Corporate Relations 483

M E D I A   M O N I T O R   February 4, 1983

Dissemination of these news items to all interested people is encouraged. Content may differ from Milwaukee Road viewpoint. You might want to retain for reference.

Crain's Chicago Business, January 31, 1983

Developer finds new track for vacant railroad building

By DEBORAH SILVER

Real Estate Review

The old Milwaukee Road railroad building at 2437 N. Southport Ave., vacant for almost five years, will be transformed this year into an innovative health care facility for the elderly.

When developer Harper Realty gets through with it, the six-story brick structure in the Fullerton-Sheffield Historic District will contain a retirement housing complex and a nursing home facility under one roof.

Says William Levy, president of Harper Realty, "When we first bought the building, the idea was to put lofts in it. But with the economy in such dismal shape, that would not have been a practical move at all."

According to a study done by Harper, the area within a 30-block radius of the project contains 25 hospitals with 8,786 beds. But the area offers only 1,044 skilled-nursing beds and 610 intermediate-care beds.

Among community supporters of the project is 43rd Ward Alderman Martin Oberman. A 20% federal tax credit given to buildings older than 40 years made the decision to renovate even easier.

As soon as a zoning change for a planned unit development and a certificate of need from the state comes through, the rehabilitation will begin. Harper expects construction to start in May, with occupancy set for one year later.

Funding for the project will come primarily from private sources, but Harper also may apply for an Urban Development Action Grant to carry some of the financial load.

The 180,000-square-foot rectangular building consists of two wings. Its 80,000-square-foot housing section will include 120 studio apartments of 475 to 550 square feet on the top five floors, each with a kitchen and a living and bedroom area. The first-floor public area will house an adult daycare center, activity and therapy rooms, a chapel, doctors' offices and an ice cream parlor.

The 100,000-square-foot skilled care nursing section, with 250 beds, will consist of private and semi-private rooms on the upper five floors, with the first floor reserved for therapy rooms, dining areas, classrooms and auxiliary rooms for staff.

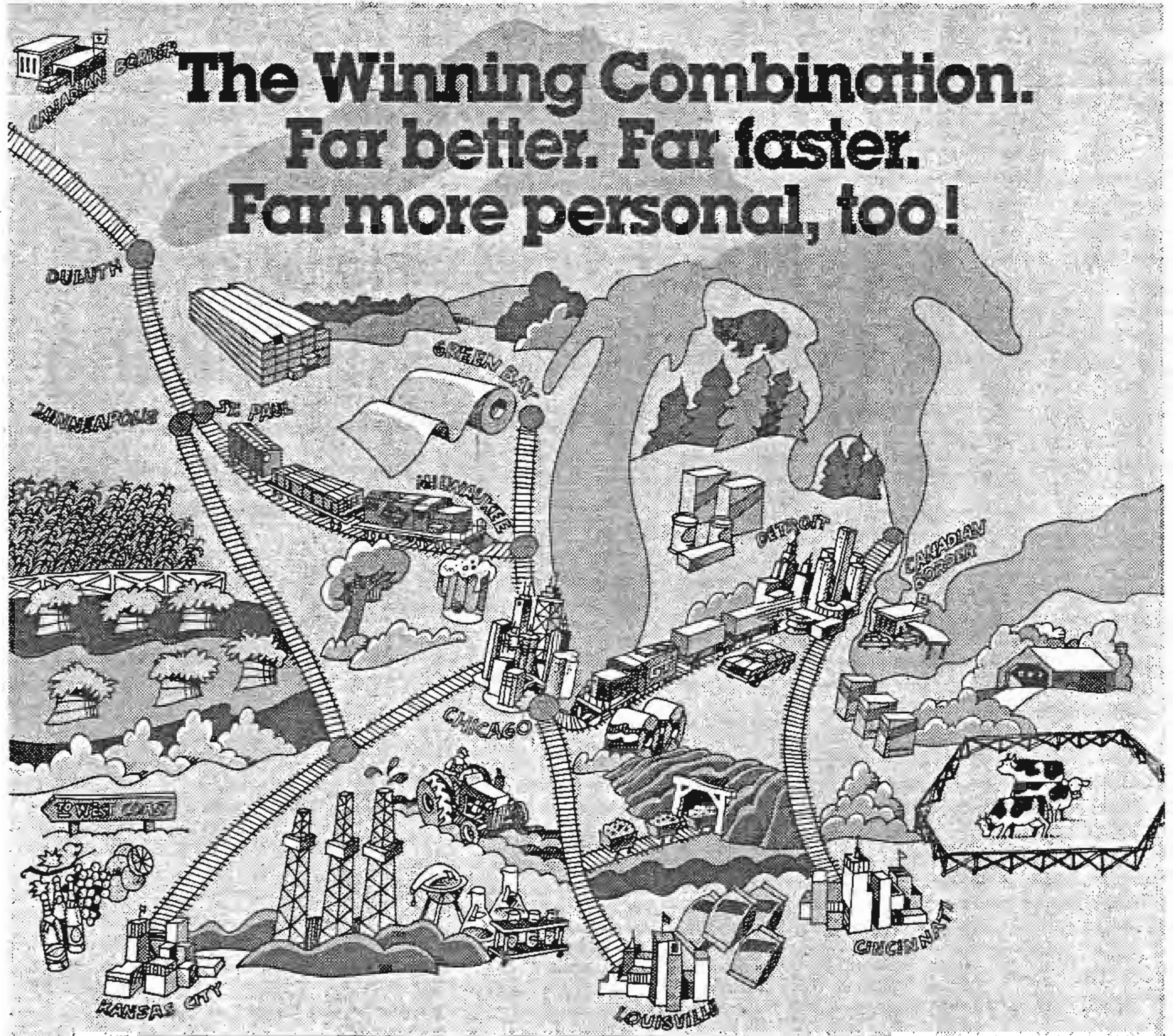
Although the residential and the nursing home facilities will operate independently of one another, their interaction will be touted as the primary benefit of the combined project.

If residents living in one of the apartments were to become ill or require emergency attention, they could be transferred immediately next-door to the nursing section. Conversely, should patients in the nursing center become ready to live on their own, they could move to the adjacent housing complex.

Says Douglas Dreier, president of the health facility division of Morse/Diesel Inc., "These types of congregate living facilities are catching on. The trend in health care is to concentrate on facilities for senior citizens that allow them to be more self-sufficient."

The once-vacant Milwaukee Road building at 2437 N. Southport will become an innovative health care facility. A 20% federal tax credit given to buildings older than 40 years makes renovation a very attractive option.

Wall Street Journal, February 3, 1983



GATEWAY NETWORK

Two great rail systems... Grand Trunk and The Milwaukee Road... announce expedited rail freight service to and through the key markets of America's industrial heartland.

Our coordinated GATEWAY NETWORK reduces shipping time up to 48 hours between Duluth and Louisville (via Minneapolis/St. Paul and Chicago) and east/west from Port Huron/Detroit and Kansas City through Chicago.

Far faster. Far better. Far more personal, too.

You'll start saving time the minute you pick up the telephone to call either of our special GATEWAY NETWORK numbers. Responsive sales representatives are readily available to provide quick, accurate information on rates, routes and special equipment.

When on-time schedules and competitive pricing make the real difference, you'll go GATEWAY NETWORK.

One great service from two great rail systems.

