

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL



February, 1983

CONRAIL REPORTS NET INCOME FOR FOURTH QUARTER AND YEAR

Conrail has reported net income of \$54.6 million on revenue of \$853 million for the fourth quarter of 1982, compared with net income of \$26.4 million on revenue of \$1,004 million for the fourth quarter, 1981.

The fourth quarter 1982 net income includes unusual items of \$63.5 million,

representing \$19.4 million from the sale of tax benefits under safe harbor leasing regulations, and \$44.1 million from the final settlements of accounts due from commuter authorities and Amtrak.

For the year 1982, Conrail reported net income of \$174.2 million on revenue of \$3,616 million, compared with 1981 net income of \$39.2 million on revenue of \$4,201 million. The 1982 net income includes \$91.0 million from the sale of tax benefits and the aforementioned \$44.1 million from passenger settlements.

Under the financial reporting requirements of the Interstate Commerce Commission (ICC), Conrail reported net income of \$23.0 million for fourth quarter, 1982, compared with a loss of \$4.4 million for the same period, 1981, and net income of \$2.4 million for the year 1982, compared with a loss of \$106.6 million for 1981. The ICC-basis results for 1982 also include the income from the tax benefit sales and passenger settlements.

"Conrail's financial results for both the fourth quarter and the year 1982 were substantially influenced by unusual items,"

said L. Stanley Crane, chairman and chief executive officer. "However, even without these unusual items, Conrail would have registered about the same net income as in 1981—despite a downturn of 20.5 percent in carloadings. This performance demonstrates that Conrail was able to employ cost controls to counter a severe traffic decline."

An important step in Conrail's progress toward profitability occurred at the end of 1982, when Conrail completed the transfer of its contract commuter operating obligations to commuter agencies as mandated by the Northeast Rail Service Act of 1981.

Editor's Note: For a look at the yearly performance of other railroads and the industry, see the *News Digest* on page 3.

To our readers: This edition of *In Brief* was originally scheduled for mailing on February 18. We delayed it in order to bring you Conrail's financial results for the fourth quarter and the year 1982. The March edition of *In Brief* will be mailed to you on schedule.

PIGGYBACK PERISHABLES RISE 50 PERCENT

West Coast fresh fruit and vegetable shippers increased their piggyback business with Conrail by nearly 50 percent in 1982 vs. 1981, demonstrating continued confidence in Conrail as their best railroad connection to East Coast markets. In 1982, Conrail handled over 28,000 piggyback perishables shipments to the East vs. 19,431 trailers in 1981.

Deregulation of perishables traffic which began in 1979—as well as customer satisfaction with railroad service and pricing—are behind the growth in this traffic. By 1981, all piggyback traffic had been deregulated, providing Conrail and its western connecting railroads with further opportunities to compete head-to-head with transcontinental motor carriers. Also, Conrail's on-time performance of 90 percent (within one hour of scheduled arrival) in the handling of piggyback traffic is one of the best in the rail industry.

Conrail's perishables traffic has grown tremendously since 1979. In 1980, Conrail quadrupled its piggyback perishables business from the West Coast over 1979 traffic levels. Traffic in 1982 was four times the 1980 figure.

Conrail provides fifth-morning delivery from the West Coast via its western connections at Chicago to the Philadelphia, New York/New Jersey and Boston markets.

Conrail directly interchanges perishables traffic in the Chicago area with the Burlington Northern, Santa Fe and Chicago and Northwestern railroads, and via connecting railroads, with the Southern Pacific, Union Pacific and Western Pacific railroads.

FLEXI-FLO TONNAGE UP 15 PERCENT

Conrail's Flexi-Flo bulk commodity business increased by 15 percent in 1982 vs. 1981. Flexi-Flo service utilizes tank and covered hopper rail cars for the shipment of liquid and dry bulk products to terminals in key metropolitan areas for transfer to trucks and delivery to local customers.

