Corporate Relations 1683

MEDIA MONITOR June 10, 1983

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Journal of Commerce, June 9, 1983

Court OKs Milroad Bond Payments

Journal of Commerce Staff

The federal court overseeing Milwaukee Road's reorganization has approved the trustee's program to pay some $28.4 million of accrued interest to some bondholders.

Trustee Richard Olgivie earlier reached an agreement with indenture trustees representing most of the bankrupt railroad's claims against its estate. Those trustees represent bondholders whose claims are fully secured by mortgages on Milwaukee Road property.

The court approved the plan to pay interest claims accrued through Dec. 31 last year, and some litigation settlement amounts, with funds from the railroad's escrow accounts.

Payments to be made by June 30, per $1,000 principal amount, less litigation expenses are: first mortgage bonds, $220; Series A general mortgage bonds, $397.98; Series B general mortgage bonds, $415.85; Bedford Belt Railway Co., $239.53; Southern Indiana Railway first mortgage bonds, $238.15; Chicago, Terre Haute and Southeast first and refunding mortgage bonds, known as Terre Haute bonds, registered, $237.29, unregistered, $233.54.

Payments by the bank trustees for the bondholders will be made to holders of record on June 20, or June 22 for the Terre Haute bonds.

Chicago Sun-Times, June 9, 1983

MILWAUKEE ROAD: A federal bankruptcy court has approved a plan to pay about $28.4 million in interest to certain bondholders of the Chicago, Milwaukee, St. Paul and Pacific Railroad, known as The Milwaukee Road. Interest claims accrued through Dec. 31, 1982, will be paid out of the railroad's escrow accounts. The court is overseeing the company's reorganization plan.

Des Moines Register, June 2, 1983

North Western threatens cuts if Soo gets tracks

By RANDY EVANS
Register Staff Writer

The North Western Railway has warned it will be forced to withdraw from competition for freight business between Minneapolis and Kansas City if it loses the old Rock Island "spine line" to the Soo Line Railroad.

In statements filed with the Interstate Commerce Commission, North Western officials said Soo Line ownership of the Rock Island tracks will decrease rail competition in the Midwest, not increase it, and will have a detrimental effect on their company.

The North Western and Soo Line are trying to acquire more than 700 miles of tracks in Iowa, Minnesota, and Missouri belonging to the bankrupt Rock Island Lines. The matter now is before the ICC, which will decide later this month which company would best serve the public interest by owning the tracks.

The North Western has been leasing and operating the Rock Island tracks since the Rock went out of business three years ago. The Justice Department supports the Soo Line, however, contending that North Western ownership would lessen competition because the company already owns a Minneapolis-Kansas City line that parallels the Rock Island's "spine line." The Soo Line system does not extend south of the Twin Cities now.

Benefits Called "Illusory"

But in its latest comments to the ICC, the North Western said those competitive benefits from Soo Line ownership are "illusory" because the Soo would drain $58 million in business away from the North Western, making it impossible for the company to remain competitive in the north-south corridor.

"Approval of the proposed Soo Line acquisition will not result in a net gain in the number of rail competitors in the Twin Cities-Kansas City corridor," North Western Vice President Julian Eberhardt told the ICC. "Instead, North Western would simply be supplanted by the Soo Line and would cease to operate as an effective competitor for overhead traffic in this market."

The North Western would lose nearly 68,000 cars of freight annually, principally grain originating on several hundred miles of Rock Island branch lines in Iowa, and chemicals, lumber and paper products originating in Canada. North Western officials said their company would lose that Canadian business because the Canadian Pacific Railroad would divert it to the Soo Line, its sister company.

"Faced with diversions of this nature, North Western would lack a sufficient traffic base to justify the expenditures that would be needed in order to remain an effective competitor for overhead traffic moving in the Twin Cities-Kansas City corridor," Eberhardt said.

The company's own tracks between Minneapolis and Ames still would be used to transport grain that originates on the North Western's branch-line network in north-central and northwestern Iowa, he said. But the North Western's north-south track essentially would become a branch line, too.

"These lines would have to support themselves, and if they could not, they would be potential candidates for abandonment," Eberhardt warned.

Iowa Takes No Stand

The Iowa Department of Transportation, in comments made to the ICC, said it neither supports nor opposes the Soo Line's application to buy the Rock Island tracks. The DOT took the same position regarding the North Western's application.

The DOT has urged the ICC to require the successful purchaser to share the "spine line" with other railroads — a move the DOT believes would ensure the long-term success of the line.

Final comments to the ICC from the Soo Line are due Friday.

Des Moines Register Editorial
June 3, 1983

North Western or Soo?

Congressmen Tom Tauke and Cooper Evans have asked the Interstate Commerce Commission to reject the Soo Line's bid and let the Chicago & North Western buy the north-south line and north-Iowa grain-area branches of the bankrupt Rock Island. The Iowa Department of Transportation has taken a neutral stand, but many shippers and public officials support the Soo Line's bid.

The issue is not whether more rail competition in Iowa's prime grain-growing areas would be a good thing, but how feasible it is. The Soo Line would bring competition; the North Western would reinforce its present strong position across much of Iowa, including the area in question.

But the North Western has argued, not implausibly, that there isn't enough business to keep two railroads healthy, and Tauke and Evans told the ICC the same thing. The unspoken fear is that the North Western might end up in serious economic distress if it can't buy the lines (which it has been operating under lease) and keep new competition out.

The railroad industry is undergoing tremendous change. It is not far from being dominated by five huge merged systems: Conrail, CSX and Norfolk Southern in the East; and Burlington Northern and Pacific Rail Systems (Union Pacific and its new affiliates) in the West. Even the two largest remaining unmerged western railroads, the Santa Fe and the Southern Pacific, are somewhat nervously feeling around for partners.

There are hardly more than a half-dozen North Western-sized systems left in the country, and many industry analysts expect most or all of them to be swallowed by the giants in the not-too-distant future. (The Soo Line is a North Western-sized system that has long been part of the Canadian Pacific empire.)

In the short run, the fate of the disputed Rock Island line could make a real difference in the health of the North Western. In the long run, the status of rail competition in the area could depend on which giant system, if any, absorbs the North Western and when; and on how the now-bankrupt Milwaukee Road prospers after it is bought by the Grand Trunk Western, a Canadian National affiliate.

The Soo Line was at first outbid by the North Western for the Rock Island track, then later raised the ante. But this will not be the most important factor for the ICC to consider. And Iowans can be assured of rail service in the area, whichever way the decision goes. It isn't a now-or-never crisis, like the current effort to save the east-west Rock Island line from extinction.

Journal of Commerce
June 8, 1983

Railroad Revenues Dip 1.9%

Journal of Commerce Staff

WASHINGTON — Net revenues from operations by the nation's railroads were down 1.9 percent in the first quarter of 1983 as compared with the same period a year ago, the Association of American Railroads reported.

Ordinary income for the quarter fell 17.6 percent, from $210.4 million to $173.2 million, the association said.

A 15 percent drop in coal traffic was blamed for much of the 9.4 percent decrease in carloadings, but increases in traffic should result from building material movement, an AAR spokesman said.

Net revenue from operations during the first quarter fell to $361.5 million from last year's first quarter figure of $368.7 million.

The southern and western districts showed revenue increases, while the eastern railroads suffered a big 87.3 percent drop during the quarter. A drop in export coal traffic was largely responsible for the east's poor performance.

Operating revenues increased 34 percent in the west, and 33.4 percent in the south, AAR said.

Journal of Commerce, May 13, 1983

Farm Groups Fear Rail Decontrol Moves

By JOAN PRYDE
Commodity News Services

WASHINGTON — U.S. farm industry groups are concerned that the Interstate Commerce Commission will move soon to deregulate rail traffic of grains, soybeans and sunflower seeds, representatives of those groups and Agriculture Department officials told Commodity News Services.

"I wouldn't be surprised if it happened fairly soon," American Soybean Association official Nancy Foster said. "Farm groups are on the lookout for it."

Martin Fitzpatrick, the director of USDA's Office of Transportation, said, "From decisions they have made over the last several months, one must conclude they are very seriously considering it."

Other groups expressing the same concern are the National Grain and Feed Association, the American Farm Bureau Federation, the National Council of Farmer Cooperatives and the National Sunflower Association.

In a decision published in March, the ICC deregulated rail traffic of most agricultural commodities but left movement of grains, soybeans and sunflower seeds under government regulation. The ICC said not enough research had been done into whether movement of grains, soybeans and sunflower seeds was "limited in scope" and whether such deregulation would cause abuse of market power by the railroads.

An ICC official told CNS at the time of the March decision he "wouldn't be surprised" if the ICC moved on to grains, soybeans and sunflower seeds. Last month Burlington Northern Railroad Vice President Darius Gaskins said he would expect the ICC to be favorable toward such a proposal if it was presented to the commission.

An official of the National Council of Farmer Cooperatives told CNS that depending on how well the commission wrote a decision, which is due in a few weeks, deregulating the movement of export coal, a railroad company probably could use those arguments to form a proposal on the three commodities still under regulation.

Speculation on who might bring such a proposal is centering on Burlington Northern, which developed the proposal leading to the March decision on deregulation of most agricultural commodities.

Burlington Northern spokeswoman Lynn Casey told CNS that although the company "had thought about it" and considered it a logical next step, there was nothing being drafted now. "It's such a politically sensitive area we decided to hold off" for the time being, she said.

Industry and government officials who believe the ICC will take further deregulatory action also point to the commission's recent decision on boxcar traffic in the United States, which in effect makes rail movement of grains, soybeans and sunflower seeds exempt from regulation if that form of rail transportation is used.

The one factor that could hinder deregulatory moves of the ICC is the reported dissension among commission members over how quickly to continue deregulation.

That disagreement was apparent in the boxcar decision, a 5-2 vote with Chairman Reese Taylor publishing a strongly worded dissenting opinion.

Journal of Commerce, May 18, 1983

Railroaders Fight Slurry Legislation

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Railroad labor continued its fight against controversial legislation giving coal slurry pipeline companies the right to build their pipeline projects across a railroad's right-of-way.

Permitting the development of these pipelines will only aggravate employee pension problems, they said, because diversion of coal from the railroad to pipeline will be accelerated.

Meanwhile, the National Association of State Regulatory Utility Commissioners urged approval of the legislation if the Interstate Commerce Commission or state regulatory agencies have the power to veto rates charged by the pipelines on grounds they are too high.

Witnesses at the Senate Commerce Committee hearing on the subject here this week included Railway Labor Executives Chairman Jim Snyder and Lloyd Duxbury, president of the Railroad Retirement Association, a group formed last September that now boasts 25,000 members.

But their message was the same.

Permitting the construction of coal slurry pipelines, they argued, will result in additional railroad layoffs once coal is diverted to the pipelines.

This will aggravate the financial shortfall problems facing the railroad retirement fund which could result in railroad employee retirement benefits being reduced by as much as 20 percent this October.

Any further reduction in the size of the railroad industry's labor force will make either higher retirement taxes or a reduction in retirement benefits inevitable, the officials told the committee.

Any legislation in this area should contain provisions providing for state or federal review of rate proposals, they added, suggesting that the review process be placed with the Federal Energy Regulatory Commission.

