RMC

Corporate Relations 383

MEDIA MONITOR January 28, 1983

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Milwaukee Journal January 21, 1983

New rail terminal may speed trucking

A $10.9 million piggyback rail terminal being built in Chicago should speed truck traffic, but will have a minimal effect on railroad traffic between Wisconsin and the East Coast, according to Jim Ronayne, general manager for intermodal sales for the North Western Railway.

"Most of the traffic to the East and the Southeast [originating in Wisconsin] goes to Chicago via truck mainly because of the time constraints involved and because of the extremely low trucking rates between Wisconsin and Chicago," Ronayne added.

Often, it takes all night to get trucks by piggyback rail from Milwaukee to Chicago and then switched over to other trains, according to a railroad source, who requested anonymity. With this new terminal, it should take only about three hours for the whole operation.

Piggyback truck shipments originating in Wisconsin and headed for the West and Southwest by rail often will be transferred in Kansas City and Fremont, Neb.

Richard D. Sanborn, president of Seaboard System Railroad, announced in Milwaukee Wednesday that construction for the piggyback terminal was starting now and was scheduled to be completed in advance of operation by late fall. The terminal will be near the Harlem Ave. exit of Interstate 55.

"As a large Eastern and Midwestern rail system with Chicago as one of our major gateway points, we want to provide the highest quality of terminal service to effectively handle the surge in piggyback traffic, which we are experiencing," Sanborn said in a luncheon speech to the Midwest Advisory Board at the Hyatt Regency Hotel.

Minneapolis Star/Tribune January 23, 1983

Soo Line income sinks 58% despite cost-cutting in 1982

Net income of the Soo Line Railroad Co. dropped 58 percent in 1982, while revenues fell by 14 percent.

The Minneapolis-based railroad said it cut expenses for 1982 by $15 million or 5 percent, but that was partly offset by higher rental rates for the use of non-railroad owned cars. Those costs increased by $4 million.

The recession continued to affect the movement of most commodities handled by the Soo. Total carloads handled in 1982 declined 13 percent from 1981. However, wood pulp shipments, container traffic and grain movement all were up for the year.

Port Angeles, Wash. The Daily News January 17, 1983

U.S. on Canadian timber binge

VANCOUVER, B.C. (AP) — U.S. buyers have embarked on a Canadian lumber-buying binge because they fear new U.S. duties may be imposed on such purchases in the future, an American lumber industry spokesman says.

Paul O'Reilly, executive vice-president of Furman Lumber Inc., said the duty threat and low inventories have caused the increase in demand and price.

"We've sold about seven million (board feet of lumber) in one week," he said in an interview from his Boston office. "Our normal (volume) is about two million."

He said consumers and producers from all areas are involved. "Everybody is in it. It's an absolute explosion."

The issue of new duties was raised last October when an association representing some American lumber producers lodged a formal complaint about Canadian prices, saying the Canadian producers were receiving indirect government subsidies.

Some American producers argue the fees that provincial governments in Canada charge timber concerns for the right to cut trees on government land are so low they amount to government subsidies for the operations.

The U.S. International Trade Administration is to make a preliminary ruling March 7. If the decision is in favor of new duties, it could seriously reduce sales of British Columbia forest products. British Columbia currently exports two-thirds of its production to the United States.

O'Reilly said U.S. consumer organizations now are becoming involved in the controversy. "They're pointing out the duties will add $6,000 to $10,000 (U.S.) to the cost of a house in the northeastern U.S."

Bernie Futter of Futter & Co., New York, said the January surge started when "a lot of those big dealers got back from their Miami vacations and saw those prices. They suddenly became believers."

Futter said the sales he is making are for immediate delivery. Because inventories are low, this will have repercussions further down the line, he said.

"The pendulum is swinging in favor of the mills right now."

Joan Strickland of the Chicago-based North American Wholesale Lumber Assn. said there were signs late last year of the beginning of the recovery because the lumber market did not go into the usual November-December slump.

Port Angeles, Wash. The Daily News January 13, 1983

Lumber tariffs may reverse trend

PORT ANGELES DAILY NEWS 1/13/83

VICTORIA, British Columbia (AP) — Punitive import taxes on Canadian lumber products entering the United States could reverse a trend towards economic recovery in North America, the British Columbia forests minister said Wednesday.

They also could jeopardize export of other natural resources from Canada as well, Tom Waterland said.

"Housing traditionally has led recovery in the States," he said on his return from Washington, noting that housing starts in the United States are increasing as interest rates go down.

"If that gets stalled, or reversed, because of a sharp upswing in price as a result of a countervailing duty, the whole economic recovery will just falter. I am sure the U.S. administration is aware of that."

Waterland said the U.S. government inquiry into claims by some American lumber companies that import levies should be imposed on competing Canadian lumber entering the U.S. market gets into the philosophical question of whether policies of other countries administering their natural resources can come under countervailing duties.

The firms claim the Canadian lumber industry gets government subsidies that encourage unfair competition in the U.S. market.

Because the same policies of providing raw material for the $2 billion export lumber market apply to providing raw materials for pulp and paper, it would not be long before someone would want import duties on pulp and paper imports from Canada which exceed $5 billion a year, he said.

"Then it could apply to coal, copper, natural gas and electricity if they win on that philosophical issue."

He expressed concern that the officials will not have time, before they make their interim decision March 7, to digest the more than half a ton of paper presented by Canadian interests to the hearings.

Waterland said there is considerable support for the Canadian position, adding that the U.S. homebuilders' association is becoming quite vocal "because they know that their industry will hurt if the price of lumber goes up as a result of duties."

Milwaukee Journal January 21, 1983

City site for prison is backed

Journal Madison Bureau

Madison, Wis. — The state will ask for $285,000 next week to continue preliminary planning for a medium-security prison in the Milwaukee area, it was learned Thursday.

The prime site under consideration is the old Trostel Tannery building, 1776 N. Commerce St., Linda Reivitz, secretary-designate of the State Health and Social Services Department, said.

She also disclosed that the Earl administration would pursue long-delayed plans to build a second prison in the Milwaukee area. The department has been seeking sites for two prisons in southeastern Wisconsin for several years.

Gov. Earl, at a news conference Thursday afternoon, said he agreed with Reivitz and prison planners that additional prisons were needed in Milwaukee or southeast Wisconsin. He said he didn't agree with Milwaukee Mayor Maier, who said the state's plans could turn Milwaukee into a city of prisons.

Earl said he had not discussed the prison issue with Maier. But secure prisons need not be "a detriment to the city," Earl said.

The Milwaukee prison, or prisons, will not be a substitute for a maximum-security prison planned for Portage, Reivitz said.

The Portage prison project still faces legal challenges, but the Wisconsin Supreme Court said Thursday that the Health and Social Services Department could let contracts for the design of the Portage prison.

In modifying a lower court's injunction, however, the high court said the department could not acquire property for the project or let contracts for construction.

The schedule for all three projects is uncertain, Reivitz said, but if all goes smoothly, the first prison in the Milwaukee area could open in 1987 or 1988, she said.

Mayor Maier has opposed a prison at the Trostel site and this month vetoed a Common Council resolution endorsing the site.

The mayor has become increasingly resistant to the idea of placing prisons in the city, particularly in the area of Downtown.

Reivitz said the Health and Social Services Department would ask for the $285,000 from the State Building Commission to pay for an environmental impact statement and to prepare preliminary plans for a 150- to 200-person, medium-security prison, presumably at the Trostel location.

The estimated cost of converting the Trostel site would be $7 million plus the cost of the land and buildings.

Journal of Commerce January 26, 1983

PIK Program Expected To Idle 23 Million Acres

United Press International

WASHINGTON — Agriculture officials expect the "payment-in-kind" program for which farmers began signing up Monday to idle about 23 million acres of farm land this year.

Here's how the program works:

— Farmers who grow wheat, corn, grain sorghum, cotton and rice are eligible.

— For taking anywhere from 10 percent to 30 percent of their land out of production, farmers will be paid with government-owned surplus crops at harvest time.

— The surplus crops may be sold, held for times of higher prices or used as livestock feed.

— Before enrolling, farmers must sign up for the standard acreage reduction program, which requires them to take as much as 20 percent of their land out of production in exchange for cash payments as a limited compensation.

— Farmers can make a bid to idle all their land, specifying how much of any commodity they would accept before not growing anything. Bids will be opened in each county March 18, and low bidders will be allowed to participate. That option will be used only in some counties, depending upon the supply and demand for each crop and the amount of land being idled. Guidelines require that no more than half a county's acreage be taken out of production.

— Wheat farmers will get 95 percent of their usual yield for the acres enrolled under the PIK program. For the four other crops, payments will be at 80 percent of the usual yield.

Wisconsin State Journal - Madison - January 23, 1983

John Zerbel runs two short lines that keep trains running in southern Wisconsin.

—State Journal color photo by A. Craig Benson

Old hand at the throttle

By Joe Beck
Regional reporter

BROOKFIELD — The road to John Zerbel's railyard winds through a pageant of industry in Waukesha.

Machine shops, metal fabricators, electrical-equipment manufacturers — these kinds of businesses, once bulwarks of the U.S. economy, lately have been broken on the wheel of recession, foreign competition and obsolete management and labor practices.

John Zerbel sees a somber parable in the withered Milwaukee-area industrial plants. As the man at the throttle of two new short-line railroad companies in southern Wisconsin, he is convinced he also has become a custodian of commerce in the region and must avoid many of the mistakes he has seen committed in other businesses.

Prairie du Chien, Richland Center, Milton, Monroe and Madison are part of a host of communities that have kept all or part of their freight rail service because Zerbel's Central Wisconsin and Wisconsin Western railroads have taken up the lines abandoned by the Milwaukee Road and Illinois Central Gulf during the last three years.

Zerbel is likely to acquire another line Feb. 1 if the Milwaukee Road, as expected, abandons a line from Madison to McFarland, Stoughton, Edgerton, Milton and Janesville. The Department of Transportation has designated him as the operator of the line when the Milwaukee Road abandons it.

