

# in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

August, 1983

## NEW RAILROAD RETIREMENT LEGISLATION ENACTED

During the first week of August, new legislation intended to assure the long term solvency of the Railroad Retirement system and to address the funding of Railroad Unemployment Insurance was sent by Congress to President Reagan. The new legislation is referred to as the "Railroad Retirement Solvency Act of 1983."

Enactment of this new legislation has been recognized as crucial to assuring the solvency of the Railroad Retirement system. If corrective action had not been taken, the approximately one million railroad retirees would have had their Tier II retirement benefits reduced by 40 percent on October 1, 1983. This reduction would have grown to 80 percent on October 1, 1984.

This legislation represents a difficult compromise that reduces benefits to future retirees choosing to retire prior to age 62 with at least 30 years of railroad service, imposes significant new taxes upon railroads and rail workers and subjects payments of Tier II benefits to federal income taxes. The resulting legislation is complex and necessarily must be analyzed by the Railroad Retirement Board before detailed information can be made available.

At Conrail's request, the Railroad Retirement Board has provided the following information that is of immediate interest to Conrail employees. The representatives of the Railroad Retirement Board have

emphasized that the information is subject to further review and interpretation.

### Changes in the Former 60/30 Retirement Provisions

Under the former law, individuals who had at least 30 years of railroad service could retire after reaching age 60 without any reduction in either their Tier I or Tier II benefits. The new law does not provide for a reduction in the Tier II benefit, but for rail workers who retire prior to age 62 on the basis of their having at least 30 years of railroad service the following schedule will apply.

**"Grandfathered" Group:** Rail workers who—by June 30, 1984—will reach at least ages 60 through 61 and who will have at least 30 years of railroad service may retire with a full Railroad Retirement annuity regardless of the date they choose to have their annuities begin.

**"Transitional Early Retirement" Group:** Rail workers who—during the period from July 1, 1984 through December 31, 1985—will reach at least ages 60 through 61 and who will have at least 30 years of railroad service, may choose to retire prior to attaining age 62; however, their Railroad Retirement Tier I benefits will be reduced by 10 percent.

**"Early Retirement" Group:** Rail workers who—on or after January 1, 1986—will

reach age 60 and who will have at least 30 years of railroad service, may choose to retire prior to reaching age 62, however, their Railroad Retirement Tier I benefits will be reduced by 20 percent.

Thus, after the phase-in period is completed on December 31, 1985, anyone having at least 30 years of railroad service will upon reaching age 60 have the opportunity to choose early retirement, but if they do so, their Railroad Retirement Tier I benefits will be reduced by 20 percent.

### Tax Increases

The new act increases the payroll taxes that will be paid by Conrail and other railroads and by rail workers for Tier II. The following table shows the new Tier II tax rates.

#### Tier II Payroll Taxes

Date	Conrail	Employees
Current	11.75%	2.0%
1/1/84	12.75%	2.75%
1/1/85	13.75%	3.50%
1/1/86	14.75%	4.25%

The Fall/Winter issue of *The Conrail Inside Track*, which it is anticipated will be distributed in October, 1983, will include more detailed information from the Railroad Retirement Board explaining and interpreting the new legislation in greater detail.

## SANTA FE INDUSTRIES TO TAKE AN "IN-DEPTH LOOK" AT CONRAIL

On July 27, Santa Fe Industries Chairman John L. Schmidt announced that the Santa Fe is exploring the possibility of buying Conrail from the federal government. Santa Fe Industries is the parent company of the Santa Fe Railway Company.

The Santa Fe is the second party to formally announce an interest in buying Conrail. On June 14, the Railway Labor Executives Association (RLEA) submitted a proposal to the Department of Transportation (DOT) for an employee purchase of Conrail.

Schmidt made the announcement at a meeting with Morgan Guarantee Trust analysts in New York. He emphasized that Santa Fe must "do something to increase

the size and the market power of the railroad."

"It is time for action and if a proper combination can be affected, which will enhance our stockholders' long term interest, it will be done," Schmidt said, adding that "if a merger is good for one company, it should be as good or better for the partner."

"I would like all of you to know that I have informed Stanley Crane, key people in the DOT and Goldman Sachs that I will take an in-depth look at Conrail," Schmidt said. Later, he said that Santa Fe would look at other options, including mergers with railroads other than Conrail.

