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COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES  
TRANSPORTATION COMMITTEE

In re: House Resolution No. 60

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Verbatim record of hearing held  
in the Baden Borough Building,  
Baden, Pennsylvania, on Thursday,

June 16, 1983  
1:00 P.M.

HON. AMOS K. HUTCHINSON, Majority Chairman  
HON. VICTOR J. LESCOVITZ, Majority Subcommittee Chairman on  
Aviation  
HON. THOMAS J. MURPHY, Majority Subcommittee Chairman on  
Highways  
HON. ROBERT C. DONATUCCI, Majority Subcommittee Chairman on  
Public Transportation  
HON. JOSEPH A. STEIGHNER, Majority Subcommittee Chairman on  
Transportation Safety  
HON. WILLIAM R. LLOYD, JR., Majority Secretary  
HON. RUDOLPH DININNI, Minority Chairman  
HON. BENJAMIN H. WILSON, Minority Subcommittee Chairman on  
Aviation  
HON. RICHARD A. GEIST, Minority Subcommittee Chairman on  
Highways  
HON. CHARLES F. NAHILL, JR., Minority Subcommittee Chairman on  
Public Transportation  
HON. HARRY E. BOWSER, Minority Subcommittee Chairman on  
Transportation Safety

MEMBERS OF TRANSPORTATION COMMITTEE

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Hon. Brian D. Clark	Hon. John E. Peterson
Hon. Ron Gamble	Hon. Joseph A. Petrarca
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Hon. John Kennedy	Hon. Ted Stuban
Hon. Gordon J. Linton	Hon. Joseph R. Pitts
Hon. George Misceovich	

Reported by:  
Nancy J. Adelman, RPR

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ALSO PRESENT:

James Martini  
Executive Director

Scott Casper  
Senior Research Analyst

Hon. Raymond Book

Hon. Nicholas Colafella

Hon. Thomas Fee

Paul Landis  
Representative Dininni's office

Hon. Charles P. Laughlin

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Rail Corporation

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Director, Tax Legislation and Tax Planning  
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2 CHAIRMAN HUTCHINSON: I want to call this hearing  
3 to order. My name is Amos Hutchinson, Chairman of the  
4 Transportation Committee, and we're here because of House  
5 Resolution No. 60. I guess most of you here have read it and  
6 Charlie Laughlin is the first one.

7 REPRESENTATIVE LAUGHLIN: Chairman Hutchinson,  
8 first, I want to thank you and the Members of the Transporta-  
9 tion Committee on behalf of the people of Beaver County as  
10 well as the employees of Conrail and the industries they  
11 serve in the area for coming to Beaver County to conduct this  
12 investigation into House Resolution 60 of which I was the  
13 prime sponsor. As you know, in 1980 many of us voted for the  
14 improvement monies for the Conrail system as well as other  
15 railroads in the State of Pennsylvania. These monies were  
16 granted to the rail systems in lieu of taxes that they would  
17 normally have had to pay. The reason for the money being  
18 granted was to update and to improve the roadbeds and the lines  
19 within the State of Pennsylvania. Certainly, many of us voted  
20 for this particular legislation because it provided jobs for  
21 the state as well as the hoped for improvement of the lines  
22 which would have brought additional safety to the people of  
23 this state who happen to reside along the right-of-ways that  
24 the rail companies own. In addition to that, we were hopeful  
25 that it would also expand the traffic service to our

1  
 2 industries within the State of Pennsylvania. In many  
 3 instances this circumstance has not arrived at in the manner  
 4 in which we would have anticipated. What has happened to us  
 5 instead is the fact that the Conrail system has reduced  
 6 substantially employment in the State of Pennsylvania, not  
 7 merely because of a lower tonnage rate that they have had to  
 8 haul because of the cutback in the economy within the state  
 9 but also because of the displacement of jobs within the state.  
 10 They have removed operations in Pennsylvania and have hired  
 11 people out of the Pennsylvania area on some occasions to fill  
 12 these positions in other states, specifically the 120 jobs  
 13 that were lost here at the Conway yards just recently, a few  
 14 of those people were hired in Selkirk, New York, and others  
 15 were interviewed for positions in Cleveland, Ohio, where the  
 16 company has relocated that particular operation.

17 Conrail's response to the complaints with regard  
 18 to this come about by telling us that they have a greater  
 19 number of people hired in the State of Pennsylvania for the  
 20 Conrail system than they have anywhere along the remainder of  
 21 their system. However, if we examine that, we find, yes, they  
 22 do have their main operating facility, management and  
 23 operational divisions within Philadelphia as well as a few  
 24 located along the system. This in no way enhances the  
 25 employment structure of people who work in the yards, on the

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1  
2 trains or along the system. It merely implies the fact that  
3 the reductions in the Conrail system have been greater in the  
4 area of the field operation by far than any reductions that  
5 management and the operation of Conrail took upon themselves.  
6 This reduced traffic in the State of Pennsylvania is now  
7 causing a great deal of concern among many of the legislators  
8 in Harrisburg. I know I have worked with representatives from  
9 the northeast who are certainly concerned about the reductions  
10 in their areas and have drafted legislation of which, I  
11 believe, a great number of the members of this committee are  
12 co-sponsors dealing with a new idea on how to keep the rail  
13 system in this state a buyable concern. I have with me a  
14 great number of complaints from the Conway yards regarding  
15 traffic safety in the yards as well as some of the problems  
16 over the road with the systems to which many of the members  
17 who are members of the Brotherhood of Railroad Workers will  
18 be testifying today. It is my hope that out of these hearings  
19 will come the facts and figures that will indicate that  
20 possibly the legislation that I have also introduced which  
21 is House Bill 17 does have merit and that is if the system is  
22 sold, the taxpayers of Pennsylvania will be reimbursed for the  
23 taxes and the exemptions that were granted the rail systems  
24 that failed to live up to their word to the people of this  
25 state and specifically to the legislators of this state. I

1  
2 can tell you this, that no responsible legislator wants  
3 Conrail dismembered. No responsible legislator wants to see  
4 the service in this area reduced or job opportunities  
5 diminished in any way and I know that no representative in  
6 this room wants to see the taxpayers of this state ripped off  
7 for mopies that were granted and very little delivered in the  
8 way of providing additional employment and opportunity for  
9 the people of this state. I thank the members for being here  
10 and I certainly will appreciate taking part in the hearings  
11 as we continue.

12 CHAIRMAN HUTCHINSON: Thank you, Representative  
13 Laughlin. Ronald Book, United Transportation Union.

14 RONALD BOOK, called as a witness, testified as  
15 follows:

16 MR. BOOK: Gentlemen, I represent firemen and  
17 enginemen on the Conrail system, Conway, Pennsylvania, and I  
18 question the progress Conrail has made in, I consider, down-  
19 grading Conway yards and the Pennsylvania main line, Conway  
20 to Enola in the Harrisburg area. I have assignments showing  
21 that Conrail has lost a substantial number of jobs in road  
22 service and from the looks of the advertisements which was  
23 indications of the movement of freight, it seems like the  
24 freight is traveling from Cleveland to Buffalo and up in that  
25 area and not coming across our former main line which would

1  
2 be Conway to Enola. A prospectus of their annual report, they  
3 so state that in 1982 Conrail invested \$223 million for track  
4 improvement projects, major lines, upgraded included Conrail's  
5 western branch and the entire Galion-Columbus main line in  
6 Ohio, the Montreal corridor between Syracuse and Massena,  
7 New York, portions of the Harrisburg-Buffalo main line,  
8 Harrisburg, Reading, Allentown line, Lehigh main line and  
9 northern New Jersey, the Indian River line in Delaware and  
10 the Pokes (phonetic) Creek lines in Maryland. This is their  
11 consolidated annual report put out by the carrier. We have  
12 seen in the State of Pennsylvania just in the local area, they  
13 have taken main line track up from Pittsburgh, reduced it from  
14 a four-track system to a three-track system. They have taken  
15 the four-track system down the mountain, Horseshoe Curve to  
16 Altoona, made it a three-track system. They have closed their  
17 engine house literally, no repair work done at all at Conway.  
18 The traffic flow, we feel, in our opinion has left the  
19 Pennsylvania area and went on what we call the lake route  
20 which would be from Cleveland to Buffalo, through that area.  
21 And they have made no major improvements at Conway yards to  
22 upgrade any portion of Conway yards but they have initiated  
23 substantial amounts of money at Selkirk and a great number of  
24 yards that they have automated. They say in their annual  
25 report that they have closed consolidated yards, closed



1  
2 Harrisburg yard, Enola yards. We find fault with this and  
3 we'd like some answers.

4 CHAIRMAN HUTCHINSON: Are you done?

5 MR. BOOK: Yes, that's all I have.

6 CHAIRMAN HUTCHINSON: I wanted to recognize the  
7 Members of the House and I'd like each one to identify them-  
8 selves so the lady will know who is asking the questions.

9 REPRESENTATIVE BOOK: My name is Raymond Book, 41st  
10 District. And no relation, by the way.

11 REPRESENTATIVE GEIST: Rick Geist, 79th District.

12 REPRESENTATIVE COLAFELIA: Nick Colafella, 15th  
13 District in Beaver County.

14 REPRESENTATIVE LAUGHLIN: Charles Laughlin, 16th  
15 District, Beaver County.

16 REPRESENTATIVE FEE: Tom Fee, 9th District, New  
17 Castle.

18 REPRESENTATIVE GRUITZA: Mike Gruitza, 7th District,  
19 Sharon-Farrell.

20 REPRESENTATIVE ALDERETTE: Barry Alderette, 14th  
21 District, Beaver County.

22 MR. LANDIS: Paul Landis representing Rudy Dininni,  
23 Republican Chairman.

24 MR. CASPER: Scott Casper, Staff for the House  
25 Majority.

1  
2 CHAIRMAN HUTCHINSON: Are there any questions? Mr.  
3 Geist.

4 BY REPRESENTATIVE GEIST:

5 Q I have a couple of questions. Mr. Book, you're a  
6 member of the UTU?

7 A Yes, sir.

8 Q Is your brotherhood currently involved in making an  
9 offer to purchase Conrail and did they make that offer  
10 yesterday?

11 A Yes, sir.

12 Q Do you feel Conrail has to be profitable in order  
13 for your union to participate in the buying of Conrail?

14 A Yes, sir.

15 Q As an owner of Conrail, would you make the decisions  
16 to make that line profitable?

17 A Would I make the decision myself?

18 Q As an owner. You would be an owner.

19 A Yes, sir, partial, yes.

20 Q As a stockholder in the corporation, it will be  
21 your responsibility to demand profits?

22 A Yes, sir.

23 Q That ends my questions. Thank you.

24 CHAIRMAN HUTCHINSON: Any other questions, Nick?

25 BY REPRESENTATIVE COLAFELLA:

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Q Have you met with management of Conrail at any time to discuss why the traffic flow has left the Pittsburgh area, specifically the Conway area?

A Yes, sir, a number of times.

Q What response have you gotten?

A The response from the carrier says it's the traffic flow pattern.

Q They say it's a traffic flow pattern but do they tell you it's because business activity has declined in our area or what reasons have they given you?

A A multitude of answers but primarily they say a lot of it has to do with the downgrade of the employment opportunity and the marketing in this area but we had the traffic flow prior to this and all at once we see it diminished completely. We feel that we are just getting the overflow; that another portion of the railroad can't handle, the flow of traffic, and then the overflow comes in through this route.

Q Do you feel there is a relationship between the decline of steel production and the amount of activity that occurs with the railroad?

A There could be a relationship but not as drastic as 50 percent. We feel it doesn't warrant the 50 percent reduction in personnel.

Q Okay.

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BY REPRESENTATIVE LAUGHLIN:

Q The question I would ask the gentleman is if he were, in fact, successful along with his fellow members of the union in taking over the system, would you certainly be looking for a fairness with regard to the distribution of jobs across the system in order to protect the interests of Pennsylvania that has not been protected?

A Certainly, certainly.

Q That, I believe, is a question that should have also been asked along with the other ones. Thank you.

CHAIRMAN HUTCHINSON: Mike?

BY REPRESENTATIVE GRUITZA:

Q Mr. Book, with the declining business in this region, somebody has to be picking this business up. They are doing some shipping out of here?

A Sure.

Q Who is doing the shipping?

A The only thing we can figure out is that it's going by truck.

Q Do you think that your management has been aggressive in trying to pick up some of this business?

A Not in this locale we can see no improvement.

Q You think that Conrail is capable of providing a competitive service to the trucking industry in this area?

1  
2           A     They have the expertise. I don't believe they are  
3 actively going after it, not in this area. At least, we cannot  
4 see it. We cannot see new business.

5           Q     That's all.

6 BY REPRESENTATIVE COLAFELLA:

7           Q     Mr. Book, how many employees were working at Conrail  
8 last year about this time, approximately, just so I have a  
9 pretty good feel?

10          A     Around 1200 I would say.

11          Q     About how many are working right now?

12          A     Probably less than six.

13          Q     Less than six. Thank you.

14 BY CHAIRMAN HUTCHINSON:

15          Q     The question I would like to ask is is that on  
16 account of the recession or depression we're in that that's  
17 cut back or are the jobs being lost?

18          A     We feel the jobs are being lost.

19          Q     Replaced in other places?

20          A     In other places.

21          Q     Barry?

22 BY REPRESENTATIVE ALDERETTE:

23          Q     Mr. Book, I think there used to be or still is a  
24 sign out there on the road that said largest pushbutton railway  
25 yard in the world.

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A They changed it to the busiest.

Q Busiest?

A Yes.

Q Has the yard and these automating features that have been so efficient through the years, have they been updated in the more recent times, say in the last three or four years, to keep the yard working efficiently and can move the traffic along as quickly as possible in a most modern system?

A No, sir.

Q They haven't done anything in the last three to four years in updating the automated system?

A No, sir, no major renovations as far as humping operations go and so forth.

Q Thank you.

A To improve the operation of their movement of trains by a signal system but that is system-wide more or less. That's system-wide.

Q Thank you.

CHAIRMAN HUTCHINSON: Thank you very much.

MR. BOOK: Thank you.

CHAIRMAN HUTCHINSON: Paul Blinn, Local Chairman, International Brotherhood of Electrical Workers.

PAUL BLINN, called as a witness, testified as follows:

1  
2 MR. BLINN: Okay. The engine house as it stands  
3 right now is down from over 200 people to approximately nine  
4 jobs and that is including general foreman, gang foreman,  
5 clerks, etc. The IBW forces are down from approximately 50  
6 to approximately 12.

7 BY CHAIRMAN HUTCHINSON:

8 Q What's IBW?

9 A International Brotherhood of Electrical Workers.

10 Q Okay.

11 A We have our job abolishments here. The jobs that  
12 were put up, we had two jobs also put up in addition to the  
13 two pages of jobs that were cut. We also have one more added  
14 thing that we have from Selkirk. It's an engine house news-  
15 letter dated April, 1983, Volume 2, Issue 4, and the first  
16 paragraph will probably be of interest. It states, "as  
17 mentioned in the last newsletter, since we have picked up the  
18 workloads from the other diesel terminals whose manpower was  
19 being reduced, authorized workforce has been increased by  
20 34 positions over the last month. Most of these positions  
21 have been advertised to establish process lines on both  
22 second and third trick along with re-alignment of forces on  
23 first trick. This revised operation went into effect on  
24 Saturday, April 2, 1983. As a result, we are happy to report  
25 the following employees have been recalled," and it goes on

1  
2 to state who they called back that has been furloughed from  
3 Selkirk. Also, the process line in Conway was abolished.  
4 That work is now at Selkirk. Most of our diesels are now  
5 being based at Selkirk. Our repairs now are limited to minor  
6 running repair which is small work that we can do here. Any-  
7 thing that we can do, it is ordered to leave here and go to  
8 other points that has the extra manpower. That's about my  
9 statement.

10 Q Any questions?

11 BY REPRESENTATIVE LAUGHLIN:

12 Q Very briefly, the 200 jobs that were initially  
13 located at the engine house and you claim there are 90 now, --

14 A Yes.

15 Q Are these part of the jobs that were, in fact, taken  
16 out and replaced in New York and other areas?

17 A Correct. As it states in this newsletter from  
18 Selkirk, there are 34 positions that have been moved up there.  
19 Also, I understand -- I don't know exact figures -- that  
20 Collingwood diesel terminal has picked up people and one  
21 thing I forgot to say in my statement that I would like to  
22 add now, that from my general chairman who is based in  
23 Altoona, that they are closing down Altoona in July and they  
24 really didn't give them a date when they were going to open  
25 it back up. Of course, Altoona is also our heavy repair



1  
2 facility and evidently they are doing the work possibly  
3 elsewhere or not doing it at all, upgrading the equipment.

4 Q Representative Geist is from the Altoona area. So,  
5 I'm certain he will be interested in that. In addition to  
6 that, the types of jobs that were lost were mostly skilled  
7 craft jobs, were they not?

8 A Right.

9 Q Does this lower the capability of the line as a  
10 whole to service the area with power in this area as far as  
11 the rail system is concerned?

12 A I know it limits our operation at Conway to do the  
13 repair work, to keep the units on the railroad to haul the  
14 freight. Instead of towing them 120 to 130 miles to  
15 Collingwood or 150 or 200 miles to Selkirk, I don't know  
16 what exact mileage it is. It does limit diesels in and out.

17 Q It was my information from some of the people who  
18 I have talked to in the Conrail system, the employees, that  
19 indicated that there was a substantial reduction in capability  
20 by the removal of that power from this area. That's why I  
21 wanted to clarify it with you. I have no other questions.

22 CHAIRMAN HUTCHINSON: Nick?

23 BY REPRESENTATIVE COLAFELLA:

24 Q Why do you think Conrail is making these kinds of  
25 moves? Why do you think they are doing it?

1  
2           A     Well, I read the papers as everybody else.  
3 According to the newspapers, they are making this so the  
4 railroad will be profitable, for the profitability test, so it  
5 can be sold to whomever, whether it's employees, another  
6 railroad or to a group of buyers in New York City. My own  
7 opinion of it is they are making a profit for someone, whether  
8 it's us or them. Then, I mean another group of buyers. You  
9 can't really argue with figures. The figures are there. I  
10 don't like the way they have done it. Of course, they have  
11 trampled on our bodies to walk up the stairways.

12           Q     Thank you.

13 BY REPRESENTATIVE BOOK:

14           Q     I have one question. What was the reason they  
15 closed the shop in Altoona, sir?

16           A     Sir, I don't know. I have talked to Mike Consani  
17 (phonetic) and he told me that the shop is going to be closed  
18 in Altoona the month of July and they didn't give him a figure  
19 like they did last year for re-opening and I don't know when  
20 it is going to happen.

21           Q     It was closed what date?

22           A     It's going to be closed the 1st of July.

23           CHAIRMAN HUTCHINSON: Barry?

24 BY REPRESENTATIVE ALDERETTE:

25           Q     Paul, you made a statement that the process line

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was abolished. Would you explain to me what is a process line?

A A process line is required by the ICC for monthly inspections, pardon me, three-month inspections of diesel locomotives. Every three months a diesel locomotive is required by law to come in and be serviced, inspected, defective parts repaired, oil change, electrically, traction motors to be checked or repaired, any wiring problems or such to be taken care of.

Q And this work has now been shipped into another location?

A Absolutely, yes. As I read this article in here, Selkirk has picked up second and third trick which they didn't have before evidently, according to this letter. They must have only had the one trick process line in operation. So, Conway's one trick has gone to Selkirk.

Q Did you have one trick here?

A Yes, sir, we did. In the past two years we went down from two tricks to one trick and then the jobs were abolished.

Q Now, you have nothing?

A We have nothing. We are still doing MI repair.

Q MI is what?

A Monthly inspections, what we call the MI's. They

1  
2 are still coming to Conway. We take a gang from our supporting  
3 force and put them on the units and let them do the work that  
4 comes in. The advertised jobs that were there are gone now.

5 Q If things were to pick up in say a year's time, say  
6 our steel industry came back -- say, heaven forbid, we had a  
7 national emergency and had to start producing tremendous  
8 amounts of steel in this area, how long would it take to put  
9 that process line back or do you think they might try to keep  
10 it eliminated?

11 A That's a good question. Right now, all of the  
12 facilities are still there because they are still using the  
13 facilities. There is, I believe, five to six stalls still  
14 open at the Conway engine house out at 13. The rest are  
15 closed and the doors are chained shut. We are not using them  
16 at all.

17 Q Thank you.

18 CHAIRMAN HUTCHINSON: Thank you very much. The  
19 late burgess or the late Mayor Marcello of Baden came in and  
20 I'd like, Mr. Marcello, if you would say a few words?

21 MAYOR MARCELLO: I appreciate it very much. Getting  
22 down to the problems, what Conrail is doing to the employees  
23 in the Conway yards. I think Mr. Laughlin is doing a wonder-  
24 ful job bringing you people down here so you can hear the  
25 ideas on our questions from the former employees. I see a lot

1  
2 of them here and just continue, that's all. Keep plugging  
3 away.

4 CHAIRMAN HUTCHINSON: Thank you. D. A. Swanson,  
5 Vice-President, Transportation, Consolidated Railroad.

6 DONALD A. SWANSON, called as a witness, testified  
7 as follows:

8 MR. SWANSON: My name is Donald A. Swanson and I am  
9 Vice-President-Transportation of Consolidated Rail Corporation,  
10 based in Philadelphia.

11 The House Resolution directing this hearing observes  
12 that Conrail's operations necessarily affect the economic  
13 health of this Commonwealth. But just as Conrail is important  
14 to Pennsylvania, so is Pennsylvania important to Conrail.

15 Although Conrail operates its rail freight system  
16 in 15 states, the District of Columbia and two Canadian  
17 provinces, more of our activity is based in Pennsylvania than  
18 in any other single jurisdiction in which Conrail operates.

19 One-third of Conrail's employees work in  
20 Pennsylvania.

21 One-quarter of Conrail's route mileage is in  
22 Pennsylvania.

23 One-quarter of Conrail's capital spending for track  
24 maintenance and improvements has been invested in Pennsylvania.

25 Two-thirds of Conrail's car and locomotive shop

1  
2 **employees work in Pennsylvania, and all major locomotive and**  
3 **freight car repairs are performed in the state.**

4 **One-third of Conrail's freight traffic originates**  
5 **in or is destined to Pennsylvania. That produced one-third**  
6 **of Conrail's freight revenue last year.**

7 **One-quarter of all cars processed through Conrail's**  
8 **system yards are processed in Pennsylvania.**

9 **Besides corporate headquarters in Philadelphia, two**  
10 **of our five regional offices, and four of our 17 divisional**  
11 **offices are located within the Commonwealth.**

12 **I have additional statistics demonstrating**  
13 **Pennsylvania's importance to Conrail, and I hope you have an**  
14 **opportunity to review them in the material Conrail has sub-**  
15 **mitted for the record -- in addition to my testimony -- for**  
16 **this hearing. These materials contain tables and charts**  
17 **comparing Conrail's employment, traffic, capital investment,**  
18 **yards, tracks and operations in Pennsylvania over the years**  
19 **and with other states, which I think demonstrate Conrail's**  
20 **commitment to the Commonwealth.**

21 **Track investment. As to some specifics, I'd like**  
22 **to first focus on the one-quarter of Conrail's total capital**  
23 **track expenditures that has been invested within Pennsylvania.**

24 **The maintenance of way and track improvement**  
25 **investments Conrail claims under the tax credit program this**

1  
2 committee is studying ceom from our DATS budget. DATS --  
3 which is an acronym for Depreciation Accounting Track for  
4 Structure -- represents most, but not all, of Conrail's track-  
5 related investments.

6 Between 1976 and 1982, \$540 million of the \$2 billion  
7 in Conrail's DATS investments was spent in Pennsylvania. This  
8 \$540 million has paid for the surfacing of more than 16,600  
9 pass miles of roadbed, the installation of 5.5 million cross-  
10 ties, and the laying of 1,235 miles of rail on Conrail's  
11 4,000 miles of right-of-way in the Commonwealth.

12 In Conrail's first few years, track investments were  
13 directed toward the core route system -- 6,350 miles of line  
14 forming a railroad network based on the predominant traffic  
15 patterns. All the core routes in Pennsylvania benefitted  
16 from these investments, which continue to this day.