By the time he adds that line and another from Janesville to Walworth, he will have 14 locomotives pulling loads on more than 400 miles of track from Prairie Du Chien to Waukesha and south to Freeport, Ill. — the state's largest short-line operation.

"Had the lines we took over been torn out, the southern part of Wisconsin would have probably been pretty well void of any rail transportation," Zerbel said.

Sitting behind a massive crescent-shaped walnut desk in his Brookfield office, he appears to be an unlikely railroad baron.

Rumpled, jowly and gruff, no one is likely to accuse him of being the John De Lorean of the rail business.

A reproduction of Rodin's "The Thinker" stands on a shelf behind him, a photograph of a steam engine hangs on a wall and an electronic calculator and old adding machine share accounting work on his desk, representing, perhaps, a tendency to make only grudging concessions to modern gadgetry.

"The biggest problem is we were led around by a bunch of morons who told us that progress is change," he said of the men who have managed railroads since the end of World War II.

He cites the replacement of steam locomotives with diesels as one of a series of self-destructive decisons made by the railroads. Steam locomotives, he argues, are not nostalgia, but good business because they are more reliable, faster and cause less damage to tracks.

He has to run diesels on his Wisconsin tracks because he has been unable to persuade the DOT of the steam locomotive's value. But a railroad he helps manage in the Upper Peninsula does use the steam engines with good results.

"If I could switch every damn diesel engine for a steam engine, I would," he said.

Zerbel came by his interest in railroads as a high school student studying telegraph operations. His curriculum led to various rail jobs, including clerking and checking in the railyard in his hometown of Marquette, Mich.

The only hint he gives of his age is his recollection of the yards as a grand place filled with trains that chugged in at the rate of 36 a day, their cars bursting with iron ore from Ishpeming and Negaunee.

"It was the right place to join the railroad business," he said. "Those were good days; they were tough days, I tell you. People worked."

Zerbel left the business after six years and went on to hold the presidency of several companies, including his certified public accounting firm in Brookfield.

He bristles at the suggestion that his rail companies are a flight of fancy by a rail buff.

"We're not playing around with railroads," he said "This is no railroad playground."

Instead, his business practices are guided by a pragmatic attitude that requires his 26 full-time employees to perform at least two jobs.

Engineers, for example, also work on the locomotives in a workshop outside Waukesha. If anything happens to the locomotive while on a route, the engineer can fix the problem 90 percent of the time, so no electrician or mechanic has to be summoned from a town hours away.

"I guess I am a little old-fashioned," he said. "We're stepping back more than 100 years in railroad history and operating on the theory that people can do more than one job."

Improved productivity has helped reduce the Milwaukee Road's Waukesha-Milton Junction round trip from 11½ hours to 4½.

The Central Wisconsin also derails less often than the Milwaukee Road, thanks to 11,000 new rail ties and 1,500 still to come.

He is as scornful of the major railroads' unions as he is of their management. He contends inflated salaries and overstaffing created by union demands made the railroads inefficient and took them out of competition with trucking.

He thinks that may be changing as increasing truck traffic has damaged roads at a rate far in excess of government's ability to repair them. One truck, for example, can damage a road as much 8,500 autos, he said.

He expects the 3-year-old Central Wisconsin railroad to start showing a profit this year. The Western Wisconsin railroad, which began service between Madison and Prairie du Chien last summer, is still three years from profitability, he said.

Journal of Commerce - January 26, 1983

MCI Unit Orders 62,000 Miles Of Optical Fiber for Network

By Mark Potts
Washington Post Staff Writer

In what may be the largest single purchase ever of its type, a division of MCI Communications Corp. yesterday placed an order for 62,000 miles of optical fiber that will cost between $50 million and $100 million.

MCI Telecommunications will string cable made from the fibers along 4,250 miles of railroad right-of-way acquired from Amtrak and CSX Corp. last year. The fibers—thinner than a human hair—will be bound into seven-eighths-of-an-inch cable carrying up to 44 fibers.

When completed in 1987, the system will give MCI a telecommunications link throughout the eastern half of the country to carry voice and data transmissions. The fiber-optic system will replace MCI's microwave relay system in those areas.

MCI wants eventually to replace its entire microwave system with the more flexible and powerful fiber-optic links. "If we get more right of way, we would like to supplant as much of our microwave as we can," said an MCI spokesman. He said the company is negotiating for additional right of way and likely will purchase more optical fiber. MCI also has yet to place an order for the transmission equipment to be used on the routes already planned.

MCI is buying the cable from Northern Telecom Canada Ltd., a division of Canada Bell. Northern Telecom will produce the cable at a plant in Saskatchewan, beginning delivery to MCI in April. Officials of the two companies would not put a specific price on the deal, but sources said it would be between $50 million and $100 million.

It is believed that the MCI order is the largest ever for a type of optical fiber known as single-mode fiber. "No one has ever delivered any significant order of this kind of fiber," a Northern Telecom spokesman said. American Telephone & Telegraph Co., which has the only fiber-optics system larger than MCI's, uses multimode optical fiber and may have purchased larger quantities than this order from its Western Electric manufacturing subsidiary.

Des Moines Register
January 25, 1983

Freight cars derail; some plunge into river

LANSING, IA. (AP) — Nineteen cars of a Milwaukee Railroad freight train derailed about three miles south of here Sunday night, sending some of the cars plunging into the Mississippi River.

Officials of the Iowa Department of Environmental Quality said one of the train's locomotives went into the river and approximately 1,000 gallons of diesel fuel spilled into the water.

The department officials said most of the fuel has been contained and that the spill can be cleaned up without any severe damage to the river.

A car carrying sodium hydroxide, a toxic substance, also went into the river, but officials said they believe there was no leakage from the car.

The cause of the derailment remains under investigation.

Wall Street Journal
January 26, 1983

Burlington Northern Plans $75 Million Project

By a WALL STREET JOURNAL *Staff Reporter*

SEATTLE — Burlington Northern Inc. said its directors approved a $75 million, three-year modernization project at its Burlington Northern Railroad freight car yard in Galesburg, Ill.

The transportation and natural resources concern said it expects to spend $22 million this year on the project, which includes offices that are expected to be ready for occupancy by early summer.

The Des Moines Register - January 19, 1983

Return of the 'killer trucks' means a pounding for people, highways

By TOM WICKER

Just in time for Christmas, the lame-duck session of the 97th Congress handed a lavish gift to the truck and highway lobbies — killer trucks four times more lethal to human life than a passenger automobile and exponentially more destructive of the roads than any other vehicle.

Laws banning 65-foot tandem trailers — two trailers hitched together — from the highways of 14 states were effectively overridden, beginning April 1, 1983. After that, states that continue to ban these behemoths (which, with a cab to haul them, can be 75 to 80 feet long) could lose federal highway aid; none will likely risk it.

The same legislation will permit such trucks to be widened from 96 to 102 inches, and to be heavier by 6,720 pounds, up to a total of 80,000 pounds (the weight of machine and cargo combined).

Nine months after the law takes effect, moreover, these killer trucks are also to be allowed on city streets that serve as access lanes to the Interstate highways or to truck terminals, major pickup points and fuel depots.

And if one of the frequent killer-truck accidents happens to involve a passenger car, the Center for Auto Safety reports, the occupant of the car is 29 times more likely to die than the occupant of the truck.

Those figures probably will get worse under the new weight allowance, because Congress made no requirement for improved braking systems (as it did when it last increased allowable truck weights). The 80,000-pounders can go right on using brakes designed for lighter trucks.

But these are killer trucks for highways as well as people. The Interstate system, in fact, was constructed for maximum weights of 60,000 pounds, against the 80,000 pounds now to be allowed. Federal highway officials estimate that the destructive impact of a single 80,000-pound truck is as great as that of 9,600 passenger cars moving over the same stretch of road.

The weight increase just allowed by the lame ducks will result in a highway-damage increase of about 15 percent.

Thus, legislation aimed at repairing the highways includes provisions guaranteed to damage them as fast as they're rebuilt. Don't kid yourself that the trucking companies will be paying their fair share of the costs.

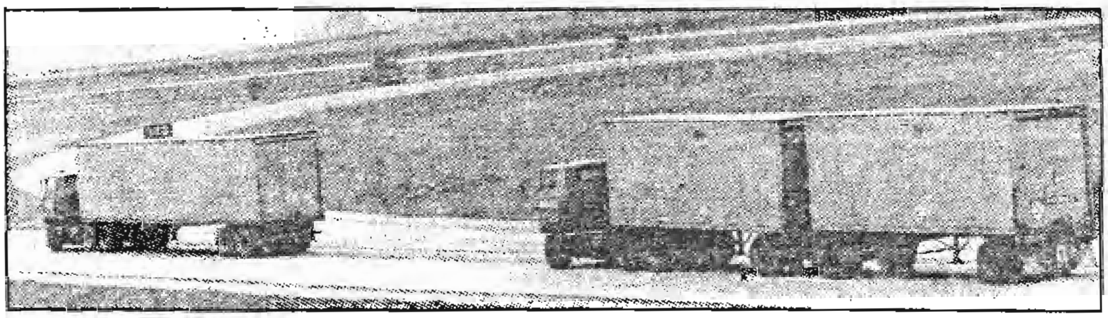
A DOT cost-allocation study, based on 1977, showed that auto drivers were paying 110 percent of the maintenance costs of highway damage for which they were responsible; trucks were paying only 79 percent of repair costs for the damage they caused; and trucks weighing over 75,000 pounds were paying only 45 percent of their true share.

The lame-duck bill won't come close to removing this inequity. The DOT legislation originally boosted the average annual fees and taxes on commercial trucks from about $250 to about $2,700; the House cut that to $2,200, the Senate to $1,600, and the conference committee added a provision that overall fees could average no more than $1,900 by 1988.

Truckers will be paying the new gas tax, too; but they're still getting off lightly. In fact, they may never pay the higher fees, because the lame ducks thoughtfully decided not to put them into effect until July 1, 1984.

That gives truck lobbyists a year and a half to get the new fees repealed or modified. After the gift they just extracted from Congress, for which the rest of us will pay in lives, money and discomfort, don't bet they can't do it.

