

# in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

June, 1984

## 13 POTENTIAL BUYERS SUBMIT FORMAL OFFERS TO DOT FOR CONRAIL

A total of 13 parties have made formal offers to purchase Conrail from the federal government. These offers were submitted before 12:01 a.m. on June 19, the deadline set by the Department of Transportation for potential buyers to come forward.

The bidding is the first major step in transferring the government's 85 percent share of Conrail common stock to the private sector, 15 percent of the stock is held in trust for Conrail employees.

In a separate development, Conrail's Board of Directors told the DOT that they would evaluate the bids and that they reserved the right to make or support other offers if they judge that current offers are not in Conrail's best interests.

While the remaining steps in the sale of Conrail rest with the DOT and Congress, Deputy Transportation Secretary James Burnley said that Transportation Secretary Elizabeth Dole "intends to fully consult with the Conrail board members." (For more information on the sale process and the Conrail board's resolution, see story this page.)

"We have reached an important milestone in the government's efforts to return Conrail to stable, private sector ownership," said Dole. "We received 13 bids for Conrail as of midnight, June 18, the date I set for final receipt of offers. This is eloquent testimony to the success of its employees and management in transforming Conrail into the viable, competitive company it is today. It also confirms the wisdom of Congress in 1981 in passing legislation directed toward the sale of Conrail. We are now well along in that process."

The sale of Conrail will fulfill the goals set for it in 1976, when Congress created Conrail from six bankrupt railroads. It will also fulfill the mandate of the Northeast Rail Service Act of 1981 that Conrail be returned to the private sector.

A revised bid was submitted on June 18 by the Railway Labor Executives Association, which last summer had submitted the very first bid for Conrail—for an employee buyout of the government's 85 percent share of stock. Alleghany Corporation, a New York-based holding company, last April submitted the second bid for Conrail.

Eleven more offers came in before the deadline—three from companies owning rail systems and eight from non-railroad companies.

### Transportation companies

Norfolk Southern Corp., a Norfolk, Virginia-based company formed by the consolidation of the Southern Railway and the Norfolk and Western Railway, bid for Conrail on June 18. The company also owns interests in natural resources, hotel operations and aviation.

CSX Corporation, a transportation and natural resources company formed by the merger of the Chessie and Seaboard System railways, is also reported to have made an offer prior to the midnight deadline on June 18. On June 13, CSX had asked the DOT to consider restructuring Conrail for sale to CSX, Norfolk Southern and other parties.

At that time, Hays T. Watkins, CSX's chairman and chief executive officer, said that "The Northeast rail market will not support more than two major carriers" and a single purchase by either Norfolk Southern or CSX "would raise serious antitrust problems and engender massive shipper opposition."

Watkins said that maintaining Conrail as an independent entity was not possible in the long run because "Conrail's current returns will be subject to further erosion once it and the other carriers of the region face the realities of an ever-declining Northeastern rail market."

Back in May, Conrail Chairman and Chief Executive Officer L. Stanley Crane said that a takeover by Norfolk Southern or CSX would result in a loss of jobs and be anti-competitive. "I don't view the Norfolk Southern offer to buy Conrail as being in the best interest of Conrail's management or Conrail's labor," Crane told the *Philadelphia 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

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## THE BIDS ARE JUST THE BEGINNING

Getting the bids on the table is just the first step in the process of returning Conrail to the private sector.

Now that potential buyers for Conrail have come forward, the Department of Transportation will confer with leaders in the House and Senate on those options. Secretary Dole will then recommend the option believed to be the most consistent with the public interest. Goldman, Sachs and Co., the DOT's financial advisor, will also conduct its own review and analysis.

Conrail's Board of Directors, in a resolution adopted on June 11, resolved to evaluate all proposals for the purchase of Conrail. The resolution, read, in part, "If in the opinion of the Board of Directors none of these offers is in the best interests of the Corporation, the Board of Directors believes it prudent to reserve the right to make or support other efforts for the purchase of the interest of the United States."

In a letter to Transportation Secretary Elizabeth Dole, Conrail Chairman and Chief Executive Officer L. Stanley Crane said, "The Board believes that its familiarity with and expertise in the affairs of the Corporation will be of substantial assistance to the

Department in the Department's own evaluation of these proposals."

