

# *in brief...*

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL



July, 1984

## OFFERS FOR CONRAIL IN REVIEW WITH DOT, CONRAIL BOARD

Now that 14 potential buyers have made formal offers to purchase Conrail from the federal government, studies are underway to find the best option.

At this writing, the Department of Transportation continues to weigh all the proposals to see if they meet the public interest criteria established for choosing the Conrail buyer. These criteria include leaving the railroad in the strongest financial condition after the sale, protecting service patterns to shippers and communities in the Northeast and offering the maximum return to the United States while remaining consistent with the previous two criteria.

In a speech before the National Industrial Traffic League on June 19, Federal Railroad Administrator John Riley said that a public offering of stock would also be considered and that Transportation Secretary Elizabeth Dole has also left open the option of accepting none of the offers if she determines that none serve the public interest or offer the government fair compensation.

On July 11, the *Philadelphia Inquirer* reported that the DOT was interviewing a "list of finalists" for the purchase of Conrail. The report did not include the number of finalists or who they are.

Goldman Sachs, the investment banking firm hired by the DOT as financial advisor for the sale, is conducting its own study of the financial terms of each offer. Goldman Sachs has been meeting with all of the bidders.

Conrail's Board of Directors is also reviewing the offers and has retained the investment firm of Morgan Stanley as an advisor. The Board had resolved on June 11 to review all the proposals, stating, "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."

The United States Railway Association, Conrail's government-appointed banker, is also studying the offers, upon the request of the House Transportation Subcommittee.

After the DOT recommends a buyer, Congress will review the proposal. Some kind of legislation will be needed to implement the sale.

*The 14 buyers who submitted bids before the June 18 deadline included:*

- **The Railway Labor Executives Association**
- **Alleghany Corporation**, New York, New York
- **Norfolk Southern Corporation**, Norfolk, Virginia
- **CSX Corporation**, Richmond, Virginia
- **Guilford Transportation Industries**, N. Billerica, Massachusetts
- **Allen and Company, Inc.**, New York, New York
- **Consolidated American Transportation Systems**, Orlando, Florida
- **First Allied Corp.**, Washington, DC
- **Arthur E. Imperatore**, Fort Lee, New Jersey/**Sol Katz**, Trevese, Pennsylvania
- **A group headed by J. Willard Marriott**, Washington, DC
- **William McCullough and Associates**, Dayton, Ohio
- **Kenneth Perryman**, Los Angeles, California
- **Tippicanoe Warehousing, Inc.**, Lafayette, Indiana
- **Citicorp**, New York, New York

## SECOND QUARTER, SIX-MONTH EARNINGS SET RECORDS

On July 11, Conrail reported preliminary net income of \$179 million for the second quarter and \$270 million for the first half of 1984.

The \$179 million net income for the second quarter of 1984 is 84 percent greater than the \$97.3 million recorded in the second quarter of 1983—and the highest for any quarter in Conrail's history. The \$270 million net income for the first half is 146 percent greater than the \$109.9 million for the first half of 1983—and the highest for any half-year period in Conrail's history.

L. Stanley Crane, chairman and chief executive officer, stated that Conrail's net income in the first six months of 1984 (\$270 million) compared favorably to Conrail's

net income of \$313 million for the entire year of 1983.

Carloadings of freight carried for the first six months of 1984 were up by more than 10 percent over the same period of 1983. Crane attributed the railroad's excellent financial performance to the traffic increases, as well as to stringent cost controls which Conrail has continued in its operations. He also noted that wage increase concessions by employees continued in the second quarter of 1984.

As to the remainder of 1984, Crane stated that "Conrail's strong financial performance shows every sign of continuing. A forecast for net income for the full year 1984 of \$450 million to \$500 million is reasonable—barring unforeseen economic disruptions."

## **CONRAIL RECEIVES "GOLDEN SPIKE" AWARD**

Conrail has received a "Golden Spike" award from the National Safety Council for its efforts to promote public safety last year.

