

in brief...

PUBLISHED MONTHLY FOR EMPLOYEES OF CONSOLIDATED RAIL CORPORATION

CONRAIL

September, 1984



DOT NARROWS LIST OF CONRAIL BIDDERS TO THREE

Secretary of Transportation Elizabeth Dole announced on September 11 that the Department of Transportation's list of potential Conrail buyers had been further narrowed down to three.

Dole said that the three remaining bidders included:

- Alleghany Corporation, a New York-based holding company;
- An investment group headed by hotel magnate J. Willard Marriott; and
- Norfolk Southern Corporation, a Norfolk, Virginia-based company formed by the consolidation of the Southern and the Norfolk and Western railways.

In July, the DOT had narrowed the list to six bidders from an original list of 14 who had submitted formal offers to Conrail by the June 18 deadline. Besides the three finalists announced recently, others on the list of six included the Railway Labor Executives Association, Citicorp of New York and Guilford Transportation Industries of Billerica, Massachusetts.

"During the last 60 days I worked closely with six bidders who have best met the criteria we have established for the sale of Conrail," said Dole. "The Alleghany, Mar-

riott and Norfolk Southern offers have been significantly improved. I am now taking the next step, which is to ask the Justice Department to review the competitive impact of the Norfolk Southern offer, and the Treasury Department to review tax or financial questions raised by any of the three."

"Reaching this stage of the negotiations is a significant step forward," said Dole. "I will move the process as rapidly as possible to determine the final bidder. But, as I have said before, there is no artificial deadline. I will make a recommendation to Congress as soon as I am satisfied that the criteria for a successful sale have been met."

Dole emphasized that the three principal criteria for choosing the best offer will include:

- Leaving Conrail in the strongest financial condition after the sale;
- Preserving service to the states and shippers served by Conrail; and
- Providing the maximum return to the taxpayer.

After the DOT makes its recommendation of a buyer for Conrail, Congress must approve the choice. The 98th Congress currently has set October 4 as its target date for

adjournment. At this writing, Congress is not scheduled to meet again until after January 20.

Conrail is reviewing the DOT announcement, but will have no further comment at this time. Earlier, on June 11, the Conrail Board passed a resolution which stated "... that the Board of Directors will evaluate all proposals for the purchase of the United States' interest in the Corporation submitted by the June 18, 1984 deadline and that, 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 offers for the purchase of the interest of the United States."

MORE COAL WILL MOVE THROUGH PIER 124

Conrail is participating in a \$15 million contract package to ship Pennsylvania coal through Conrail Pier 124 in Philadelphia for use in New England utility plants.

The one-year agreement, involving Conrail, New England Electric and U.S. Steel Mining Inc. (USM), provides coal from Washington County's Maple Creek Mines to be processed through the coal pier. Conrail and the Commonwealth of Pennsylvania invested \$41 million two years ago to rehabilitate, modernize and expand the pier's capacity and to make Pennsylvania coal more attractive to the world market.

At the pier, the New England-bound coal will be loaded into the S.S. Energy Independence, the first coal-fired, coal-carrying ship built in the United States in more than 50 years.

"It's extremely gratifying to see public and private interests come together to capitalize on our efforts to revitalize Pennsylvania's coal industry and preserve and create jobs in our mines, rail yards and the port," said Pennsylvania Governor Dick Thornburgh at ceremonies announcing the contract on August 29.

Conrail President and Chief Operating Officer Stuart Reed also was present at the ceremony, along with Charles Conner, vice president and general manager of USM;

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PIGGYBACK PERISHABLES UP 36 PERCENT

Conrail's piggyback perishables traffic increased by 36 percent in the first six months of 1984 compared to the same period last year, as West Coast shippers took advantage of service provided by western connecting railroads and Conrail to get their produce to East Coast wholesale markets.

Conrail, the nation's largest hauler of piggyback freight, moved 20,114 perishables trailers in the first half of 1984 vs. 14,792 in the first half of 1983.

From 1980 through 1983, piggyback perishables business more than quadrupled, going from 7,000 trailers to 32,500.

The increase is due mainly to Conrail's truck competitive pricing, excellent service and commitment to continue improving that service to the perishables market.

In 1979, the Interstate Commerce Commission deregulated most fresh fruit and vegetable rail traffic. Deregulation allowed Conrail and its connecting western rail lines

to price their services to shippers and brokers according to market conditions. This enabled railroads to compete with trucks in terms of both price and service.

