

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

April, 1983

CONGRESS DISCUSSES OPTIONS FOR RAILROAD RETIREMENT

Both houses of Congress are currently discussing changes to the Railroad Retirement System, which would affect retirees and employees of Conrail and other railroads.

The problems of the Railroad Retirement System stem from an imbalance between the number of people paying into the system and the number of beneficiaries. Currently, the ratio of the Railroad Retirement System is approximately one active railroad worker for every three beneficiaries.

The Railroad Retirement Board has announced that if no action is taken, they are required by law to cut Tier II benefits of present retirees an estimated 40 percent, effective October 1, 1983, rising to an estimated 80 percent, effective October 1, 1984.

A joint industry committee of representatives of rail labor and management has

proposed a solution that is among those now being considered by Congress. This proposed solution, bill H.R. 1646 (Railroad Retirement Solvency Act of 1983), would include:

- Higher Railroad Retirement taxes paid by both railroad employers and employees.
- A six-month postponement of the July, 1983 Cost-of-Living Adjustment (COLA) scheduled for present retirees, with subsequent COLAs in January of each year.
- A revision of the current 60-30 program, which enables an employee who is at least 60 years old with 30 or more years of service to retire with full benefits. This revision would reduce benefits to employ-

ees retiring prior to age 62.

At present, it is uncertain whether the solutions proposed by H.R. 1646 will be passed by either house of Congress and signed into law. The Senate Labor Committee was scheduled to discuss these and other proposed solutions to the Railroad Retirement problems on April 19.

It is important for railroad employees and those receiving Railroad Retirement annuities to watch for information about the legislation—and particularly the provisions of the bill that may be signed into law—as it is reported in newspapers and by other sources of such information.

CONRAIL MARKS SEVENTH YEAR

When Conrail was created by Congress in 1976 from six bankrupt railroads in the Northeast and Midwest, it was given two mandates: to restore reliable service to rail customers, and to become financially self-sufficient and return to the private sector.

As Conrail marked its seventh year of operations on April 1 of this year, it had already fulfilled the first goal and was making remarkable progress towards fulfilling the second. To illustrate our progress in seven years, as well as the problems we face today, here are some facts comparing "then and now."

✓ Financially, we're better off today. In 1977, Conrail's first year of operations, the railroad lost \$367 million, or more than a million dollars a day, and drew down \$668 million of the \$3.3 billion appropriated by the government. In 1982, Conrail reported a net income of \$174.2 million and did not use

a penny of government funding.

✓ In operations, we've fulfilled that first goal and are as good or better than other railroads in service. For example, in 1977 a Conrail freight car spent an average of 32 hours at a yard; in 1982 elapsed time was 18.6 hours in the fourth quarter. While 31 percent of Conrail's core route system was under slow order in 1976, because of the poor condition of the track, less than two percent of the core system was under slow order last year.

✓ In tonnage, the problems of heavy industry have taken their toll. In 1977, Conrail hauled 268 million tons of freight, compared to an estimated 177 million last year.

✓ In size, Conrail is smaller. Today, we have 15,000 route miles, compared with 17,700 route miles at the start of operations in 1976.

EMERGENCY BOARD RULES ON CONRAIL—BLE PAY ISSUE

On March 30, a presidential emergency board recommended that Conrail employees represented by the Brotherhood of Locomotive Engineers accept a wage settlement consistent with that accepted by the 15 other unions representing Conrail employees. The settlement is 12 percent lower than the engineers' counterparts at other railroads.

The board was created on February 14 in response to a dispute between Conrail and BLE over wages, work rules and other issues in the negotiation of a new contract. The BLE had scheduled a strike to begin the next day. The emergency board was given 30 days to investigate the circumstances and make recommendations; the BLE and Conrail now have until April 29 to reach a settlement.

Addressing the BLE's demand for a guaranteed differential in daily earnings for engineers, above the wages for conductors and brakemen, the board recommended that Conrail and the BLE participate in a national study commission that has already been formed to examine the issue.