GT

Grand Trunk Rail System
1-800-241-7732

THE MILWAUKEE ROAD

Chicago, Milwaukee, St. Paul and Pacific Railroad Company
1-800-621-0766

Wall Street Journal, February 2, 1983

Canada Seeks Boost In Rail-Freight Rates On Grain Shipments

* * *

New Policy Would Replace System in Force Since 1897 And Double Current Costs

By JOHN URQUHART
Staff Reporter of THE WALL STREET JOURNAL

OTTAWA—Canada announced a new rail-freight rate structure for grain to replace a system that has been in force since 1897.

The issue has been one of the most contentious in Canadian politics, pitting Western Canadian grain farmers against railroads and other interests, including food processors.

The new policy will bring the rate that Western farmers pay for shipping grain more in line with actual costs. The existing rate, known as the crow rate, is unchanged from a level set by Parliament 86 years ago. It currently meets only about 20% of the cost of transporting grain by rail from the prairie provinces.

Transport Minister Jean-Luc Pepin said the government will introduce legislation to implement the policy early in the next session of Parliament, which is expected to begin within the next few months.

Rates to Almost Double

The new structure calls for freight rates on grain to almost double from their current level by the 1985-86 crop year that starts Aug. 1, 1985. The cost increases will be shared by farmers and the government under a new formula. The government estimated that the net cost to Western grain producers for shipping grain by rail will rise to $9.35 (Canadian) a metric ton in 1985-86 from the current $4.89 a ton.

The net cost is after allowance for various government-subsidy payments that are part of the new policy. The gross cost per ton before the subsidies would be $19.56 a ton in 1985-86, up from the current $4.89 a ton. A metric ton equals 2,204.6 pounds.

The railroads welcomed the new policy, but some Western farm interests voiced strong opposition. Garfield Stevenson, first vice president of the Saskatchewan Wheat Pool, said the farmers cooperative will "vigorously" oppose the government's initiative, which he said would result in "sharply higher costs" for Western grain farmers.

The railroads have campaigned for years for higher freight rates for grain. The railroads involved are CP Rail, a unit of Canadian Pacific Ltd., and state-owned Canadian National Railways.

Railroad Losses

The two railroads have losses of more than $300 million annually transporting grain despite government subsidies. If the rates were left unchanged, the railroads' loss would be about $1 billion a year by 1990, government officials estimated.

Spokesmen for the railroads said the new grain freight rates will allow them to expand of their western Canadian networks to handle substantial increases in traffic that are expected for various commodities, including grain, potash and coal. The two railroads have advised the government that they will spend $807 million on capital projects this year, most of it in western Canada.

The planned rail investments will ease capacity constraints that would have clogged the western Canadian rail system by 1985, federal officials said.

The officials claimed that the low freight rates for grain have impeded development in western Canada of grain industries such as livestock, meat packing, feed milling and oil-seed crushing. Because of the low freight rates, prices for grain bought directly from farmers have tended to be higher in western Canada than they would be otherwise, raising the cost to potential western grain users. The low freight rates also have discouraged farmers from diversifying into such crops as corn, which haven't qualified for the low freight rates.

Wall Street Journal, January 31, 1983

Free Market Cracks the ICC Dam

Some of the press made a sad spectacle of itself a few weeks ago over some indiscreet remarks by Frederic Andre, a member of the Interstate Commerce Commission, to the effect that the ICC shouldn't be wasting taxpayer money prosecuting kickbacks by truckers to shippers; bribes (among principals, he was careful to say) are "probably one of the clearest instances of the free market at work."

The Washington Post and a bunch of Senators who should have known better hastened sanctimoniously to condemn Mr. Andre. They ought to be ashamed of themselves for not having looked more carefully at what he really said.

The ancient legal principle that common carriers, like railroads, must serve all comers under openly published, non-discriminatory tariffs has served the public well in dealing with natural monopolies.

But trucking is far from a natural monopoly. That's why we deregulated it under President Carter. The resulting freeing of competition has already conferred enormous benefits on shippers and the public generally.

The hot issue at the ICC has been whether to continue the present system, under which the companies get together, under an exemption from the antitrust laws, and set and publish prices, which the commission then enforces by prohibiting rebates and discounts. Its Chairman, Reese Taylor, believes in the sanctity of posted tariffs. He wants a big staff of enforcers to prosecute truckers who depart from them.

When Commissioner Andre pointed out, in opposition, that secret rebates, discounts—yes, even bribes—are merely "an attempt (by competitors) to get around the rigidities imposed on the market by a government cartel," he was of course entirely right. Artificially sustained published prices always invite secret undercutting; prosecuting rebaters is like trying to push water uphill.

In fact, he did not defend what we ordinarily mean by bribery—where someone offers a payoff to someone else's agent to induce him to betray his trust and throw business the briber's way. That, he said, is "wicked and unlawful." But prosecution of such criminal activities is best left to local law enforcement officers. The fundamental solution is to get the federal government out of the business of fixing and policing prices.

That's what Commissioner Andre was saying; and he was right.

PROF. ALFRED E. KAHN
Cornell University

Ithaca, N.Y.

Wall Street Journal, February 2, 1983

IC Industries' Profit From Operations Fell 43% in 4th Quarter

By a WALL STREET JOURNAL *Staff Reporter*

CHICAGO—IC Industries Inc.'s fourth-quarter profit from continuing operations fell 43% on a 4% sales decline. The company said it was hurt by sharp declines in its industrial-product and railroad businesses, as well as by the devaluation of the Mexican peso.

William B. Johnson, chairman and chief executive officer of the diversified industrial concern, said, "We are confident 1983 will be a much better year for IC Industries and our subsidiary companies. The first quarter will be difficult, but we believe it will be followed by a steady improvement throughout the year."

In the 1982 fourth quarter, profit from continuing operations dropped to $25.7 million, or $1.54 a share (primary), from $45.4 million, or $2.37 a share. Losses from discontinued operations of $7.5 million in the 1982 quarter made the latest period's net $18.2 million, or 98 cents a share, 59% below the $44.8 million, or $2.33 a share, of a year earlier, when the company posted losses from discontinued operations of $600,000.

Sales for the quarter fell to $1.02 billion from $1.06 billion. Year-earlier sales and earnings are restated to exclude Midas International Corp.'s vehicle business and several other operations slated for divestiture.

The devaluation of Mexican peso in December reduced fourth-quarter earnings by $5 million, or 37 cents a share. Pre-tax profit from its Illinois Central Gulf Railroad fell 71% in the quarter, to $9.6 million from $32.7 million, while pre-tax profit from consumer products rose slightly to $57.1 million from $56.9 million. The company incurred a pre-tax loss from commercial products of $1.9 million, compared with profit a year before of $19.3 million.

For 1982, profit from continuing operations fell nearly 50% on a 5.4% sales decline. Last March, IC Industries forecast that 1982 earnings would show only "a modest decline."

The year's profit from continuing operations fell to $68.2 million, or $3.52 a share, from $135.9 million, or $6.74 a share. Losses from discontinued operations of $20.6 million made net $47.6 million, or $2.03 a share, compared with $134.4 million, or $6.65 a share, in 1981, when the company posted losses from discontinued operations of $1.5 million. Sales in 1982 fell to $3.87 billion from $4.09 billion. Profit in 1982 included a pre-tax gain from the sale of tax benefits of $63.5 million.

