

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

May, 1984

CONRAIL WINS THIRD "GOLDEN FREIGHT CAR" IN FIVE YEARS

Conrail has won *Modern Railroads* magazine's "Golden Freight Car Award" for the third time in a five-year period.

The Golden Freight Car, awarded for the most outstanding marketing achievement of 1983, went to Conrail for its highly-successful short line marketing program. Conrail won one of two Golden Freight Cars; the other, earmarked for a small railroad with an outstanding marketing achievement, went to the Bay Colony Railroad Corporation. The awards will be presented on June 28.

This is Conrail's third Golden Freight Car since 1979, when it won for its backhaul program for better utilization of formerly empty cars returning to their home roads. In 1981, Conrail's fuel oil program for Niagara Mohawk Power Corporation and its mini train for Exxon Chemical Americas won the second award.

The short line program that won the most recent award developed after the Northeast Rail Service Act of 1981 gave Conrail more freedom to abandon uneconomic branchlines. Conrail made the lines available to both entrepreneurs and well-established companies, at prices that they could afford to pay. This has allowed Conrail to continue to participate in the revenue generated by the former branchlines, while the new owners operate the lines at lower costs.

The program placed Conrail in the role of wholesaler, or "line-haul railroad," with short lines participating as retailers, or "shippers." Conrail had to agree to service, price levels, and connection arrangements that were profitable but still low enough in cost to help the short lines stay profitable. The short

lines had to work more closely with customers, as well as with Conrail.

As a result of the program:

- By the beginning of March, 1984, Conrail was working with 78 short lines—57 existing lines and 21 new ones created through the abandonment program.

- Last year, Conrail interchanged about 158,000 carloads of traffic with short lines, for about \$166 million in revenue. Approximately 11,000 carloads and \$12 million in revenue was generated by Conrail's short line program.

- Rail service was preserved to nearly 70 percent of the shippers affected by the abandonment process permitted by NERSA.

- Through its short line marketing approach, Conrail was able to participate in 69 percent of those carloadings, without the substantial costs that made the traffic unprofitable when Conrail operated the lines itself.

Tom Ramsey, director—regional market rationalization, and Jim Brennan, manager—regional market rationalization—both of Conrail's Regional Market Development Department—negotiated the sale of the branch lines for continued rail service. As the short line program evolved, Conrail appointed Kelvin MacKavanagh as manager of short line marketing to develop rate and service packages and work more closely with smaller railroads. MacKavanagh had coordinated Conrail's successful services for Niagara Mohawk and Exxon Chemical Car in 1981.

Both the efforts to sell the lines to people willing to make them work, and the con-

tinued efforts by Conrail to work with the new owners, made the short line program a winner.

Coincidentally, the Bay Colony Railroad Corporation, which won the 1983 Golden Freight Car Award for smaller railroads, won for its innovative marketing of 118 miles of track acquired from Conrail. The small railroad took advantage of a new Massachusetts law requiring that all soda and beer bottles and cans be returnable for recycling. A gathering facility for bottles and cans was formed by 13 beverage distributors near Bay Colony's lines, and the railroad developed a way to move those returnables economically.

Judges for the Golden Freight Car entries were the editorial staff of *Modern Railroads* assisted by Alan J. Stenger, Associate Professor of Business Logistics, Penn State University; Ralph L. Westfall, Dean of the College of Business Administration, University of Illinois at Chicago; and Donald F. Wood, Professor of Transportation, San Francisco State University.

CAPITAL IMPROVEMENTS TOTAL \$520 MILLION

This year, Conrail plans to invest more than a half billion dollars in capital programs to improve track, facilities and equipment and keep service quality high. Conrail has increased its budget for these improvements to \$520 million, a 15 percent increase over 1983 capital spending.

Track rehabilitation programs account for almost 50 percent of the capital budget, with more than 30 percent devoted to locomotive and freight car programs, and almost 20 percent to additions and improvements to roadway facilities.

Conrail's \$250 million track rehabilitation program this year calls for installation of about 480 miles of continuous welded rail, 1.3 million cross-ties, and 618 switches, as well as the surfacing of 5,800 pass miles of track. Conrail expects to install continuous welded rail on segments of lines in Delaware, Illinois, Indiana, Massachusetts, New

CRANE TAKES A STAND ON SALE; JUNE 18 DEADLINE SET FOR BIDS

In several published interviews this month, Conrail Chairman and Chief Executive Officer L. Stanley Crane said that a sale of Conrail to Norfolk Southern or CSX Corp. would be anti-competitive and result in a loss of jobs.

