

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

February, 1984



FINANCIAL RESULTS SET RECORDS FOR YEAR, FOURTH QUARTER

On February 6, Conrail announced record earnings for the fourth quarter and year 1983.

For all of 1983, Conrail earned \$313.0 million on revenue of \$3.076 billion, surpassing the yearly record set in 1982, when Conrail earned \$174.2 million. For the fourth quarter, Conrail earned \$117.5 million on revenue of \$808 million—surpassing the record \$97.2 million earned in the second quarter and more than double the \$54.6 million earned for the fourth quarter of 1982.

Most of the fourth quarter net income was the result of an upsurge in traffic and continuing stringent cost controls. Carloadings improved 13.8 percent in the fourth quarter of 1983 compared with the same period a year earlier. Conrail's carloadings for the year 1983 were 1.5 percent ahead of

1982's levels. In addition, the sale of tax benefits under safe harbor leasing improved Conrail's earnings by \$11.1 million for the fourth quarter and \$27.5 million for the year 1983.

By comparison, Conrail's 1982 earnings included a higher proportion of income from items other than rail freight operations. The sale of tax benefits and the settlement of accounts from passenger authorities contributed \$135.1 million to 1982's income.

In regard to Conrail's 1983 fourth quarter and annual results, L. Stanley Crane, chairman and chief executive officer, stated that the "continuing improvement in our results—in part due to a resurgent economy and increasing freight traffic as well as continuing wage concessions made by all Conrail employees—demonstrates clearly

that Conrail has taken on a new dimension as a company, with the capability to produce profitability comparable to other major railroads in the nation. Most importantly, most of Conrail's income is being derived directly from railroad operations.

"The tasks of Conrail now and in the future are: continue to refine its operation by eliminating unnecessary costs; continue to modernize its plant, equipment and high technology support functions; and maintain stability in its current traffic base while generating new, profitable traffic which will help the Company build on its record of profitability. This 'fine-tuning' will require persistent effort by all Conrail people in the practical application of their knowledge and capability to continue a process which is well under way—a process which must be maintained if Conrail is to secure its future in the private sector, no matter who eventually gains ownership."

OTHER ROADS REPORT RESULTS FOR LAST YEAR

For 1983, the balance sheets of railroads and transportation companies nationwide were affected by the economic recovery and, in some cases, mergers and sales of non-railroad holdings.

The recovery improved many roads' traffic levels and earnings for the third and fourth quarters of 1983 and helped improve earnings for the year over 1982's earnings. Here is a rundown on how some railroads fared financially for the fourth quarter and year 1983.

CSX Corporation, a transportation and natural resources company formed by the merger of the Chessie System and Seaboard Coastline Industries, earned \$104 million for the fourth quarter and \$271.6 million for all of 1983. These earnings decreased sharply from the \$180.3 million reported for 1982's fourth quarter and the \$414.2 million for all of 1982. CSX said that 1982's earnings were favorably impacted by special items, such as the sales of three newspaper holdings and cable-TV interests.

Norfolk Southern Corp. earned \$101.3 million for the fourth quarter of 1983, up 15 percent from a year earlier, but earned 23 percent less for the year than it earned in 1982. Norfolk Southern earned \$356.5 million last year, down from 1982's income because of poor traffic levels in the first half of the year.

Burlington Northern Inc. earned \$113.6 million for the fourth quarter and \$413.2 million for the year 1983. The quarterly profit improved 12 percent over the same period in 1982; the yearly income improved 43 percent. Income from railroad operations rose 12 percent in the fourth quarter and 61 percent for the year because of higher traffic levels, lower fuel prices and improved productivity. Burlington Northern also has holdings in oil and gas, forest products, and trucking.

Santa Fe Southern Pacific Corp., newly-created from the merger of the Santa Fe and Southern Pacific companies, earned \$84 million for the fourth quarter, up 23 percent from 1982's fourth quarter. Earnings for the year totaled \$333.4 million, up from \$307.9 million in 1982. Railroad operations for the corporation—which also has interests in real estate, petroleum products, pipelines and forest products—were up because of improved earnings per carload and better control of expenses.