The outcome of the dispute will affect approximately 3,200 Conrail employees represented by the BLE.

CONRAIL SALE DISCUSSED BEFORE SENATE SUBCOMMITTEE

Representatives of Conrail, the Federal Railroad Administration and the United States Railway Association testified on March 11 before the Senate Appropriations Subcommittee on Transportation.

FRA chief Robert W. Blanchette told the Senate panel that he believed that Conrail will pass the first of two profitability tests mandated by the Northeast Rail Service

Act, thus qualifying the railroad to be sold as a single entity rather than in parts.

Under NERSA, Conrail must undergo two profitability tests this year—one in June and the other in October. If Conrail passes these tests, it can be sold only as a single entity. Blanchette told the subcommittee that the Department of Transportation "is assuming

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CONRAIL PURCHASES 100 NEW LOCOMOTIVES

In an effort to improve the long-term quality and efficiency of its equipment fleet, Conrail recently ordered 100 new road locomotives that are more powerful and more fuel-efficient than the older locomotives in its fleet.

Of the 100 new locomotives, 60 are 3700-horsepower, four-axle diesel-electric units manufactured by General Electric Company and 40 are 3500-horsepower, six-axle diesel-electric locomotives from General Motors' Electro-Motive Division. The new locomotives will be delivered to Conrail later this year.

About 30 percent of Conrail's 2800 road locomotives are currently in storage because of depressed traffic levels, many of which are considered surplus for current and future needs. However, since the new units have a higher horsepower and greater tractive capacity, each new unit can replace 1.36 units of the old models. Purchasing the new locomotives will enable Conrail to dispose of 260 of the older units in the fleet.

In addition, the new units have lower operating and maintenance costs and are being purchased under attractive long-term leasing arrangements at favorable rates; these factors will give Conrail enough positive cash flow each year to make the investment worthwhile. The new locomotives also will reduce the average age of the Conrail fleet and provide increased assurance of reliable service to customers.

MARSHALL LEADS CONRAIL'S MARKETING EFFORT

Effective April 15, Charles N. Marshall has been appointed vice president-marketing, replacing Richard H. Steiner, who resigned to accept a position with another company.

Marshall, who joined Conrail in 1978, was formerly general counsel-commerce in the Law Department. In this post, he worked closely with the marketing and sales departments. Marshall played a key role in Conrail's efforts to achieve regulatory reform for the railroad industry through the Staggers Act of 1980 and worked to imple-

BOND CAMPAIGN SET FOR MID-MAY

During the weeks of May 9 and May 16, Conrail employees will be given the opportunity to begin purchasing U.S. Savings Bonds through payroll deduction or to increase the size of existing deductions.

Paycheck distributors and office managers will distribute cards for employees to use in designating the size of their deduc-

IN THE PRESS:

"With modern automated hump yards—each tailored to meet the specific needs of Conrail's geography and traffic—the everyday business of railroading is accomplished with ever-increasing efficiency..."

"...From Selkirk, west through DeWitt and Elkhart, south to Columbus and through other important terminals, Conrail trains are moving with increasing speed and at decreasing cost. Plant rationalizations have lowered terminal switching costs, and yard operations have been streamlined. Physical improvements and constant maintenance have also helped raise yard productivity. For a railroad that has traditionally been saddled with high terminal costs, the improved modern yards are an important component in Conrail's plan for success."

—*Railway Age*, March 1983

"Perhaps no other railroad wheels more freely than Conrail, as the government owned railroad is known. Last year, for example, it hauled 875 carloads of water-purification chemicals from a DuPont Co. plant outside Wilmington, Delaware—freight that a year earlier moved by truck."

"One reason Conrail wheels so freely is that no other railroad needs to hustle more. As the successor to the Penn Central and five other bankrupt Northeastern railroads, Philadelphia-based Conrail is still trying to prove that it has a future..."