Other witnesses expressed skepticism over the viability of the coal slurry approach on grounds ranging from that much of their financing is tied to long-term "take and pay" contracts to allegations that not enough water may be available for them.

Milwaukee Journal Editorial, June 8, 1983

Miller strikers run huge risk

Workers' concern for job security is perfectly understandable, but we cannot help wondering whether striking Miller Brewing Co. employes have chosen a wise way of expressing their anxiety. The strike might *diminish* job security, at least in the long run.

What apparently precipitated the walkout was a company proposal to make 325 workers eligible for early retirement. Members of United Brewery Workers feared that proposal meant the company was planning to eliminate a substantial number of jobs and tighten up on work rules.

Even if that is the case, it is probably something that the strikers can't stop. When a company has a strong economic reason for reducing its work force, about the best that a union reasonably can expect is some arrangement that cushions the impact. It simply is not realistic — in a fiercely competitive world — to demand that a company permanently retain more workers than it needs.

Perhaps Local 9 understands those facts. Perhaps it is just trying to negotiate better terms in the event that a reduction of jobs is necessary. That is a legitimate role for a labor union, a role that a reasonable employer will respect.

What worries us, however, is the possibility that the union's more militant members will push their case too hard, giving the company reason to shift more of its production to other cities. Remember, it has been only two years since Local 9 went on strike at the Schlitz plant, a step that preceded the permanent closing of that brewery.

True, Schlitz may have had other important reasons for closing the plant, but the strike certainly did not help. The company wanted to change uneconomic contract provisions, and the union said no, just as it is doing now at Miller.

If the latest strike results in a further erosion of Milwaukee's most famous industry, the damage will extend far beyond Miller Valley. It will harm the reputation of Milwaukee as a place to do business, tending to weaken job security on a communitywide basis.

That's an unpleasant possibility that the strikers and their management counterparts should not overlook. We urge them to resume negotiations, determined to find a realistic answer.

Journal of Commerce, June 7, 1983

NWP Service Resuming With Surcharge

Journal of Commerce Staff

Service will resume later this week on the Northwestern Pacific Railroad with a $1,200-per-car surcharge applying to movements on the northern portion of the California line.

Southern Pacific Transportation Co., parent of the Northwestern Pacific, agreed to resume service after talks between the Interstate Commerce Commission and the carrier stopped.

At the same time, though, Southern Pacific reiterated its intention to file for abandonment of the northern 145 miles of the line because of mounting losses which the carrier contended reached $10 million in 1982.

The commission's San Francisco regional office had written to SP last week proposing legal action if the line wasn't reopened.

The line was closed two months ago, but shippers and area officials claiming that operations could be resumed, pressed the carrier to reopen the line which the carrier embargoed following landslides and washouts under the tracks.

Shippers, however, argued that the embargo was being used to discourage traffic and reinforce the carrier's participation in the abandonment process. SP responded that a number of slides in the Scotia, Calif., area had made movements unsafe.

Interest in keeping the line open was based on two contentions. Shippers said before the surcharge announcement that truck costs are at least double the price for rail shipments of their lumber products. Local officials also were worried about increased truck traffic on narrow, winding roads in the northern California area.

Speeds on the weather-damaged sections will be restricted to 10 miles per hour, an SP spokesman said.

The surcharge will become effective July 18.

Southern Pacific expressed disappointment that talks with the ICC regarding what the carrier termed a compromise position weren't fruitful.

The carrier was proposing a reloading allowance for shippers ranging from $200 to $450 per car based on distance goods were moved. The reloading allowance would have gone to defray trucking costs from the Eureka-Arcata, Calif., area where the major shippers are located to rail points away where goods would have been transloaded from truck to rail.

Milwaukee Journal, May 27, 1983

Losses increase at Harnischfeger

Brookfield — Losses mounted at the troubled Harnischfeger Corp. during the second quarter of the current fiscal year, the big manufacturing company reported Thursday.

In the three months ended April 30, the company recorded a $13.9 million deficit, boosting the loss for the first half to $26.6 million, or $2.66 a share.

The corporation has not completed negotiations with lenders in an effort to restructure its corporate debt agreements, Chairman Henry Harnischfeger said in a statement issued in conjunction with the midyear financial report. However, the statement said, he "hoped to be able to announce a successful conclusion shortly."

Harnischfeger, based in Brookfield, has been in default on certain covenants contained in long-term debt agreements since last October. Short-term credit has been canceled.

Ongoing deficits were forecast by executives at the annual meeting of Harnischfeger stockholders earlier this year, but no amount was projected.

The company lost $76.5 million during the fiscal year ended Oct. 31, 1982. The second-quarter deficit last year was $5.2 million, following a $280,000 profit in the first quarter.

With the company operating at only 30% of capacity, second-quarter shipments of both new equipment and replacement parts plummeted this year, a spokesman said. Volume dropped from $115 million in the second quarter of '82 to $75 million during the most recent three-month period.

Second-quarter bookings totaled $77 million, down from $124 million a year ago. The backlog rose $2 million, to $124 million, during the quarter but remained below the $165 million level of a year ago, the spokesman said.

"Bookings for domestic and export markets for construction lifting and mining equipment reflect that the capital goods industries are holding back commitments and investments because they have adequate capacity and are extremely cautious about the economic outlook," the chief executive officer said.

"However, we have seen some positive demand in the United States for materials handling equipment as well as service parts for that product line which indicates some selective plants and industries are slowly beginning to step up production," he added.

Harnischfeger said most Third World countries, which rank as major markets, continue to experience "horrendous" financial problems and have been unable to borrow capital. Any improvement in their respective economic conditions will "greatly enhance" demand for P&H equipment, he said.

Journal of Commerce, June 3, 1983

Waterway Users Hit Fee Plan

Cost Recovery Level Could Exceed 100%, Operators Charge

By GEOFF SUNDSTROM
Journal of Commerce Staff

WASHINGTON — The administration's new inland waterway cost recovery bill is "misleading" and could result in recovery levels topping 100 percent, the American Waterways Operators Inc. said.

The compromise legislation, worked out between William R. Gianelli, assistant secretary of the Army for civil works and the Office of Management and Budget, calls for a 70-30 split of the cost of inland waterway expenditures for commercial navigation, with the waterway users paying the higher percentage.

The bill was submitted to the Congress in search of sponsors May 19, but has yet to come up with official backing in either the House or Senate.

The waterway operators are criticizing the proposed bill since it does not repeal the inland waterways fuel tax, which went into effect in October of 1980. They say the fuel tax would be paid on top of the 70 percent recovery target aimed at in the new legislation, in addition to imposing congestion fees.

"In reality, the level of recovery could exceed 100 percent," the inland waterway group said.

Secretary Gianelli asked the OMB to drop its insistence on 100 percent recovery in favor of his "compromise between an ideal of 100 percent and the status quo."

But, the OMB apparently sat on the proposal for several months before settling for the lower percentage.

Mr. Gianelli's bill would recover its seven-tenths of capital costs, operation, and maintenance through a system-wide ton-mile fee, beginning initially at 1.1 mills per ton-mile, and by the use of a segment specific ton-mile fee.

The secretary of the Army, in consultation with the Department of Transportation, would levy the system-wide ton-mile fees on shipments orginating after Sept. 30, 1983, adequate to recover 70 percent of anticipated operation and maintenance costs.

Segment-specific ton-mile fees would begin a year later on Sept. 30, 1984, providing for recovery of 70 percent of capital costs.

Des Moines Register, May 27, 1983

Grain elevator officials back AGRI board

By LARRY FRUHLING and GENE ERB
Register Business Writers

AMES, IA. — About 40 officials of local grain elevators affiliated with the beleaguered AGRI Industries of West Des Moines met here privately for three hours Thursday night and later issued a terse statement "unanimously" backing AGRI's board of directors.

The gathering of elevator managers and local farm co-op presidents followed the firing of two AGRI officials by B.J. O'Dowd, AGRI's president, and disclosures that the grain-marketing giant had removed 130,000 bushels of wheat it did not own from one of its elevators in Texas.

Norman Havel, the general manager of Farmers Elevator Co. at Bondurant, spoke for the group here after the closed-door meeting, held at the Starlite Village Motel. He said the group backs AGRI's 12-member board of directors as well as the board's efforts to make AGRI profitable again. The company lost $2.8 million in its last fiscal year.

Although there were reports before the meeting Thursday night that it might lead to an effort to to fire O'Dowd, Havel said the subject didn't even come up. "We didn't discuss that at all," Havel said.

Earlier this week, O'Dowd narrowly escaped being fired by the board. The next day, O'Dowd fired Maurice Van Nostrand, AGRI's director of market research, and Tom Duffy, an AGRI vice president.

With only a few exceptions, Havel refused to comment beyond the two-sentence statement the local elevator managers and co-op presidents agreed to before their private meeting broke up.

One of those managers, who asked not to be identified, said earlier Thursday: "Somebody smells blood, and the wolves are out, unfortunately."

The manager said he hoped those present at the meeting would concentrate on sorting out the facts rather than going after O'Dowd's scalp.

"One of the reasons I'm going is that there have been so many conflicting stories about what happened. I want to see if I can learn something. I don't have enough information to make a judgment," he said.

The manager said he's "seen all the good things that have happened under O'Dowd, and these are bad times. I just hope everybody is fair."

The AGRI controversy began after the firings of Van Nostrand and Duffy. By one account, O'Dowd fired the two for telling the board about the grain shortage, which has triggered a federal inspection of all 12 of the company's federally licensed grain warehouses.

O'Dowd, who did not return calls Thursday, fired Van Nostrand and Duffy on Tuesday, just a day after he barely survived the ouster vote by AGRI's board of directors.

On May 16, U.S. Department of Agriculture officials were told by an anonymous source that AGRI had removed wheat it did not own from the elevator in Texas, an area managed by O'Dowd's son.

The next day, the company sent the USDA a letter acknowledging that the wheat "was in excess of AGRI's ownership at Fort Worth."

The AGRI letter, which O'Dowd released Tuesday, set the amount at 130,000 bushels — worth about $500,000. And the letter indicated that top AGRI officials knew of the shortage 10 days before they told the USDA about it.

A USDA official said he understood that the "shortage position" at Fort Worth "has been corrected," but the federal inspections of AGRI elevators will proceed.

AGRI's letter to the USDA said that because of a "loading mistake" at AGRI's export facilities in Houston, the company ran short of the grade of wheat it needed to fulfill an export contract. The result was that the ship on which the wheat was being loaded sat idle and began piling up dead-time fees, reportedly $6,000 a day.

The grain not owned by AGRI was shipped from Fort Worth to Houston on May 5 and 6, the letter said.

AGRI is owned by 340 country elevator cooperatives, 289 of them in Iowa. It is owned indirectly by the more than 100,000 members of those local cooperatives. In addition to its grain handling facilities, AGRI owns two soybean processing plants in Iowa.

Des Moines Register, May 28, 1983

AGRI: No more grain shortages

By CHUCK HAWKINS
Register Business Writer

AGRI Industries President B.J. O'Dowd pledged in a press release Friday that the firm has had no other grain shortages other than one uncovered earlier this month at its Fort Worth, Texas, elevator.