Neither Norfolk Southern nor CSX, the company formed by the merger of the Chessie System and Seaboard Coast Line Industries, has submitted a formal offer for Conrail, but both expressed interest early

this year. Formal offers have been submitted by the Railway Labor Executives Association, on behalf of Conrail's union employees, and by Alleghany Corp.

On April 20, the Department of Transportation set a deadline of June 18 for competing offers. "This will enable us to move forward with the task of transferring Conrail to the private sector," said Transportation Secretary Elizabeth Dole.

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CRANE STRESSES ROLE OF COMPETITION FOR RAILROADS, SUPPLIERS

An intensely competitive business environment is creating challenges for both railroads and the industries that serve them, said Conrail Chairman and Chief Executive Officer L. Stanley Crane.

"From the shipper's standpoint, there is a world of options to choose from in the competitive market for moving his goods," said Crane, speaking before the Railway Club of Pittsburgh. "His management goal is to put together the lowest-cost way of meeting his distribution requirements. The challenge to the carrier is to assist in that decision, and, if we can be a part of it, to assist in a manner that enables us to earn a profit on the business."

As Conrail strives to keep its service and its costs competitive, it is demanding more from its suppliers, said Crane. "As we have moved from regulation to a more competitive way of doing things, we have pressed for every possible efficiency," said Crane. "Efficiency and productivity are paramount."

"It is Conrail's policy to keep our on-hand material inventories as low as possible," he continued. "To operate efficiently, we must have materials where we need them, when we need them...not long before, and certainly not after. For example, we strive to have crossties purchased and delivered just before we install them. It is also our policy to encourage a price-competitive tie industry. The low-cost competitor with a quality product wins the business."

"The same holds true for car builders. We no longer operate in an era in which more is better. With the help of computers, we are loading the cars we have with much greater efficiency. But the car builders who are able to adapt to our specialized needs successfully will survive. We need stronger, lighter and more aerodynamic cars that improve fuel efficiency. Deregulation demands, more than ever before, that these improvements be based on costs and the ability to compete. The challenge to the

BOND CAMPAIGN SET FOR MID-JUNE

During the weeks of June 11 and June 18, 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 deductions. They will also provide pamphlets of information about the Savings Bond program, which in 1982 began offering market-based rates of interest, giving investors a better return while retaining the tax advantages offered by Bonds.

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

supplier is to consider each innovation in the context of its cost and the market environment into which it will be introduced. Because if the market will not support the investment, we cannot afford to make it."

TRACK PROJECTS UNDERWAY IN 3 STATES

Conrail is improving the track on the main line between Cincinnati and Moraine, Ohio—the first of seven such projects this year at various locations along the Columbus-Cincinnati main line. The seven projects will cost about \$18 million and take eight months to complete.

The \$4.1 million project between Cincinnati and Moraine, begun March 26, is scheduled for completion late this month. It includes the installation of 24.1 miles of continuous welded rail and 3,900 crossties, the surfacing of 27.2 pass-miles of railbed, and the rehabilitation of 29 switches and 26 public and private grade crossings.

In the seven separate projects on the Columbus-Cincinnati rail line, Conrail expects to install almost 100 miles of continuous welded rail and about 41,000 crossties, and surface 190 pass-miles of railbed along the line.

Among the commodities transported by Conrail on the line are automobiles and auto parts, chemicals and fertilizers, coal, grain and grain products, steel, and other general freight. Companies served along the line, or from "feeder" branch lines or short line railroads include: Armco Steel, Container Corporation of America, Early & Daniels (grain processors), General Foods, General Motors, Monsanto, National Distillers and Procter & Gamble.

Conrail is also upgrading the portion of its Indianapolis-St. Louis main line between Terre Haute, Indiana and East St. Louis, Illinois.

The project, begun April 23, is scheduled for completion by mid-June. It includes the installation of 39.3 miles of continuous welded rail and 46,800 crossties, the surfacing of 178 pass-miles of railbed, and the rehabilitation of 26 switches and 82 public and 20 private grade crossings.

The part of the project near East St. Louis will improve access to Conrail's recently renovated intermodal terminal at Rose Lake Yard.