"...Conrail, no longer the wreck of its industry, is staying in the black, if narrowly. Despite a fourth-quarter operating loss of \$8.9 million, Conrail reported operating

earnings in 1982 of \$39.1 million—up from \$38 million in 1981 despite a 14 percent decline in revenue to \$3.62 billion from \$4.2 billion.

"Sales of tax benefits and a gain on the sale of certain assets to commuter authorities lifted 1982 net profit to \$174.2 million, compared with a net of \$39.2 million the year before. By contrast, Conrail strung together losses totaling \$1.5 billion from its start-up in 1976 through 1980."

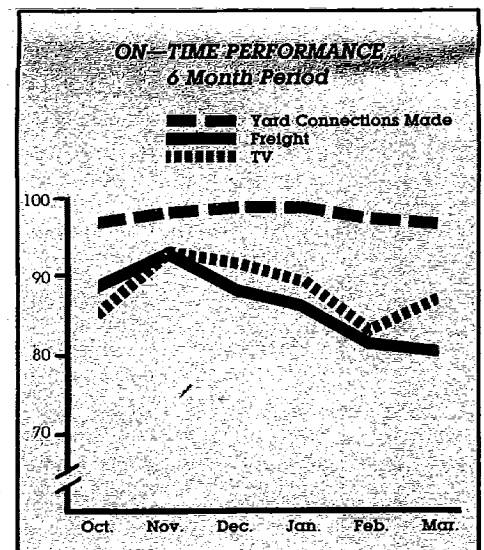
—*The Wall Street Journal*, front page, March 21

SERVICE REPORT

Conrail's on-time performance last month remained fairly consistent with service for February, with most performance measures improving or holding steady.

One of the areas showing strongest improvement was Conrail's Keypoint Quality Control Program, which measures on-time delivery of loaded freight cars to the customer's siding or interchange. Last month, 84 percent of the freight cars measured were delivered within 24 hours of the scheduled standard, up from February's 78.9 percent.

On-time performance of TrailVan trains climbed to 88.3 percent last month from 83.6 percent in February. Among mail trains, 89 percent made their destination yards within one hour of schedule, down slightly from the 89.2 percent recorded for February. Freight trains' on-time performance dropped to 81.7 percent from February's 83.1 percent. And at Conrail yards, 96.5 percent of the measured cars made their connections, down half a percentage point from February.



ment a number of changes (specifically in pricing and routing of traffic, and deregulation of specific traffic and equipment segments.)

Before joining Conrail, Marshall served as general attorney with the Southern Railway System. From 1967 to 1974, he held various positions in the Law Department of the Chessie System. Marshall began his association with the rail industry in 1961, when he worked during the summer as a chainman on a Pennsylvania Railroad surveying crew.

tions. They will also provide pamphlets of information about the Savings Bond program, which recently began offering market-based rates of interest.

The Savings Bond campaign is being coordinated by the Human Resources and Payroll departments.

CRANE ACCEPTS AWARD ON BEHALF OF CONRAIL PEOPLE

On March 14, Conrail Chairman and Chief Executive Officer L. Stanley Crane accepted *Modern Railroads* magazine's "Man of the Year" award in Chicago.

BUSINESS REPORT

Conrail hauled 8 percent fewer loaded cars last month than it did in March of 1982, largely because of a drop in traffic received from connections. Traffic loaded on Conrail lines dropped 4.2 percent from last year's levels, traffic received from connections dropped 13.3 percent.

Carloadings of transportation equipment, a large part of which is automobiles, increased 6.4 percent last month over carloadings for March of 1982. Increased production of automobiles helped push Conrail's carloadings of transportation equipment 15 percent higher for the first quarter of this year than levels for the first quarter of 1982.

Other areas of strength included lumber and wood products traffic, up 6.4 percent in March and almost 18 percent for the first quarter, chemicals, up almost 4 percent last month and 3 percent for the quarter and trailer-on-flatcar traffic, up 13.5 percent for March and 17.6 percent for the first quarter.