Despite the earnings drop, three of IC Industries' six units achieved record sales and earnings from continuing operations for the year, Mr. Johnson said. Those units are Pet Inc., a food company; Pepsi-Cola General Bottlers Inc., and Midas. The Pet results included those of Wm. Underwood Co., acquired during the year.

Hussmann Corp., a maker of refrigeration systems for food stores, registered a 26% drop in pre-tax profit due to reduced capital expenditures by the grocery industry, IC Industries said. The two units hardest hit in 1982 were the ICG Railroad, which reported a $2.1 million pre-tax loss and saw declines in almost every category of freight; and Abex Corp., a maker of commercial products and parts, whose pre-tax income plunged to $200,000 from $53.6 million in 1981.

In 1983, the consumer companies should "continue to make strong earnings contributions," Mr. Johnson said, while the railroad "should rebound concurrently with general economic improvement. Recovery at Abex will lag somewhat, but should follow as commercial and industrial orders pick up."

IC Industries still plans to "dispose of or merge the ICG Railroad" as previously announced, in 1984 or soon thereafter, Mr. Johnson said. After the sale, IC Industries will concentrate on specialty foods, consumer products and services, and "technologically advanced products."

Milwaukee Journal, January 29, 1983

Farmers claim old rail land

Verona, Wis. —UPI— A Verona-area farmer said Friday that he would claim and fence a section of abandoned track the Department of Natural Resources wants to buy from the Chicago and North Western Railway for $302,000.

Donald Dreger said he owned land on both sides of the 16.1-mile section that the DNR wants to turn into a biking and hiking trail linking Madison with Dodgeville and Gov. Dodge State Park.

Melvin Cohen of Verona said six other farmers were ready to fence the track. He said he had checked a railroad deed to land in Verona and had found a provision that abandoned land must be returned to the original owner or the government.

Cohen said the railroad line deeds might have similar provisions. He said Dreger and other farmers were claiming the land and would consider it theirs until the railroad and government proved it was not.

"These guys figure it's their land," Cohen said. "That's what these fellows believe, and now the DNR has to prove them wrong.

"If they have to give up the land, and if this land is already owned by the government, why the hell should the government pay money for it?

"If it reverted back to the government, why should another agency of the government pay $302,0000 of taxpayer money to get its own damn land back?"

Said Dreger, who farms 100 acres west of Verona, "Why the hell are the railroads selling it for $302,000 to the government if it's government land?"

Chicago Sun-Times, January 31, 1983

ICG exec goes full steam ahead on coal

Douglas Lamont

"No more marketing myopia for the ICG."

That's Harry Bruce, senior vice president of marketing for the Illinois Central Gulf Railroad, explaining his railroad's success in terms of taking advantage of international opportunities, as revealed in shipping Illinois coal from the Freeman United Coal Mine near Waltonville, Ill., to Spain's cement industry.

"Illinois coal has between four and five percent sulfur. Is that too high? Not for the cement and ceramics industries.

"The Spanish bought that argument. Then they wondered about our coal's volatility. It's higher than the coal from Poland. They wanted to know: 'Will our plants blow up?' "

What's a railroad executive doing talking "hot" coal?

Bruce again: "Our freight loadings will increase when we show companies along our right-of-way that the world has markets for their goods. The ICG had to do the market research for the 13 mining companies in the Illinois coal basin.

"The ICG is no longer in the derived demand business. We are market developers."

Since 1980, when the ICG completed its world coal study, Bruce has been selling the idea that the mining companies can plan the sale of their coal overseas just like any other product sold in Europe or Asia.

This is called strategic planning. Bruce adopted the idea with the full force of a zealot. His name appears on a couple of key academic papers. Other authors are Mel Horwitch, a professor at MIT, and Pedro Nueno, a professor at the Instituto de Estudios Superiores de la Empresa, a business school in Barcelona, Spain.

Their paper, "Corporate Strategy: The Missing Link in Energy Policy and Decision Making," examines the market for coal imports in Italy and Spain among their electric utilities and cement producers.

For example, in Spain, there is a significant short-term market for Illinois coal among cement and ceramics firms; and if Spanish utilities continue their conversion from oil to coal, there is an important long-term market for Illinois coal, too.

They conclude: "This is clearly a valuable international market niche. But the market 'window' . . . will last only until about 1985."

Can Illinois serve this export market? About 95 percent of its coal is medium-high or high sulfur.

Most Spanish utilities want low-sulfur (1.2 pounds of less of sulfur dioxide per million Btu) coal. Yet they want coal that has a high energy content, with a Btu-per-pound level of more than 10,000. Illinois coal meets this high energy requirement.

The three authors say that for export marketing to work in the Illinois coal basin, there must be "a massive reorientation in management thinking among the mining companies." They must want "to diversify into the world steam coal trade."

Bruce, Horwitch and Nueno produced a second academic paper in which they outline three export strategies for coal producers. The first is to sign long-term contracts with European coal-consuming countries. This is the most difficult to do because Illinois coal producers are virtually unknown in Western Europe.

Harry Bruce

The second is to sign long-term contracts with intermediaries. Spain, Italy and France have government monopolies that buy and import coal for the nation's electrical utilities. Right now, and until the world recession is over, there will continue to be stockpiles of coal throughout Western Europe.

The third strategy is to sell Illinois coal on the spot market to the cement producers. This is what was done by the Freeman United Coal Mining Co.

Bruce is not stopping with his first success. ICG has a new four-language international guide to coal mining companies in Illinois. He is actively distributing the guide to 400 potential buyers of coal in Europe.

Tracks and rates—the basics of old-fashion railroad management—have given way to commodity flows, product differentiation, strategic planning and exporting marketing.

Douglas Lamont is dean of the Walter E. Heller College of Business Administration at Roosevelt University.

Green Bay Press-Gazette, January 27, 1983

Planning funds for Milwaukee prison sites OK'd

MADISON (AP) — With little debate Wednesday, the State Building Commission approved $290,000 for preliminary planning of two prison sites in Milwaukee.

One of the sites, near Milwaukee County Stadium, is being pushed by Rep. John Plewa and other Milwaukee Democrats as an alternative to the Division of Corrections' plan for building a penitentiary in Portage.

The panel approved $285,000 for plans the remodeling of a warehouse for a 150-to 200-inmate medium security instutution, and $5,000 for a preliminary study of the Plewa site in the industrialized Menomonee River valley.

Plewa, a commission member is whose district the stadium prison would be built, has suggested that two prisons be built at the site instead of remodeling the warehouse, which is the former Trostel Tannery about 20 blocks to the northeast.

Plewa said the Milwaukee Road plans to sell the 35-acre parcel by February.

Sen. Daniel Theno, R-Ashland, suggested the commission consider withholding planning funds for a month on the Trostel site and wait the railroad's decision.

But Gov. Anthony S. Earl, commission chairman, and other members said the state cannot afford to delay developing prisons to ease the congestion at Waupun State Prison.

The Trostel and stadium sites are just two of the five under consideration in Milwaukee.

Journal of Commerce, January 28, 1983

Congressmen to Introduce New Bill To Give Right-of-Way to Pipelines

United Press International

WASHINGTON — A new drive to pass legislation making it easier for coal slurry pipelines to compete with railroads in the long-distance hauling of coal was launched Thursday by key members of Congress.

