

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

July, 1983

LATE BREAK: CONRAIL REPORTS BEST QUARTER IN HISTORY

Conrail has reported net income of \$97.2 million on revenue of \$778.4 million for the second quarter of 1983—the highest quarterly net income in Conrail history. Second quarter 1982 results, after restatement for sales of tax benefits, showed net income of \$83.8 million on revenue of \$958.8 million.

For the first six months of 1983, Conrail reported net income of \$109.9 million on revenue of \$1,508 million, compared with net income (restated) of \$60.4 million on revenue of \$1,903 million for the first half of 1982. The first half of 1983 net income is also a record for Conrail.

Net income for the second quarter and first half of 1982 was restated to include \$27.6 million and \$29.8 million, respectively, from the sale of tax benefits (safe harbor leasing). Second quarter and first half revenue for 1982 included \$149.8 million and \$310.2 million, respectively, from passenger services formerly operated by Conrail. On January 1, 1983, these operations were transferred to regional commuter agencies and Amtrak.

"Without a commitment from all employees to providing the best possible ser-

vice at the lowest possible cost, Conrail could not have achieved its best quarterly results in history," said Conrail Chairman and Chief Executive Officer L. Stanley Crane. "In good economic times and bad, continuing good service helps Conrail to get its share of the business that is available. Our employees have shown that they are committed to providing this service... the result speaks for itself."

More details on Conrail's second quarter financial results will appear in the August edition of *In Brief*.

TRAFFIC LEVELS EDGE AHEAD OF LAST YEAR

For the first time since August of 1981, Conrail's traffic levels last month were ahead of levels for the corresponding month a year earlier.

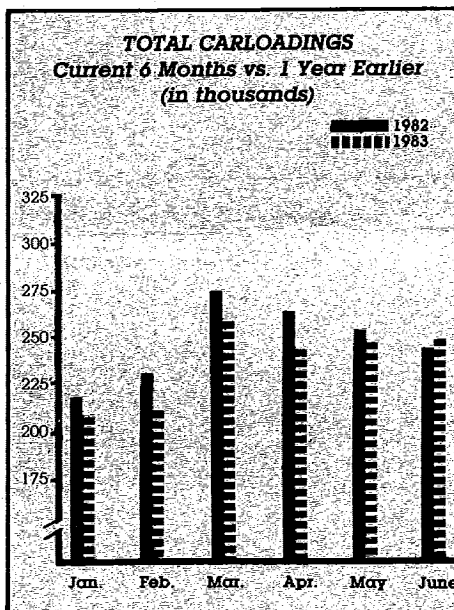
Conrail hauled 247,940 carloads of freight last month, 2.3 percent more than the 242,543 carloads hauled in June of 1982. Dramatic increases in trailer-on-flatcar traffic, which last month was 24.6 percent better than in June of 1982, and transportation equipment, which was up 12.5 percent, helped improve Conrail's overall performance for the month. Traffic loaded on Conrail lines was 5.4 percent better, traffic received from connections was down 2.1 percent.

Just a year ago, in July of 1982, Conrail's carloadings for the month were more than 28 percent lower than they were for the same month a year earlier.

In recent months, the gap between traffic levels on a month-to-month basis has grown smaller. Part of the reason for this positive trend is the recovery in the economy, which has improved the health and increased the activity of some of the basic industries Conrail serves. So to a certain extent, Conrail's future carloadings will depend on the progress of this recovery.

But extra carloadings have also been generated by Conrail's own efforts to offer prices and services that will attract a better share of the business that is available.

Below is a roundup of some of the key areas that improved their carloadings last month, and some of the reasons for the improvement.



Transportation equipment, a good part of which is automobiles and parts, increased 12.5 percent last month over levels for June of 1982. Lower financing rates for automobiles spurred sales, thus increasing Conrail's movements of finished autos.

Chemicals carloadings, up 7.4 percent, was helped along by the upturn in the automobile and housing industries, since Conrail moves many of the chemicals used

in these industries. In addition, Conrail has given its chemicals shippers opportunities to enter into contracts that reduce their costs and improve their competitive advantage, thus spurring traffic.