17 On the Harrisburg-Pittsburgh main line alone, Conrail  
18 has invested more than \$100 million in rails, crossties and  
19 surfacing. Hundreds of millions of dollars more have been  
20 invested within Pennsylvania on lines linking Reading, Allen-  
21 town, Philadelphia, Pittsburgh, Harrisburg, Altoona, Williams-  
22 port, Meadville, Erie, and other cities.

23 In the last few years, with the elimination of  
24 deferred maintenance on the core route system nearing  
25 completion, Conrail's track investment focus has shifted to

1  
2 important branch and secondary lines. In Pennsylvania, much  
3 of our effort has been directed at lines serving the Common-  
4 wealth's coal-producing regions, which connect with the  
5 Harrisburg-Buffalo and Harrisburg-Pittsburgh main lines.

6 Last year, for instance, Conrail invested \$3 million  
7 in the Monongahela Branch and Secondary lines in southwestern  
8 Pennsylvania, which is in addition to \$5.4 million in improve-  
9 ments between 1979 and 1981.

10 Another 1982 project was the \$2.4 million track  
11 program on the Ellsworth Secondary, Mariana and Cokeburg  
12 branches, also in the southwestern portion of the state.

13 We have also invested \$5 million on the West Branch  
14 Valley line in central Pennsylvania, and have rehabilitated  
15 the line's 1,500-foot long Karthaus Tunnel.

16 Conrail has also upgraded -- at a cost of \$6 million  
17 -- the Low Grade Secondary between Red Bank and Driftwood in  
18 central Pennsylvania.

19 Another major coal-related track project is the  
20 Clarion Secondary in the northwestern part of the state, where  
21 Conrail has invested \$3.6 million.

22 These capital track programs -- as well as other  
23 improvements Conrail has made in its operations -- have had a  
24 salutary effect on both Conrail's service performance and  
25 safety. In 1977, for instance, our rail system on-time



1  
2 performance record showed that only 63.8 percent of general  
3 merchandise freight cars reached the receiver's dock within  
4 24 hours of schedule; in April of this year, by the same  
5 measurement, we had an 84.1 percent performance record --  
6 comparable to the very best railroads in the country. During  
7 this same period, train accidents have declined 70.7 percent  
8 within the Commonwealth, from 403 train accidents reportable  
9 to the Federal Railroad Administration in 1977 to 118 in  
10 1982.

11 Use of tax credits. Our track improvement program,  
12 of course, relates directly to the tax credit amendment this  
13 committee is studying. That amendment, which went into effect  
14 for the tax year beginning January 1, 1981, permits a credit  
15 against the gross receipts tax, equal to 25 percent of the  
16 amount expended in the Commonwealth during the previous year  
17 and each year thereafter, for the maintenance and improvement  
18 of rights-of-way.

19 In each of the two years since the amendment went  
20 into effect, Conrail's investment in right-of-way maintenance  
21 and improvement has far exceeded its gross receipts tax  
22 liability. As a result, the permissible credits more than  
23 met the tax liability each year. For the tax year 1981,  
24 Conrail had a gross receipts tax liability of nearly \$8.7  
25 million, while our investment on which the 1981 credit is

1  
2 based exceeded \$65.9 million. Conrail's gross receipts tax  
3 liability for 1982 was about \$7.8 million, while our eligible  
4 investment was \$53.6 million.

5 A related concern which has been expressed to us  
6 by state officials is that the excess tax credits could be  
7 carried over from year-to-year, or transferred with the sale  
8 of Conrail. I want to make it clear that there is no carry-  
9 over of unused credits and they will not accrue to a private  
10 sector Conrail or purchasers.

11 Other investments in Pennsylvania. As I mentioned  
12 earlier, Conrail has only claimed tax credits on its DATS  
13 capital budget program. But DATS does not include all of  
14 Conrail's track investment. Track improvements which are part  
15 of larger projects -- like the rebuilding of our Allentown  
16 freight car classification yard and the expansion and modern-  
17 ization of Pier 124 in South Philadelphia and its feeder yard  
18 -- are reflected in Conrail's "Additions & Improvements"  
19 capital budget. Our A&I budget also includes items like  
20 communications and signals investments, computer systems,  
21 environmental control facilities, and equipment for yards,  
22 terminals and shops.

23 Conrail's 1981 and 1982 additions and improvements  
24 capital spending totalled \$87.5 million in Pennsylvania, or  
25 40 percent of all additions and improvements spending for the

1  
2 entire system.

3           Among the major A&I projects Conrail has completed  
4 in Pennsylvania is the \$14 million modernization of Allentown  
5 Yard, which has been expanded so it can dispatch up to 2,000  
6 freight cars a day. The program has slashed the time required  
7 to process a freight car through the yard -- from as much as  
8 two or three days before the work began to less than 24 hours  
9 today.

10           Another project is the Pier 12<sup>4</sup> export coal pier  
11 modernization. The Commonwealth, recognizing the importance  
12 of coal to the state's economic well-being, provided slightly  
13 more than half the financing for this \$41 million project,  
14 which allows the state's coal producers greater access to  
15 world coal markets. In April this year, the pier handled the  
16 largest shipment of coal ever loaded on a single vessel in  
17 the Port of Philadelphia.

18           We have also modernized the Juniata locomotive  
19 shops in Altoona, at a cost of \$15 million. Following  
20 completion of this massive project, locomotive work, which  
21 was formerly shared by Altoona and the Collinwood shop in  
22 Cleveland, was consolidated at Altoona.

23           Another major A&I project is the \$7.4 million  
24 Delaware Valley Intermodal Terminal at Morrisville, which  
25 replaced smaller, less efficient facilities in Somerville,

1  
2 New Jersey, and Philadelphia.

3 Also, included in our A&I budgets are installations  
4 of computerized traffic control systems, which greatly improve  
5 the efficiency of train dispatching. Such systems have been  
6 put in place over significant sections of Conrail's core  
7 routes within the Commonwealth, including the Conemaugh line  
8 between Johnstown and Pittsburgh. Work will begin in a few  
9 months on a similar system between Harrisburg and Altoona.

10 Another Pennsylvania-related investment is Conrail's  
11 recent order of 60 locomotives from General Electric in Erie.

12 Declining traffic. So far, I've discussed Conrail's  
13 capital investment as it has been. In the future, Conrail will  
14 not be investing \$2 billion every seven years in its DATS  
15 program -- largely because the \$2 billion already invested has  
16 essentially eliminated the deferred maintenance of Conrail's  
17 bankrupt predecessor railroads, but also because today's  
18 reduced traffic levels won't wear out the railroad as fast as  
19 they did twenty or even ten years ago.

20 In the Eastern District, where Conrail competes with  
21 the larger CSX and Norfolk Southern systems, as well as  
22 smaller railroads, total freight traffic originated for all  
23 these railroads has fallen from a high of 776 million tons in  
24 1947 to less than 400 million tons in 1981. On Conrail, we  
25 have seen our traffic drop from 269 million tons in 1979 to

1  
2 177 million tons in 1982. Freight carloadings on Conrail in  
3 Pennsylvania have followed this trend -- from 1.9 million car  
4 and piggyback trailer loads four years ago to fewer than 1.2  
5 million last year, a decline of 39 percent.

6           There are a variety of reasons for the traffic  
7 declines spanning several decades and the most recent declines  
8 of the past few years. A key contributor to the long-term  
9 traffic decline has been the growth of motor carriers, spurred  
10 in large part by the construction of the Interstate highway  
11 system, paid for by our tax dollars. Also influencing  
12 Conrail's traffic has been the shift of manufacturing activity  
13 away from the northeast and midwest into the sunbelt. Most  
14 important in the past several years is the downturn in the  
15 automobile, steel and coal industries, which are of crucial  
16 importance to both Conrail and the Commonwealth. According  
17 to the Northeast-Midwest Institute, Pennsylvania alone lost  
18 more than 215,000 manufacturing jobs between 1970 and 1980,  
19 a 14 percent reduction in manufacturing employment. As we  
20 know all too well, much of that employment drop has been in  
21 the Commonwealth's steel industry. Obviously, if the regions  
22 Conrail serves have a declining industrial output, the business  
23 available to the railroad is going to decline.

24           Responses to traffic decline. To offset this  
25 traffic decline, Conrail has taken a wide variety of actions

1  
2 to reduce costs and generate new traffic. Both approaches  
3 must be utilized if Conrail is to fulfill its mandate from  
4 the federal government and enter the private sector as a  
5 profitable corporation. Of the two approaches, the cost  
6 reduction actions, while absolutely necessary, have involved  
7 the greatest sacrifices by all parties with an interest in  
8 Conrail's future -- its employees, its shippers, the commun-  
9 ities it serves, the states, and the federal government.

10 Conrail's union employees recognized the need for  
11 them to make a contribution in cost reduction and agreed to a  
12 12 percent rescission in negotiated industry-wide wage  
13 increases. A comparable contribution was made by non-agreement  
14 employees.

15 As helpful as these wage actions have been in  
16 Conrail's financial turnaround, they have not been enough.  
17 Conrail's system-wide employment has dropped from 100,000 when  
18 the railroad began operations to about 40,000 today. About  
19 11,000 positions were pared from Conrail's payroll on January  
20 1 of this year, when our commuter service obligations were  
21 transferred to SEPTA and similar commuter agencies in other  
22 states. Many other workers have taken advantage of federally  
23 funded programs, which have assisted Conrail in sizing its  
24 workforce to business levels by offering "buyouts" of employees  
25 of up to \$25,000.

1  
2           Conrail has also utilized the line abandonment  
3 provision of the Northeast Rail Service Act. Through the end  
4 of May this year, Conrail filed to abandon 2,747 miles of its  
5 route mile system. Of these, direct rail service has been  
6 preserved on about one-third of these lines through line sales,  
7 subsidy agreements, or transfers. System-wide, the abandon-  
8 ments represent about 15 percent of our route system -- but  
9 only about one percent of traffic and revenues. From these  
10 statistics, it is evident that the abandonment program has  
11 had minimal impact on our customers.

12           Within Pennsylvania, Conrail has filed to abandon  
13 788 route miles -- about 16 percent of its total route miles  
14 in the state. Of these, direct rail service has been  
15 preserved on slightly more than 100 miles. But our experience  
16 in the Commonwealth reflects that of the system. Although  
17 we have abandoned or have filed to abandon 788 route miles,  
18 these lines -- many of which had been out of service for a  
19 year or more before abandonment applications were filed with  
20 the Interstate Commerce Commission -- account for only 1.5  
21 percent of Conrail's carloadings within Pennsylvania.

22           In addition to the historic traffic decline, the  
23 restructuring of Conrail's operating facilities was also  
24 prompted by the need to reduce duplication. As you know,  
25 Conrail was created from six separate railroads -- the Penn

1  
2 Central, Reading, Jersey Central, Lehigh Valley, Erie  
3 Lackawanna and Lehigh & Hudson River -- all of which operated  
4 in Pennsylvania. Each railroad had its own tracks and  
5 terminals in common markets. That may have made sense when  
6 these railroads were separate and competing operating units,  
7 but it makes no economic sense today. It is no accident that  
8 Conrail's formal name is Consolidated Rail Corporation,  
9 because part of our federal mandate has been to consolidate  
10 such duplicate facilities to reduce costs.

11 It is important to emphasize that in both employment  
12 and abandonments, Pennsylvania has not made sacrifices dis-  
13 proportionate to those of other states.

14 In 1979, for instance, one-third of Conrail's  
15 employees worked in Pennsylvania, and today, one-third of our  
16 employees still work in Pennsylvania -- a percentage twice as  
17 great as the second leading state, Ohio. In this same time  
18 period, eight states have suffered a higher percentage decline  
19 in Conrail jobs than Pennsylvania.

20 Nor has Pennsylvania made disproportionate sacrifices  
21 through the line abandonment program. While total mileage  
22 filed for abandonment in Pennsylvania is higher than in any  
23 other state, that's because Pennsylvania had more miles of  
24 line to begin with. In terms of percentage of lines filed  
25 for abandonment, Pennsylvania's 16.5 percent is third behind



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Illinois' 30.9 percent and Indiana's 18.5 percent.

While Conrail has sought to reduce its costs through modest line abandonments and necessary employment reductions, we have given just as much thought and effort to generating additional traffic, both through our investment decisions and marketing actions.

This spring, for example, we completed a \$373,000 project to improve track clearances in the Philadelphia area, a joint undertaking with the Philadelphia Port Corporation and the Chessie System. This paves the way for increased movement of high-end-wide shipments through the port, including electric generating and other oversized equipment manufactured in Pennsylvania. Last fall, to complement both Conrail's and the Commonwealth's investment in the Pier 12<sup>4</sup> coal terminal, our marketing department restructured rates for export shipments of Pennsylvania coal, making the output of the Commonwealth's mines more attractive on the world market. We've also reduced rates on anthracite mined in northeastern Pennsylvania to encourage its use as a home-heating fuel, and we are aggressively seeking contracts to haul Pennsylvania coal at competitive rates to domestic utility and industrial coal users. We are also actively planning and implementing various rate incentives for products used and produced by Pennsylvania's iron and steel industry. Last month, for

1  
2 instance, Conrail put into place joint rail-truck rates that  
3 save ten to 17 percent over what trucks alone charge to bring  
4 iron and steel shipments to the Philadelphia area.

5 With all that I have said, the focal point of the  
6 message I want to leave is that Conrail and the Commonwealth  
7 need each other. We depend on Pennsylvania for a large  
8 proportion of our business, and Pennsylvania depends on  
9 Conrail to bring its natural resources and products to market.

10 Pennsylvania and railroads go back in time to the  
11 earliest days of industry. It's no accident that three of  
12 Conrail's six predecessors were headquartered within Pennsyl-  
13 vania and that today, Conrail has its corporate headquarters  
14 in Philadelphia. With the railroad's improving financial  
15 health and an impending return to the private sector, we see  
16 no reason why this mutually beneficial relationship between  
17 Conrail and the Commonwealth won't continue -- and grow with  
18 the economy -- in the future.

19 Thank you.

20 (The following is the prepared material of Mr.  
21 Swanson:)

22 "June 16, 1983

23 "To: Pennsylvania House Transportation Committee

24 "The attached package is the statistical supplement  
25 mentioned in the testimony of Mr. Donald A. Swanson, Vice-

1  
2 President-Transportation of Consolidated Rail Corporation.

3 The contents of this package are as follows:

4 "Appendix I:

5 "1. Yards in Pennsylvania with explanation  
6 where significant reductions or closures have occurred

7 "2. Yard cars dispatched and crews worked  
8 in March 1979

9 "3. Yard cars dispatched and crews worked in  
10 March 1982

11 "4. Yard cars dispatched and crews worked in  
12 March 1983

13 "Appendix II:

14 "A. Top 25 yards on Conrail ranked by yard  
15 cars dispatched for March 1979, March 1982, March 1983

16 "B. Changes in rankings in the 3 years studied

17 "C. Changes in yard cars dispatched for yards  
18 in the top 25

19 "D. Miles of track and standing car capacity  
20 for yards in the top 25

21 "Appendix III:

22 "Conrail traffic comparison by state of origin  
23 and destination 1979-1982

24 "Appendix IV:

25 "Bar chart depicting change in employment by

1  
2 state 1979-1983

3 "Appendix V:

4 "Tonnage Trendline over several east-west routes  
5 depicting absolute and relative changes from 1979-1983

6 "Appendix VI:

7 "Summary of Mechanical Department force changes  
8 by state. Information includes CI&R\* and locomotive (and car)  
9 shop forces listed by location from 1981 through 1983

10 "\* CI&R refers to Car Inspection and Repair

11 "Appendix VII:

12 "Summary of Additions and Improvements (A&I)  
13 capital spending for 1979, 1982, and forecast for 1983

14 "Appendix VIII:

15 "Summary of track rehabilitation expenditures  
16 by state, year-by-year since 1976

17 "Appendix IX:

18 "A review of Conrail abandonments in  
19 Pennsylvania as authorized by the Northeast Rail Service  
20 Act (NERSA)

21 "This information was assembled by several Conrail  
22 departments at the request of the Government Affairs Depart-  
23 ment. If, after these hearings, you should have questions  
24 about the material, please contact Conrail Legislative Repre-  
25 sentatives Karen Ball and Dan Beren. Prompt answers will be

provided to them."

" APPENDIX I

"Pennsylvania

"Classification Yards

<u>"Yard</u>	<u>"1979</u>		<u>"1982</u>		<u>"1983</u>	
	<u>YCD</u>	<u>Crews Worked</u>	<u>YCD</u>	<u>Crews Worked</u>	<u>YCD</u>	<u>Crews Worked</u>
Allentown	43,734	434	25,044	270	30,775	293
Saucon	15,019	120	14,950	97	0	0
Sayre	10,622	105	0	0	0	0
Abrams	21,728	198	14,315	261	15,592	246
Phila. Term Yds	17,265	668	7,529	208	8,245	205
Morrisville	30,431	759	13,974	375	14,341	259
Greenwich	26,740	640	24,777	417	14,383	260
Grays Ferry	5,956	263	0	0	0	0
Frankford Jct.	30,154	420	5,828	120	4,694	119
Enola	92,713	1092	70,480	852	46,179	598
Rutherford	55,744	875	0	0	0	0
Reilly St.	27,155	321	22,849	471	21,657	358
Reading	26,001	643	6,755	159	7,925	162
Altoona	26,622	161	23,339	156	15,063	62
Conemaugh	10,837	90	8,248	40	0	0
Renovo	9,784	88	0	0	0	0
Newberry	5,577	79	10,866	109	12,356	89
Clearfield	10,710	57	11,887	51	9,575	28
Pitcairn	5,902	56	0	0	0	0
Scully	12,681	81	0	0	0	0
Kiski Jct.	18,393	59	0	0	0	0
30th Street (Pittsburgh)	11,867	53	0	0	0	0
Conway	81,643	1126	65,117	887	69,458	818
Meadville	17,801	200	909	23	0	0
Ferrona	15,884	232	6,473	176	5,224	116
Erie	5,909	198	6,657	163	7,057	92
Pittston	N/A	N/A	4,751	23	0	0
Stoney Creek	N/A	N/A	7,705	278	5,511	204
44th Street	N/A	N/A	2,848	112	0	0
Lemoyne	N/A	N/A	4,492	118	4,054	119
Thomson	N/A	N/A	5,217	51	10,639	64

Note: All figures are monthly ending March 31

Source: S-2

"EXPLANATION OF YARD ACTIVITY REDUCTION/ELIMINATION

"The following yard facilities have had a reduction in traffic greater than the system average decline of freight carloads handled. Compared to 1979 traffic levels, 1983 figures show a decline of 41.5% systemwide.

7	"Allentown	Traffic reduction is less than the system average decline due to decline in Bethlehem Steel traffic
8		
9		
10	"Saucon	Decrease due to decline in Bethlehem Steel traffic
11		
12	"Sayre	Closed -- Classification work transferred to Allentown, local service now handled at Elmira and Mehoopany
13		
14		
15	"Abrams	Decrease due to closing of Alan Wood Steel Kaiser Refractory, Lee Tire and other industry; decline of UMP interchange traffic
16		
17		
18	"Philadelphia	Decrease due to decline in business levels including Budd at Midvale, and closing Port Richmond
19	Terminal Yards	
20		
21	"Morrisville	Decrease due to decline in U.S. Steel traffic offset by opening of new TrailVan facility in late 1982
22		
23		
24	"Greenwich	Decrease due to decline in coal exports
25	"Grays Ferry	Closed -- Work transferred to Greenwich &

1  
2                   Stony Creek away from NEC congestion  
3   "Frankford Jct   Decrease -- TrailVan traffic moved to new  
4                   facility at Morrisville  
5   "Enola            Decrease due to the general decline in  
6                   traffic levels and elimination of dual hump  
7                   with associated double-handling of cars  
8   "Rutherford       Closed -- Classification work transferred to  
9                   Enola; local service work to Harrisburg  
10   "Reading          Decrease due to decline in coal traffic,  
11                   closure of Joanna Mine of Beth Steel & other  
12                   local area industry  
13   "Altoona          Decrease in shop activity due to reduction in  
14                   repair programs reflecting general business  
15                   decline  
16   "Conemaugh        Decrease due to decline in Bethlehem Steel  
17                   traffic  
18   "Renovo           Closed -- Decline in traffic due to increased  
19                   use of unit trains for coal movements by-  
20                   passing yard -- remaining work transferred  
21                   to Newberry and Clearfield  
22   "Pitcairn          Closed -- Work transferred to Conway and  
23                   Thomson  
24   "Scully           Closed -- due to decline in PCY interchange  
25                   traffic level and local industry

1

2 "Kiski Jct Closed -- Local traffic transferred to Etna --

3 overhead traffic rerouted via Meadville and

4 Reynoldsville

5 "30th Street Sold to Monongahela Connecting RR

6 (Pittsburgh)

7 "Conway Traffic reduction is less than the system

8 average of 41.5%. Decline is a result of

9 decreased traffic levels in general

10 "Meadville Decrease due to decline of overhead traffic

11 level over route as a result of traffic

12 consolidation after closure of Ford Mahwah

13 Assembly Plant; and decline in Greenville

14 Steel Co. traffic and car shop repair activity

15 "Ferrona Decrease due to decline in steel business in

16 Sharon area and rights given to P&LE to serve

17 area

18 "Pittston Decrease in yard cars dispatched due to work

19 being done by local crews. Large portion of

20 local trackage transferred to Pocono Northeast

21 Railroad. Auto facility at Mt. Pocono closed

22 "44th Street Closed -- TrailVan facility relocated to

23 (Philadelphia) Morrisville -- Balance of traffic to Greenwich

24

25



"Appendix IIA"Top 25 Conrail Yards By Yard Cars Dispatched1979

"Enola	92,713
Conway	81,643
Buckeye	76,762
Selkirk	72,647
Avon	68,968
Elkhart	62,728
Junction Yard	62,416
Rutherford	55,544
Stanley	51,456
Sharonville	48,570
Baltimore	46,453
Frontier	44,722
Allentown	43,734
DeWitt	40,723
Ashtabula	35,169
Rockport	33,775
Morrisville	30,341
Frankford Jct.	30,154
Niagara Falls	29,632
Reilly St.	27,155
Greenwich	26,740
Croxton	26,720
Reading	26,001
Oak Island	25,919
East St. Louis	<u>24,787</u>
"Total	1,165,472

"Monthly Figures, March

Source: S-2

"APPENDIX IIA"Top 25 Conrail Yards By Yard Cars Dispatched1982

"Enola	70,480
Elkhart	65,708
Conway	65,117
Buckeye	64,002
Selkirk	63,556
Avon	52,039
Frontier	43,597
Stanley	34,628
Baltimore	32,638
Oak Island	26,436
Allentown	25,044
Greenwich	24,777
Altoona	23,339
Reilly St.	22,849
Dewitt	22,834
Collinwood	21,642
Junction Yard	21,354
Sharonville	20,284
Pavonia	18,368
East St. Louis	17,472
Saucon	14,950
Rockport	14,565
Burns Harbor	14,381
Abrams	14,315
Morrisville	<u>13,974</u>
"Total	825,989

"Monthly Figures, March

Source: S-2

"APPENDIX IIA"Top 25 Conrail Yards By Yard Cars Dispatched1983

"Elkhart	73,389
Conway	69,458
Selkirk	56,592
Buckeye	55,288
Avon	51,481
Frontier	50,080
Enola	46,179
Stanley	37,647
Oak Island	35,628
Allentown	30,775
Baltimore	26,216
Collinwood	22,185
Reilly St.	21,657
Rockport	21,376
Dewitt	21,170
Ohio St.	20,305
Edge Moor	17,794
River Rouge	17,100
Pavonia	16,326
North Yard	16,592
Abrams	15,592
S. Kearny	15,507
Junction Yd.	15,333
Altoona	15,063
Greenwich	14,350
Morrisville	<u>14,350</u>
"Total	796,965