Carloadings of primary metals decreased 4 percent in March and 19.4 percent in the quarter, coal traffic decreased 18 percent in March and 16.6 percent in the first quarter, metallic ores traffic was down 17 percent in March and 44.2 percent in the quarter, food products dropped almost 18 percent in March and almost 19 percent in the quarter and pulp and paper decreased 13.3 percent last month and 16.3 percent in the quarter.

"I am proud for what this award represents to my organization, Conrail," he said, "since I consider this award equally a recognition that Conrail has at long last come of age in the family of American railroads—on the basis of solid achievements that have earned the respect of railroad people. Those achievements have come through the efforts of our management team and employees. . . I am justifiably proud of our success, and it is my pleasure to accept this award on behalf of those 40,000-plus railroaders who really make Conrail run."

But Crane warned that Conrail as well as other railroads must change with the times if those achievements are to continue.

"On Conrail, we are just beginning to stir from three years of increasingly severe recession in the major businesses we serve," he said. "And some of these recessionary pressures are going to be with us for some time to come, especially in our basic manufacturing industries—such as autos, steel and machinery. High costs, outmoded and overbuilt physical plants, and foreign competition have caused these industries to sustain substantial declines in demand in recent years.

"Railroads have no choice but to adapt their product to these changing markets," Crane said. "We must re-think the way we do business with our customers. We must find ways to meet their need for high service reliability and faster transit times. If we do not, others will."

FADALE IS CHIEF MECHANICAL OFFICER

Joseph S. Fadale has been appointed assistant vice president-chief mechanical officer, replacing Hollis A. Henderson, who retired.

In his new position, Fadale is responsible for Conrail's numerous equipment repair shops and for the design and maintenance of all Conrail rolling stock. He reports to Donald A. Swanson, Conrail's vice president-transportation.

Fadale, who had been Conrail's general mechanical superintendent-shops, in Altoona, PA, since 1976, began his railroad career in 1942 with the New York Central Railroad, advancing to major management positions in the mechanical departments of the New York Central and the Penn Central in Philadelphia, Pittsburgh, and Syracuse from 1962 to 1976.

Jack V. Jolley was named to replace Fadale in Altoona. Jolley, who reports to Fadale, joined Conrail in 1978 with 15 years of prior railroad experience. He played a major role in the rehabilitation of the Conrail locomotive fleet and the modernization of the Juniata locomotive shop in Altoona.

NEWS DIGEST

GRADE CROSSING ACCIDENTS DROP—Nationwide, the number of grade crossing accidents and the injuries and fatalities resulting from those accidents dropped in the first nine months of 1982 from the similar period in 1981. Accidents totaled 5,760 in the first nine months of last year, compared to 6,791 for the same period a year earlier, fatalities in that period dropped to 444 last year from 567 a year earlier, injuries dropped to 2,043 from 2,425 in 1981.

RAILROADS' COSTS EXPECTED TO DECREASE—Largely because of falling oil prices, the railroads' costs of doing business may be lower in the second quarter of this year, reports the Association of American Railroads (AAR).

In its quarterly inflation forecast to the Interstate Commerce Commission, the AAR said that fuel prices should be 13.7 percent lower in the middle of this quarter than they were in the middle of the first quarter. The AAR also forecasted that railroads' costs for materials and supplies are expected to decline 0.8 percent and depreciation, taxes and other costs should drop 2.2 percent. All of these factors should reduce railroads' costs by 3.1 percent in the second quarter, the AAR said.

JANUARY CAR ORDERS UP SLIGHTLY—Industrywide, orders for new freight cars rose to 501 in January from 231 in December, according to the American Railway Car Institute, but January's car orders were still less than the 815 ordered in January of 1982.

