

# in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL



August, 1987

## CONRAIL BOARD DECLARES \$0.25 DIVIDEND; SHAREHOLDERS ELECT 4 NEW BOARD MEMBERS

Conrail announced on July 29 that its Board of Directors declared a \$0.25 per share cash dividend, payable September 15 to shareholders of record August 28—including Employee Stock Ownership Plan (ESOP) participants and covering all ESOP shares. This will be the first dividend to shareholders paid by Conrail since the March 26, 1987 initial public stock offering of the government's 85 percent ownership interest in the company.

At a Special Shareholders' Meeting on July 29 held in Philadelphia—Conrail's first as a publicly traded company—shareholders elected 11 of Conrail's 13 Directors, including four new Directors. (The terms of the two other Directors, L. Stanley Crane, Chairman and Chief Executive

Officer, and Stuart M. Reed, President and Chief Operating Officer, expire at the annual meeting of shareholders in 1988.)

The slate of Directors received 98 percent of the votes cast at the meeting. The four new Directors are: Daniel B. Burke, President and Chief Operating Officer, Capital Cities/ABC, Inc., and its predecessor company, Capital Cities, since 1972, and a former member of Conrail's Board, having served from April 1981 through April 1986; Robert K. Campbell, President of Pennsylvania Power & Light Company since 1977, and President and Chief Executive Officer of the company since 1979; Ann F. Friedlaender, Dean of the School of Humanities and Social Science, Massachusetts Institute of Technology, since September 1985, and a former member of Conrail's Board, having served from October 1978 to April 1981; and E. Bradley Jones, retired from the position of Chairman and Chief Executive Officer of LTV Steel Company and Group Vice President, LTV Corporation, in December 1984.

Conrail's shareholders also reelected as Directors: Wiley A. Branton, Esq.; William R. Dimeling; Sam Hall Flint; Roger

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## EMPLOYEE SAFETY POSTER CAMPAIGN BEGINS

As part of a continuing system-wide effort to heighten the level of employee sensitivity to the importance of safety, Conrail initiated a safety poster campaign in July. Through the combined efforts of the Operating, Safety and Public Affairs Departments, 1,000 on-duty locations (covering all crafts) will display daily a one-and-a-half-by-two-foot framed reminder that could save a life.

Each location has received a set of twelve posters, so that a different safety message will be conveyed each month. Utilizing the theme "Don't Let This Happen To You," each poster features dramatic photography depicting an actual accident scenario.

"We reviewed the incidents which resulted in fatalities, injuries and near misses over the past few years and tried to determine the most common causes of dangerous occurrences," said Michael C. Mitchell, Director-Safety. "We then put together the poster campaign to help keep employees alert and remind them of the constant need for safe working practices."

## CONRAIL/SANTA FE TRAIN FASTEST COAST-TO-COAST

In July Conrail announced the inauguration of the fastest scheduled coast-to-coast railroad service available to intermodal customers.

On Sunday, August 2, the first train completed its inaugural run from the metropolitan New York area to Los Angeles in just over 71 hours. Conrail and Santa Fe Railway stated. The schedule calls for 76 hours.

The train, carrying mail for the United States Postal Service and intermodal freight for other shippers, arrived in Los Angeles at 3:35 a.m. (PDT). It had departed for the West Coast from North Bergen, N.J., at 7:29 a.m. (EDT), Thursday, July 30. (In its first 15 days of operation, the train arrived within schedule daily.)

The new service carries strict performance requirements and is made possible by a contract with the Postal Service. It operates from Conrail terminals in northern New Jersey and connects with the Santa Fe Railway at Corwith Yard in Chicago. From there, Santa Fe takes the train to Los Angeles.

Because of the 76-hour transit time from the East Coast, shipments are available to customers in Los Angeles on the fourth morning, instead of the fourth evening as previously.

## GORDON H. KUHN NEW VICE PRESIDENT-MARKETING

Gordon H. Kuhn has been named by Conrail as Vice President-Marketing. Charles N. Marshall, Senior Vice President-Marketing & Sales, stated that Kuhn is responsible for all marketing-related activities of Conrail.