Primary metals traffic was up 14.7 percent, but the increase was mainly because of Conrail's special contracts that have increased its share of the metals market. While the economy had some positive impact—particularly in the semi-finished and sheet steel used by the automotive, machinery and appliance industries—contracts have made the largest impact.

Coke carloadings almost doubled last month from June of 1982 to 5,162 carloads, because of a few large-scale transfers of coke from one steel mill to another. However, most coke movements are within the same plant, since mills keep their coke supplies close to the source of production. Overall, Conrail's coke carloadings have changed little from last year's levels.

Farm products traffic, about 75 percent of which is carloads of grain, was up almost 16 percent last month from levels for June of 1982. Despite a depression in the export grain market, Conrail has been able to increase its share of the domestic grain traffic through competitive pricing for short-haul movements of 175 miles or less. In the week of June 5 through 11, Conrail's grain carloadings were 43.2 percent higher than in the corresponding week a year ago.

Other areas of growth last month included trailer-on-flatcar traffic, which has been Conrail's fastest-growing segment of traffic, up 24.6 percent, and stone, clay and glass, up 7.6 percent.

EXPORT COAL RATES DEREGULATED

On June 9, the Interstate Commerce Commission issued a decision to exempt from regulation coal shipped by rail for export. The decision came three months after the ICC announced its intention to deregulate export coal.

"Regulation is not necessary to carry out the rail transportation policy or to protect shippers from the abuse of market power," said the ICC in its written decision. "The strong and growing competition for export coal traffic has convinced us that regulation is not necessary to further the national transportation policy."

The ICC said that this competition, along with more options for shippers and the railroads' own self-interests, will prevent the railroads from abusing their new powers in the market. The Commission noted that the removal of antitrust immunity which accompanies exemption, and the railroads' awareness that regulation can be restored if market power is abused, are two important safeguards against an abuse of market power.

The National Coal Association and the Coal Exporters Association filed a petition for review in the U.S. Court of Appeals for the District of Columbia minutes after the decision was released.

Deregulation of export coal is expected to benefit Conrail by giving it more freedom

to quickly take the pricing and service actions necessary to allow it to participate in the export of the qualities of coal that are in greatest demand overseas.

The medium sulfur coal that lies adjacent to Conrail lines in Pennsylvania is not easily marketable overseas because of a tightening of environmental standards similar to those being imposed in this country. To help offset this disability Conrail has directed considerable marketing efforts to creating a more marketable product. This initiative has been focused on attracting lower sulfur coals, located primarily beyond Conrail lines in Pennsylvania, to Conrail by encouraging the blending of coals to produce a grade more suitable for export markets. Low sulfur producers on or within close proximity to Conrail's lines have been very receptive to this strategy, as have producers served by other railroads.

But pricing policies of these competing railroads have severely restricted producers' participation in market opportunities available through this blending program. Conrail anticipates that export coal deregulation will generate impetus for these non-Conrail producers to locate future mine developments or loading sites on Conrail's lines to be in a position to take advantage of Conrail's aggressive pricing initiatives.

It is expected that the recent ICC decision, which will go into effect on September 12, 1983 unless it is stayed by a court, will increase the momentum of Conrail's export coal marketing action. Conrail recently renovated Coal Pier 124 in Philadelphia to assure it has the physical capacity to participate in the growth of the export coal market.

BOXCAR DEREGULATION NEEDS YOUR SUPPORT

Employees can help Conrail reduce costs and compete with trucks by writing to their elected officials in Washington to support deregulation of boxcar traffic. Approved last spring by the Interstate Commerce Commission, boxcar deregulation is scheduled for next November. But Congress could stall the decision if it develops and approves new legislation now being encouraged by growing opposition.

Elected officials need to know that deregulation of boxcar traffic represents a significant opportunity for both shippers and carriers to reduce their costs. Employees can make it known that current excess capacity in the nation's boxcar fleet is costing railroads millions of dollars each year as they move empty boxcars across the country to their originating roads. Pricing flexibility under boxcar deregulation will increase the demand for this equipment, and all carriers would benefit from reduced empty boxcar movements. Independent pricing would also make railroads more competitive with trucks for hauling general merchandise traffic.