Said Judith Richards Hope, a DOT-appointed member of Conrail's board, "The board believes we have a substantial fiduciary responsibility to shareholders and to the union and nonunion employees in the management group and some responsibilities to the shippers Conrail serves."

Federal Railroad Administrator John Riley, back in March, defined three public interest criteria that will be used to select the best buyer for Conrail. Riley said the DOT would favor:

- The option that leaves the railroad in the strongest financial condition after the sale;
- The option that best protects service patterns to shippers and communities in the Northeast; and
- The option that is consistent with the previous criteria and offers the maximum return to the United States.

After the DOT recommends a buyer, Congress will have at least 60 legislative days to review the proposal. Some kind of legislation will be required to implement the final sale.

**COOPERATION KEY TO COAL GROWTH**

In a speech before the Eastern Coal Transportation Conference, Conrail President and Chief Operating Officer Stuart M. Reed said that while the coal industry is depressed now, Conrail can help it to have a brighter future. Reed also defended rail deregulation against those who blame it for the coal industry's problems.

Here are some of Reed's remarks to the coal group:

"Where transportation is concerned, deregulation has been a radical departure from the old way of doing things. The producer, the broker and the buyer have had to learn new ways of doing business.

"Conrail is driven by similar necessity. We are the hungriest railroad in the East. Coal is important to us. But we have only a small piece of the coal market. It still accounts for about 16 percent of our revenues.

"Yet 21 billion tons of recoverable coal can be found along Conrail lines. We carry coal from about 250 mines, and these have the short term capacity to produce an additional 16 million tons a year. If the mine development projects currently being contemplated in our territory are executed, an additional 22 million tons of production will be available.

"We know that coal available to Conrail is marketable coal. Coal in Pennsylvania comes from large and efficient mines and is valued for its grindability. Few others can compare to the quality of the coals from West Virginia. Coal in the midwestern states is valued by the utilities we serve there. With this kind of potential, our future is promising for finding new markets and expanding those we already serve.

"To achieve growth, we can't sit back, we have to be aggressive. We have to pro-

**MINORITY VENDOR PROGRAM WINS AWARD**

For its efforts to support minority businesses, Conrail has won the "Company of the Year" award from the New Penn Del Regional Minority Purchasing Council, an organization comprised of major corporations striving to increase purchases of goods and services from minority businesses.

Conrail's Minority Vendor Program has grown from just over \$4 million in 1976, or a half percent of the railroad's total purchases, to over \$100 million in 1983, or about 16 percent of total purchases.

Jeremy T. Whatmough, Conrail's vice president of materials and purchasing, accepted the award on behalf of Conrail and told the group that Conrail's program was "one of total involvement and total commitment." He said that Conrail's Law, Insurance, Operations, Quality Control and Accounting departments worked closely with the Materials and Purchasing Department to make the Minority Vendor Program a success.

vide the service and create the packages that will help producers meet their requirements. That requires communication, cooperation, negotiation. It means that the coal industry and the railroad industry have to explore opportunities that never existed before."

**DOT PROPOSES DRUG, ALCOHOL BAN FOR CREWS**

On June 6, the Department of Transportation proposed the first federal ban on alcohol and drug use by railroad train crews, expanding railroads' authority to test workers but requiring leniency for those who seek treatment.

The proposed rules were announced by Transportation Secretary Elizabeth Dole at a Senate Subcommittee meeting. Dole said that she hoped to make the rules final in September after hearings are held in Chicago, Denver, Los Angeles and Washington.

The rules, if finalized, would cover all passenger and freight railroads and all employees who perform service subject to the Hours of Service Act. These are the employees most directly involved in railroad operations (train and engine employees, dispatchers, operators and signal employees.)

Here is a brief summary of what the proposed rules would do:

- Prohibit on-the-job use or possession of alcohol or drugs by railroad employees, and prohibit employees from reporting to work if impaired by alcohol or drugs.
- Require testing for drugs and alcohol after train accidents involving a fatality, reportable injury, severe damage to railroad property or release of hazardous material, and require railroads to report the results of these tests to the government.
- Require pre-employment drug screening of applicants for safety-sensitive positions.
- Authorize railroads to test employees for alcohol or drugs on reasonable suspicion of impairment, after accidents and injuries, and after safety violations involving potential for train accidents.
- Require railroads to maintain employment for any employee who admits an alcohol problem and volunteers for treatment. Co-workers could also identify fellow employees with alcohol or drug problems, and there could be no discipline if the identified worker volunteers for treatment.

