



U.S. Department of
Transportation

News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

M-493

FOR RELEASE MONDAY
March 11, 1985

FRA 02-85
Contact: Wendy DeMocker
Tel: (202) 426-0881

RULES CHANGES TO BENEFIT SMALL RAILROADS

Two recent changes in regulations will result in time and cost savings for smaller railroads, Federal Railroad Administrator John Riley announced today.

One action, which amends the Railroad Operating Rules, eliminates the requirement for railroads with fewer than 400,000 annual employee work hours to file an annual report summarizing tests and inspections of employees for compliance with operating rules. More than 300 railroads will benefit from this new rule.

"This annual report requirement is unnecessary and burdensome for small railroads," Riley said. "When railroad operations are small, the FRA can get all the information on operating practices it needs by examining the railroad's files."

The second change, amending the Railroad Locomotive Safety Standards, eliminates the requirements for railroads to notarize and file the annual inspection record with the Federal Railroad Administration detailing all major tests and periodic inspections made on each locomotive. However, railroads still must conduct periodic locomotive inspections and keep the inspection record for a one-year period.

The rule also reduces the amount of time daily locomotive inspection reports must remain on file from one year to 92 days -- the interval between periodic inspections.

"Although this requirement benefits all railroads, it has the greatest impact on smaller railroads that were burdened by the old requirement," Riley said. "The time and monetary savings are disproportionately larger for the smaller railroads."

"It is in the public interest to take every reasonable action to improve the economic and competitive position of small railroads," he said. "Small railroads face regulatory and reporting requirements in certain areas that have little relation to their specialized form of operation and no impact on safety."

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News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

FOR RELEASE WEDNESDAY
May 1, 1985

FRA 03-85
Contact: Wendy DeMocker
Tel.: (202) 426-0881

1984 WAS SAFEST YEAR FOR AMERICAN RAILROADS

Federal Railroad Administrator John H. Riley today released 1984 safety statistics establishing 1984 as the safest year yet for the U.S. railroad industry.

"The number of accidents and the accident rate per million train-miles were the lowest ever recorded by the railroad industry. The fact that these numbers were achieved in the year when train-miles increased more than seven percent and ton-miles increased more than ten percent makes them even more remarkable," said Riley.

"Railroad management and railway labor can take real satisfaction in these accomplishments. At the same time, they provide all of us with a challenge for the future, because this year's performance is the standard by which next year's progress will be measured," Riley said. The number of employee-on-duty fatalities fell 3.3 percent from 61 to 59, and the accident rate at grade crossings per million train-miles decreased 3.9 percent.

While expressing satisfaction at the improvement in accident statistics, Riley voiced concern over the increased severity of the accidents that did occur. Fatalities at grade crossings increased 13 percent from the 575 in 1983 to 647 in 1984. Fatalities to people trespassing on railroad property increased from 400 in 1983 to 500 in 1984.

"These numbers point to the area where we need to focus our efforts in the year ahead," said Riley.

Riley noted that the FRA actively participates in Operation Lifesaver, a public information and education program designed to reduce accidents, fatalities and injuries at grade crossings and to trespassers. In addition, FRA has held a series of special inquiries into grade crossing safety to explore low-cost safety techniques at crossings (better signs, improved visibility, crossing closings) and to examine the reliability of grade crossing warning devices.

Riley announced the railroad industry's safety statistics during a U.S. House of Representatives hearing on railroad safety.

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U.S. Department of
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News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

FOR RELEASE TUESDAY
June 11, 1985

FRA 04-85
Contact: Wendy DeMocker
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SOME TANK CARS DEFECTIVE, MAY NOT CARRY HAZARDOUS CARGOES

The Department of Transportation (DOT) announced today that up to 8,000 railroad tank cars that may have manufacturing defects may not be used to transport hazardous materials until it is determined they conform with DOT safety regulations.

Two DOT agencies, the Federal Railroad Administration (FRA) and the Research and Special Programs Administration (RSPA), have issued a notice explaining the potential defects.

FRA Administrator John H. Riley said, "This notice makes clear that non-complying tank cars cannot transport hazardous materials until they comply with our regulations. The FRA will take enforcement actions against anyone using these cars to transport hazardous materials."

"These cars appear to have been constructed in violation of DOT specifications," Riley said. "The continued use of these tank cars could well result in another hazardous materials incident."

Only about 3,800 of the potentially defective cars are currently being used in hazardous materials service.