Conrail's on-time 90 percent performance (delivery within one hour of scheduled arrival) in the handling of piggyback traffic is one of the best in the rail industry. Conrail, with its connecting western railroads, provides fifth morning delivery at Eastern terminals.

West Coast produce is received from connecting railroads in Chicago. From there, the piggyback trailers move in through Conrail TrailVan trains at speeds up to 70 miles per hour to piggyback terminals serving the New England, New York-New Jersey and Harrisburg-Philadelphia-Baltimore areas. The trailers are then quickly and efficiently removed from flatcars for transfer to wholesale produce markets and supermarket distribution centers.

**REED'S WORDS TO THE Y's:
INNOVATION BRINGS
STRENGTH**

At a conference of the Transportation YMCA's on July 24, Conrail President and Chief Operating Officer Stuart M. Reed said that the Y's, like the railroads, must continue to innovate and meet competition if they are to remain strong.

"Just as we faced it in the railroad industry, there is a new element in your marketplace which will encourage you to change," said Reed. "This new element is competition—from the commercial, profit-making sphere."

Noting that the number of hotel and motel rooms have nearly doubled since 1948, Reed said that competition is more vigorous in the areas of room size, atmosphere, food quality, and amenities such as pools and exercise rooms.

"The competition is keen and the standards are high," said Reed. "Railroad employees, like any other people away from home, want to be as comfortable as possible. As a company, Conrail intends to provide that comfort at a reasonable and affordable price."

Reed told the group that Conrail will continue to demand competitive prices and service from the hotels and motels that house its employees away from home. "The suppliers we deal with, whether it's the YMCA's or any other business or organization with a product or service we need, must attempt to determine how they can best fulfill the service that is required. That is no different from what Conrail must do in seeking the business of freight customers."

Reed commended the Transportation YMCA's for the efforts they have made to improve the comfort of Conrail employees. "About a year ago, our employees were refusing to stay at the Selkirk YMCA," he said. "Today the Y at Selkirk has been modernized. Two rooms were combined into one larger room—each with a private bath—and space was available for a comfortable chair and television set. The Y at Selkirk now meets the criteria we believe are suitable for railroad employees away from home: comfortable lodging, good restaurant and food service, and variety in recreational facilities."

But the Y's must continue to meet competition from other hotels and motels, Reed said. "You can determine what your competitors offer that makes their service more attractive, and then you can try to go one better," he said. "This is where the real challenge lies."

Reed cited Conrail's "just in time" service to the auto industry as an example of how Conrail has innovated to win more business. "This was an innovation in an industry well known for long-haul service at reasonable rates, but not highly regarded for consistency and speed," he said. "Competition provided the impetus for change. Change led to innovation. And innovation led to our success."

UPDATE ON TRACK PROJECTS AROUND THE SYSTEM

On the West Virginia secondary—An \$11.7 million project will upgrade sections of this track between Columbus, Ohio and Belle, West Virginia.

The project, scheduled to be completed by mid-October, includes the installation of 64.9 miles of continuous welded rail and 39,878 cross-ties, the surfacing of 126.3 pass-miles of railbed, the rehabilitation of 42 switches, and the rebuilding of 34 public and 39 private grade crossings.

The West Virginia Secondary Track links the industries of the Kanawha Valley (Charleston) area and the coal fields of West Virginia and central Ohio with the remainder of the Conrail system. Trains from these areas are routed to Buckeye Yard, in Columbus, Ohio. Major commodities handled on the line are chemicals and coal, as well as miscellaneous freight. Customers served

along the line include Allied Chemical, DuPont, FMC, Monsanto and Union Carbide, and a number of coal mines.

Conrail invested nearly \$34 million to upgrade the West Virginia Secondary Track between 1976 and 1983, installing 148 miles of continuous welded rail and 372,000 cross-ties and surfacing 856 pass-miles of railbed.

On the River Line—Conrail is spending \$7 million to upgrade sections of this line between North Bergen, New Jersey and Albany, New York.

The project is scheduled for completion by the end of September. Conrail will install 26.7 miles continuous welded rail and 27,751 cross-ties, surface 92.3 pass-miles of rail bed, and rehabilitate 26 switches and 48 grade crossings.

