in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

August, 1984

CONRAIL BIDDERS NARROWED TO SIX; CONGRESSMEN ASK ONE-YEAR HALT TO SALE

Last month, the U.S. Department of Transportation announced that the list of Conrail bidders had been narrowed from 14 to six. While published reports early this month contended that the list of bidders had been further narrowed to two or three, the DOT has maintained that six bidders are still in the running for Conrail.

And on July 26, a group of Congressmen called for a one-year halt to the sale to give Congress more time to study its possible effects.

According to a Federal Railroad Administration spokesman, negotiations are proceeding with the Railway Labor Executives Association; Citicorp, New York; Alleghany Corp., New York; an investment group headed by hotel magnate J. Willard Marriott and including the wealthy Bass Brothers of Fort Worth, Texas; Guilford Transportation Industries, Inc., Billerica, Massachusetts; and Norfolk Southern Corp., Norfolk, Virginia.

Others who submitted bids include CSX Corp., Richmond, Virginia; Tippecanoe Warehousing, Inc., Lafayette, Indiana; Allen and Company, New York; Consolidated American Transportation Systems, Orlando, Florida; First Allied Corp., Washington, DC; Arthur E. Imperatore, Fort Lee, New Jersey/Sol Katz, Trevose, Pennsylvania; William McCullough and Associates, Dayton, Ohio; and Kenneth Perryman, Los Angeles, California.

Transportation Secretary Elizabeth Dole noted that the six finalists best met the public interest criteria established for the selection of a Conrail buyer.

"I will only recommend an offer that leaves the railroad in the strongest financial condition after a sale, that best preserves service to the states and shippers Conrail serves, and, consistent with these criteria, that provides the maximum return to the taxpayer," said Dole.

Late last month, Loews Corp. joined the list of Conrail bidders through a partnership with RLEA. But Loews—a New York-based conglomerate which owns theaters, hotels, the Bulova Watch Company and Lorillard tobacco products—was reported to have dropped out of the partnership.

On July 26, nineteen members of the House of Representatives proposed a one-year moratorium on the sale proceedings through a letter to Representative James Florio (D-New Jersey), Chairman of the House Subcommittee on Commerce, Transportation and Tourism.

The letter asked for "an opportunity to thoroughly examine the economic and public interest issues at stake in the Conrail sale," and said that reelection campaigning would limit their ability to study the issues adequately before the end of the year.

"The process being followed by the Department of Transportation has effectively prevented Congress and the public from examining these issues related to the sale of Conrail thus far," stated the letter. "We must clearly state our intention to examine these issues thoroughly in order to prevent a hasty and destructive auctioning-off of the railroad."

Said representative Bob Edgar (D-Pennsylvania), author of the letter: "It's not an attempt to scuttle the sale. It's simply an attempt to do it in a thoughtful, rational way. I will not support any sale that doesn't have a thoughtful review by both houses."

The Congressmen said that they wanted to study the impact of the sale on service in Conrail's territory; the intentions of any purchaser to sell parts of the railroad and the purchaser's commitments to honor contracts with Conrail employees.

MORE ON CONRAIL'S SECOND QUARTER, FIRST HALF

Editor's note: In the July edition, In Brief *reported preliminary financial results of $179 million for the second quarter and $270 million for the first half of 1984. Conrail's final results for the quarter and half appear below.*

On July 19, Conrail reported net income of $178.9 million on revenue of $886.7 million for the second quarter of 1984—the highest quarterly net income in the railroad's history. Second quarter 1983 results showed net income of $97.3 million on revenue of $778.3 million.

For the first six months of 1984, Conrail reported record net income of $269.8 million on revenue of $1,744 million, compared with net income of $109.9 million on revenue of $1,508 million for the first half of 1983.

"The strong national economic recovery—which resulted in increased freight traffic for Conrail—and our vigorous and continuing cost control efforts provided the impetus for Conrail's sustained financial improvement, both in the second quarter and the first half," said L. Stanley Crane, chairman and chief executive officer. "The fact that in the first half of 1984 our net income came within $43 million of matching Conrail's net income of $313 million for the entire year 1983 is a performance of which we are proud."

Freight car and piggyback loadings for the second quarter increased 9.7 percent vs. the same period in 1983 (889,905 loadings vs. 811,127, respectively). For the first six months of 1984, loadings increased by 10.6 percent vs. the same period of 1983 (1,739,928 vs. 1,572,495, respectively).