But the company said late Friday that it has been informed by a U.S. Department of Agriculture official in Kansas City that a formal investigation would be started next week of the company's Texas problem.

"Except for the temporary shortage of certain grades of wheat at the Fort Worth facility, AGRI has had excess collective supplies of company-owned wheat and all other grains in our elevators," O'Dowd is quoted as saying.

O'Dowd and R.P. Kevlin, AGRI's executive vice president, were reported out of the company's West Des Moines headquarters Friday afternoon after a copy of the press release was delivered by messenger to The Des Moines Register.

"At no time have we attempted to hide the facts of this matter," O'Dowd is quoted as saying, even though AGRI officials acknowledged in an earlier letter to the USDA that they knew about the Texas shortage 10 days before the federal agency was notified.

Both the Agriculture Marketing Service and the Inspector General's office of the USDA have confirmed that they plan to audit the books of AGRI's 12 federally licensed grain facilities in the wake of the Texas disclosure.

Randall Brune, regional inspector general at the USDA's Kansas City, Mo., office, said Friday his department became involved after he received a telephone call earlier in the week from U.S. Attorney Richard Turner of Des Moines. Turner said in a subsequent interview that he would neither confirm nor deny that statement.

Meanwhile, O'Dowd's press release appeared to be aimed at quieting rumors in the grain trade that AGRI had a shortage of 21,000 bushels of corn at its Muscatine, Ia., elevator and another shortage of 35,000 bushels of wheat at its Fort Worth facility on April 30.

"This entire matter has been blown completely out of proportion, and as a result, is potentially damaging to the company," O'Dowd said. "We are very confident that the inspection will verify the facts already provided to the USDA and the matter will be concluded. Our books are open and we are cooperating fully with the inspectors."

The press release terms the Texas problem as an "error in judgment" of one employee who ordered the shipment of 140,000 bushels of wheat not owned by AGRI from the Fort Worth elevator to a waiting grain ship in Houston. All but 10,000 bushels were loaded on the ship by May 8, and AGRI pledged to the USDA that it had replaced all of the wheat at Fort Worth two weeks later.

The press release also states that AGRI reported net earnings of $1.5 million in the first eight months of its fiscal year through April. However, the release did not speak about operating earnings.

Sources have said the grain firm continued to post a loss on operations, but that the final net figure was pushed into the black by an insurance settlement related to the explosion last year at AGRI's elevator in Council Bluffs.

Thursday night in Ames about 40 officials of grain elevators associated with AGRI met to discuss the cooperative's future.

After the meeting, the group issued a press release stating that it "unanimously" backs the 12-member board of directors.

Wall Street Journal, May 31, 1983

Agri's Admission That It Took Grain It Didn't Own Is Shaking the Industry

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By CLAUDIA WATERLOO
Staff Reporter of THE WALL STREET JOURNAL

Agri Industries Inc.'s admission that it took grain it didn't own is shaking the industry, and some members of the big grain cooperative would like to see the ouster of Agri's aggressive president, B.J. "Jerry" O'Dowd.

Cooperatives such as Agri store grain for many customers in licensed facilities, and the industry depends on the sanctity of the warehouse receipt guaranteeing ownership of the grain. Last week, the Iowa-based cooperative acknowledged that it took for its own purposes grain belonging to several customers, including the U.S. government's Commodity Credit Corp.

Agri said that the incident "has been blown completely out of proportion" and that it has "nothing to hide" from Agriculture Department investigators who are looking into operations at Agri's 11 sites in Texas, Iowa and Illinois. In a statement, Mr. O'Dowd said he was confident the investigation "will verify the facts" that Agri already provided to the USDA concerning a shortage of customers' grain at its facility in Fort Worth, Texas. Customers' grain from the facility had been used to fill an export-bound ship at Houston.

Had all of Agri's customers demanded their grain in storage, the company would have been caught short. Its customers didn't try to redeem their warehouse receipts at once, but the incident shows how fragile the industry's foundation of trust is.

Wallace Dick, who oversees the Iowa Commerce Commission's grain-warehousing division, said, "If this (a grain shortage) happened in a state-licensed facility, we would take very swift action, and we would consider it a very serious violation."

Crisis Meeting

Some members of the cooperative are blaming its expansion-minded president, who placed himself in charge of the company's grain-marketing activities earlier this year. "If these inspectors uncover something, that will get rid of Jerry," said one member who attended a crisis meeting last Thursday in Ames, Iowa, attended by about 40 Agri members.

"There's support for the board, as it has announced efforts to appoint a committee to come up with some guidelines and goals by early June for the organization to follow. But we aren't as totally supportive of the president of the company," another Agri member said.

Mr. O'Dowd couldn't be reached for further comment at Agri's West Des Moines, Iowa, headquarters. Agri did release the written account it gave government inspectors. That, together with interviews with federal investigators and those involved at the company, indicate that the facts were these:

Agri was loading a ship for Louis Dreyfus Co., a major grain exporter, at Houston on May 4, when it ran out of high-quality wheat. The next day, Mike O'Dowd, Jerry O'Dowd's son, who is in charge of the Texas operation, consulted with the vice president in charge of wheat and milo and decided to move wheat Agri was storing for customers at Fort Worth to finish loading the vessel. The vice president told the elevator superintendent at Fort Worth to move 25 railroad carloads of wheat to Houston. The elevator superintendent, knowing Agri didn't own the wheat, called his supervisor in Des Moines to tell him what had happened.

Leaving for the Derby

That same day, the supervisor advised Patrick Kevlin, Agri's executive vice president, of the situaton and told Mr. O'Dowd, just as the president was leaving for the Kentucky Derby. The next day, Agri shipped an additional 15 carloads of wheat from Fort Worth to Houston to finish loading the ship. The two wheat shipments left the Fort Worth elevator 130,000 bushels short. That wheat was valued at about $500,000.

It wasn't until May 12, nearly a week later, that other company officials learned of the incident during a meeting at Agri's headquarters. "We had two or three of our real good people who were extremely frightened," said one of those in attendance.

On May 13, Agri bought enough wheat to make up what it had taken from Fort Worth. At a special board meeting May 16, Tom Duffy, vice president for planning, presented a written report outlining the Fort Worth grain shortage, and directors considered a resolution to terminate Mr. O'Dowd's employment contract. Also that day, a tipster alerted federal investigators that grain had been missing in Texas. On May 23, Agri's directors voted narrowly to keep Mr. O'Dowd in his job.

The next day, Mr. O'Dowd fired Mr. Duffy, with whom he had started in the business 20 years earlier at Continental Grain Co. Mr. O'Dowd also fired Maurice Van Nostrand, Agri's vice president for public affairs and formerly chairman of the Iowa Commerce Commission, which regulates state-licensed grain elevators.

Any dissension remained low-key as long as Mr. O'Dowd's policies showed results and, at least during his first few years as Agri's president, he did get results. Revenue more than quadrupled to nearly $3 billion. Profit, or "savings" in coop parlance, also soared, to $21 million in the year ended Aug. 31, 1980.

Flush With Success

Flush with success, Agri paid $34 million in December 1980 for the Houston export facility. And under Mr. O'Dowd, Agri moved into equipment leasing, farm management, insurance, fertilizer sales, beer-making and more.

But such rapid expansion had its problems. Earlier this month, Agri closed Dubuque Star Brewery Co., maker of Pickett's beer, which it acquired in July 1980 and which has shown a loss since.

Adding to Agri's problems has been the decline in grain exports this decade that has hurt the entire industry. What's more, river-transportation rates have dropped so low that Agri's Houston elevator, which is served by truck and railroad, hasn't been able to draw any sizable volume from the grain-rich Midwest.

Agri slid into the red in fiscal 1982, with a loss of $2.8 million on a 21% revenue decline to $2.3 billion. It continues to operate at a loss, though because of nonrecurring gains it reported net income of about $1.5 million for the eight months ended April 30.

As dissatisfaction with management policies has spread, members have marketed more of their grain through competing organizations, which is reflected in Agri's declining volume. Recognizing that, Agri recently held meetings with members, but one of those attending said little was accomplished because the turnout was so small.

Des Moines Register, May 27, 1983

Two utilities ask $44 million rate boosts

By CHUCK HAWKINS
Register Business Writer

The stage was set Thursday for a fierce public battle on excess generating capacity, as two Iowa utilities filed for large electric rate increases.

Iowa-Illinois Gas and Electric Co. of Davenport and Iowa Electric Light and Power Co. of Cedar Rapids said they each need to raise rates by $44 million per year — apparently by coincidence -- to help pay for new power plants being placed into service this year.

But Iowa-Illinois — and to a lesser extent Iowa Electric — find themselves in the position of not neeeding a large portion of the capacity additions for several years to meet the peak demand needs of their customers.

The utilities will have excess generating capacity, and the Iowa Commerce Commission will have to decide — in a highly charged atmosphere — not only whether the rate increases are needed, but also how much stockholder profit should be denied as a result.

The decisions ultimately will affect most electric customers in the state, because five of the six big utilities have invested in new power plants and all will have varying degrees of excess capacity.

Iowa-Illinois asked that it be allowed to raise rates in October by an average of 37.1 percent for residential customers in Davenport, Iowa City, Fort Dodge and other cities it serves.

But the company said it would prefer being allowed to phase in the increase over four years, with a $21 million, or 17.3 percent, residential increase in the first year, followed by increases of about 7 percent in the three succeeding years.

Such a phased-in increase has never been approved by the Commerce Commission — partially because it would result in an overall higher rate increase. Iowa-Illinois said compounding would bring the rate increase to 42 percent under the phase-in plan.

The utility also asked for overall increases of 34.2 percent for commercial and small industrial customers, 35.5 percent for large industrial customers and 27.6 percent for street lighting.

Iowa Electric, which serves Cedar Rapids, Marshalltown, Boone and other cities, considered but decided against a request for a phased-in increase. Its full asking would boost residential rates by 29.4 percent, farm rates by 10.6 percent, general service by 13.7 percent, industrial by 13.9 percent and lighting by 9.3 percent. The company asked to begin collecting the higher rates on June 27.

Under current law, the Commerce Commission will have 90 days to decide what portion of the rate increases the companies can begin collecting on an interim basis. Final decisions must be made within 10 months.

Both rate cases are expected to involve the usual number of disputes — Iowa-Illinois, for example, is asking that the profit level on its common stock be boosted from 15.4 percent to 16 percent — but the issue of excess capacity is likely to overshadow them all.

Iowa-Illinois owns 284 megawatts of the 650-megawatt plant now nearing completion in Louisa County at a cost of $648 million. The company and the Commerce Commission staff disagree about what the firm's reserve margin will be after the plant's Oct. 1 planned start-up.

The company said that decommissionings of older generating units and expected repair shutdowns of other units will leave the firm with only a 17 percent reserve margin next summer. The commission staff argues, however, that the Louisa addition will boost Iowa-Illinois' excess to 66.8 percent above what it needs to meet the peak demand of customers.

Iowa-Illinois President Dean Stichnoth said in an interview Thursday that it became clear shortly after work on the Louisa plant started that the growth in electic demand had drastically been reduced. But he added that consultants concluded that a delay in the plant's completition ulitmately would cost customers more money.