Kuhn, 37, had been Assistant Vice President-Boxcar/Intermodal Business Group in Conrail's Marketing Department since June 1985, where he was responsible for Conrail's marketing and pricing activities in serving the needs of shippers using the railroad's extensive general merchandise and premium service intermodal network.

Prior to that, Kuhn was Assistant Vice President-Automotive, Gondola and Flatcar Business Group, and before that held various other marketing positions with both Conrail and the Penn Central, a Conrail predecessor company at which he began his railroad career in 1975.

Kuhn, a native of Jenkintown, Pa., received an M.B.A. degree in 1974 from the University of Pennsylvania's Wharton School of Business, and a B.A. degree from Syracuse University in 1972. He resides in Havertown, Pa.

He succeeds George C. Woodward, who left Conrail to join another company.

## **STAGGERS RAIL ACT UPDATE**

Although the Congress has recessed for the summer, the various legislative proposals to change the Staggers Rail Act are still very much alive in Washington, DC. Congressman Thomas A. Luken (D-OH), chairman of the House Subcommittee on Transportation, Tourism and Hazardous Materials of the House Committee on Energy and Commerce, sponsored a series of meetings to explore whether some compromise was possible between the positions of the Association of American Railroads and various groups seeking Staggers Act changes, including Consumers United for Rail Equity (CURE). So far, a compromise has not been reached, and none seems likely.

(The railroads, with Conrail at the forefront, believe that any legislation aimed at reregulating the industry would further reduce the industry's already low profitability, and be destructive.)

Also, the National Industrial Transportation League (NITL) has come forward with a proposal to provide access to terminal areas on demand by a second railroad, without any showing of market dominance on the part of the owning railroad—and at cost!

In a statement in response to the NITL proposal, William H. Dempsey, AAR president said, that the "proposal, if enacted into law, would have a severely negative impact on the rail industry."

*In Brief* will keep readers up to date in future editions on Congressional activities regarding efforts to change the Staggers Act.

## **NEW 'IHB STEEL EXPRESS' MOVES PRODUCTS FASTER**

The Indiana Harbor Belt Railroad (IHB) has begun a new train service—the "IHB Steel Express"—which speeds finished steel products one day faster from northwestern Indiana mills to Midwest and Western points such as Minneapolis, Minn., Omaha, Neb., and Stockton, Calif., via connecting railroads.

(The IHB is 51 percent owned by Conrail and 49 percent owned by the Soo Line Railroad Company.)

In the new service, IHB trains pick up shipments daily from steel mills in Hammond, East Chicago and Indiana Harbor, Ind., and bring them to IHB's Gibson Yard in Hammond. The shipments include coil steel, plate steel and sheet steel moving in gondolas and flatcars.

At Gibson Yard, the carloads of shipments are classified—sorted and lined up in groups of cars in order of their delivery to connecting railroads.

## **NUSSRALLAH NAMED ASST. VP-CHIEF MECHANICAL OFFICER; ABATE NAMED REPAIR SHOPS HEAD**

John R. Nussrallah was appointed as Assistant Vice President-Chief Mechanical Officer, Richard B. Hasselman, Conrail's Senior Vice President-Operations, announced. Nussrallah replaced Joseph S. Fadale, who retired after a 45-year railroad career.

Nussrallah, who was General Mechanical Superintendent-Shops at Altoona, Pa., was succeeded in that position by Frank D. Abate, formerly Director-Locomotive, Freight and Passenger Car Components, at Altoona.

In his new position, Nussrallah is responsible for Conrail's locomotive and freight car repair shops and for the design and maintenance of all Conrail rolling stock. He reports to Donald A. Swanson, Vice President-Transportation.

Nussrallah began his railroad career in 1967 as an engineering trainee with the New York Central Railroad. At Conrail, he has held various management positions in the Mechanical Department. He holds a Bachelor of Science degree from Cleveland State University.

