

in brief...

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CONRAIL

March, 1984



FRA CHIEF OUTLINES CRITERIA FOR CONRAIL SALE

The Department of Transportation will not sell Conrail until a buyer is found that serves the public interest and keeps Conrail strong, said Federal Railroad Administrator John Riley on March 7.

Riley was testifying before the Senate Appropriations Subcommittee on Transportation on the DOT's progress on the sale of Conrail. The Northeast Rail Service Act requires that the DOT transfer its 85 percent share of Conrail stock to the private sector.

Because Conrail passed two profitability tests last year, NERSA mandates that the DOT must attempt to sell Conrail intact, at least until June 1 of this year. "Let me make clear at the outset that Secretary Dole has no intention of exercising the power the Department acquires on June 1, 1984 to break Conrail into pieces and auction off its lines," said Riley.

"A piecemeal sale of Conrail does not serve the public interest. We believe that an entity sale is achievable, and that's the option we intend to pursue."

The timing of the sale, Riley said, will depend on when the right offer comes up. "It is really the decision of the buyers to offer or not offer that drives the process... We have no intention of rushing towards a sale if it does not meet the public interest criteria that we've defined."

According to Riley, the DOT has several potential buyers. "We have received an offer from the Railway Labor Executives

Association (RLEA) and public expressions of interest from three major rail carriers—Norfolk Southern Corporation, CSX Corporation and Santa Fe Industries, Inc. We are also meeting with a half-dozen additional parties who have expressed an interest in Conrail, but not yet taken action or public steps towards pursuing a Conrail acquisition."

In addition, Riley said, about 64 other companies with the potential to purchase

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Conrail have been approached by Goldman Sachs, the investment firm contracted to find a buyer for Conrail.

"The Secretary's efforts to locate additional buyers do not imply dissatisfaction with either the RLEA offer or the level of interest expressed by carriers who have made public announcements," said Riley. "They are simply a reflection of the fact that DOT has a duty both to Congress and to the

nation's taxpayers to explore every possible purchase option before determining which alternative best meets the public interest."

Riley said that the DOT will judge its options for selling Conrail by three criteria:

"First, we will favor the purchase option that leaves the railroad in the strongest financial condition after the sale. The reason is obvious—we want to ensure that Conrail has the greatest financial capability to preserve service for states and shippers over the long term.

"Second, we will favor the option that best protects service patterns to shippers and communities in the Northeast."

"Finally, we will favor the option that is consistent with the previous criteria and offers the maximum return to the United

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"WE WON'T BE SATISFIED UNTIL YOU ARE"

That's the message that will go out on April 2 to freight shippers everywhere, when Conrail begins its most ambitious advertising program yet.

The campaign will open with a unique introductory offer to companies who haven't shipped on Conrail for at least one year, or to current customers who ship either a new commodity or any commodity to a new origin and destination pair.

Large display ads will appear in 20 national publications, with a bold headline that states: "Conrail delivers as promised or your money back" on the first shipment under this program within a 90-day period. By calling a special 800 number, a company who wants to participate will be offered a special contract detailing the conditions of the offer, including Conrail's promise of a specific transit time. If Conrail fails to meet the promised transit time, Conrail will return the waybill charges or \$5,000, whichever is less, to the customer.

Explained Richard W. Garbett, vice president-public affairs, "We've got a superb railroad and dedicated employees, and we are telling the world that Conrail is willing to back up its claims with action. It's a bold, exciting new idea that requires the involvement and effort of every one of our 39,000 employees if it is to be successful."

CRANE: CONRAIL IS DOING ITS PART

On the same day that the FRA's John Riley discussed the timing and criteria for Conrail's return to the private sector, Conrail's chairman testified that the railroad was doing its part by continuing to improve its profitability and efficiency.

"In both our operating and financial performance, 1983 was the strongest and most successful year in the company's eight-year history," Chairman and Chief Executive Officer L. Stanley Crane told the Subcommittee. "Our results for 1983 clearly demonstrate that the railroad is fulfilling its mandate of improving profitability in preparation for its return to the private sector."