On December 31, 1984, a Union Carbide tank car loaded with ethylene oxide, a highly flammable liquid, was discovered leaking in a railyard in North Little Rock, Arkansas. This resulted in an evacuation of about 2,500 people.

At the request of Secretary of Transportation Elizabeth Hanford Dole, FRA began an immediate investigation into the incident. A thorough metallurgical examination of the tank car revealed that fractures were located where the anti-shift bracket, a device that secures the protective jacket surrounding the tank, was welded in place. The method of attachment was in violation of DOT regulations. The cars were manufactured by General American Transportation Corp.

DOT regulations prohibit welding directly to the tank car shell when the weld exceeds six linear inches without a steel reinforcement pad between the tank and the jacket. The anti-shift bracket weld on the leaking tank car was found to be approximately 18 inches in length and no reinforcement pad was present.

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Until it is determined that the approximately 8,000 tank cars built using this design have been brought into compliance with DOT regulations by the tank car owners, they may not be used to transport materials other than commodities which are authorized for transportation in tank cars not built to DOT specifications.

Apart from the 8,000 cars, there are almost 211,000 rail tank cars in service which meet DOT specifications for the transport of hazardous materials.

FRA has been in contact with the Association of American Railroads regarding the possibility that other tank car builders used similar designs. FRA has also contacted chemical companies owning these cars to determine types of commodities being carried and whether the cars comply with DOT regulations.

RSPA issues DOT's hazardous materials regulations and the FRA sees that the railroad industry is in compliance with those regulations.

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U.S. Department of
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News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

FOR IMMEDIATE RELEASE
Wednesday, June 12, 1985

FRA 05-85
Contact: Wendy DeMocker
Tel: (202) 426-0881

RILEY REITERATES DOT SUPPORT FOR NORFOLK SOUTHERN BID

Federal Railroad Administrator John H. Riley today told members of the Senate Committee on Commerce, Science and Transportation that the Norfolk Southern offer to purchase the Consolidated Rail Corporation (Conrail) would leave Conrail with more financial strength, more job security and better service capacity than the latest Morgan Stanley proposal to purchase Conrail.

"On the day of closing, the Norfolk Southern offer leaves Conrail with \$800 million in cash and no additional debt. On the day of closing, the Morgan Stanley offer leaves Conrail with \$500 million in cash -- the absolute minimum the corporation needs to retain a safe operating reserve," Riley said. "Norfolk Southern pays a minimum \$1.575 billion for the corporation, including settlement with Conrail's employees, while Morgan Stanley's investors pay \$1.2 billion and leverage the rest off the corporation."

In testimony before the committee, Riley said that the "fine print" of the Morgan Stanley proposal also reveals that through "creative financing" Morgan Stanley will be able to withdraw approximately 50 percent more in dividends during the first year than Norfolk Southern. These and other dividend requirements would leave Conrail with a cash shortfall in the hundreds of million of dollars by 1988, he said.

"The Morgan Stanley investors apparently hope to make their money through dividends and through profits made on quick resale of the Conrail stock. Assuring these profits requires the investors to siphon off Conrail's cash reserves into consistently high dividends to build up the stock's value and marketability," he said.

"The Norfolk Southern offer brings strength to Conrail, rather than taking strength away. It does not require Conrail to siphon off its cash into dividends to build a public market for Conrail stock. Norfolk Southern can earn a return on its investment from the improved traffic flows and better routings it acquires in the merger; it does not have the same need as the Morgan Stanley investors to draw a cash return from Conrail's reserves, year in and year out."

more

Morgan Stanley & Co., an investment bank, has formed an investor group to purchase the government-owned Conrail and then resell the railroad through a series of public offerings. Secretary of Transportation Elizabeth Hanford Dole has recommended to Congress that Norfolk Southern Corporation purchase the government's 85 percent interest in Conrail.

Riley re-emphasized that the Norfolk Southern offer lowers Conrail's operating costs through added efficiencies, broadens Conrail's recession-sensitive traffic base, and lessens the impact of economic fluctuations on the carrier and the communities it serves.

"The importance of this consideration was driven home dramatically in the first 90 days of this year when a few weeks of bad weather and minor traffic fluctuations drove Conrail more than \$40 million under budget," Riley said.

"It is simply undeniable that a Conrail/Norfolk Southern combination is substantially stronger than the Conrail that would result from this Morgan Stanley proposal."