"Monthly Figures, March

Source: S-2

"APPENDIX IIB"System"Yard Rankings

<u>"Yard</u>	<u>Nearest City</u>	<u>1983 Ranking</u>	<u>1982 Ranking</u>	<u>1979 Ranking</u>
"Elkhart	Elkhart, IN	1	2	6
Avon	Indianapolis, IN	5	6	5
Conway	Pittsburgh, PA	2	3	2
Buckeye	Columbus, OH	4	4	3
Selkirk	Albany, NY	3	5	4
Frontier	Buffalo, NY	6	7	12
Enola	Harrisburg, PA	7	1	1
Stanley	Toledo, OH	8	8	9
Oak Island	Newark, NJ	9	10	24
Allentown	Allentown, PA	10	11	13
Baltimore	Baltimore, MD	11	9	11
Collinwood	Cleveland, OH	12	16	-
Reilly St.	Harrisburg, PA	13	14	20
Rockport	Cleveland, OH	14	21	16
Dewitt	Syracuse, NY	15	15	14
Ohio St.	Buffalo, NY	16	-	-
Edge Moor	Wilmington, DE	17	-	-
River Rouge	Detroit, MI	18	-	-
Pavonia	Camden, NJ	19	19	-
North Yd.	Detroit, MI	20	-	-
Abrams	Norristown, PA	21	24	-
S. Kearny	S. Kearny, NJ	22	-	-
Junction Yd.	Detroit, MI	23	17	7
Altoona	Altoona, PA	24	13	-
Greenwich	Philadelphia, PA	25	12	21
Morrisville	Philadelphia, PA	25	25	17
Sharonville	Cincinnati, OH	-	18	10
East St. Louis	St. Louis, IL	-	20	25
Saucun	Allentown, PA	-	21	-
Burns Harbor	Chicago, IL	-	23	-
Rutherford	Harrisburg, PA	-	-	8
Ashtabula	Ashtabula, OH	-	-	15
Frankford Jct.	Philadelphia, PA	-	-	18
Niagara Falls	Niagara Falls, NY	-	-	19
Croxton	Jersey City, NJ	-	-	22
Reading	Reading, PA	-	-	23

Source: S-2

"APPENDIX IIC"System"YCD Changes for Top 25 Yards 1979, 1982, 1983

<u>"Yard</u>	<u>1979</u> <u>YCD</u>	<u>1982</u> <u>YCD</u>	<u>1983</u> <u>YCD</u>	<u>Variance</u> <u>1983 vs 1979</u>
#Abrams	21,728	14,315	15,592	- 6,136
#Allentown	43,734	25,044	30,775	- 12,959
#Altoona	22,622	23,339	15,063	- 7,559
Ashtabula	35,169	16,246	13,201	- 21,968
Avon	68,968	52,039	51,481	- 17,487
Baltimore	46,453	32,638	26,216	- 20,237
Buckeye	76,762	64,002	55,228	- 21,474
Burns Harbor	14,507	14,381	11,848	- 2,659
Collinwood	16,696	21,642	22,185	+ 5,489
#Conway	81,643	65,117	69,458	- 12,185
Croxton	26,720	10,796	4,594	- 22,126
Dewitt	40,723	22,834	21,170	- 19,553
East St. Louis	24,787	17,472	10,906	- 13,881
Edge Moor	17,433	10,806	17,794	+ 361
Elkhart	62,728	65,708	73,389	+ 10,661
#Enola	92,713	70,480	46,179	- 46,534
#Frankford Jct.	30,154	5,828	4,694	- 25,460
Frontier	44,722	43,597	50,080	+ 5,358
#Greenwich	26,740	24,777	14,350	- 12,390
Junction Yd.	62,416	21,354	15,333	- 47,083
#Morrisville	30,341	13,974	14,350	- 15,991
Niagara Falls	29,632	13,727	13,716	- 15,916
North Yard	21,446	13,189	16,124	- 5,322
Oak Island	25,919	26,436	35,628	+ 9,709
Ohio St.	10,385	7,867	20,305	+ 9,920
Pavonia	16,812	18,368	16,326	- 576
#Reading	26,001	6,755	7,925	- 18,076
#Reilly St.	27,155	22,849	21,657	- 5,498
River Rouge	17,658	13,866	17,100	- 558
Rockport	33,775	14,565	21,376	- 12,399
#Rutherford	55,544	0	0	- 55,544
#Saucon	15,019	14,950	0	- 15,019
Selkirk	72,647	63,556	56,592	- 16,055
Sharonville	48,570	20,284	13,852	- 34,718
South Karry	14,524	13,809	15,507	+ 983
Stanley	51,456	34,628	37,647	- 13,809
<b>Total</b>				
<b>System Yards</b>	<b>1,354,032</b>	<b>921,238</b>	<b>877,701</b>	<b>- 476,331</b>
				<b>% decrease 1979 vs 1983 - 35.2%</b>
<b>#Total</b>	<b>473,394</b>	<b>287,428</b>	<b>240,043</b>	<b>- 233,351</b>
<b>Pennsylvania Yards</b>				
				<b>% decrease 1979 vs 1983 - 49.3%</b>

Note: All figures are monthly ending March 31 Source: S-2

"APPENDIX IID"Standing Car Capacity in Yards

<u>"Yard</u>	<u>Miles of Track</u>	<u>Capacity in Cars</u>
Abrams	41.8	3678
Allentown	51.5	4532
Altoona	88.5	7788
Ashtabula	69.0	6072
Baltimore	82.7	7278
Burns Harbor	13.8	1214
Cincinnati	62.1	5464
Collinwood	55.8	4910
Columbus	75.7	6661
Conway	138.8	12214
Croxton	57.9	5095
Dewitt	73.0	6424
East St. Louis	35.5	3124
Edge Moor	28.2	2481
Elkhart	105.4	9275
Enola	138.3	12170
Frankford Jct.	14.9	1311
Frontier	85.4	7515
Greenwich	76.5	6732
Indianapolis	111.1	9776
Junction Yd.	67.7	5957
Morrisville	55.0	4840
Niagara Falls	49.0	4312
North Yard	24.1	2120
Oak Island	35.9	3159
Ohio St.	9.7	853
Pavonia	22.0	1936
Reading	24.2	2129
Reilly St.	58.7	5165
River Rouge	11.4	1003
Rockport	32.0	2816
Rutherford	58.1	5112
Saucon	20.2	1777
Selkirk	147.5	12980
South Kearny	6.0	528
Stanley	95.3	8386

APPENDIX IIICONRAIL TRAFFIC COMPARISONUNITS (CAR AND TRAILER LOAD) BY STATE OF ORIGIN AND DESTINATIONLARGEST VOLUME CONRAIL SERVED STATES ONLY

<u>State</u>	<u>Originated Units (000)</u>			<u>Terminated Units (000)</u>			<u>Total Units (000)</u>		
	<u>1979</u>	<u>1982</u>	<u>Per Cent Change*</u>	<u>1979</u>	<u>1982</u>	<u>Per Cent Change*</u>	<u>1979</u>	<u>1982</u>	<u>Per Cent Change*</u>
Connecticut	39	20	(49)	83	45	(46)	122	65	(47)
Delaware	27	16	(41)	61	56	(8)	88	72	(18)
Illinois	318	287	(10)	300	225	(25)	618	512	(17)
Indiana	285	174	(39)	298	194	(35)	583	368	(37)
Massachusetts	72	54	(25)	170	139	(18)	242	193	(20)
Maryland	73	46	(37)	213	170	(20)	286	216	(24)
Michigan	286	171	(40)	321	196	(39)	607	367	(40)
New Jersey	285	179	(37)	480	356	(26)	765	535	(30)
New York	312	172	(45)	476	321	(33)	788	493	(37)
Ohio	689	324	(53)	561	306	(45)	1250	630	(50)
<u>Pennsylvania</u>	984	604	(39)	928	556	(40)	1912	1160	(39)
Virginia	62	44	(29)	39	24	(38)	101	68	(33)
West Virginia	218	224	3	133	49	(63)	<u>351</u>	<u>273</u>	(22)
						<u>System</u>	7713	4952	(36)

\* ( ) indicates decline






Source: Marketing and Sales  
FRA Probe

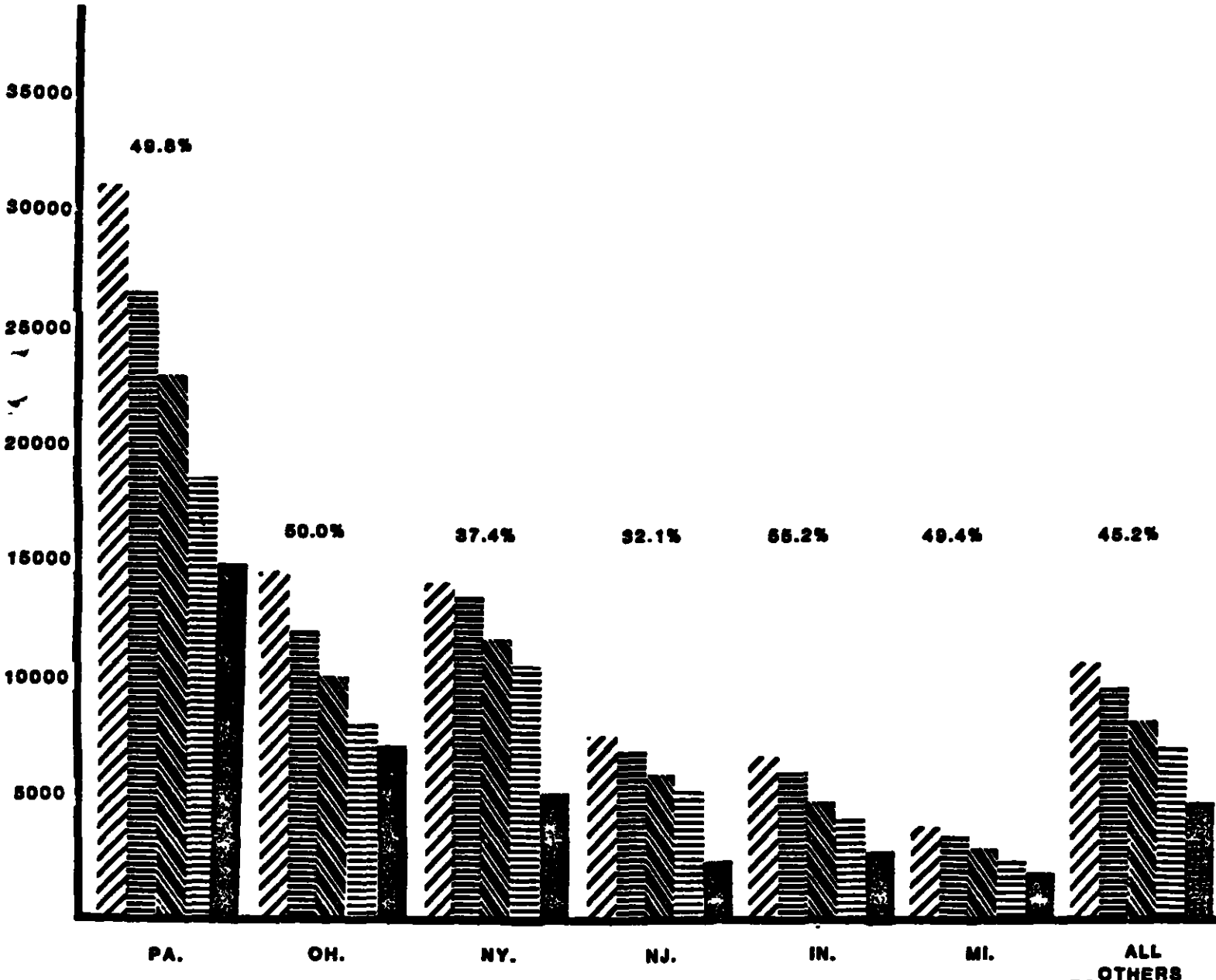
APPENDIX IV

**CONRAIL EMPLOYMENT  
LEVELS 1979-1983**

**SYSTEM TOTAL**

	88,571
	79,544
	67,834
	57,076
46.1% of 1979	40,859

	1979
	1980
	1981
	1982
	1983



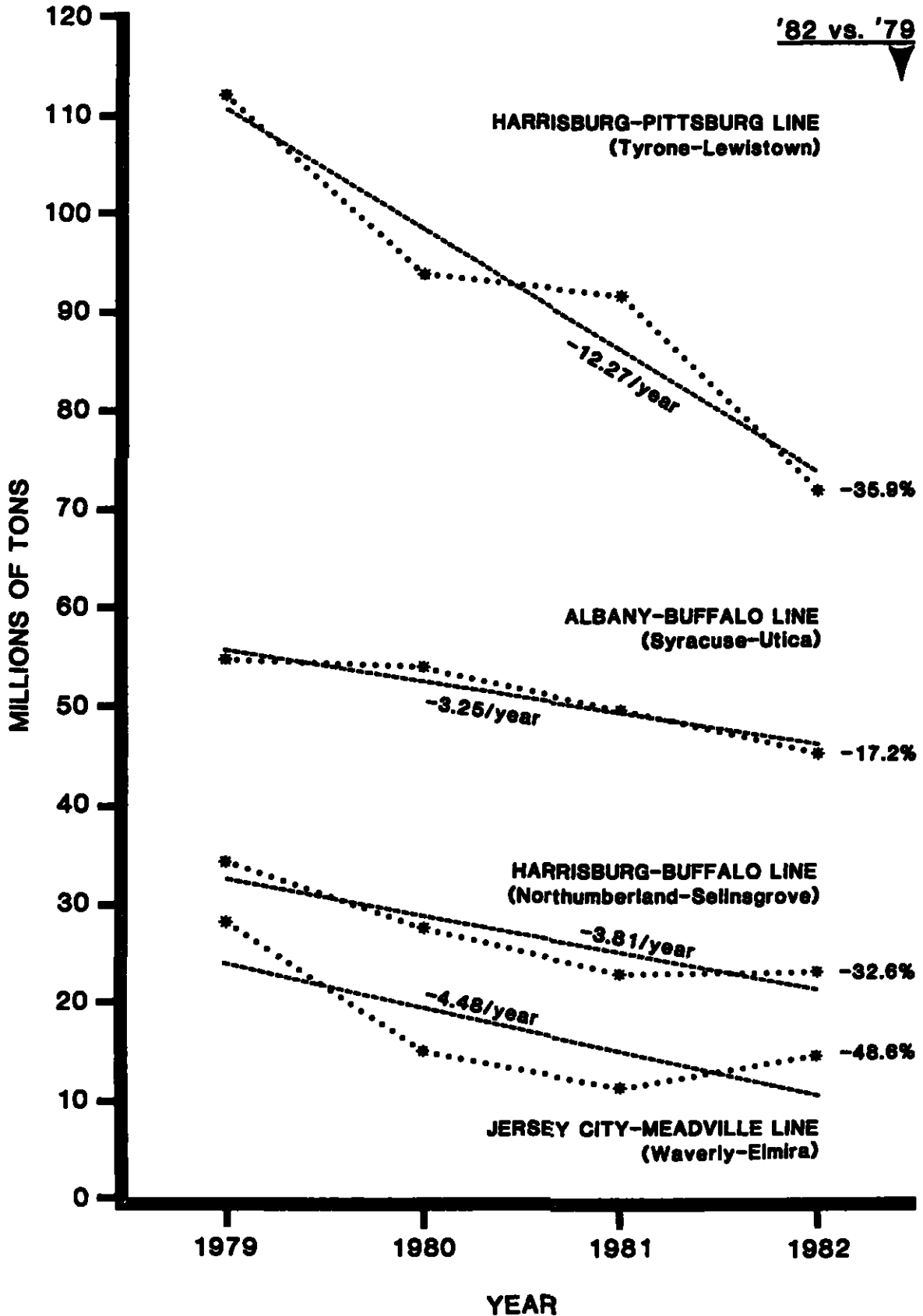
Percentages shown reflect remaining 1983 employment as compared to 1979 base year and include reduction of 11,000 employees systemwide account separation of passenger services effective January 1, 1983.



# TONNAGE TRENDLINE

-- SELECTED ROUTES --

1979 - 1982



"APPENDIX VI

"SUMMARY

"MECHANICAL DEPARTMENT FORCE CHANGES  
1-1-81 THROUGH 6-10-83

"STATE	PLUS	MINUS	FORCE CHANGE % CHANGE
"MASSACHUSETTS		56	64%
OHIO		485	55%
PENNSYLVANIA		2343	51%
NEW JERSEY		117	41%
INDIANA		97	38%
NEW YORK		40	9%

TOTAL FORCE	1-1-81	6502
	6-10-83	3364

TOTAL CHANGE	3138
--------------	------

PERCENT CHANGE	48%
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**"MECHANICAL DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE**

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83
PHILADELPHIA	PA	181	74	63
HARRISBURG	PA	239	101	31
ENOLA	PA	429	356	376
BETHLEHEM	PA	48	48	16
CONWAY	PA	279	230	93
RUTHERFORD	PA	46	-	-
SCRANTON	PA	42	-	-
PT. RICHMOND	PA	17	-	-
JUNIATA SHOP	PA	1491	1005	992
HOLLIDAYSBURG	PA	1249	757	518
READING SHOP	PA	401	123	65
MEADVILLE	PA	143	68	68
<b>TOTAL</b>	<b>PA</b>	<b>4565</b>	<b>2762</b>	<b>2222 (2343)</b>

51%

**"MECHANICAL DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE**

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 5-1-83		
COLLINWOOD	OH	353	319	330		
COLLINWOOD B.S.	OH	308	-	-		
COLUMBUS	OH	214	129	60		
<b>TOTAL</b>	<b>OH</b>	<b>875</b>	<b>448</b>	<b>390</b>	<b>(485)</b>	<b>55%</b>
AVON	IN	184	128	121		
ELKHART	IN	74	47	40		
<b>TOTAL</b>	<b>IN</b>	<b>258</b>	<b>175</b>	<b>161</b>	<b>(97)</b>	<b>38%</b>
SELKIRK	NY	336	280	314		
BUFFALO	NY	98	86	80		
<b>TOTAL</b>	<b>NY</b>	<b>434</b>	<b>366</b>	<b>394</b>	<b>(40)</b>	<b>9%</b>
BEACON PARK	MA	87	30	31		
<b>TOTAL</b>	<b>MA</b>	<b>87</b>	<b>30</b>	<b>31</b>	<b>(56)</b>	<b>64%</b>
MEADOWS	NJ	36	44	36		
OAK ISLAND	NJ	15	60	67		
PAVONIA	NJ	59	63	63		
ELIZABETHPORT	NJ	140	-	-		
SECAUCUS	NJ	33	-	-		
<b>TOTAL</b>	<b>NJ</b>	<b>283</b>	<b>167</b>	<b>166</b>	<b>(117)</b>	<b>41%</b>
<b>SYSTEM TOTAL</b>		<b>6502</b>	<b>3948</b>	<b>3364</b>	<b>(3138)</b>	<b>48%</b>

## "SUMMARY

CAR DEPARTMENT FORCE REDUCTIONS  
STATE RATIOS  
(1-1-81 THROUGH 6-10-83)

<u>STATE</u>	<u>FORCE REDUCTIONS</u>	<u>RATIO</u>
RHODE ISLAND	11	100%
KENTUCKY	2	100%
CONNECTICUT	68	71%
WEST VIRGINIA	20	61%
PENNSYLVANIA	646	52%
OHIO	623	51%
NEW YORK	435	49%
ILLINOIS	153	49%
MARYLAND	33	49%
MICHIGAN	161	42%
CANADA	11	41%
INDIANA	216	39%
NEW JERSEY	96	33%
MASSACHUSETTS	29	30%
DISTRICT OF COLUMBIA	2	28%
DELAWARE	4	9%

\* \* \* \* \*

JANUARY 1, 1981 - FORCE - 5,370

JUNE 10, 1983 - FORCE - 2,804

TOTAL CHANGE - 2,566

SYSTEM RATIO - 48%

C.I. & R. DEPT.  
PHILA., PA.

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-82		
SPRINGFIELD	MA	-	-	3		
BEACON PARK	MA	30	21	17		
FRAMINGHAM	MA	15	11	10		
READVILLE	MA	4	7	6		
WORCESTER	MA	12	8	6		
MIDDLEBORO	MA	1	2	1		
SO. BRAINTREE	MA	1	-	-		
W. SPRINGFIELD	MA	31	29	23		
PITTSFIELD	MA	2	2	1		
<b>MASSACHUSETTS</b>		<b>96</b>	<b>80</b>	<b>67</b>	<b>(29)</b>	<b>30%</b>
CEDAR HILL	CT	43	20	14		
HARTFORD	CT	35	34	6		
DANBURY	CT	5	5	3		
BRIDGEPORT	CT	2	1	-		
WATERBURY	CT	3	1	-		
NEW HAVEN (CAR DEPT. STAFF)	CT	8	7	5		
<b>CONNECTICUT</b>		<b>96</b>	<b>68</b>	<b>28</b>	<b>(68)</b>	<b>71%</b>
PROVIDENCE M/M	RI	4	3	-		
PROVIDENCE C.S.	RI	7	1	-		
<b>RHODE ISLAND</b>		<b>11</b>	<b>4</b>	<b>-</b>	<b>(11)</b>	<b>100%</b>
C.I.&R. DEPT. PHILA., PA. RLT/rlt						

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83
PHILADELPHIA M/M	PA	4	4	3
SO. PHILA. C.S.	PA	119	84	63
ABRAMS	PA	25	24	14
MORRISVILLE	PA	78	41	35
STONEY CREEK	PA	4	4	4
COATESVILLE	PA	4	4	2
HARRISBURG M/M	PA	4	3	3
HARRISBURG C.T.	PA	23	27	26
ENOLA	PA	177	153	90
RUTHERFORD	PA	41	-	-
LANCASTER	PA	7	6	5
YORK	PA	5	-	-
READING RIP	PA	47	22	18
BETHLEHEM M/M	PA	2	3	-
SAUCON CREEK	PA	7	9	4
PITTSTON	PA	13	10	8
ALLENTOWN	PA	72	58	51
TRAIL VAN	PA	-	-	2
CHAPMAN	PA	-	1	1
HAZELTON	PA	-	2	2
PORTLAND	PA	1	-	-
NORTHUMBERLAND CW	PA	-	4	4
NORTHUMBERLAND CAR RPR.	PA	-	4	4
ALTOONA M/M	PA	5	3	2

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83
MADDEN/ROSE	PA	60	45	30
LEWISTOWN	PA	11	10	6
CONEMAUGH	PA	24	13	3
SOUTH FORK	PA	1	-	-
PHILLIPSTON/ REYNOLDSVILLE	PA	8	8	2
BROOKVILLE	PA	1	1	1
NEWBERRY	PA	44	34	39
WARREN	PA	1	1	-
RIDGWAY	PA	1	1	-
RENOVO	PA	1	1	-
LOCK HAVEN	PA	1	-	-
CLEARFIELD	PA	27	25	16
CHERRY TREE	PA	3	2	1
PITTSBURGH M/M	PA	5	5	3
PITCAIRN	PA	2	2	2
YOUNGWOOD	PA	6	6	-
BROWNSVILLE	PA	4	3	8
SHIRE OAKS	PA	23	18	-
THOMSON	PA	39	7	6
KENNY YARD	PA	4	3	1
W. TARENTUM	PA	4	3	3
KISKI JUNCTION	PA	22	10	-
VANDERGRIFT	PA	1	1	-
ETNA	PA	2	2	-



"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83	
CARNEGIE	PA	8	3	-	
CONWAY	PA	315	270	134	
PITTSBURGH PASS.	PA	10	10	6	
ERIE	PA	9	9	7	
OIL CITY	PA	6	3	-	
CANONSBURG	PA	1	-	1	
MEADVILLE	PA	26	3	2	
FERRONA	PA	9	12	11	
CAR DEPT. STAFF					
PHILADELPHIA	PA	13	12	10	
ALTOONA	PA	18	16	13	
PENNSYLVANIA		1348	1005	646	(702) 52%

C.I.&R. DEPT.  
PHILA., PA.