The increase in Flexi-Flo traffic was due to a number of actions Conrail took last year: the completion of several major terminal relocation/improvement projects, and continued overall upgrading of existing facilities; innovative marketing strategies, resulting in lower, more truck-competitive rates; and efforts with bulk commodity shippers on Conrail lines abandoned in 1982 to provide low-cost, rail-truck service through nearby Flexi-Flo terminals.

In 1982, Conrail finished a new Flexi-Flo facility in Baltimore, Maryland at Mount Vernon Yard, which was in full service dur-

ing most of the year. A new modern terminal in Allston, Massachusetts, at Beacon Park Yard near Boston, replaced an older facility and increased capacity by about 40 percent. Terminal expansion projects increased capacities at the Buffalo and South Philadelphia Flexi-Flo facilities by about 25 percent. And Conrail invested about \$1 million in 1982 in a northern New Jersey Flexi-Flo terminal consolidation project, set for completion early this year.

Also in 1982, Conrail continued to make security, safety and environmental improvements at its Flexi-Flo terminals. New lighting, fencing and paving were completed at some facilities; upgrading of yard tracks and roadway access to terminals was completed at some locations to provide more efficient transfer of commodities from rail cars to trucks.

LABOR/MANAGEMENT PROJECT PROGRESSES ON SEVERAL FRONTS

Conrail's Labor/Management Project—begun in July to encourage labor and Conrail management to work on problems together and cut costs—has reported significant progress in Cleveland and Detroit and is expanding to other divisions.

In Cleveland, employees in three of the seven quality circle groups are already working on individual projects to help save money and improve the work environment. The quality circles have been established for Communications and Signals employees; the Macedonia Car Shops; the diesel and fuel terminals at Collinwood; Maintenance of Way employees and the staff at Conrail division headquarters.

The Detroit Joint Improvement Committee, established in that city as part of the

Labor/Management Project, has so far saved Conrail more than \$63,000 through their cost-cutting initiatives. The group includes representatives of rail labor and Conrail management.

This month, the Project's Liaison Commit-

tee is meeting with representatives of labor and management in the Toledo Division and at Conrail's 32nd Street location in Philadelphia. The Liaison Committee has also met with employees at Ashtabula, Ohio.

SERVICE REPORT

Exceptionally mild weather—along with Conrail's continuing service improvements—combined to give Conrail its best January ever in on-time performance. In all measures, on-time performance improved dramatically last month from the more severe January of 1982.

Of Conrail's freight trains, 88 percent reached destination yards within one hour of schedule, up from 64 percent in January a year ago. Mail trains' on-time performance jumped from 54 percent in January of 1982 to 95 percent for last month. On-time performance for TrailVan trains jumped from 71 percent to 90 percent, and 99 percent of cars monitored at Conrail yards made their connections last month, compared with 90 percent one year ago.

Of the individual loaded cars measured under Conrail's Keypoint Quality Control Program, 73 percent reached their destinations within 24 hours of the scheduled standard—up from 64 percent in January of 1982. This program measures the time it takes for Conrail to deliver the carload of freight from the shipper or interchange with another railroad to its destination on Conrail. The Keypoint index dropped from December to January because of a slowdown during the holidays, which affected deliveries of loaded cars early last month.

JOINT CONRAIL/DU PONT EFFORT AIMED AT WASTEWATER DISPOSAL

Conrail and the Du Pont Company have started a truck-competitive transportation service program that can solve wastewater disposal problems for thousands of industries throughout much of the country.

Conrail recently delivered the first wastewater shipment to Du Pont's Deepwater, New Jersey wastewater treatment facility, where the liquid undergoes powdered activated carbon separation and biological treatment to neutralize waste products.

In the mid-1970s, Du Pont established its 40 million gallon a day wastewater plant for its own treatment needs. Du Pont markets the plant's excess capacity to others. Federal regulations make industries responsible for "cradle-to-grave" management of the waste materials they produce, but many companies cannot afford to build and maintain an on-site waste treatment facility.

Conrail transportation, marketing, and sales people worked closely with their counterparts at Du Pont to develop a truck-competitive rail service package to the state and federally-permitted Deepwater treatment facility.