According to Bob Currie of the National Safety Council, the awards recognize the efforts of the individual companies in the railroad industry to stimulate community and employee safety in the geographic areas they represent. Fourteen other railroads received Golden Spikes.

Over the past several years, Conrail has become involved in a number of efforts to promote better public safety. Through participation in Operation Lifesaver, a program to reduce grade-crossing accidents, Conrail helped to reduce those accidents by 23 percent in 1983. Conrail has also reached more than 73,000 young people through its film, "Trespass!", which shows the hazards of trespassing on railroad property.

This year, Conrail is introducing a "Near Miss" program to strengthen its Operation Lifesaver efforts. And Conrail is continuing to work with community fire companies and others on emergency response techniques for hazardous materials accidents.

The fourteen other railroads receiving Golden Spikes included the Bangor and Aroostook; the British Columbia Railway; the Burlington Northern; the Butte, Anaconda and Pacific Railway Company; the Canadian Pacific; the Chessie System; the Duluth, Missabe and Iron Range Railway Company; the Elgin, Joliet and Eastern Railway Company; Illinois Central Gulf; the Kansas City Southern; Norfolk and Western; the Seaboard System; the Southern Railway and the Union Pacific.

## **CONRAIL ADDS WAREHOUSES FOR STEEL SHIPPERS**

Conrail is expanding its SteelNET network, which reduces transportation costs for iron and steel shipments by combining the long-haul efficiencies of rail transportation with the flexibility of local truck delivery. The expansion adds warehouses in Pottstown, Pennsylvania and Jackson, Michigan, to the SteelNET network.

The Pottstown terminal opened in May and the Jackson terminal opened early this month. The present network now serves more steel producing centers than any other such carrier network in the country. Conrail operates six other SteelNET terminals, serving Boston (at Hopedale, Massachusetts), Chicago, Cleveland, Detroit, Philadelphia-Camden, and Youngstown (Ohio)-Sharon (Pennsylvania).

The SteelNET system provides savings of up to 20 percent when compared to truck rates and gives the shipper the flexibility of a full distribution terminal without any capital investment costs.

In the SteelNET program, shipments of bar, rod, sheet, strip and plate iron or steel are transported in gondolas or coil-steel cars from major Northeastern and Midwestern steel mills to the SteelNET warehouses. Then, the shipments are transferred to trucks for local delivery.

The warehouses offer free, short-term storage of iron and steel shipments and low cost, long-term storage rates. This allows shippers to keep inventory close at hand so it is available for immediate delivery to several customers or to meet "Just-in-Time" inventory schedules. Many of the warehouses offer indoor storage and some have temperature and humidity control for the storage of high quality steel.

Under Conrail's single-factor SteelNET through rates, the shipper pays only for the material being transported. Minimum weight charges applied by some motor carriers often result in the steel shipper paying for thousands of pounds of unused capacity if the steel shipment weighs less than the trucker's minimum weight requirement.

## **HOLLIDAYSBURG BUILDING 250 GONDOLAS**

Conrail has begun a \$9.6 million program to build 250 100-ton high-capacity gondola cars to meet the needs of scrap metal shippers. The 52-foot long cars are being constructed at Conrail's Hollidaysburg, Pennsylvania, Car Shop.

Construction of the gondola cars began July 16 and is expected to be completed by the end of November.

"Scrap metal shippers by far are the highest-volume users of Conrail's general service gondola fleet," said James A. Hagen, Conrail's senior vice president-marketing and sales. "This substantial investment by Conrail demonstrates our firm commitment to the scrap metal market, and our continuing interest in providing necessary rolling stock to meet our customers' needs for efficient, cost-effective rail service."

## **IN THE PRESS: EDITORIALS ABOUT THE BIDS**

"No bid for Conrail... should be ruled out arbitrarily, but the Reagan administration and Congress are obligated to assure the best possible railroad for Northeast and Midwest states served by Conrail and the best possible financial settlement for the American taxpayers. The buyer must be committed to high standards of competence and excellence in running a railroad. There must be no fire sale."