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News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

FOR RELEASE FRIDAY
July 12, 1985

FRA 06-85
Contact: Wendy DeMocker
Tel.: (202) 426-0881

FORMER ALASKA RAILROAD CHIEF NAMED FRA REGIONAL DIRECTOR

Federal Railroad Administrator John H. Riley announced today that Frank H. Jones has been named Regional Director of Railroad Safety for the Federal Railroad Administration's Fort Worth, Texas Region.

"I welcome the addition of Frank Jones to the FRA's safety staff. He brings with him an extensive railroad operations background and special knowledge of the industry that will strengthen the FRA's safety program," Riley said.

Prior to his appointment, Jones had been Special Assistant to Administrator Riley. From 1980 to January 1985, he was General Manager of the Alaska Railroad and played a major role in the transfer of the railroad from the Federal government to the State of Alaska.

In 1979, Jones was named Vice President of Operations for Isringhausen Crane Mfg., Inc., a railroad equipment manufacturing company. Prior to that he was President and Chief Executive Officer of the Colorado and Wyoming Railway Co. Jones held several senior operating positions with Conrail and its predecessor railroads Penn Central and New York Central System.

As Regional Director of FRA's Fort Worth, Texas Region, Jones will oversee rail safety enforcement in the states of Texas, New Mexico, Oklahoma, Arkansas and Louisiana.

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U.S. Department of
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News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

FOR IMMEDIATE RELEASE
Wednesday, August 21, 1985

FRA 07-85
Contact: Wendy DeMocker
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FRA TO HOLD CONFERENCES ON NEW ALCOHOL AND DRUG RULE FOR RAILROAD INDUSTRY

The Federal Railroad Administration will conduct a nationwide series of two-day conferences to assist the railroad industry in implementing a federal safety rule that will prohibit railroad employees from reporting to work impaired by alcohol or drugs and using or possessing these substances while at work.

"These conferences will provide an opportunity to educate industry and labor officials on their responsibilities, introduce the field manual for toxicological testing procedures, explain FRA's enforcement role and respond to questions," said John H. Riley, FRA Administrator. "This rule will affect a significant number of people. It's important for railroad management and employees alike to understand how the rule will be implemented."

The regulation will prohibit on-duty use of alcohol and drugs by railroad employees, mandate drug and alcohol testing for employees involved in major accidents, authorize on-site testing of employees suspected of impairment, require pre-employment drug screening, establish policies to identify and assist those employees with substance abuse problems, and require railroads to seek more information about possible drug and alcohol involvement in train accidents.

The regulation will go into effect on Nov. 1, 1985. However, compliance with the provisions concerning post-accident testing and pre-employment drug screening will become mandatory on Dec. 1, 1985, and March 1, 1986, respectively.

According to Riley, the regulation was prompted by the fact that alcohol and drug use has been implicated in 48 train accidents claiming 37 lives and causing more than \$34 million in property damage in the last 10 years.

"The rule is designed to protect the public and railroad employees by identifying employees with substance abuse problems and providing the troubled employee with both an incentive to seek help and a place to go for assistance," Riley said.

MORE

The first two-day conference will be conducted on Sept. 9 and Sept. 10 in Fort Worth, Texas, at the Fort Worth Hilton, 1701 Commerce St., beginning at 9 a.m. Other conferences introducing the regulation are scheduled in Chicago on Sept. 23-24 at the Quality Inn Downtown, Salt Lake City on Oct. 7-8 at the Salt Lake Hilton, Washington D.C. on Oct. 21-22 in the Federal Aviation Auditorium at 800 Independence Ave., S.W., and in Atlanta on Oct. 28-29 at the Capitol Plaza 2 Ramada Hotel.

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News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

FOR IMMEDIATE RELEASE
Thursday, August 22, 1985

FRA 08-85
Contact: Wendy DeMocker
Tel.: (202) 426-0881

FEDERAL RAILROAD ADMINISTRATION DISAGREES WITH USRA STUDY ON CONRAIL

The Federal Railroad Administration today released its analysis of the recent United States Railway Association (USRA) report to Congress. This analysis assesses USRA's conclusions on Conrail's future profitability, the effect of a Norfolk Southern/Conrail merger on competition and other issues pertaining to the government's proposal to sell Conrail.

According to FRA's analysis, USRA evaluated Conrail's future viability based on the cash flow projections of a stand-alone Conrail, but did not evaluate Conrail's future performance as a publicly-held company sold through a public offering of stock as proposed by Morgan Stanley and Co. USRA has ignored the fact that Morgan Stanley's own analysis projects a negative cash flow for Conrail in every year but one for the next five years. USRA has consistently said cash flow is the best guide to viability.