Showing the strongest gains over 1983 were: coal (14.1 percent for the quarter and 12.9 percent for the first half); coke (16.6 and 7.0 percent, respectively); finished and semi-finished iron and steel (26.8 and 29.5 percent, respectively); metallic ores (13.5 and 51.8 percent, respectively); motor vehicles and motor vehicle components (10.0 and 19.7 percent, respectively); nonmetallic minerals (22.1 and 19.7 percent, respectively); and piggyback (13.0 and 13.2 percent, respectively).

Crane noted that a forecast for net income for the full year 1984 of $450 million to $500 million is reasonable—barring unforeseen economic distruptions.

"Even taking into account that the first half net income of $269.8 million reflects benefits of about $60 million from the wage increase concessions by our employees and about $12 million in state taxes from which Conrail is exempt under the Northeast Rail Service Act of 1981, these results demonstrate that the railroad is a robust, profitable organization which produces bottom-line income which compares favorably with other major railroads," Crane stated.

For a report on how other railroads did in the second quarter and first half of 1984, see page 2.

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HOW OTHER ROADS DID IN THE SECOND QUARTER

CSX Corporation, a transportation and natural resources company formed by the merger of the Chessie System and Seaboard Coast Line Industries, earned $145.5 million in the second quarter, nearly double the $64.3 million earned in the second quarter of 1983. CSX's earnings for the first half of 1984 totaled $260.4 million, compared with $98.7 million for the same period last year. Revenues for the quarter jumped from $1.25 billion in 1983 to $1.97 billion in 1984; first half revenues increased from $2.38 billion to $4.0 billion.

Continued strength in the economy, along with a surge in domestic coal shipments to electric utilities, were behind the improvement, CSX officials said. The company's rail traffic increased eight percent in the 1984 second quarter over the same period a year earlier. Coal traffic was up by 27 percent.

Union Pacific Corporation's earnings in the second quarter totaled $128.4 million, up 26 percent from the $102 million earned in the same period in 1983. But quarterly revenues decreased from $2.10 billion in 1983 to $2.01 billion in 1984.

Six-month earnings were up 38 percent to $229.7 million, compared to $167 million for the first six months of 1983. Revenues for the half fell from $4.25 billion in 1983 to $3.97 billion in 1984.

Rail traffic in carloadings over the Union Pacific System—which includes the Union Pacific, Western Pacific and Missouri Pacific railroads—increased 7 percent. The company's income from rail operations climbed to $72 million on revenues of $976 million during the second quarter of this year, compared to $64.6 million on revenues of $1.11 billion last year. Income from Union Pacific's energy companies also increased.

Burlington Northern Inc.'s railroad operations earned $242.9 million on $1.1 billion in revenue in the second quarter, up from $164.4 million earned on $951.9 million in revenue in the second quarter of 1983. Increased traffic levels and higher productivity contributed to the improvement, BN's management said.

Santa Fe Southern Pacific Corp. earned $143 million on $1.7 billion in revenue in the second quarter, up 55 percent from the $92.2 million earned on $1.47 billion in revenue during the same period a year earlier. Income for the first half of 1984 totaled $250 million on $3.34 billion in revenue, up from $116.8 million earned on $2.86 billion in revenue for the first half of 1983. A 10.9 percent increase in carloadings on the Santa Fe Railway and a 7.9 percent increase on the Southern Pacific helped improve the income from rail operations.

Norfolk Southern Corp., parent company of the Southern and the Norfolk and Western railways, earned $136 million on $920.3 million in revenue in the second quarter. Earnings increased 42.4 percent from the second quarter of 1983, when Norfolk Southern earned $95.6 million. Revenue increased 15.2 percent from 1983 to 1984.

For the first six months of 1984, Norfolk Southern earned $239.3 million on $1.8 billion in revenue. For the same period in 1983, Norfolk Southern earned $152.4 million. Earnings for the period increased 57 percent and revenues increased 7.6 percent from 1983 to 1984.

NEWS DIGEST

ICC DEREGULATES MEAT, POULTRY, DAIRY GOODS—Effective July 30, the Interstate Commerce Commission deregulated rail transportation of fresh meat, poultry and dairy products.

The ICC's decision exempts from regulation rail rates and services for poultry and poultry products; fresh meat, hides and skins; processed poultry and eggs; freeze dried meat and ingredients; condensed, evaporated and dry milk; cheese and special dairy products and animal refuse, tankage or meat meal.

CSX PURCHASE OF BARGE LINE APPROVED—The Interstate Commerce Commission on July 24 approved the takeover by CSX Corporation of American Commercial Lines and its barge line subsidiary, American Commercial Barge Lines. This decision will make possible the first merger of a railroad and a barge line.