Abate, in his new position, directs the railroad's heavy locomotive and freight car repair programs at the locomotive

shop in Altoona and the car repair shops in Hollidaysburg (near Altoona), Reading and Meadville, Pa.

Abate began his railroad career in 1950 as an apprentice electrician with the New York Central. He spent 24 years with the New York Central and Penn Central railroads in various Mechanical Department positions before going to Amtrak in 1973. He left Amtrak, where he was Vice President-Operations and Maintenance, to join Conrail in 1986.

Joseph S. Fadale began his railroad career in 1942 with the New York Central. After advancing through numerous management positions he became General Mechanical Superintendent-Shops in Altoona. In his 13 years in that position, Fadale was largely responsible for the modernization of Conrail's locomotive shops, and for the restoration of Conrail's locomotive and freight car fleet. He became Conrail's Assistant Vice President-Chief Mechanical Officer in 1983.

**MAKE SAFETY FIRST...  
AND MAKE IT LAST!**

## **HIRYAK NEW DIRECTOR-AUTOMOTIVE SALES**

Conrail has named Paul J. Hiryak as Director-Automotive Sales, based in Detroit, G.M. Williams Jr., Vice President-Sales, announced. Hiryak replaces Jack W. Ringwood, who retired.

In his new position, Hiryak directs Conrail's sales program to domestic and foreign automotive industries and assists in the development of new transportation products for the railroad's automotive customers. Hiryak also oversees Conrail automotive Account Executives in Cincinnati, Cleveland, Detroit, Los Angeles, New York, and Philadelphia. He reports to Timothy P. Dwyer, Assistant Vice President-Sales.

Conrail is one of the nation's largest transporters of automotive parts and finished vehicles.

Hiryak, formerly Conrail's Regional Sales Manager in Houston, joined the railroad in 1977 as a sales/marketing trainee, and has since held various account executive and sales management positions in the Sales Department.

He holds a Bachelor of Arts degree from Pennsylvania State University and attended graduate school at Drexel University.

## **CONRAIL DIRECTORS**

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S. Hillas; Stanley E.G. Hillman; L. Chester May; and Raymond T. Schuler.

Dimeling, Flint and May were elected to terms expiring in 1988; Branton, Campbell, Friedlaender and Schuler to terms expiring in 1989; and Burke, Hillas, Hillman and Jones to terms expiring in 1990.

The Special Shareholders' Meeting was held pursuant to the Conrail Privatization Act of 1986.

In other business at the meeting, shareholders also approved proxy proposals to:

- establish a 1987 long-term incentive compensation plan by, 97 percent of the votes cast;
- amend the by-laws of Conrail to limit the liability of Directors to the extent permitted by Pennsylvania law, and to expand the provisions of the by-laws concerning indemnification by Conrail of its Directors, officers, employees and agents, by 91 percent of the votes cast; and,
- ratify the appointment of Coopers & Lybrand as the independent certified public accountants of Conrail for 1987, by 99 percent of the votes cast.

## **RAILROADS' 2ND QUARTER EARNINGS: RESULTS MIXED**

The nation's major railroad companies reported mixed results for the second quarter and first six months of 1987 compared with the same period a year ago.

As previously reported in *In Brief*, Conrail reported net income of \$72 million for the second quarter compared with pro forma net income of \$75 million for the same period of last year. (Actual net income for second quarter 1986 was \$145 million.) Revenue for the quarter increased to \$819 million from revenue of \$811 million for the second quarter of 1986. (Pro forma net income reflects the additional expenses and other changes related to Conrail's privatization, as if all of the changes were in effect since the beginning of 1986.)

For the first six months of 1987, Conrail's pro forma net income was \$121 million vs. \$98 million for 1986. (Actual net

## **CONRAIL TO EXPAND COAL TERMINAL AT PHILA.**

Conrail is investing \$650,000 to expand capacity and improve operations at its rail-to-vessel anthracite coal "fines" transfer terminal along the Delaware River in the Port Richmond section of Philadelphia.