Iowa Electric faces a risk of another kind in connection with its contract with Muscatine to purchase much of the output of the city's new 150-megawatt plant for 10 years. The utility originally agreed to pay $37 million for 140 megawatts of capacity in the first year, but now is negotiating to pay $27 million for only 100 megawatts.

Iowa Electric spokesman Horace Webb conceded that the utility could be stuck for $10 million if Muscatine doesn't agree to the deal, because Thursday's rate increase filing includes only $27 million for Muscatine.

Even with the lower purchase from Muscatine, however, Iowa Electric still will have a 26.6 percent reserve margin this summer above its expected peak demand of 948 megawatts.

Webb said a cost-of-service study ordered by the Commerce Commission showed that residential rates could have been raised by 41 percent. But he said company officials "realized they just couldn't have taken that" so a lower percentage was used.

Journal of Commerce, June 3, 1983

Congressional Tempers Flare Over Decontrol of Rail Coal Rates

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Criticism of recent Interstate Commerce Commission decisions significantly reducing the agency's power to set railroad freight rates on coal is continuing on Capitol Hill and has sparked railroad industry fears that some sort of backlash is possible.

Meanwhile, agency staffers are busy redrafting the controversial decision to deregulate export coal moving via rail apparently in order to blunt some strong criticism of the commission's decision by ICC Chairman Reese H. Taylor Jr.

Several senators have expressed strong criticism of the commission's decision to deregulate export coal movements, and there is continuing talk about introducing legislation aimed at blocking the decision from going into effect.

Sen. Alan Spector, R-Pa., is pushing a Senate resolution saying that it was not the intent of the Staggers Rail Act of 1980 for the Interstate Commerce Commission to deregulate export coal rail rates.

A spokesman for Sen. Warren Huddleston, D-Ky., made it clear his boss supports some sort of move to reverse the commission's decision.

Higher rail rates resulting from deregulation will make U.S. coal less than competitive in world markets, Sen. Huddlestom commented.

Uncertainties in this area makes it reasonable to keep the present regulatory structure intact, he added.

Similar sentiments were expressed by staffers for senators Robert Byrd, D-W.Va., John Heinz, R-Pa., and Wendell Ford, D-Ky.

Another controversial case is the ICC's proposed guideline that will permit railroads to raise rates on domestic coal up to 15 percent annually with little fear of government intervention.

Though the export coal matter is generating all the publicity, several officials said, the guidelines case is rule could be extended to other commodities that are captive to rail.

Though little formal legislation is expected, some segments of the railroad industry fear that the groundswell of criticism could result in pressure being put on the ICC to take a more traditional regulatory approach to railroad rate issues.

This fear is quite prevalent among the "granger" railroads serving the Midwest that have grain as a main traffic base and that haul little if any coal, several industry observers commented.

Although no decision has yet been made, there have been talks within the industry of seeking exemption of export grain shipments sometime this fall.

But with the Hill's reaction to the export coal situation apparently so negative, one industry lawyer based here commented that any move to deregulate export grain movements probably would result in senators storming the ICC building.

Meanwhile, commission staffers are busy putting the finishing touches on the agency's decision to deregulate export coal, and it is expected to be released next week.

The changes were required after ICC Chairman Taylor filed an extremely strong dissent in the case.

Contained in the dissent, persons familiar with the document told this newspaper, was an extremely detailed legal analysis quoting chapter and verse of federal law indicating how the agency exceeded its powers.

In order to make the commission's decision more defensible for the inevitable court suits that will follow, agency staffers told this newspaper, the "final" draft is being redrafted to address some of the chairman's contentions.

Chicago Sun-Times, June 4, 1983

Make trucks pay more

The truck zooming by in the outside lane has a big sign on it: "This vehicle pays $5,280 a year in highway taxes." That seems a lot. But highway engineers know each truck costs more than $10,000 a year in road damage; auto drivers are picking up the difference.

Studies from across the country conclude that heavy trucks cause twice as much damage as they are paying in taxes. And damage accelerates as weight increases. An 80,000-pound truck (the new federally mandated weight limit) causes 50 percent more pavement damage than a 73,280-pound truck (the old weight limit). It takes 9,600 cars passing over the same mile of pavement to cause the damage equal to just one 80,000-pound truck.

If Gov. Thompson's proposed increases in highway taxes go through, Illinois motorists will subsidize the heavy truck industry by $184 million a year. The Illinois Transportation Department and the trucking industry agreed on that tax package. The motorist was not asked.

A new organization, EPTOW (Everyone Pays Their Own Way), has proposed a weight-distance tax on heavy trucks that will begin to reduce the motorist subsidy. Two things cause highway damage—the weight of a vehicle and the number of miles it travels. A weight-distance formula is fair because it ties together the damage caused with taxes paid. Ten other states already have such a tax.

The truck industry is fighting the proposal vigorously. Consumer and environmental groups including the Taxpayers' Federation, League of Women Voters, Illinois Environmental Council, Chicago Motor Club and Friends of the Earth support weight-distance.

The governor has talked with the truckers. He needs to hear from motorists.

Douglas Kane, executive director, EPTOW

Journal of Commerce, May 10, 1983

Grain Shippers Strive to Keep Railroad Outlets Open

By RIPLEY WATSON 3rd
Journal of Commerce Staff

All Fred Schott of Pocahontas, Iowa, and his fellow shippers want is a competitive rail outlet for their elevators' grain shipments.

Bob Bleeke of Madison, Minn., would settle for any reliable outlet, period.

The problems both are having in setting up shipper-backed lines to move their products is a clear illustration of the increasing complications in the Midwest railroad picture.

As abandonments continue to shrink the size of the area's rail plant, viable railroads are trying to consolidate their market power by various means.

At the same time, the Chicago and North Western and Soo Line Railroads have been engaged in efforts to buy former Chicago, Rock Island and Pacific Railroad lines in Iowa and other states that the bankrupt carrier is selling. The stakes have reached $100 million.

The events have created increased fears that shippers throughout the area will become captives of individual carriers.

Where that happens, according to Won W. Koo of North Dakota State University and Neil Meyer of the University of Idaho, transportation rates often rise. That result obviously upsets the shippers.

By the time the disputes engulfing both shipper groups end, they may very well wind up as captives.

Mr. Schott and his fellow shippers wanted to buy the former Rock Island branch from Royal to Manson, which includes about 10 miles of out-of-service track needed to make a connection with the Illinois Central Gulf Railroad.

The idea was to buy the line the Chicago and North Western Railroad currently is leasing with federal, state and local funds.

State and federal officials approved the plan before the C&NW sought to buy the line.

The Soo Line recently announced it would buy the tracks, too.

The association has chosen to throw in their lot with the C&NW. They appear to have little choice since the C&NW is now providing service that Mr. Schott calls "super good."

Mr. Schott said, though, that "we need to keep competition in grain shipments. It gives us the best of both worlds."

Soo Line officials said they did not want to operate the line since it didn't connect with any other lines involved in the sale, so there is a possibility the shippers' group might control the line, although a competitive outlet appears unlikely.

About 100 miles away, Mr. Bleeke's group, the Lacquiparle County Railroad Authority, is the lowest bidder for 37 miles of Chicago and North Western lines between Madison and Hanley Falls, Minn., where the tracks meet the Burlington Northern Railroad.

The Minnesota shippers' group was outbid for the line by Gary Flanders of Colorado Springs, Colo., president of the Colorado and Eastern Railway, which offered $945,000 for the tracks that the C&NW has received Interstate Commerce Commission approval to abandon.

Colorado and Eastern wants the Minnesota line to tie into a grand plan his firm has to take over 1,077 miles of the former Rock Island line between Chicago and Denver, although it wasn't clear how the two lines would be connected.

Mr. Flanders and the C&NW have negotiated the transfer of the line, but the ICC was brought into the case when the parties failed to agree on terms. The Lacquiparle group gets the line only if Mr. Flanders refuses to accept ICC terms to be announced next month.

A third group wanted the line at one point, but the ICC rejected its bid for the Madison-Hanley Falls route and 93 other miles of line on financial and procedural grounds.

According to Mr. Bleeke, there have been four derailments so far this year and traffic is limited to five miles an hour. It also was embargoed for three weeks, he added.

C&NW officials want to abandon the line because it is in an area where they have little other trackage.

The Iowa part they want to buy, however, is in an area where there are other C&NW grain branches that would promote a strategy the carrier calls density.

They contend that no one can make money shipping grain by rail without a concentrated presence in a particular area.

The logic extends further to suggest that 1979 abandonment of Rock Island and substantial shrinkage of the bankrupt Milwaukee Road Railroad was caused in part by a large number of branch lines with limited traffic potential.

Mr. Schott said the Royal-Manson line serving five elevators and a Cargill Inc. facility generates over 5,000 carloads a year.

Further north, the Madison line produces well over 2,500 cars a year, Mr. Bleeke said, many of them coming from a soybean processing plant owned by Land O'Lakes Inc. That plant is the area's largest employer.

While the two shippers' groups try to preserve the best possible rail service, other issues lurk alongside the tracks or at junction points.

Intense competition continues between modes for grain traffic, according to industry observers.

At the same time, railroads are trying to extend their length of haul.

One example of the new philosophy was cited by the University of Idaho's Mr. Meyer, an associate professor of agricultural economics, who noted that Burlington Northern's effort to expand trackage rights into New York state would give them a direct link between producers and

cont'd...

Grain Shippers Strive to
Keep Railroad Outlets Open - Concluded

users of grain without any intermediate carrier.

Mr. Meyer said truck or truck-barge rates are posing substantial competition in areas where water transport is available, but he added that railroads had responded with multiple-car rates to retain traffic.

In captive shipper situations, Mr. Meyer said, "truck becomes the alternative which keeps the railroads honest."

The recession, he suggested, forced the setting of multiple car rates as railroads faced the twin challenges of an oversupply of cars and competition from other modes.

Bruce Hagen, a member of the North Dakota Public Service Commission, said the car oversupply had exerted downward pressure on rates, but he wondered whether that would continue in an economic boom.

Mr. Koo noted, however, that the overall downward rate trend hasn't helped in less-competitive areas where one railroad dominates or water transport is inaccessible.

Some carriers consider competition while trying to discriminate rates between regions to maximize revenues, he said.

Caught between the shippers who are trying to protect the economic health of their areas and the contenders seeking railroad tracks are people like L.A. Holland, director of the Iowa Department of Transportation's rail division.

His agency chose not to take sides in the C&NW-Soo contest but asked that a number of conditions be attached to the sale if C&NW gets the lines.

"Our efforts have been aimed at keeping competition," Mr. Holland said. "Shippers have been worried about one dominant carrier."

Conditions the state wants attached are preservation of two east-west mainlines across the state and multi-carrier access for the north-south route between Minneapolis and Kansas City, which is part of the sale the ICC is reviewing.

Soo Line wants the line to have a Kansas City outlet for its traffic from the upper Midwest and from parent CP Rail.

C&NW says it wants the line, which duplicates an existing one the carrier has, because the Rock Island route is substantially shorter and has fewer grades.