Crane outlined several of Conrail's 1983 achievements, including its \$313 million net income for the year; its improved cash reserves; the increased efficiency of its physical plant and equipment fleet; its efforts to eliminate uneconomic routes and its continued improvement of the quality of its freight service.

"Our task for the future is to continue to maintain stability in our current traffic base while generating new, profitable traffic," said Crane. "To do this, all of us at Conrail must continue in our persistent effort to expand the process which is well under way—the process that will secure Conrail's future in the private sector—and I have no doubt that we will."

HEARING CONSERVATION PROGRAM UNDERWAY

Conrail has launched a systemwide program designed to protect employees from hearing damage caused by occupational noise.

The program, coordinated by the Safety and Health Services departments, includes audiometric (hearing) tests for employees, and wider distribution of hearing protection devices. Employees exposed to a certain level of noise on the job will be required to wear hearing protection.

Sound level measurements were taken at sites across the system to pinpoint operations where excessive noise levels might exist. Employees in the locations with the highest noise levels are being tested first, and will be tested annually thereafter. Employees in areas with lower noise levels will also have the opportunity to be tested.

Periodic audiometric testing will help Conrail to ensure that the hearing conservation program is doing its job. More importantly, the tests can detect developing hearing loss—which may be caused by medical problems rather than occupational noise—early enough to do something about it.

Employees whose duties require them to be exposed to noise levels of 90 decibels or greater for an eight-hour period will be issued hearing protection in the form of earmuffs, canal caps or plugs. Both federal regulation and Conrail policy require that employees wear this protection. Other employees who are not exposed to continuous high levels of noise may also request earmuffs.

First-line supervisors will be receiving more information about the hearing test schedules.

NEW APPOINTMENTS IN MECHANICAL DEPARTMENT

C. R. Medovich, formerly superintendent of locomotive maintenance at Selkirk, New York, has been appointed as general mechanical superintendent—locomotive, headquartered in Philadelphia. Medovich replaces J. J. Butler, who has retired.

J. R. Evans has been appointed as general superintendent—Reading Shops, headquartered in Reading, Pennsylvania. Evans, who was formerly regional mechanical superintendent—locomotive and car in Philadelphia, replaces C. T. Umbleby, who retired.

J. E. Davis, formerly general mechanical superintendent—car inspection and repair in Philadelphia, has been appointed as regional mechanical superintendent—locomotive and car, replacing Evans.

J. R. Nussrallah, formerly regional mechanical superintendent—locomotive and car, Detroit, has been appointed as general mechanical superintendent—car inspection and repair, Philadelphia, replacing Davis.

R. A. Hill has been appointed as regional mechanical superintendent—locomotive and car, Detroit, replacing Nussrallah. Hill was formerly regional mechanical superintendent—locomotive and car, Indianapolis.

W. T. Roberts has been appointed regional mechanical superintendent—locomotive and car, Indianapolis, replacing Hill. Roberts was formerly superintendent of motive power/west in Indianapolis.

W. E. Brooks has been appointed as superintendent motive power/west, replacing Roberts. Brooks was formerly shop manager at Collinwood, near Cleveland, Ohio.

P. T. Bonifazi, formerly shop manager at Conway, Pennsylvania, has been appointed as shop manager at Collinwood, replacing Brooks.

J. M. Santamaria, formerly shop manager at Oak Island in Northern New Jersey, has been appointed as shop manager at Conway, replacing Bonifazi.

BUSINESS REPORT

A strong increase in Conrail's movements of coal, automobiles and metals helped push carloadings for the month of February to their highest levels for that month since 1981.

Conrail hauled 254,791 carloads of freight last month, up almost 13 percent from carloadings in February of 1983 on a comparable day basis (which means that 1984's extra day from Leap Year is not counted.) Cars loaded on Conrail lines increased 12.2 percent over the same period a year ago; traffic received from connections increased 13.9 percent.