*The Philadelphia Inquirer*, July 9

"Government stepped in and created an entity to provide a service that failing private railroads could no longer manage in much of the Northeast. The experiment has worked. Putting the railroad back in the private sector, where it ideally belongs, should be done carefully and without haste."

*The Hartford Courant*, June 29

"Conrail has been through the wringer. There's been a lot of pain on the road to recovery, and there's no reason to rush into a fire sale just as all the pain and effort are paying off."

*Trains magazine*, June 1984

"Conrail is heading for profits of nearly \$1 billion over a two-year period. Such profits have to be measured against the size of the offers. If the bids don't stack up, federal officials need feel no obligation to sell now."

"After all, the government has proven that the railroad can be run quite nicely as it is. There's no reason to rush out of a profitable arrangement."

*The Press*, Bristol, Connecticut, June 20

"A country that prefers to see its businesses operated by private ownerships, and yet appreciates the rescue by Conrail, views these developments with mixed emotions. It will demand strong guarantees and proof of intentions and capability in order to justify a change in ownership and operation."

"The nation won't stand for the system going downhill again, now that Conrail has showed how it can improve and stay in the black."

*The Journal and Courier*, Lafayette, Indiana, June 17

## **JUNE AUTO SALES BEST SINCE '78**

Sales of American-made automobiles during the last ten days of June were 10.9 percent ahead of sales for the same period in 1983, giving the auto industry its best selling rate for that period since 1978.

For the entire month of June, auto sales increased 8.9 percent for domestic producers. General Motors' sales increased 9.9 percent; Ford sales were up 5.3 percent; Chrysler sales rose 10.2 percent and American Motors sales were up 2.9 percent.

Sales of cars manufactured by Volkswagen of America dipped 34 percent last month from 1983's levels. But American Honda Motor Co.'s sales increased by 129.2 percent.

Conrail is the largest rail carrier serving the U.S. auto industry. In 1983, Conrail hauled 338,000 carloads of auto parts and finished vehicles, which contributed \$475 million in revenue, or 15 percent of Conrail's total revenue.

## LABOR/MANAGEMENT TEAM FORMED IN JACKSON

Labor and management representatives of Conrail's Michigan Division have formed a joint committee to solve problems and discuss mutual concerns affecting that division.

The group, called the "Michigan Positive Action Committee," is the most recent joint committee to be created under Conrail's two-year-old Labor/Management Project. Now in place on eight Conrail divisions, this program encourages labor and management people to solve problems, improve the work environment and help Conrail to save money. At a number of locations, quality circles have also been established to help employees solve problems affecting their specific work environment.

The Michigan group, based in Jackson, is co-chaired by Ken Zorger, assistant division engineer, Terry Morris, local chairman of the Railroad Yardmasters of America and

Steve Dowding, local chairman of the United Transportation Union.

Here is an update on what the Labor/Management Project is doing in other divisions:

- **In Cleveland**, a quality circle at the Collinwood Diesel Terminal will present the results of their latest project to a management committee this month.

- **In Detroit**, the Detroit Joint Improvement Committee has completed a project to improve lighting at River Rouge Yard.

- **In Toledo**, the Toledo Joint Improvement Committee is pursuing a project to reduce the cost and down-time of periodic oil changes and preventive maintenance for Conrail vehicles.

- **In Philadelphia**, a quality circle program already in place at 32nd Street offices is expanding to Six Penn Center.

- **In Altoona**, quality circles are in place at Juniata and Hollidaysburg for shop craft employees.

- **In Columbus and Indianapolis**, joint labor/management committees have been working on a number of projects and ideas to improve the work environment.

## BUSINESS REPORT

Conrail's trend of improving traffic levels, which began in June of 1983, has continued for more than a year now.