Tom Wicker writes a column for The New York Times.



A semi-trailer truck followed by a double-bottomed truck

Des Moines Register - January 25, 1983

Interest high as crop swap signup opens

Farmers crowd county ASCS offices

By JERRY PERKINS
Register Agribusiness Writer

Farmers crowded into many county Agricultural Stabilization and Conservation Service offices around the state Monday on the first day they could sign up for the government's payment-in-kind program.

ASCS directors across the state said interest in the program was heavy, but they weren't able to say how many of the farmers were there to sign up, and how many were just there to ask questions.

George Witters, ASCS executive director in Ida County, said, "We're awfully busy for the first day [of signup]. And we've had a lot of telephone calls, too."

Witters said many farmers were waiting for him at 7:30 a.m. when he arrived to open the ASCS office in Ida Grove.

"I don't remember anything like this since the 1960s" when the government also offered to pay farmers in grain and other commodities for cutting production, Witters said. "This program could be more popular than that was."

Under the terms of the program announced recently by President Reagan, farmers who idle half their corn ground this year will receive 80 percent of the corn they would have harvested if they had planted.

Farmers have a lot of questions about the payment-in-kind program, said Doug Pickering, Adams County ASCS director.

"It takes a lot of time to explain the program to them. We really haven't done anything else today. Not many understand the program, and we're not sure we do, either."

Don Payton, director of the Humboldt County ASCS, said farmers in his area wanted to know what kind of corn they'll receive, where it will be stored and what it will do to their tax liability if they accept it.

"A lot of them want their questions answered, and we can't answer them. Some are still signing up, though," Payton said.

Gene Johnson, production adjustment specialist for the state ASCS office in Des Moines, said some county offices might have to hire temporary help to deal with the high level of interest in the payment-in-kind program.

"Some of the offices have already put temporary workers on, but we'll need some more," Johnson said.

Johnson said the Internal Revenue Service hasn't decided many of the tax-related questions of the payment-in-kind program.

"I wish we had some answers, but I don't think they'll be crucial for farmers to sign up. I know it won't be for me on my operations," Johnson said.

International grain bonus plan urged

By DON MUHM
Register Farm Editor

The grain-rich United States should instigate "an international crop-swap," rewarding foreign customers with a free bushel of grain for every bushel they buy, an international grain-marketing official suggested in Des Moines Monday.

Darwin Stolte, president of the U.S. Feed Grains Council, said the international crop-swap is needed to make the domestic crop-swap plan effective.

Stolte told farmers and country grain elevator operators here that the nation's surplus grain problem won't be solved until the grain is marketed. Exporting more grain, Stolte suggested, is the best answer.

"You've got to get the product out of the U.S.," Stolte said. "Otherwise it still hangs over our market.

"So why not give them a ton of free grain for every ton they buy?

"The potential [to expand grain markets] is out there because the world gets a little hungrier and a little bigger every day."

The domestic payment-in-kind program, meanwhile, received mixed reviews at the 79th annual meeting of AGRI Industries Inc. in Des Moines on Monday.

Under the program, farmers who agree to idle a certain portion of their crop base will receive grain from government storage in return.

Ramon Jacobson, manager of the South Central Cooperative at Lacona, likes the current Reagan farm program, crop-swap and all: "It's better than anything I could have come up with," Jacobson said. "There is a good chance to cut production. But on the long-term pull, if the farmer doesn't make it, we in town don't either."

Jacobson thinks the payment-in-kind feature "could be a burden" for the country elevator in reduced sales of fertilizer, farm chemicals and all, as well as reduced income for drying grain artificially and in marketing the crop.

"There's something else, too," Jacobson said. "This takes the risks out because we know farmers will be getting a grain crop. That wasn't the case for us in southern Iowa last year when we had floods."

Doug Garner, a Walcott farmer representing the Farm Bureau-affiliated S-M Service Co., said he wouldn't be affected by the new farm program "because I'm not going to participate."

Garner feels that the 1983 program will take only the poor farmland out of production, while the "prime" farmland is planted. "The only way to get rid of the problem is to get rid of the corn," Garner asserted. "I think we're looking at only a 10 percent cut in production this year."

Des Moines Register - January 25, 1983

Block fields Iowan's phone call

By GEORGE ANTHAN
Of The Register's Washington Bureau

WASHINGTON, D.C. — When Bill Wells of Adair, Ia., called the Agriculture Department here Monday to get some information on "crop swap," his answers came right from the top.

The phone was picked up by Agriculture Secretary John Block, who decided to drop in on the department's telephone hot line operation, set up to provide answers to farmers with questions about the new payment-in-kind program.

"This is John Block, the secretary. I thought I'd take a few calls myself," Block told Wells. First, Block told the Iowan that grain delivered to producers as payment for their idling some of their land would not be eligible for federal price support programs. It would have to be marketed by the farmer, or fed to livestock, or stored by the farmer.

Block then asked Wells how the Reagan administration program to cut 1983 grain production was being received in the Adair area. Block said Wells had told him that there was "a lot of interest in it and he congratulated us on an innovative and bold program in a difficult situation."

Block told Wells, "I appreciate your confidence." However, Wells asked Block some questions on the federal income tax impact of the payment-in-kind program, and the secretary had to turn the phone over to one of the USDA's experts. Block said the department has been consulting with the Internal Revenue Service on this situation, and could not answer all the tax questions.

Wells, reached later in Adair, said he is an insurance agent who also owns a farm in Wayne County. "I was real surprised and pleased I could talk to the secretary," Wells said. "He was very straightforward in answering my questions."

Wells said his farm is operated by a tenant, and he hasn't decided whether to participate in "crop swap." He said, "I'll know after I sharpen my pencil," and determine if it's in his best financial interest to join the program.

The USDA's toll-free "crop swap" hotline number is 800-368-5942. There are 12 telephones, and each of them is manned in four-hour shifts by department experts on the program. Also in the room are several supervisors wearing "Ask Me" signs on their shirts. When someone on a telephone gets a tough question, he turns to the supervisor, and they consult.

Journal of Commerce
January 28, 1983

Two Directors Join Union Pacific Board

Journal of Commerce Staff

Downing B. Jenks and Warren M. Shapleigh, directors of the Missouri Pacific Railroad, have been named to the board of directors of the Union Pacific Corp. as personnel movements following the merger of Union Pacific and Missouri Pacific continue.

Mr. Jenks has been president and chief executive officer of the Missouri Pacific. Missouri Pacific and the Western Pacific Railroad were acquired last month by Union Pacific Corp., parent of the Union Pacific Railroad.

The new system covers 22,000 miles in 21 states.

Mr. Shapleigh has been affiliated with Ralston Purina Co. and Gard Research Co.

The restructuring of the boards of directors within the company has involved naming a total of 31 individuals to the board of directors of the Union Pacific and Missouri Pacific Railroads.

Chicago Tribune Editorial - January 18, 1983

Railroads' impact on trucking

The Interstate Commerce Commission's decision to let rail lines own their own trucking operations is another step toward a fully competitive transportation environment. It is also reason for optimism about the ICC's own intentions toward deregulation.

The decision reverses a policy in effect since the Great Depression, when competition was regarded as ruinous and government cartelization as the only reasonable option. That policy has stunted the growth of "piggyback" operations, in which railroads handle cargo from pickup to delivery—even to towns where trains can't go. Integrated service has flourished in Canada, where rail ownership of trucking firms has always been permitted, but the U.S. has lagged behind.

The result will be better, cheaper service. Instead of having to hire competing truckers to haul goods to and from rail stops, railroads will now be able to do the job themselves. That will simplify the task, eliminating needless costs. And the new competition will hold down trucking fees, a boon to shippers and consumers. That new competition is the reason for the opposition of the American Trucking Associations, which has opposed deregulation at every turn.

The decision was hardly a predictable one, coming from an agency chaired by Reese Taylor, a Nevada lawyer whose first months in office were marked by a retreat from a freer trucking market. But recently Mr. Taylor has been talking like a convert. Whatever his past errors, his agency deserves praise for this reform and encouragement for further deregulation.

New York Times - January 20, 1983

Hold the Road Against Trucks

Hard pressed by recession, the nation's truckers feel doubly abused by new highway taxes passed last month. And while their talk of a strike will probably fade with the arrival of this month's mortgage bills, there is little doubt that Congress will face great pressure to trim back the truck fees.

Such concessions would be a mistake. Truckers, like others, have been badly hurt by recession. But in the long term there is no justification for reducing the proportion of highway costs they pay. Quite the opposite: even at the new, higher rates, heavy trucks will still be paying only a fraction of the cost of repairing the damage they do to roads and bridges.

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Big trucks have always paid higher Federal taxes for fuel, tires, sales and registration than light trucks and cars. And well they should. The wear and tear they cause is disproportionate to their weight. A five-axle 80,000-pound truck, for example, does about six times the damage of a 50,000-pound rig. According to the Transportation Department, trucks over 75,000 pounds paid barely half their fair share of highway costs. That's why the department initially recommended raising annual registration fees for very heavy trucks from $240 to $2,900.

Intensive lobbying by the American Trucking Association — aided by $285,000 in campaign contributions — persuaded Congress to balk at that. By the time the new highway tax bill went to the President, the fee had been lowered to a maximum of $1,900, to be phased in over the next five years.

And in a further concession to the industry, states were required to allow 80,000-pound behemoths onto their secondary roads. At that rate, it is estimated that they pay just 28 percent of total highway taxes while doing at least 33 percent of the damage.

Yet the truckers want to roll back the fee to $1,200. Their industry is in terrible shape, partly because of the recession and partly because deregulation now permits the nation's goods to be hauled in fewer trucks and trips. Higher taxes, the truckers say, will mean higher freight rates, diverting their business to rail and plane.

They may be right. But that would serve the cause of efficiency. There is no justification for subsidizing truckers more than other forms of transport or favoring truck drivers over other recession-bound workers. The law as now written gives the industry a few years to adjust to change. If truck taxes must move, the right direction is up, not down.