Between 1975 and 1983, at least 34 lives have been lost in 45 alcohol and drug-related accidents and incidents on the railroad," said Dole in her testimony supporting the new proposals. "In 1983 dollars, property damage has exceeded \$28 million. These totals do not include accidents presently under investigation. There is no evident abatement in the rate of accidents and injuries, and we know that we are measuring only a part of the problem."

**CONRAIL HONORS ITS SAFEST WORKERS**

On May 30, Conrail hosted a celebration in Philadelphia to honor 1983's top achievers in safety from around the system.

About 350 people attended the awards ceremony and luncheon, including top Conrail management, rail labor union leadership, members of the Federal Railroad Administration and the National Transportation Safety Board, and representatives of the employee group being honored.

Those groups included the top-ranked Central Region and Southern Tier Division, the most improved Eastern Region, the Detroit and New England divisions (which tied for most improved division), and many others. Photos and a complete list of last year's safety achievers will appear in the summer edition of *The Conrail Inside Track*.

Among the 12 Class I railroads, Conrail was fifth in safety last year, narrowly missing fourth place and improving its record from last place in 1982. Conrail won a special commendation for this achievement in the E. H. Harriman Awards competition for railroad safety.

Chairman and Chief Executive Officer L. Stanley Crane told the group that the hard work and perseverance of Conrail's people were responsible for this achievement and for Conrail's many other achievements. "To be successful as a corporation, you've got to be successful at the individual level, and that's what safety is all about," he said.

Richard B. Hasselman, senior vice president of operations, said that Conrail's goal for 1984 is to move to first place in safety among Class I railroads and take the gold medal for outstanding safety performance away from the Southern Railway.

"I don't think that this is impossible," said Hasselman. "Look at all the other things we have accomplished. We've built up a reputation as the railroad with the best service in the country. We've turned ourself into a profitable railroad. We've won our third Golden Freight Car Award for marketing achievement in five years. . . There is no reason why we can't be number one in safety, too."

Conrail's field supervision will lead the way in helping Conrail to achieve a better safety record, said Donald A. Swanson, vice president of transportation. "You must lead by example. . . you must prove that safety is your highest priority," said Swanson.

Clifford W. Owens, vice president-engineering and staff, commended the efforts of the maintenance of way people, and noted that many rail, tie and surfacing gangs had no lost time injuries in 1983. "This has proved that we can have quality and productivity and still work safely," said Owens.

During the awards program, six employees spoke about their own individual attitudes towards safety. Here are some excerpts from their remarks.

"Everyone's interest in their personal pride and dignity should ensure their safety through a commitment to work according to the rules. This self-interest must extend to a commitment to their working brothers to not

only perform their job safely but also to observe and assist their brothers in doing the same."

—B. E. Hedges, track supervisor, New England Division

"If all of you here today would just imagine the daily operations of your personal automobile without rules and apparatus such as stop signs, signal lights and speed limits, you can well understand the state of confusion and unsafe conditions that would exist on the highways. Without operating rules, the same chaos would exist on our railroad."

—M. T. McCall, engineman, Allegheny Division

- "S-stands for steady employment.
- A-stands for awareness of hazards.
- F-stands for freedom from pain.
- E-stands for enthusiasm for life.
- T-stands for Team Effort produces number one in safety.
- Y-stands for YOU . . . the key person in any safety program."

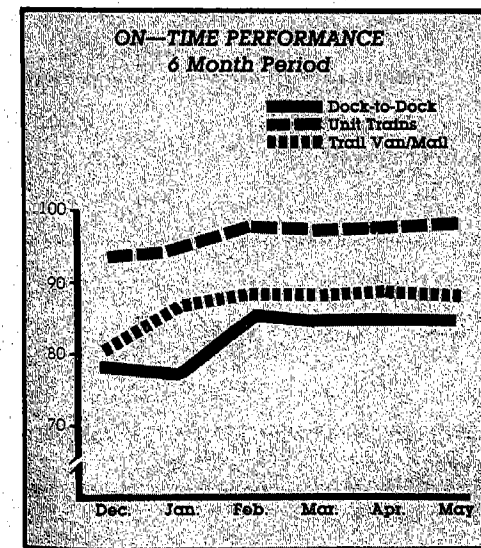
—R. L. Damell, patrolman, Southern Region

**SERVICE REPORT**

Last month, 86.5 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.

