the other—effectively doubling the number of containers that can be loaded on a single train. Conrail also contracted with Distribution Sciences Inc., a Chicago-based firm, to develop a new computerized freight rate system that will help participating railroads manage the accelerated pace of deregulated railroad pricing.

Crane, in noting Conrail's continuing success in 1984, stated, "Conrail's 1984 performance has demonstrated its ability to finance its operations independently; manage its business to achieve profitability comparable to that of other of other rail systems; respond to its customers' needs as efficiently as other private-sector companies, and effectively confront the challenges of the highly competitive transportation marketplace."

## CONRAIL, GTW BEGIN "JUST-IN-TIME" SERVICE

Conrail and Grand Trunk Western Railroad (GTW) are hauling General Motors auto parts between three Lansing, Michigan, GM plants that are less than two miles apart.

Conrail and GTW are providing "just-in-time" rail shipment of GM auto parts in a dedicated fleet of 60-foot, high-roof boxcars. Conrail handles movements of auto parts from the Oldsmobile #3 plant in Lansing to the Fisher Body Intermediate Assembly plant, less than two miles away. Both GTW and Conrail move shipments from the Oldsmobile #1 plant in Lansing, to the Fisher Body plant.

Conrail was the first railroad to offer dedicated just-in-time train service to the auto industry (beginning in August 1982) with Train KZLA, serving the Lansing Fisher Body plant. Conrail has also established other just-in-time service to the auto industry.

Conrail and GTW developed the interplant service packages when GM retooled the Lansing plants last spring to produce

"GM-20" automobiles with parts provided from nearby plants. Here is how the actual rail movements work with the normal schedule times:

From the Oldsmobile #3 plant (adjacent to Conrail's Saginaw Yard on Willow Street), Conrail hauls boxcars of auto parts about one-quarter mile, directly to Fisher Body, twice daily (normally scheduled for 10:30 a.m. and 8 p.m.) for placement at Fisher by 4 p.m. and 6 a.m. respectively.

Loaded auto parts boxcars leave the Oldsmobile #1 plant via GTW four times daily (normally scheduled for 10 a.m., 2:30 p.m., 6:30 p.m. and 11 p.m.). GTW transfers these cars to Conrail at the West Street Interchange, about one-half mile from the Oldsmobile #1 plant. Conrail then hauls the cars to the Fisher Body complex, another three-quarters of a mile away, for delivery at three different arrival times (normally scheduled for 4 p.m., 6 a.m., and 10:18 a.m. respectively.) In each case, the empty boxcars are returned to the Oldsmobile plants for reloading.

## CRANE TALKS ON LABOR/MANAGEMENT COOPERATION

In a November 12 speech before the Association of American Railroad's Treasury Division, Conrail Chairman and Chief Executive Officer L. Stanley Crane said that rail labor and management must choose cooperation over confrontation if the industry is to become healthier in the years ahead. Below is part of the text of that speech.

"Will we retain the labor-management cooperative spirit that seemed so reasonable in the middle of the recession—when we chipped in together for the sake of survival? I believe we can. But that cooperative spirit will not grow on the threat of job security alone. It is not our cooperation in bad times that concerns me; it is our cooperation in good times and in average times that produces long term benefits. A basis for that cooperation is growing, I believe, and it is growing out of a new appreciation of the productivity of the American worker, whose skills I would match against any other in the world.

"We have the opportunity to work more productively with labor, not by being better

negotiators than we used to be, but by recognizing the individual freedom and self-respect that are the essential qualities of the American worker. We are finding ways to allow him to participate in on-the-job decisions. We at Conrail are among the first in the railroad industry to implement the quality circle concept. Everybody gains. Employees have the opportunity to participate in decisions that affect the way they do their jobs and the quality of their work life; we work to eliminate inefficiencies which otherwise may not have been addressed, and the railroad saves money through direct cost savings and improving morale and productivity.