The Indianapolis-St. Louis main line is an important route because it carries traffic to and from the South and Southwest, interchanged with other railroads at East St. Louis and St. Elmo, Illinois. Commodities handled on the line include fertilizers, grain, chemicals, newsprint, foodstuffs, automobile and truck parts and finished automobiles. Companies served along the line, or from "feeder" branch lines or short line railroads include: Allied Chemical Co., Dow Jones & Co. Inc., Pillsbury Co., and Truck and Bus Group Division, GMC.

CONRAIL SETS HIGHER COAL LOADING GUARANTEE

For the second straight year, Conrail is guaranteeing the loading rate for export bituminous coal at its Pier 124 facility in South Philadelphia. The guaranteed average loading rate—25,000 tons per 24-hour period—is 10,000 tons higher than a similar guarantee Conrail offered in 1983.

If Conrail does not meet or exceed the guaranteed rate, it will pay the shipper a vessel detention fee of \$335 per hour, subject to certain limitations. The guarantee will continue through November 30.

In April 1983, as part of continuing efforts to make Conrail's coal-hauling and shiploading capabilities attractive to exporters, Pier 124 became the first railroad-operated coal loading facility in the United States to offer such a guarantee. At that time, Conrail guaranteed a loading rate of 15,000 tons per 24-hour period. With both coal dumpers fully operational for simultaneous activity, the pier now has additional transloading capacity.

Conrail and the Commonwealth of Pennsylvania invested \$41 million in a two-year renovation and modernization of Pier 124 that increased the pier's shiploading capacity to approximately 10 million tons annually now, from about three million tons in 1981.

Under the terms of the guarantee, a vessel taking on 50,000 tons of coal would be loaded within a 48-hour period. If the vessel loading process took more than 48 hours, Conrail would pay \$335 to the shipper for each full hour of delay, up to certain limits.

During the 1983 guarantee period, which ended October 1, 1983, Conrail never failed to meet the guaranteed volume, ensuring that customers could depend on Pier 124 for reliable export coal handling. The guarantee is not in effect during winter months, when unpredictable weather conditions could impair Conrail's ability to meet specified loading volumes.

SERVICE REPORT

Last month, almost 87 percent of the loaded freight cars measured under Conrail's Keypoint Quality Control Program reached their destinations at a customer siding or interchange within 24 hours of schedule. This program measures dock-to-dock schedule performance of selected freight cars.

In other measures, 88.3 percent of Conrail's high-speed, high-priority TrailVan and mail trains reached their destination yards within one hour of schedule, as did 97.9 percent of the unit trains (98.4 percent of the coal trains, 100 percent of the ore trains and 87.2 percent of the grain trains.)

At major Conrail yards, 98.6 percent of the cars monitored made their connections.

AMERICAN INDUSTRY: WHAT'S RIGHT WITH IT

EDITOR'S NOTE: On May 6, Conrail Chairman and Chief Executive Officer L. Stanley Crane delivered the commencement address for the School of Engineering and Applied Science at George Washington University. In his remarks, he was optimistic about the direction that American industry was going, but also foresaw some challenges that needed to be met. Below is part of the text of Crane's remarks.

"Will American technology ever become competitive again? I believe the answer is absolutely yes, and I believe that this is already beginning to occur in a novel, uniquely American way.

"One fundamental remains true. The United States is still ahead of the rest of the world in technology, and we clearly have not lost ground in our ability to come up with new technologies. In 1983, the United States still led the world in Research & Development spending, and we employed twice the number of engineers and scientists as Japan.

"But in many cases, the end result is that we have lost ground in another fundamental area—the ability to follow-through. That is, the ability to refine and develop useful innovations that meet present needs of the marketplace, the ability to produce them in the most efficient and productive way possible, and in a manner that provides an attractive return to investors. That takes management. Management is where America needs to become competitive again.

"We need to bring production costs under control. We need to make more productive use of the American worker, whose skills I would match against any other in the world. And we need to move closer to our customers. We have already begun to close the gap. We are beginning to make more productive use of labor through cooperation rather than confrontation, and production costs are being brought under control. And we are beginning to redirect our efforts

toward developing products that truly meet customer needs.

"I mentioned that these new directions are somehow uniquely American, and I believe that they are uniquely American in two important ways. First, they are based on our inherent independence as a people. We are working more productively with labor not because we are better negotiators than we used to be, but because we are again 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.