Conrail, which led the way in boxcar deregulation when it petitioned the ICC two years ago, believes that expression of further support to congressmen and senators can help reinforce the ICC's March 4 decision in favor of boxcar deregulation.

NEWS DIGEST

RAILROADS' FIRST QUARTER EARNINGS DOWN—The freight railroad industry's first quarter earnings fell 1.9 percent from the first quarter of 1983 compared to the same period last year, the Association of American Railroads has reported. Industry-wide, net revenues from operations fell from \$368.7 million in the first quarter of last year to \$361.5 million in the first quarter of this year. Operating revenue for the 1983 quarter totaled \$6.49 billion, from \$7.20 billion a year ago.

Dr. Harvey A. Levine, the AAR's vice president for economics and finance, said that while railroads have continued to lag behind the economic recovery, "there is reason to believe that the second quarter will be better than the first." Levine said that increases in production of lumber, forest products, building materials and chemicals should favorably impact railroads' carloadings in the second quarter. Carloadings were down 9.4 percent in the 1983 first quarter compared to the 1982 first quarter.

Conrail improved its first-quarter earnings, from a loss of \$23.5 million in 1982 to a net income of \$12.6 million in 1983. A report on Conrail's second quarter results appears on page one.

ICC ISSUES NEW RULES FOR CONTRACTS—Effective June 27, contracts between railroads and shippers become effective the

same day that they are filed with the Interstate Commerce Commission and without prior ICC approval, according to a recent ruling by the ICC.

Since the Staggers Act of 1980 permitted railroads to form contracts with shippers, the ICC has required a 30-day public notice period before the contract rates could go into effect. The ICC individually reviewed railroad requests for a waiting period of less than 30 days.

"Competition and other market forces dictate the need for rapid changes in operations and rate-making," said the ICC in its decision. "A delay in providing service under the contract hinders the railroads' competitive abilities and interferes with effective carrier management."

GUILFORD ACQUIRES B&M—A federal judge approved the sale of the bankrupt Boston and Maine Railroad to Guilford Industries Inc. for \$24.25 million. Guilford Industries, a holding company owned by railroad entrepreneur Timothy Mellon, officially took over the B&M on June 30.

The B&M, which filed for bankruptcy in

1970, includes 1,500 miles of track in all New England states except Rhode Island, along with a spur that crosses into New York from Massachusetts. Mellon already owns the 900-mile Maine Central Railroad, and has received ICC approval to buy the financially-ailing Delaware and Hudson for \$500,000.

RILEY IS NEW FRA CHIEF—John Riley, chief administrative assistant for transportation to Republican Senator David Durenberger of Minnesota, has been named by the White House to be the new head of the Federal Railroad Administration.

Riley succeeds Robert W. Blanchette, who left the FRA on May 1 to serve as chief executive officer of TGV-US, a company promoting the French high-speed passenger rail system in this country.

PIGGYBACK TERMINAL TO BE MODERNIZED

Conrail is investing \$3.8 million to modernize and expand its intermodal terminal at Rose Lake Yard in East St. Louis, Illinois.

The East St. Louis site serves Conrail's third largest intermodal territory, after Chicago and northern New Jersey. It handled almost 80,000 piggyback movements in 1982 and is served by four of Conrail's high-speed, high-priority piggyback trains daily. In the first six months of 1983, piggyback traffic volume at East St. Louis was about 38 percent greater than during the first six months of 1982.

The terminal expansion and modernization will include construction of two new loading/unloading tracks and adjacent roadway for loading and unloading of the rail cars, and for trailer parking; and the acquisition of side-loading, self-propelled lifting machines, called "Piggypackers", for lifting trailers on and off flatcars.

The expansion project, which started in early May, will provide track space for 80 rail cars. The terminal's annual trailer-handling capacity will increase to about 120,000 from the present 70,000, when the project is completed in the fall. Its design will also permit further expansion, if and when necessary, to handle future traffic growth.