Union Pacific Corp. lost \$21 million in the fourth quarter, compared with earnings of \$82.2 million in the fourth quarter of 1982. Earnings for the year totaled \$296.9 million, down 10.7 percent from 1982's earnings. While Union Pacific's income from rail operations increased in the latter half of the year, the increase was offset by losses in its petroleum holdings.

TRAFFIC LEVELS UP INDUSTRYWIDE FOR '83

Major U.S. railroads saw their traffic levels in ton-miles rise 3.5 percent last year over levels for 1982, the Association of American Railroads reported. The increase was due to sharply higher traffic levels in the second half of the year as the economy recovered.

According to the AAR, traffic levels last year exceeded 1982's levels for 28 consecutive weeks beginning with the week ending June 18. But ton-miles in the first and second quarters of last year were down 5.4 percent and 2.0 percent, respectively, from the same periods in 1982. By the third quarter, traffic in ton-miles had risen to 10.7 percent above 1982's levels.

Carloadings for 1983 totaled 18,800,172, up 1.6 percent from 1982. Because railroads have been retiring smaller cars and increasing the length of their average haul, carloadings increased less than ton-miles.

Traffic in motor vehicles and equipment rose 21.6 percent industrywide. Lumber and wood products increased 19.4 percent, grain loadings increased 9.0 percent, and piggyback traffic was up almost 22 percent. Coal traffic declined 7.4 percent.

CRANE: RAILROADS MUST ADJUST TO CUSTOMERS

In order to stay competitive, Conrail and other railroads must help their customers stay competitive, said Chairman and Chief Executive Officer L. Stanley Crane.

"Our customers' requirements have changed," said Crane, speaking before the American Society of Traffic and Transportation and the National Council of Physical Distribution on January 25. "The so-called smokestack industries of the past are re-emerging as smaller, leaner and stronger competitors. They have turned to automation and computer-aided systems to lower their costs. They face intense competition in world markets. Railroads have no choice but to adapt to these changing needs, because we depend on our customers' ability to compete in their markets.

"To win business, we are learning that we must view our service as an integral part of our customers' production and distribution systems. We are providing transportation service tailored to meet those specific needs."

Some of these services, Crane said, are Conrail's just-in-time transportation service for the automotive industry, which has helped them to save inventory costs; special rates and services for metals shippers to help

them lower costs and improve inventory control, and a program to help grain shippers pursue new markets.

"Prior to the pricing freedoms introduced with the Staggers Act, railroads had little incentive to offer these specialized customer services," said Crane. "Customers' distribution requirements were often secondary to our internal system of scheduling trains and distributing equipment. Today we are learning that our tracks and yards do not pose the barriers to flexible operations that they once appeared to.

"We are teaming up with other modes—in ways similar to piggyback—when the market shows a need for such service. We are redesigning schedules to match the customer's needs. We are replacing predictability with flexibility."

This flexibility is necessary if Conrail is to compete with trucks, said Crane, noting that trucks still handle 43 percent of the long hauls of key rail-served commodities. "To expand our traffic base, we must compete with trucks on both price and service," he said.

"Railroads have never faced a greater opportunity for fulfilling a productive and essential role in the nation's physical distribution system than they do today," said Crane.

"We know how the rules of the marketplace have changed. Our job now is to manage the future."

PERISHABLES TRAFFIC UP 15 PERCENT

In 1983, Conrail's piggyback movements of fresh fruits and vegetables increased 15 percent as West Coast shippers continued to demonstrate confidence in Conrail as their best railroad connection to East Coast markets. Conrail handled 32,500 piggyback perishable shipments to the East from the West Coast, vs. 28,300 trailers in 1982.

Competitive rates and service, provided in conjunction with connecting western railroads which originate perishables shipments, have enabled Conrail to compete head-to-head with transcontinental motor carriers for this traffic. The traffic moves in high-speed, high-priority intermodal TrailVan trains, which have an on-time performance of 87 percent (within one hour of scheduled arrival), one of the best in the railroad industry. Conrail, with its connecting western railroads, provides fifth-morning delivery at Eastern terminals for trailers coming from the West Coast.