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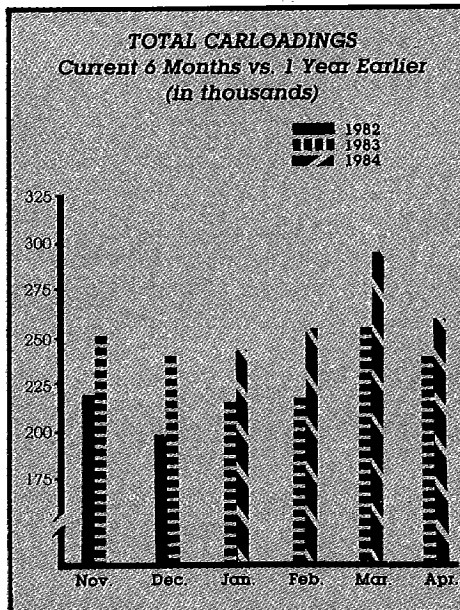
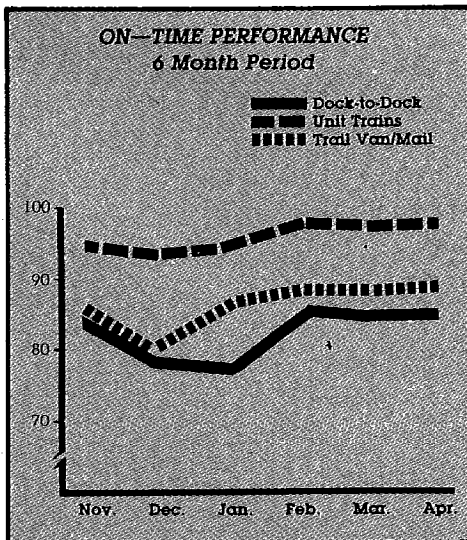
BUSINESS REPORT

Conrail moved 258,010 carloads of freight last month, 7.5 percent ahead of levels for April of 1983. Traffic loaded on Conrail lines increased 6.6 percent from levels for April of 1983; traffic received from connections increased 11.1 percent.

Many of Conrail's major commodity groups had increased carloadings last month, although traffic levels dropped 6.4 percent during one seven-day period that included the Easter holiday.

Traffic in primary metals was 26.2 percent ahead last month from levels for April of 1983; transportation equipment, including finished automobiles and parts, was 11 percent ahead; coal was 5.7 percent ahead; waste and scrap carloadings increased 27 percent and trailer-on-flatcar traffic increased 18.2 percent.

Conrail hauled fewer carloads of farm products, off 5.4 percent last month from April of 1983's levels; food products, down 13.8 percent; pulp and paper, down 3 percent; and lumber and wood products, down 4.3 percent.



CONRAIL SALE

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In stories published this month by *Business Week*, *U.S. News and World Report* and *The Philadelphia Inquirer*, Crane noted his opposition to the sale of Conrail to either of the two directly competing railroads in the East.

"I don't view a Norfolk Southern offer to buy Conrail in the best interest of Conrail's management or Conrail's labor," he told the *Inquirer*. "If they (Norfolk Southern) are to benefit from a merger, one of the advantages to be achieved is a consolidation of a lot of paralleling facilities, especially west of Pittsburgh... where Norfolk Southern reaches as many markets as we do. That means there is going to be abandonment of Conrail's lines or Norfolk Southern's lines out in that territory, and that means there are going to be less jobs.

"In addition, it seems to me to lessen competition, and that is not to the benefit of the customer. I take that same position with respect to CSX." Crane expressed similar views in *U.S. News and World Report*.

In the interview with *Business Week*, Crane said that Conrail's people deserved a fair deal in the sale. "Those people who worked so hard to bring this company to viability and who made the sacrifices to do that should be recognized in any sale," he said.

CAPITAL IMPROVEMENTS

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Jersey, New York, Ohio, Pennsylvania and West Virginia.

Conrail's \$100 million program for additions and improvements (A&I) during 1984 covers a wide variety of projects designed to improve service, protect and expand market opportunities, and increase operating efficiencies.

More than one-third of the A&I budget is earmarked for communications and signals projects which will lower operating costs while improving the flow of rail traffic. These projects include installation of traffic control systems (and associated track/signal changes) tied into computerized train dispatching facilities. The A&I budget also includes projects to expand and improve Conrail's computer capabilities.

Conrail will also install additional "talking" hot box and dragging equipment detectors—devices located along the tracks which warn train crews and dispatchers of potential mechanical problems of moving trains—and improve intermodal and Flexi-Flo terminals and equipment.