The report states that USRA based a portion of its positive cash flow projections on Conrail's ability to increase its net income by 3.8 percent while suffering a declining traffic base of 3.3 percent during the last half of 1985. The FRA contends that this is a "short-term phenomenon" and can occur in the long term only at the expense of service to shippers and continuing substantial reductions in the workforce. Moreover, USRA assumes that income from sales of property should be treated the same as operating income. The proposal to sell off Conrail's assets and increase its debts to pay dividends is reminiscent of the Penn Central in its last years before bankruptcy.

The USRA, which was created in 1973 to administer the investment of public funds in Conrail and monitor Conrail's financial performance, issued its "Conrail Sale Studies" report on July 29, 1985.

The USRA's analysis of the diversion of traffic from smaller carriers to a Norfolk Southern/Conrail combination differs from FRA's own extensive analysis.

Norfolk Southern recently reached agreements with the Soo Line, Kansas City Southern and the Iowa Interstate railroads that will ensure the traffic bases of each of these railroads.

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Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

FOR IMMEDIATE RELEASE
Monday, August 26, 1985

FRA 09-85
Contact: Wendy DeMocker
Tel.: (202) 426-0881

RULES PROPOSED TO PERMIT USE OF ELECTRONIC BRAKE PRESSURE SENSING DEVICES

Federal Railroad Administrator John H. Riley has announced proposed rule changes that would permit railroads to use electronic devices to perform some brake tests and verify that markers used to protect the rear of trains are operating.

"These changes reflect technological advances in the railroad industry. In extensive testing of these devices in actual train service, we have determined that they are reliable and will withstand the rigors of the railroad environment," said Riley.

Current Federal Railroad Administration (FRA) rules require a test of a train's air brake system when cars are added or removed from a train en route. These intermediate terminal tests require a member of the train crew to visually determine that the brakes on the rear car apply and release.

The proposed changes will allow the use of sensing devices on the rear of the train that electronically measure changes in brake pipe air pressure, thus determining whether the air brake system is working. Radio signals then transmit the information to a receiver in the locomotive cab. The receiver displays a digital readout of air brake pressure allowing the intermediate tests to be performed from the locomotive.

FRA's rules also require the rear of trains to be equipped with highly visible markers. A section of these rules require that these markers must be visually inspected at crew change points by a member of the outgoing train crew.

The proposed changes will allow the use of devices to electronically check the condition of the rear end marker and display the information in the locomotive cab. On those trains not equipped with such a rear end marker device, qualified railroad personnel, in addition to members of the outgoing train crew, will be allowed to perform the visual inspection.

Public hearings will be held on each Notice of Proposed Rulemaking this fall in Washington, D.C. Comments will be solicited from those affected by the proposed rule changes. Written comments may also be submitted for inclusion in the public dockets. FRA will then decide whether to proceed with a final rule.

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Washington, D.C. 20590

FOR IMMEDIATE RELEASE
Thursday, August 29, 1985

FRA 10-85
Contact: Wendy DeMocker
Tel.: (202) 426-0881

TRAFFIC DIVERSION FROM CONRAIL SALE TO NORFOLK SOUTHERN WOULD BE FAR LESS THAN REPORT SAYS, FRA FINDS

The Federal Railroad Administration today released its analysis of a recent report on the amount of traffic diversion that could result from a Norfolk Southern/Conrail merger. The report was prepared by Interstate Commerce Commission staff on loan to the House Subcommittee on Transportation and Tourism.

According to the FRA analysis, the ICC staff, "limited both by time and the charter they were working under, made their diversion evaluations essentially based only on the information provided by the railroads themselves." The ICC staff report admitted the data was "flawed" because each railroad's diversion estimates included differing base years, computer programs and study methodology, along with no specific information on traffic corridors or even the involved commodities.

As a result of having to rely solely on this limited and inconsistent information base, the ICC staff estimated that between \$289 million and \$320 million of annual freight revenue would be lost to the 10 railroads it studied through diversions.

The FRA conducted its own extensive diversion analysis using a consistent and detailed methodology, data base and assumptions that are traditionally used in responding to ICC merger proceedings. It estimated the diversion of freight revenue to be \$185 million in the "base" case and no more than \$264 million. FRA's diversion analysis used information on each of the railroads that connect with Conrail, including the 10 railroads studied by the ICC staff.