"Piggyback traffic is the fastest-growing segment of our transportation business, with non-mail piggyback shipments up about 18 percent in the first six months of 1983 vs. the same period of 1982," said James A. Hagen, Conrail's senior vice president-marketing and sales. "By mechanizing our East St. Louis intermodal operations, we can meet—or beat—the competition from other modes, improve service to shippers of time-sensitive freight, and further reduce our operating costs, while handling an increased volume of piggyback traffic at this key terminal."

"ROCK BOTTOM" RATES OFFERED FOR SAND, STONE, GRAVEL

Conrail is offering substantially reduced "rock bottom" rates on construction sand, stone, and gravel shipments between points on the Conrail system. The dramatic rate reductions—in some cases, nearly 80 percent lower than previous rates—are designed to meet or beat truck competition for this traffic.

A new tariff, effective July 4, replaces point-to-point rates with a mileage-based scale of lower rates for shipments up to 200 miles. It applies to a wide variety of construction stones (except fluxing stone and rip-rap, or jetty stone), as well as sand and gravel.

Conrail's continuing success in controlling operating costs has enabled it to offer this newly priced transportation service, which is expected to lead many shippers presently using trucks to find rail shipment more economical.

The "rock bottom" rates apply to shipments of construction sand, stone, or gravel, carried in Conrail-owned 70-ton open-top hopper cars, either as single-line rates for delivery on the Conrail system, or as proportional rates for delivery on the Conrail system, or as proportional rates to be combined with rates of other railroads for interchange shipments.

If 70-ton Conrail-owned open-top hopper cars are not available, the tariff permits the substitution of Conrail-owned 100-ton cars at a higher rate, if the customer agrees to the substitution.

BACK-SAVER PROGRAM EXPANDS

A program to prevent back injuries, initiated by the Safety Department in April for Maintenance of Way employees, is being expanded this month to employees in other cities.

The four-part program is designed to help employees to protect their backs both on and off the job. It is estimated that eight out of 10 Americans will develop some kind of back problem in their lifetimes; approximately one-third of Conrail's on-the-job employee accidents involve some kind of back injury.

The program features a film entitled, "Backfire," instruction on proper lifting techniques, a session on strains and sprains, and a test on proper back care (which employees grade themselves.)

Beginning this month, each division will present the program to various crafts, beginning with those judged to be most susceptible to back injury.

A WORD ABOUT ASBESTOS

Railroad workers undoubtedly have heard that exposure to asbestos may contribute to respiratory ailments.

In earlier years, asbestos was used in many areas of railroading. It was used as lagging for the boilers of steam locomotives, as lining for steam pipes in steam locomotives and passenger cars, and as lining for stationary boilers. Persons who were employed in steam locomotive or passenger car repair shops are among those most likely to have been exposed to asbestos.

If you were employed in these occupations and were exposed to asbestos, or if you otherwise worked around or used asbestos, you should call this fact to the attention of your family doctor. If you do not have a family physician and desire to consult with a physician concerning asbestos exposure and its effects, you should call the Conrail Medical Department at (215) 596-2413.

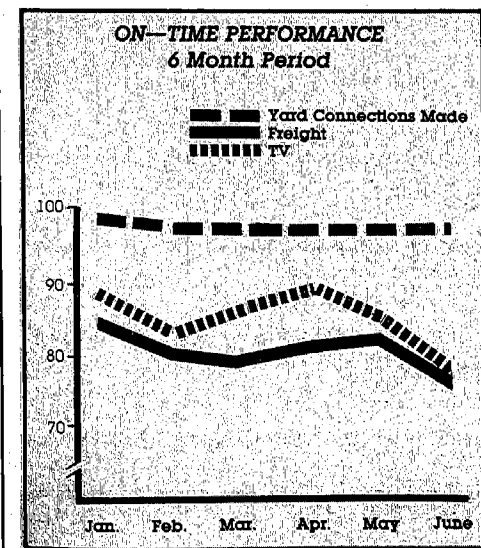
Some common precautions which should be taken by persons who have been exposed to asbestos include among others, periodic medical check-ups, the avoidance of future exposure to dust and asbestos, the prompt cessation of cigarette smoking and the avoidance of unusual over-exertion.