The Wall Street Journal
January 17, 1983

As Trucks Rumble Roads Crumble

Apparently the irony of your Jan. 4 editorial concerning Conrail and your article on page one the same day, "Rough Roads," the truckers' lament, escapes you. The $6 billion to underwrite Conrail pales in comparison to $17.1 billion to repair interstate roads ruined by oversize, overweight trucks.

PAUL S. PROEFROCK
South Dennis, Mass.

* * *

We are already in the business of subsidizing the transport industries, and the lion's share is going to the trucking industry through construction and maintenance of many unneeded concrete "railroads." As Bill Richards' page one article pointed out, an 80,000-pound truck has the road impact of almost 10,000 automobiles.

A major problem for rail companies is upkeep on tracks. If the public were to assume this cost, they would save immensely, as highways, which are much more expensive to maintain, would last much longer once the trucks began to take the back seat where they belong.

Private ownership of rail beds was a convenience during the 1800s. It helped toward the rapid westward expansion of our infant nation. We are all grown up now, and ought to abandon such a cumbersome and infantile notion. The railways, like airways and highways, belong in the hands of the American public. This is not socialism. This is common sense.

PHILLIP G. KAPLER
Waterloo, Iowa

* * *

Your criticism of Conrail is unfair. Conrail has been trying to eliminate all unnecessary and marginal branch lines since its inception, but has been continuously frustrated by obsolete rules set up over the years by governing authorities. The red tape involved in shucking unprofitable endeavors, including the operation of commuter lines, has been overwhelming and only now is everyone concerned beginning to see the light.

DONNELL MARSHALL
Pottstown, Pa.

* * *

Your article on the plight of truckers using deteriorated highways noted that drivers attribute road damage to weather, not to heavy trucks. But they also find the going smoother in the passing lane. Have I missed something, or does it rain and snow harder on right lanes than left lanes?

KAREN HIRSCHBERG
Philadelphia

Journal of Commerce
January 28, 1983

Kansas Rail Yard Being Upgraded

Journal of Commerce Staff

The St. Louis Southwestern Railway has begun a $12.6 million improvement project to a railroad yard in Kansas City, Kan.

The project is being financed in part by a $5 million loan from the Federal Railroad Administration to rebuild the facility which was included in the purchase of a line connecting Kansas City and New Mexico in 1980 from the bankrupt Chicago, Rock Island and Pacific Railroad.

Officials said that nine miles of rail will be laid, 29,000 crossties will be installed and that ballast also will be replaced.

Rehabilitiation of the yard drainage system and the locomotive service facility also will be completed by crews from the Cotton Belt, which is a subsidiary of the Southern Pacific Transportation Co.

Quad City Times January 12, 1983

Railroad is working on its tax bills

By Mike Anton
of the Times

The defunct Milwaukee Road railroad is hoping to pay more than $94,000 in back taxes to cities, counties and school districts in the Quad-Cities.

Under the railroad's plan, now pending in U.S. District Court, Chicago, the railroad would pay 90 cents on each dollar it owes in 13 states — a total of about $22 million.

The plan is similar to one offered in November by the bankrupt Rock Island Lines in which the Rock proposed the same 90 percent payment plan to wipe out more than $440,000 in back taxes it owes to Quad-City taxing bodies.

Like the Rock's plan, the Milwaukee offer would not involve payment of interest on the delinquent taxes, which date back to 1977.

But also like the Rock's offer, Quad-City tax collectors say the 90 percent deal is better than nothing; when a company goes bankrupt, they normally expect to collect only 50 to 60 percent. The proposal also agrees to begin paying future bills to taxing bodies that accept the offer.

Scott County would receive the largest share locally — $52,686 — if the county and the courts accept the offer. Rock Island County would receive $25,892.

The monies would then be split among the counties' cities, school and other taxing districts.

Davenport, which collects its own taxes, would get back $15,619 in property taxes and special assessments.

Although the courts haven't approved it, and no deadline has been set for taxing bodies to accept the offer, a spokesman for the Milwaukee Road said today payments could begin as soon as April 1.

But a law passed in 1980 by the Iowa Legislature could prevent counties from receiving any of the money.

The law created the Iowa Railway Finance Authority and included a provision that some unpaid taxes from railroad companies are owed to the state, rather than the taxing body to which they were originally owed.

The money would be used for railroad rehabilitation.

The law is being challenged in a suit brought by the Iowa State Association of Counties. The suit now is pending before the Supreme Court and isn't expected to be heard for at least seven months.

Journal of Commerce
January 27, 1983

Legislation On Pipeline Resurfaces

Journal of Commerce Staff

WASHINGTON — Last year's coal slurry legislation will be reintroduced today in the new Congress. The bill died last year after a plague of legal and political questions.

The essentially unchanged legislation will be put forward in the House by the chairman of the Interior and Insular Affairs Committee, Morris K. Udall, D-Ariz.

Transportation Secretary-designate Elizabeth Hanford Dole has expressed administration disapproval of the measure. The White House has questioned pipeline building because the federal government would be put in the unfavorable position of claiming eminent domain over state lands.

Railroad competition and water usage problems have also been used to block the pipeline measure.

Quad City Times 1/25/83

Setting the record straight

An article in the Jan. 12 evening and the Jan. 13 morning editions of the Times incorrectly referred to the Milwaukee Road railroad as defunct. In 1977, the Milwaukee Road filed for reorganization under federal bankruptcy laws.

Milwaukee Sentinel - January 26, 1983

Panel favors planning for prison at tannery

A state panel Tuesday recommended money to plan conversion of the old Trostel Tannery in Milwaukee into a medium-security prison, and the city's Common Council said it welcomes a prison there.

But Rep. John Plewa (D-Milwaukee) told the Building Commission subcommittee, meeting in Madison, that a maximum-security prison and the medium-security prison should be built on railroad land on the western edge of Milwaukee's Menomonee River Valley.

"It's the most ideal site," Plewa said. "We can build both facilities on one parcel more economically."

The land is owned by the Milwaukee Road.

Plewa voted with the rest of a State Building Commission subcommittee to recommend spending $285,000 to draft preliminary plans and conduct an environmental impact study on the Trostel Tannery for use as a medium-security prison.

Plewa said the railroad, now in bankruptcy proceedings, will not know until next week whether it wants to sell the land, so until then, planning on the Trostel site should go ahead.

At its meeting Tuesday, the Common Council renewed its recomendation that the tannery building, 1776 N. Commerce St., be renovated as a prison. The council unanimously overrode Mayor Maier's veto of an earlier council resolution that recommended the site for prison use.

Mayor Maier vetoed the original council action, saying the city is no place for a prison. He sent letters to each alderman, asking that his veto be sustained.

The council action was only a recommendation to the state legislators, said Ald. Marlene E. Johnson, whose district includes the tannery building.

The council overrode the veto because the location is good and it will provide 144 new jobs, Johnson said.

The prison would not be completed until 1986, she said. Prisoners housed at the site would be pre-screened and would be serving short sentences.

Ald. Kevin O'Connor agreed that jobs for Inner City residents are the major reason that the council overrode the veto.

Ald. Joan Soucie said she voted for the override because of Ald. Johnson's "earnest desire" that the prison be built on the Trostel site.

The full Building Commission will vote on the Trostel site planning money Wednesday.

Plewa's proposal for two prisons on one site follows a statement by Gov. Earl's administration that both maximum- and medium-security prisons are needed in Milwaukee.

Plewa said the 100-acre site is bounded on the south by the Harnischfeger Corp. heavy machinery plant, on the west by Milwaukee County Stadium, on the north by the East-West Freeway and on the east by the 35th Street Viaduct.

Only 35 acres, mostly railroad track and open land, would be needed for the two prisons, he said.

Plewa said the state could save money by building a common kitchen, a combined heating plant, and one set of storage and maintenance buildings.

USA Today
January 20, 1983

OKLAHOMA

.... **Tulsa** — A proposal for a commuter train linking three communities with Tulsa will be announced soon, the *Tulsa World* reported. The plan is for a train that would link Tulsa with Broken Arrow, Jenks and Sand Springs.

WYOMING

Sheridan — From 1.2 billion to 4.8 billion tons of coal could be mined in the Powder River Basin in 1984 under State-Federal Coal Team recommendations. About 70 percent could be mined in Wyoming, the rest in Montana. ...

Journal of Commerce
January 20, 1983

Thrall Produces Flatcars for Army

Journal of Commerce Staff

WASHINGTON — The first of 144 new generation, heavy-duty flatcars have been produced by the Thrall Manufacturing Plant.

The new cars represent the second contract production period of an Army acquisition plan, and will join 101 cars produced in 1981 as part of the Defense Freight Railway Interchange Fleet.

Journal of Commerce - January 17, 1983

Rails Urged to Retail Piggyback Service

By RIPLEY WATSON 3rd
Journal of Commerce Staff

PHILADELPHIA — If railroads don't move aggressively to retail their intermodal service, a handful of entrepreneurs will control 85 percent of the piggyback business, says the president of CSX's trucking subsidiary.

Leonard C. Schaffel, president of CMX, said the railroad industry's traditional approach of wholesaling its piggyback services has left a marketplace dominated by third party entrepreneurs.

Those firms have been able to gain control of the market by retailing while seeking wholesale rates from the industry, Mr. Schaffel told the annual meeting of the Atlantic States Shippers Advisory Board.

He saw other warning signs for TOFC traffic including substantial increases in costs compared to all-truck operations over the next three years which may cause cutbacks in schedules and equipment.

Railroads missed a chance to compete aggressively when they chose to keep rates intact after piggyback was deregulated, Mr. Schaffel said, cautioning that his views were his own and didn't necessarily reflect the Chessie System's opinion.

That approach mirrored the pre-deregulation piggyback attitude which he termed lackadaisical.

By approaching the market in timid fashion and providing sloppy service and operations based rates, railroads did little to encourage traffic, he said.

From that conservative position, Mr. Schaffel said, the railroads measured piggyback business by units moved, not bottom-line profit.

Some lines even published rates which penalized shippers for providing only one trailer, he explained.

The solution he proposed was an aggressive retailing approach such as the one CMX uses, he said. "Railroads must have their intermodal group, " he suggested. Aggressive sales tactics could give railroads market dominance on shipments over 300 miles, he claimed.