RLT/rlt

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83		
ELIZABETH M/M	NJ	8	8	6		
SO. KEARNY	NJ	27	20	20		
HARSIMUS COVE	NJ	1	1	1		
SO. AMBOY	NJ	5	4	4		
ELIZABETHPORT	NJ	16	15	13		
CROXTON	NJ	55	17	7		
OAK ISLAND	NJ	85	63	63		
D&H RAMP	NJ	-	2	3		
PORT READING	NJ	8	6	7		
NO. BERGEN	NJ	17	13	15		
METUCHEN	NJ	13	10	5		
LINDEN	NJ	12	12	14		
DOVER	NJ	1	1	1		
PAVONIA	NJ	32	26	26		
MILLVILLE	NJ	4	6	6		
BRIDGETON	NJ	1	1	1		
GREENVILLE	NJ	1	-	-		
PATTERSON	NJ	2	-	-		
NEW JERSEY		288	205	192	(96)	33%
BAYVIEW	MD	61	36	28		
HAGERSTOWN	MD	6	6	6		
MARYLAND		67	42	34	(33)	49%
C.I.&R. DEPT. PHILA., PA. RLT/rlt						

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83		
DICKINSON	W VA	24	17	10		
CHARLESTON	W VA	2	1	1		
NITRO	W VA	1	1	1		
INSTITUTE	W VA	1	1	1		
BELL	W VA	1	1	-		
WEIRTON	W VA	4	2	-		
WEST VIRGINIA		33	23	13	(20)	61%
WILMINGTON	DEL	39	25	27		
HARRINGTON	DEL	6	7	5		
NEWARK	DEL	-	-	9		
DELAWARE		45	32	41	(4)	9%
BENNINGS	DC	7	6	5	(2)	28%
LOUISVILLE	KY	2	-	-	(2)	100%

C.I.&R. DEPT.  
PHILA., PA.  
RLT/rlt

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83
BUFFALO M/M	NY	4	3	3
FRONTIER	NY	161	109	109
TRAIL VAN	NY	2	7	2
SUSP. BRIDGE	NY	41	24	22
KENMORE	NY	11	6	5
HARRISON	NY	4	3	3
ROCHESTER	NY	37	20	18
CALEDONIA	NY	2	1	1
GENEVA	NY	1	1	1
TRAIL VAN	NY	1	1	1
SENECA YARD	NY	32	20	15
OHIO STREET	NY	4	4	4
HALSTED STREET	NY	-	-	3
SK YARD	NY	7	7	-
ABBOTT ROAD	NY	1	-	-
BISON YARD	NY	31	10	-
UTICA M/M	NY	3	3	2
UTICA C.S.	NY	7	3	2
HARMON	NY	5	3	3
CROTON	NY	1	2	2
TARRYTOWN	NY	-	1	2
72ND STREET	NY	2	-	-
OAK POINT	NY	26	20	17
SELKIRK	NY	175	141	111
TRAIL VAN	NY	1	1	1

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83	
WATERTOWN	NY	10	8	7	
FULTON	NY	4	4	3	
MASSENA	NY	4	4	4	
DEWITT	NY	238	84	66	
TRAIL VAN	NY	1	1	1	
SOLVAY	NY	1	1	1	
SJ TOWER	NY	1	1	1	
DUNKIRK	NY	1	1	1	
HORNELL	NY	4	1	2	
GANG MILLS	NY	14	11	10	
JAMESTOWN	NY	1	1	1	
ITHACA	NY	3	1	1	
PORT JERVIS	NY	1	1	1	
ELMIRA	NY	18	15	13	
BINGHAMTON	NY	7	3	1	
ALLEGHANY/OLEAN	NY	12	9	9	
SILVER SPRINGS	NY	1	1	-	
SALAMANCA	NY	2	-	-	
KINGSTON	NY	2	1	1	
C.I.& R. SYSTEM STAFF BUFFALO	NY	3	2	2	
NEW YORK		887	540	452	(435) 49%

C.I.&R. DEPT.  
PHILA., PA.  
RLT/rit

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83
COLUMBUS	OH	5	5	3
BUCKEYE	OH	179	143	101
20TH ST.	OH	10	2	2
NEW LEXINGTON	OH	3	1	-
BELLEFONTAINE	OH	3	2	3
FINDLAY	OH	1	1	-
MARION	OH	17	12	10
MIDDLETOWN	OH	5	4	2
GLEN ECHO	OH	3	2	1
DAYTON	OH	9	10	9
MORAINÉ	OH	-	2	2
SHARONVILLE	OH	135	65	34
LAWRENCEBURG	OH	1	1	1
GREENVILLE	OH	2	2	1
GALION	OH	1	-	-
CLEVELAND M/M	OH	5	3	4
COLLINWOOD	OH	91	78	56
TRAIL VAN	OH	1	1	1
CEI	OH	1	2	2
E. 55TH ST.	OH	2	2	-
PAINESVILLE	OH	4	2	1
ROCKPORT	OH	25	16	19
BROOKPARK	OH	2	2	3
PARMA	OH	3	-	2
WHISKEY ISLAND	OH	1	-	9

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83
MACEDONIA	OH	43	18	35
MOTOR YARD	OH	24	9	7
WALTON (FORD)	OH	1	1	1
CHRYSLER	OH	4	1	5
TOLEDO M/M	OH	5	2	3
AMER. MTR., TOLEDO	OH	2	2	2
STANLEY	OH	258	119	117
GIBSONBURG	OH	2	1	1
WOODVILLE	OH	1	-	-
FAIRLANE	OH	17	5	33
ELYRIA	OH	3	3	1
SANDUSKY	OH	1	1	-
AIRLINE JUNCTION	OH	17	14	9
BRYAN	OH	1	1	1
MINGO JUNCTION	OH	85	47	17
MARTINS FERRY	OH	1	1	1
ZANESVILLE	OH	2	-	-
VON WILLER	OH	6	1	-
NO. RANDALL	OH	1	1	-
YOUNGSTOWN M/M	OH	4	3	2
AKRON	OH	13	4	3
ASHTABULA	OH	50	33	16
ASHTABULA HARBOR	OH	14	6	9

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83
CANTON	OH	48	20	21
ALLIANCE	OH	2	1	1
-LEETONIA	OH	-	1	1
CRESTLINE	OH	20	20	8
MANSFIELD	OH	4	5	4
HARDING	OH	5	5	6
LIMA	OH	1	1	1
LORDSTOWN	OH	20	14	21
NILES	OH	3	3	3
HASELTON	OH	-	1	1
ORRVILLE	OH	1	1	-
ERIER HILL	OH	44	17	4
MASSILLON	OH	1	1	-
WARREN	OH	1	2	-
GEORGETOWN	OH	5	5	-
DENNISON	OH	4	-	-
<b>OHIO</b>		<b>1223</b>	<b>728</b>	<b>600 (623) 51%</b>

C.I. & R. DEPT.  
PHILA., PA.  
RLT/rit



"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83
INDIANAPOLIS M/M	IND	3	3	3
AVON	IND	184	147	93
BEECH GROVE BAR	IND	-	-	1
SO. ANDERSON	IND	6	4	4
MUNCIE	IND	2	-	1
HAWTHORNE YARD	IND	18	12	9
COLUMBUS	IND	1	1	1
WORTHINGTON	IND	3	2	1
JEFFERSONVILLE	IND	16	7	5
PETERSBURG	IND	17	12	14
INDPLS. VAN JCT.	IND	3	3	4
CHEVY	IND	1	1	2
MARION	IND	13	10	7
LOGANSFORT	IND	1	1	1
CONNORSVILLE	IND	1	-	-
TERRE HAUTE	IND	9	8	8
FT. WAYNE	IND	46	11	9
DECATUR	IND	1	1	1
BURNS HARBOR	IND	13	13	9
ELKHART	IND	197	156	150
SOUTH BEND	IND	2	2	2
INDIANAPOLIS (CAR DEPT. STAFF)	IND	10	8	6
INDIANA		547	402	331 (216) 39%

C.I.&R. DEPT.  
PHILA., PA.  
RLT/rit

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83
DETROIT M/M	MI	3	3	3
CENTRAL AVE.	MI	116	61	56
JUNCTION YARD	MI	60	36	15
M&R POOL	MI	-	2	5
RIVER ROUGE	MI	15	15	15
MONROE	MI	7	5	-
TRENTON	MI	3	1	-
LINCOLN YARD	MI	5	4	4
NORTH YARD	MI	10	10	26
DOCK (M&R POOL)	MI	3	6	6
MOUNT ROAD	MI	2	1	-
STERLING	MI	9	10	13
UTICA (M&R POOL)	MI	2	-	2
JACKSON M/M	MI	2	2	2
JACKSON C.S.	MI	67	51	15
WILLOW RUN	MI	22	19	18
WAYNE	MI	7	6	6
KALAMAZOO	MI	11	10	8
BATTLE CREEK	MI	6	5	4
LANSING	MI	7	8	6
GRAND RAPIDS	MI	24	14	10
NILES	MI	2	-	-
DETROIT (CAR DEPT. STAFF)	MI	-	9	8
MICHIGAN		383	278	222 (161) 42%
C.I.&R. DEPT. PHILA., PA. RLT/rlt				

"CAR DEPARTMENT FORCE CHANGES  
BY LOCATION AND STATE

LOCATION	STATE	FORCE 1-1-81	FORCE 1-1-82	FORCE 6-10-83	
CHICAGO M/M	ILL	3	4	4	
55TH ST., CHGO.	ILL	22	17	13	
ENGLEWOOD	ILL	39	20	23	
51ST ST., CHGO.	ILL	90	63	62	
TRAILER GATE	ILL	8	5	5	
ASHLAND AVE.	ILL	6	4	7	
KANKAKEE	ILL	16	13	7	
ROSE LAKE	ILL	85	37	29	
HARRISBURG	ILL	12	1	-	
DANVILLE	ILL	15	8	5	
PARIS	ILL	4	2	2	
CHICAGO (CAR DEPT. STAFF)	ILL	10	-	-	
ILLINOIS		310	174	157	(153) 49%
ST. THOMAS M/M	CAN	3	2	2	
ST. THOMAS C.S.	CAN	8	6	3	
WINDSOR	CAN	8	8	6	
COMBER	CAN	1	1	-	
MONTROSE	CAN	7	7	5	
CANADA		27	24	16	(11) 41%
C.I.&R. DEPT. PHILA., PA. RLT/rlt					

## Additions &amp; Improvements

(A&I) CAPITAL SPENDING1981, 1982 and 1983 (forecast)PENNSYLVANIA

(\$ in millions)

<u>Budget Year</u>	<u>Forecast Spending</u>	<u>Bd. Year Spending To Date</u>	<u>1984 Forecast</u>	<u>1985+ Forecast</u>
1983	\$22.3 Actual Spending	\$7.4 Thru April	\$15.2*	\$18.6*
1982	43.1			
1981	32.6			

\*Represents spending on projects started or in progress in 1983. Does not include new project spending!

PRORATED SYSTEM SPENDING

	<u>Pole Line &amp; Sig Cable</u>	<u>M100A M100B</u>	<u>Radios, HBD and DED</u>	<u>Rail Program</u>	<u>Totals</u>
1983 (forecast)	1.1	.7	.6	3.5	5.9
1982	1.9	.6	.1	3.2	5.8
1981	1.5	.6	-	3.9	6.0

TOTAL SPENDING IN PA (A&I CAPITAL)

	<u>PA Only</u>	<u>Total Conrail</u>	<u>% in PA</u>
1981	\$ 38.6	\$ 111.0	34.8%
1982	48.9	106.0	46.0%
1983 (forecast)	29.3	108.9	27.0%
<b>Totals</b>	<b>\$115.7</b>	<b>\$325.9</b>	<b>35.5%</b>

"APPENDIX VIII  
"Maintenance of Way Rehabilitation Expenditures by State by Year

"1976 DATS WORK BY STATE

	<u>Surf</u>	<u>Ties</u>	<u>Rail</u>	<u>* Cost in Millions \$</u>
CT	115.6	105716	-	
DE	58.1	44988	-	
IL	401.3	126590	16.5	
IN	1175.2	528249	111.3	
M	1.7	5271	-	
MA	179.5	128312	50.2	
MD	84.9	33410	33.5	
MI	370.6	200325	26.9	
NJ	272.1	181061	17.8	
NY	1393.1	619639	155.9	
OH	2108.3	1046740	140.7	
ON	109.0	60531	-	
PA	1999.8	910984	172.9	
RI	-	2991	-	
WV	17.4	20093	-	
<b>Total</b>	<b>8286.5</b>	<b>4014900</b>	<b>725.7</b>	

**\*Note: 1976 and 1977 costs are combined. Accounting records for these years were not separated**

"1977 DATS WORK BY STATE

	<u>Surf</u>	<u>Ties</u>	<u>Rail</u>	<u>* Cost in Millions \$</u>
CT	28.4	29981	-	\$ 5.1
DC	7.6	3045	-	0.2
DE	104.6	64874	-	4.0
IL	246.8	115801	6.3	14.9
IN	968.3	492469	146.6	80.6
MA	190.5	140975	33.4	21.0
MD	143.9	12125	4.9	6.7
MI	421.4	202958	48.9	28.9
NJ	268.2	151336	23.3	18.7
NY	1491.9	878116	147.0	83.9
OH	1997.1	1019293	303.3	151.0
ON	133.8	61117	-	4.2
PA	2281.8	1207466	272.4	145.6
RI	10.1	8721	-	0.3
WV	122.1	64015	-	5.3
<b>Total</b>	<b>8416.5</b>	<b>4452292</b>	<b>990.2</b>	<b>570.4</b>

**\*Note: 1976 and 1977 costs are combined. Accounting records for these were not separated**

"1978 DATS WORK BY STATE

	<u>Surf</u>	<u>Ties</u>	<u>Rail</u>	<u>Cost in Millions \$</u>
CT	50.0	19680	-	\$ 1.0
DC	13.4	1120	4.0	0.8
DE	126.6	101134	9.2	4.5
IL	227.1	163361	34.2	11.9
IN	905.4	347812	113.5	39.6
KY	3.0	1854	-	0.1
MA	223.6	165472	31.6	7.5
MD	50.9	35507	2.3	1.7
MI	542.4	300637	64.3	20.5
NJ	430.8	263609	30.8	20.4
NY	1941.4	981185	152.5	54.1
OH	2031.8	921643	257.4	81.0
ON	33.5	14635	-	1.5
PA	2740.0	1099478	290.8	104.5
WV	33.7	40459	4.5	2.5
RI	-	-	-	0.1
<b>Total</b>	<b>9353.6</b>	<b>4467586</b>	<b>995.1</b>	<b>351.7</b>

"1979 DATS WORK BY STATE

	<u>Surf</u>	<u>Ties</u>	<u>Rail</u>	<u>Cost in Millions \$</u>
CT	40.8	23767	-	\$ 1.7
DC	1.2	-	-	.01
DE	55.4	46181	0.1	2.6
IL	409.0	139726	59.8	18.6
IN	1048.0	310156	124.6	46.1
MA	311.3	163406	7.2	11.1
MD	53.6	41290	0.1	1.5
MI	498.8	213161	55.9	25.5
NJ	953.7	303151	74.2	22.2
NY	1522.4	615946	112.0	43.2
OH	2082.1	688134	310.3	100.2
ON	52.7	16565	-	
PA	2330.9	917772	230.3	95.8
PQ	35.2	23255	-	
RI	4.0	2343	-	0.3
VA	1.6	1438	-	0.1
WV	111.4	73473	20.8	6.2
<b>Total</b>	<b>9512.4</b>	<b>3579764</b>	<b>1005.4</b>	<b>374.6</b>



"1980 DATS WORK BY STATE

	<u>Surf</u>	<u>Ties</u>	<u>Rail</u>	<u>Cost in Millions \$</u>
CT	65.2	20782	-	\$ 1.4
DE	-	3000	-	0.1
IL	308.8	39081	33.8	12.3
IN	1033.8	163054	76.7	29.3
MA	192.4	25832	-	4.6
MD	30.3	-	-	0.3
MI	363.4	73507	-	10.7
NJ	549.0	132561	33.2	9.3
NY	1909.5	285012	104.9	36.3
OH	2245.2	288043	127.1	73.3
ON	55.8	15512	-	
PA	2636.4	534754	72.6	66.4
VA	14.8	100	-	0.1
WV	53.4	1561	18.6	63.3
DC	-	-	-	0.2
KY	-	-	-	0.1
<b>Total</b>	<b>9457.9</b>	<b>1582799</b>	<b>466.8</b>	<b>247.7</b>

"1981 DATS WORK BY STATE

	<u>Surf</u>	<u>Ties</u>	<u>Rail</u>	<u>Cost in Millions \$</u>
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3				
4				
5	CT	15.8	7155	- \$ 1.2
6	DE	66.1	2205	4.6 1.5
7	IL	372.9	112452	69.7 18.2
8	IN	862.6	185144	37.0 29.6
9	MA	239.3	41915	- 4.6
10	MD	58.3	3919	1.0 0.8
11	MI	351.8	46534	- 7.1
12	NJ	466.2	156904	23.6 15.9
13	NY	1528.2	362891	48.6 34.3
14	OH	1623.2	298915	72.2 57.5
15	ON	12.9	-	- 0.9
16	PA	2049.8	408517	67.3 52.8
17	PQ	27.2	-	- 0.4
18	WV	70.6	40970	- 2.9
19	KY	-	-	- 0.1
20	<b>Total</b>	<b>7747.0</b>	<b>1667521</b>	<b>323.5 227.8</b>
21				
22				
23				
24				
25				

"1982 DATS WORK BY STATE

	<u>Surf</u>	<u>Ties</u>	<u>Rail</u>	<u>Cost in Millions \$</u>
CT	4.1	2000	-	\$ 0.3
DE	151.7	30316	36.0	7.0
IL	273.3	60094	-	7.3
IN	977.1	182358	40.5	26.3
MA	117.8	37586	-	3.7
MD	72.9	28600	21.3	4.7
MI	271.6	52441	25.0	6.6
NJ	315.7	27397	18.3	10.2
NY	1552.6	280663	62.3	37.5
OH	1885.3	424035	117.1	60.6
PA	2578.3	459899	129.2	77.8
PQ	62.1	16423	-	-
VA	11.4	6110	-	0.3
WV	31.5	16706	-	0.6
DC	-	-	-	0.6
<b>Total</b>	<b>8305.4</b>	<b>1624628</b>	<b>448.7</b>	<b>243.5</b>

1  
2 "APPENDIX IX

3 "PENNSYLVANIA ABANDONMENTS

4 "PENNSYLVANIA PROFILE

5 "I. Overview, Window I (attachment)

6 "A. Systemwide, CRC filed 2,613 route miles, out of  
7 total 17,700 route miles; with minimal impact on traffic base,  
8 filings affected only 1.6% of CRC carloads, 1.7% CRC revenue

9 "B. One quarter of total miles filed were in Pennsyl-  
10 vania (706 miles)

11 "while Pennsylvania miles filed represented 15% of  
12 state route mile total, filings affected only 1.5% total  
13 carloads

14 "included in the total is 298 miles of out-of-  
15 service lines

16 "C. Systemwide, sale of branchlines to alternative rail  
17 operators and a few subsidy contracts have preserved for  
18 Conrail line-haul participation in 54% of abandoned carloads.

19 "in Pennsylvania, 197 miles of abandoned lines were  
20 sold, preserving rail service for half the traffic affected  
21 by Window I

22 "D. Currently, we are continuing to work with parties  
23 interested in purchase of abandoned lines.

24 "Conrail is now involved in intense, good faith  
25 negotiations with Monroe County on terms leading toward

1  
2 purchase Scranton Branch.

3 "Conrail is actively working with potential  
4 purchaser on Erie/Emporium lines in Northwest Pennsylv-  
5 ania to evaluate several service alternatives.

6 "II. Overview, Window II (attachment)

7 "A. Under Window II, we are committed to reviewing all  
8 lines in our system before October 31, 1983

9 "in actuality, 5,500 route miles will be reviewed  
10 systemwide.

11 "we are examining an entire area at once to avoid  
12 piecemeal abandonment filings

13 "study does not necessarily assume abandonment;  
14 only percentage of lines studied are filed

15 "additional 90-day Notice of Insufficient Revenue  
16 period permits greater emphasis on corrective action

17 "B. In Pennsylvania, we are reviewing about one-third of  
18 all route miles

19 "to-date, we have filed 149 miles, 4% total route  
20 miles and 0.7% of carloads

21 "corrective actions underway on many of these lines

22 "- surcharge has preserved Milton Line in  
23 Union County

24 "- Federal/shipper financing of rehabilitation  
25 will likely preserve service to shipper on Watsonstown

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line

"- we are actively working with potential purchasers (railroad, shippers, SEDACOG) on lines in Scranton, Bloomsburg, and Bellefonte areas

"- We are working with PennDOT on a highway funding trade-off to preserve service to downtown Pittsburgh

Window I Summary  
Pennsylvania

	<u>Pennsylvania Profile</u>		<u>Northeast Pennsylvania Profile</u>	
	<u>Route Miles</u>	<u>Carloads</u>	<u>Route Miles</u>	<u>Carloads</u>
1981 Total	<u>4,585</u>	<u>829,788</u>	<u>1,233</u>	
Window I: Abandonments	706 (15% Tot)	12,138 (1.5% Tot)	207 (17% Tot)	3,657
Lines Sold	107	6,133	56	2,293

---

**CONCLUSIONS:**

Pennsylvania

1. Under Window I, Conrail abandoned 15% of its Pennsylvania route miles, affecting 1.5% of carloads moving to and from Pennsylvania.
2. Half the traffic abandoned in Pennsylvania under Window I was preserved through short line sale.

Northeast Pennsylvania

3. 30% of the abandoned miles and carloads were in Northeast Pennsylvania:
  - . 63% of all abandoned carloads in Northeast Pennsylvania were preserved through short line sale.

Window II Summary  
Pennsylvania

	<u>Pennsylvania Profile</u>		<u>Northeast Pennsylvania Profile</u>	
	<u>Route Miles</u>	<u>Carloads</u>	<u>Route Miles</u>	<u>Carloads</u>
Total Excluding Window I Lines	<u>3,879</u>	<u>817,650</u>	<u>1,026</u>	
Lines Already Classified as Retained	2,913 (75% Tot)		739 (72% Tot)	
Lines Filed	149*(4% Tot)	5,463 (0.7% Tot)	95* (9% Tot)	3,823
Lines Under Study	817 (21% Tot)		192 (19% Tot)	

**CONCLUSIONS:**

Pennsylvania

1. 75% of all route miles in Pennsylvania have already been designated as "Retained".
2. Filings in Pennsylvania to-date have affected 4% of total miles and 0.7% of total carloads.

Northeast Pennsylvania

3. 72% of all route miles in Northeast Pennsylvania have already been designated as "Retained".
4. Filings in Northeast Pennsylvania to-date have affected 9% of total miles.

PROJECTIONS

5. We project that only one quarter to one third of all study lines will be recommended for abandonment

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\*Excludes Milton Line in Union County. Through corrective action Conrail will retain line.



1  
2 CHAIRMAN HUTCHINSON: There are two new members  
3 that came in and I would like them to introduce themselves.

4 REPRESENTATIVE LESCOVITZ: Vic Lescovitz from  
5 Washington and Beaver Counties.

6 REPRESENTATIVE STEIGHNER: I'm Joe Steighner from  
7 Butler County.

8 CHAIRMAN HUTCHINSON: Questions, Mr. Book?

9 BY REPRESENTATIVE BOOK:

10 Q You said the trucking industry is probably eating  
11 into your business. Is that what you said?

12 A Yes.

13 Q How much would you say? Have you got any idea say  
14 percentage-wise?

15 A It's difficult to say because it varies by mileage.  
16 For instance, in what is termed necessarily a short haul,  
17 300 miles or less, they have taken a great share of it; 400  
18 to 800 miles, a lesser share; and over 800 miles, we are  
19 still getting the better of it.

20 Q The short haul is where it has hit you?

21 A That's really what does it to you. And the short  
22 haul, for instance, which is significant, for instance, is  
23 Pittsburgh to Detroit.

24 Q Fine. That's all.

25 CHAIRMAN HUTCHINSON: Richard?

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BY REPRESENTATIVE GEIST:

Q Thank you, Mr. Swanson. I thought your testimony was really good. I have some questions that might deviate a little from this and if you can answer them, I'd appreciate it. If Conrail today were sold to an outside investing group, how much in tax credit would be carried forward?

A According to my information, none.

Q You mean the corporate tax credits that have been accumulating can't be purchased by another group?

A That's my understanding. We do have one of our tax people here.

Q Not the Pennsylvania tax credits.

A No.

Q The corporate tax credits.

A I can't answer that question. We have a person from the tax department here. Perhaps he can if I can defer.

CHAIRMAN HUTCHINSON: Yes, you can bring him up and he can answer the question.

MR. SWANSON: Dom, can you answer that question?

MR. COSTANZO: My name is Dominick C. Costanzo and I'm Director of Tax Legislation and Tax Planning for Conrail. Now, the question you directed there?