"The basic objective of railroad labor-management relations is the same, whether it be in good times or hard times. The railroad industry and its labor organizations must recognize that to the extent railroad labor costs are high relative to our competitors, the rail mode of transportation may be less competitive because our competitors' labor intensity is substantially less than ours. Unless some mechanism can be found to reduce the proportion of those costs to total costs, which are already high relative to our competitors, we will be in a very poor competitive position in the long run. There will be railroads only to the extent that our people can be more productive than the people who are working for our competitors. That requires an investment in a well-trained and motivated work force, and a lot of listening—both ways."

## COAL MOVEMENT TO BEGIN NEXT FALL

Conrail will invest nearly \$10 million to build a new track spur and upgrade other track to serve Bethlehem Steel's recently announced High Power Mountain coal mine development near Gilboa, West Virginia. Conrail has also signed a 10-year contract with Detroit Edison to haul coal from the new mine to that utility's generating stations in Michigan.

The High Power Mountain development contains large reserves of recoverable low-sulphur, high-heat content steam coal, and will be a large, efficient producer.

To serve the development, Conrail will build a 1.8-mile rail spur from its Peters Creek Branch near Gilboa (about 50 miles southeast of Charleston, West Virginia) to connect with the loop track and loading facility being constructed by Bethlehem. Conrail will also upgrade its Peter Creek Branch. The construction is expected to begin before the end of the year with completion anticipated in the fall of 1985, when the first coal unit train is scheduled to make the West Virginia-Michigan run.

Both the new spur and the branch upgrading will include installation of continuous welded rail. A 425-foot railroad bridge crossing State Route 39 and Peters Creek will be built as part of the new spur.

Detroit Edison signed contracts with both BethEnergy, the steel company's newly-formed coal marketing subsidiary, to purchase the coal, and with Conrail for transportation of the coal from the mine to the utility's generating stations. The 10-year transportation contract calls for annual volume of about one million tons.

## SCHOLARSHIPS AVAILABLE FOR

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** were established by Women's Aid of the Pennsylvania Railroad, a group formerly dedicated to helping the families of needy railroad employees. These are available to both men and women planning to enter a four-year college, regardless of the field of study selected.

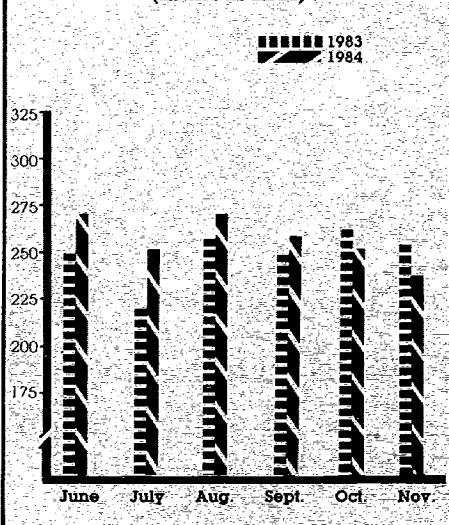
The **Frank Thomson Scholarships** were established by the heirs of the late Frank Thomson, former president of the Pennsylvania Railroad. They are awarded to railroad employees' dependent sons who are planning to enter a four-year college. Special consideration is given to candidates entering a technical field of study.

These scholarships are designed to 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. Winners this past year ('84-85) will receive \$500 to \$2,000 for each academic year.

The **John Clark Sims Memorial Scholarships** were established as a memorial to

## BUSINESS REPORT

**TOTAL CARLOADINGS**  
Current 6 Months vs. 1 Year Earlier  
(in thousands)



A steep decline in coal traffic pushed Conrail's carloadings for the month of November down to 234,036, or 7.9 percent below carloadings for November of 1983.

Traffic loaded on Conrail lines was down 3.9 percent, and traffic received from connections declined 14.1 percent.

The threat of a coal miners' strike, which caused utilities to build huge stockpiles of coal, affected Conrail's movements of this commodity for the second straight month. Coal carloadings in November were down 27.1 percent from levels for the same period a year earlier, and coal accounted for 17,000 of the 20,000-carload shortfall in Conrail's traffic last month.

Movements of steel and related commodities also declined last month because of lower production levels in that industry. Conrail hauled 18.5 percent fewer carloads of these commodities in November than it did a year ago. Other declines were in food products, down 7.8 percent; pulp and paper, down 9.7 percent; chemicals, down 3.7 percent and transportation equipment (automobiles and parts), down 1.2 percent.