"The key to success is flexible rates with superior service," he said.

However, he made it clear that aggressive sales didn't include predatory pricing.

One technique which he felt the industry must embrace is inter-railroad contracts for piggyback shipments. Chessie System has signed some agreements of that type, he said, in which Western railroads acted as subcontractors in intermodal movements.

Another opportunity which Mr. Schaffel called "fantastic" was the ICC decision which makes it easier for railroads to provide trucking services.

The decision which enables railroads to buy trucking companies or expand existing operations is an easy way to get into the retailing side of the intermodal business, Mr. Schaffel said.

When Chessie chose in 1980 to form CMX and seek out intermodal business itself, it was taking an entrepreneurial approach, Mr. Schaffel said.

He said CMX, which uses 200 owner-operators, was using the same entrepreneurial approach as a riverboat gambler.

Chessie's trucking operation has focused on developing a sales base and establishing good relationships with shippers.

The new operation enabled Chessie to take advantage of market conditions created when a rail competitor chose to surcharge rates for northbound traffic. Chessie moved in and created a competitive operation which provided door-to-door service to the Northeast by opening a warehouse which offloaded rail traffic and reloaded freight into trucks for local delivery.

One example of cooperation which he cited was the handling by CSX of the "Orange Blossom Special" perishables train which Seaboard System initiated a few weeks ago between Orlando, Fla. and Wilmington, Del.

Asked if the emphasis on retailing created a tendency to cut shippers agents out of the business, Mr. Schaffel said that "some small-minded shippers agents would think that way."

But, he asked, why would CSX want to take business away from itself. He saw no economic advantage to cutting out shippers' agents.

He told the group third parties such as agents were not enemies."Some of our best friends are shippers' agents," he said.

Journal of Commerce - January 20, 1983

New Tariff Program To Start Next Month

Journal of Commerce Staff

WASHINGTON — The Interstate Commerce Commission's tariff improvement program is scheduled to go into effect in February, the agency announced this week.

The word came in the wake of a U.S. Court of Appeals for the Fifth Circuit's decision upholding new rules the agency adopted last September.

They are aimed at insuring the symbols used in the tariffs filed at the agency are accurate but the railroad industry intends to ask the Supreme Court to review the decision.

The agency pointed out that the court ruled the commission has the discretion to order refunds but does not have to do so in every case.

"We want to make clear that Ex Parte No. 370 will not result in automatic liability for overcharges every time it is determined that an increase was improperly symbolized," the agency said.

"Rather the rules will be applied on a case-by-case basis with the possibility that the shipper recovery could equal the difference between the missymbolized rate and the prior rate," the commission added.

Journal of Commerce
January 20, 1983

Correction

An article in the Jan. 19 edition of this newspaper about Conrail's boxcar refund program stated that all cars to which the refund program applies are subject to surcharges. However, Conrail has advised only some of the cars in the program are subject to the surcharge.

Forbes - January 31, 1983

The big railroad merger gives Union Pacific a decisive competitive edge. Its oil and gas finds were a potential billion-dollar bonanza. The cash flow was nearly $800 million, and debt was modest. Too bad 1982 was such a lousy year.

"Done"

By Howard Rudnitsky

UNION PACIFIC CORP.'s 62-year-old Chairman James Evans broke into a broad smile. He was in his 31st-floor Park Avenue, New York headquarters just before Christmas, after word had come that Chief Justice of the U.S. Warren Burger had refused to hold up the contested merger between the Union Pacific Railroad and the Missouri Pacific and Western Pacific railroads.

Shortly after the news, UP's senior legal counsel, Bill McDonald, directed the secretary of state of Delaware to file the merger papers. Minutes later, he called senior management and said, "It's done." That recalled the one-word message, "Done," telegraphed back from Promontory Point, Utah in 1869 when the golden spike was driven that linked the Union Pacific with the Central Pacific and united the continent.

The current merger was more than a defensive one, to offset competition from mergers between western lines. It creates the third-largest system, with 22,223 miles of track running through 21 states from the West Coast to St. Louis, Chicago and Memphis, and to Gulf Coast ports like Houston and New Orleans. The combination also makes it the second most profitable system ($210 million last year).

Nervous competitors have nicknamed the new giant "MOP-UP." Competing roads like Santa Fe and Southern Pacific are scurrying for merger partners to defend themselves. In fact, Southern Pacific had lodged two of its own court cases to try to void the merger, which are still pending, but few expect either to succeed.

There were other reasons for Jim Evans, who has headed the more than $7 billion (assets) holding company since 1977, to smile: big oil and gas finds, in the past year or so, at Union Pacific Corp.'s Champlin Petroleum subsidiary. Railroad analyst Andras Petery of Morgan Stanley can scarcely contain his enthusiasm when he says: "Champlin's new discoveries have conservatively added at least $1 billion to the present value of its already previously expanding reserves." Yep, a great year.

It's when we brought up last year's earnings that the smile faded. Evans had just closed the books with a roughly 20% earnings decline, to about $330 million, or $3.40 a share. It was the first decline for UP in almost a decade. UP's carloadings were off about 16% for the year.

UP's oil business—two-thirds of its nearly $6 billion revenues—hadn't helped much either, with Champlin's natural gas sales to industry curtailed by the recession. By the end of 1982 Champlin was delivering only 300 million cubic feet of gas a day instead of a hoped-for 375 million. Champlin's margins were further squeezed by heavy spending to develop reserves and modernize two refineries.

Finally, Champlin's large $700 million Corpus Christi ethylene petrochemicals complex (a joint venture with two other chemical companies), of which Champlin owns 37½%, continued to run in the red.

Evans says he feels good that 1982 energy earnings fell only 20%, when some competitors were faring worse.

But then Evans began to think about 1983 and beyond. The smile returned. "The terms of the merger with Missouri Pacific are antidilutive," he explained. "That will aid earnings per share significantly in 1983, and will move the railroad portion of our total profits to slightly over 50%." We did some quick arithmetic. Evans had implied a gain in rail earnings that would add 80 cents a share to the year's earnings.

Then, there's welcome word from the accountants: the impending changeover by railroads to depreciation accounting, instead of the traditional way of expensing rail-track expenditures. That should add another 35 cents a share to 1983's combined earnings. This suggests that, even if oil doesn't pick up—or declines a bit—UP could show some $4.50 a share in 1983 vs. about $3.40 last year. That's without a robust economy. The company's cash flow should increase from 1982's nearly $800 million to almost $1 billion in 1983, "and that doesn't take into account Missouri Pacific's cash flow," Evans added.

Then Evans went on to costs. While waiting for the economy to improve, the UP will continue to cut them. It had already laid off some 5,300 rail-

(CONT'D)

road employees, leaving some 24,000. But one thing UP won't do, he allowed, is cut back significantly on railroad-track maintenance. That would only come back to haunt the railroad when volume recovers. Besides, the ghost of Edward H. Harriman would come back to haunt them all; he was almost fanatical about keeping the property in top shape.

A bit down the road, there will be more savings from the merger of UP and Missouri Pacific. They would take about two to three years to come into full play and add about $100 million a year, much of which will come right down to earnings.

Since the merger is end-to-end rather than parallel-line, there are no duplicate lines that can be eliminated. Most of the gains, then, will come from centralizing computer operations, traffic, repair, legal, marketing and finance departments and more efficient use of equipment and manpower. It won't, however, come from a reduction in executive manpower. As one railroad analyst puts it: "Friendly mergers aren't made to eliminate lots of executives' jobs." At least not right away, he added: There's always attrition.

Then Evans looked further ahead. By the mid-Eighties UP could become a major coal carrier in the Powder River Basin in eastern Wyoming. Financing has been lined up for a 56-mile connecter link between the Chicago & North Western in Wyoming and the Union Pacific in northwestern Nebraska. The total package is $460 million, with UP putting up only $90 million. When fully operational, this will make UP and C&NW powerful coal competitors with Burlington Northern up in the Powder River Basin. Until now Burlington has had this enormously profitable western coal business all to itself.

By the time Evans got to the energy side of the ledger, he had brightened considerably. Champlin Petroleum—astutely acquired from Celanese Corp. by the UP back in 1970 for a mere $240 million—has some short-term problems, but over the next few years its prospects are bright indeed. In the Gulf of Mexico, near Matagorda Island, there were two key gas discoveries last year that could boost gas reserves by some 15%. They should be producing by the end of 1983.

Chevron and Phillips weren't the only oil companies involved in the major find in the Santa Barbara Channel in California, either. Champlin is there, too, with 6%. Point Arguello gives all the appearances of being one of the biggest oil strikes since Prudhoe Bay. Some analysts figure there are at least 500 million barrels of oil in the field, and possibly much more. Champlin could add close to 30 million bbl. to its existing reserve base of 142 million bbl. from there alone. Production will start in early 1986.