Except for farm products, food products, lumber and pulp and paper, carloadings of all commodities increased last month over levels for February of 1983. Coal, up 23 percent, accounted for almost 30 percent of the total increase in carloads. Carloadings of transportation equipment rose 29 percent and primary metals traffic increased 28 percent, reflecting the recovery in the automotive industry. Waste and scrap increased 27 percent. While trailer-on-flatcar (TOFC) traffic was 5.2 percent ahead of last year's levels, it would have been even more ahead if 1983's levels were not increased by a trucker's strike.

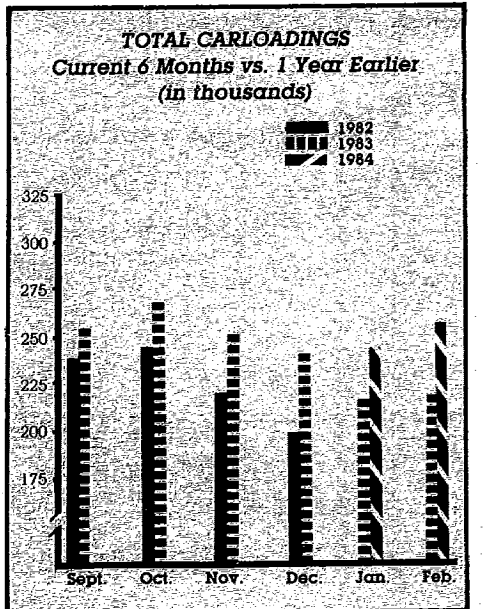
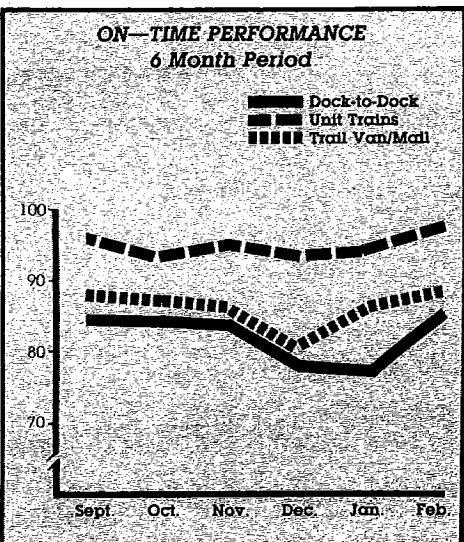
SERVICE REPORT

Last month, the percentage of carloads delivered to the customer siding or interchange within 24 hours of schedule reached its highest level since March of 1981, which set a record of 87 percent.

Thanks to smooth operations and favorable weather, 86.4 percent of the carloads measured under Conrail's Key-point Quality Control Program were delivered within 24 hours of schedule. This program logs, in hours, the time it takes for Conrail to deliver the car from the shipper or interchange to the customer siding or another railroad. February's performance rate improved greatly from January's, which stood at 77 percent.

In other performance measures, 88.8 percent of Conrail's high-priority TrailVan and mail trains reached their destination yards within one hour of schedule, as did 97.5 percent of the coal unit trains, 98.9 percent of ore trains and 84.4 percent of the grain trains. The on-time rate for all unit trains stood at 97.4 percent.

At major Conrail yards, 97.9 percent of the cars monitored made their connections.



IN SAFETY, RAILROADS SHOW RECORD-SETTING IMPROVEMENT

Train accidents in 1983 declined to an all-time low—15 percent below the previous record set in 1982, according to preliminary figures compiled by the Federal Railroad Administration (FRA). The number of railroad fatalities continued a 17-year decline, with highway crossing deaths at the lowest number ever recorded.

The year 1983 also saw the lowest number of injuries in almost a decade, and a continued drop in the total number of railroad-related accidents.

"The 1983 figures represent a continuation of a steadily improving railroad safety

record over the past five years," said William H. Dempsey, president of the Association of American Railroads. Rail accidents, fatalities and injuries have declined every year since 1978.