The Keypoint program measures dock-to-dock performance of selected freight cars against Conrail's schedules.

In other areas, 87.7 percent of Conrail's high-priority TrailVan and mail trains reached their destination yards within one hour of schedule, as did 100 percent of the ore and grain trains and 97.7 percent of the coal trains. At major Conrail yards, 97.3 percent of the cars monitored made their connections.



"To me, job pride and safety go hand in hand. If you enjoy your work and take pleasure in your achievements, working safely comes naturally. There is great satisfaction to repair an engine and to see and hear that engine go to work on a train and perform as it should, or to have an engineer tell you how well the engine has performed."

—L. W. Broadbent, electrician, Canada Division

"Now that I work in an office environment I have found that you still cannot let your guard down concerning safety rule compliance. Accidents can still occur. I have seen employees tip chairs over, trip over cords and other materials, run into drawers left open—fortunately none result-

**RAILROADS MOVING FREIGHT MORE CAREFULLY**

The freight loss and damage bill for railroads in the United States, Canada and Mexico continued to plummet in 1983, as programs aimed at preventing such losses continued to pay off, the Association of American Railroads (AAR) reported recently.

The ratio of loss and damage to each \$100 of freight revenue for U.S. railroads was 53 cents in 1983, down from 77 cents a year earlier.

Total payouts for loss and damage claims fell from \$233 million in 1982 to \$162 million in 1983, lowest figure since 1965 and 30.3 percent below 1982. New claims in 1983 totaled 523,878, down 39.6 percent from 1982 and the lowest figure since the AAR has kept such records.

At Conrail, loss and damage also decreased dramatically between 1982 and 1983. Conrail paid 79 cents in loss and damage claims for every \$100 in revenue last year, a 33 percent improvement over 1982's ratio. Conrail's ratio is higher than the industry average because it serves 53 percent of the nation's major metropolitan areas and hauls a larger proportion of freight that is sensitive to loss and damage.

But Conrail has also made great improvements in reducing loss and damage for its most sensitive freight. For example, while carloadings of automobiles and parts rose 22.8 percent last year over 1982's levels, freight claims for those commodities dropped by 16 percent.

Ralph A. Grover, executive director of the AAR's Freight Claim and Damage Prevention Division, noted that the 1983 figures for the industry followed a downward trend that started in 1971.

"In years past," he explained, "the claims ratio has risen during recessionary periods. But the programs we have developed in the railroad industry to help meet our loss and damage challenges have continued to produce favorable results."

ing in serious injury. However, it proves that an injury can occur at any time if rules are not complied with and safety awareness is momentarily forgotten."

—R. F. Kappler, clerk, Central Region

"Where safety rules are concerned, each of us must be our brother's keeper. We must relay to our fellow employees the importance of performing our jobs in a safe manner each and every time we observe an unsafe act. Imagine the overwhelming feelings you would have to live with if you did not correct someone you observed and they were injured or killed as a result."

—A. W. Beatty, conductor, Columbus Division

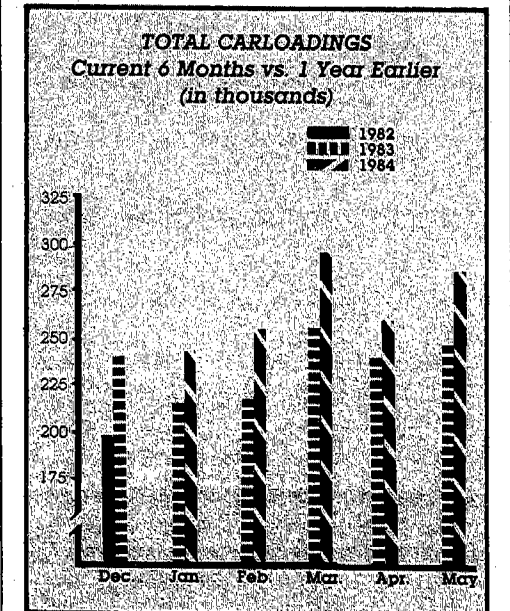
**BUSINESS REPORT**

May was a record month for traffic at Conrail. At 281,581 carloads, traffic levels reached their highest point since October of 1981, when Conrail hauled 312,216 carloads. Total carloads in May were 11.2 percent ahead of carloads in May of 1983.