Rep. Morris Udall, D-Ariz., and Sen. J. Bennett Johnston, D-La., said at a joint news conference they would introduce bills to grant rights-of-way for pipelines carrying pulverized coal suspended in water.

The legislation, similar to a bill that died in the last Congress, is strongly opposed by the railroad industry but is getting increased support from the coal and electric power industries, consumer groups and some labor unions.

Mr. Johnston said the bill was an improved version of one that died in the Senate despite a last-minute push in the December lame-duck session of Congress.

"I am very confident of passage this year," Mr. Johnston said.

Mr. Udall, chairman of the House Interior Committee, also said he was confident the bill would become law this year. The new bill, he said, is gaining support in the water-short West because it gives states a veto power over pipelines that might deprive them of needed water supplies.

But Mr. Udall said he did not foresee any lessening of opposition by the highly effective railroad lobby, which he said would use "raw political power" to try to block the legislation.

Mr. Johnston said such legislation had not passed earlier due in part to

COAL TOPICS

the failure of the coal industry to push hard enough for its passage.

"The coal industry is finally getting its act together — finally uniting behind this bill," he said.

Rep. Dan Marriott, R-Utah, told the news conference the bill had been strengthened by giving the states final authority to determine whether their water could be used to haul coal.

The legislation's supporters say its passage would pave the way for construction of seven proposed pipelines at an estimated cost of $12 billion and produce up to 500,000 jobs.

However, it is opposed by some environmentalists.

John McCormick of the Environmental Policy Center called for a "moratorium" on the legislation, saying the affected states should have more time to consider its impact.

"Introducing the Udall-Johnston coal slurry pipeline bill at this time is like striking a match on the deck of an oil tanker," Mr. McCormick said.

Journal of Commerce, February 2, 1983

Flexibility Key to Rail Marketing

By RIPLEY WATSON 3rd
Journal of Commerce Staff

Flexibility is the key to railroad marketing in the current recession, according to James C. Hagen, Conrail's senior vice president of marketing.

Mr. Hagen told members of the Transportation Research Forum that flexibility meant being able to tailor service to shippers' needs, communicate rate changes effectively within the company, and being able to change rate levels in response to market conditions.

Post Staggers Act pricing freedom has "given us a real opportunity to act like a business," he said.

One type of aggressive marketing Conrail has explored was determining where business is likely to go when a plant such as Bethlehem Steel's facility in Lackawanna, N.Y. is closed. Mr. Hagen said that Conrail, which had served the plant, responded by going to Bethlehem Steel management and presenting a new rate and service package to keep business moving on Conrail from Sparrows Point, Md. and Burns Harbor, Ind. facilities.

He also noted that some of Conrail's initiatives to fill empty cars moving on the railroad really were not permanent parts of the rate structure. "We took these steps to tell shippers that 'we are having a sale, folks,' " Mr. Hagen explained. He said that tariff expiration dates for each program were real and that extension of all such programs wasn't automatic.

"We've tried to make plans that have economic sense," he said, noting that there were no such bargain rates for other more profitable types of headhaul traffic.

While Conrail hasn't released its final 1982 financial results, Mr. Hagen said that a profit of about $40 million for the year would be expected, using an accounting method which capitalizes maintenance of plant costs. That figure is similar to results for 1981.

Mr. Hagen also predicted that Conrail would survive as an entity after its June and November profitability evaluations which are being performed by the United States Railway Association.

He was not sure how a proposed employee purchase of the line would come out, but he suggested that other railroads might be interested in acquiring Conrail once the economy improves.

The Washington Times, January 28, 1983

Fight is renewed for domain rights to coal slurry lines

SPECIAL TO THE WASHINGTON TIMES

Rep. Morris Udall, D-Ariz., and Sen. Bennett Johnston, D-La., yesterday launched the latest offensive in the 20-year battle to extend federal eminent domain to coal slurry pipelines.

Similar House and Senate bills sponsored by the lawmakers would grant pipelines carrying a mixture of crushed coal and water the authority to enter federal court to gain the right to cross private lands, including those of railroads.

"It's a consumer bill, a labor bill, a jobs bill," Udall said in unveiling the measure. "It's good for the East and West, for consumers, for labor unions. I intend to push it hard and fast."

In the past, the railroads have opposed pipeline measures because competition from slurry pipelines would reduce the profits.

Udall called opposition to the bill an "attempt by railroad people and brotherhoods to use raw political power to oppose the new form of competition."

The legislation has provisions to safeguard states' water rights and give federal agencies power to regulate the lines, Johnston said.

Last year, coal slurry bills cleared the House Interior and Public Works Committees and the Senate Energy Committee but the House Rules Committee never granted the bill an opportunity to come up for a floor vote. And in the Senate, John Danforth, R-Mo., and others slapped holds on the bill that prevented consideration by the full Senate.

In hearings during late September, Danforth claimed the bills would sound a death knell for railroads by siphoning off enough coal-hauling business to topple the already shaky rail industry. Pipelines, he said, would consolidate coal ownership and production into the hands of a few giant firms and lock utilities into long-term contracts that would lead to less competition and higher rates.

The coal industry, however, argued that railroads enjoy a virtual monopoly over the transportation of more than 700 million tons of coal annually. Sixty-five percent of that tonnage has no alternative except a single rail line that serves it, coal producers claim. Deregulation, they say, has given railroads free rein to set excessive rates.

Only one coal slurry pipeline is in operation, the 273-mile Black Mesa line that carries 4.8 million tons of coal annually from northeastern Arizona to a power plant near Las Vegas. A second pipeline was built in Ohio during the 1950s but shut down after railroads dropped rates to meet the competition. Nearly a dozen pipelines are currently under development. If all those lines are built, the coal industry claims, they will carry 8-to-12 percent of the 1.2 billion tons of coal the United States is forecast to produce in 1990.

Both sides are linking the issue to the unemployment problem. Slurry opponents claim pipelines would throw tens of thousands of railroad employees out of work. But supporters say the pipeline would create a half million jobs and help overall economic recovery by cutting energy costs.

The Senate bill will go to the Energy Committee where Johnston is the ranking Democrat. Danforth also is expected to seek referral to the Commerce Committee, where he chairs the Surface Transportation Subcommittee. Udall said the House bill will go to Public Works and Interior where hearings will begin next month.

The White House opposed the bill last year, claiming eminent domain decisions should be left to the states. Currently, coal slurry is the only energy source that can be moved by pipeline but doesn't enjoy federal eminent domain, Udall said.

The Journal of Commerce, January 31, 1983

Most Independent Truckers Likely to Join in Shutdown

Journal of Commerce Staff

Independent trucker spokesmen predict that most of the nation's estimated 100,000 truckers will participate in today's scheduled shutdown to protest higher highway user taxes, the lack of uniform state filing requirements and other complaints.

If the shutdown is successful the produce, moving and steel industries will be the most affected by a walkout.

But given the current economic state of the economy, it is hard to see how the truckers can stay out for very long and still make the monthly payments on their rigs.

Major incidents of violence though could force them off the road, one industry official said, since survival usually takes precedence over bank payments.

Journal of Commerce, January 31, 1983

Truck Tax Issue to Be Reviewed in Congress

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — There are growing indications that the controversy over how much money heavy truck operators must pay to use the nation's highways will come up again in the new Congress.

At least four bills already have been introduced in the Senate and further legislation is expected in the House within the next week or two.