Conrail will also invest \$170 million in locomotives and freight cars during 1984 to make sure it has the equipment it needs to meet the requirements of its customers.

Conrail is acquiring 100 new locomotives this year from General Electric and the Electro-Motive Division of General Motors, adding to the 100 received from the same manufacturers in late 1983.

in brief...

CONRAIL WINS "MOST IMPROVED" SAFETY AWARD

On April 26, Conrail was awarded a Certificate of Commendation in the annual E. H. Harriman Awards competition for outstanding achievement in employee safety.

Conrail was recognized for its efforts to improve its employee safety record between 1982 and 1983. Conrail's lost time injury frequency rating—the number of lost time injuries per 200,000 man hours worked—dropped to 2.15 in 1983, from 5.11 in 1982. Its ranking with 11 other major railroads improved from last place in 1982 to fifth place in 1983.

Other railroads winning Certificates of Commendation for improved safety records included the Kansas City Southern Railway Company, the Duluth, Winnipeg & Pacific Railway, the Alaska Railroad and the Indiana Harbor Belt Railroad. The Southern Railway won the gold medal for best safety performance among the largest railroads.

At an awards ceremony in Washington, D.C., Association of American Railroads President William Dempsey noted that train accidents in 1983 declined to an all-time low, and that rail employee fatalities were down almost 24 percent in 1983 from 1982.

"Through the efforts of all railroaders, the railroad work place is becoming increasingly safer," Dempsey said. He added that both the Federal Railroad Administration and the National Transportation Safety Board have acknowledged that rail is the safest mode of transportation.

The Harriman awards were initiated in 1913 by the late Mrs. Mary W. Harriman in memory of her husband, a pioneer in American railroading. Winners are chosen by a panel of individuals prominent in the transportation industry.

COLUMBUS LEADS IN SAFETY FOR THIRD MONTH

Conrail's Columbus Division continued its excellent safety performance through the month of March, with no lost-time injuries and a lost time injury frequency rate of 0.

The frequency rate measures the number of lost time injuries per 200,000 man hours worked. The New England and Canada divisions also had rates of 0 for March, but Columbus was given the higher ranking because it had the most man hours.

Showing tremendous improvement in safety performance from February to March were the Harrisburg Division, which moved from last place to fourth, and the Pittsburgh Division, which jumped from 15th place to fifth. The top five divisions for the year to date are Canada, with a frequency rating of 0; Columbus, with 0.25; Mohawk-Hudson, with 0.31; New England, with 0.53 and Toledo, with 1.37.

Among regions, the Southern Region had the best record for March, with a frequency rate of 0.97, and for the year to date, with 1.48.

Systemwide, Conrail's lost time injury frequency rate was 2.13 for the month of March and 2.23 for the year to date.

LOST TIME INJURY FREQUENCY RATE BY DIVISION March, 1984

Rank	Division	Rate
1	Columbus	0.00
2	New England	0.00
3	Canada	0.00
4	Harrisburg	0.60
5	Pittsburgh	0.60
6	Allegheny	0.85
7	Mohawk-Hudson	0.90
8	Toledo	1.14
9	New Jersey	1.20
10	Southwest	1.92
11	Michigan	2.08
12	Southern Tier	2.17
13	Youngstown	3.33
14	Buffalo	3.78
15	Chicago	4.23
16	Philadelphia	4.59
17	Cleveland	5.14

AMERICAN INDUSTRY

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"Second, we are rediscovering the basic economics of entrepreneurial incentive—the incentive to make better products and provide better service, because that is in the customer's interest, and the reward that returns to the individual with a good idea, a successful innovation and a satisfied customer. These are the qualities that initially made this country strong, and these are the qualities which once again will enable us to surpass our competitors in our own markets and in world markets.

"The fact that we had fallen behind was a sign that we were losing these basic

strengths. Through more than 200 years of development, the basic industries that built this country have grown in size to a degree that entrepreneurial incentives became too far removed from middle managers and workers. Individual actions have grown too far removed from results.

"Today, we are taking some of the bigness that has occurred in the interest of economies of scale and we are making it smaller again. So the effort of the individual worker is growing larger in importance."

in brief...

In Brief is published by the Public Affairs Department of Consolidated Rail Corporation, Room 1040, Six Penn Center, Philadelphia, Pennsylvania, 19103.

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

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