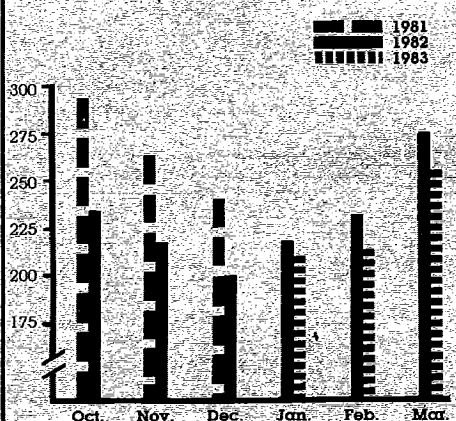
Cars placed in service in January totaled 494, compared to 939 in December and 2,105 in January of 1982. In addition, the Association of American Railroads reported that 10 new and rebuilt locomotives were placed in service in January, compared to 93 in December and 14 in January of 1982.

BLANCHETTE TO LEAVE FRA—Federal Railroad Administrator Robert W. Blanchette will leave that agency on May 1 to return to private law practice and to serve as chief executive officer of TGV-US, a company promoting the French high-speed passenger rail system in this country.

Blanchette said that when he joined the Reagan administration in 1981 his main goal was to get the government out of the railroad business. "In two years, a decade of subsidies to the Northeast rail system has ended, Conrail has been made profitable and will be de-nationalized, Amtrak has been given new management and direction," he said.

"By bringing labor and management together, we have launched a massive restructuring of archaic safety regulations," he added.

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



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CONRAIL SALE (continued from page 1)

that Conrail is going to pass the profitability test, and is going forward on the sale of Conrail as a single entity."

In his testimony, Conrail Chairman and Chief Executive Officer L. Stanley Crane also expressed confidence about Conrail's ability to pass the profitability tests and to attract a purchaser from the private sector.

"In 1982, Conrail demonstrated that, despite a severe downturn in business, it was able to make progress towards profitability," said Crane. "With the support of our employees and a strong cadre of managers, we were able to control costs and achieve a relationship of expense to revenue that permitted Conrail to achieve profitability at a lower volume level than before."

But Crane cautioned that Conrail's sale as a single entity probably won't happen until it builds up a better track record of earnings. "We need to wait for the manifestation of a better earnings record," he said. "We must have a better profit ratio in order to attract a buyer."

Crane told the panel that Conrail is cooperating with the DOT in developing the background needed by Goldman, Sachs and Company, the investment firm appointed to arrange for the Conrail sale. Conrail's Board of Directors has appointed a special committee to represent Conrail management and the Board in dealing with Goldman Sachs.

FOUR DIVISIONS ARE INJURY-FREE IN FEBRUARY

The Allegheny, New England, Detroit and Canada divisions had the best safety records for the month of February, with no lost time injuries reported. The Detroit Division deserves special mention for moving from last place in safety standings for the month of January to third place in February.

Among Conrail regions, the Central Region had the lowest lost-time injury frequency rate—the number of injuries per 200,000 man hours worked—for the month of February. The Central Region's rate was 0.86.

Systemwide, Conrail's lost time frequency rate for February was 1.54, a 71.2 percent improvement over the rate for February of 1982. Conrail reported 97 lost time injuries for the first two months of 1983, a 78 percent improvement when compared to the first two months of 1982.

LOST TIME FREQUENCY RATE BY DIVISION February, 1983

Rank	Division	Rate
1	Allegheny	0.00
2	New England	0.00
3	Detroit	0.00
4	Canada	0.00
5	Pittsburgh	0.78
6	Columbus	0.83
7	New Jersey	1.34
8	Chicago	1.56
9	Youngstown	1.76
10	Harrisburg	1.88
11	Buffalo	2.00
12	Philadelphia	2.16
13	Toledo	2.36
14	Southern Tier	2.36
15	Mohawk-Hudson	2.97
16	Cleveland	3.65
17	Michigan	4.68
18	Southwest	6.00

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