Today also is the date for a threatened owner-operators shutdown to protest the higher taxes and other grievances they have with the government and this should offer the first tangible evidence of the scope of the effort.

Targets of the legislation are provisions of the gasoline tax bill that cleared the lame-duck session and increased truck use taxes from $210 to $1,600 on July 1, 1984.

This ceiling rises to $1,700 on July 1, 1986, to $1,800 on July 1, 1987, and to $1,900 on July 1, 1988.

The weight of vehicles exempt from the tax also was increased from 10,000 to 33,000 pounds.

The increases were based on several government studies that found that heavy duty trucks pay not nearly enough in taxes in relation to the damage they do to the nation's highways.

But the trucking industry strongly opposed the change and American Trucking Associations President Bennett C. Whitlock Jr. has made its modification industry's top priority in the new Congress.

Two proposals drawing the most attention call for retaining the current 210 ceiling and offsetting it with further increases in the diesel fuel tax.

One bill, proposed by Senator James Abnor, R-S.D., calls for increasing the diesel fuel tax from 9 cents to 11 cents per gallon on April 1, 1983.

The tax would go up from 11 to 14 cents on April 1, 1984.

A similar tact was taken by Sen. Larry Pressler, R-S.D.

His bill would set a 9 cents per gallon tax on diesel on July 1, 1983.

Under Sen. Pressler's plan the tax would increase to 10 cents per gallon on July 1, 1984 and 13 cents per gallon on July 1, 1985.

Sen. William Boren, D-Okla., has introduced legislation repealing the higher highway use tax while Senator Jessie Helms, R-N.C., has dropped a bill in the hopper repealing the highway bill passed in the lame-duck session.

Journal of Commerce, February 3, 1983

Chicago Soybeans, Grains Stage Partial Recoveries

Lower precious metal and financial instrument futures combined with strength in the dollar abroad to attract selling which depressed grain and soybean futures in early trading on the Chicago Board of Trade but late buying and short covering touched off partial recoveries.

Soybeans closed ½ cent higher to 1 cent lower; corn 2 cents to 1 cent lower; wheat ½ cent higher to 2¾ cents lower; oats ¼ cent to ½ cent higher, and soybeanmeal 90 cents lower to 30 cents higher.

The outlook for possible sizable export business shortly in corn and wheat generated some support in those pits and some slackening in country selling generally following a pickup earlier in the week also was a prop.

The Japanese Food Agency purchased 82,000 metric tons of wheat, including 18,000 from the United States and 32,000 tons each from Canada and Australia. JFA also contracted for 38,000 tons of Canadian barley.

South Korea bought 16,000 tons of wheat and Egypt was seeking 150,000 tons of that grain.

Mexico bought 190,000 tons of corn on its Tuesday tender and was expected to be in the market Thursday night for 127,500 tons of corn and/or sorghum.

The Dominican Republic purchased 97,726 tons of corn and the Philippines took 25,000 tons of corn.

Soybean Oil Futures Settle Mostly Lower

Declines in soybeans and an absence of new bullish developments were instrumental in selling which maintained moderate pressure upon soybean oil futures and at the close the market was 11 lower to unchanged.

India was in the market on its usual weekly tender for vegetable oils but the export market otherwise lacked new feature.

Wall Street Journal
February 2, 1983

Elizabeth Dole Wins Confirmation to Cabinet

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON—Elizabeth Dole was easily confirmed as transportation secretary.

Mrs. Dole, whose husband is Sen. Robert Dole (R., Kan.), was confirmed on a 97-0 Senate vote. She will be the eighth transportation secretary and the first woman in that post. Mrs. Dole succeeds Drew Lewis, who resigned to become chairman of Warner Amex Cable Communications Inc., a joint venture of Warner Communications Inc. and American Express Co.

Mrs. Dole, 46 years old, is new to the transportation field but has had a lot of experience in government. She was a top special assistant to President Reagan for the past two years and earlier served on the Federal Trade Commission.

With this background, she probably would have won overwhelming approval under any circumstance. But her relationship to Sen. Dole, the powerful chairman of the Senate Finance Committee, made it even easier. The other Kansas senator, Republican Nancy Kassebaum, referred to Mrs. Dole as that state's "adopted daughter."

Journal of Commerce, January 31, 1983

Next Move in Rate Feud Will Follow Filing

By RIPLEY WATSON 3RD
Journal of Commerce Staff

Conrail is expected to protest the Chessie System Railroads' latest move in the rate war over $30 million in traffic.

But Conrail officials say they want to wait until Chessie files a revised tariff today or Tuesday before revealing their response.

The continuing rate dispute was started by Conrail when it obtained ICC approval for lowered rates to shippers on traffic moving solely on Conrail tracks.

Chessie System, which stood to lose a substantial amount of business because it would have effectively been shut-out of northeastern markets reached via Conrail, responded by cancelling reciprocal switching agreements.

That cancellation was intended to force Conrail to change its pricing levels so that the advantage of lowered single line rates was neutralized.

Last week, though the Justic Department took exception to Chessie System's cancellation of reciprocal switching agreements, saying it was anti-competitive.

Those reciprocal switching pacts allow multi-carrier access to shippers' facilities which are on only one railroad line.

The action by the Justice Department and a protest by Conrail may have been the factors which made Chessie decide to revise its tariff filing.

The new tariff being filed this week with an effective date of Feb. 20 is intended to make Conrail agree to lowered joint rates equal to the reduced single line levels.

Conrail's protest is expected because it would eliminate the advantages created by the lowered single line rates.

The technique Chessie chose to use was to state that reciprocal switching agreements would be cancelled if the joint rate wasn't lowered to the same level as the single line rates.

Joint rates are charged by carriers on a multi-line move and are lower than if the carriers charged separately for each part of the move.

Interested parties to this battle are the shippers who are concerned that they will be left as captives to one carrier after the rate battles are concluded. Shippers have been vocal in expressing their interest in maintaining choices of carriers.

Both sides in the dispute express their desire to be seen as offering benefits to shippers.

Conrail says it is the low-price carrier in the Northeast and points to the cost reductions as evidence of its efforts to capture new business.

Chessie officials say their revised filing will give shippers a choice of carriers and therefore will help shippers.

Among the types of goods for which Conrail and Chessie compete are auto parts, scrap steel, chemicals and beer.

Chessie officials have said they have filed single line rates which are competitive with Conrail's, but a spokesman noted that those single line rates do no good when Chessie doesn't reach the destination city.

Two other railroads have interests in the flow of traffic in the Northeast.

One, the Norfolk & Western, chose not to enter the cancellation battle, but did choose to close some gateways to Conrail and Chessie.

However, Arnold B. McKinnon, executive vice president marketing of Norfolk Southern Corp., said N&W really wasn't anxious to close gateways because railroad attorneys in the past have questioned the legality of the policy on grounds that it violates the Staggers Act.

However, Mr. McKinnon said, after litigation and ICC action permitting such moves, N&W had no choice but to act to protect its traffic base.

He said, too, that the rate battle is expected to continue. "It's a very fluid situation," Mr. McKinnon said.

GT Rail System, which moves large volumes of auto parts, sued Conrail over an earlier effort to cancel joint rates.

The suit was decided in GT Rail System's favor and the joint rate cancellation was voided. However, the suit was appealed to the U.S. Court of Appeals.

The basis of GT Rail System's case is an agreement which was made was Conrail was formed in 1976, keeping the joint rate structures of the railroads which dissolved into Conrail.