In response to the announcement by Santa Fe, Conrail stated: "Conrail is aware

of the announcement by Mr. Schmidt, but has no comment on it other than to note that, just as we have provided data to the RLEA, we will provide data to Santa Fe as well as any other entity interested in purchasing Conrail. Of course, the final decision on the sale of Conrail will be made by the federal government."

DOT holds 85 percent of the common stock of Conrail, with the remaining 15 percent being committed to a trust for Conrail's Employee Stock Ownership Plan. Within certain guidelines of the Northeast Rail Service Act of 1981, and with the approval of Congress, DOT can sell the federal government's interest in Conrail—in effect, transfer ownership from the federal government to the private sector.

**MORE ON CONRAIL'S BEST QUARTER IN HISTORY**

Conrail's second quarter 1983 results, the best quarterly results in its history, were significant because \$93.8 million of the \$97.2 million net income was from railroad operations.

In the second quarter of last year, Conrail's net income of \$83.8 million included only \$56.2 million from rail operations; the rest was from sales of tax benefits and other special items.

In a statement to the press, Conrail Chairman and Chief Executive Officer L. Stanley Crane said that the second quarter 1983 results "are the direct consequence of a combination of the much tighter cost control structure we now have in place and the stable traffic base which is developing as a result of the country's economic upturn."

Crane added that the company's performance was "a testimonial to the efforts of all Conrail employees to reduce costs and increase profitable traffic."

Conrail's net income for the first half of 1983 totaled \$109.9 million, also a record for the company.

Under the financial reporting requirements of the Interstate Commerce Commission, Conrail showed net income of \$36.1 million for the second quarter and net income of \$54.7 million for the first half of this year, compared with \$19.6 million and \$4.6 million, respectively, for the second quarter and first half of 1982.

This achievement came despite a drop in traffic volume. Carloadings for the second quarter of 1983 were down about 3 percent from the second quarter of 1982; volume for the first half of 1983 decreased 5 percent from the same period a year earlier. But traffic levels for June edged ahead of levels for June of 1982, as did carloadings for last month (see Business Report, below.)

According to Crane, "If that upturn continues, Conrail stands to be a beneficiary in the remainder of 1983."

During the second quarter of this year, Conrail also passed the first of two profitability tests mandated by the Northeast Rail Service Act of 1981 (NERSA). This achievement brought Conrail a step closer to a fundamental objective of the federal government in launching Conrail seven years ago: To eventually return a profitable Northeast and Midwest rail system to private sector ownership.

"The significance of a successful transfer of Conrail to the private sector is very great—to the railroad, our customers and our employees," noted Crane. "We believe that our financial and operational performance has clearly demonstrated the continuing ability of our management team to act responsively and effectively in a competitive transportation environment."

**BUSINESS REPORT**

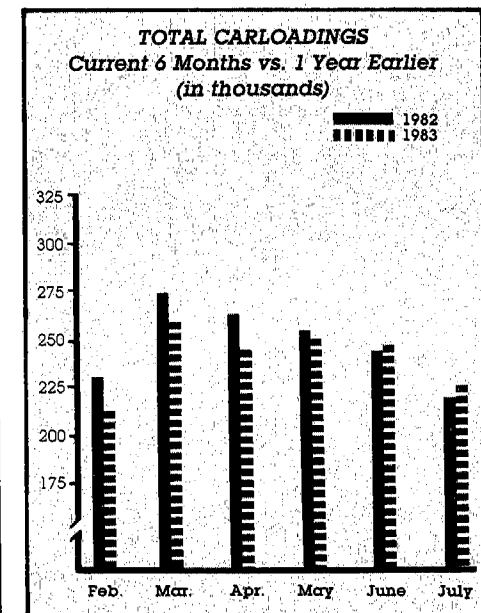
Conrail hauled 219,021 carloads of freight last month... 4.7 percent better than levels for the corresponding period a year earlier.

This improvement marked the second month in a row in which Conrail traffic increased when compared to the same period a year earlier. In June, Conrail's traffic levels were 2.3 percent higher than the same period a year ago, it was the first time since August of 1981 that traffic had not declined.

During July, traffic loaded on Conrail lines was 3.6 percent better than last year, traffic received from connections was 0.3 percent better.