(Anthracite coal "fines" are granular by-products of the mining of anthracite coal, which are gathered mainly in eastern Pennsylvania from mines in the Scranton, Wilkes-Barre and Reading areas.)

Completion of the terminal project by late 1987 will enable Conrail to double annual handling capacity at the terminal to 500,000 tons. In 1986, the terminal's first year of operation as an anthracite coal "fines" transfer facility, 233,000 tons were transloaded at Port Richmond.

The "fines" are moved to Philadelphia by Conrail from the anthracite coal region and exported through Port Richmond to Korea for manufacture into home heating and cooking fuel.

This year's project will expand and improve ground storage, where the anthracite coal "fines" are dried to meet export specifications, and will improve mechanical rail-to-ground and ground-to-ship transfer systems, to enhance Conrail's ability to handle the variety of "fines" shipped through the terminal according to their particular characteristics.

Conrail invested more than \$940,000 at Port Richmond in 1986 to begin the transfer operations there.

income for the first six months of 1987 was \$158 million vs. \$205 million for the same period of 1986.) Conrail reported a revenue increase for the first six months of \$1.607 billion vs. revenue of \$1.586 billion for the same period of 1986.

## **BURLINGTON NORTHERN**

Burlington Northern (BN) said its earnings for the second quarter of 1987 were \$74 million compared with a loss of \$785 million for the second quarter last year. The 1986 second quarter loss includes writedowns of \$813 million in the oil, gas and railroad businesses.

Revenue for BN was \$1.57 billion for the second quarter, down 6.6 percent from revenue of \$1.68 billion for the same period in 1986.

BN reported six-month income of \$144 million for 1987 vs. a 1986 six-month loss of \$1.04 billion. (The 1986 six-month figure also includes the writedowns of \$813 million. In addition, it includes a charge of \$336 million for a railroad depreciation accounting change.) Revenue was \$3.23 billion, down from \$3.64 billion for the first six months of 1986.

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## **THE ACCIDENT FILE**

Following safety rules and developing safe work habits protects you from injury. It can also save your life. The Accident File appears as a regular feature of *In Brief* to help keep you aware that SAFETY IS EVERYONE'S JOB.

The Accident File is an actual incident that has occurred on a major railroad. The railroad safety rules tell you how such incidents can be avoided in the future.

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A transportation supervisor dismounted from the lead locomotive of an eastbound freight train. He was struck by a lite unit consist also operating eastbound, against the current of traffic, on the adjacent main track. The supervisor sustained severe injuries—his left foot was severed.

## **APPLICABLE SAFETY RULE**

You must expect equipment to move on any track, in any direction, at any time. Look in both directions before getting on or off moving equipment.

## **CONRAIL ANNOUNCES APPOINTMENTS IN OPERATIONS**

Three Division Superintendents have been appointed in Conrail's Operating Department, Richard B. Hasselman, Senior Vice President-Operations, announced.

Donald M. Connelly was named Division Superintendent of the Chicago Division, based in Lansing, Ill. Connelly formerly was Division Superintendent of the New Jersey Division. He began his railroad career in 1961 with the New York Central, a Conrail predecessor, as a yard clerk.

The Chicago Division controls Conrail operations in an area extending from Chicago to Elkhart and Fort Wayne, Ind., and to Streator and Danville, Ill. The Chicago Division is also responsible for Elkhart Yard in Elkhart, Ind., one of the largest freight car classification yards on the Conrail system, and for three major intermodal terminals in Chicago.

Hugh J. Kiley was promoted to Division Superintendent of the New Jersey Division, where he formerly was Assistant Superintendent. He began his railroad career in 1970 with the Penn Central, another Conrail predecessor, as a brakeman. Kiley holds a Bachelor of Business

Administration degree from the University of Rhode Island.