St. Paul Dispatcher, May 26, 1983

Operation Lifesaver will meet in St. Paul

By Steven A. Smith
Staff Writer

Because Minnesota Operation Lifesaver has become a model for similar railroad crossing safety programs in other states, officials of the national Operation Lifesaver program voted Wednesday to hold their 1984 national safety symposium in St. Paul.

The symposium will attract more than 150 delegates from public safety agencies and the nation's railroads, Operation Lifesaver officials said.

St. Paul's selection constitutes recognition that in its first year, Minnesota Operation Lifesaver has accomplished what it set out to do — save lives, said Carol Bufton, Minnesota Safety Council general manager and the state's Operation Lifesaver coordinator.

A joint project of the Safety Council and the Minnesota Association of Railroads, Operation Lifesaver is designed to educate the public to the dangers posed by railroad crossings.

"The decision (to hold the symposium in St. Paul) was based on a combination of factors, the availability of hotel space in St. Paul, and also in recognition of the (Minnesota) Safety Council's commitment to and work with Operation Lifesaver," said Ernie Oliphant, Operation Lifesaver's national coordinator.

She and other Operation Lifesaver officials were in St. Paul for the Safety Council's annual safety conference.

"Minnesota's (Operation Lifesaver) program is something of a model," Oliphant said. "It's one of the better programs in the country because it has a well organized steering committee, because it's well backed by the railroads and state agencies, and because of the state's excellent safety council."

Operation Lifesaver was started in Idaho in 1972 when Union Pacific Railroad officials became alarmed at a sharp increase in railroad crossing accidents, Oliphant said.

The program went national in 1978, with the Association of American Railroads and Amtrak providing financial support and the National Safety Council providing the staff, she said.

Operation Lifesaver has spread to 37 states, and Oliphant said there are plans to extend the program to the remaining 13.

Nationally, Operation Lifesaver and the railroads' programs to upgrade crossing safety systems have contributed to a sharp reduction in train crossing fatalities in recent years, she said.

The same trend has been observed in Minnesota, with such deaths dropping to a low of nine in 1982, Bufton said. At one point in the early 1970s, 40 people died at Minnesota railroad crossings in one 12-month period, she said.

"There's plenty for us to do," Bufton said.

Green Bay Press Gazette, May 14, 1983

Report says state lost $8.5 million in truck fees

By JAMES BARTELT
Press-Gazette Madison Bureau

MADISON — By establishing a base jurisdiction in Illinois under the interstate truck registration plan, 26 Wisconsin companies avoided paying the state $8.5 million in fees during the past five years, the Legislative Audit Bureau reported Friday.

Twenty-seven states and Alberta, Canada, belong to the plan. But Illinois, six Western states and Alberta do not assess fees for miles traveled in non-member states.

"The (26) carriers have not changed their operations, and their corporate headquarters remain in Wisconsin. Some carriers' base in Illinois is no more than a post office box," the audit said.

The audit was ordered last December by the Legislature's Joint Audit Committee after the Department of Transportation lost a suit against Schneider Transport Co. of Green Bay.

The department claimed the state was owed $3.8 million in fees because Schneider had established a sham headquarters in Streator, Ill., to take advantage of the fact that Illinois does not assess for miles traveled in non-member states of the interstate plan.

The suit was dismissed last September by Dane County Circuit Judge Richard Bardwell, who ruled the dispute was between Wisconsin and Illinois, and his court had no jurisdiction.

Former Transportation Secretary Owen Ayres decided against an appeal, a decision upheld by former Gov. Lee Dreyfus. The department now is seeking an amendment to require members of the plan to charge fees for miles traveled in non-member states.

Twenty of the needed 21 members have supported the change. The voting deadline is May 25.

The budget bill of Gov. Anthony Earl would allow the department to withdraw from the interstate plan. As amended by the Joint Finance Committee Thursday, a withdrawal would have to be approved by the governor and the committee.

The audit bureau recommended against withdrawal. Instead it said Wisconsin should actively seek approval of the amendment. If that fails, it recommended efforts in Congress to make membership in the plan mandatory for all states, efforts to make non-member states join the plan and further efforts to amend the plan.

The plan allows companies to have "an established place of business including a physical structure, a listed telephone and an employee," the audit said.

"This broad definition allowed carriers to shop for a most favorable based jurisdiction which also gives them a competitive advantage over carriers who register in Wisconsin," the audit said.

In a written response to the audit, Transportation Secreatary Lowell Jackson said he is "cautiously optimistic" about approval of the amendment to collect fees for miles in non-member states.

Jackson also said the audit bureau had not addressed the question about what to do about the $8.5 million due from Illinois-registered carriers.

Journal of Commerce, May 19, 1983

US-Soviet Grain Accord Unlikely to Change Much

By JENIFER OTWELL
CNS Staff Reporter

WASHINGTON — The United States and the Soviet Union are expected to seek few changes from their current bilateral long-term grain agreement when they begin negotiations for a new accord today in London, congressional and trade sources here said.

USDA officials are frankly pleased to be able to negotiate a new agreement to replace the second one-year extension of the original five-year pact after President Reagan lifted the sanction against negotiations. As a result, they are not expected to seek radical changes but hope that a new agreement in itself might help normalize trade relations and encourage agricultural purchases by the Soviets.

The Soviet Union also reportedly is not interested in major alterations, having diversified its import sources in recent years. One trade source said the U.S.S.R. probably would like to merely change the dates of the current agreement.

The two sides will begin discussing a new agreement today, following a day of consultations on the current agreement. Today's session is expected to focus on setting a negotiating agenda and schedule for further talks, which could last well into the summer.

During recent congressional and farm group briefings, U.S. negotiators have been quiet about what they hope to gain in a new agreement. However, sources who attended those briefings agree that raising the minimum purchase level from 6 million metric tons annually is a high U.S. priority. Ten million metric tons is thought to be a reasonable figure, equally divided between wheat and corn, as in the current agreement.

However, whether the Soviets will agree to such a commitment is in doubt. The Soviet Union's agreements with other countries means it does not depend on the United States as much as it used to. In addition, its production plan calls for higher domestic output. Higher market prices resulting from increased purchase levels also are something the Soviet Union would like to avoid.

With Soviet grain imports from the United States during this agreement year barely topping the 6 million ton minimum, the United States is not in a strong position to force an increase in the minimum on the U.S.S.R.

Urging by some to include value-added products in the new agreement apparently has not been met with much enthusiasm by U.S. negotiators. The Soviet Union has been buying little from the United States lately, and the United States does not have much negotiating power to add soy products or corn gluten to a new pact, even though the U.S.S.R. intends to use more high-protein feed to build its livestock industry.

U.S. products also would have a hard time competing with Brazilian and EC products unless they were heavily subsidized, one trade source noted.

A general statement encouraging purchase of value-added products is a possibility for the new agreement, but the likelihood of any specific commitment appears small.

Another critical issue is contract sanctity, or Article II of the current agreement, which most sources expect to be retained unchanged in the new agreement. There may be some discussion of whether it should apply to quantities offered by the United States beyond whatever maximum level is set, but the United States probably will resist that.

The length of the new agreement is one of the least controversial areas.

Journal of Commerce, May 27, 1983

Coal Rail Rate Strategies Offered

By KEVIN COMMINS
Journal of Commerce Staff

CHICAGO — A metal mining company out West recently decided it had to do something to combat rapidly rising rail rates.

Since the deregulation of most rail rates in 1980, the railroad which hauled over 90 percent of the metal company's production had raised its tariffs several times. The company, feeling victimized by its nearly exclusive dependence on one railroad, concluded that its future prospects were threatened by its apparent inability to stem the tide of transportation cost increases.

Fearing the worst if it did nothing, the mining company embarked on a markedly hard-ball strategy: it decided to accept a higher overall transportation cost in order to ship a large portion of its production by truck to another railroad, a move designed to substantially reduce the revenues paid to the original railroad.

The strategy worked. The drop in revenues elicited a much more conciliatory attitude from the railroad. In a short time, the company and the railroad agreed to a long-term contract at a rate considerably less than what the railroad previously charged.

The strategy of the mining company, according to Water Transport Association President John Creedy who tells the story, bears a special relevance to coal exporters, who complain that high rail rail rates are threatening the international competitiveness of U.S. coal. As Mr. Creedy sees it, coal shippers, by adopting strategies similar to the metal producer, can bring competition to the transportation marketplace and prevent railroads from setting predatory rates.

Although the coal industry has been complaining about rail rates for some time, the recent proposal from the Interstate Commerce Commission to exempt completely export coal traffic from federal regulation has heightened coal industry fears that the railroads will abort U.S. participation in the growing world coal export market by imposing excessive rates.

To combat the prospect of rising rail rates for coal export traffic, Mr. Creedy recommends that coal shippers follow the example of grain shippers and develop alternative transport routes using the nation's inland water system.

"When the U.S. grain exporters began their historic expansion to meet world demand, they turned to the inland rivers," Mr. Creedy said in a recent speech in Paris. "They saw first of all that the rivers ran in the right places — the Mississippi and its tributaries serve the richest U.S. agricultural lands. The same rivers serve the country's major coal fields directly or by connection with trucks and railroads."

Mr. Creedy contended that it is likely that more than 50 percent of U.S. coal exports will move on the river system in 10 years, a view which other transportation experts said was somewhat exaggerated.

Nonetheless, transportation executives agreed with Mr. Creedy's basic premise that coal shippers haven't fully utilized the river system as a means to restrain rail rate increases.

"The grain industry is 15 years ahead of the coal people in developing practices to maintain relatively low transportation costs, a transportation expert with a large grain company remarked. By and large, he claimed, coal companies operate their transportation departments in a "clerical fashion, whereas grain companies treat transport contracting as 'a professional discipline' which requires 'long-term strategic thinking.'"

The grain industry, by moving nearly half of its export shipments by barge, has established barge lines as the price leader in the movement of grain to port. As a result, depressed barge rates over the last two years have enabled barge lines to pull a significant portion of grain traffic away from railroads and have also contributed to reductions in railroad grain-hauling rates.

Experts agree that the coal industry cannot use barges as widely as the grain industry because many coal mines, particularly in eastern Appalachia, are situated too far from the river system. However, there are many instances in West Virginia, western Virginia, and Kentucky where barge lines moving coal to New Orleans can compete against railroads hauling coal to East Coast ports.

The river system, which includes the Mississippi, the Ohio, the Illinois, the Tennessee and the Arkansas rivers, extends well into the nation's midwestern coal basins and as far east as central Pennsylvania.

In the last couple of years, there have been a few isolated instances in which coal shippers switched from railroads to barge lines, however the total amount of switching has been relatively small.

The depressed market for U.S. steam coal exports and disportionately high rail rates to the river system tended to discourage changes in transportation modes over the past two years, sources explained.

To a great extent, barge industry interests charge, the railroads attempt to prevent the use of waterway transport by charging very high rates for the short haul to the rivers.

Railroad rates are "designed to frustrate rail-to-water movements," Mr. Creedy contended, a charge that was echoed by barge operators and bulk shippers.