Carloadings of nine commodity groups improved. Primary metals traffic, up 32.3 percent over levels for the same period a year earlier, was helped along by increases in the type of steel used by the automotive industry and by contracts that have increased Conrail's share of the market. A stronger housing industry pushed lumber and wood products traffic up nearly 3 percent. Coke traffic, up more than 108 percent, was recovering remarkably from 1982's depressed levels. Other increases were in transportation equipment, up 7.4 percent; metallic ores, up 9.4 percent; chemicals, up 11.5 percent; stone, clay and glass, up 4.1 percent; waste and scrap, up 4.5 percent; and trailer-on-flatcar (TOFC) traffic, up 22.7 percent.

Traffic levels declined in farm products, down 6.1 percent; coal, down 0.3 percent; non-metallic minerals, down 12.0 percent; food products, down 3.6 percent; and pulp and paper, down 8.4 percent.



**RAILROADS REPORT SECOND QUARTER EARNINGS**

Like Conrail, other railroads' earnings in the second quarter were affected by cost control measures and the economic health of the industries they serve. In addition, a few larger railroads' incomes were impacted by mergers. Here is a summary of how other railroads did for the second quarter of 1983.

**Southern Pacific Company**, the parent company of the Southern Pacific Railroad, earned \$18.6 million from rail operations in the second quarter of this year, compared to \$13.5 million for the second quarter of 1982. Increased traffic in lumber and chemicals contributed to the improvement.

**Union Pacific Corporation**, parent company of the Union Pacific, Missouri Pacific and Western Pacific railroads,

earned \$98.9 million in the second quarter of this year. For the same period last year, before the Missouri and Western Pacific railroads were acquired by the corporation, earnings totaled \$100.1 million. This included \$29.8 million from the sale of stock from another of the corporation's holdings.

**Burlington Northern Inc.** earned \$164 million from rail operations during the second quarter of 1983, 33 percent better than the same period last year. Higher productivity, more efficient operations and lower fuel prices contributed to the increase.

**Norfolk Southern Corporation**, parent company of the Southern Railway and the Norfolk and Western Railway, earned \$74.9 million in the second quarter of 1983, down 45.8 percent from earnings for the same

period last year. The decline in earnings was mainly because of decreased levels of coal traffic.

**Santa Fe Industries, Inc.** earned \$24.7 million from rail operations during the second quarter of 1983, up sharply from the \$10.3 million loss in the first quarter. Rigid cost controls were the reason for the improvement. But because of low traffic levels, the second quarter results were 27 percent lower than earnings for the same period last year.

**The Chicago and Northwestern Transportation Co.** earned \$7 million in the second quarter of 1983, up from a loss of \$3.3 million in the second quarter of 1982. Increased traffic, particularly in grain, and improved productivity helped improve earnings this year.

**OPERATING APPOINTMENTS ANNOUNCED**

David L. Wilson has been named regional superintendent-transportation for the Northeastern Region, based in New Haven, Connecticut. The Northeastern Region is responsible for Conrail's operations in New England and most of New York State, including the line from Syracuse into Quebec.

James W. Fallon has been named division superintendent for the Buffalo Division,

based in Depew, New York, replacing Wilson. The Buffalo Division includes the main line connecting Syracuse, Rochester, Buffalo and Niagara Falls.

Dale A. Schaub replaces Fallon as terminal superintendent at Selkirk Yard, near Albany, New York and William E. Sizemore replaces Schaub as terminal superintendent of Conway Yard, near Pittsburgh.

**TRAFFIC BEGINS REBOUND IN EARLY SUMMER**

For four consecutive weeks, business levels on U.S. railroads surpassed the levels for the corresponding weeks a year earlier, the Association of American Railroads reported recently.

Revenue ton-miles for the weeks ending June 11, 18, 25 and July 2 showed the first steady improvement over last year's levels so far this year. The increase was especially significant because coal traffic, which traditionally accounts for the biggest chunk of ton-miles, was well below last year's levels.

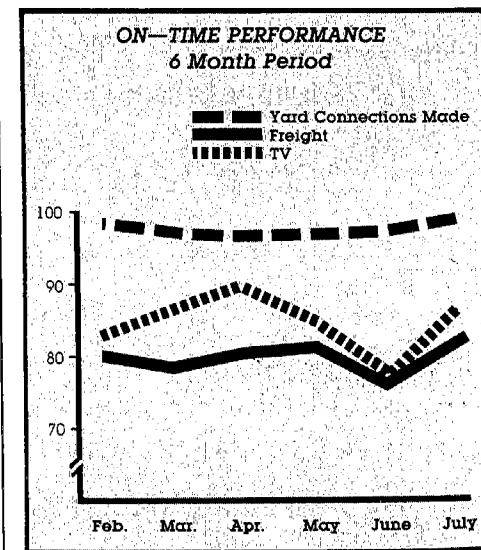
During the week ending June 11, revenue ton miles were 1.8 percent better than they were in the corresponding week in 1982. On a year-to-year basis, revenue ton miles improved 4 percent in the week ending June 18, 4.8 percent in the week ending June 25 and 8 percent in the week ending July 2.