BY REPRESENTATIVE GEIST (To Mr. Costanzo):

Q Corporate tax credits.

1  
2           A     Which means the net operating loss and the invest-  
3 ment tax credits.

4           Q     Isn't it something like \$1.2 billion?

5           A     It's more than that. The operating loss is about  
6 two point something and the investment tax credits are  
7 approximately 400 million. Now, there are variations of the  
8 plans that I have looked at. One of the plans is that it may  
9 have to forgo a lot of these tax credits up to and including  
10 your 1981 because, at that time, up to '81, Conrail received  
11 government monies and the possibility, you might say, you  
12 can't get a duplication if you sold it to employees or some-  
13 thing like that. So, from '81 on, we do not receive any  
14 additional funds and the credits would be available. So, it  
15 would be considerably much less than what it is now.

16          Q     Are you familiar with the term cherry-picking?

17          A     I have heard of it.

18          Q     Do you know what cherry-picking is?

19          A     Well, taking the best of the system.

20          Q     Along with the tax credits that go along with it.

21          A     Well, I don't know how you could pick up the tax  
22 credit. The tax credit belongs to the --

23          Q     Because of the Economic Tax and Investment Act  
24 of '81, you can do it. Any corporation can buy the tax  
25 credits. Do you have any idea how devastating it would be to

1  
2 my district in Altoona if Conrail were cherry-picked, how  
3 devastating it would be to the employees?

4 A I have no idea, sir. The cherry-picking, the way  
5 I was interpreting it is the fact that various people would  
6 buy segments of the property. Therefore, the tax credits  
7 would not be applicable to the sale of the property. It only  
8 goes with the corporate structure, if the corporate structure  
9 were sold. Under the normal Federal Tax Act, the corporation  
10 is still in existence and all of the attributes or tax credits  
11 would prevail under the corporate structure but if you bought  
12 individual properties, you would get no benefits from the tax  
13 operating losses or investment tax credits.

14 MR. SWANSON: In answer to your question about  
15 devastation, it would be devastating.

16 BY REPRESENTATIVE GEIST (To Mr. Swanson):

17 Q To my district it would be devastating. To any area  
18 that makes up trains, it would be devastating.

19 A Right.

20 Q To any employee group, it would be more than  
21 devastating.

22 A That's exactly true.

23 Q I think my statement to you would be that I am going  
24 to do everything that is possible to see that Conrail is  
25 profitable because there are no more government bail-outs.

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A That's right.

Q It's my hope that the brotherhoods, the 14 brotherhoods that I represent in my district, are successful in the purchase of Conrail. They have offered three years of no wage increases and the public disbursement of 30 percent of the stock to raise other monies to go out into the capital market. So, it's imperative that Conrail stay profitable. I think the statements that were made here today by Mr. Swanson, you know, bring us up to speed in a district that has been disseminated. I can't see us being put out of business by a Conrail that is not a profitable and good company. So, I can certainly appreciate these remarks. I hope to God that we don't sell Conrail off piecemeal. We can't afford not to have Conrail.

MR. COSTANZO: Absolutely.

CHAIRMAN HUTCHINSON: Or some other name.

REPRESENTATIVE GEIST: I don't care as long as it stays together.

CHAIRMAN HUTCHINSON: Nick?

REPRESENTATIVE COLAFELIA: No, I don't have any.

CHAIRMAN HUTCHINSON: Charlie.

BY REPRESENTATIVE LAUGHLIN (To Mr. Swanson):

Q The first thing that you mentioned, sir, was the fact that one-third of Conrail's employees are working in

1  
2 Pennsylvania. How many of those people are employed in the  
3 service related field as compared to the administrative office  
4 that you would have?

5 A I can't give you the exact percentage but it's a  
6 major portion, 80 percent.

7 Q Eighty percent would be employed where?

8 A We have many major facilities: Conway, Enola,  
9 Altoona.

10 Q I'm talking about your professional office staff  
11 as opposed to field staff; where is the 80 percent?

12 A In the field.

13 Q In the field. With regard to the kind of a state-  
14 ment that you make and I am certainly in no position to  
15 contest it but will certainly look into the figure that you  
16 quoted. In addition to that, the employees reduction in  
17 staff as it relates to the office force and the professional  
18 staff as in comparison with the number of field employees,  
19 what is that ratio?

20 A It varies somewhat by department but we have tried  
21 to make every phase of it equal and volume variable and, for  
22 instance, when the employees granted the 12 percent wage  
23 recision, why part of the agreement was that the management  
24 would do exactly the same. Whatever percentage reductions  
25 were made in agreements, the same amount of reductions would

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be made in non-agreements.

Q The wage agreements I agree you have complied with that. We're talking about percentage of number of professional staff reductions as opposed to field staff and you haven't really touched that.

A Well, again, you have to define for me what is field staff. I mean field staff, we have a stations department which can be classified as administrative.

Q I believe you have one of your staff coming forward now.

A This breaks it down between various groups but not as administrative vis-a-vis field people. For instance, again, as I said, stations department which is the clerical function that handles transportation, billing and so forth as well as the transportation functions within the yard are an administrative function and their reductions have been equal to all other field reductions.

Q Rather than hold you up any further on that question, Mr. Swanson, would you be kind enough to have your staff compile those figures and send them to our Chairman?

A Absolutely.

Q And he could take care of getting them to us.

A No problem.

Q It was mentioned about the excellent job that

1  
2 Conrail has been doing and has done and I don't want anyone  
3 in the audience or yourself to lose sight of the fact that  
4 \$3.3 billion, I believe, of taxpayer's money in this country  
5 were handed to you to operate that system and to update it  
6 with regard to repairing your lines and taking over a bankrupt  
7 system that previously existed.

8 A True.

9 Q It isn't necessarily a tremendous showing on  
10 Conrail's part as far as expending their funds for profits  
11 within it to repair it or update it. In addition to that,  
12 the states have given you hundreds of millions of dollars in  
13 tax write-offs. In New York, for instance, you made a  
14 concessionary situation to the State of New York to continue  
15 non-profitable lines in some areas and singular line deliveries  
16 in some areas as a concession to them for the concessions  
17 that they gave you. Yet in Pennsylvania when we requested  
18 the continuation of service at a high peak rate along the  
19 corridor between Philadelphia and Conway, your company chose  
20 to work very actively to have that removed from the legislation  
21 so that there would be no concessions to Pennsylvania with  
22 regard to that. I'm sure you are familiar with that.

23 A I'm not sure that your facts are right.

24 Q I introduced the resolution and I'm aware of what  
25 the reduction was.



1  
2           A     When you talk about the reductions in the corridor,  
3 what are you referring to?

4           Q     Well, I'm talking about, for instance, the reduction  
5 that is related to the removal of employees at the Conway  
6 yards and displaced to other areas. The young gentleman  
7 testified to the fact that there had been a number of  
8 employees out of Conway yards that were replaced to New York  
9 and to Cleveland.

10          A     Right. We did consolidate the terminals. You will  
11 recall that I also mentioned that we consolidated prior to  
12 that the Collinwood Back Shop which was in Cleveland, Ohio,  
13 308 employces and all of that work came to Pennsylvania in  
14 Altoona. We transferred the locomotive units, the road  
15 locomotive units, from Conway to Enola, Pennsylvania, Selkirk  
16 and Collinwood simply because more importantly than any  
17 saving that could be gained from a reduction in employees  
18 is the utilization of the locomotives. Each locomotive costs  
19 a million dollars and for any amount of time that you have  
20 it tied up, certainly, that's a great loss. So, in this  
21 employment picture and as the gentleman mentioned, we had  
22 reduced because we presently have 3300 locomotives, 2200  
23 active and 1100 still stored. It was necessary to consolidate  
24 those facilities so that we could have those locomotives  
25 working all the time. When you work one shift in this so-

1  
2 called process line, that process line, what it is is  
3 periodic maintenance, required periodic maintenance, 90 days,  
4 six months, a year, two years, and when you only work one  
5 line, one shift, those locomotives are standing in Q and not  
6 being used and the way we measure that is an average elapsed  
7 time of locomotives standing in Q from the time they arrive  
8 at the locomotive shop until they are dispatched from the  
9 locomotive shop. By consolidating these facilities and  
10 working the remaining three facilities around the clock,  
11 seven days a week, we have reduced that elapsed time for  
12 locomotives from about 45 hours to under 20 hours which  
13 represents a savings on our fleet of about 40 locomotives,  
14 the same as if we purchased 40 locomotives. The savings of  
15 those locomotives and that increased utilization far exceeds  
16 any savings that might have been done from an employee  
17 reduction standpoint and the reason we chose those three  
18 points, I'll answer your question before you ask it, is that  
19 there are originating and terminating points. They are more  
20 modern facilities. We, at Conway, we have a facility that  
21 was built in 1906, steam engine days, with the turntable and  
22 Conway is a very good yard. One of Conway's inadequacies is  
23 the inability to properly get locomotives to and from the  
24 fueling area promptly and consequently to and from the shop  
25 promptly. As a matter of fact, the lapse time from that was

1  
2 the worst on the system. In order to fix that, it would be  
3 a major renovation of the entire yard in having to swing mains  
4 from one side of the yard to the other in order to improve  
5 that facility and also a major investment in a new engine  
6 house and that, again, takes a lot of time.

7 Q With regard to those engines, you mentioned you have  
8 3300, 2200 active, 1100 non-active?

9 A Eleven hundred.

10 Q Eleven hundred non-active. Would you say that's an  
11 adequate engine power to operate your rail system with?

12 A It's too much power.

13 Q Would you like to tell me then why you are buying  
14 the additional engines out of Erie?

15 A Certainly. The locomotives that we're buying, for  
16 instance, are -- well, first of all, the traffic pattern has  
17 changed in that our largest growing market is TOFC. As a  
18 matter of fact, it's close to 19 percent of our business  
19 right now and it's very truck competitive. It's very rail  
20 competitive, and the locomotives we bought are high speed,  
21 high horsepower locomotives. There is also a tremendous  
22 fuel savings in these locomotives and, of course, fuel, as  
23 you know, has become a major factor. The units that we are  
24 retiring in their place had a high incident of failure, high  
25 maintenance cost, and certainly were not reliable. So, what

1  
2 we have done is to replace these locomotives with the new  
3 locomotives. We were able to negotiate a rather favorable  
4 deal with the company selling them and essentially it came out  
5 as a positive cash flow for us for several years and I think  
6 the -- and I don't remember the exact figures -- the net  
7 effect on the P&L was like less than \$2 million difference  
8 over ten years.

9 Q Are you not also selling some of your existing  
10 locomotives to other rail companies within the country?

11 A No, we are not. Most of our locomotives are leased.  
12 We own some locomotives. Those locomotives that we own, we  
13 haven't sold any except to scrap or maybe to an individual  
14 shortline railroad, one locomotive. Most of the locomotives  
15 we have are leased and we pay regular monthly leases. As the  
16 lease runs out, as we have no further need or if they are  
17 in storage, we can't return them in advance without buying  
18 out the lease. As the lease runs out, we return those  
19 locomotives to the lessor and the lessor has sold some of  
20 those locomotives to other railroads; C&W for instance.

21 Q When you say you sold for scrap, is it a requirement  
22 under the Federal Act that you get bids for those locomotives  
23 or can you just deal with anyone?

24 A I don't know whether it's a requirement or not but  
25 we do get bids in all cases.

1  
2 Q The other issue that I certainly don't want to pass  
3 up without mention, when you mention the fact that the savings  
4 and so on to your rail company, the employees have taken a  
5 considerable sacrifice financially in order to keep this  
6 railroad operating. Certainly, Pennsylvania's employees are  
7 equally as important as any other state to you. With regard  
8 to that, my question to you is now in the concessions that  
9 you have made in other states with regard to keeping active  
10 lines that were of low travel intensity while at the same time  
11 telling us in Pennsylvania it was necessary to abandon those  
12 specific lines and thus we lose jobs in Pennsylvania whereas  
13 New York who gave the same type of concession financially in  
14 tax credits is able to keep their lines. Would you like to  
15 give us a response to that.

16 A I wasn't in on the negotiations. Again, I would  
17 like to defer that if I can to someone in our government  
18 affairs group.

19 Q Fine. Anyone you have, I'd be happy to hear.

20 CHAIRMAN HUTCHINSON: If anyone can handle this  
21 question, come forward.

22 MR. DeYOUNG: I'm Larry DeYoung. I'm Executive  
23 Representative of the Government Affairs Department of Conrail.  
24 Probably the most direct answer to the question about lines  
25 in New York State that have been kept active that were

1  
2 essentially low traffic density lines is that the State of  
3 New York pulled up, I would estimate, well over \$75 million  
4 in direct sponsorship of the rehabilitation of those lines  
5 and we have responded to that by upgrading the trackage and  
6 guaranteeing them in return that we will operate a certain  
7 minimal amount of trains over those lines for a certain  
8 period of time.

9 BY REPRESENTATIVE LAUGHLIN (To Mr. DeYoung):

10 Q So, in effect, what happened is that Pennsylvania  
11 grants you \$20 million of tax credit savings and instead of  
12 keeping what we would consider to be marginally profitable  
13 low density traffic lines, we end up with ours closed and the  
14 loss of the employment here for that reason. There is no  
15 consideration for the tax credits that the taxpayers paid  
16 for whereas there is certainly in New York.

17 A I wouldn't phrase it that way, sir. We have  
18 responded in Pennsylvania with an increase in our total  
19 investment in track and facilities which, in Pennsylvania,  
20 was at a higher level to begin with than all but one state  
21 in the country before the Pennsylvania tax credit was put in  
22 place and the highest level every year since the investment  
23 in track and facilities of any state in the Conrail area.

24 Q I think you have to admit that the investments you  
25 are making and the federal dollars that were provided to you

1  
2 was because Pennsylvania had been treated so poorly and their  
3 track had deteriorated to the point where your trains were  
4 traveling at 25 to 30 miles an hour in order to maintain a  
5 safety ratio. So, certainly, you are going to have to put  
6 that money in.

7 MR. SWANSON: No, that's not true.

8 MR. DeYOUNG: If you're talking about the  
9 predecessor, we had no control over them.

10 MR. SWANSON: When you are talking about rail lines,  
11 you have to be slightly more specific than that. The core  
12 route of Pennsylvania, if you want to talk about the main line  
13 between Harrisburg or Philadelphia and Harrisburg and Conway,  
14 you know, that has always been maintained in excellent shape.  
15 I was General Manager here for four years from 1970 and you  
16 have never had that kind of condition. Now, in some of your  
17 coal lines, that's true. I mean we had many slow orders on  
18 coal lines.

19 BY REPRESENTATIVE LAUGHLIN (To Mr. Swanson):

20 Q Did you not just testify to the fact that you had  
21 spent millions of dollars in updating the coal lines?

22 A Absolutely. This is a constant effort.

23 Q Then, what I said is true.

24 A No. You said main lines.

25 Q No.

1  
2           A     That's exactly what you said. You said our main  
3 routes and that is incorrect.

4           Q     I will retract the main route then. I will retract  
5 only that portion. In fact, the millions of dollars that you  
6 spent in updating the coal routes and other secondary routes,  
7 in fact, were because of the poor condition they had been  
8 left in by the previous owners?

9           A     No question about it.

10          Q     All right. So, I don't see where there is any  
11 validity to the fact that you said we spent the money. You  
12 spent the money because you had to spend the money under the  
13 fact that the federal government mandated that you update and  
14 improve those lines?

15          A     Yes, but there was no mandate that we had to spend  
16 it in Pennsylvania.

17          Q     I gathered that from the fact that the money that  
18 we gave you certainly hasn't helped us.

19          A     But, in fact, we spent considerably more than that.

20          Q     I'm aware of how much you spent. I have your  
21 figures. One other thing just so that I don't monopolize the  
22 total circumstance. You mentioned the \$41 million that you  
23 invested in the coal docking facilities at Philadelphia.  
24 Would you kindly elaborate on what that \$41 million was spent  
25 for?



1  
2 A I said that the \$41 million was spent and the state  
3 contributed in excess of --

4 Q \$26 million for a bond issue.

5 A Yes, that's right. What it was, the pier 124 was  
6 a coal facility with a maximum capacity to dump two to two and  
7 a half million tons annually and it was updated and upgraded  
8 with a new shed, a new dumping facility. We have two sides  
9 to it, the north and south side. So, we can dump on both  
10 sides and increase the capacity from that two and a half  
11 million tons to ten million tons.

12 Q I just wanted to clarify that the investment of the  
13 state with regard to that bond issue, in placing it before  
14 the House, I recall was some \$26 million.

15 A I think so.

16 Q And no other questions other than this, sir. You  
17 mentioned the fact that some of your lines that you replaced,  
18 yes, replaced by reducing possibly from a four-track line  
19 down to a three-track line in many areas and even that  
20 reduction is credited with having improved the lines and  
21 service in the State of Pennsylvania.

22 A In many cases, that's true.

23 Q That's one of the major items that I want to take  
24 a look at.

25 A Let me explain that to you. If you want to go back

1  
2 in history, both the Pennsylvania Railroad and the New York  
3 Central Railroad were essentially four-track lines from one  
4 end of the railroad to the other. Those lines were built  
5 with two tracks to accommodate passenger trains east and west  
6 and two tracks to accommodate freight trains east and west and  
7 the ability to run trains on a line is dependent upon how  
8 quickly you can move them through a given section by proper  
9 signaling. For instance, a CTC line, two-track line, a CTC  
10 two-track line, for instance, has a great deal more capacity  
11 than a three-track automatic block or manual block line. So,  
12 we do everything based on the amount of traffic, the tonnage  
13 and before we do any of it, what we do is we redispach it  
14 with the maximum trains that might run on it and the minimum  
15 trains that might run on it before any decision is made. Then,  
16 of course, those decisions, with the type of signals we use,  
17 are all approved by the FRA.

18 Q Thank you.

19 MR. BERAN: Mr. Chairman, may I respond?

20 CHAIRMAN HUTCHINSON: Go ahead.

21 MR. BERAN: Daniel Beran. Representative Laughlin  
22 is exactly correct that the Commonwealth did pass a bond  
23 issue. It was somewhere between 24 and \$26 million for Pier  
24 124, but the critical point to keep in mind is that the  
25 agreements underlying that bond issue is that Conrail makes

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2 the repayments so that in effect what you have is the  
3 Commonwealth putting the money up front but Conrail repaying  
4 it which they are doing and, of course, the time that was  
5 made, the figure that was to be the total cost didn't turn  
6 out that way. The costs probably came close to doubling but  
7 I wanted to make sure that the record is clear that that is  
8 money that is now coming back into the Commonwealth.

9 BY CHAIRMAN HUTCHINSON (To Mr. Beran):

10 Q You just used our line of credit?

11 A Absolutely.

12 BY REPRESENTATIVE GRUITZA (To Mr. Swanson):

13 Q I'm concerned in how Conrail is getting beat in  
14 some of the short runs. Are the days over when the railroads  
15 can compete with the trucking industry?

16 A It's difficult. One of the things that makes it  
17 particularly difficult in this downturned economy is that  
18 you have a lot of freelance truck drivers who will take a  
19 load from here to Detroit, for instance, for \$300 and bring a  
20 load back for gasoline money so to speak, maybe \$100, and  
21 that's what they are doing whereas we constantly have that  
22 fixed cost that we have to deal with with the equipment, the  
23 right-of-way and so forth. So, it becomes very difficult.  
24 We have a similar system, for instance, in Buffalo, between  
25 Buffalo and New York, New York. There is an experiment going

1  
2 on there now and we have the same thing. It's very difficult  
3 to crack the market unless you are willing to take a loss for  
4 an extended period of time and we just can't do that.

5 Now, on long hauls, with our TOFC business, yes, we  
6 are competitive and we are competing low and again, the  
7 container portion of it, the overseas container portion of it  
8 is growing too and we are going to continue to grow. We have  
9 what we call land bridge traffic from coast to coast.

10 BY CHAIRMAN HUTCHINSON (To Mr. Swanson):

11 Q How about piggyback?

12 A TOFC is piggyback.

13 Q Okay.

14 BY REPRESENTATIVE COLAFELLA (To Mr. Swanson):

15 Q Mr. Swanson, how do you see the future of railroads  
16 in our country and for the next ten years? Do you see it  
17 growing or do you see it decreasing even if the economy picks  
18 up because of the increased truck traffic, new legislation to  
19 help trucks and so on.

20 A Let me say this. When you talk about the country,  
21 actually in the last, if you will exclude for instance the  
22 last year, for about five or six years prior to that, the car-  
23 loading in the nation are up. They are up about 30 percent  
24 but they are down in the northeast that same 30 percent and  
25 where they are up are in the south and southwest. So, the

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2 carloadings are there but unfortunately not in the area we  
3 are serving right now. Now, as I see it and I think as most  
4 people see it, one of the ways to compete is TOFC and that's  
5 what we are into now, because, you know, many people have  
6 said it. In fact, there may never be another boxcar built  
7 because they are constantly shipping -- I mean, for instance,  
8 our major shippers are the steel companies and automobile  
9 companies and the automobile companies are adopting Japan's  
10 just in time inventory type system. Prior to that, what they  
11 did is we would ship and they would hold a day's supply or  
12 two days' supply in advance. Now, what they want is they  
13 want it for the next shift. It's difficult.

14 Q Let me interrupt you just a second. Is that  
15 because interest rates are so high that it's difficult for  
16 the companies in Detroit to carry an inventory?

17 A The cost of carrying an inventory is so difficult  
18 that it's much cheaper to pay a higher transportation rate  
19 than it is to pay the additional cost to carry the inventory.

20 CHAIRMAN HUTCHINSON: Representative Gamble?

21 REPRESENTATIVE GAMBLE: No.

22 BY REPRESENTATIVE LESCOVITZ (To Mr. Swanson):

23 Q Just one question. It's dealing with your east-west  
24 lines. Does it seem like more traffic is going through New  
25 York as opposed to Pennsylvania and why? You were talking a

1  
2 little bit before in your testimony about the depressed areas  
3 and Conway being in the steel area and Enola. I'm curious  
4 why your Buffalo yards, your Frontier yards and your Ohio  
5 Street yards are up and your yard in Indiana is way up, 16  
6 percent?

7 A The reason for that, for instance, Buffalo, for  
8 instance, the yard car is dispatched which is a measurement  
9 fact we use for a particular yard is simply because we closed  
10 several other yards in the area. We had a joint venture with  
11 the N&W in Buffalo at a place called Bising (phonetic) yard  
12 which was a hump type yard. That yard was completely closed  
13 and the traffic was shipped over there. Seneca yard was  
14 closed. Kenmore yard was virtually closed. Tiff Street  
15 yard was closed. So, what they have done is taken all those  
16 satellites and closed them and moved them into Frontier.  
17 There isn't any more traffic carloads going from A to B. It's  
18 just that one yard is doing it instead of three or four.

19 Q Are you saying Ohio Street?

20 A Ohio Street is the same. When we closed Seneca,  
21 what they do is they serve out of there. Ohio Street is  
22 primarily a serving yard for the grain industry in Buffalo.

23 Q That's the same in Indiana?

24 A No, Elkhart is essentially the same because what we  
25 have done is reduced Toledo, Ohio. We have reduced Cleveland,

1  
2 Ohio, and we try to do all of our major classification at  
3 that location. The secret of competitiveness and transporta-  
4 tion is to move from A to B as quickly as possible. Where  
5 time is lost on the railroads is in the terminal. You have an  
6 origin switch and you have a destination switch. Those are  
7 the two -- that's the best of all worlds. Unfortunately,  
8 usually what we have is an intermediate switch because when  
9 you have to go five different ways, you have to classify them.  
10 So, Conway does that, Enola does that going to Washington,  
11 Baltimore, Elkhart does that going to Indianapolis to the  
12 Santa Fe to the C&W, to the DN and Grand Rapids, Kalamazoo.

13 Q In other words, you are saying that New York and  
14 Pennsylvania --

15 A No.

16 Q New York has not increased. It's just that these  
17 other yards were shut down?

18 A That's exactly what happens and, again, it happens  
19 here. As I said, I am somewhat familiar with Conway having  
20 been stationed here for four years and, again, as Conway  
21 moved up and down in the past, what you do when the traffic  
22 is large, you move it to the satellites; when it doesn't, you  
23 bring it back in. The outside satellite yards are the ones  
24 that get closed.