The FRA used the 1983 Waybill Sample in its analysis that contains detailed information on the movements of commodities by rail throughout the United States.

The FRA report stated that "having reviewed both the USRA (United States Railway Association) and ICC staff diversion reports and compared them to our own analysis, we continue to stand behind our own detailed diversion estimates."

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The FRA pointed out that Norfolk Southern has already reached agreement with the Soo Line, Kansas City Southern, and Iowa Interstate railroads and has made offers to the Illinois Central Gulf, Grand Trunk Western and the Chicago & North Western railroads to mitigate much of the concern about diversions. It also noted that the ICC and USRA staff reports appear to agree "that diversions are a normal consequence of rail mergers and a desirable consequence as they represent efficiencies that translate into lower rates and improved service to shippers."

The ICC staff report, issued August 6, 1985, was prepared at the request of the House Subcommittee.

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U.S. Department of
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News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

FOR RELEASE MONDAY
October 7, 1985

FRA 12-85
Contact: Wendy DeMocker
Tel.: (202) 426-0881

FRA ANNOUNCES LOANS TOTALING \$16 MILLION

Federal Railroad Administrator John H. Riley has announced loans to four regional railroads totaling \$16.12 million.

"These loans will allow four important regional rail systems to improve their facilities and by doing so, offer better service to shippers," said Riley.

A \$4.1 million Federal Railroad Administration (FRA) loan has been given to Delaware Otsego Corporation's New York, Susquehanna and Western Railway. The loan will permit track and bridge rehabilitation in northern New Jersey and in the Binghamton and Utica, New York areas in an effort to eliminate deferred maintenance in these areas and improve service.

The Michigan Interstate Railway Company will receive \$2.4 million to rehabilitate its 47.5 mile line between Toledo, Ohio and Ann Arbor, Mich., allowing 40 mph operations.

The FRA is providing a \$3.42 million loan to the Detroit and Mackinac Railway Company to rehabilitate a 114-mile segment of track between Bay City and Alpena, Mich.

Heartland Rail Corporation, a 376-mile line connecting Bureau, Ill. and Council Bluffs, Iowa, will receive a \$6.2 million loan to rehabilitate major portions of its main line between Davenport, Iowa and Council Bluffs. The line was previously owned by the Rock Island.

These loans are authorized by section 505 of the Railroad Revitalization and Regulatory Reform Act of 1976 (the 4R Act). The loans are directed at overcoming deferred maintenance on freight lines or for the purchase and rehabilitation of Rock Island, Milwaukee Road and Conrail lines.

Before an application can be approved, the Federal Railroad Administrator must determine that providing the funds is in the public interest giving consideration to the public benefits of the project and the ability of the applicant to repay the funds.

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U.S. Department of
Transportation

News:

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

FOR IMMEDIATE RELEASE

Friday, December 13, 1985

FRA 13-85

Contact: Wendy DeMocker

Tel.: (202) 426-0881

FRA PROVIDES MONEY TO
CONRAIL FOR JOB REDUCTION

The Federal Railroad Administration (FRA) today provided \$11.156 million to Consolidated Rail Corporation (Conrail) for payment of separation allowances to the railroad's train service employees voluntarily terminated by Conrail's workforce reduction program.

Conrail indicated it will use the requested funds to eliminate an estimated 452 train service positions, bringing the total number of positions eliminated to 3,554, comprised of 2,039 brakemen positions and 1,515 firemen positions. Conrail expects to offer additional buyouts to approximately 270 brakemen and 200 firemen.

The workforce reduction program was authorized by the Northeast Rail Service Act of 1981, to help Conrail cut its labor costs and achieve a profitable financial status. In the program, all brakemen and firemen terminated by Conrail are entitled to up to \$25,000 in separation allowances. The government, as Conrail's owner, pays this cost for the railroad.

With this payment, the workforce reduction program has cost the federal government \$88 million. The estimated labor cost savings for Conrail is \$125 million annually.

Conrail requested the \$11.156 million from the FRA after reaching an agreement with the United Transportation Union to eliminate the second brakeman position on trains of over 70 cars in length. Conrail earlier had achieved the crew reductions on shorter trains through similar "buyouts" funded by the FRA.

Since Conrail's creation in April 1976, the federal government has spent over \$630 million on various types of labor protection benefits for Conrail employees. Conrail's labor force has been reduced by over 50,000 employees since 1976, most of whom have received some form of protection benefits. Conrail has estimated that as a stand-alone company, it must reduce its workforce by over 4,500 more jobs during the next five years.