Traffic in carloadings last month reached 267,430, 9.3 percent higher than levels for the same period a year earlier. June of 1983 was the first month since August of 1981 in which Conrail's traffic levels were ahead of levels for the corresponding month a year earlier.

Last month, traffic loaded on Conrail lines increased 9.6 percent over levels for June of 1983; traffic received from connections increased 8.9 percent.

Carloadings improved last month over June 1983 levels in coal, up 18 percent; primary metals, up 16.3 percent; automobiles and parts, up 8.9 percent; waste and scrap, up 26.3 percent; coke, up 19 percent; trailer-on-flatcar, up 8.5 percent; chemicals, up 6.2 percent and four other commodity groups.

Traffic continued to decline in farm products due to the drought last summer, which has decreased grain movements this year. Farm products carloadings were down 15.8 percent last month.

Other decreases were in food products, down 6.1 percent and pulp and paper, down 3.4 percent.

## TRACK PROJECTS COMPLETE IN PA, NJ

Conrail is completing a \$1.2 million track improvement project to upgrade sections of its Enola Branch between Harrisburg and Parksburg, Pennsylvania.

The project, begun last April, is scheduled to be completed by mid-July. It includes the installation of 9.8 miles of continuous welded rail and 41,000 cross-ties, and the surfacing of 62 pass-miles of railbed.

The Enola Branch connects Conrail's Enola and Harrisburg yards with Conrail-served points along the Eastern Seaboard via Philadelphia or Morrisville, Pennsylvania. Conrail's high-speed, high priority TrailVan trains—as well as trains carrying a variety of commodities such as coal, steel, chemicals, grain, automobiles, auto parts and miscellaneous freight—utilize the line.

Conrail invested \$35.3 million to upgrade the Enola Branch between 1976 and 1983, installing 103 miles of continuous welded rail and 274,000 cross-ties and surfacing 739 pass-miles of railbed.

Conrail is also completing an \$800,000 track improvement project to upgrade the portion of its Lehigh Line between Cranford and South Plainfield, New Jersey.

The project includes the installation of 4.7 miles of continuous welded rail and 3,650 cross-ties, the surfacing of 10.5 pass-miles of railbed, and the rehabilitation of one switch and two public grade crossings.

The Lehigh Line is a principal through-route for freight trains, connecting Conrail facilities in northern New Jersey with Allentown and Philadelphia and with lines to the West, Midwest and Southern sections of the country.

The line serves Conrail's piggyback trains and other trains carrying steel, paper, chemicals, grain and miscellaneous freight.

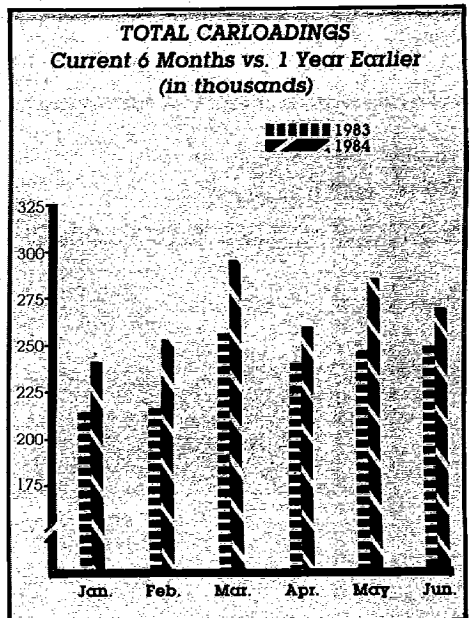
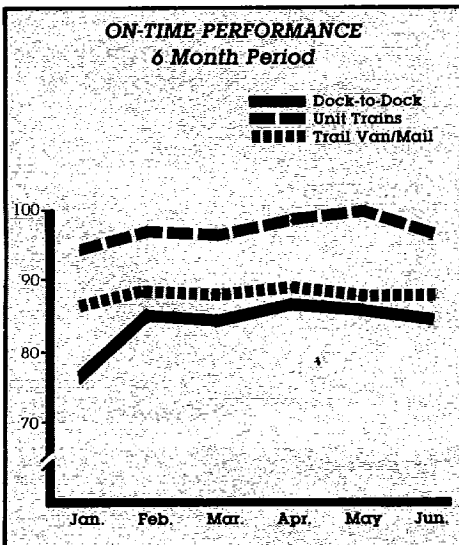
Conrail invested \$52 million between 1976 and 1983 to upgrade the Lehigh Line, installing 132 miles of continuous welded rail and 566,000 cross-ties and surfacing 1,851 pass-miles of railbed.