Opponents of the merger had argued that the merger was illegal under the Panama Canal Act, a 1912 law that prohibits railroads from owning competing water carriers unless the ICC determines that the merger would be in the public interest and that competition would not be reduced. The ICC found that the acquisition of ACL by CSX would not diminish competition. But they also voted to monitor the results of the merger into the future.

PIGGYBACK TRAFFIC HITS WEEKLY HIGH—The Association of American Railroads reported that loadings of piggyback trailers and containers for the week ending June 30 were the highest ever recorded: 98,842. That figure surpassed the previous record of 98,599 set for the week ending March 31.

Through the first 26 weeks of 1984, the nation's railroads loaded 2,268,334 trailers and containers on 1,314,327 cars. Both figures set a record for the 26-week period, and both were 17.1 percent higher than the same period last year.

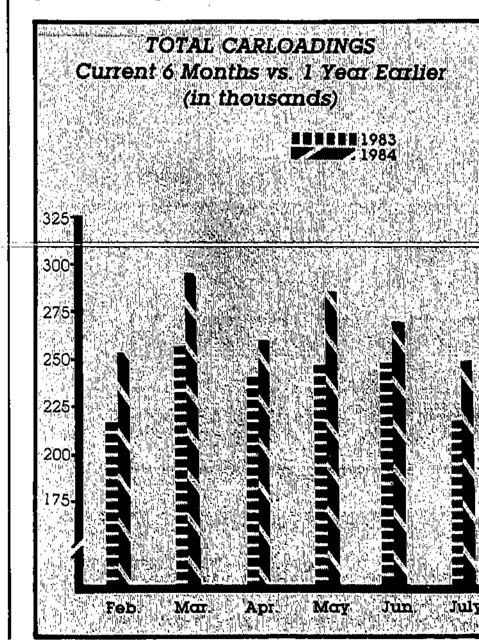
A RECORD FOR COAL LOADINGS—Coal loadings in the first 26 weeks of 1984 were the highest for that period in more than a quarter century, the Association of American Railroads reported. Through June 30, coal loadings totaled 2,994,378 cars—the highest level since 1957, when coal loadings for the period totaled 3,476,777 cars. And today the average coal car carries 46 percent more coal than the average coal car in 1957.

BUSINESS REPORT

Conrail hauled 249,852 carloads of freight last month, 11.3 percent more than it hauled in July of 1983. Traffic loaded on Conrail lines increased 12.2 percent; traffic received from connections improved by 10.1 percent.

Carloadings in nearly all major commodity groups improved last month over the same period in 1983. The only exceptions were food products, down 9.2 percent, and pulp and paper, down 1.9 percent.

Carloadings of automobiles and parts improved 14.8 percent; primary metals traffic increased 15.2 percent; trailer-on-flatcar traffic increased 9.7 percent; coal traffic increased 14.9 percent; coke traffic improved 63.4 percent; chemicals traffic increased 6.1 percent and farm products carloadings improved 2.0 percent.



DOUBLE DECK INTERMODAL SERVICE BEGINS

Conrail has teamed up with American President Lines and two other railroads—Union Pacific System and Chicago and North Western—to create a special coast-to-coast intermodal service using a highly efficient "double deck" train that can haul twice as many containers as a conventional train.

The new service, which transports the containers loaded one on top of the other on a specially-designed flatcar between Seattle, Washington, and Kearny, New Jersey (to serve the New York-New Jersey metropolitan area), began July 21 with the loading of the first train in Seattle. The service offers fifth morning delivery on either coast and the first train arrived in Kearny on schedule July 25.

The dedicated unit train leaves Seattle every other Saturday and leaves Kearny on the return trip every other Friday. Eastbound, the train transports general merchandise in "mini-landbridge" service (goods shipped from the Far East to the United States' West Coast by water, where they are transferred to railcars for delivery to the East Coast). Westbound, it speeds freight going to both the West Coast and the Far East.

APL discharges containers from the Far East in Seattle and the boxes are stacked in pairs aboard the train. The Union Pacific System speeds the train to Fremont, Nebraska, transferring it there to the C&NW, which takes it to Chicago. Conrail handles the train on the final leg between Chicago and Kearny, where the containers are delivered to APL's customers in the New York metropolitan area.