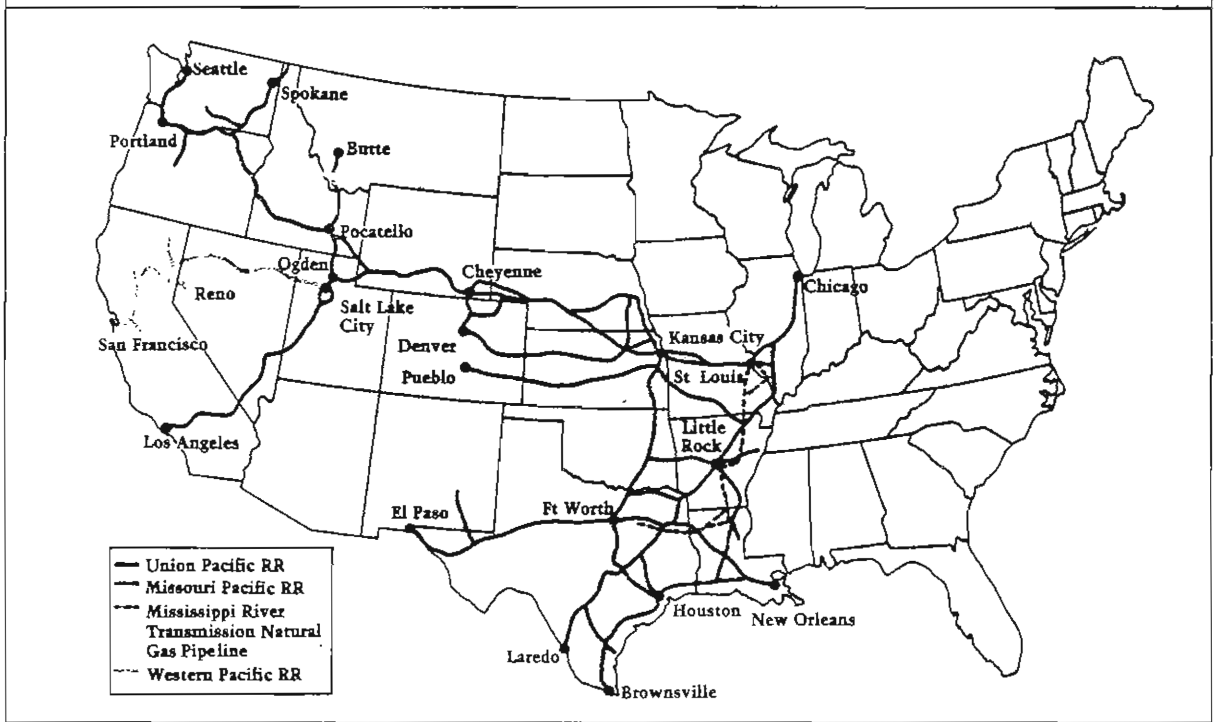
And at year's end, in the Dutch North Sea, a test well drilled with Amoco and others flowed close to 3,000 bbl. a day. That is perhaps another 50 million to 75 million bbl. of oil, in which Champlin holds about a 12.5% net interest.

Perhaps of more immediate import, Champlin holds an 18% interest in 16 of the 18 fields already discovered in the Overthrust Belt; in 1982 several new discoveries were made. The East Anschutz Ranch Field alone is estimated to contain close to a 1-billion-barrel equivalent of oil and gas.

By now, Evans was becoming more enthusiastic. "All we need is 1½% GNP growth," he exclaimed. "If we get 3½% we'll be able to grow our earnings in double digits without any problem. We're ready to roll." ■

The new rail powerhouse

The Union Pacific's merger with the Missouri Pacific and Western Pacific railroads creates a highly profitable transportation competitor. It catapults from eighth- to third-largest U.S. rail system, with 22,223 miles of track running through 21 states from the West Coast to St. Louis, Chicago and Memphis and to Gulf Coast ports.



Industry Week - January 24, 1983

Truckers run into new roadblocks

Unable to pass on new costs, they turn to labor. Watch out for railroad inroads.

By Brian S. Moskal

For the trucking industry the recently enacted double whammy of higher fuel taxes and heavier user fees couldn't have come at a worse time—albeit a good time for shippers.

Trucking companies, reeling from the dual effects of the recession and deregulation that have forced more than 180 common carriers out of business since 1980, posted their worst tonnage and net-income levels since 1967 in the third quarter of 1982.

And fierce competition likely will force the truckers to assume most of the new costs—most of which go into effect on Apr. 1—instead of passing them onto shippers.

Last month's Congressional changes "come at a time when the trucking industry has a financial condition that can best be described as horrendous," asserts Bennett Whitlock, American Trucking Assns. (ATA) president.

"If the industry faced only a 5¢ fuel-tax increase, it would place a severe financial burden upon our industry. But . . . special truck taxes . . . impose another $1.3 billion burden," he says. Heavy-vehicle user fees, for example, will jump from $210 annually to $1,496 by July 1984. And the annual fuel tax and user fees for a typical five-axle rig will jump from $1,746 to $3,949 in the same period.

The trucking industry's low third-quarter results follow second-quarter 1982 results which were the lowest in 17 years.

Another measurement of the carriers' dismal performance is aftertax net income. Third-quarter '82 net income for 182 motor carriers surveyed by ATA was $8.6 million—versus the comparable 1981 figure of $185.4 million.

More gloom. If all of this weren't enough, the Interstate Commerce Commission (ICC) two weeks ago struck down a 48-year-old doctrine blocking railroad ownership of trucking firms. That opens the door further for super transportation companies to operate both on highways and railbeds.

In a unanimous decision the ICC eliminated the requirement that a railroad-owned trucking firm must demonstrate "special circumstances" before it can receive unrestricted truck-routing authority. (It still must show "special circumstances" in order to purchase an existing carrier.) Before the ruling, railroad-owned trucking companies were limited to offering service that connects with rail service.

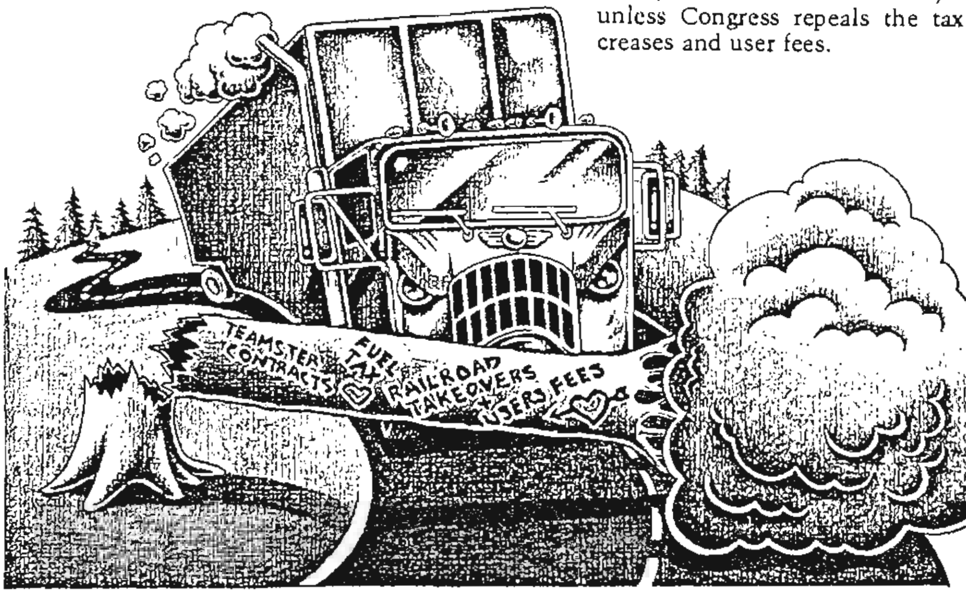
"This could be one step toward free and clear access for rails to acquire trucking companies, but I see the impact on the trucking industry as marginal," says William M. Legg, vice president and senior transportation analyst at Alex. Brown & Sons, a Baltimore-based investment-banking firm.

However, ATA believes that the absence of the "special circumstances" doctrine will permit railroads to use their financial leverage to freeze out truckers. It will appeal the decision.

Help from labor? The cumulative effect of all of this has forced the trucking industry to go back and seek even more concessions from the Teamsters union—which last March agreed to a wage freeze and work-rule changes. That 39-month pact was supposed to save money for trucking firms and jobs for Teamsters. But at the latest count, more than 120,000 of the 300,000 Teamsters covered by that Master Freight Agreement were on layoff.

Sources say that the trucking companies hope to head off cost-of-living adjustments (COLAs) due Apr. 1, reduce COLAs, and substitute wage cuts for the current wage freeze. (Teamsters currently make $13.43 an hour and receive health, welfare, and pension benefits of $105 weekly.)

The new gas tax also has independent owner-operator truckers fuming. One group, the Independent Truckers Assn., has called for a strike on Jan. 31 unless Congress repeals the tax increases and user fees.



Illustration/Ed Sobieraj

More productivity. Almost lost in the grumbling over the higher costs is the fact that truckers—and shippers—will be able to benefit from higher limits placed on the weight, width, and length of trucks. For shippers, that means approximately 17% more cargo space and fewer bills of lading.

For truckers, it'll be "a chance to take advantage of productivity gains from the larger rigs," says the National Industrial Traffic League, a Washington-based shippers' group. The reason: the so-called Berlin Wall of Missouri, Arkansas, and Illinois that had blocked 80,000-lb transcontinental shipments was dissolved by a provision of the bill which requires all states to increase lower weight limits up to a uniform minimum standard of 80,000 lb. In addition, truckers can now operate double-trailer rigs in 14 states, mostly in the northeast, that had prohibited them. ■

Journal of Commerce - January 24, 1983

Coal Transportation Firm Sues CSX for $226 Million

By RIPLEY WATSON 3RD
Journal of Commerce Staff

A Kentucky firm which is trying to develop a rail-barge coal transportation system has filed an antitrust suit seeking $226 million in damages from one of the nation's largest railroad systems.

The suit raises a familiar issue of railroad cooperation with water transportation, but it differs because the plaintiffs have attempted to establish their own rail link to move coal over a portion of the route from mine to water terminal.

The suit seeking triple damages which would bring the total amount to $678 million, was filed by TTI Systems Inc. of Lexington, Ky., and its railroad and terminal subsidiary against CSX Inc. and two of its member railroads, the Louisville & Nashville, part of Seaboard System Railroads and the Chesapeake & Ohio, part of the Chessie System railroads.

TTI asserts that the railroads conspired to restrain and monopolize coal movements from the Hazard, Upper Cumberland, Southwestern and Big Sandy districts of Kentucky to TTI's terminal facility at Maysville, Ky.

A spokesman for the railroads said that they would have no comment on the case.

Water transportation advocates contend that railroads have been reluctant at best to cooperate with barge operators in intermodal coal movements. The railroads have tried to retain business, barge operators say, by setting rates for movements to water terminals at such high levels that intermodal arrangements are non-compensatory.

Fritz Kahn, an attorney with Verner, Lipfert, Bernhard and McPherson of Washington, D.C., said the suit raises issues relating to rates, car supply, interchange of equipment, breach of contract and disparagement.

The case is being heard in U.S. District Court in Lexington before Judge Scott Reed, said Mr. Kahn, one of the attorneys representing TTI.