On the up side, farm products traffic increased 51.7 percent because of a turnaround in the export grain market. Trailer-on-flatcar traffic increased 6.8 percent.

## EMPLOYEES' CHILDREN

the late John Clark Sims, former secretary of the Pennsylvania Railroad Company. One scholarship is open to any student of the University of Pennsylvania who has been nominated by the trustees of the university. The other scholarship is open specifically to a dependent son of a railroad employee. Both scholarships are based on financial need as determined by the university.

The **William Henry Brown Memorial Scholarship** was established in memory of William Henry Brown, former chief engineer of the Pennsylvania Railroad Company. This scholarship, which is to be used toward educational expenses while attending Princeton University, is open to dependent sons of employees who have been admitted to the university and have met the requirement of demonstrated financial need.

### How to apply for 1985-86 Scholarships

Applicants for **Women's Aid Scholarships** for the college year beginning September 1985 must take the Scholastic Aptitude Test (SAT), the TSWE (Test of Standard Written English), as well as two Achievement tests (one of which must be English Composition, the other can be one of their choice) by **January 26, 1985**.

**Frank Thomson Scholarship** applicants must take the SAT, TSWE and Achievement Tests in English, Level I Mathematics and Physics or Chemistry by **January 26, 1985**.

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 19103.

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. In both cases, the selection and awards are made by the universities, with Conrail confirming eligibility by verifying the parent's employment.

## NEW LOCOMOTIVES ORDERED

Conrail has ordered 25 new locomotives from General Electric Company and 25 from the Electro-Motive Division (EMD) of General Motors. The 50 locomotives are valued at \$65 million.

The 3,750 horsepower C36-7 locomotives supplied by General Electric will be built at GE's Erie, Pennsylvania, plant. The 3,600 horsepower SD-50 locomotives ordered from

*continued on page 4*

## NEW APPOINTMENTS IN OPERATIONS

Conrail has made a number of changes in its Operating Department, appointing three regional superintendents—transportation and five division superintendents.

The three regional superintendents—transportation, responsible for overseeing train operations in their respective geographic regions, are:

- **George T. Dailey** for the Northeastern Region, based in Selkirk, New York. Dailey formerly held the same post in the Eastern Region.

- **Gerald N. Corcoran** for the Eastern Region, based in Philadelphia. Corcoran had previously held the same post in the former Southern Region, based in Indianapolis. The Southern Region was consolidated with the Pittsburgh-based Central Region in October.

- **Jack H. Kithcart** for the Indianapolis office of the Central Region. Kithcart previously was division superintendent at Columbus, Ohio.

The five recently-appointed division superintendents are responsible for supervision of train operations and maintenance of railroad facilities in their areas of jurisdiction. They are:

- **R. Paul Carey** for the Columbus Division. Carey was formerly assistant superintendent of the Cleveland Division.

- **Donald M. Connelly** for the New Jersey Division, based in Elizabeth. Connelly most recently was terminal superintendent at Elkhart Yard in Elkhart, Indiana.

- **Robert N. Dawson** for the Youngstown Division, based in Youngstown, Ohio. Dawson was previously assistant superintendent of the Columbus Division.

- **Michael G. Peterson** of the Harrisburg Division, based in Harrisburg, Pennsylvania. Peterson had previously held the same post in Youngstown.

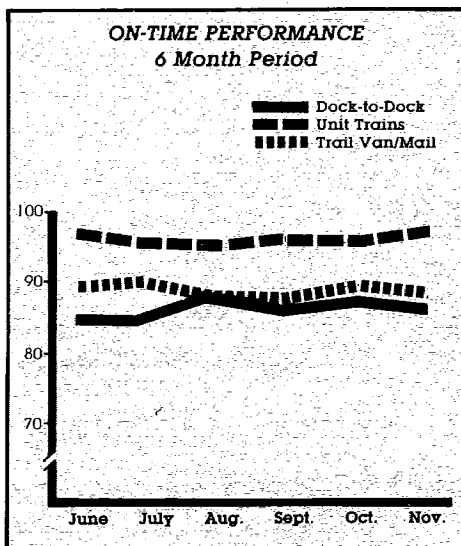
- **Douglas Wilson** of the Southwest Division, based in Indianapolis. Wilson was previously assistant superintendent of the Buffalo Division.