The unique train consists of 20 car sets. Each car set contains five articulated platforms. Each platform has positions for two 40 or 45-foot containers. The end platforms can also hold two 20-foot containers and one of the larger containers. This gives each car set the capacity to hold up to 12 containers. It would take two conventional trains, each carrying 100 containers, to match the capacity of this train.

Each platform weighs only 30,000 pounds, which is some 60 percent less than today's conventional rail flatcar. This makes it the lightest and most efficient railcar ever built for intermodal transportation.

On the Conrail leg of the train's run, the Southern Tier route between Buffalo, New York, and northern New Jersey is being used because it already has the vertical clearance of 19 feet, 4 inches required to accommodate the stacked containers. The only additional work for clearances required for the Chicago-Kearny movement was performed near Erie, Pennsylvania, and in the North Jersey Terminal District.

The Budd Company of Philadelphia proposed the idea for the car sets in 1980 and built a prototype called the "Lo-Pac 2000." APL decided to use the car sets for its containers and each of the railroads worked with the builder of the car, Thrall Car Manufacturing Company of Chicago Heights, Illinois, in developing the design to handle containers exclusively.

AAR CHIEF WARNS OF THREATS AGAINST DEREGULATION

Deregulation will give railroads a prosperous future if its critics don't get their way in Washington, said Association of American Railroads President William Dempsey.

Dempsey, speaking before the Cooperstown Conference in Rockland, Maine, on July 10, noted that special interest groups are currently lobbying in Washington for changes to the Staggers Rail Act, which deregulated the rail industry in 1980.

If their efforts are successful, he said, "Railroad deregulation would cease; railroads would once again be a totally regulated industry—one that could take virtually no action on its own, one that would again require government approval for virtually every management decision it made."

Under Staggers, railroads have become a much stronger industry, Dempsey noted. "Taken as a whole, the Staggers Act and the whole program of railroad deregulation stand out as possibly the most successful government transportation program in our lifetimes.

"We may not have solved all of our problems, but we have taken positive steps towards that end," he said.

"Deferred maintenance, equipment shortages, service problems—all chronic just a few short years ago—are virtually nonexistent today. Wall Street obviously likes what it sees in our new directions. Instead of viewing the railroad industry as one near death, it now views it as one with a bright future."

If the Staggers Act is left untampered with, this bright future can be realized, Dempsey said. "Deregulation is the key, however, because only with a freedom to respond to the market can railroads utilize their inherent advantages to gain new business and reduce expenses," he added.

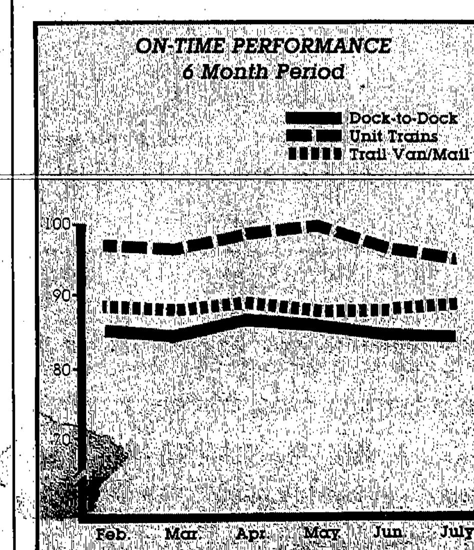
Dempsey said that the Staggers Act will make the following improvements possible in the future:

- Railroads can continue to selectively abandon trackage that doesn't pay its own way; this will lead to increased productivity of track.
- The freedom to change rates quickly in response to business conditions will help railroads to maximize their revenue and allocate their equipment among customers.
- More and more commodities and classes of service should be made totally exempt from regulation of rates and services. The Staggers Act allows traffic to be totally deregulated if it can be shown that the railroads face plenty of competition for that segment of traffic. Several commodities—including fruits and vegetables and export coal—have since been deregulated, with good results for both railroads and shippers.
- The percentage of rail traffic moving under contract between railroads and shippers will continue to grow. Contracts allow railroads to tailor rates and services to shippers' needs, and also to guarantee themselves a certain volume of business.

SERVICE REPORT

During July, 86.2 percent of the loaded freight cars measured under Conrail's Keypoint Quality Control Program reached their destinations within 24 hours of the scheduled standard. This program logs, in hours, actual transit time from a car's origins on Conrail lines to its destination at a customer siding or interchange.

In other performance measures, 89.4 percent of Conrail's high-speed TrailVan and mail trains reached their destination yards within one hour of schedule, as did 97 percent of Conrail's unit trains (96.9 percent of the coal trains; 100 percent of the ore trains; and 93.1 percent of the grain trains). At major Conrail yards, 97.5 percent of the cars monitored made their connections.