25 CHAIRMAN HUTCHINSON: Representative Steighner.

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BY REPRESENTATIVE STEIGHNER (To Mr. Swanson):

Q Mr. Swanson, did Conrail ever purchase any kind of railcars off of Pullman-Standard when they were in operation?

A Conrail?

Q Yes.

A I don't believe so, not Conrail, no; I don't think so. He said we bought some covered hoppers. I wasn't aware of that.

Q Have you placed an order with anybody say over the last 18 months for any cars anywhere over the country?

A No, sir.

Q When is the last time you placed any orders?

A If he says we got it, it had to be somewhere '77, '78. The last cars, and I know that would have to be it. We had a gondola line running to Altoona which we were building our own and we stopped. No, we haven't purchased. We have 39,000 cars stored right now, 39,000 servicable cars stored right now.

Q What is your impression of the railcar manufacturing in the future for the next six years?

A Damned poor. As I say, the possibility exists that there may never be another boxcar built and if it is, it will be a specialty type car.

Q Representative Lescovitz, I think, hit on a situation



1  
2 at Elkhart. Wasn't a lot of that work that is being done  
3 there now, wasn't that done in Pennsylvania at one time, the  
4 classification and the inspection? Wasn't that done at  
5 Conway and some other areas?

6 A No. Elkhart's primary function is twofold. The  
7 cars we receive from Chicago connections, we try to run  
8 through Chicago and go to Elkhart and they are switched in  
9 Elkhart to go to Indianapolis and Detroit and Toledo and  
10 Selkirk and so on. Going the other direction, they go in and  
11 they group the other way. The only movement that we have  
12 made out of Pennsylvania is simply this. In a section, what  
13 we are doing -- our plan is to remove most of the freight  
14 traffic from what we call the Fort Wayne line which is from  
15 Valproiso (phonetic) to Crestline, Ohio, primarily. So, some  
16 of that traffic that normally would have gone over that line  
17 in the past goes to Alliance, north from Alliance to Cleveland  
18 and then to Toledo.

19 Q That's all I have.

20 CHAIRMAN HUTCHINSON: Barry?

21 BY REPRESENTATIVE ALDERETTE (To Mr. Swanson):

22 Q Thank you, Mr. Chairman. Mr. Swanson, to move back  
23 to Conway for a moment, I understand there were three surveys  
24 done to build a new engine house. Is that accurate?

25 A Probably more than that. The first time I ever

1  
2 heard of Conway, it was a survey for an engine house.

3 CHAIRMAN HUTCHINSON: That's before they took over  
4 Pitcairn.

5 MR. SWANSON: And we did a survey when I was  
6 General Manager here for an engine house too.

7 BY REPRESENTATIVE ALDERETTE (To Mr. Swanson):

8 Q More than three surveys have been done. Do you  
9 know what they might have shown and why the engine houses  
10 weren't built? Someone mentioned 1906.

11 A Because of the tremendous capital expenditure. For  
12 instance, to build an engine house now capable of, a modern  
13 engine house, and I'm discounting the track changes that would  
14 have to be made, to handle that type of facility would cost  
15 somewhere in excess of \$20 million at the moment.

16 Q Why would you continue to do surveys, many more  
17 than three, when you know they weren't practical? Did you  
18 think the costs were going to come down?

19 A No. Unfortunately, they always went up.

20 Q You just kept doing surveys thinking they would  
21 come down?

22 A No, we didn't do it because they came down but, you  
23 know, fortunately or unfortunately, we had many changes in  
24 administration, as you know, from Pennsylvania, New York  
25 Central, Penn Central, Conrail, and they haven't --

1  
2 Q So, sometimes management has something to do with  
3 problems along with everything else?

4 A They have a great deal to do with problems. There  
5 is no question about that.

6 CHAIRMAN HUTCHINSON: Penn Central had too many  
7 vice-presidents.

8 MR. SWANSON: I wasn't a vice-president of Penn  
9 Central.

10 BY REPRESENTATIVE COLAFELLA (To Mr. Swanson):

11 Q Mr. Swanson, if there is a significant and serious  
12 upturn in business especially in the steel area nationally  
13 and in this area, do you see the 120 jobs that we are  
14 concerned about, the possibility of these people coming back  
15 to work if the economy turns around?

16 A If, in fact, that happened and if, in fact, we had  
17 to bring all of the locomotives back to work that we have  
18 stored, yes, it would be necessary to put it back, to re-open  
19 Conway, yes. We have closed, and the reason I say that and  
20 I want to specify that, is that we have an engine house at  
21 Syracuse, New York, which has more capacity probably than  
22 Conway and that was Dewitt. We had an engine house at Toledo,  
23 Ohio, Stanley yards, with somewhat less capacity but still a  
24 great deal of capacity. But yes, and the question was asked  
25 about how long it would take to open. We left Conway in tact

1  
2 on purpose. There is nothing we would love better than to  
3 be forced to put that back. That would be wonderful.

4 BY REPRESENTATIVE LAUGHLIN (To Mr. Swanson):

5 Q Mr. Swanson, one last question before you go. Don't  
6 misunderstand, I'm happy to see you here today because Conrail  
7 in the past at our meetings in Beaver County for Congressman  
8 Kolter did not send someone of your background nor the staff  
9 that you have to support you to those hearings. Certainly,  
10 it did not give very good information or insight to the members  
11 to work with at that time or the people who were there. So,  
12 I'm happy you are here. One question that you answered in a  
13 fashion that you did, you were asked questions about what do  
14 you see the rail lines down the road; what do you see for the  
15 car industry down the road. That is the railcar industry.  
16 And you answered them in that fashion. You were asked the  
17 question about the relocation of classification of cars and  
18 of inspections for safety which is the airbrakes and so on.  
19 You did not deal with the future circumstance in that regard.  
20 Now, that I am told is a consideration by the Conrail people  
21 of moving jobs in Pennsylvania west for the reclassification  
22 and inspection because of the new 1,000 mile limit. Is there  
23 any truth in that?

24 A No. I am those Conrail people and I make those  
25 decisions and you are --

1  
2 Q I'm glad to hear you are. And your decision is  
3 what?

4 A And is there any consideration to move them to the  
5 west, the answer to your question is no.

6 Q I'm glad to hear that.

7 CHAIRMAN HUTCHINSON: You want to sign that in blood?

8 REPRESENTATIVE LAUGHLIN: Of course, I've heard  
9 those answers before. As a matter of fact, I heard the  
10 question one time before.

11 MR. SWANSON: I guess we all have.

12 CHAIRMAN HUTCHINSON: Thank you, sir.

13 REPRESENTATIVE LAUGHLIN: Someone said is it going  
14 to be profitable for them to operate and they went broke.

15 CHAIRMAN HUTCHINSON: Thank you very much, sir.  
16 I'm glad to see you here. We are going to take a little  
17 break for me.

18 (The hearing recessed at 2:35 P.M. and reconvened  
19 at 2:45 P.M.)

20 CHAIRMAN HUTCHINSON: Mr. Ben Lambert, is he still  
21 here?

22 BEN LAMBERT, called as a witness, testified as  
23 follows:

24 MR. LAMBERT: My name is Ben Lambert. I am a Vice-  
25 General Chairman with the Conrail System Board of Adjustments.

1  
2 I'm Civilian Chairman under the Pittsburgh Division and also  
3 Local Chairman for Conway for the Brotherhood of Railway,  
4 Airline and Steamship Clerks.

5 I am not as well prepared as our previous speaker  
6 with his prepared statement and so forth. My primary concern  
7 is that we have lost numerous jobs in the Pittsburgh Division  
8 which runs from Latrobe, PA, all the way to Dennison, Ohio,  
9 and all the way to the other side of Beaver Falls. In a little  
10 more than about 15 months we have lost on the division some-  
11 thing like 37 percent of our jobs. At Conway, we have lost  
12 34 percent of our jobs. Some of those jobs that we have lost  
13 were taken off with what I feel is little thought to the  
14 safety of the other employees, the jobs these people done,  
15 involved. Car checkers are people who check the car numbers  
16 on the trains and this information goes to the main yard  
17 office where the bill clerks take the bills and match them  
18 up with the car numbers on the checks. This they pick out  
19 dangers, explosives, and they can make notations on the  
20 train dispatchments. With the elimination of the checkers,  
21 orders were given that the train crews were supposed to get  
22 the first and last number of each track that they pulled cars  
23 off of and give this information to the yardmasters who in  
24 turn were to give them by phone to the bill clerks. This  
25 really doesn't work because no matter how many machines you

1  
2 have to operate, you still have them operated by human beings.  
3 Cars by various weights and so forth don't run the same down  
4 over the hump and sometimes get in the wrong tracks. When  
5 they pull a track, they don't know what's in between the first  
6 and last number that they give the bill clerk. All they know  
7 is that there are cars. Quite a few times trains go out of  
8 Conway with dangerous and explosive cars that are not -- they  
9 are not marked and the crews do not know that they have  
10 primarily because the crew is taken by a jitney back to the  
11 rearend of the train and they don't see what's in between.  
12 All they have is a bunch of bills. They have to surmise that  
13 these cars are in their train when they leave. The FRA has  
14 fined Conrail on numerous occasions for dispatching explosives  
15 and dangerous cars and these trains illegally and it seems  
16 that Conrail is not interested in the safety of the train and  
17 engine crews or the communities from which these trains would  
18 have to travel through because if you have a train that you  
19 don't know that there is dangerous material in, you might not  
20 be as careful in handling the train as you would otherwise  
21 if you knew what was in there.

22 As far as the abandonments go, we recently had what  
23 was joy to some people in Beaver County, the J&L purchase of  
24 the old Crucible Steel Company from Colt Industries. I have  
25 here an abandonment notice that you gentlemen can have. It's

1  
2 a copy of it where Conrail is selling 10.5 miles of this  
3 track to the Midland Terminal Company which is owned by the  
4 Monongahela Connecting Railroad and Jones & Laughlin and this  
5 was work for our people at Midland and now this property is  
6 no longer there as we handled -- at one time we handled the  
7 billing of the inbound and outbound cars out of Midland.  
8 Plus the train and engine crews, they maintained crews to  
9 work servicing the mill and from my understanding, Conrail  
10 did not want this business anymore. All they wanted to do  
11 is exchange the cars at the bottom of the hill at the Beard  
12 Branch main line that goes by Midland. That's about all I  
13 have to say, gentlemen.

14 MR. CASPER: May we have a copy of that?

15 MR. LAMBERT: Yes, you can have the copy of this  
16 abandonment.

17 CHAIRMAN HUTCHINSON: Any questions?

18 BY REPRESENTATIVE GAMBLE:

19 Q I just have one question. What is the advantage of  
20 Conrail keeping the workers in the dark on the contents of  
21 the cargo; what is the advantage?

22 A I don't think it's an effort to keep them in the  
23 dark. It just so happens they are in the dark because in  
24 their effort to reduce the costs, they eliminated forces.

25 Q I see.



1  
2           A     And I feel that Conway has been hit and the  
3 Pittsburgh Division has been hit harder on force reduction  
4 than any other area where our people work. It was just  
5 elimination of jobs in order to meet -- it's jobs that they  
6 felt that they could do without. We felt they were very  
7 necessary because there are a lot of people dependent on that  
8 information that they did by walking by the cars and, I mean,  
9 I have been a clerk for 30 some years and that was always  
10 essential information that was needed to check those cars  
11 on the tracks before they were put in the trains and then you  
12 knew what you had in the train.

13 BY REPRESENTATIVE STEIGNER:

14           Q     Mr. Lambert, just to follow up on Representative  
15 Gamble, you said something and I probably won't quote you  
16 directly but if you have trains that you don't know have  
17 dangerous material in them, you may not handle them correctly.  
18 Who is the you that may not handle them correctly?

19           A     You as an engineer hauling a train with dangerous  
20 cars in it, you would be very careful about how you stopped  
21 and started and the speeds. There are certain speeds that  
22 you can handle some of the cars at. If you didn't know you  
23 had them, those speed restrictions wouldn't apply.

24           Q     Wouldn't the conductor or the operator or whatever  
25 his title is of that train, isn't he aware of what he is

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hauling?

A The conductor has his bill that is given to him by the bill clerk who in turn got his information off the check. Now, if he doesn't have a check in which to compare the bills up by that these are the cars in that train, he cannot give him the correct bills all the time. Sometimes they are lucky.

Q Who would be responsible for the conductor getting the wrong information or not the full information? Where is the breakdown occurring at?

A Well, the breakdown comes in because you don't have the job or the numbers in the first place. This is where the breakdown comes.

Q That position is not there; is that what you are saying?

A The position is not there. There is nobody there to get the numbers from the front end to the rear end and a lot of times they take four or five tracks and put them together to make one train and all they are getting is the first and last number that the conductor on a yard crew, the shifter crew, is given the yardmaster. This is the first car we took off the track and this is the last car. What's in between there, they don't get that information. They have to assume that all of the cars are humped straight when they are classified over the hump; that they go down the right

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2 tracks and there is no way they have of knowing that the cars  
3 don't go in the right tracks until the cars go out and then  
4 somebody calls from out at, let's say, Fort Wayne or Cleveland  
5 or someplace where the train terminates and says where are  
6 the bills for these cars. We either have cars that we don't  
7 have bills or we have bills that we don't have cars. You  
8 know, that's the situation that happens.

9 Q That's all I have.

10 CHAIRMAN HUTCHINSON: Paul?

11 BY MR. LANDIS:

12 Q It's my understanding that when you are hauling  
13 hazardous material, that the conductor has in there what is in  
14 that particular car, a telephone number he can call and also  
15 what to do if it derails. This is federal law, I understand.  
16 Now, if he has his bills --

17 A Yes, but if the bills he has aren't for all of the  
18 cars he has, how can he know the car is there?

19 Q When you say Conrail has been fined, is this why,  
20 that there are cars going out where --

21 A There are cars going out that the FRA has found  
22 in their inspection in other yards that were dispatched from  
23 Conway without the proper billing and the proper forms that  
24 accompany these bills. Because as far as the bill clerk who  
25 dispatched the train, who made up the train with the bills,

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those cars, those bills are on another track. They weren't in the tracks that they said they pulled off --

Q When you hump, do you have somebody in there reading the car numbers now or are they read electronically?

A The trains that are coming into Conway now, if you know anything about Conway yard, they have this television thing that -- particularly at night, you know, it's there because they have the little red circles around them and it's supposed to be night vision or something for the cameras. Anyway, those cameras are supposed to take the numbers off the cars if they are visible, you know, as the train goes by and then a clerk will sit in front of the little screen at the main yard office and he will take those numbers down and put them down. Then, the trains are classified off of that particular -- we call it a scan. It's a check-off that the television is what it actually is. But they take these numbers and then the classification clerk classifies the car. The classification check is then machine run off to give copies to the retarder operator or the yardmaster on the hump, whether it's the eastbound hump or the westbound hump, and then he in turn gives this information to his crew that he is working there and they cut the cars. They break them apart on the top of the hump as they go over and roll over. Sometimes cars catch up to the cut before because maybe they

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2 are a little heavier or they run better and the retarder  
3 operator cannot get the switches thrown fast enough and to  
4 avoid a collision, they just leave a switch open and the car  
5 runs in. And then, in the course of the day, sometimes they  
6 forget. There are so many cars that go by, you kind of forget  
7 that this car went into that track, you know, and then there  
8 should be a crew going down and pull that car out and put it  
9 in the proper track but this don't always happen because of  
10 the cutback in the number of crews probably and the same as  
11 there is with the clerical people. We are all cut back.

12 CHAIRMAN HUTCHINSON: Barry?

13 REPRESENTATIVE ALDERETTE: No questions.

14 CHAIRMAN HUTCHINSON: Charlie Laughlin?

15 REPRESENTATIVE LAUGHLIN: No questions.

16 CHAIRMAN HUTCHINSON: Thank you, Mr. Lambert. The  
17 next gentleman is J. Frank O'Grady, Director of Taxes,  
18 Bessemer and Lake Erie Railroad Company.

19 J. FRANK O'GRADY, called as a witness, testified as  
20 follows:

21 MR. O'GRADY: Mr. Chairman and Members of the  
22 Committee, I thank you for the opportunity to appear here  
23 before you today and make a statement.

24 Joint Resolution No. 60 is directed towards Conrail  
25 and its operations. However, it does mention the gross

1  
2 receipts tax credit and we in the Bessemer and Lake Erie  
3 Railroad are naturally concerned about the gross receipts  
4 tax credit and its impact on our operation. I realize we  
5 are here in Beaver County and I recognize that the representa-  
6 tive from Butler County knows the Bessemer and Lake Erie  
7 Railroad. I'd just like to show you where we operate. This  
8 is a map of the State of Pennsylvania and our railroad  
9 operates in a north-south direction from North Bessemer,  
10 Pennsylvania going up through Allegheny County, Butler County,  
11 Mercer County, Crawford County and Erie County. We serve  
12 customers all along our line and we have connections and  
13 trackage rights with the Norfolk and Southern over to Erie,  
14 Pennsylvania, and our northern terminus is at the port of  
15 Conneaut, Ohio.

16 I'm an employee of the railroad and have been for  
17 the last 25 years. My function is to handle the tax affairs  
18 of the railroad. I'd like to tell you some more about our  
19 operation. First of all, our railroad was incorporated in  
20 1900. It served its customers and the public for over 82  
21 years successfully and well. During the last three years,  
22 the average number of employees on the Bessemer and Lake Erie  
23 Railroad are approximately 1200 employees. Our average  
24 payroll for the last three years is \$31 million. We own  
25 approximately 9300 freight cars, primarily hopper cars and

1  
2 gondola cars, and we own and operate 76 locomotives. Our  
3 shops, main shops, are in Greenville, Pennsylvania. We have  
4 other shops at Albion, Pennsylvania, and also at North  
5 Bessemer, Pennsylvania. Our annual purchases in Pennsylvania  
6 involve approximately 300 suppliers and our annual purchases  
7 which come into Pennsylvania are approximately \$26 million  
8 per year. We operate over 432 miles of track. We operate  
9 through some small communities in Pennsylvania, some larger  
10 communities in Pennsylvania. We operate through Unity,  
11 Saxonburg, Butler, Grove City, Albion, Greenville, Spring  
12 Borough and Erie. During the last three years, we hauled an  
13 average of 22 million tons of freight per year on our lines.  
14 Our major commodities are iron ore, coal, limestone, steel  
15 products and miscellaneous products. We have over 100 on-  
16 line shippers.

17 In 1982 our railroad spent \$15½ million in  
18 repairing and maintaining our right-of-way and structures.  
19 The railroad is proud of its record of maintaining its right-  
20 of-way and its equipment and we have won numerous safety  
21 awards, a recent example of which I'm going to give you at  
22 the end of this presentation is the Harriman Bronze Medal  
23 Award, the Harriman Certificate of Commendation for Safety  
24 Improvements for our class of railroad. We are not as large  
25 as some of the other carriers, however, we are of significance

1  
2 to the economy of western Pennsylvania. We serve our  
3 customers well. We hope to continue to serve our customers  
4 well. Therefore, even though you're inquiring into Conrail's  
5 operations, we feel obliged to inform you that as part of  
6 your resolution and your inquiry, you would also focus on  
7 the gross receipts tax credit. We hope that you will maintain  
8 the credit. We hope that you will extend it by further  
9 legislation in the future.

10 Now, the present gross receipts tax credit was  
11 enacted in 1980 and it allowed the railroads a credit against  
12 their gross receipts tax for amounts expended upon their  
13 rights-of-way for rails, track materials, ties, ballasts,  
14 signals and other improvements to the right-of-way. Since  
15 the enactment of that credit, the Bessemer has spent millions  
16 of dollars in Pennsylvania in maintaining and improving its  
17 rights-of-way. For the last three years these maintenance of  
18 way qualifying expenditures for the credit were, for 1980,  
19 \$4,681,000; for 1981, \$5,670,000; for 1982, \$6,414,000; a  
20 total of \$16,765,000. Now, due to the interstate nature of  
21 our operations because we do go to Ohio for just a small  
22 portion of our shipments, our gross receipts tax utilization  
23 was very small. For the last two years it's only been  
24 \$264,000. Even though the amount of that credit utilized by  
25 the Bessemer is small, it plays its part in planning our



1  
2 maintenance of way operations. Everyone needs cash to run a  
3 railroad. We need cash just like any other railroad and so  
4 I come before you today to explain our operations and to ask  
5 and to urge that you retain the present gross receipts tax  
6 credit and you consider extending it beyond its expiration  
7 date in 1986. I thank you.

8 CHAIRMAN HUTCHINSON: We thank you too. Paul, you  
9 have a question? Barry?

10 BY REPRESENTATIVE ALDERETTE:

11 Q Mr. O'Grady, do you have any figures on how much you  
12 spent prior to 1980 or say '79, '78, on repairs?

13 A Yes, sir, if you'll bear with me.

14 CHAIRMAN HUTCHINSON: He can give you his address  
15 and you can send it to him.

16 MR. O'GRADY: I think the focus of his question,  
17 and you can appreciate that we have lots of statistics on the  
18 railroad. We are required to keep a lot of statistics by  
19 the Interstate Commerce Commission. I would say in general  
20 for the period, let's say beginning in 1965, our expenditures  
21 have consistently gone up to a period around 1981, '82, when,  
22 because of a downturn in traffic and most railroads including  
23 the Bessemer have experienced a downturn in traffic, we have  
24 had to cut back in the expenditures on our maintenance of way,  
25 our equipment, for example. So, we were going up during the

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period when the credit first began continuing into the credit and right now we are on a type of holding situation.

CHAIRMAN HUTCHINSON: Any questions?

BY REPRESENTATIVE GAMBLE:

Q How many Pennsylvanians do you employ?

A The bulk of the employees are Pennsylvanians. We have an operation in Ohio which is the Port of Conneaut but I would guess there are about 50 people at Conneaut.

Q Has it stayed steady around 1200?

A No, sir. It has gone down. Right now we are more in the neighborhood of about a thousand, anyplace from 900 to 1,000 depending upon the daily operations. Obviously, if you have traffic, you call crews back. If you don't have traffic, you don't.

BY REPRESENTATIVE LAUGHLIN:

Q It seems that the rail line that you operate, the Bessemer and Lake Erie, seems to be able to maintain itself a lot better than the Conrail system in view of the fact that you are talking about a 200 reduction out of 1200 which would represent one-sixth and we are talking there about 16 percent approximately whereas some of the Conrail reports were as much as a loss of 50 percent in some areas. So, I can understand you are operating very well. Would you mind telling me another thing. With regard to those numbers on the employee

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2 situation, have you had any great reduction or any need to  
3 sell off any equipment with regard to your engine service and  
4 so on?

5 A No, sir. We are maintaining our equipment but we  
6 are not operating it all. We have gone probably from about  
7 10,000 cars down to 9300. Obviously, if you have surplus  
8 equipment, you are going to dispose of your surplus equipment  
9 but that depends on the traffic volume. Traffic volume is  
10 highly oriented towards coal and steel.

11 Q Well, I would say if anything has been reduced,  
12 that has been significantly reduced over the last few years.  
13 I'm amazed that you are able to carry the numbers that you  
14 are. I really have no other questions other than to say that  
15 Representative Dombrowski from Erie said to say hello.

16 A I thank you very much.

17 CHAIRMAN HUTCHINSON: Barry?

18 BY REPRESENTATIVE ALDERETTE:

19 Q One short question, sir. Do you lease or do you  
20 purchase your engines?

21 A We purchase our engines. Back in 1970 we leased  
22 some locomotives. We leased them because we did not have the  
23 cash to purchase them. It was that simple and we got a  
24 favorable lease right at that time. But for the present, we  
25 have been purchasing all of our locomotives.

1  
2 Q By and large if it's possible, it's better to  
3 purchase; is that correct?

4 A By and large, yes.

5 Q And it has been profitable since 1900 or at least  
6 able to keep in business?

7 A Yes, sir, but I would caution. Since we are  
8 heavily oriented towards coal and towards steel, we are a  
9 service industry. We have to serve the public. If those  
10 industries do not come back, then our railroad will be hurt  
11 along with the other railroads in Pennsylvania and every  
12 other state.