The New Jersey Division controls Conrail operations in northern New Jersey, northeastern Pennsylvania and along the west bank of the Hudson River between northern New Jersey and Selkirk, N.Y., near Albany, and is also responsible for Oak Island Yard, in Newark, N.J., the largest freight car classification yard in the metropolitan New York area, and Allentown Yard in Allentown, Pa., serving Lehigh Valley and western New Jersey shippers.

Dale A. Schaub was named Division Superintendent of the Toledo Division. Schaub formerly was Superintendent of the Chicago Division. He began his railroad career in 1975 with the Penn Central as an assistant general track foreman in Philadelphia. Schaub holds a Bachelor of Arts degree from Indiana University in Pennsylvania.

The Toledo Division controls Conrail operations between Cleveland and Elkhart, Ind. on the Buffalo-Chicago line, and on lines extending from Toledo north to, and including, the Detroit area, and south to Carrothers and Lime City, Ohio.

**RAILROADS REPORT MIXED RESULTS FOR SECOND QUARTER** *continued from page 3*

**CSX**

CSX reported net income for the second quarter of 1987 declined to \$100 million from \$124 million in the same period a year ago. Revenue for CSX in the second quarter increased 14.6 percent to \$2.010 billion from \$1.754 billion in the second quarter of 1986.

For the first six months of 1987, CSX reported its income declined to \$173 million from \$209 million for the same period in 1986. Revenue for the first six months increased 14.7 percent to \$3.9 billion from \$3.4 billion for the same period in 1986.

The company said its 1987 results principally reflect continuation of an extremely competitive transportation services market, which has put intense pressure on rail freight rates, and lower realty earnings.

**NORFOLK SOUTHERN**

Norfolk Southern (NS) reported second quarter net income of \$122 million, compared with \$143 million for the second quarter of 1986.

Revenue for NS in the second quarter was \$1.04 billion compared with \$1.05 billion for the second quarter of 1986.

For the first six months of 1987, both income and revenue were flat compared with the same period in 1986. NS reported six-month net income of \$247 million on revenue of \$2.02 billion. For the same period in 1986, NS reported income of \$247 million on revenue of \$2.06 billion.

NS said coal traffic in the first six months of 1987 was "well below" last year's first half. The company added that

it expects coal traffic levels to improve later this year as the threat of a coal miners strike in 1988 grows and utilities stockpile coal as a precaution.

**SANTA FE SOUTHERN PACIFIC**

Santa Fe Southern Pacific (SFSP) said its net income for the second quarter of 1987 was \$90 million compared with \$78 million for the second quarter of 1986.

SFSP revenue for the quarter was up. For the second quarter, 1987 revenue was \$1.437 billion, up 5 percent from \$1.368 billion in 1986.

For the first six months of 1987, SFSP reported net income of \$136 million, an increase compared with net income of \$112 million for the same period in 1986. Revenue for the first six months was flat—\$2.772 billion for 1987 compared with \$2.720 billion for 1986.

Year-ago net income from operations includes a pre-tax charge of approximately \$15 million in the second quarter and \$50 million in the first six months related to severance costs.

**UNION PACIFIC**

Union Pacific (UP) reported second quarter 1987 net income of \$143 million, compared with a 1986 second quarter loss of \$835 million. The 1986 loss included a special after-tax restructuring charge of \$945 million. Before the special charge second-quarter earnings last year were \$110 million.

Revenue for 1987's second quarter was down 15.2 percent to \$1.344 billion vs. \$1.578 billion for 1986.

UP reported an increase in net income for the first six months to \$265 million compared with \$213 million before the special charge of \$945 million for the first six months of 1986.

Revenue for the first six months declined 22 percent to \$2.65 billion for 1987 vs. \$3.4 billion for 1986.

**CONRAIL SAFETY POLICY**

- **Safety is of first importance.**
- **All injuries can be prevented.**
- **Management is committed to provide a safe work environment.**
- **Employees and management are responsible for maintaining a safe work environment and for preventing personal injuries.**
- **Compliance with safety policy and procedures is a condition of employment.**

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