## SERVICE REPORT

In November, 86.2 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 schedule. This program measures transit times for selected freight cars from their origins on Conrail lines to their destinations, and compares performance against Conrail's schedules.

In other performance areas last month, 86.3 percent of Conrail's high-priority Trail-Van and mail trains reached their destination yards within one hour of schedule, as did almost 97 percent of Conrail's unit trains (97.1 percent of the coal trains, 98.1 percent of the ore trains and 95.7 percent of the grain trains.)

At major Conrail yards, 98.2 percent of the cars monitored made their connections.



## "DIRECT DEPOSIT" OPTION TO BE OFFERED FOR PAYCHECKS

Early next year, Conrail will begin offering most employees the option to begin receiving their paychecks via "direct deposit" into their checking accounts at their bank.

Under the direct deposit system, Conrail would electronically transfer the amount of an employee's paycheck directly into his or her checking account on payday. Instead of a paycheck, employees would receive a statement attached to a stub, detailing what they earned and what was withheld for taxes and other deductions. The direct deposit option will be offered free.

For many people around the country, direct deposit has become a popular method of being paid. Many Social Security recipients have elected to receive their benefits by direct deposit because there is no possibility of the checks being lost or stolen. Others find that it is more convenient to have their money wired directly into their account, thus eliminating the need to wait in line to cash a check or make a deposit.

The first group that will be offered the direct deposit option at Conrail will be employees who already have a limited form of direct deposit with Industrial Valley Bank. These employees currently receive paychecks totalling between \$2.00 and \$3.00; the rest of their salary is deposited into their accounts at IVB. Later, the direct deposit option will be offered to other employees around the Conrail system.

More information on the new direct deposit option will be distributed to employees with their paychecks early next year.

## in brief...

### NEW LOCOMOTIVES

continued from page 3

EMD will be built at that company's McCook, Illinois plant.

The six-axle locomotives will be used by Conrail for bulk commodity and general merchandise through train service. They are scheduled for delivery in the second quarter of 1985. The new units have lower operating and maintenance costs and greater tractive power—allowing them to perform more work per locomotive and consume less fuel—than the older units they will replace. These factors, combined with attractive long-term financing arrangements at favorable terms, made the investment a good one for Conrail. The new locomotives will also reduce the average age of the Conrail fleet and thereby provide increased assurance of reliable service to customers now and in the future.

Prior to placing this new order, Conrail had acquired 120 GE medium and high horsepower locomotives and 80 EMD locomotives since mid-1983.

### CANADA LEADS IN SAFETY FOR OCTOBER

For the month of October, Conrail's Canada Division had the best safety record among divisions, with no lost time injuries and a frequency rate of 0.00.

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.

Canada is also the best-rated division for the first 10 months of 1984, with no lost time injuries this year. The divisions just behind Canada in safety for the year through October are Columbus, with a frequency rate of 0.41, Allegheny, with 0.71, Toledo, with 1.29 and Mohawk-Hudson, with 1.35.

The Central Region was the best division in safety for the month of October, with a frequency rate of 1.10, and for the year to date, with 1.28.

Systemwide, Conrail's lost time injury frequency rate was 1.70 for October and 1.89 for the year to date. Conrail's goal for 1984 is to have a frequency rate of 1.80 or lower.

#### LOST TIME INJURY FREQUENCY RATE BY DIVISION October, 1984

Rank	Division	Rate
1	Canada	0.00
2	Youngstown	0.60
3	Columbus	0.62
4	Philadelphia	0.64
5	Chicago	0.66
6	Mohawk-Hudson	0.84
7	Pittsburgh	1.26
8	Allegheny	1.41
9	Toledo	1.62
10	New Jersey	1.64
11	Southwest	1.79
12	Cleveland	1.93
13	Michigan	2.13
14	Buffalo	2.60
15	Harrisburg	2.74
16	Southern Tier	3.96
17	New England	5.01

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

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