"The railroads' continued commitment to safety is reflected by these figures," said Dempsey. "They indicate the increased attention being paid to safety by rail employees.

"Our improved safety record is no accident. The record amounts of money spent in recent years by the railroads on equipment and maintenance have also had an extremely beneficial impact on rail safety."

Preliminary FRA figures also reveal that 1983 rail-highway crossing accidents fell 12

percent and the train accident rate per million miles operated dropped nearly 13 percent.

"The Operation Lifesaver Program deserves recognition for its role in reducing the number of accidents and deaths at rail-highway crossings," Dempsey pointed out. Operation Lifesaver is a joint effort by the National Safety Council, the railroads and various state and local agencies to promote improved safety at rail-highway crossings.

According to the FRA:

- Total railroad-related accidents declined from 49,620 in 1982 to 42,264 in 1983—a drop of nearly 15 percent. Train accidents fell from 4,411 in 1982 to 3,731 in 1983. Rail-highway crossing accidents totaled 6,819, compared with 7,748 the previous year.

- All railroad fatalities totaled 1,045—6.6 percent below 1982. Rail-highway crossing deaths, which account for the largest number of such fatalities, totaled 553, a 9 percent decline.

- Some 34,469 injuries were reported in all types of rail-related accidents in 1983, a 14 percent drop from 1982's injury total.

- The casualty rate for on-duty employees per 200,000 hours worked fell by 8.5 percent and the rail-highway crossing accident rate per million miles operated declined by 9 percent.

CONRAIL SALE

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States. The Secretary would not favor the plan with the highest return to government if it were seriously at odds with the public interest criteria."

He added: "The best option is the so-called 'deep pocket,' a purchaser that brings Conrail financial strength or additional resources that improve its chance of maintaining service and profitability over the long term."

While the DOT is still considering the option of a public offering of Conrail stock, Riley said that the agency has serious reservations about whether this option is in the public interest. One of the reasons for this, he said, is that a phased public offering might take several years even under the most favorable economic conditions.

But a more significant problem, according to Riley, is that a public offering would not give the federal government any control over who buys the stock. "We need to make judgments on the adequacy of the buyer's finances, and place reasonable conditions in the contract of sale to ensure that the railroad will not be looted, cherry-picked or liquidated. That's impossible in a broad-based public offering. Any party with access to several hundred million dollars cash can walk up to the counter and buy a controlling interest in the railroad."

The "leveraged buy-out," through which a buyer would purchase Conrail by using the railroad's assets as collateral for a mortgage, is also against the public interest because it weakens Conrail, said Riley.

After the DOT receives one or more offers that best meet the public interest, Riley said that the process would continue as follows:

- The Secretary of Transportation will establish a cutoff date for the submission of competing purchase proposals.

- After the cutoff date, the Secretary will confer with leaders in the House and Senate on those options.

- Following that consultation, the Secretary will recommend the option believed to be the most consistent with the public interest.

- Under NERSA, Congress will have at least 60 legislative days to review the proposal.

- The purchase may require some kind of legislation.

SHORTER SCHEDULES, LONGER TRAILERS FOR PIGGYBACK

Conrail has revised its piggyback schedules to make trailers from St. Louis, Indianapolis, and Columbus available one day earlier at its Kearny, New Jersey, intermodal terminal, which serves the New York/New Jersey metropolitan area.

Under the new schedule, trailers received by 6 p.m. at Rose Lake Yard in East St. Louis, Illinois, which serves metropolitan St. Louis, and by 9 p.m. at Indianapolis will be available for pick-up at Kearny by 6 a.m. the second morning after departure; trailers received by 8 a.m. at Columbus will be available at Kearny by 6 a.m. the next morning.

The improvements were made possible by the \$3.4 million modernization of Conrail's East St. Louis intermodal terminal and track and signal improvements on lines between St. Louis and Kearny, which allow faster over-the-road movement of trains.