A future court date for the case hasn't been set because both sides made motions for discovery, and an exchange of documents in the case is being worked on now, Mr. Kahn said.

TTI has sunk $21 million worth of improvements into its facilties, which include a 52-mile railroad line between Paris and Maysville, Ky., and the coal dumping facility located on the Ohio River at Maysville, according to William Ferguson, chairman of the board of TTI.

The company's plan was to move the coal under contracts with mine operators by L&N rails to Paris, then over its own Transkentucky Railroad to Maysville for loading onto barges.

C&O rails are used for two miles from the northern end of the Transkentucky line to the coal terminal, Mr. Ferguson said.

Mr. Kahn contended that the only way to move coal out of southeastern Kentucky is by L&N trains.

However, the suit alleges that the defendant railroads' actions made it impossible to accomplish the movement of coal effectively.

Mr. Ferguson said that his firm had letters of intent from parties prepared to sign contracts to move coal via TTI, but that none has been signed.

The Transkentucky Railroad still is moving coal, but Mr. Ferguson estimated the volume at 10,000 tons a month, which is only 3 percent of the capacity of the Maysville facility.

When the project was conceived, the chairman said, the intention was to provide total transportation service for both foreign and domestic customers. So far, no foreign shipments have been made, he said.

Mr. Ferguson claimed that water transport of coal was three to five times less expensive than rail movements.

The plaintiffs are contending that the defendant railroads used a number of techniques to discourage the movement of coal via Transkentucky.

Among those cited by Mr. Kahn and Mr. Ferguson are L&N's refusal to charge a competitive rate for movement to Paris from the mines, supplying of low tonnage, obsolete hopper cars and slow movement of cars. Mr. Kahn said the suit also charges that the defendants disparaged the project, saying that it would never get off the ground.

The action wasn't brought before the Interstate Commerce Commission because the commission doesn't have jurisdiction over antitrust or breach of contract actions and doesn't have authority over the particular rate questions in this case, Mr. Kahn said.

The TTI project apparently represents a new thrust by the water transport industry to reduce participation of the railroads in the movement of coal.

The rail and barge industry have fought a number of battles of coal shipments throguh both Atlantic and Gulf ports.

The line which TTI uses to reach Maysville is a former L&N branch, which has no coal on it at any point. The line does, however, provide a direct route from the northern edge of the Kentucky coal fields to the Ohio River. Access to the TTI terminal, which includes a thawing shed and has soaking capacity.

The coal terminal has a capacity of at least 3 million tons per year, Mr. Ferguson said. At peak efficiency, 1200 tons per hour can be transfered from rail to barge, he added.

The coal facility itself formerly was a truck terminal before the improvements were made, Mr. Ferguson said.

He said that one train a day at most operates over Transkentucky's line at this time.

Although the railroad was purchased primarily to haul coal, Transkentucky owns no hopper cars. Its only rolling stock are boxcars and maintenance of way cars, Mr. Ferguson said.

The Transkentucky Railroad also carries general merchandise, he said.

Chicago Tribune - January 26, 1983

'Canadian invasion' helps put the C&NW on a rougher road

By Sheila Tefft

THE CHICAGO and North Western Transportation Co. long has prided itself on surviving the railroad turmoil that brought down its Midwest rivals, the Rock Island and Milwaukee Road.

Now the C&NW is locked in a fight that will determine how long it remains independent in an industry that within the next decade is expected to become one of the transcontinental giants.

The small Chicago-based railroad has been affected by all the forces that have swept through the industry in the last several years—the severe economic downturn, deregulation and mergers.

After posting record earnings in 1980 and 1981, the C&NW has been hit hard by the recession. With traffic down significantly, the railroad slumped into the red, slashed capital spending by two-thirds and laid off more than a third of its workers in the last year and a half.

THE C&NW ALSO is faced with what James R. Wolfe, president and chief executive, terms "the Canadian invasion."

On one hand, the C&NW is competing with the Soo Line Railroad Co., owned by Canadian Pacific Ltd., to purchase the Twin Cities-Kansas City main line of the Chicago, Rock Island and Pacific Railroad Co., which is being liquidated. The C&NW has leased and operated the line since 1980.

On the other hand, the railroad is being challenged by the proposed merger of the bankrupt Chicago, Milwaukee, St. Paul and Pacific Railroad Co. [Milwaukee Road] and Grand Trunk Corp., a unit of the government-owned Canadian National Railway Co.

"I'm not too anxious to compete in a capital formation contest with the Canadian government," said the 53-year-old Wolfe, who intends to fight the combination.

THE C&NW came through the recent merger of the Union Pacific, Missouri Pacific, Western Pacific railroads with a five-year agreement that will preserve its vital east-west traffic with the UP. However, that union could pose a threat to the C&NW down the road and help nudge the railroad into a merger with UP, observers say.

The C&NW also is involved with the UP in the much-vaunted project to haul coal out of Wyoming's rich Powder River Basin. And despite efforts by coal competitor Burlington Northern Railroad Co. to delay the C&NW's entry into the region, the project brightens the railroad's long-term prospects, analysts say.

"As the survivor in a region once overburdened with excess railroad plant capacity, the C&NW is being restructured into a system capable of hauling many times its present freight capacity," observed W. Glenn Cameron, a rail analyst with A.G. Becker Inc. in New York, who estimates the new coal traffic will double current revenues by 1990.

Spotlight

IN THE MEANTIME, the C&NW has fallen on tough times. Hurt by an estimated 18 percent drop in carloadings in 1982, the railroad lost $13.2 million on revenues of $608.5 million in the first nine months of the year. Layoffs through its 7,000-mile system have cut the work force from a high of 15,000 in the summer of 1981 to under 10,000 now.

Wolfe is cautiously optimistic about 1983, mainly because of some signs of reviving traffic. While he doesn't expect it to be "a barnburner year" on the order of 1980 and 1981, he said, "We will have substantial net income for 1983." If that's the case, the company will pay a dividend this year for the first time since employees bought the railroad in 1972.

About 3,500 present and retired employees own 44 percent of the stock, which has been a hot stock market performer in recent years. Company officers have three-quarters of the employee holdings.

COMPANY OFFICIALS boast that the railroad is as lean as it has ever been. Still, management intends to seek concessions from its unions this year to make it more competitive. In the works are proposals to increase productivity, including longer work days and reducing crew size to two from the current five.

The unions are unlikely to yield easily.

"I believe they're going to have problems getting people into any wage concessions. They have typically tried to convey the impression that they were the best railroad in the Midwest, and now they come out and ask for concessions," observed a railroad union official.

MEANWHILE, deregulation of the industry in 1980 has ignited fierce competition among the railroads for the recession-weakened freight traffic. The C&NW is neck-and-neck with the Milwaukee Road, which already is benefiting from its yet-to-be-approved alliance with Detroit-based Grand Trunk.

The C&NW has been severely hurt this year by the Milwaukee Road at Duluth, where the Canadian National is favoring the other carrier, industry observers say.

And with the assistance of the well-connected Detroit carrier, the Milwaukee Road unsuccessfully went after the C&NW's vital business with General Motors Corp. at GM's Janesville, Wis., assembly plant.

The railroad is battling back by going after the Milwaukee Road's business with GM in St. Paul, where the C&NW is proposing to build a costly auto ramp.

"We're not on the defensive. We're on the offensive as far as the Milwaukee Road is concerned," said Wolfe, explaining that the C&NW already has been lobbying in Washington against the merger.

The C&NW also is battling Canadian forces in its effort to buy the Rock Island main line, for a price estimated in excess of $50 million. Both the C&NW and the Soo Line have presented proposals to Rock Island trustee William Gibbons. At one time, they discussed a compromise joint-operating agreement, although the C&NW says those talks have ended.

ON ANOTHER front, the C&NW is contending with the powerful Burlington Northern to gain access to the Powder River. The C&NW has been negotiating with the BN for joint ownership of a small rail line that serves the area.

After the two railroads failed to reach an agreement earlier this year, the C&NW asked the Interstate Commerce Commission to step in. The federal agency set a $76 million price on the deal.

The St. Paul-based railroad is challenging the ruling and the ICC's jurisdiction in the matter in a Washington appeals court.

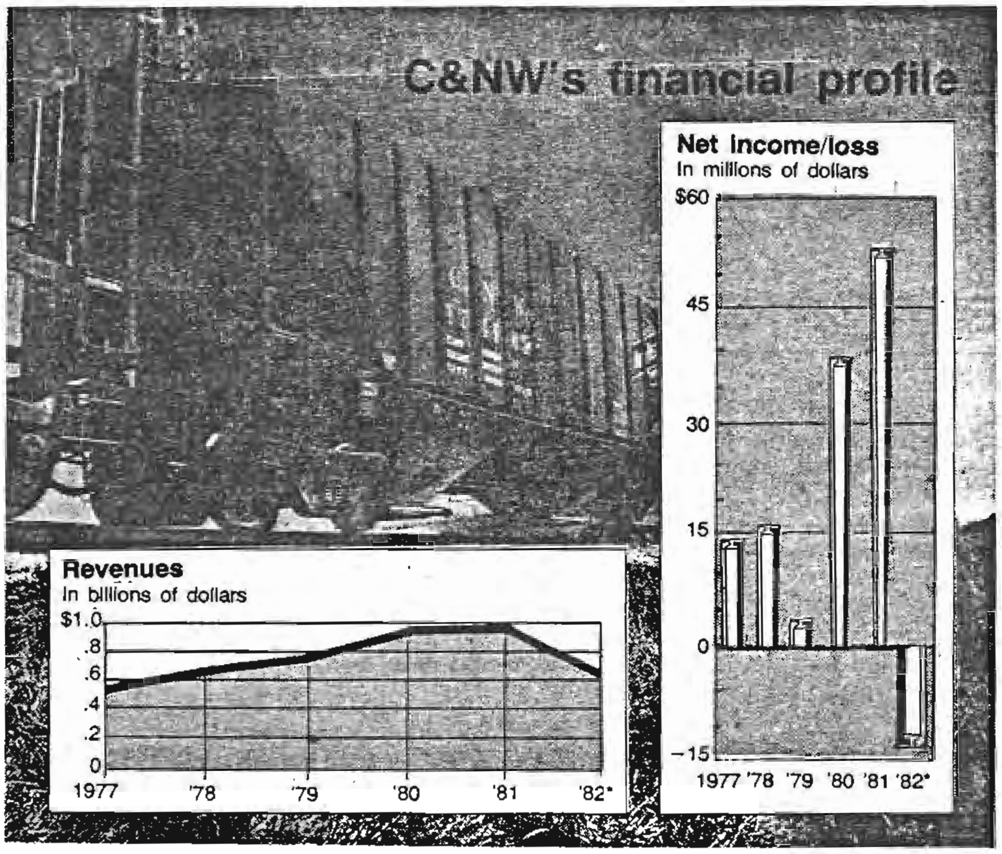
DESPITE THE delay, the C&NW plans to begin construction of other parts of the line this summer, with operations to start in 1984. The project will fortify further the railroad's already close ties with the UP, which is widely expected to absorb the smaller railroad in the future. The C&NW also has been mentioned as a possible merger partner with one of the eastern railroads, such as CSX Corp.