Conrail interchanges perishables traffic in the Chicago area with the Burlington Northern and Santa Fe railroads directly, and via connecting railroads with the Southern Pacific and Union Pacific railroads. From Chicago, the piggyback trailers are taken at speeds up to 70 mph to Conrail's TrailVan terminals in the Boston, New York-New Jersey and Philadelphia areas. There, the trailers are quickly and efficiently removed from flatcars and attached to truck cabs for transfer to wholesale produce markets and supermarket distribution centers.

NEWS DIGEST

CONRAIL HOLDS LINE ON COAL RATES—

While railroads are permitted a 4.1 percent general increase in freight rates this year under cost recovery provisions of the Staggers Rail Act, Conrail announced recently that it would hold the line on export coal rates.

Conrail's rate of \$13.40 per ton for West Virginia and Pennsylvania bituminous coal moving to Pier 124 in Philadelphia, in effect since August 5, 1983, will remain in effect until December 31, 1984. The rate is \$1 to \$2 per ton lower than other railroad's rates to their east coast ports. Conrail kept these rates low in order to keep its export coal transportation service competitive.

D & H JOINS GUILFORD SYSTEM—

On January 5, the Delaware and Hudson Railway Co. joined Guilford Transportation Industries. As a result, Guilford has become a 3,900-mile network including the D & H, Boston and Maine Corp., and Maine Central Railway Co. The system runs east to west from Maine to Buffalo, New York, and south as far as Washington, DC. It will connect with Conrail, Norfolk-Southern, the Chessie and several Canadian railroads.

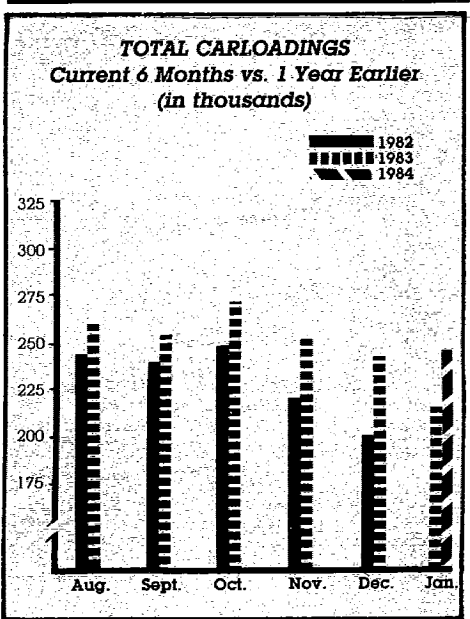
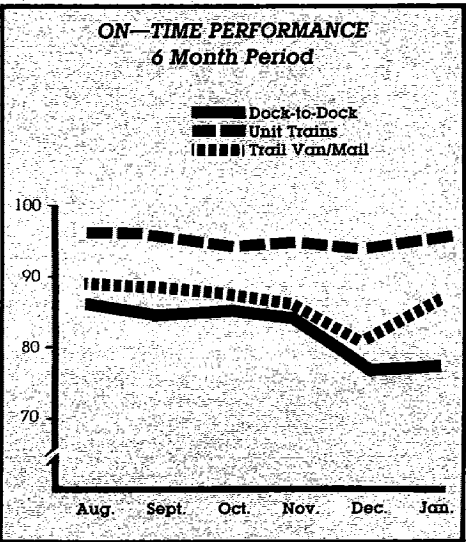
Guilford paid \$7 million for the ailing D & H, which had been supported by state and federal funds since 1970.

SERVICE REPORT

Last month, 77 percent of the measured carloads moved by Conrail were delivered to their customers or interchange within 24 hours of the scheduled standard. The carloads were measured under the Key-point Quality Control Program, which tracks selected cars from dock to dock.

Among Conrail's high-speed, high-priority piggyback and mail trains, 86.1 per-

cent reached their destination yards within one hour of schedule in January. The on-time performance rate for unit trains stood at 95.3 percent—96.8 percent for coal trains, 97.6 percent for ore trains and 79.7 percent for grain trains. At major Conrail yards, 96 percent of the cars monitored made their connections.



A MESSAGE FOR ACTIVE EMPLOYEES, FAMILIES

Death is a subject that most people don't like to think about, but sometimes a minimal amount of planning that can be done now will help survivors cope much more easily.