However, Conrail maintains that the old rate structure can be voided by the ICC. Actions to cancel joint rates are, in Conrail's opinion, ways of rationalizing impractical patterns which were left by overlapping routes of the predecessor lines.

Journal of Commerce, February 3, 1983

Group Urged to Push Rail Act Probe

Journal of Commerce Staff

WASHINGTON — The Senate Commerce, Science, and Transportation Committee has been asked to push for government re-regulation of rail rates for captive shippers and to speed its investigation into implementation of the Staggers Rail Act.

The National Industrial Traffic League made the request, complaining that many of the reforms in the 1980 rail law have not been pursued by the Interstate Commerce Commission.

The group said it has yet to see the expanded use of reciprocal switching, opening of gateways and trackage rights, or an easing of track construction rules.

It also is concerned about the elimination of some joint rates and gateways through which carriers interchange freight.

The shipper group said the Staggers Act was allowing a fragmentation of nation's rail network and narrowing shipper selectin of efficient transportation routes.

As a result, the shippers charge the rail act was creating an anti-competitive situation.

The shipper group also called on the ICC to impelement congressionally mandated cost tests to gauge non-competitive rates where a railroad has achieved market dominance.

Journal of Commerce, February 2, 1983

Canada Announces Major Rail Overhaul

By LEO RYAN
Journal of Commerce Staff

MONTREAL — The Canadian government announced Tuesday a signficiant overhaul of artificially low grain transportation rates and a multibillion dollar program to dramatically expand the country's western rail system with a view to meeting future demand from the Pacific Rim region for cereals, coal and other commodities.

In what was termed "the largest capital project in Canadian history," the Ottawa authorities said they will spend C$3.7 billion over four years and this will result in $16.5 billion in direct railway investment during the next 10 years.

The blockbuster undertaking, announced in press conferences held simultaneously in Winnipeg and Montreal (respectively the grain and transportation capitals of Canada), is aimed at strengthening Canada's position as a world exporter of grain and other commodities, at accelerating investment and generating jobs in a recession-torn economy.

It follows a recent extensive tour of Pacific Rim countries by Prime Minister Pierre-Elliott Trudeau and stepped-up discussions in the past year with Canadian farmers, shippers and railway interests.

Transport Minister Jean-Luc Pepin stressed that a revised freight rate, dismantling the 86-year-old Crow's Nest Pass rate equivalant to half-a-cent per ton-mile, will remove disincentives to livestock and specialty crop production and food processing in western Canada. And complementary initiatives are to enhance feed production in eastern Canada, notably in Quebec.

"New railway construction, including tunnelling and double tracking in western Canada, as well as rail car and equipment manufacturing, will create jobs and investment opportunities across the country," a communique stated, adding that the investments will alleviate capacity constraints and bottlenecks which would have clogged Canada's western rail network by 1985.

The federal government will introduce legislation early in the forthcoming session to enact the new transportation regime. In the interim, the government will make payment of $313 million to Canadian National and Canadian Pacific railways so that additional railway construction can be undertaken this spring.

In letters to the government released Tuesday, the national railways made commitments to invest $806.6 million in 1983. Both railways last year lost a total of $440 million on grain movements.

The government will conduct a full-scale legislative review after four years of the working of the new system.

Regarding the view of some Quebec government officials that doubling western rail capacity could deviate grain traffic away from the Great Lakes-St. Lawrence Seaway corridor, Agriculture Minister Eugene Whelan countered: "The expanded capacity will benefit all regions and enable Canada to better serve the growing markets of the Pacific Rim."

In answer to a question at the Montreal press conference, Mr. Whelan dismissed suggestions that in the long run the vast railway program would undermine the activities of Thunder Bay, Canada's leading cereals export port, and of Great Lakes shipping firms.

For his part, Rear-Admiral Robert Timbrell, president of the Dominion Marine Association, said, in a telephone interview, that he was not unduly concerned, recalling that a record 17 million metric tons of grain moved through Thunder Bay in 1982.

William O'Neil, president of the Ottawa-based St. Lawrence Seaway Authority, said he did not foresee a decline in grain movements through the Seaway as a result of improved western rail transportation.

"There are natural markets for certain geographical areas. Grain exports to the Middle East, Africa, Europe and Russia will continue to be shipped through the Great Lakes, while grain sales to Japan, China and other Asian countries will flow via the West Coast."

The eastern movements of grain, Mr. O'Neil said, will increase at a healthy pace in the years ahead, though not as rapidly as the western movements, if the Canadian Wheat Board forecasts are fulfilled.

Highlights of the new transportation program:

— A phased-in increase in grain transportation rates will, after government payments, result in the producer paying by the 1985-86 crop year approximately 30 percent of the estimated total costs, compared with 20 percent at present.

— In accordance with the recommendation of a report by Manitoba economics professor Clay Gibson, producers will be required through a blended freight rate to absorb all cost increases due to additional grain volumes over the record 1981-82 level of 31.1 million tons.

— A statutory annual payment of a "Crow Benefit" of $656.6 million. By the 1986-87 crop year, about 50 percent of these payments will be going to producers and 50 percent to the railways.

— The new policy means the rates western farmers pay for shipping grain will be brought more in line with actual costs. These rates will increase to slightly less than double its current level (15 cents a bushel) by 1985-86. Farmers and the government will share cost increases under a new formula.

— The government will compensate the railways for grain transportation losses only if the railways meet performance and investment commitments.

— The government will purchase up to 3,840 hopper cars over the next three fiscal years at an estimated cost of $290 million, and will continue to fund until 1989 the branch line rehabilitation program at an added cost of $670 million.

— The federal government will invest a further $93 million in Quebec to develop the province's agricultural industry. The port of Montreal's grain-handling capacity will be extended.

— Incentive and assistance measures totaling $250 million over five years to promote Canadian industrial and agricultural development.

Minneapolis Star and Tribune, February 3, 1983

Canada's farmers to start paying the freight on grain

By Douglas Martin
New York Times

Toronto, Ontario
For wheat growers on Canada's prairies, an 86-year-old free lunch appears to be over.

The federal government announced that over the next eight years, the rate that farmers pay railroads to transport grain to eastern markets is likely to quintuple after remaining unchanged since 1897.

At that time, the historic Crowsnest Pass Agreement between Ottawa and the Canadian Pacific Railway cemented in place a rate per ton-mile of a half cent for grain shipments to the east from the central and western prairie provinces.

The result: *It is now cheaper for prairie farmers to ship 100 pounds of grain to Thunder Bay, Ontario, than it is to mail a 30-cent letter there.*

Indeed, the present rate amounts to about one-fifth of what it costs the railroads to move wheat and other grains to Canada's ports and domestic markets, and it is far cheaper than rates in the United States.

"Farmers, like all others in society, should pay the costs of inflation," said Transport Minister Jean-Luc Pepin. "We all contribute to it, and consequently we should all suffer from it."

The proposal by the Liberal government of Prime Minister Pierre Trudeau comes in the form of a bill to be introduced in Parliament this month or next. Since the Liberals control that body, passage is considered virtually certain.

In essence, the proposed change calls for the federal government to subsidize rates, while farmers' own payments are also gradually increased. By 1991, the proportion of the cost paid by grain shippers is estimated to increase from 18 percent to 57 percent; a typical farmer will see his average cost for shipping a ton of grain nearly double to $9.35 (Canadian) over the next three years.