## SERVICE REPORT

Last month, 85.1 percent of the loaded freight cars measured under Conrail's Key-point Quality Control program reached their destinations within 24 hours of the scheduled standard. This program logs transit time of selected freight cars from their origins on Conrail lines to their destinations at a customer siding or interchange.

In other measures last month, 96.2 percent of Conrail's unit trains reached their destination yards within one hour of schedule. On-time performance for coal unit trains stood at 97.4 percent; ore trains were 100 percent on time and grain trains were 50 percent on time.

Conrail's high-speed, high-priority TrailVan and mail trains had an on time performance rate of 87.7 percent. At major Conrail yards, 97.1 percent of the cars monitored made their connections.



**in brief...**

### **COLUMBUS CONTINUES WINNING STREAK IN SAFETY**

Conrail's Columbus Division continued to have the best safety record among divisions in safety, holding the lead in May for the fifth straight month.

Columbus was one of six divisions with a lost-time injury frequency rate of 0.00. (The frequency rate measures the number of lost time injuries per 200,000 man hours worked. In case of a tie, the higher ranking is given to the division with the most man hours.)

The New England Division, in fourth place, was the most improved division in May, improving its ranking from 16th place in April. The Cleveland Division moved up to third place in May from 12th place in April, and the Michigan Division moved from 14th place to fifth.

The best divisions in safety for the year to date are Canada, with a year-to-date frequency rate of 0.00; Columbus, with 0.14; Mohawk-Hudson, with 0.74; New England, with 0.90 and Allegheny, with 1.02.

The Central and Southern regions tied for first place in safety for the month of May, with lost time injury frequency rates of 0.62. The Southern is on top for the year to date, with a rate of 1.13.

Systemwide, Conrail's lost time injury frequency rate was 1.13 for May and 1.91 for the year to date. Conrail's goal for 1984 is a frequency rate of 1.80 or less.

#### **LOST TIME INJURY FREQUENCY RATE BY DIVISION May, 1984**

<b>Rank</b>	<b>Division</b>	<b>Rate</b>
1	Columbus	0.00
2	Allegheny	0.00
3	Cleveland	0.00
4	New England	0.00
5	Michigan	0.00
6	Canada	0.00
7	Toledo	0.53
8	Pittsburgh	0.57
9	Youngstown	0.61
10	Philadelphia	0.63
11	Buffalo	0.90
12	New Jersey	1.09
13	Southwest	1.27
14	Harrisburg	1.68
15	Mohawk-Hudson	1.73
16	Chicago	2.07
17	Southern Tier	2.23

### **EMPLOYEE'S WIFE WINS BIGGEST JACKPOT EVER**

The wife of a Conrail employee has won the biggest jackpot ever awarded in a United States lottery: \$15.6 million.

Marcia Sanford, wife of David O. Sanford, a maintenance of way machinist in the New England Division, won her jackpot in the Massachusetts Megabucks Lottery. The winning ticket was only the second she had ever bought.

The Sanfords, who live in Westfield, Massachusetts, say that they both plan to continue at their jobs. Mrs. Sanford is a secretary at an engineering firm.

The largest previous award in a lottery was \$10.2 million awarded in the New York lottery earlier this year.

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