Traffic loaded on Conrail lines last month was 14.5 percent ahead of levels a year ago, traffic received from connections was up 6.5 percent.

Despite a slowdown in all kinds of traffic during the week including the Memorial Day holiday, most commodities had healthy increases in May over last year's levels. Metals traffic was up almost 38 percent, automobile and parts traffic was up 10.2 percent, coal, 18.4 percent, minerals, 31.2 percent and waste and scrap, almost 23 percent.

Traffic declined last month in farm products, down 6.5 percent; food products, down 11.1 percent; and pulp and paper, down 4.4 percent.



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### POTENTIAL BUYERS

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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 also told *Business Week* magazine 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.

Besides the two large rail systems, a smaller system—Guilford Transportation In-

dustries, owned by Pittsburgh banking heir Timothy Mellon—also made a formal offer. Guilford owns three New England railroads: The Maine Central, the Boston and Maine and the Delaware and Hudson.

#### Non-railroad companies

The eight other companies who submitted formal bids for Conrail included:

• Allen and Co., Inc., New York, New York

• Arthur E. Imperatore, of Fort Lee, New Jersey and Sol Katz of Trevese, Pennsylvania. Imperatore is chairman of the A-P-A Truck Leasing Corporation. Katz is chairman and chief executive officer, Strick Corporation.

• A group headed by J. Willard Marriott, Washington, D.C.

• Citicorp, New York, New York

• First Allied Corp., Rochester, New York

• Consolidated American Transportation Systems, Inc., Orlando, Florida

• Tippecanoe Warehousing Inc., Lafayette, Indiana

• Kenneth Perryman, Los Angeles, California

LATE BREAK: As this edition was going to press, the DOT announced that a 14th party—William McCulloch and Associates of Dayton, Ohio—had submitted a bid for Conrail.

### SAFETY ACHIEVEMENT CONTINUES IN COLUMBUS

In April, Conrail's Columbus Division held the lead in safety performance for the fourth straight month, with no lost time injuries and a frequency rate of 0.00

The frequency rate measures the number of lost time injuries per 200,000 man hours worked. The Allegheny and Canada divisions, in second and third place in April, also had frequency rates of 0.00; Columbus was on top because it worked the most man hours. The most improved division was Philadelphia, which jumped from 16th place in March to fourth in April.

Conrail's top five divisions for the year to date are Canada, with a year-to-date frequency rating of 0.00; Columbus, with 0.18; Mohawk-Hudson, with 0.47; New England, with 1.16 and Allegheny, with 1.32.

The Southern Region had the best regional safety performance for April, with 0.33, and for the year-to-date, with 1.27.

Systemwide, Conrail's lost time injury frequency rate was 1.32 for April and 1.94 for the year to date. Conrail's goal for 1984 is to have an injury frequency rate of 1.80 or lower.

#### LOST TIME INJURY FREQUENCY RATE BY DIVISION April, 1984

Rank	Division	Rate
1	Columbus	0.00
2	Allegheny	0.00
3	Canada	0.00
4	Philadelphia	0.68
5	Southwest	0.68
6	Mohawk-Hudson	0.94
7	New Jersey	1.18
8	Toledo	1.21
9	Pittsburgh	1.25
10	Youngstown	1.36
11	Chicago	1.44
12	Cleveland	2.10
13	Southern Tier	2.32
14	Michigan	2.43
15	Harrisburg	2.44
16	New England	2.91
17	Buffalo	3.01

### WORK PROGRESSES ON COLUMBUS-CINCINNATI LINE

Conrail is completing a \$5.3 million track improvement project to upgrade the portion of its Columbus-Cincinnati main line between Alton and London, Ohio.

The project, begun May 22, was scheduled for completion by mid-June. It includes the installation of 26.8 miles of continuous welded rail and 12,216 cross-ties, the surfacing of 55.7 pass-miles of railbed, the rehabilitation of 16 switches, and 14 public and 14 private grade crossings.

The Columbus-Cincinnati main line is a primary route for Conrail traffic interchanged with railroads serving the South. Among the commodities handled on the line are coal, grain, chemicals and general merchandise. In seven separate projects, Conrail will install almost 100 miles of new rail on the Columbus-Cincinnati main line this summer.

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