But ton-miles for the first half of the year are still 3.3 percent lower than levels for the first half of 1982. Cautioned AAR vice president for economics and finance Harvey A. Levine: "The statistics for these four weeks are no indication that the rail industry is out of the woods. They do indicate, however, that the economic environment at mid-1983 is improving rather than deteriorating further."

**SERVICE REPORT**

Last month, service rebounded from June's lower levels to near levels attained in July of 1982. Conrail's Keypoint Quality Control Program showed that 84.5 percent of the measured carloads reached their customer sidings or interchanges within 24 hours of schedule, compared to 83 percent in June.

Other measures showed improvement as well. Among mail trains, 90.6 percent reached their destination yards within one hour of schedule, compared to 73 percent a month earlier. On-time performance of TrailVan trains stood at 86.6 percent last month, compared to 79 percent a month earlier. 83.9 percent of the freight trains were on time, compared to 77 percent in June. At major Conrail yards, 98.6 percent of the cars monitored made their connections, up from 97 percent a month earlier.



**TRESPASSING FILM AVAILABLE FOR SCHOOLS, COMMUNITY GROUPS**

"Trespass!" Conrail's film aimed at reducing railroad trespassing accidents among youngsters, is now available for showing to community groups and schools.

The 16-minute film, shot on Conrail property and featuring Conrail employees, is a realistic portrayal of railroad operations and railroad hazards. It recently won an honorable mention from the American Film Festival.

Conrail Police departments in each region are responsible for scheduling and showing the film to community groups and schools. In the Fall, the film will be available to interested groups through film libraries managed under contract with a commercial distribution service.

Any requests for the film from schools or civic groups should be referred to Conrail Police in the appropriate territory. A list of names, addresses and phone numbers is below.

**In the Philadelphia, Baltimore and Harrisburg areas:**

Superintendent J.D. Robinson  
3025 Walnut Street  
Philadelphia, PA 19104  
215-596-2840

**In northern and central New Jersey, New York City, Allentown and Bethlehem, Pennsylvania and Binghamton, New York:**

Superintendent Q. McQuaid  
231 Johnson Avenue  
Newark, NJ 07108  
201-465-7175

**In Chicago:**

Superintendent-Police  
Room 466, Chicago Union Station  
516 W. Jackson Boulevard  
Chicago, IL 60608  
312-559-3093

**In New York State and Massachusetts:**

Superintendent A.C. Blevins  
Selkirk Yard  
Selkirk, NY 12158  
518-767-6252

**In Altoona and Pittsburgh, Pennsylvania and Youngstown and Cleveland, Ohio:**

Inspector W.C. Tharp  
Suite 102, Conrail Building  
425 Holiday Drive  
Pittsburgh PA 15220  
412-928-7165

**In Cincinnati and Columbus, Ohio, Indiana and East St. Louis:**

Inspector C.L. Hoffman  
31 East Georgia Street  
Indianapolis, IN 46204  
317-356-3893

**In Detroit, Jackson and Kalamazoo, Michigan and Toledo, Ohio:**

Inspector G.F. Bahnline  
2405 W. Vernor Highway  
Detroit, MI 48216  
313-496-4281

**OLD SCRAP TARIFF SCRAPPED FOR SIMPLIFIED RATES**

Conrail has condensed more than 1,000 pages of scrap iron or steel tariffs into a concise 38-page booklet, to simplify rate calculations. The restructured rates are primarily aimed at the major scrap markets of Cleveland, Detroit and Pittsburgh, but are available for other points in Conrail's territory as well. They are now in effect.

The new scrap rates mark another step toward the conversion of Conrail tariffs into a more readable format for shippers. In 1981, Conrail revised a 4,000-page grain tariff into a 38-page booklet. Tonnage per car increased dramatically as a result.

"Scrap dealers are essentially independent businessmen, and usually do not have traffic managers planning their transportation needs," said James A. Hagen, senior vice president-marketing and sales. "By eliminating unnecessary complexity in our scrap iron and steel tariff, we hope to make it easier for scrap dealers to use our rates—and also hope to increase the traffic."