Conrail's experience in the safe transportation of hazardous materials, Du Pont's reputation as a leader in wastewater treatment technology, and the attractive, truck-competitive rates being offered, are expected to generate increased demand for Du Pont's service and new freight traffic for Conrail. For many manufacturers, some as far away as Texas and the Gulf Coast, Conrail's low rates and Du Pont's technology make this service an efficient and economical solution to wastewater disposal problems.

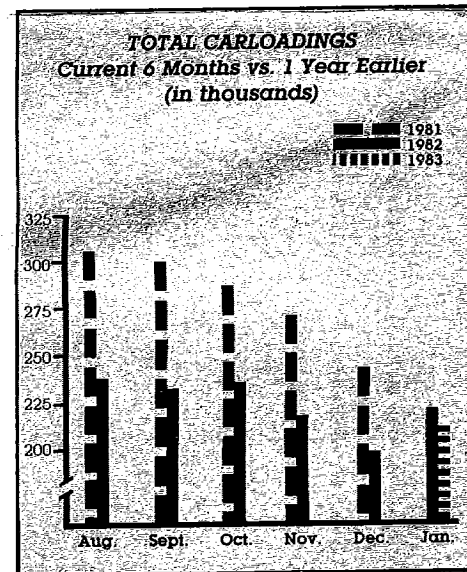
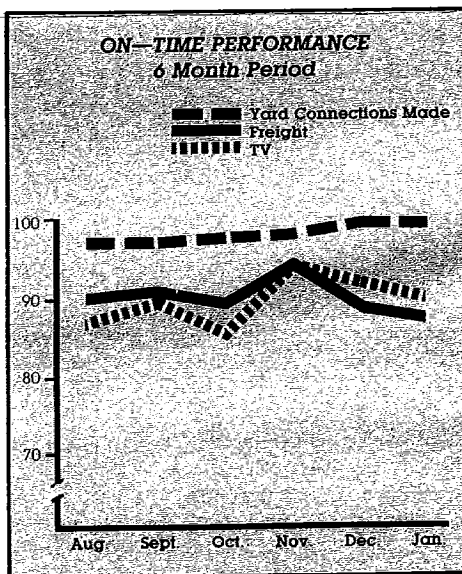
BUSINESS REPORT

In January, Conrail hauled 6.3 percent fewer carloads than it did a year earlier.

Areas of strength included lumber and wood products traffic, which was up more than 25 percent from a year earlier because of a more optimistic housing market. Lower interest rates have resulted in a greater number of housing starts and permits, increasing the demand for lumber as the housing industry gears up for the construction season.

Transportation equipment traffic, including finished automobiles and parts, improved 25 percent from levels a year ago. Reasons for the increase include lower interest rates offered by dealers, and rate-and-service packages that have attracted a heftier share of this traffic to Conrail. In farm products, Conrail's innovative grain rates continued to improve the traffic picture, which was 35.6 percent better than a year ago. And trailer-on-flatcar traffic continued strong—17.1 percent better than a year ago.

The worst declines on a year-to-year basis were in metals traffic. Carloads of metallic ores plunged almost 59 percent last month from January of 1982; primary metals traffic declined almost 38 percent, and waste and scrap was down almost 21 percent.



CONRAIL INCREASES SUPPORT OF MINORITY FIRMS

In 1982, for the third consecutive year, Conrail placed more than \$100 million in purchasing contracts with minority and female-owned businesses.

While overall expenditures decreased, Conrail's support of minority and female-owned businesses increased from 1981 levels. In 1982, Conrail placed \$110.2 million of its \$794.4 million purchasing budget with these firms, compared with \$102.1 million of its \$971 million budget awarded to these businesses in 1981.

As a result of its continuing efforts to place purchasing contracts with minority vendors, Conrail was the recipient of two awards in 1982: from the Minority Input Committee of the New-Pen-Del Regional Minority Purchasing Council in the Philadelphia area; and from the Vendor Input Committee of the New York/New Jersey Regional Minority Purchasing Council.