If you have friends or family members who have retired from the railroad, you may wish to pass this information along to them.

SERVICE REPORT

Last month, 82.7 percent of the Conrail carloads measured under the Keypoint Quality Control Program reached their destinations within 24 hours of schedule. This program logs, in hours, dock-to-dock schedule performance of selected freight cars.

In other areas, on-time performance within one hour of schedule last month stood at 72.6 percent for mail trains; 78.7 percent for TrailVan trains, and 76.7 percent for freight trains. At Conrail yards, 97.3 percent of the cars monitored made their connections.



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ALLEGHENY DIVISION HONORED FOR SAFETY ACHIEVEMENT

Employees of Conrail's Allegheny Division, who in late March achieved one million man hours without a lost-time injury, were honored early this month at an awards luncheon in Altoona, Pennsylvania.

The division worked five straight months without a lost-time injury, from November 1982 through March 1983. This achievement was a first at Conrail.

Conrail President Stuart M. Reed presented the award to representatives of employees, labor unions and region and division management attending the luncheon at the Altoona Sheraton. "Your efforts as individuals, combined with the cooperation and backing of the brotherhoods in promoting our safety objectives, are transforming Conrail from a follower to a leader in contributing to good safety practices in our industry," Reed said. "Until this year, Conrail ranked last among a dozen Class I railroads for lost-time injuries. With our very strong improvement in the first four months of 1983, Conrail has moved up to fourth place."

The division's safety improvements were cited by all three speakers, Reed, Clifford Owens, vice president-engineering and staff and Ralph Gratz, Central Region general manager. From 1979 through the first quarter of 1983, the Allegheny Division reduced its lost-time injury rate by 90.6 percent. From 1982 to 1983, lost-time injuries for the Allegheny Division have been reduced by more than 84 percent.

"With this degree of improvement, there are benefits to Conrail and there are benefits to the people who work for

Conrail," Owens said. "The more awareness we have about safety, the more we can correct any deficiencies in the way we do our jobs, and the more we can minimize the chances of any horrible personal consequences."

All speakers attributed the division's

excellent safety record to a combination of management safety programs and a positive employee attitude.

Division Superintendent William Flight and Robert Young, an Allegheny Division locomotive engineer, accepted the award on behalf of all employees.

TOLEDO MAINTAINS LEAD: OTHER DIVISIONS IMPROVE

The Toledo Division, which had the best safety performance for the month of April, continued to hold the lead in May with no lost time injuries reported. Three other divisions—Michigan, Detroit and Canada—had no lost time injuries in May.

In the lost time injury frequency ratings, which show the number of injuries per 200,000 man hours worked, the Detroit Division jumped from 14th place in April to second place in May, and the Michigan Division jumped from last place to third.

The top five Conrail divisions year-to-date in safety are Canada, Allegheny, New England, Southern Tier and Toledo. Among regions, the Central has maintained the best record year-to-date, with a lost time injury frequency rate of 1.11. The Western Region had the best safety performance for May, with a frequency rate of 0.79.

Systemwide, Conrail's lost time injury frequency rate was 1.86 for the month of May and 1.87 for the year-to-date.

LOST TIME FREQUENCY RATE BY DIVISION May, 1983

Rank	Division	Rate
1	Toledo	0.00
2	Detroit	0.00
3	Michigan	0.00
4	Canada	0.00
5	Chicago	0.63
6	New England	1.27
7	Pittsburgh	1.35
8	Southern Tier	1.47
9	Allegheny	1.63
10	Mohawk-Hudson	1.68
11	Buffalo	1.74
12	Youngstown	2.00
13	Columbus	2.64
14	Cleveland	3.02
15	Philadelphia	3.12
16	New Jersey	4.16
17	Harrisburg	4.21
18	Southwest	4.95

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