Wolfe admitted that "we're a strong business partner with the UP, and something like that [a merger] could happen in the future."

"The management of this company holds a lot of the equity," said A.G. Becker's Cameron. "I'm convinced that they have absolutely no intention of selling out until the price of the stock starts to reflect their potential from Powder River."

The recent Missouri Pacific-Union Pacific merger also could pose a threat to the C&NW when the UP's five-year agreement to continue feeding east-west traffic to the C&NW at Fremont, Neb., runs out. At that time, the UP could decide to use its eastern gateway through St. Louis via the Missouri-Pacific system.

The C&NW has plans to diversify into non-transportation businesses to use about $150 million in accumulated tax credits, although Wolfe said "the goals of this company remain as a transportation company."



*Through first three quarters

Chicago Tribune Graphic; Source: Chicago and North Western Transportation Co.

Tribune photo by Ernie Cox Jr.

Journal of Commerce - January 24, 1983

Demonstration By Truckers Due in Capitol

By DAVID CAWTHORNE
Journal of Commerce Staff

WASHINGTON — The war of nerves between the government and the nation's truckers continues this week amidst growing indications there will be at least scattered shutdowns Jan. 31.

But it is still unclear how widespread the shutdown will be, though the fear of possible violence probably will increase its impact.

A convoy of 200 rigs is expected to come into town today, park their rigs on Capitol Hill and go to Congress to complain about their plight. The truckers are upset about far higher heavy truck user fees they will have to pay beginning in 1985. By 1989 the charge will have risen to $1,900 from its current $210 level.

In any event the shutdown, called by Mike Parkhurst, publisher of Overdrive Magazine and a self-proclaimed trucking leader, is beginning to get some unenthusiastic support.

Jim Johnston, president of the Owner Operators-Independent Drivers of America, told reporters here Friday that he recommended that his members park their trucks. But it is for safety reasons rather than to support the shutdown, Mr. Johnston said, that caused him to make this decision.

This fear, he said, could result in many truckers deciding to park their rigs for a few days to assess the situation.

If "'something spectacular" happens during the first two or three days of the shutdown, he said, truckers probably would decide to stay off the road until tempers cool. Mr. Johnston had some harsh words for Mr. Parkhurst, who he thinks "appears more interested in having a shutdown than finding solutions to the problems." Besides liking to see the use tax repealed, Mr. Johnston said his group would like some sort of minimum rate floor and uniform state registration laws.

The fear of violence prompted Secretary of Transportation Drew Lewis to issue a statement Friday afternoon aimed at assuring truckers the highways will be safe to operate. "We will have no choice but to take those actions necessary to prevent violence and to protect truckers who continue to operate." Secretary Lewis also said the administration is willing to resubmit to Congress a proposal requiring the states to standardize trucking regulations and registration requirements.

The government officials have concluded that some scattered shutdowns are inevitable.

Des Moines Register - January 20, 1983

Plan sees sale this year of 'Rock' tracks in Iowa

The sale of the defunct Rock Island Lines' main line tracks from Minneapolis to Kansas City as well as 212 miles of Iowa hranch lines is anticipated this year under a plan filed Wednesday by the Rock's bankruptcy trustee, William Gibbons.

Gibbons' plan also would create a new company, made up of existing stockholders, to take over from the bankruptcy court the decisions about selling and leasing whatever Rock Island property remained at the time of the company's formation.

The reorganization proposal, filed by Gibbons in Chicago, is subject to court approval.

Gibbons stressed that his plan would not interrupt freight operations now being conducted by other railroads that have leased some of the Rock Island's former routes, and that the proposed new company would not conduct any railroad operations.

From the viewpoint of Iowa shippers who are anxious to have the Rock Island tangle resolved once and for all, the most important point of Gibbons' plan was its expectation for the sale before year's end of the north-south main line that slices through central Iowa and Des Moines, and the grain-gathering branch lines in northern and central Iowa.

Gibbons said in an interview that both the North Western Railway and the Soo Line Railroad Co. still are actively seeking to buy the main line and the branches in Iowa.

The Rock ceased to exist as an operating railroad three years ago.

Gibbons said his reorganization plan envisions paying off all of the Rock's existing debts of $302.7 million. It also anticipates that $71.5 million in cash will be on hand by the end of this year after the Minneapolis-to-Kansas City route and the Iowa branch lines are sold.

But it may take an additional two years to dispose of all the property the bankrupt Rock Island has for sale, he said.

The north-south main line and the Iowa branch lines now are being operated under lease by the North Western.

Minneapolis Star/Tribune - January 27, 1983

Employees asked to help GMW by working weeks without pay

By John J. Oslund
and Josephine Marcotty
Staff Writers

Executives at GMW, Inc., a St. Paul-based trucking firm, have asked employees to work the last two weeks of this month without pay as part of another wage concession program designed to keep the company afloat.

In addition, GMW wants its employees to work another four payless weeks sometime in the next three months. It also may propose that in the future, wages will be proportionate to the company's weekly revenues.

This marks the third time in 18 months that the employee-owned company has asked workers to give up part of their weekly paychecks in the hope that the sacrifice will ensure their jobs.

Although wage concessions are widespread in the trucking industry, they have proven to be no guarantee of survival.

On Tuesday, Briggs Transportation Co., a St. Paul-based trucking firm that had asked workers to return 15 percent of their pay in August, laid off nearly 800 drivers, mechanics and office workers and filed for reorganization under federal bankruptcy law. Briggs intends to keep operating, but at less than half of its former capacity.

Nationally, 202 motor carriers employing more than 49,500 workers have gone out of business since mid 1980, when Congress opened up trucking to competition by removing many of the regulations that kept new entrants out of the industry. In Minnesota, six carriers have gone out of business since the trucking deregulation act was passed. Another five, including Briggs and GMW, are considered in financial trouble.

At the GMW terminal Wednesday in Roseville, Vern Dokkin, 48, a GMW driver and a member of the Teamsters union for 27 years, said he's willing to again go along with the company's program.

"You kind of hate to lose the investment you've got in the company," he said. "(Giving up the pay) beats unemployment. We're just hoping to hang in there until freight picks up in the spring. We feel that if we can make it through this winter, we'll make it."

In November 1981, GMW asked each employee to turn back the equivalent of $3,000 in wages, and last fall it asked workers to return 20 percent of their weekly wages. Now Andrew Haak, GMW president and chief executive officer, has asked them to forgo any pay for six of the next 12 weeks.

"This wage participation program would not be a wage-loan but a wage reduction," Haak said in a letter to the nearly 500 employees dated Jan. 13.

Haak confirmed that weekly checks were not issued Friday and won't be tomorrow.

In addition, he said, the company may propose yet another concessions program in which the weekly wages would be determined by the previous week's revenues. For example, if the company's revenues totaled $625,000, employees would receive 100 percent of their wages as their union contracts provide. However, if the company's revenues totaled $425,000, employees would receive 60 percent of their pay.

The company's revenue for the last week of December was only $259,800, according to the letter sent to employees.

Haak said yesterday that none of the unions or the employees have responded to the wage-revenue proposal yet.

Haak's letter continued:

"As all employees should know, our company has continued to lose money, even with our payroll programs, because of the low revenue levels we are incurring caused by the depressed economic conditions and by the rate-cutting currently occurring in the motor carrier industry."

Because of these losses. Haak said, the company owes the Internal Revenue Service about $1.05 million in payroll and withholding taxes. In addition, Haak said, GMW has not been able to save enough cash to pay for relicensing its fleet — about $200,000.

"The federal government has demanded payment," Haak told his employees. "If we don't make substantial payments, the government has the ability to close us down."

Haak said that to pay the taxes and fees, GMW must raise $1.25 million during the next three months. "The only way I can see of accomplishing this is to ask you to allow us *not* to pay you for the work you performed for six of the next 12 weeks."

Haak said that since he proposed the six-week, no-pay program to employees, about 80 to 85 percent have agreed to participate. With their cooperation, he said, the company will be able to survive through mid-February, when freight shipments traditionally pick up by 10 percent over January.

"And March is normally a considerably better month than that," he said.

Harold Yates, president of Teamsters Local 120, which represents GMW drivers, said he has told the company that any Teamster who demands his wages must be paid. If the company refuses, he said, "it could mean a strike."

Haak does not dispute that.

"It is similar to the past (programs)," he said. "If one employee wants to be paid, we will have to pay them."

However, in his letter, Haak strongly suggests that any employee who does not wish to participate in the new wage program should leave the company "so those employees who want the company to make it, can do so."

"Without the support of everyone, we could face the possibility of closing our doors and terminating all employees."

He declined to specify how many workers are participating in the previous 20 percent wage reduction program, but he did say a majority are cooperating.

The employee-owned company does not release financial figures. But Haak's letter says GMW has suffered a revenue shortfall in the past 18 weeks totaling $879,701.

GMW provides service at about 22 terminals in five midwestern states and in Winnipeg with its fleet of about 300 diesel tractors.