In 1982, Conrail awarded materials and services contracts to approximately 400 female or minority-owned businesses. Major materials purchased included diesel locomotive fuel, fuel filters and air filters, crossties, electrical products, industrial hardware, steel products and spikes. Major service contracts awarded to vendors included: construction equipment rental, paving, electrical contracting, legal services and insurance.

"Conrail is committed to increasing the percentage of its purchases awarded to these vendors, even as we continue to reduce our overall purchasing budget," said L. Stanley Crane, chairman and chief executive officer. "Our total purchasing budget was reduced by about 18 percent in 1982 vs. 1981, yet purchases from minority/female owned firms, as a percentage of the total, were up substantially."

Conrail also maintains a minority banking program, which had transactions totaling \$413.3 million in 1982, more than \$100 million above its goal for the year. Transactions with 19 minority banks included repurchase agreements, tax deposits and disbursement accounts.

NEW, EXPANDED BUSINESSES LOCATED ON SYSTEM

Conrail began serving 199 new or expanded plants which opened on its rail lines in 1982. When fully operational, these businesses are expected to bring more than \$65 million in rail traffic revenue to Conrail annually.

The types of businesses locating or expanding on Conrail lines in 1982 include: grain facilities, coal producers, plastics, automobile and automobile parts manufacturers and chemical companies. The businesses invested over \$525 million to

NEWS DIGEST

FOR RAILROADS, GOOD NEWS AND BAD IN '82

TRAFFIC DOWN 12.3 PERCENT—On January 3, the Association of American Railroads (AAR) reported that freight traffic for major U.S. railroads was down 12.3 percent in 1982 from 1981's levels. The depressed economy was the reason for the decline.

Railroads hauled an estimated 798 billion ton-miles in 1982. Ton-miles for the year dropped 9.9 percent in the East, 13.6 percent in the South, and 12.8 percent in the West from 1981's levels.

Carloadings for the year were down 14.2 percent from 1981. The AAR said that the smaller decline in ton-miles versus carloadings was because of an industry-wide trend towards the retirement of smaller cars, resulting in more tons being hauled per car.

"Twenty of the 21 major commodity groups were down from 1981, with metallic ores as well as metals and metal products the biggest losers," the AAR reported.

GOOD NEWS IN PIGGYBACK—While traffic in most commodities dropped sharply last year, piggyback traffic hit an all-time high for Class-1 railroads, the AAR reported. Piggyback carloadings totaled 1,923,225 in 1982—up almost 10 percent from 1981's carloadings and 3.5 percent higher than in 1979, when the previous record was set. The number of trailers and containers last year was 7.6 percent higher than in 1981, also setting a record. These industrywide figures do not include Conrail, where piggyback traffic rose to 655,000 carloadings last year... a 7.7 percent increase from 1981 levels.

INDIVIDUAL ROADS REPORT DROP IN PROFITS—As individual railroads begin to report their financial results for 1982, the overwhelming verdict is that both traffic and profits are down.

Illinois Central Gulf Railroad reported a \$2.1 million pre-tax loss last year and traffic declines in all commodities hauled. Norfolk Southern Corp., created in 1982 from the merger of the Southern and the Norfolk and Western railways, reported a 17.8 percent

decline in net income last year from their results as separate railroads a year earlier. Norfolk-Southern made \$411.4 million last year.

Rail operations of Santa Fe Industries, Inc., netted \$36.5 million last year, down 67 percent from 1981. Carloadings for the Santa Fe were down 17 percent, offsetting cost-cutting methods that included a 13 percent reduction in employment.

Southern Pacific Co.'s rail operations lost almost \$52 million last year, an improvement from the \$84 million operating loss in 1981. The SP said that stringent cost controls were behind the improvement. The Soo Line Railroad reported that 1982 earnings of \$15.3 million were down 56 percent from 1981's earnings. And for Rio Grande Industries, parent company of the Denver and Rio Grande Western Railroad, earnings for 1982 dropped to \$24.4 million, down from \$37.1 million in 1981.

ENCOURAGING WORDS FROM FRA CHIEF—Federal Railroad Administrator Robert W. Blanche said on January 17 that "The railroad industry is weathering the current economic storm with remarkable resilience" and that railroads are in a good position to benefit from an upturn in the economy.