Conrail policy AI-21 guides supervisors in helping the survivors of deceased

employees apply for benefits and obtain any payments that may be due from Conrail. So that survivors will be able to apply for these benefits and receive appropriate payments as easily and simply as possible, supervisors are required to be familiar with this policy. But employees should also be certain their families know the administrative steps for obtaining the financial protection of Conrail's benefit plans.

An employee's family should always know his or her Social Security number, employee number, and the name and phone number of the immediate non-agreement supervisor. Employees should also make sure that their families know the phone number of the nearest office of the U.S. Railroad Retirement Board.

If a Conrail employee dies, his or her survivors should get in touch with the immediate non-agreement supervisor as soon as possible. The supervisor then will be able to assist the survivors, through the Payroll and Employee Benefits functions below, in arranging for benefits and collecting wages and vacation pay that may be due the employee. For assistance with respect to

(A) applying for life insurance benefits, the contact is the Supervisor-Benefit Information and Payments, Room 215, 15 N. 32nd Street, Philadelphia, PA 19104 (Telephone Number: (215) 596-2705, SMART 333-2705);

(B) obtaining replacement paychecks payable to survivors, the contact is the Supervisor-Wage Assignments and Paycheck Distribution, Room 207, 15 N. 32nd Street, Philadelphia, PA 19104 (Telephone Number: (215) 596-2802, SMART 333-2802);

(C) obtaining unpaid vacation payments that may be due to deceased employees, the contact is the appropriate Field Payroll Manager.

Conrail Field Payroll Managers may be contacted at the following addresses and telephone numbers:

Room 1415
15 N. 32nd Street
Philadelphia, PA 19104
(215) 596-2982; SMART 333-2982

Room 115
Conrail Station
2405 W. Vemor Highway
Detroit, MI 48216
(313) 496-4018; SMART 521-4018

Foster II Plaza—First Floor
Holiday Drive
Pittsburgh, (Greentree) PA 15220
(412) 928-7179; SMART 448-7179

Survivors should also contact the nearest office of the Railroad Retirement Board to determine what benefits may be available under the Railroad Retirement Act. If an employee had less than the necessary 120 months of rail service required to vest under Railroad Retirement, the local office of the Railroad Retirement Board can direct the survivors to an appropriate office of the Social Security Administration.

TAYLOR RENAMED AS ICC CHAIRMAN—Reese Taylor, Jr., has been renamed by President Reagan to serve as chairman of the Interstate Commerce Commission. Under a law passed in 1982, Taylor will serve another two years as ICC Commissioner. This law also reduced the ICC's size from 11 to seven; the agency will be reduced further to five members by the end of 1985.

BOXCAR DEREGULATION CHALLENGED AGAIN—Railroad rates for boxcar transportation were deregulated January 1, despite challenges last year from small railroads and boxcar leasing interests... but a suit filed in the U.S. Court of Appeals late last month is seeking to re-regulate this traffic.

Boxcar deregulation, approved by the Interstate Commerce Commission last year, is expected to save railroads approximately \$300 million annually in boxcar handling costs by reforming regulations for car hire rates, paid to railroads and boxcar owners for use of their boxcars. In anticipation of deregulation, Conrail has already signed more than a dozen agreements with other railroads to encourage more efficient handling of boxcars.

Critics of deregulation have contended that it gives railroads that terminate traffic—such as Conrail—more control over the boxcars than those that originate traffic. The suit was filed on behalf of shippers, car owners and railroads.

DWYER NAMED AVP-FIELD SALES

Timothy P. Dwyer, 34, has been named assistant vice president-field sales. In his new position, Dwyer reports to Alfred A. Michaud, vice president-sales, and is responsible for the activities of Conrail's 41 field sales offices serving accounts in the United States, Canada and Mexico.

Dwyer, who previously was regional sales manager based in Pittsburgh, replaces Joseph B. DiCarlo, who accepted a position with another company. Dwyer's appointment was effective February 1. His new post is in Philadelphia.

"One of the major charges to Mr. Dwyer is the institution of an ongoing training and development program for both current and new members of Conrail's sales force," said Michaud. "His background in and familiarity with Conrail's operations and with the needs of Conrail's customers across the United States makes him ideal for that responsibility."