The River Line is a principal Conrail route for freight between northern New Jersey and upstate New York, New England and the western part of the country via the Water Level route along the Great Lakes.

The line is used by piggyback trains, as well as trains carrying such commodities as chemicals, grain, automobiles, auto parts, coal, glass, sand, and paper products.

From 1976 through 1983, Conrail invested \$18 million to upgrade the River Line, including the installation of 46 miles of continuous welded rail and 204,000 cross-ties and 784 pass-miles of surfacing.

On New Jersey Branch Lines—Track improvement projects costing \$4.7 million will upgrade sections of two connecting branchlines in New Jersey's Essex, Union and Middlesex counties by mid-October.

Conrail's \$2.1 million track improvement project on the Elizabeth branch—which extends from Oak Island Yard in Newark to the "Chemical Coast" at Elizabeth—includes the installation of 8.6 miles of continuous welded rail and 5,700 cross-ties, and rehabilitation of 10 switches and the surfacing of 29.2 pass-miles of railbed.

A \$2.6 million track improvement project continues south from Elizabeth to Perth Amboy, on the line serving the clusters of chemical companies and refineries along the "Chemical Coast" in Elizabeth, Linden, Carteret, Woodbridge Twp. and Perth Amboy. This work includes the installation

of 10.4 miles of continuous welded rail and 8,000 cross-ties, and the surfacing of 25.6 pass-miles of railbed. Also included is the renewal of 18 switches and four public grade crossings.

Trains operating on both lines carry such commodities as chemicals, petroleum, vegetable oils and corn syrup for such companies as ADM, Chevron, DuPont, Exxon Co. USA, FMC Corp., and Phelps Dodge Copper Products Co.

On the Cincinnati Line—Conrail is wrapping up a \$4.2 million track improvement project to upgrade a portion of the Cincinnati Line between London and Springfield, Ohio.

The project includes the installation of 25.5 miles of continuous welded rail and 14,373 cross-ties, the surfacing of 59.3 pass-miles of railbed, and the rehabilitation of 11 switches, 23 public and five private grade crossings.

The Cincinnati Line is a primary route for Conrail traffic interchanged with railroads serving the South. Among the commodities handled on the line are coal, grain, chemicals, auto parts, finished automobiles and general merchandise.

Conrail invested nearly \$55 million between 1976 and 1983 to upgrade the Cincinnati Line, installing 35 miles of continuous welded rail and 281,000 cross-ties and surfacing 851 pass-miles of railbed.

On the Boston Line—An \$11.1 million track improvement project will upgrade sections of this line between Framingham, Massachusetts and Chatham, New York.

The project is scheduled to be completed late next month. Conrail will install 45.3 miles of continuous welded rail and 74,475 cross-ties, and surface 153.4 pass-miles of rail bed. Also included in the project is the rehabilitation of 175 switches, and 21 public and 39 private grade crossings.

The 200-mile Boston Line, located between Boston and Albany, connects the Boston marketplace with the rest of the Conrail system to the West via Selkirk Yard. TrailVan piggyback trains and trains carrying such commodities as chemicals, grain, automobiles, auto parts, coal, paper products, steel, lumber, sand, feeds and fertilizers utilize the Boston Line.

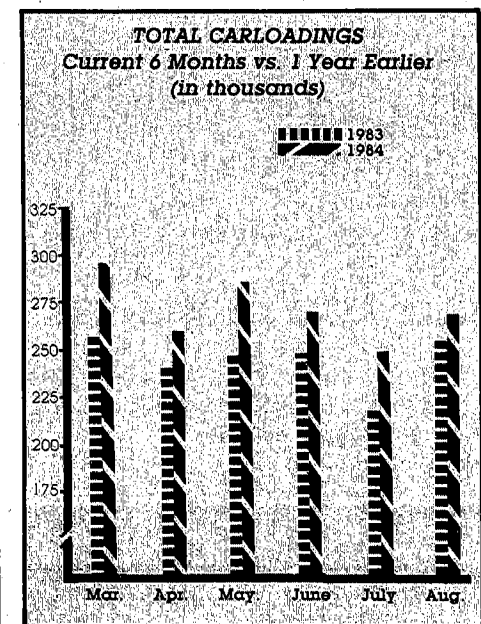
BUSINESS REPORT

Last month, Conrail hauled 268,934 carloads of freight, 5.3 percent more than it hauled in August of 1983.