Specifically, a barge operator claimed that the L&N railroad charges $9 per ton to haul coal from eastern Kentucky to the Ohio River while, at the same time, the railroad charges $15 to $16 per ton to haul the same coal to New Orleans, which is approximately five times the distance to the river.

Last year, after several water carriers complained to the ICC, the Chessie System and the N&W ended a practice in which they charged $1 to $6 per ton more to haul coal to the Ohio River for export than they charged for domestic shipments.

The coal industry fears that approval of the ICC proposal to totally deregulate rail movement of coal exports will lead to more excessive and discriminatory rates designed to maximize railroad revenues at the expense of losing a portion of the world coal market.

Approximately 85 percent of the

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Coal Rail Rate Strategies Offered - Concluded

nation's coal mines are served by only one railroad, the National Coal Association estimates, a situation which it says will allow the railroads to set rates at very high levels if all federal controls are removed.

If the ICC proposal is approved, coal exporters will have to create alternate transport routes in order to prevent railroads from setting rates at any level they desire, transportation experts said.

In certain instances, a coal executive advised, coal shippers should "bite the bullet" and temporarily take a loss in order to ship coal through the river system. Hopefully, this type of approach would eventually "bring the railroads into line," he said.

"There is no doubt in anyone's mind that if New Orleans were to divert a substantial part of the tonnage currently moving through Hampton Roads, rail rates to the East Coast would become much more reasonable overnight," Mr. Creedy contended.

Speaking more philosophically, Mr. Creedy asserted that "an historic confrontation is building up between a desire to lessen government regulation and the equally desirable necessity of controlling abuse of monopoly power." The coal industry is caught in "a no man's land" in which the elimination of regulatory transportation protection and the lack of enforcement of monopoly statutes threatens to make coal industry interests subservient to the railroads, he claimed.

Journal of Commerce, June 2, 1983

Move to Deregulate Coal Rates Generating Static on Capitol Hill

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Though it has yet to issue a decision, the Interstate Commerce Commission's move to deregulate rates on shipments of export coal already has generated some static on Capitol Hill.

The agency's decision, expected to be released Tuesday, marks the most significant and controversial use of the ICC's power to exempt rail shipments from economic regulation if they constitute a limited scope of traffic and the commission determines regulation is not needed to protect shippers from market abuse.

Sens. Robert Dole and Nancy Kassebaum, both Kansas Republicans, already have asked the commission for information on the coal deregulation move.

Sen. Dole expressed concern over how the move would affect rates railroads charged on coal shipments moving to power generating stations in his state, while Sen. Kassebaum wanted to know if export grain could meet the criteria for exemption.

But it is unclear whether either has drafted legislation aimed at overturning the agency's decision through talk around town is that some work is being done in this area.

An environmental assessment statement the commission prepared on the matter — to be released next week — concludes that deregulation coal rates will affect coal slurry pipelines, user fees super collier port development and export coal policy itself.

For example, if legislation permitting the construction of coal slurry pipelines is signed into law, the competition could force railroads to reduce rates on competitive movements.

"Construction of coal slurry pipelines, therefore, could tend to reduce one component of the delivered price of U.S. coal and could thereby affect the U.S. share of the world coal market," the report said.

Coal exporters who oppose legislation setting specific percentages of freight that must move in U.S.-flag ships appear to have a pretty good case, the study concludes.

"If cargo preference legislation passes in its proposed forms," the study said, "it is not unreasonable to expect that the volume of export coal mined and shipped in the United States would decrease."

Legislation to significantly increase fees barge lines pay to operate on the nation's inland waterways also could raise the delivered price of U.S. coal, particularly when additional port improvement costs are factored in, the report said.

Though the administration has introduced legislation to cover 100 percent of the costs of operating, maintaining and improving ports and waterways, indications are it could live with a plan requiring users to pay 60 percent of the costs.

The coal industry is supporting a proposal calling for users to pick up 40 percent of the tab.

Other issues that could affect coal export volumes include whether special areas along the U.S. coast lines be established where support colliers can be topped off and dredging ports so they can handle the new super colliers capable of hauling 200,000 tons of coal.

Deregulating export coal rates could result in U.S. market shares in both the European and Pacific Rim coal markets declining significantly, the report concludes.

Milwaukee Journal, May 24, 1983

Railroads pushing states to raise taxes on trucks

© New York Times Service

Washington, D.C. — The railroad industry has begun a campaign to prod several states into raising their taxes on heavy trucks, an increase that would be added to the higher federal taxes approved by Congress in January.

The lobbying effort is focused now on the legislatures of two states, California and Illinois, but officials at the Association of American Railroads, which is based here, said it would be extended to other states where taxes on trucks appeared to be low. These include New York, North Carolina and South Carolina.

"States are running short of money, and their roads are falling apart," asserted Richard Briggs, a spokesman for the railroad association. "They are looking for new sources of money, and following the federal example of raising truck taxes — and we are willing to help them find the money."

The railroad industry's lobbying effort stems from its concern that truckers have a price advantage in shipping freight. To help close this peceived gap, the railroads backed last January's federal tax increase and are pushing now for about $2 billion annually in state tax increases.

"It is a serious competitive problem for us," said Frank Wilner, an economist with the railroad association. "We estimate that 70% of rail revenues are potentially divertible to truck operators."

Watching legislatures

While some railroad officials insist that their association goes only where it is invited as a source of information, Lee Lane, who heads an association group that has been studying truck and railroad shipping rates, said his group was keeping its eye on certain state legislatures that seem receptive to higher truck taxes.

"California is especially ripe because taxes are so low, and there appears to be some readiness to act," Lane said. "But states like South Carolina and North Carolina may also be prepared to act."

Just in case they are not, groups such as the North Carolina Road Savers Council, South Carolinians for Better Highways and Californians for Fair Highway Taxation have popped up to carry the argument to the state legislators. These groups draw their financial support from a variety of sources, among them environmentalists as well as the railroads.

The federal increases approved by Congress in January, which become effective July 1, 1984, raise the licensing fees for the typical semi-trailer from the current $1,746 a year to $3,973. In addition, a special use tax for the biggest rigs will rise from $210 a year now to $1,520.

The new fees are expected to raise an estimated $1.7 billion annually in additional revenue. At the same time, the law also authorized the use of heavier trucks on the nation's highways and other productivity improvements that the government estimates will increase truckers' income by $4.9 billion annually.

But even with the federal increase, Lane contends, truckers will still be paying less than their fair share of the cost of road maintenance.

"It is a very rough estimate, but we believe the trucking industry owes an additional $2 billion annually in state road taxes," Lane said without breaking down how much of an increase it is seeking in California, Illinois and other states. The numerous state taxes, frequently based on weight-and-mileage formulas, range now from about 4 cents up to 8 cents a mile for each truck registered to operate in a state.

The trucking industry, which has long contended that it pays its fair share of road taxes, counters that the real motive behind the railroads' campaign is to force trucking rates up — so that the railroads can then increase their own shipping rates.

John Reith, a spokesman for the American Trucking Associations here, says truckers regard the weight-distance tax as unfair because truckers must pay even for driving an empty or partly loaded truck in a state. The formula is based on the weight of a fully-loaded vehicle.

Data defended

Railroad officials say they have convinced many state legislators that they are a reliable source of information on road maintenance costs and allocation of those costs.

"Without sounding immodest, we probably have the best cost-allocation studies around when it comes to figuring out the fair share of truckers for the maintenance and repair of the highways," said Briggs of the railroad association. "When states get ready to work on highway taxes, they often invite us in, and we are ready to help."

But Joel Anderson, a spokesman for the California Truckers Association, argues that the cost studies cited by the railroaders are less reliable than they seem because the studies center on interstate highways and other federal primary roads where trucks abound.

Journal of Commerce, June 3, 1983

Carriers Reclaim Railbox Cars

By RIPLEY WATSON 3rd
Journal of Commerce Staff

Major American railroads that guaranteed 40 percent of the Railbox fleet when the boxcar pool was inaugurated less than a decade ago have quietly taken back their cars as behind-the-scenes talks on the future structure of the company continue.

Almost 10,000 cars have been returned to the six major systems that participated when the Railbox pool was formed in the mid-1970s. The effect of that action both expands the carriers' boxcar fleets and reduces the Railbox debt load.

Meanwhile, talks aimed at restructuring the subsidiary of Trailer Train Co. have entered their sixth month without producing an agreement.

Railbox has been under financial pressure since boxcar loadings dropped steadily over the past four years in response to a switch to piggyback shipments and the recession.

Utilization rates, which were 66 percent in 1981, dropped into the mid-20 percent range for the 25,000-car fleet. The rate of utilization now is 29 percent for the 15,000 cars in the pool, according to R.C. Burton Jr., president of Trailer Train and Railbox.

A recent study by Booz, Allen Hamilton management consultants done for Trailer Train proposed that usage of the fleet would hover in the 20 percent range during the remainder of the 1980s, sources reported.

Mr. Burton, who also is chief executive officer of Trailer Train, said the firm has made a proposal to the lenders and equity investors who hold leases on the cars.

Trailer Train stopped its infusion of cash into Railbox at the end of 1982 after giving the boxcar unit $43 million to meet its obligations.

Although the railroads guaranteed the payments for the 10,000 cars which now have been withdrawn, obligations for the remaining fleet, which was built from 1979 to 1981, aren't guaranteed, according to Mr. Burton.

It was understood from various sources that the negotiations are focusing on restructuring and reducing the Railbox debt load.

However, Mr. Burton declined to reveal any details of the proposal made to creditors, saying only that "it has been fairly well-received."

He did say, however, that Trailer Train Co. will be a part of any financial arrangement that is made. "I don't know when it will be completed," he said.

The withdrawal of cars by the carriers have occurred during the year as payments on the cars became due, according to spokesmen for the carriers involved.

Cars were being taken back as late as May and are being re-lettered to show the individual marks of the carriers involved.

Though there have been a number of mergers since the pool was formed, original participants in Railbox include railroads that presently are owned by CSX Inc., Burlington Northern Inc., Union Pacific Corp., Norfolk Southern Corp., Southern Pacific Transportation Co. and Santa Fe Industries Inc.

The actual number of cars reported by the carriers to have come under their individual control is slightly less than the original investments, apparently due to scrapping and damage to a small percentage of the Railbox fleet.

The number of cars returned appeared to be about 98 percent of the original participation, according to information from carriers.

Changes in the Railbox fleet size began occurring before the announcement in March that the Interstate Commerce Commission was deregulating traffic that moved in boxcars.

Mr. Burton said he has had a number of discussions with railroad industry officials about the effect of boxcar deregulation on Railbox.

He acknowledged that he had received a variety of opinions but said he believed that "it certainly won't hurt Railbox, and may even help a little bit."

He said that certain aspects of the ICC decision regarding rents paid while one carrier's car is on another's line might favor Railbox, especially in situations where no agreements between carriers and no imbalances of traffic exist.

However, BRAE Corp., which also operates boxcars that are leased, has challenged the boxcar deregulation ruling.

Some analysts have questioned the viability of leased car fleets in the deregulated environment, feeling that railroads will make agreements to load each others' cars.

Deregulation would make management of leased car fleets more difficult because carriers would devise additional ways to load their own cars in order to maximize return on investment.