Dwyer has worked for Conrail and its predecessor railroads since 1967. He started as a locomotive fireman trainee and spent five years in the Operating Department before transferring in 1972 to the Sales Department, where he was assigned to Rochester, New York, and then Charleston, West Virginia.

Prior to his appointment in Pittsburgh, Dwyer served as Conrail sales manager in Columbus, Ohio, national automotive account manager in Detroit, and assistant regional sales manager in San Francisco.

FLEXI—FLO BUSINESS IS BEST EVER

Conrail's Flexi-Flo bulk commodity transfer business increased by 20 percent in 1983 vs. 1982, reaching 1,021,000 tons of traffic. That was the highest annual level of Flexi-Flo traffic ever for Conrail and the first time Conrail topped the million-ton mark in a year.

In 1982, Flexi-Flo traffic was 854,000 tons. Since 1976, when Conrail began operations, Flexi-Flo business has increased nearly 75 percent.

New terminals near Boston and in Jersey City, New Jersey, improvements to other ter-

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BUSINESS REPORT

Conrail hauled 237,738 carloads of freight last month, 11.5 percent higher than carloadings for January of 1983 and the highest level for January since 1981, when Conrail hauled 296,754 carloads.

Traffic loaded on Conrail lines increased almost 13 percent last month over levels for January of 1983; traffic received from connections increased 9.6 percent.

The strongest increases were in transportation equipment, up 34.2 percent from levels for January of 1983; primary metals, up 51.6 percent; waste and scrap, up 32.9 percent and metallic ores, up 348.7 percent. Chemicals traffic increased 4.6 percent, and trailer-on-flatcar traffic increased 13.4 percent.

The severe winter weather slowed the handling of coal, which freezes to the hopper cars. Conrail's carloadings of coal decreased 2.6 percent last month from levels one year ago, and coal carloadings received from connections were down as well. Other decreases were in farm products, down 27.2 percent; food products, down 4.7 percent; lumber and wood products, down 7.3 percent; pulp and paper, down 2.9 percent and coke, down 9.5 percent.

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CANADA, CENTRAL REGION BEST IN SAFETY—AGAIN

For the second straight year, the Canada Division and Central Region had the best safety records among Conrail divisions and regions for the year. The Canada Division repeated their flawless safety performance that they achieved in 1982, when it was a first in corporate history.

Canada's frequency rate—the number of lost time injuries per 200,000 man hours worked—was 0.00 for 1983. Other divisions in the top five in safety for the year included Southern Tier, with 0.98; Allegheny, with 1.04; Pittsburgh, with 1.15 and Toledo, with 1.44.

The Central Region's frequency rating for the year 1983 was 1.32, and that region also had the lowest rate of lost time injuries for the month of December: 1.25.

The Pittsburgh Division, in fourth place for the year 1983, was the best division in safety for the month of December, with no lost time injuries. Other divisions with no lost time injuries in December included Cleveland, Southern Tier, Michigan and Canada, but Pittsburgh was number one because of its higher number of man hours worked.

Systemwide, Conrail's lost time injury frequency rating was 2.15 for the year 1983 and 1.85 for the month of December.

LOST TIME FREQUENCY RATE BY DIVISION December, 1983

Rank	Division	Rate
1	Pittsburgh	0.00
2	Cleveland	0.00
3	Southern Tier	0.00
4	Michigan	0.00
5	Canada	0.00
6	Allegheny	0.95
7	Columbus	1.55
8	New England	1.58
9	Toledo	1.92
10	Mohawk Hudson	1.95
11	Chicago	2.01
12	Harrisburg	2.42
13	Southwest	2.48
14	New Jersey	2.60
15	Philadelphia	2.73
16	Youngstown	2.88
17	Buffalo	5.00
18	Detroit	5.10

FLEXI-FLO

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minals, and competitive rates and aggressive marketing strategies have helped Conrail to increase its business.

Flexi-Flo service helps shippers of bulk dry or liquid commodities cut their trucking costs by combining the advantages of low cost rail shipments with the flexibility of local truck pickup or delivery. The service uses tank and covered hopper cars for the shipment of bulk products, such as cement, chemicals, petroleum and food products to the terminals where transfer to trucks for local delivery takes place. The system can also be used for transfer of products from trucks to rail cars.

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

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