Traffic loaded on Conrail lines was up 8.2 percent, but traffic received from connections increased only 1.2 percent.

Carloads of both transportation equipment (automobiles and parts) and trailer-on-flatcar freight increased 6.9 percent over levels for a year ago. Other increases were in coal, up 6.5 percent, coke, up 70.4 percent, waste and scrap, up 5.4 percent, lumber and wood products, up 5.2 percent and metallic ores, up 27 percent.

Traffic declined last month from 1983 levels for primary metals, down 5.3 percent, farm products, down 11.9 percent, food products, down 15.9 percent and pulp and paper, down 8 percent.



CONTRACTS PROVIDE FLEXIBILITY FOR COAL DELIVERY

Conrail and Detroit Edison Co. are delivering Pennsylvania and West Virginia coal to Detroit Edison for use in its electric generating stations at Monroe and St. Clair, Michigan, under two recently negotiated transportation contracts.

One of the two contracts provides for Conrail to transport coal from northern West Virginia and southwestern Pennsylvania mines to the Monroe facility. Under its terms, Conrail is providing assured price stability to Detroit Edison.

The second contract, for hauling West Virginia and Pennsylvania coal to Ashtabula, Ohio for transloading to water carriers, provides flexible delivery options and guaranteed private car fleet utilization for the utility.

These coal contracts with Detroit Edison are possible because of the ratemaking flexibility permitted to all railroads under the Staggers Rail Act of 1980. The Staggers Act permitted railroads to enter into long-term contracts to offer their customers attractive service and rate packages.

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A. B. Kurz, president of Keystone Shipping and part-owner of the S.S. Energy Independence, and Glenn R. Schleede, president of New England Energy, the utility's fuel and transportation subsidiary, and part-owner of the ship.

"New England Electric is pleased to join in this announcement, which is the culmination of a concerted effort to make Pennsylvania coal carried on Conrail competitive enough to meet our needs," Schleede said. "For the past 2½ years, Pennsylvania coal has been extremely desirable for use in our Salem Harbor, Massachusetts plant because of its low-ash, minimum pollution characteristics. But with the ongoing installation of sophisticated pollution control equipment, coal from other sources has become more competitive."

"To ensure Pennsylvania coal remained marketable, the governor's Economic Development Committee of the Cabinet (EDC) was able to bring together our company, Conrail and U.S. Steel in a successful conclusion to our negotiations for

the continued purchase of Pennsylvania coal through June 1985.

"Based on our recent experience, we believe there is a good chance that we will continue to be a customer for coal from Pennsylvania well beyond that time."

Thornburgh noted that the contract "comes at a particularly opportune time" when Conrail is economically viable enough for the U.S. government to attempt to return it to the private sector.

"Conrail is the key element in a revitalized Northeastern transportation system," the governor noted. "Through its investment of millions of dollars in industrial development and equipment, and purchases and payments of local taxes, Conrail also is stimulating economic growth throughout the Northeast."

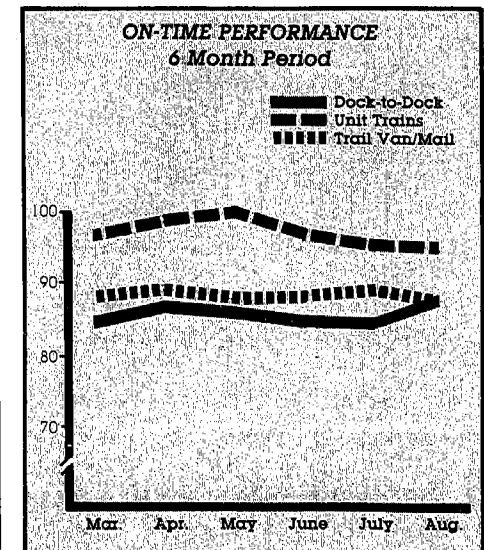
"Last year alone in Pennsylvania, Conrail accounted for nearly two-thirds of all Class 1 railroad mileage in the state and a wide variety of economic activity, including more than two million tons of coal shipped through its Pier 124 facility."

SERVICE REPORT

Last month, 86.4 percent of the loaded cars monitored under Conrail's Keypoint Quality Control Program made their destinations at a customer siding or interchange within 24 hours of schedule. This program measures dock-to-dock train performance and compares it with Conrail schedules.