KOCH APPOINTED TO TOP C&S POST

Robert H. Koch has been appointed chief engineer-communications and signals, replacing Harvey Alexander, who has retired after 44 years in the field. Alexander was a recognized leader among railroad signalling officers.

Koch is responsible for the design and maintenance of Conrail's signal system. He reports to Benjamin J. Gordon, Conrail's chief engineering officer.

Prior to his current appointment, Koch served as engineer-communications and signals design for three years. He began his railroad career with the Santa Fe in 1951 and joined the New York Central in 1957. At Conrail, he has served in various positions in the C&S Department. Koch, 52, is a licensed professional engineer.

TOLEDO TAKES LEAD IN SAFETY; CANADA LOGS MILLIONTH INJURY-FREE MAN HOUR

In June, Conrail's Toledo Division moved to the number-one spot in safety performance, unseating the Columbus Division, which had held the lead for five months. And the Canada Division, which is number one in safety for the year to date, logged its millionth man hour without a lost time injury.

Toledo was one of seven divisions in June with no lost time injuries and 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. When two or more divisions have the same rate, the higher ranking is given to the division with the most man hours.

The Canada Division, which reported no lost time injuries in 1982 or 1983, logged their millionth injury-free man hour on June 6, 1984.

The top five Conrail divisions for the year to date are Canada, with a frequency rate of 0.00; Columbus, with 0.24; Allegheny, with 0.83; New England, with 0.99 and Toledo, with 1.07.

The Western Region had the best safety performance for the month of June, with a frequency rate of 0.64; the Southern Region has the best record for the year to date, with 1.22.

Systemwide, Conrail's lost time injury frequency rate was 1.43 for the month of June and 1.87 for the year to date. Conrail's safety goal this year is a frequency rate of 1.80 or lower.

LOST TIME INJURY FREQUENCY RATE BY DIVISION June, 1984

Rank	Division	Rate
1	Toledo	0.00
2	Allegheny	0.00
3	Buffalo	0.00
4	Cleveland	0.00
5	New England	0.00
6	Michigan	0.00
7	Canada	0.00
8	Columbus	0.68
9	New Jersey	1.15
10	Southwest	1.33
11	Harrisburg	1.71
12	Mohawk-Hudson	1.77
13	Chicago	2.21
14	Southern Tier	2.25
15	Youngstown	2.55
16	Philadelphia	2.72
17	Pittsburgh	3.10

'NEAR MISS' EMPHASIZES GRADE CROSSING SAFETY

Conrail is beginning a new program to promote greater awareness of grade crossing hazards among motorists.

The new program, called "Near Miss," will involve Conrail's Safety and Police departments, municipal police, and the voluntary efforts of employees everywhere.

"Near Miss" is aimed at motorists who disregard warning signals at crossings and attempt to get to the other side before the train passes. Employees who observe a grade crossing violation will be asked to fill out a post card ("Report of Failure to Stop at Railroad/Highway Grade Crossing," form 553). The card will include information about the location of the near miss, the type of grade crossing protection, and identifying characteristics of the vehicle.

The completed card can then be forwarded through railroad service mail or through an employee's immediate supervisor to Conrail's Police Department. Conrail Police will send the information to municipal police departments, to school districts in the case of school bus violations, or to businesses if a company vehicle is involved.

The cards are now being distributed to division safety personnel and will be placed on all Conrail locomotives and company off-track vehicles. Employees who observe a grade crossing violation and who do not have a card should write down as much information as possible and obtain a card later from the safety supervisor on their division.

Conrail has also been working with state and local governments and with the National Safety Council on "Operation Lifesaver," a program to educate the public about the hazards at grade crossings. Operation Lifesaver is in place in six Conrail states: Illinois, Indiana, Michigan, Ohio, New York and New Jersey. Conrail is also working to involve other states in the Operation Lifesaver effort.

SUPERVISOR HONORED

Ed McCouch, supervisor of clearances at Conrail's Clearance Bureau in Philadelphia, has won a special award for his efforts to solve routing and clearance problems for high-and-wide freight.

The Railway Industrial Clearance Association (RICA) awarded McCouch its William J. Walker Memorial Award, named for a former member of the Pennsylvania Rail Road Clearance Bureau. RICA is comprised of representatives from companies that ship high-and-wide loads and from railroad clearance bureaus.

McCouch, an RICA member and former president, was chosen by his fellow members for the award because of his contributions to the organization and to his profession.

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