13 Q Thank you.

14 CHAIRMAN HUTCHINSON: Thank you, sir.

15 (The following is the prepared statement of Mr.  
16 O'Grady:)

17 "Honorable Chairman and Members of the Committee:

18 "Thank you for the opportunity to appear before you  
19 today in support of retaining and extending the present credit  
20 granted against the gross receipts tax for railroad expendi-  
21 tures made in Pennsylvania to maintain and improve our rail-  
22 road right-of-way. I am an employee of the Bessemer and Lake  
23 Erie Railroad Company, a Class 1 common carrier by railroad.  
24 Our railroad is not as well known as some of the larger  
25 railroads such as Conrail, The Chessie System, and the Norfolk

1  
2 and Southern, but I can assure you that we play a vital role  
3 in the economy of western Pennsylvania. To put this in  
4 perspective, I will outline some of the operations of the  
5 railroad.

6 "OPERATIONS OF THE RAILROAD

7 "Incorporated - The railroad was incorporated  
8 in Pennsylvania on December 31, 1900, and has served the  
9 public and its customers for 82 years.

10 "Number of Employees - During the last three  
11 years since the gross receipts tax has been in existence, the  
12 average total number of employees on the railroad was  
13 approximately 1,200.

14 "Payroll - The average payroll of the railroad  
15 for the last three years was approximately \$31,000,000.

16 "Freight Car and Locomotive Ownership - The  
17 railroad owns approximately 9,300 freight cars and 76  
18 locomotives, all of which are maintained by employees at  
19 various points in Pennsylvania but primarily at Greenville,  
20 Pennsylvania; Albion, Pennsylvania; and North Bessemer,  
21 Pennsylvania.

22 "Annual Purchases by Railroad and Number of  
23 Railroad Suppliers - The railroad purchases goods and services  
24 from approximately 300 suppliers and its annual purchases are  
25 approximately \$26,000,000.

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2                   "Railroad Operating Territory - The railroad  
3 operates 432 miles of track extending from North Bessemer, Pa.,  
4 in a northerly direction through Unity, Pa.; Saxonburg, Pa.;  
5 Butler, Pa.; Grove City, Pa.; Fredonia, Pa.; Greenville, Pa.;  
6 Springboro, Pa.; Albion, Pa.; and with trackage rights to  
7 Erie, Pa. The Railroad's northern terminus is at Conneaut,  
8 Ohio.

9                   "Counties

10                   Allegheny

11                   Butler

12                   Mercer

13                   Crawford

14                   Erie

15                   "Railroad Shippers and Commodities Hauled -

16 The railroad hauled an average of 22 million tons of freight  
17 per year over the last three years. The principal commodities  
18 hauled were coal, iron ore, limestone, coke, and steel  
19 products and miscellaneous commodities. The railroad has  
20 over 100 on-line shippers.

21                   "Maintenance of Way and Structures - In 1982,  
22 the railroad spent \$15,516,000 in repairing and maintaining  
23 its right-of-way and structures.

24                   "Safety Awards - The railroad is proud of its  
25 record of maintaining its right-of-way and equipment and has

1  
2 won numerous safety awards. A recent example of this is  
3 attached which shows the following awards:

4           Harriman Bronze Medal Award

5           Harriman Certificate of Commendation For Safety  
6           Improvements

7           "As can be seen from the above, while in size we are  
8 not the largest railroad in Pennsylvania, we are of significant  
9 importance to our employees, our shippers and their customers,  
10 and the citizens of Pennsylvania. Therefore, proposed  
11 legislation such as House Bill 867, which would repeal the  
12 gross receipts tax credit, should not be enacted.

13                   "The Present Gross Receipts Tax Credit Is An  
14 Incentive To The Railroad - The present gross receipts tax  
15 credit was enacted early in 1980 and allowed railroads a  
16 credit against their gross receipts tax for amounts expended  
17 upon their right-of-way for rails, track materials, ties,  
18 ballast, signals, etc. Since the enactment of the credit, the  
19 Bessemer has spent millions of dollars in Pennsylvania in  
20 maintaining and improving its rights-of-way. For the last  
21 three years these M and W qualifying expenditures were:

22 <u>"Year</u>	<u>Qualifying Maintenance of Way Expenditures</u>
23    1980	\$ 4,681,000
24    1981	5,670,000
24    1982	<u>6,414,000</u>
25	<u>\$16,765,000</u>

1  
2 "Due to its interstate operations, the Bessemer  
3 only utilized a total gross receipts tax credit of \$264,000  
4 for the tax years 1981 and 1982.

5 "Even though the amount of the credit utilized  
6 by the Bessemer is small, it plays its part in the planning  
7 of our maintenance of way operations. It is an incentive to  
8 us, and one which we would not like to lose.

9 "The present gross receipts tax credit is  
10 working to retain jobs and industry in Pennsylvania and we  
11 urge you to retain it and to consider legislation which would  
12 extend it beyond its scheduled expiration date following the  
13 tax year 1986."

14  
15  
16 "March 22, 1982

17 "Mr. M. Spalding Toon  
18 President  
19 Bessemer and Lake Erie  
20 Railroad Company  
21 600 Grant Street  
22 P. O. Box 536  
23 Pittsburgh, Pennsylvania 15230

24 "Dear Mr. Toon:

25 "Congratulations! It is my pleasure to advise you



1  
2 that Bessemer and Lake Erie Railroad Company has won the  
3 Harriman Bronze Medal Award for its 1981 performance among all  
4 railroads in Group C. In addition, Bessemer and Lake Erie  
5 Railroad Company is the winner of the Harriman Certificate of  
6 Commendation for its 1981 improvement in employee safety  
7 ratios among all railroads in Group C.

8 "The Awards ceremony will be held Wednesday, April  
9 28 in the Wadsworth Room of the International Club, 18th and  
10 K Streets, N.W., Washington, D.C. (use the 18th Street  
11 entrance) beginning with a reception at 12:15 p.m. followed  
12 by a luncheon at 12:45 p.m. It is the Committee's hope that  
13 you personally can be present to accept the Awards along with  
14 any associates you may wish to have accompany you. Please  
15 advise my secretary, Mrs. Carol Lehman, of your plans to  
16 attend.

17 "Names of the Harriman Awards winners will be  
18 officially announced in a news release scheduled to be  
19 released on the day of the Awards presentation. Therefore,  
20 the Awards Committee requests all winners to please refrain  
21 from making any public announcement until the time of the  
22 Awards presentation. Your cooperation will be appreciated.

23 "Again, congratulations to you and all the  
24 personnel of the Bessemer and Lake Erie Railroad Company.

25 "Sincerely,

1  
2 "Harold F. Hammond  
3 Chairman"

4  
5 CHAIRMAN HUTCHINSON: James Barb, Tax Department,  
6 Union Railroad.

7 JAMES BARB, called as a witness, testified as  
8 follows:

9 MR. BARB: Mr. Chairman, Members of the Legislature,  
10 I'm here for the Union Railroad or I'm employed as Manager  
11 of Property Taxes and as with Mr. O'Grady, I'm here solely  
12 on a small part of your inquiry today and that's the gross  
13 receipts tax credit because it does impact our railroad. It  
14 impacts the Union very significantly because the Union  
15 Railroad is located solely in the Commonwealth of Pennsylvania  
16 and as such, it carries a very high liability for the gross  
17 receipts tax. The gross receipts tax credit is very important  
18 to them. It was very important in 1980 when the legislation  
19 was passed and it's even more important today when we are  
20 looking at the economic conditions that exist for the Union  
21 Railroad and the customers that the Union Railroad serves.  
22 I'll give you some very quick statistics on the Union. We  
23 have 262 miles of track and serve an area extending from  
24 North Bessemer in the north to Clairton, Pennsylvania, in the  
25 south with the majority of the customers being either involved

1  
2 directly in the production of steel or related to steel  
3 production in the Mon Valley. In my opinion, if, as a result  
4 of bills that I understand that have been introduced in the  
5 legislature and this inquiry today, the legislature should  
6 choose to terminate the gross receipts tax credit, I believe  
7 that it would significantly increase unemployment for railroad  
8 employees on the Union Railroad which presently has many of  
9 their employees on furlough. I believe it would also impact  
10 the suppliers for the Union Railroad, particularly those  
11 suppliers that supply the rail and the ties that are directly  
12 related to the credit. I believe it would also result in  
13 less maintenance and improvements to the railroad track which,  
14 I believe, is very significant. If the Mon Valley is going  
15 to come back, and I don't know that anyone knows what the  
16 future of the Mon Valley is, in whatever form, we believe  
17 that rail service will be important. It's important then  
18 that maintenance be continued on the Union Railroad rail line  
19 servicing the Mon Valley so that these customers and future  
20 customers, whether it's the existing customers or customers  
21 in a different form, can be served; so that these customers  
22 can be competitive with competition both within the state and  
23 without.

24 We believe that if the gross receipts tax credit  
25 were terminated, that we would see a loss of business from

1  
2 railroads wholly in Pennsylvania employing only residents of  
3 Pennsylvania, the railroads and other modes of transportation  
4 that are interstate in character and have employees in both  
5 states. In either case, we believe that this would result  
6 in a net loss of jobs to the Commonwealth of Pennsylvania.  
7 Of course, it's not only the loss of the jobs that impact the  
8 economic welfare of the state but you're also talking about  
9 the impact of the taxes that go along with the jobs, the  
10 state taxes, taxes that support the local communities that  
11 are already very much impacted by this lengthy recession.  
12 I have had an opportunity to work with the gross receipts tax  
13 credit since its inception. I believe it's a very fair, I  
14 believe it's a very practical approach to the tax situation  
15 in Pennsylvania. We have had -- we work closely with the  
16 Revenue Department in implementing the rules and regulations  
17 for applying for the credits. We were recently audited on  
18 the Union Railroad for two years on our applications for the  
19 credits and use of the credit and the audits were clean.  
20 There were no exceptions taken. They are very thorough  
21 audits. We should also note that the State of Michigan for  
22 several years has recognized the need for a good railroad  
23 track system in their state, not just to benefit railroads  
24 but to benefit the entire state and to make them more  
25 competitive in retaining and securing jobs. I urge you to

1  
2 retain the credit and urge you not to or ask you not to  
3 discontinue the credit because I truly believe that in the  
4 case of the Union Railroad, the credit is working very well.  
5 Thank you.

6 CHAIRMAN HUTCHINSON: Thank you. Any questions?

7 Charlie?

8 BY REPRESENTATIVE LAUGHLIN:

9 Q With regard to the Union Railroad, how many employees  
10 are you speaking of, sir?

11 A We have had a significant reduction, I know  
12 generally, but I'll give you the exact numbers here. We are  
13 looking presently at around 800 people, 798.

14 Q What were you formerly employing?

15 A We had been -- the average number in 1981 was  
16 1439.

17 Q That's a significant reduction?

18 A Yes, sir; it is. There has been a significant, I  
19 would say a catastrophic drop for traffic in the Union Rail-  
20 road.

21 Q Does that also require that you are cutting back  
22 substantially on your maintenance of lines?

23 A There has been a reduction in overall maintenance.  
24 I don't believe it's been that significant. There has been  
25 a reduction in maintenance not so much through '81 but '82

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was down. It was down significantly.

Q You are required to present to the Department of Revenue under the law that I have in front of me which is the enabling legislation, you are required to report each year on how you handle those tax credits and what they were utilized for; is that not correct?

A There is reporting both prior to the end of the year and that report is updated subsequent to year-end as to the total amount of both capital and maintenance expenditure.

Q That's the first audit you have had of your operation on the Union Railroad since the inception?

A Yes, sir. The audit extended for quite a period of time, several months, and the audit was completed several months ago. So, it's not something that has just been wrapped up currently.

Q No, I realize that it's an on-going program.

A That was the first audit of the Union Railroad, yes. There were audits prior to that but I believe the first approach was on those roads that operated within Pennsylvania and other states and this was the second tier of audits as I understand it.

Q Has the Union petitioned for any abandonment along its right-of-way?

A Not to my knowledge, sir. The mileage of track has

1  
2 remained relatively stable, within a mile or two within the  
3 last several years.

4 Q Even though you have experienced substantial loss  
5 in employees and revenues, you have nonetheless been able to  
6 keep operative the mileage that you have under your discretion  
7 along the Union right-of-way?

8 A I just reported the factual situation. I really  
9 can't --

10 Q Judging by what you said, that's what I have to  
11 assume. I notice that that certainly isn't true in our friend  
12 Conrail's situation. Thank you.

13 CHAIRMAN HUTCHINSON: Thank you, Jim.

14 Terry Bishop, Director of Taxes and Tax Planning for  
15 P&LE.

16 TERRY E. BISHOP, called as a witness, testified as  
17 follows:

18 MR. BISHOP: Gentlemen, I too appreciate the  
19 opportunity to testify here today. My name is Terry Bishop.  
20 I am Director of Taxes for the Pittsburgh and Lake Erie  
21 Railroad and three other railroads, subsidiaries of the P&LE  
22 Railroad, all of which have benefitted from the Pennsylvania  
23 gross receipts tax. I'm also, therefore, going to restrict  
24 my comments on the same issues as Mr. Barb and Mr. O'Grady.

25 I want you gentlemen to know that it's not my intent

1  
2 to either condone or condemn the operations or business  
3 practices of Conrail and I feel that as far as Resolution No.  
4 60 is concerned, I will restrict my comments to the credit  
5 issue. Legislation has been proposed to sunset the Pennsyl-  
6 vania gross receipts tax credit in the year 1983 rather than  
7 '86, the date set forth in Act 24. I certainly believe that  
8 the early sunseting would only be detrimental to those  
9 railroads that are now utilizing the credits for some of the  
10 following reasons. First, at the present time, due to the  
11 depressed economy, are experiencing serious financial  
12 difficulties. The proposed change in the sunset provision  
13 would create an additional financial burden and result in the  
14 deferral of planned program maintenance and improvements to  
15 track, property, that relates to the gross receipts tax  
16 credit.

17 Secondly, recapture is also being proposed and it  
18 would burden the railroad industry with excessive record-  
19 keeping problems to determine exactly what improvements and/or  
20 maintenance was done to a particular section of a right-of-  
21 way in the five years prior to a sale or abandonment and that  
22 would be extremely time-consuming, perhaps even impossible.  
23 Our above railroads have collectively spent \$24.4 million in  
24 Pennsylvania during the 1980-82 years generating tax credits  
25 in the amount of \$6.1 million, of which approximately \$1 million



1  
2 will have been utilized as a credit to offset Pennsylvania  
3 gross receipts tax liability for the years '81 through '83.  
4 Now, the balance of 5.1 million is forever lost since current  
5 tax law does not provide for carry-over of unused credits.  
6 Allowing these unused credits to be applied against other  
7 taxes such as capital stock and corporate net income should  
8 be given consideration. Numbers are often misleading. I  
9 suggest some individuals may assume that credits earned and  
10 approved by the Commonwealth are actually used. As you can  
11 see from the numbers as previously quoted, the economic loss  
12 to the state is far less than one might initially assume.  
13 Only a review of the actual Pennsylvania gross receipts tax  
14 reports filed can really give you gentlemen the actual cost  
15 to the Commonwealth and the actual credits used.

16 Thirdly, the Pennsylvania gross receipts tax credit  
17 has been audited by the Pennsylvania Department of Revenue  
18 and we have been audited twice. They have been on our  
19 property twice. The audit has resulted in no changes or  
20 adjustments. To me this indicates that Act 24 is serving  
21 its intended purpose and is being administered in accordance  
22 with the law.

23 Finally, regardless of the economic downturn in  
24 business, I would like to emphasize that our management has  
25 been thoroughly advised of the advantages available to our

1  
2 railroads by expending dollars on track work in the State of  
3 Pennsylvania. Certainly, budgets have been curtailed but  
4 without the credit, expenditures in Pennsylvania would have  
5 been further reduced. Therefore, the credit does, in fact,  
6 generate additional capital expenditures in Pennsylvania,  
7 keeps our employees working who may have otherwise been  
8 furloughed, and provides additional business for suppliers of  
9 track materials, many of whom are domiciled in the Commonwealth  
10 of Pennsylvania.

11 In closing I would like to make a few comments on  
12 Conrail. One, if legislation such as HB-715 and HB-867 are  
13 enacted in an effort to get back at Conrail, I feel it would  
14 more than likely have an opposite effect by aiding Conrail  
15 competitively against smaller Pennsylvania railroads since  
16 Conrail, due to federal legislation, has not been liable for  
17 payment of the Pennsylvania gross receipts tax since the end  
18 of 1981. Eliminating the credit at this time would place  
19 small railroads such as ours at a further competitive  
20 disadvantage with Conrail. While we may have to recover the  
21 additional tax expense through increased rate rates, Conrail  
22 would experience no such increase in tax expense. It is my  
23 present understanding that Conrail continues to file all tax  
24 returns with all taxing jurisdictions. Declaring a Pennsyl-  
25 vania gross receipts tax liability and offsetting same

1  
2 particularly or entirely with the tax credit is merely a  
3 reporting compliance. They file their report and take the  
4 credit. Now, due to special federal legislation, using the  
5 credit is superfluous because their actual liability is zero  
6 with or without the credit. In addition, if Conrail utilized  
7 the gross receipts tax credit to offset their tax liability  
8 only in the year '81, then the legislation proposing recapture  
9 of tax upon abandonment would only be applicable to that one  
10 year, 1981, whereas our railroads would be exposed to a five-  
11 year recapture problem. I honestly solicit that the legisla-  
12 tion continue to support Act 24 and ask you not to sunset the  
13 Act earlier than 1986. Actually, I'm hopeful that the law  
14 can be extended beyond the year 1986. Hopefully, there is a  
15 provision in the current law transferring abandoned rail  
16 rights-of-way to the state and I hope that even that can be  
17 modified to allow the Commonwealth no more than six months  
18 rather than the present five years to exercise their option  
19 to purchase abandoned property at fair market value. There  
20 are some railroads within the Commonwealth that have currently  
21 utilized the credit due to this provision. I thank you for  
22 listening to me.

23 CHAIRMAN HUTCHINSON: Thank you. Any questions?

24 BY REPRESENTATIVE LAUGHLIN:

25 Q You mentioned the tax credit and you also mentioned

1 purchase of the right-of-way for any abandoned lines which  
2 DER is responsible for taking that over at market value.  
3 With regard to that, has your company proposed any abandon-  
4 ment at all?

5 A Yes. We have asked for abandonment and we have  
6 received permission to abandon some parts.

7 Q And what quantities, sir?

8 A Nothing excessive. We have one abandonment. I  
9 believe it's in the neighborhood of approximately several  
10 thousands of dollars. We also have petitioned right now to  
11 abandon some other tracks.

12 Q Is your rail company planning a sale of the company  
13 in any way?

14 A There are rumors to that effect but I'm in taxes.  
15 I'm not in operations and at this time, I know of no --

16 Q You are aware of 715 which is the Bill I introduced  
17 that you mentioned deals only with those rail lines that are  
18 sold after the improvements are made upon them?

19 A The way your Bill is proposed, let's assume we  
20 would be sold. Would that then trigger a recapture of any  
21 credits that we have utilized?

22 Q Yes, it would.

23 A Why is that since the railroad would still be a  
24 railroad and still be serving the Commonwealth?

25 Q For instance, you mentioned the fact that your rail

1 line, I believe, is totally within the State of Pennsylvania.

2 Is that what you said?

3 A We have -- I'd say our railroad is about 98 percent  
4 in Pennsylvania. Some part of our railroad extends into  
5 Ohio.

6 Q We might be hesitant to improve the financial  
7 status of the Santa Fe and the Western or something that is  
8 out in California with taxpayer's dollars. That might be one  
9 of the reasons we might consider passage of this type of  
10 legislation. We might not want to enrich that rail line just  
11 because they happen to take over the operation that you  
12 improved. That might be one of the reasons we are thinking  
13 of with regard to this. However, I at the present time am  
14 not one of those who favor a sunset provision in advance  
15 because I think right now the federal government has given  
16 your rail line a certain less than equal footing with Conrail  
17 in that they are not now obligated to pay state taxes where  
18 you are. They have been devoid of that tax since the 1981  
19 Congressional legislation. However, I am looking at some  
20 local taxing power for the areas of Pennsylvania that have  
21 railroads located in them, specifically to take care of  
22 Conrail, if that does come about. We are concerned about  
23 that loss. We are concerned about your service to industry  
24 and everything else so that you understand it's not just the  
25 one-faceted circumstance although you only addressed one.

1           A     I'm just saying, sir, that because of that sun-  
2 setting provision, that certainly does -- because we are the  
3 ones using the gross receipts tax and that certainly would  
4 hurt us.

5                   CHAIRMAN HUTCHINSON: Thank you very much, sir.

6 BY REPRESENTATIVE LAUGHLIN:

7           Q     By the way, you said that we were to look at the  
8 gross receipts tax reports of your rail company. I think you  
9 would find that that is privileged information with the  
10 Department of Revenue. I don't believe we are able to look  
11 at that.

12                   CHAIRMAN HUTCHINSON: Charles DeNovi, Controller,  
13 Monongahela Connecting Railroad Company.

14                   CHARLES DeNOVI, called as a witness, testified as  
15 follows:

16                   MR. DeNOVI: My name is Charles DeNovi. I'm the  
17 Chief Financial Officer of the Jones & Laughlin Steel  
18 Corporation Railroads whose general offices are located at  
19 3600 Second Avenue, Pittsburgh, PA. Of the six railroads  
20 within my responsibility, the Aliquippa and Southern Railroad  
21 located in Aliquippa, PA, and the Monongahela Connecting  
22 Railroad located in Pittsburgh, PA, are the only two rail-  
23 roads who are eligible for the gross receipts tax credit.  
24 These railroads are common carriers under the authority  
25 granted by the Interstate Commerce Commission and the Public

1 Utility Commission of Pennsylvania. They serve the Jones &  
2 Laughlin Steel Corporation steel-making plants in both  
3 Aliquippa, PA, and Pittsburgh, PA. Please accept my thanks  
4 for giving me the opportunity to speak to this committee on  
5 my views of House Bills 867 and 715. House Bill 867 is  
6 intended to accelerate the termination of gross receipts tax  
7 credit from 1986 to the tax year following the year 1983.  
8 The legislature in 1980 in its wisdom granted this tax credit  
9 to give the railroads in Pennsylvania a financial push to  
10 help them to upgrade their rights-of-way. Further, the  
11 spending that would take place was expected to create jobs  
12 both for the taxpayers as well as the suppliers of mainten-  
13 ance materials. It is evident that these taxpayers fulfilled  
14 this intended requirement by spending three times the amount  
15 of the credit in the years 1981 and 1982. The regulations  
16 as prescribed forces the taxpayer into spending at least two  
17 times the amount of the credit received. As a matter of  
18 fact, the total credit received to date was \$1,564,000 and  
19 associated spending to support this credit was \$6,256,000.  
20 It is significant to point out in the year 1982 my two  
21 railroads suffered a 57 percent decrease in revenues from  
22 the previous year but still spent \$1,976,000 in maintaining  
23 rights-of-way to support the credit received for the year  
24 1981. In other words, my railroads kept our end of the deal  
25 by continuing to upgrade their rights-of-way. People we

1 kept employed, track materials and supplies were purchased  
2 about 70 percent from Pennsylvania suppliers and all in all  
3 the intent of the 1980 legislation was fulfilled. In  
4 addition, our safety was enhanced as is borne out by the  
5 fact that the Monongahela Connecting Railroad was given a  
6 special award for its safety performance for the year 1982  
7 by the E. H. Harriman Memorial Awards Institute. The  
8 obvious question is in view of these facts, why is repeal of  
9 this credit even being considered at this time.

10 As for House Bill 715, frankly I don't even  
11 understand the intent of this legislation. I can only  
12 conclude that somebody wants to place a club over the head  
13 of the railroad industry, a damned if you do and a damned if  
14 you don't kind of legislation. The simple answer is not to  
15 take the credit which, of course, will defeat the real  
16 intent of the 1980 legislation. Does that make sense? Do  
17 you want to help Pennsylvania industry and Pennsylvanians?  
18 I sincerely suggest that you do not enact the proposed  
19 legislation. Thank you again for your time.

20 CHAIRMAN HUTCHINSON: Thank you, sir. Any  
21 questions? Do you have any, Paul?

22 BY REPRESENTATIVE LAUGHLIN:

23 Q How many people does your railroad presently  
24 employ?

25 A In the year 1982 we had 365 people but that



1 compares, if you will, to 873 in the year 1981, a very  
2 severe reduction.