Journal of Commerce, June 3, 1983

Railroads Consider New Car Pooling Plan

By RIPLEY WATSON 3rd
Journal of Commerce Staff

A majority of the seven largest rail systems in the country are continuing to study whether to join a new car pooling plan expected to be submitted to the Interstate Commerce Commission next week.

The plan proposes to reduce empty car miles while retaining for participating carriers appoximately the same amount of car hire rental payments that each receives now.

Railroads who have announced backing for the plan include Illinois Central Gulf, Boston & Maine, Maine Central and Bangor and Aroostook.

Railroads reported to still be considering the proposal are Burlington Northern, Atchison, Topeka and Santa Fe, Southern Pacific and Union Pacific.

None of those four lines have said officially that they will participate and decisions may not be forthcoming until just before the June 10 filing date anticipated for the plan.

Spokesmen for the Norfolk Southern and CSX Inc. railroads said their firms wouldn't be joining the pool, but informed sources said some component railroads in each system still were trying to determine whether to enter.

Conrail originally had been reported to be part of the plan, but it withdrew support this week.

The plan grew out of a car management task force of the Association of American Railroads which studied the car hire and supply problem last year after changes in traffic patterns caused both oversupply and increased empty movements.

Boxcars, flatcars, open top hopper cars and gondola cars are covered by the proposal.

It permits participation in pools of one or more car types and doesn't give strict numbers of cars that carriers must enter into th- pool.

At the heart of the plan is a provision which would end car hire payments for participating railroads while their cars are empty on another participating carrier's line.

Another key provision calculates car hire rents by using both historical information and a loaded-to-empty formula.

Right now, the car hire rental payments are made regardless of whether cars are full or empty. For example, if Conrail receives a loaded car from the Burlington Northern, rent is paid by Conrail to Burlington Northern until that car is returned to a mutually agreed upon interchange point.

Backers expect that eliminating rental payments for empty cars of pool participants will provide an incentive to reload those empty cars closer to the point where they are unloaded.

Right now, the application says, "the financially rational choice for the originating carrier is to load its own system car and send the foreign car home empty in almost every situation."

The payments are greater than transportation costs for lines' net originators of traffic, but net receiving railroads wind up paying more in rents than they get back. Regardless of whether car hire gives a carrier a profit or a loss, each follows the strategy of loading its own cars and sending the other line's cars home empty.

"While each individual railroad may be maximizing its own car hire income, the effect on the industry . . . is inefficient distribution and use of empty equipment resulting in excessive and costly empty car miles," the application states.

Estimates of the cost of those extra miles run upward from $150 million on an industry-wide basis. A verified statement submitted with the application says that 580 million empty boxcar miles could be saved by implenting the plan.

That statement says empty miles which rose from 53 to 81 percent of loaded miles from 1978 to 1981 could be reduced to 40 percent of loaded miles.

Backers of the plan have termed it "car hire balancing".

One part of the idea for compensating a carrier such as Illinois Central, whose pool car is on another's line, such as Boston and Maine, is to give Illinois Central its car hire revenue for loaded movements on the basis of a formula which includes an empty mileage factor in it.

That factor, which determines the amount of rents payable, is based on the ratio of loaded miles to empty miles for each car type.

Historical car hire patterns would be the basis for car hire rents receivable and the formula would determine amount payable.

Accounts based on receivables and payable information would be settled monthly.

At the same time, the application calls for implementing car flow rules to assure that railroads who send offline more cars than they recieve will have an adequate supply of cars.

Car contribution to the pool will be in proportion to earnings.

The application notes that the pool proposal falls within the ICC jurisdiction and isn't pre-empted by the boxcar deregulation decision published last month. One pool participant said he felt the boxcar decision and the pooling plan could be compatible.

In its application, the participants state that existing bilateral car use agreements between railroads in recent years haven't reduced empty mileage very much.

Des Moines Register, June 5, 1983

New rail cars may put cattle back on tracks

By RIPLEY WATSON

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Claude Chumley has come up with a new convertible — for livestock.

Since 1880, Chumley says, people have been seeking a railroad freight car that will feed and water cattle en route. A Middlesboro, Ky., firm he heads has done just that, he says, plus one thing more. The new car can be converted quickly to moving grain or other bulk commodities on the backhaul.

Chumley, a Baptist minister, has named his car the RailArk. Chumley's comany, Appalachian Railcar Manufacturing Inc., is the newest entrant in a growing effort to put volume livestock movements back on the rails.

Another car known as the Steer Palace is being developed by Ortner Car Co. of Milford, Ohio, which also is looking for a feasible way to feed and water cattle while the cars are moving.

The problem that both Chumley, a former Ortner employee, and testers of the Steer Palace are trying to solve is how to comply with federal regulations on keeping cattle fed, watered and comfortable.

Federal law now mandates that without acceptable facilities for in-motion care of the animals, cattle must be unloaded every 28 hours for food and exercise.

That provision was pinpointed by Richard G. Warren, deputy director of transportation for U.S. Agriculture Department, as the primary reason for shrinking movements of cattle by rail.

He explained that the comfort facilities are just too expensive to keep up without high levels of stock traffic.

Nationwide, no more than 10 cars a week move with livestock in them now. The only run is on Conrail trains from Chicago to Harrisburg, Pa., where the animals are handled in conventional Steer Palace cars without food and watering facilities on a 23-hour schedule.

Department of Agriculture officials said they have had no formal contact with Chumley's firm, which hopes to revitalize a economically depressed area where the Kentucky, Tennessee and Virginia state borders meet.

The remodeled Steer Palace cars were first tested in February with the help of Texas A&M University. The test was hard to interpret, according to G.B. Thompson, resident research director at the school, because the test train moved through blizzard conditions, causing an 8 or 9 percent death rate for the animals.

The Steer Palace cars transport between 40 and 50 feeder cattle, each weighting between 400 and 500 pounds.

Thompson said the death rate for the cattle was somewhat higher than would occur on a conventional truck movement, which is the primary mode of cattle transport now.

He noted, though, that a control group shipped only by truck during the blizzard had an identical death rate.

Overall, Thompson said, "we believe it [the remodeled Steer Palace] does provide a very feasible alternative to reduce stress on long trips."

While the Steer Palace tests continue, Chumley is hoping to drum up some interest in his new 91-foot car that differs from the Steer Palace because of the purported backhaul capability and the presence of an attendant on board.

Another problem stock cars have had in the past is the high empty mileage that was run because nothing else can be carried in them.

Chumley claims that his car can be cleaned in 45 minutes so that other goods can be hauled. He suggested possible commodities would be grain or frozen foods since the car has an on-board computer system that can regulate temperature.

Journal of Commerce, June 6, 1983

Railroad Industry Hit With Antitrust Suit

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Although the National Railway Utilization Corp. has finally taken the railroad industry to court, industry analysts are quite skeptical that it can make its charge — that seven major railroads violated antitrust laws in attempting to manipulate boxcar use in order to drive the company and other short lines out of business — stick.

The suit, filed in the U.S. District Court for the Eastern District of Pennsylvania last week, is the latest move in a four-year squabble over whether the railroads' decision to route boxcars owned by National Railway back to their own lines violated the Sherman Act.

Carriers named as defendants include the Baltimore & Ohio, the Chesapeake & Ohio, the Chicago & North Western, Conrail, the Seaboard System, the Southern Railway and the Union Pacific.

Other parties named as defendants in the suit include Trailer Train Co., Rail Box Co. and the Association of American Railroads.

Trailer Train, owned by the nation's Class I railroads, owns Railbox, which offers a free running pool of boxcars serving the industry, while

cont'd...

Railroad Industry Hit With Antitrust Suit - Concluded

AAR is the trade association representing the largest Class I railroads.

At issue in the case are allegations that since 1979 the carriers have been manipulating the use of boxcars in order to ensure that rolling stock owned by each other was given preference in loading and unloading.

Specifically, National Railway accused the railroads of boycotting and refusing to deal with the short-line railroads, refusing to load them when shipments were available and sending them back to their home lines.

Since short-line railroads make their profits from the per-diem charges larger carriers pay for each day a car is on their lines, these actions deprived National Railway of much of its income, the complaint said.

This situation was aggravated since the company also was forced to pay storage and empty mileage fees when so many of its freight cars returned home that the company had to lease out storage space from the larger carriers.

These factors created a major cash flow problem for the company and resulted in a "substantial and severe diminution in the value of its property and business," the company contends.

Though there is no doubt that National Railway's and other short line's profits plummeted and major problems have arisen since 1979, several industry analysts expressed deep reservations that the antitrust suit will be successful.

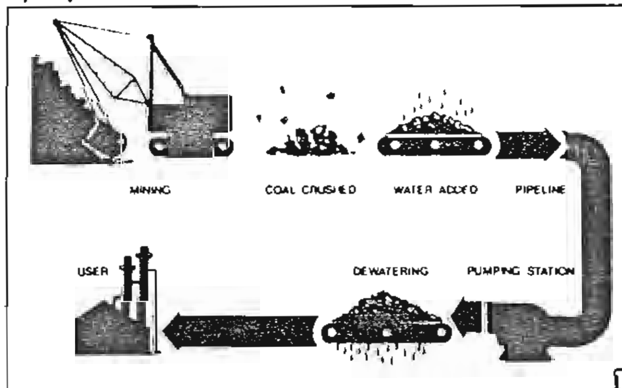
First of all, they said National Railway will have to come up with some good examples of unusual routings and evidence that deliberate decisions were made to route the rolling stock back to its home lines despite the availability of shipments for loading, they said.

At the same time the company must prove that the actions were far from traditional industry practices, or the railroads will be able to make a pretty good defense that returning the cars was a logical action in light of the recession.

Since the conspiracy allegedly began shortly before the economic downturn, any indication that it was going on during a healthy economy will help the plaintiffs, they conceded.

Coal Slurry Pipeline

How Coal Slurry Pipelines Serve The Public Interest



Coal slurry is formed by crushing and grinding coal to a blend of specific particle size and mixing it with about an equal weight of water for transmission through the slurry pipeline.

Some time soon, when you turn on a light switch, you may be benefitting from more moderate electric rates, thanks to a method of transporting coal that costs considerably less than rail conveyance.

The method is coal slurry pipelining. Through a system of underground pipes, a mixture of finely ground coal and a liquid, usually water, is pumped over long distances. The slurry is destined for power generating stations where the liquid is removed and the dried coal burned to produce electricity for the nation's homes, offices and factories.

Nine coal slurry projects now on the drawing board have the potential to save billions of consumer dollars and stimulate the U.S. economy with new jobs and investments.

When will industry be given the opportunity to implement these projects? That depends largely on coal slurry pipeline bills now pending in Congress.

Largely as a result of opposition from railroads—which see pipelines as competitors—Congress has yet to enact coal slurry legislation. Ironically, coal slurry pipelines would not preclude the need for rail or barge conveyance. With the existence of all three modes, coal would be transported by the most cost-effective and efficient way, thus enhancing the future development of the nation's vast coal reserves.

In contrast to railroad opposition, people with a wide range of interests are supporting coal slurry pipeline legislation. Consumer groups, senior citizens, labor organizations and business associations are in favor of coal slurry pipelines. They share a common interest in moderating electricity costs for American consumers and strengthening the U.S. economy through the creation of new jobs and investments.