The remainder will come from a huge infusion of government subsidies — $9.2 billion over the rest of the decade. The government also promised to spend hundreds of millions of dollars to help railroads upgrade their lines.

The railways are losing $350 million annually because of the artificially low grain rate, a deficit that has been rising at an average rate of 15.5 percent a year.

Canadian Pacific is the largest company in Canada, with interests in airlines, energy and many other enterprises. (Canadian Pacific owns a controlling interest in the Minneapolis-based Soo Line Railroad Co.) Canadian National is owned by the Canada government.

The so-called Crow rate of 1897 gave Canadian Pacific a $3.4 billion subsidy for the construction of a line from Lethbridge, Alberta, through the lucrative mining area of Crowsnest Pass, which is between British Columbia and Alberta, to Nelson, British Columbia. The principal goal was to link British Columbia to central and eastern Canada, rather than allow then-growing ties to the United States Northwest to become dominant.

Canadian Pacific agreed to reduce westbound rates on some goods needed by settlers, such as farm implements, and reduce the rate on grain shipments eastward to Thunder Bay.

These low freight rates are now viewed by economists and historians as a key to the pattern of Canada's development, with the west producing agricultural goods to ship eastward for processing.

However, representatives of some wheat growers, who have come to refer tenderly to the low rate as the "Holy Crow," reacted angrily. "It's an integral part of the western Canadian economy," John Oberg, a leader of the National Farmers' Union, said. "It was a grand concept."

The government countered that the impact will be minimal. "At the end of this exercise, the farmers will be paying 5 percent of the price at which they sell their grain, which compares very favorably with the 8 to 10 percent they paid even in the '70s," Pepin said.

12

Journal of Commerce, February 1, 1983

Canada to Unveil Plans For Big Rail Investments

By LEO RYAN
Journal of Commerce Staff

OTTAWA — Federal Transport Minister Jean-Luc Pepin will unveil one of Canada's largest postwar industrial undertakings today when he announces details of a program of massive new railway investments in the western part of the country to serve a more market-oriented agricultural economy.

At a press conference being staged in Winnipeg, the grain capital of western Canada, Mr. Pepin will outline the government's commitment to spending nearly C$1 billion a year during the remainder of this decade on an expanded rail system, a government source confirmed. Agriculture Minister Eugene Whelan will be giving a separate press conference in Montreal.

"The total package could exceed $8 billion," the source said.

The required legislation for the program, expected to be introduced within a few weeks, will involve the dismantling of the 86-year-old Crow's Nest Pass freight rate for shipping grain.

The latter bas been described as the world's longest surviving tariff, permitting farmers to ship grain at about one-fifth the actual transportation costs. Originally accorded to western farmers "in perpetuity," the artificially low Crow rate (currently 15 cents a bushel) has severely inhibited rail expansion and swollen the losses of Canada's two national railways. Last year, Canadian National Railways and CP Rail together lost C$440 million on grain movements.

Without a breakthrough on the Crow issue, it was widely feared that an anticipated transportation bottleneck in the mid-1980s would necessitate traffic rationing.

The Canadian Wheat Board has set an export target of 30 million metric tons of grain by 1985, compared with the target of 26 million metric tons in the 1982 crop year. A new surge in world demand for Canadian grain, potash, sulfur and coal is forecast in this decade.

For CN Rail, the most urgent need is for double-tracking its line west of Edmonton. For CP Rail, the most serious bottleneck is at Rogers Pass in the Selkirk Mountains of British Columbia. Both railways eliminated 7,000 jobs last year and are striving to regain profits.

It is understood that the government has endorsed the major recommendations made last year by University of Manitoba Economics Professor Clay Gilson. In his report, Professor Gilson proposed that the burden for transporting grain should be gradually shifted from the railways to the government and the producers. Presently, the railways pay about 50 percent of the cost of transporting wheat, while producers pay 20 percent and the government 30 percent.

"What is important, too, in the long run, is the impact on western agriculture and the greater emphasis placed on processing of grains and livestock," said Arthur Kroeger, deputy minister of transport, in an interview.

Observers agree that a revised tariff system will generate important changes in the farm industry of western Canada, with a bias swinging from traditional raw wheat and barley for export to more diversified crops, more cattle and animals grown with domestic feed, as well as greater processing.

The original decision to "modernize" the Crow rate was taken in 1982 amidst a growing consensus on the issue among farmers, shippers and railway interests. The powerful western wheat pools, however, strongly reject the concept of shifting the burden to farmers.

Elsewhere in Canada, notably in Quebec, there has been increasingly vocal opposition in recent months.

Quebec farming interests fear that raising the freight rates will have a big impact on their feed grain costs. And Quebec government officials argue that implementing the Gilson report will have an adverse effect on both Quebec agriculture and maritime transport on the St. Lawrence-Great Lakes corridor.

Since the St. Lawrence Seaway handles about 45 percent of grain exports, the Quebec authorities are concerned that significant traffic could be lost. They fear that the railways, in order to amortize their new investments in western rail expansion, will be tempted to transfer to the Pacific Coast part of the grain volume normally shipped via Thunder Bay, and thereby diminish grain elevator activity at St. Lawrence River ports. This matter is expected to be addressed by Mr. Whelan during his Montreal press conference. Transportation officials in Ottawa, meanwhile, contend that the Quebec fears are unfounded.

Journal of Commerce, February 3, 1983

Proposed Grain Transport Reforms Meet Strong Opposition in Canada

By LEO RYAN
Journal of Commerce Staff

MONTREAL — Canada's three biggest grain handling organizations, certain farm groups, and the Quebec government have voiced strong opposition to a sweeping federal plan for reforming the grain transportation system.

But approval has come from producers of livestock and other commodities in western Canada. As a result of the proposed dismantling of the 86-year-old Crow's Nest Pass grain freight rate, some experts estimate that western Canada livestock output could grow by $1 billion by 1990, while feed-milling, meat-packing and oilseed crushing industries could expand by $350 million annually.

In announcing its four-year, $3.7 billion program on Tuesday, the federal government indicated it will subsidize western grain transportation to the tune of $651 million a year and offered the two national railways, Canadian Pacific and Canadian National, an immediate lump sum of $313 million to increase rail capacity.

Western farmers presently pay about $4.89 per metric ton to ship their grain to ports. That rate will, in principle, start increasing next August and double by 1986.

The Saskatchewan Wheat Pool, the Manitoba Elevators and the Alberta Wheat Pool protest that too much of the burden is being placed on the farmers. "Instead of being protected by a statutory rate, farmers have been presented with an open-ended bill for transportation costs," one wheat pool official said.

Another wheat pool spokesman affirmed there are indications that most of the new western rail capacity will be used to haul mineral and forestry products rather than grain.

While the National Farmers' Union reiterated its opposition to a revision of the Crow rate, a different stance was taken by the Manitoba Farm Bureau, an umbrella group for a wide variety of producers, which was enthusiastic over plans to develop agricultural processing and other industries in western Canada.

"It's probably a pretty positive step," remarked Larry Clifford, president of the Manitoba Cattle Producers Association.

In Montreal, a coalition of farm groups protested that farmers in western Canada were being favored over farmers in eastern Canada. The federal plan was criticized in particular for damaging the competitive position of Quebec livestock producers. Jean Garon, Quebec's agriculture minister, accused the Ottawa authorities of betraying Quebec's interests.