Blanche, speaking before the Western Railway Club in Chicago, said that his agency—the Federal Railroad Administration (FRA)—is aiming to "end the government's role of financier/owner/intervenor in the railroad business." He said the efforts to transfer Conrail to the private sector and to reduce government aid to Amtrak were examples of the new FRA philosophy.

Citing the regulatory freedom granted by the Staggers Rail Act of 1980, Blanche noted that "The law of the marketplace should replace the regime of the regulators... The tools are ready; the rail industry has but to avail itself of them. As we move into the implementation phase of deregulation, evidence that the industry is adapting to its new environment is encouraging."

locate or expand along Conrail lines.

One of the major new locations is Port Richmond, in Philadelphia, where grain and coal loading capabilities are combined in a unique use of an existing facility. In the past two years, Conrail has made a concentrated effort to locate businesses in an industrial park owned by the town of Manchester, Connecticut; General Electric opened a warehouse there in 1981 and two more businesses located there last year. And Hunts Steel Company invested approx-

imately \$15 million last year to locate a steel manufacturing plant in an existing facility served by Conrail in Youngstown, Ohio. Estimated annual revenue to Conrail from the facility is \$1.3 million.

The number of industries and the states in which they located in 1982 are: Ohio, 27; Pennsylvania, 24; New Jersey, 17; New York, 12; Indiana, 9; Michigan, 9; Delaware, 8; Massachusetts, 7; Connecticut, 5; Maryland, 3; and Illinois, 1.

CANADA, CENTRAL REGION BEST IN SAFETY FOR '82

Conrail's safety record last year was almost 21 percent better than in 1981. Systemwide, the lost time injury frequency rate—the number of lost time injuries per 200,000 man-hours worked—was 5.11 for the year. And the number of lost time injuries in 1982 was more than a third lower than a year earlier.

Conrail's Canada Division finished 1982 without a single lost time injury—a first in corporate history. For the month of December, three Conrail divisions—Allegheny, Michigan and Canada—recorded no lost time injuries. In second and third places for the month, respectively, were the Youngstown Division, with a lost time injury rate of 0.83, and the Cleveland Division, with a 1.17 lost time rate.

Among Conrail regions, the Central was first for the year in safety, with a lost time rate of 3.05. For the month of December, this region's lost time injury rate of 0.82 was the best recorded for a region in corporate history.

All freight regions improved their yearly performance by 18 percent or better. The Western Region was the most improved, with a lost time injury rate that was more than 44 percent better last year than in 1981.

**LOST TIME FREQUENCY RATE BY DIVISION
Year 1982**

Rank	Division	Rate
1	Canada	0.00
2	Toledo	2.16
3	Allegheny	2.76
4	Pittsburgh	3.06
5	Cleveland	3.11
6	Chicago	3.18
7	Youngstown	3.46
8	Columbus	4.32
9	Mohawk-Hudson	4.64
10	Buffalo	4.82
11	Southwest	5.16
12	New Jersey	5.48
13	Harrisburg	6.07
14	Detroit	6.27
15	Michigan	6.55
16	New England	6.85
17	Philadelphia	7.73

NEW PROGRAM REDUCES SHIPPERS' COSTS, EMPTY BOXCARS

Conrail's "Match the Mark" incentive program, which began February 1, is aimed at reducing shipper's costs and cutting Conrail's handling of empty boxcars.

Under the program, about 12,000 shippers are eligible for \$100 refunds per carload if they load specified cars that would otherwise move empty into or through Conrail territory.

Because Conrail's service area is such a large consumer of goods and materials produced in other areas and shipped by boxcar, Conrail receives or acts as a "bridge" route for nearly 300,000 boxcar shipments from the West, Southeast, New England and Canada. Yet, over 50,000 empty boxcars move from these areas into Conrail territory on their way home to owners in other regions.

"Match the Mark" gives shippers a \$100 incentive to fill one of these empty cars—improving their utilization and reducing costly, wasteful empty car movements for Conrail.

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

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