Milwaukee Journal, June 2, 1983

High court OKs Portage prison

By Eugene C. Harrington
Journal Madison Bureau

Madison, Wis. — The quest by the state to build a maximum-security prison at Portage — now more than three years old — appears to be over.

In a unanimous decision Wednesday, the State Supreme Court swept aside arguments that the State Department of Health and Social Services had not properly followed the requirements of the Wisconsin Environmental Policy Act in preparing plans for building the $42 million 450-bed institution in the Columbia County city.

The court, in a decision by Justice Roland B. Day, reversed a ruling last August by Milwaukee County Circuit Judge Patrick Sheedy.

Gov. Earl said Wednesday, "The Supreme Court's decision today is an important one in freeing the state to resolve the very serious prison overcrowding problem we have.

"Now the court has made it clear we can continue to pursue medium-security facilities in Oshkosh and Milwaukee. The pressure for a maximum security prison in Milwaukee will be somewhat relieved, but I think we ought to continue pressing [for site approval] on the legislative front as we have on the judicial front."

Bids by fall

Asked how soon work on Portage could proceed, Earl said:

"The drawings are being prepared now — an earlier court ruling allowed us to do that — and they ought to be completed by summer. We should be able to go to bids by this fall and be under construction next year and be prepared for occupancy by the end of 1986."

Linda Reivitz, secretary of the Health and Social Services Department, said she was "delighted" with the decision.

At the request of the State Court of Appeals — primarily because of the present need to relieve crowding in the state correctional system — the Supreme Court had agreed to review the Sheedy decision, bypassing the intermediate court.

The environmental impact statement had been challenged by Milwaukee County Dist. Atty. E. Michael McCann and a group of Milwaukee citizens who had relatives in the state correctional system.

Another group — residents of Portage near the prison site — intervened later to challenge the environmental process.

But in writing the court's decision, Day noted that none of them were recognized under law and previous court decisions as having a legitimate right to challenge the state agency's treatment of the environmental law.

"We conclude that none of the petitioners have alleged or proven sufficient injury in fact so that they would have standing to challenge the administrative decision finding the FEIS (final environmental impact statement) adequate," Day wrote.

Good for Portage

Vincent Dick Smith, mayor of Portage, said Wednesday that the decision was good for the city. "Most people support the prison. It's good for our economy," he said.

Smith added that the prison would create between 250 to 300 jobs. "We'll get a payroll to the tune of $5 million or $6 million annually," he said. "You drop that into a community and that helps everyone."

Ellen Swan, the executive director of the Greater Portage Area Chamber of Commerce, agreed that the prison would be a boost for the local economy. "Of course, there are also concerns that the unique quality of life we have in Portage not be adversely affected," she said.

"We are confident that the Division of Corrections has and will continue to be sensitive and receptive [to those concerns]."

Much of the court's decision revolved around arguments by McCann that he had "unique criminal, social, economic and environmental interests," which had been injured because of the department's failure to "rigorously explore" the possibility of placing a prison in Milwaukee County.

Said Earl: "The court rather directly and without qualification said Mr. McCann did not have standing and that any injury that he complained of was too remote to give him standing to sue.

"The fact the decision was so direct and without dissent is encouraging because it may discourage others from taking similar [court] action.

"I hope it's read carefully in City Hall also."

The court noted that McCann said placing the prison in Portage would disrupt the lives of inmates from Milwaukee because they will be farther away from their families, making visits more difficult.

This, said McCann, would lead to an increase in crimes committed by the inmates after they are released, leading to an increase in his work and injury to him in his official capacity as district attorney.

He also argued that the distance from families could led to social disintegration and increases in welfare costs, also affecting his work, and that his office's budget would be increased because of the need to transport prisoners, witnesses and investigators to and from Portage.

The court dismissed the last argument as being true for any district attorney outside Columbia County.

"Too remote"

Referring to the other contentions, Day wrote, "None of them are sufficiently direct so as to support a claim of standing [right to sue] for McCann."

The alleged injuries to McCann, he said, "arise only from presumed psychological effects that inmates in the prison system from Milwaukee will experience in a prison in Portage. As such they are simply too remote to be considered 'direct injury.' "

Day said the environmental act could be challenged although the injury may be remote or because they represent the end result of a sequence of events.

But, he added, the sequence of events cannot be overly conjectural or hypothetical.

"McCann's claims of injury are simply too indirect and speculative to confer standing on him to challenge [the impact statement]," Day said. "Further, the claims of injury do not bear a close causal connection to a change in the physical enviroment."

The court also said the claims of injury by the Milwaukee relatives of the inmates did not meet the test.

"They do not and in fact cannot allege that any of their relatives will actually be incarcerated in the prison at Portage," Day wrote.

Journal of Commerce, June 7, 1983

Canada to Restudy Joint Track Usage Plan

By MARK WILSON
Journal of Commerce Special

VANCOUVER, British Columbia — The Canadian government is to look afresh at a 10-year-old idea for managing CP Rail and Canadian National Railways mainline trackage west of Kamloops, British Columbia, as a single entity.

Both single-track mainlines funnel through the canyons of the Thompson and Fraser Rivers between Kamloops and Vancouver. The railway companies need to expand handling capacity, though CNR's problem is the more pressing.

British Columbia and and Alberta are interested in re-examining the issue, though their motives differ.

British Columbia wants to see that construction work by CNR does not rule out later expansion by CP Rail in a river corridor with prized salmon runs.

Alberta is anxious to delay, if possible, expensive double-tracking projects which will add to the freight costs of prairie farmers.

Immediately west of Kamloops the railways occupy opposite banks of Kamloops Lake then unite or diverge, as well as switching back and forth between various walls of the Thompson and Fraser River canyons for the run to the coast.

CP Rail has 250 miles of track between Kamloops and Vancouver and the corresponding CN figure is 256 miles. The first-glance charm of cooperative working between the two railways is that uni-directional traffic flows on double track offers a twofold or threefold increase on the handling capacity of two single-track lines accepting opposing traffic flows.

The idea that existing lines west of Kamloops can be managed in such a way as to allow heavy westbound traffic to use the easily graded CN line and have eastbound trains, most of them travelling empty, run over CP Rail trackage was first explored at a federal provincial conference in 1973.

Transport Canada was instructed to commission a study of the potential for the "joint trackage usage concept" and it delivered a report in 1977. The examination suggested that there were benefits to be achieved by segregating directional traffic flows. It also raised the problem of track maintenance on a lengthy stretches of track on opposite sides of the rivers which make interchange of trains impossible.

In a conventional twin-track operation, where the tracks are adjacent crossovers are spaced at intervals of around nine miles. This arrangement allows track maintenance crews to work on short sections of line and allow uninterrupted double-track working on the rest of the route.

Kamloops Lake and the river route to the sea prevent easy exchange of trains between CP Rail and CN. The few existing interchanges between the railways are inadequate to handle the combined traffic flows of both railways and are spaced so far apart that long sections of track would suffer all the disadvantages of single-line working if one line or the other was removed from service.

The cost of expanding existing interchanges and putting in fresh ones to facilitate joint track usage is put at C$250 million, though the real cost C$300 million, once all the extras are added.

The program would not yield benefits until all the limited crossovers were in place, presenting a heavy front-end cost. The railways, left to themselves, will individually expand traffic capacity through selective double tracking and achieve capacity gains once each segment is completed.

CP Rail does not feel that it has to do major work west of Kamloops before 1990. CN is already embarked on a program to double-track its line throughout between Edmonton and Vancouver, though completion of the mammoth project is a 30-year undertaking.

William Stephenson, CN's assistant regional manager of operations for Alberta and British Columbia, said that the joint trackage usage concept will not go away until there has been further study. "We have to convince people that there are better ways to go," he said.

Peter Hoisek, chief of capacity development and economics with the federal government's railway transportation directorate, said that representatives of the railways, the western provinces and federal agencies met in Vancouver in May to discuss the situation. Transport Canada plans a fresh examination of the issue.

He said that British Columbia is worried that advanced planning by CN for double-tracking west of Kamloops threatens the potential for traffic growth on the CP Rail mainline.

Journal of Commerce, June 7, 1983

Firm Hopes Boxcar Conversion May Set Trend

By RIPLEY WATSON 3rd
Journal of Commerce Staff

Ortner Freight Car Co. of Cincinnati is making a bid to fill a market niche it thinks will be created by the nationwide use of 48-foot trailers by turning an aging, 50-foot boxcar into a piggyback flatcar.

The firm hopes its conversion of a 23-year old Southern Railway boxcar will be the first of numerous conversions prompted by federal approval of the longer, wider trailers earlier this year.

David Childers, special equipment engineer for Norfolk Southern Corp., parent of the Southern Railway, said, "We are already seeing an influx of 45-foot trailers which cannot be shipped in pairs on existing 89-foot cars."

"The converted boxcar offers an excellent means of dealing with varied trailer sizes during what we believe will be a five to six-year shakeout in intermodal equipment designs, Mr. Childers said."

Single trailer operation on long flatcars isn't seen as economical by the railroad industry, creating the space problem as trucklines convert to larger equipment.

The railroad industry was criticized in the 1970s for not building longer equipment quickly enough when the previous trailer length extension to 45 feet was approved.

There have been indications this year that the pace of orders for the longer trailers has been accelerating, though manufacturers say firm orders have been awaiting the outcome of some legal challenges by states of the new size and weight limits.

Dutch Goddard, sales representative for Ortner, said that if highway interests can generate enough capital to go to the 48-foot trailers, "railroads will be at a severe disadvantage."

"This conversion process will enable railroads to relieve themselves of the cost burden of idle boxcars and accommodate the growing TOFC traffic, without making a major commitment to new intermodal equipment," said Al Hurt, Ortner's director of sales.

Mr. Goddard noted that as intermodal traffic has been growing while shipments moved in boxcars have been declining. That trend, he and other industry officials have noted, has created a boxcar surplus which the conversion process could reduce.

The car which the firm converted began running last month on piggyback trains between Alexandria, Va., and Atlanta, Ga. Top speed for the car right now is 55 miles per hour, Mr. Goddard said.

There is interest in the project from other railroads, especially Conrail, Mr. Goddard said, but other lines haven't placed orders yet.

He said the cost of converting the car, which includes both taking off the sides and top of the car and modifying the undercarriage, was just over $16,000. But he added that this cost, which is about one-third of the price of a new car, can change with each order as Ortner tailors modifications to each customer's needs.

An order for a number of car conversions would be welcome in the railcar building industry, which is mired in its worst slump since the 1930s as a result of what observers see as oversupply of cars and reduced demand during the recession.

Ortner officials hope the conversion will give the firm a presence in the intermodal equipment market which it hasn't had before.

The car which was converted had a 50-ton capacity, which was changed to 32.5 tons for 40-foot trailers and 40 tons for 45 and 48-foot trailers.

The converted car is designed for lift-on, lift-off loading, but designs have been drawn for circus handling.

The car now is outfitted with a 47-inch non-retractable hitch and can carry nose-mounted refrigerator units. Both 96 and 102-inch-wide trailers can be handled.