3 Q Your basic operation is the hauling of coal and  
4 other materials in and out of the plant?

5 A We are a terminal switching railroad for the Jones  
6 & Laughlin steel-making facilities, whatever comes in and goes  
7 out, sir.

8 Q Certainly, the impact upon Jones & Laughlin, I  
9 know just across the river we used to have 8500 employees  
10 there. We now have 2500. Certainly, that kind of reduction  
11 leads me to believe that you would have the same kind of  
12 reduction in staff which is evident by the numbers you give  
13 me. With regard to the area that you serve, has your rail  
14 company offered any proposals of abandonment of any lines  
15 whatsoever?

16 A No, sir.

17 Q None, whatsoever.

18 BY CHAIRMAN HUTCHINSON:

19 Q You just took a new one on?

20 A Midland Terminal Company, yes, we did. That's not  
21 a railroad per se. We are petitioning the ICC for that  
22 right to become a railroad.

23 BY REPRESENTATIVE LAUGHLIN:

24 Q Yes, I was told that someone tried to sell you the  
25 rights down in Midland from Conrail and Jones & Laughlin

1 turned it down because it was not a very profitable circum-  
2 stance for them to entertain.

3 A A gentleman mentioned something like that and I am  
4 not aware of that situation. All of the rail lines that we  
5 have are within the plant.

6 Q With regard to your opinion of legislation that is  
7 introduced that you don't understand or that you feel is a  
8 club over the head of railroads, all too often whenever we  
9 grant tax credits to anyone, whether it's an industry or  
10 otherwise, if the state and the people don't have some kind  
11 of a club as you indicate, then the abuse is the abuse of  
12 the taxpayer and the abuse of the people who pay the bills.  
13 If you are in industry and given a credit and you are not  
14 required to pay taxes, that's a benefit to you. When you  
15 don't pay them, rest assured one thing. The tax that is  
16 raised by these legislative members here and by the Governor  
17 of this state are utilized to pay the difference that you  
18 are not paying. Maybe you understand that club a little  
19 better now.

20 A I understand the club, sir. But I think what I am  
21 trying to refer to is particularly my railroads and other  
22 railroads who have followed the intent of this legislation,  
23 creating jobs wherever you wanted to do in the State of  
24 Pennsylvania and what you are doing is sealing out those  
25 people who followed the intent of the legislation by

1 punishing them.

2 Q We haven't punished anyone as you indicate. 715  
3 says railroads that are selling their property. All right.  
4 It doesn't say a discontinuation at all of any credits if  
5 you read the legislation.

6 A It's conceivable that rail companies can sell some  
7 of their properties.

8 Q We don't mind them selling whatever they wish. We  
9 just figure that if they are selling to someone, maybe the  
10 people are entitled to review that and get their money back  
11 for the investment they made in making it a more profitable  
12 and making that right-of-way worth a little bit more because  
13 of its condition and improvement; that it not be socked to  
14 the taxpayers as such.

15 A I understand what it is that you are trying to say,  
16 sir.

17 Q Thank you.

18 CHAIRMAN HUTCHINSON: Thank you very much, sir.

19 Jim Love, Traffic Manager, Armco?

20 REPRESENTATIVE LAUGHLIN: I don't see the gentle-  
21 man in the audience.

22 CHAIRMAN HUTCHINSON: The next one is Joseph  
23 Trombetta, American Train Dispatchers Association; is he  
24 here?

25 REPRESENTATIVE LAUGHLIN: I believe he had to leave.

1 CHAIRMAN HUTCHINSON: Thomas Lewis, Brotherhood of  
2 Railway, Airline and Steamship Clerks.

3 REPRESENTATIVE LAUGHLIN: Ben took care of that.  
4 Would you like to testify tomorrow or today?

5 CHAIRMAN HUTCHINSON: Is somebody here to testify?

6 REPRESENTATIVE LAUGHLIN: Yes.

7 CHAIRMAN HUTCHINSON: Let him come up now.

8 REPRESENTATIVE LAUGHLIN: Fine.

9 CHAIRMAN HUTCHINSON: What's his name?

10 REPRESENTATIVE LAUGHLIN: The gentleman's name is  
11 Kenneth Mantle, M-A-N-T-L-E. He's the Local Chairman for  
12 the Sheet Metal Workers International Association.

13 KENNETH MANTLE, called as a witness, testified as  
14 follows:

15 MR. MANTLE: I'd like to try to paint a little  
16 picture for you here with hopes that you might better under-  
17 stand why the people at Conway engine house are so angered  
18 at the job cuts that went down in April. I'd like to start  
19 back in part of 1982, October, throughout 1982. Monthly  
20 meetings were held with craft chairmen and Conway diesel  
21 terminal to keep us updated on Conway's productivity ratings  
22 and rankings as compared to the other shops. Those ratings  
23 for the most part of 1982 were very good as was mentioned by  
24 Mr. Swanson, to our death or to our disadvantage to Conway  
25 was that it was an old terminal, built in 1906. He failed

1 to mention that the other terminals on the Conrail system  
2 were fairly new terminals and we were put in competition with  
3 them ever since their computer first started putting out  
4 productivity figures. I have here a copy of a monthly meeting  
5 with Mr. Joe Fister who was the shop manager at the time.  
6 It's dated June 10, 1982. Mr. Fister always brought these  
7 figures to our attention at these monthly meetings. One  
8 figure I'd like to call your attention to would be the six-  
9 month overall productivity rating for Conway. The percentage  
10 figures, I know, don't mean that much to you but the percent-  
11 age was 45.6 percent for six months in 1982. That ranked us  
12 number two in the Conrail system. We were in competition  
13 with shops such as Selkirk, Collinwood, Enola, fairly new  
14 shops. We had an outdated facility and we still managed to  
15 rank number two across the system. Mr. Swanson talked about  
16 the reason that the jobs were cut in Conway was because  
17 there were delays in MI lines. They couldn't leave a process  
18 line sit for two tricks. They had to have it running for  
19 24 hours. Well, at one time at Conway we did have a process  
20 line that ran 24 hours. Conrail management chose not to  
21 keep that in effect. They chose to cut the second trick  
22 process line and the third trick process line. That went on  
23 for a period of about two years which they finally decided  
24 that it was no good to leave the process line shut down for  
25 two tricks. But their decision went with Selkirk and

1 Collinwood, I presume, to put the process line back on 24  
2 hours. Conway was never even considered in this.

3 Now, we'll take it up to 1983. January, the work-  
4 force at Conway was informed by management that there would  
5 have to be an elimination or a drastic reduction in one or  
6 two terminals on the Conrail system. The basis for the  
7 decision would be made over the next three months and the  
8 basis for that decision would be an overall productivity  
9 rating of the shops. The first week of March a bulletin  
10 was posted by Conrail management on the bulletin board at  
11 the engine house. It was a computer read-out sheet from  
12 Conrail's own computer. On that sheet it showed overall  
13 ratings of all major terminals on the Conrail system. Conway  
14 ranked number one in overall performance. Now, again, being  
15 put against shops that were newly updated, had the facilities,  
16 had the materials and had the equipment which we have been  
17 denied. We came out on top. By the end of the second week  
18 in March, we heard rumors of a large workforce reduction in  
19 Conway. Mind you, they were only rumors. We couldn't get  
20 them confirmed by anyone in Conrail's management. By the  
21 beginning of the third week, the rumors had been confirmed  
22 by upper level union officials through a leak in Conrail's  
23 Labor Relations Department in Philadelphia. The company  
24 all this time kept denying that the rumors were true. As a  
25 matter of fact, they kept on denying it until they absolutely

1 had to tell the workforce that it was coming down and the  
2 rule book says they have to notify you within ten days of  
3 any large workforce reduction and that's exactly what they  
4 did. The first week of April, Mr. Fidel and Mr. Butler, Mr.  
5 Vic Tarzu and Mr. Bob Fazio, all Conrail management people,  
6 showed up at the Conway diesel terminal at the request of  
7 the union leaders at Conway to see if there was something we  
8 could do to stop this from happening. Mr. Fidel was asked  
9 if he was rerouting traffic around Conway. His answer was  
10 no. Mr. Lambert stated, Benny Lambert who testified earlier  
11 was present in the room along with other local union officers.  
12 Mr. Lambert stated that as far as he knew, car dispatchments  
13 were up for the month of March. Now, Mr. Fidel had blamed  
14 the job cuts on a decrease in freight traffic. Mr. Lambert  
15 stated that as far as he knew car dispatchments were up for  
16 the month of March. Now, Mr. Tarzu who is the Superintendent  
17 of the Pittsburgh Division who would know those figures  
18 agreed with Benny at the time. Now, he is the management  
19 personnel. Mr. Fidel then said the car dispatchments are  
20 definitely up but locomotive dispatchments from Conway in-  
21 bound and outbound were down. Now, the inbound and out-  
22 bound is when a train is pulled into the Conway yards, the  
23 locomotives are cut off, brought to the inbound station for  
24 servicing, fueling, inspections, minor inspections and so on,  
25 and they are taken from the inbound to the outbound and again

1 given another inspection and they await train crews. Train  
2 crews come and take them and put them on another train. In  
3 essence, what Mr. Fidel was saying is that car dispatchments  
4 were up. Freight was coming into the yards but they were  
5 never making the inbound pad or the outbound pad at the engine  
6 house. In other words, the only other thing they possibly  
7 could have done with them would be to run them over to the  
8 cabin track which is called relay power which means there is  
9 no major servicing done on them. What they do, they cut  
10 them off, run them over to cabin track, fill them up with  
11 fuel and get another train crew on them and out they go. In  
12 essence, that's what Mr. Fidel was telling us in a very  
13 large circle. Through this whole thing, the Conrail manage-  
14 ment has denied many, many times that there was any work or  
15 freight being transferred by them to other points. They  
16 had made the statement not only in April at the engine  
17 house meeting but also at the Croation Hall in Conway last  
18 month. I know Paul Elinn talked about this letter. I don't  
19 think he gave you guys a copy of it. I'd like for you to  
20 look at this and read the first paragraph. This is from  
21 Selkirk diesel terminal dated in April. We were not informed  
22 of these job cuts until the last week in March. Now, if  
23 they did not transfer any freight or locomotives to Selkirk,  
24 then why was that printed in March's newsletter at the  
25 Selkirk diesel terminal? They can deny it all they want but



1 it's true.

2 BY REPRESENTATIVE LAUGHLIN:

3 Q Did I not also receive an update of this which was  
4 one week later that it indicated that 34 positions had been  
5 increased to 58?

6 A Yes, I believe you did. We don't have a copy of  
7 March's newsletter which that one refers to.

8 Q I do. I have a copy of March, April and May's.

9 A So, that in my opinion shows that this had already  
10 been cut and dried.

11 Q This is a print-out of Conrail's itself?

12 A That's the Selkirk's newsletter. It's a little  
13 newsletter that goes to the diesel terminal itself.

14 Q Put out by the company?

15 A I would imagine.

16 Q Anything else?

17 A That's all.

18 CHAIRMAN HUTCHINSON: Any questions?

19 BY REPRESENTATIVE STEIGHNER:

20 Q Mr. Mantle, I guess I don't have a question but an  
21 observation. Many of the things I hear you say today are  
22 things I heard unfortunately time and time again since  
23 February, 1982, when the Pullman-Standard Plant was closed  
24 down "permanently" and just less than 90 days prior to that  
25 permanent lockdown, the national vice-president for that

1 company came in to Butler County, spoke in front of about  
2 600 people and told our community not of the future problems  
3 of the company but rather where they saw a boom in the  
4 industry over the next six or eight years. Less than 90  
5 days later, 2800 people were permanently put out of work.  
6 The stories I hear you mention today are a lot of the things  
7 I heard and saw myself last year. That's all, Mr. Chairman.

8 CHAIRMAN HUTCHINSON: Is there anybody else?

9 (No response.)

10 CHAIRMAN HUTCHINSON: Thank you very much. Is  
11 there anybody else here that is scheduled for tomorrow?

12 REPRESENTATIVE LAUGHLIN: There is a young fellow  
13 there that wants to testify.

14 GENE SALVATI, called as a witness, testified as  
15 follows:

16 MR. SALVATI: My name is Gene Salvati, S-A-L-V-A-T-  
17 I. I have been a car inspector at the Conway yards for nine  
18 years. I worked there for Penn Central and Conrail and ever  
19 since Conrail has taken over, I have been receiving a flyer  
20 that Conrail's best assets are its employees. I feel it's a  
21 bunch of crap because they violated every safety rule and  
22 regulation down there. They jeopardized my safety on many  
23 occasions and I know they have jeopardized transportation  
24 people for the shops that they are letting go. On many  
25 occasions since I worked there since 1980, from 1980 to 1982,

1 I worked at four yard eastbound, nightturn, and on numerous  
2 occasions I have had blue flag violations on me and fellow  
3 workers.

4 BY REPRESENTATIVE LAUGHLIN:

5 Q Would you mind explaining to the members of the  
6 committee what that is?

7 A A blue flag violation is when you work a track,  
8 you block and flag the track on one end and you lock the  
9 track on the other end and flag it. It's for your protection  
10 and that flag is to represent so no one comes in on that  
11 track when you are working. I have had the eastbound  
12 operator, tower operator, take the flag off me one time and  
13 we got in an argument about it. He said if you have a  
14 problem, take it up with your union and he slammed the phone  
15 down. I almost got my legs cut off. Also, when I work the  
16 trains, our job is to inspect the train and also repairs  
17 that we can make on the job right on the spot, we try to  
18 fix them. Everytime I go back and take the shop tags back,  
19 no one wants to take the responsibility of signing a shop  
20 tag. The cars are let go which is our work to begin with.  
21 Those cars should be put in our shop and our people should  
22 be fixing them. Now, I have some things here. I know since  
23 I have been laid off in July, we have lost double the workers  
24 as car inspectors and I know the safety, it has to be worse  
25 and here are a couple -- if you have the time, let me read

1 some of these off. This is one shift, nightturn, June 10.  
2 There are many days here. This is just June 10 -- PIEL, 120  
3 cars, 902 track; PIEN, 120 cars, 902 track; PIEL, 60 cars,  
4 903 track; WICE-2, 96 cars, 602 track; PITO, 100 cars, 906  
5 track; PIEC, 101 cars, 101 track; PIIN, 115 cars, 904 track;  
6 PIED, 107 cars, 901 track; PICE-16, 181 cars, 603 track; PIMC,  
7 106 cars on the white --

8 BY REPRESENTATIVE LAUGHLIN:

9 Q Would you mind identifying what those letters mean?

10 A Yes. It's the train symbols.

11 Q What does it mean though?

12 A The location and certain trains are hotter than  
13 others. Where they're coming from and where they're going,  
14 on that order. I have one more. WIC, W-18, 28 cars on 109.  
15 Now, the inspectors we had to do this work was two inspectors,  
16 four bleeders. Now, the company has a policy of putting on  
17 the train sheet -- I see on your format that you are going  
18 down to the Conway yards tomorrow. What I'd like to see  
19 done is pull them train sheets out six months ago and if you  
20 look on that sheet, every train that has been inspected down  
21 them yards is three minutes a car or less. There is no  
22 possible way that you can even do a brake test. There is not  
23 one train on these charts that was brake tested properly,  
24 not one. I see you turn on the TV every two weeks and you  
25 see trains piling up and Mr. Swanson verified one thing, the

1 rails ain't bad. It's not the rails. It's the inspections  
2 of the trains and that's what it is. Many occasions I had a  
3 foreman tell me when Conrail, when they passed the Northeast  
4 Railroad Act of 1981, to falsify billing to make it look good.  
5 I can verify this tomorrow because we are coming in with our  
6 union. My union people aren't here tonight but they will be  
7 here tomorrow. We have proof on this. Also, the work that  
8 is being contracted, the cars that we shop are being sent to  
9 Buncher's up here, Herrs Island and other places and being  
10 fixed when it's our work. I think what has to be done is a  
11 full investigation should be done right down here in Conway.  
12 The reason a lot of these trains are being worked in three  
13 minutes, they told us if we worked them more and this was  
14 told from my supervisor, that we would be brought in for  
15 trial. That's all I have to say.

16 LAWRENCE GEIGER, called as a witness, testified as  
17 follows:

18 MR. GEIGER: About safety, I was told -- I was over  
19 the car shop, I worked in the car shop and there was a car  
20 inspector. It's the same craft, one is in the shop and one  
21 is in the yard. I got called out of the car shop one day  
22 to take 55-gallon drums of oil out in the yard and dump them  
23 out there and put them on blocks and I was told to take some  
24 of that oil and dump it on the ground because the FRA was  
25 down there and they wanted to find oil because too many cars

1 were leaving Conway yards, derailling, and cars being sent with  
2 overloads and perishable items are being wasted because of the  
3 hot boxes on those cars. I said I'm telling the union about  
4 this. I said you cut 25 orders off the hump. They said you  
5 tell the union, you start union problems down here and your  
6 job is gone. That was every damned day. They threaten you  
7 with our jobs every day. If you don't do the job, get out  
8 of here or we'll send it to Selkirk. We'll take it somewhere  
9 else. We are finding out in these other yards that they are  
10 telling them the same thing. If you don't like it, we'll  
11 take the jobs somewhere else. Don't oil those cars. They  
12 cut those people off. When you do shop a car, they tear the  
13 shop tags off.

14 MR. SALVATI: I wanted to add something here too,  
15 one other thing. This is June 14 of '83. This is just one  
16 train that was daylight. FXCA, there was 87 cars. It was  
17 worked from 1:15 to 2:20. That's not even a minute a car.  
18 They found one shop, an airbrake that didn't work and they  
19 released it. The power was turned on the train at 2:10,  
20 ten minutes before the train was ready to work. So, them  
21 guys were still out there and the power was waiting to tie  
22 on. Now, that can't be -- there is no way that power should  
23 be on that track. Someone is going to get killed. There  
24 was a guy that lost his foot down there the other day.

25 BY REPRESENTATIVE LAUGHLIN: (To Mr. Salvati)

1           Q     I want you to know I don't anticipate your  
2 questions or anything but on Monday, because of the complaints  
3 I received from the President of your union, Mr. Coleman, and  
4 I have them listed here, I contacted the Chairman of the  
5 PUC, Mrs. Taliafero, and in a very private conversation I  
6 asked her to send to Conway's yards. They are down there  
7 right now. The PUC people are down inspecting exactly what  
8 you are talking about in number four and number five yard  
9 at the present time. I'm going down there right after this  
10 meeting to see exactly what they found. Now, your complaints  
11 and the complaints of some of your union brothers was to the  
12 effect that someone was notifying Conrail of any visit by  
13 the U. S. Rail Service as well as by the PUC, FRA, and to the  
14 largest extent I agree that that is true on the FRA because  
15 I called them myself and only found out when I got there  
16 that they had already notified the rail company that we  
17 were coming on their property. The PUC, I guarantee you,  
18 today, did not notify them of anything and they have sent  
19 a supervisor rather than just a staff person out of Harris-  
20 burg to conduct the investigation. So, let's hope today we  
21 get a little better response on the complaints than what we  
22 normally get.

23           A     What I'd like to be done -- now, you said you were  
24 going on an inspection of the yards -- is I'd like those  
25 train sheets pulled out because it will verify everything on

1 there. You can look at those train sheets and you might find  
2 one shop --

3 Q That may be done today right now.

4 A Okay.

5 MR. GEIGER: You know what happens though? When  
6 they leave, it starts over again. They come down there and  
7 they shop 25 cars on a train. The FRA leaves and they tell  
8 you to go out there and tear those shop tags. You have to  
9 risk your job going out there because -- saying, I'm not  
10 taking those shop tags off. Take them off or you're going  
11 in trial. I said hey, that's your job, you take them off.  
12 I said you signed the shop tags, now you take them off. You  
13 know where they get filed at, they get filed in the garbage  
14 can.

15 BY REPRESENTATIVE LAUGHLIN (To Mr. Geiger):

16 Q Don't you have a union grievance for that?

17 A Yes. We gave them in and gave them to the railroad  
18 and I don't know what the story is. I just found out about  
19 this. This was supposed to be an investigation today. I  
20 don't know what happened to the tags. I think Mr. Coleman  
21 has them.

22 MR. SALVATI: I'll tell you a statement that was  
23 made. Our union went to Washington, D.C. to see Secretary  
24 Drew Lewis. The statement was made that we are tied to labor  
25 problems at Conway. They said we put up with your shit for



1 20 years. Now, it's your turn. I think there is punitive  
2 action being taken down in this yard for the union problems  
3 over the years and every union down there and I think that's  
4 why a lot of this stuff is being sent elsewhere and no one's  
5 going to tell me anything different.

6 REPRESENTATIVE LAUGHLIN: I don't want to tell you  
7 any different. We'll conduct the investigation.

8 CHAIRMAN HUTCHINSON: Are there any other questions?

9 (No response.)

10 CHAIRMAN HUTCHINSON: Thank you. Mr. Love.

11 JAMES LOVE, called as a witness, testified as  
12 follows:

13 CHAIRMAN HUTCHINSON: Go ahead, you have a state-  
14 ment to make?

15 MR. LOVE: I was called down here. Where is Mr.  
16 DeYoung from Conrail?

17 BY REPRESENTATIVE LAUGHLIN:

18 Q When were you called to come down?

19 A I don't really have a statement to make. I would  
20 be prepared to answer any questions that would be relevant  
21 to Armco and Conrail.

22 Q Do you know anything about the tax credit that is  
23 related to the Conrail system?

24 A I am generally familiar with it from a layman's  
25 standpoint.

1 Q We have already had testimony from people who are  
2 professionals in the field.

3 CHAIRMAN HUTCHINSON: Do you have any questions to  
4 ask him, Joe?

5 BY REPRESENTATIVE STEIGHNER:

6 Q Why are you here?

7 BY REPRESENTATIVE LAUGHLIN:

8 Q Who invited you here?

9 A Conrail sales people in Pittsburgh called me and  
10 asked me if I would come down and attend the hearing and I  
11 said I would clear it through our management which I did and  
12 they said come down at 4:05.

13 Q They may have asked a lot of people but I don't  
14 know what they asked you to testify to. I don't have any  
15 questions.

16 CHAIRMAN HUTCHINSON: We don't have any questions  
17 because you haven't made a statement. We'd like you to make  
18 a statement and then we will punch holes in it. So, you  
19 came down for nothing.

20 REPRESENTATIVE LAUGHLIN: You came down for Conrail.

21 MR. LOVE: I came down for Armco and Conrail  
22 requested me to come down.

23 CHAIRMAN HUTCHINSON: When are you going to start  
24 back working?

25 MR. LOVE: I wish we could answer that question.

1 If I had the answer to that -- but our business has  
2 certainly been curtailed considerably in the last year and  
3 the business is at the lowest level in the history of the  
4 plant.

5 CHAIRMAN HUTCHINSON: I went passed there last week  
6 and saw five cars there at ten o'clock in the morning.

7 MR. LOVE: We are down to, between fire watch and  
8 operating with a couple or 300 people. If we get a few  
9 orders, we produce and make and ship them. Outside of that,  
10 we have been operating somewhere in the neighborhood of maybe  
11 one week a month. This past June we did operate the mills  
12 two weeks and it -- now, as far as the volume of business is  
13 concerned that I do with Conrail, it's been curtailed, the  
14 service that they are affording me for the business levels  
15 that I have. They are taking care of the service requirements  
16 I do have.

17 CHAIRMAN HUTCHINSON: Okay. Thank you. Is there  
18 anybody else that is supposed to be here tomorrow that would  
19 like to -- or anybody else want to say anything?

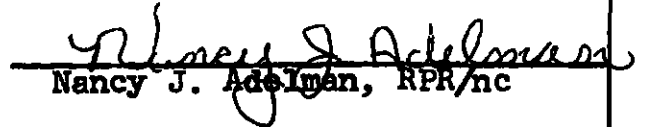
20 (No response.)

21 CHAIRMAN HUTCHINSON: The meeting is adjourned  
22 until 9:30 tomorrow morning.

23 (The hearing terminated at 4:05 P.M.)  
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I hereby certify that the proceedings and evidence taken by me before the House of Representatives, Transportation Committee, are fully and accurately indicated in my notes and that this is a true and correct transcript of same.

  
Nancy J. Adelman, RPR/nc