In other measures last month, 86.4 percent of Conrail's high-priority piggyback and mail trains reached their destination yards within an hour of schedule, as did 95.2 percent of the unit trains (95 percent of the coal unit trains, 100 percent of the ore trains and 78.8 percent of the grain trains).

At major Conrail yards, 98.3 percent of the cars monitored made their connections.



NEWS DIGEST

NORFOLK SOUTHERN EYES TRUCK TAKE-OVER—Norfolk Southern Corporation filed an application with the Interstate Commerce Commission on August 16 to acquire control of North American Van Lines, a major trucking company. The acquisition will enable Norfolk Southern to provide coordinated rail/truck services. On May 2, Norfolk Southern had reached an agreement with PepsiCo, North American's parent company, to purchase the truck company's outstanding common stock for \$315 million.

BURLINGTON NORTHERN SELLS TRUCKING INTERESTS—Burlington Northern Inc., parent company of the Burlington Northern Railroad, announced on August 24 that it would sell its two trucking subsidiaries, BN Transport Inc. and Federal Transport Inc. SFTT, a holding company formerly called Rail Services Inc., is buying the trucking companies. SFTT had purchased Santa Fe Industries' trucking unit on July 6.

CONDITIONS SET FOR CSX-BARGE MERGER—The Interstate Commerce Commission has listed conditions for the takeover by CSX Corporation of American Commercial Lines and its subsidiary, American Commercial Barge Line Co. The merger, approved in July, will be the first between a railroad and a barge company. However, the ICC's conditions prohibit CSX from changing ACL's corporate structure and from selling any of its assets worth over \$200,000 or any water carrier equipment without ICC approval. The conditions also stipulate that CSX must file periodic financial and rate reports with the ICC.

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CONRAIL, BN OFFER BOXCAR PRICING PLAN

Conrail and the Burlington Northern Railroad (BN) have reached agreement on a new westbound boxcar pricing structure to meet truck and ocean competition.

The agreement gives each carrier the ability to quote through-rates over both its and the other carrier's lines; in addition, each carrier has the capability to adjust its portion of the joint rate independently. The shipper receives a single bill for the entire movement. This agreement eliminates the time-consuming procedures formerly needed for both railroads to concur on joint rates. Most importantly, the resulting joint rates are competitive with trucks.

The Conrail-BN pricing plan agreement enables sales forces of both railroads to negotiate a through-rate with shippers on as little as one day's notice, a process that previously could have taken weeks. The pricing plan applies to new, deregulated boxcar traffic moving in unassigned equipment.

PHILADELPHIA DIVISION MAKES GIANT LEAP IN SAFETY

Conrail's Philadelphia Division, in 16th place in safety among divisions in June, improved their ranking all the way to first place for the month of July.

Philadelphia had a lost time injury frequency rating—which measures the number of lost time injuries per 200,000 man hours worked—of 2.72 for the month of June. In July, the division had no lost time injuries and a frequency rating of 0.00.

Five other Conrail divisions—Allegheny, Mohawk-Hudson, Southern Tier, Michigan and Canada—also had frequency ratings of 0.00 for July, but Philadelphia was number one because it had the most man hours.

The top five divisions for the year 1984 through the month of July are Canada, with a year-to-date frequency rate of 0.00; Columbus, with 0.40; Allegheny, with 0.70; Toledo, with 1.09 and Michigan, with 1.30.

The Central Region had the best safety record for the month of July, with a frequency rating of 0.45. The Southern Region has the best year-to-date record, with 1.32.

Systemwide, Conrail's lost time injury frequency rating was 1.54 for July and 1.87 for

the year to date. Conrail's goal for this year is a frequency rating of 1.80 or better.

LOST TIME INJURY FREQUENCY RATE BY DIVISION July, 1984

Rank	Division	Rate
1	Philadelphia	0.00
2	Allegheny	0.00
3	Mohawk-Hudson	0.00
4	Southern Tier	0.00
5	Michigan	0.00
6	Canada	0.00
7	New Jersey	0.59
8	Pittsburgh	0.64
9	Youngstown	0.68
10	Chicago	0.76
11	Harrisburg	1.17
12	Toledo	1.29
13	Columbus	1.36
14	Cleveland	2.05
15	Southwest	2.67
16	Buffalo	3.04
17	New England	7.14

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