Last fall, similar transit time improvements were made from St. Louis, Indianapolis and Columbus to Conrail's Delaware Valley Intermodal Terminal in Morrisville, Pennsylvania, which serves the Philadelphia/South Jersey metropolitan area.

While Conrail is shortening its piggyback schedules, it is lengthening the trailers used for this service. A \$3.4 million program to "stretch" 1,500 highway truck trailers from 40 feet to 45 feet has been completed. This will provide additional capacity to intermodal shippers served by Conrail.

Since large portions of the national piggyback flatcar pool are being expanded to accommodate 45-foot trailers, "stretching" these trailers is expected to give Conrail a larger pool of piggyback equipment to meet customers' needs and remain cost and service competitive.

The trailer expansion program also enables Conrail to better utilize its own fleet of 45-foot trailers, rather than relying on expensive rental trailers owned privately or by other railroads.

CONRAIL WINS SERVICE AWARD

Exxon Chemical Americas has selected Conrail as its most outstanding distribution service supplier in the rail category for the year 1983.

The award, announced by ECA last month, is based on service promptness, pricing, safety, responsiveness, sales and marketing initiatives and other factors. ECA issued other awards to outstanding marine, truck, warehouse and terminal suppliers.

Conrail serves ECA plants in Bayonne and Bayway, New Jersey and Pottsville, Pennsylvania, and moves freight for that company all over the system. A mini-train service between the Bayonne and Bayway plants won Conrail a "Golden Freight Car" award from *Modern Railroads* magazine in 1981. Conrail moved approximately 9,000 carloads for ECA last year, for approximately \$18.2 million in revenue.

ECA, headquartered in Houston, Texas, is a subsidiary of Exxon Chemical Co., which is a subsidiary of Exxon Corporation. Conrail Account Executive John Field, along with the Houston Sales Office, work most closely with ECA to coordinate service. But the efforts of many others in the National Sales, Operations, Car Management, Marketing and Customer Service departments contributed to Conrail's excellent service record with ECA.

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COLUMBUS STARTS 1984 AT THE TOP

Conrail's Columbus Division had the best safety performance of all divisions for the month of January, with no lost time injuries and a lost time injury frequency rate of 0.00. The division improved its safety ranking from seventh place in December to first place in January.

The second-placed Mohawk Hudson Division, which also had no lost time injuries, improved its ranking from tenth place a month earlier. In third place for January was the Canada Division, which had the best safety record for the year 1983.

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 the division with the most man hours.

Conrail's Southern Region had the best safety record among regions for January, with a frequency rate of 1.37. The Central Region, which had the best safety record for 1983, was in second place in January with 1.45.

Systemwide, Conrail's lost time injury frequency rate was 2.11 in January.

LOST TIME FREQUENCY RATE BY DIVISION January, 1984

Rank	Division	Rate
1	Columbus	0.00
2	Mohawk-Hudson	0.00
3	Canada	0.00
4	New Jersey	1.26
5	Pittsburgh	1.31
6	Youngstown	1.39
7	New England	1.54
8	Allegheny	1.81
9	Chicago	2.04
10	Michigan	2.04
11	Cleveland	2.10
12	Southern Tier	2.14
13	Toledo	2.31
14	Southwest	2.61
15	Philadelphia	4.21
16	Harrisburg	4.41
17	Buffalo	4.81

SAFETY MAGAZINE SENT TO ALL EMPLOYEES

Family Safety, a magazine published by the National Safety Council, is now being sent to all Conrail employees at their homes.

The magazine, which is quarterly, will bring useful safety information for employees and families at home and at play. The cost of the subscriptions and mailing is being paid by Conrail as part of its efforts to keep employees safer on and off the job.

If you haven't yet received a copy of *Family Safety* at your home, check to make sure that your correct address is on file with the Payroll Department. Since the magazine is mailed fourth-class, it won't be forwarded to you if your address is incorrect. Instructions for changing your address are at the bottom of this page.

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