Spokesman for the two federal political opposition parties, the New Democratic Party and the Progressive Conservative Party, were sharply critical. Edward Broadbent, leader of the New Democratic Party, said western grain farmers cannot afford a possible five-fold increase in the freight rate by 1991, whereas Conservative critic and former transport minister Donald Mazankowski, said: "They've killed the Crow and given us a turkey."

Minneapolis Star and Tribune, February 2, 1983

Boschwitz seeks to trim use-tax for trucks

By Staff Correspondent

Washington, D.C.
Sen. Rudy Boschwitz, R-Minn., introduced legislation Tuesday to reduce the highway use tax scheduled to be levied against heavy trucks starting in mid 1984.

The use tax, coupled with a 5-cent-a-gallon increase in the federal tax on gasoline and diesel fuel and other increases in excise taxes on trucking equipment and registration fees for large trucks, has fueled the strike by independent truckers. The tax increase on gasoline and diesel fuel is scheduled to take effect April 1.

Boschwitz said yesterday that his bill has no direct connection to the truckers' strike. He made a nearly identical attempt to change the law in December when Congress was raising taxes on trucks, but his efforts failed.

"I felt then, as I feel now, that it is absurd to expect an industry as hard hit by the recession and deregulation as the trucking industry to absorb tax increases (that for some truckers can amount to over 700 percent)," he said.

"We cannot expect an industry which made only $210 million in profits on $44 billion in revenues to absorb the increases which passed," he said.

By contrast, the Reagan administration contends that truck taxes and fees must rise to help pay for rebuilding the nation's highways and bridges. Truckers reap the biggest benefits of the highway system, outgoing Transportation Secretary Drew Lewis said Monday, but "are paying only 73 percent of the cost to repair the damage they cause to the roads."

If the present law goes into effect, truckers would be assessed annual use taxes of $1,600 for the largest trucks beginning in July 1984 and rising to $1,900 by July 1987. Under the Boschwitz plan, use taxes for the largest trucks would begin at $400 in 1984 and rise to a maximum of $1,200 in 1986.

The Washington Post, February 2, 1983

Railroads Beat Vepco on Pipeline Bill

By Michael Isikoff
Washington Post Staff Writer

RICHMOND, Feb. 1 — For the past three weeks, former Democratic Party chairman William G. Thomas and lobbyists for the Virginia Electric and Power Co. have stalked the hallways of the General Assembly, cornering legislators and lining up votes for their billion-dollar coal-slurry-pipeline bill.

A block down the street, former Republican governor John N. Dalton and other lobbyists hired by the railroads worked the other side. One by one, Dalton called in lawmakers for hour-long chats in his Richmond law office where he argued against the project by showing off a small bottle of filthy water, taken, he said, from a slurry pipeline.

The battle over the pipeline—the Super Bowl of corporate lobbying in Virginia—played today before a crowded House committee room and, by the time it was over, the railroads had smashed Vepco with the ferocity of John Riggins tearing through the Dolphins' line.

"It's flushed like sewage — down the tubes," gloated Houston W. Kitts, the lobbyist for the United Transportation Union, after Vepco's slurry bill was trounced in a surprise 14-to-5 committee vote. "There's been more intense lobbying on this than anything I've ever been associated with."

Associated Press
Del. Warren Stambaugh (D-Arlington), sponsor of losing bill, displays purified water from a coal-slurry operation.

The vote in the House Corporations, Insurance and Banking Committee does not necessarily finish off the pipeline issue for this year's session. An alternative pipeline bill—proposed by Southwest Virginia lawmakers with the backing of the coal industry—was deadlocked in committee 10-to-10, while another bill proposing a $200,000 study of the pipeline has not been voted on.

But given the opposition of Gov. Charles S. Robb to any pipeline action this session, there appeared little chance that the controversial project would get the green light before the legislature goes home Feb. 26. If that is the case—and even the coal industry's chief spokesman acknowledged today that chances for switching votes were "remote" — Vepco may have only itself to blame, many legislators said.

The state's biggest utility has pulled out all the stops for the pipeline, a massive project that would pump a mix of pea-sized crushed coal and water from the coal mines of southwest Virginia to its Tidewater power plants. Since its efforts began, the utility had flown leading legislators on an expense-paid "inspection" trip to Arizona, shown coal-slurry movies, and sent out mass mailings to its 90,000 stockholders and 12,500 employes in an effort to win public support.

In conjunction with Transco Energy Co. of Houston, Vepco also hired a stable of some of the capital's higher-priced advocates, including Thomas, a top political adviser to Robb, and E.H. (The Judge) Williams, the portly veteran lobbyist for the trucking industry.

Curry A. Roberts, a former political aide to Democratic Lt. Gov. Richard J. Davis, was hired to run the newly formed "Virginians for Competitive Coal Transportation," which bombarded lawmakers and the media with press releases and Vepco-financed consultants' studies.

But in the end, the company suffered from what many legislators called a public relations blunder, requesting a $105.7 million fuel-charge increase the day before its prized bill finally came to a vote. Legislators said the requested 5.2 percent increase brought a groundswell of hostility against Vepco rushing to the fore.

"The timing on that [request] was awful; a lot of people were talking about it," said Del. V. Thomas Fore-

The Washington Post, February 2, 1983
Railroads Beat Vepco on Pipeline Bill - Cont'd.

hand (D-Chesapeake), who voted against the pipeline. "I think people are suspicious of anything Vepco is involved in. They feel that if Vepco is involved in it, there must be something wrong with it."

"It definitely clouded the issue," added Del. Kenneth R. Plum (D-Fairfax). "Whenever my constituents write me a letter, they always put in a dig at Vepco."

The railroads, who view the pipeline as a threat to their coal-carrying monopoly, have been fierce in opposing the project. Last week, they held two huge dinners at Richmond's Commonwealth Club for all members of the legislature and their wives.

The Richmond-based CSX Corp. retained the prominent Richmond law firm of McGuire, Woods, and Battle. The firm's best known member, Dalton, who also sits on the CSX board, quickly began calling GOP legislators to set up appointments in his office.

"When he called me, I told him, 'You're the lobbyist, you come see me,' " said Del. Warren E. Barry (R-Fairfax). "He said: 'I was governor, I can't go roaming the halls down there.' "

Dalton brushed aside charges by Democrats that it was improper for a former Virginia governor to be lobbying. "I've talked to probably half the members of the legislature," Dalton said in a telephone interview. "When somebody's trying to take a substantial part of your business away, you just can't sit back and be idle."

Dalton played on environmentalists' worries about the pipeline with the bottle of dirty water on his coffee table. "It's terribly dirty," Dalton said. "I wanted them to see this is what drinking water would be like [if the pipeline were built]."

The primary focus of today's hearing was a bill, drafted by Thomas' law firm and introduced by Del. Warren G. Stambaugh (D-Arlington). It would empower the State Corporation Commission to grant permits for construction of a slurry pipeline provided that certain environmental concerns, such as contaminated water, were addressed.

A coal slurry pipeline, Stambaugh said, would be "the most efficient and cheapeast way to transport coal" and eventually help to hold down utility rates. But many legislators were not sure they had digested all the arguments.

"There was much too much pressure to put through something like this in one session," said Del. Gladys B. Keating (D-Fairfax), who voted against the bill. "It was just too complex."