The revised scrap rates apply to a wide variety of iron or steel scrap, including borings, filings, briquettes, grindings, ingot molds, plate, rails, turnings and wheels.

**TOLEDO HOLDS LEAD FOR THIRD STRAIGHT MONTH**

During the month of June, Conrail's Toledo Division had the lowest rate of lost time injuries for the third month in a row. The Toledo Division had no lost time injuries in June.

Four other Conrail divisions—Southern Tier, Detroit, Michigan and Canada—reported no lost time injuries for the month of June, with lost time frequency rates of 0.00. The frequency rate measures the number of lost time injuries per 200,000 man hours worked. When two or more divisions have the same frequency rate, the higher ranking goes to the division with the most man hours worked.

The Canada Division has the lowest rate of injuries for the first half of the year, with a frequency rate of 0.00. Other divisions in the winners' circle year-to-date include Allegheny, with a lost time frequency rate of

0.85, Southern Tier, with 0.86; New England, with 0.92 and Toledo, with 1.15.

Among Conrail regions, the Western Region had the lowest rate of lost time injuries for June, with a frequency rate of 1.41, and the Central Region has the best record year-to-date, with a frequency rate of 1.32.

Systemwide, Conrail's lost time frequency rate was 1.87 for June and 1.97 for the year-to-date.

**LABOR/MANAGEMENT PROJECT MOVES TO SOUTHERN REGION**

On August 8, Conrail's one-year-old Labor/Management Project was introduced to management representatives of Conrail's Southern Region.

The program, which enables employees to contribute their ideas for solving problems and saving money, was introduced by its Liaison Committee to regional and division management at Indianapolis. Following the introduction, it is expected that a joint labor/management cooperative committee will be formed first in Columbus and later in Indianapolis.

The program is currently in place at Cleveland, Detroit, Altoona, Toledo and Philadelphia. Joint labor/management committees, which discuss areas of mutual concern, are in place at all these locations; quality circles have been established at Cleveland, Detroit and Philadelphia. This month, the Toledo committee began working towards establishing quality circles at that location.

Through the Labor/Management Project, employees have so far helped Conrail to save \$1.5 million.

**TRACK PROJECT UPDATE**

In Pennsylvania, Conrail is working on a \$3.6 million track improvement project to upgrade 14.5 miles of the Enola Branch between Enola and Columbia.

The line connects Conrail's Enola and Harrisburg yards with points along the eastern seaboard between Philadelphia and northern New Jersey. Conrail's high-speed, high-priority TrailVan and mail trains move on the line, as well as trains carrying a variety of commodities, such as coal, grain, auto parts and mixed freight.

The Enola Branch project, begun in early May, is scheduled to be completed late this month. It includes the installation of more than 13 miles of continuous welded rail and nearly 8,000 cross-ties and the surfacing of 18.5 pass miles of railbed.

Since 1976, Conrail has invested \$13.5 million to rehabilitate the line.

Late last month, Conrail started a \$5.9 million project to upgrade two segments of its Cleveland-Indianapolis main line between Bellefontaine, Ohio and Indianapolis, Indiana. The project is scheduled for completion in October.

The Cleveland-Indianapolis line is a vital link in Conrail's core system, connecting to the St. Louis Gateway, where traffic is interchanged with other railroads. Major commodities shipped over the line include grain, coal, chemicals, automobiles, auto parts and general merchandise, both in regular freight trains and in TrailVan trains.

The project includes the installation of 49 miles of continuous welded rail and more than 20,500 cross-ties and the surfacing of over 168 pass miles of roadbed. In addition, 30 public and 16 private grade crossings will be rehabilitated.

Since 1976 Conrail has invested \$91.6 million to upgrade this line.

**LOST TIME FREQUENCY RATE BY DIVISION  
June, 1983**

Rank	Division	Rate
1	Toledo	0.00
2	Southern Tier	0.00
3	Detroit	0.00
4	Michigan	0.00
5	Canada	0.00
6	Pittsburgh	0.68
7	Southwest	1.19
8	Philadelphia	1.26
9	New England	1.26
10	Allegheny	1.56
11	Buffalo	1.65
12	Columbus	2.07
13	Chicago	2.67
14	Cleveland	2.92
15	Youngstown	3.14
16	Harrisburg	3.27
17	New Jersey	3.55
18	Mohawk-Hudson	5.84

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

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