Corporate Relations

M E D I A M O N I T O R July 9, 1982

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

The Journal of Commerce JUN 28 1982

WASHINGTON REPORT

THE RAILROAD legislation approved by the House Energy and Commerce Committee, which includes continuation of an easy-term federal loan program and assurance of protection for former employees of the Milwaukee Road, is on hold until the Rules Committee schedules it for floor action.

A similar bill on the Senate side has been voted out of the Senate Commerce Committee and also is waiting for floor consideration.

Differences between the two bills may make a conference fairly complicated. The House bill includes provisions the Senate version does not, among them the Milwaukee employee aid and increased funding for commuter authorities which take over Conrail's passenger service.

St. Paul Dispatch Wednesday, June 30, 1982

Judge bars union from repeating strike against BN

CHICAGO (AP) — The United Transportation Union, which paralyzed Burlington Northern Railroad operations in 29 states and parts of Canada with a brief walkout in April, may not strike BN again, a federal judge ruled.

U.S. District Judge Susan Getzendanner on Tuesday extended indefinitely her original injunction barring the UTU from calling further strikes against BN.

Her order replaces a preliminary injunction and restraining order issued April 13 that stopped a one-day UTU strike.

The 11,000-member union, striking over wages, work rules and the right to negotiate individually with railroads, halted freight and commuter traffic along BN's 29,000 miles of tracks in the United States and parts of Canada.

Under Tuesday's injunction, the union is barred permanently from striking "unless the injunction is lifted or vacated," said Richard J. Schreiber, a BN attorney.

"It's nothing new," said Robert Hart, spokesman for the UTU in Cleveland. "It just confirms what Judge Getzendanner said before.

"We were satisfied with her decision. Even the parts we lost, we felt she thought them out well."

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Chicago Tribune, Friday, July 9, 1982

Reagan averts rail strike with 'cooling off' order

By Carol Oppenheim

Chicago Tribune Press Service

SANTA BARBARA, Calif.—President Reagan used his executive power Thursday to avert a threatened nationwide railroad strike Sunday by ordering a 60-day "cooling off" period and announcing he would appoint a board of inquiry to look into the labor dispute.

The President interrupted his vacation here to issue an emergency order after receiving a report from the National Mediation Board calling the situation "extremely critical" because the railroads threatened by a strike of the Brotherhood of Locomotive Engineers operate 90 percent of the track miles in the U.S.

The mediation board's chairman, Robert Harris, told the President, according to acting White House press secretary Larry Speakes, that the "overall effect of the strike would be the virtual shutdown of rail freight movement in the U.S."

Speakes said Reagan views the railroads as "crucial to the U.S. economy" and believes that rail service has "taken on increased significance in recent years."

EARLIER IN the day, spokesmen for the union, which represents about 40,000 engineers and firemen, had said they would welcome presidential intervention and would abide by a cooling-off order if an impartial fact-finding board were named.

"We have no desire to disrupt the country, but we are in a box as far as our options," said John Sytsma, union president. "I think we have a good case and an impartial board would recommend the merits of our case."

Presidential adviser Edwin Meese has been monitoring the threatened strike through the Departments of Labor and Transportation and has been briefing the President by telephone from Washington, Speakes said.

Meese reportedly told Reagan that a strike would be most damaging to farmers in the Midwest, who are preparing to harvest winter wheat. If the wheat could not be brought to market, it would affect the nation's balance of payments by substantially reducing wheat export revenues, which are expected to reach $5.5 billion this year.

ADMINISTRATION officials said a walkout would also hamper the movement of freight by the Department of Defense. Last year, the department moved approximately 18 percent of its supplies by rail, Speakes said. So far this year, the figure has increased to about 25 percent.

Under the federal Railway Labor Act, the President can forestall a strike if federal mediators find that a strike would deprive a section of the country of essential transportation services.

A walkout would have crippled rail traffic, including Amtrak passenger service, because some members of the locomotive engineers union operate those trains, and Conrail, because its trains would have been prevented from switching cars from other railroad rights-of-way.

The strike would also have had a serious impact on unemployment. At the end of a two-week strike, Speakes said, 620,000 railway workers would have been added to the ranks of the jobless; and at the end of month, the number of unemployed would have topped 1.1 million.

FOURTEEN UNIONS already have agreed to new contracts with the 50 railroads in the dispute. The locomotive engineers have been without a contract for more than a year, and talks with the National Railway Board broke off on May 26. A 30-day cooling-off period imposed by the board will expire late Saturday.

A second union, the United Transportation Union, which represents railway freight handlers, also has been unable to come to terms with the carriers on a new contract. However, a 30-day cooling-off period imposed on that union does not expire until the end of the month.

The President is expected to name the three members of the emergency fact-finding panel early next week. The panel will have 30 days to come up with recommendations for settlement of the dispute, and the unions and the railroads will have another 30 days to reply or to work out their own settlement.

The last time a president used his emergency powers to avert a railway strike was May, 1979, when Jimmy Carter set up an emergency board to handle a dispute between the American Train Dispatchers Association and the railroads. The last nationwide strike was in 1971, when the Brotherhood of Railroad Signalmen walked off their jobs.

Portland Oregonian June 6, 1982

Small railroad, port fight for same land

SEATTLE (AP) — The Port of Seattle, coveting a piece of waterfront land, is trying to doom the tiny, struggling Seattle & North Coast Railroad, the railroad's president claims.

But the Seattle & North Coast isn't ready to give up.

Since 1980, the fledgling railroad has been running under federal interim emergency service permits allowing it to operate the bankrupt Milwaukee Road's 50 miles of track connecting Port Angeles and Port Townsend.

A barge connection links Port Townsend and Seattle, and the arrangement provides the only rail service on the north Olympic Peninsula.

Many in the forest products industry say loss of the railroad would be a severe blow, since it allows relatively inexpensive transportation to move their products out of a remote area and allow them to link up with cross-country railroads operating east out of Seattle.

To obtain permanent operating authority, the little railroad must prove its financial stability and put together a long-term financing plan to pay for the track and the five-acre switchyard at Seattle's Pier 27 that it leases from Milwaukee Road trustees.

The problem is that the Port of Seattle also wants the Pier 27 property, which would allow the Port to consolidate some of its holdings for a container ship terminal.

While the Seattle & North Coast has authority to operate until mid-July under the latest of a series of emergency operating permits, the Interstate Commerce Commission last month turned down its request for a nine-month extension on a deadline for putting together a financing plan.

A March 26 financing deadline lapsed while the railroad was arranging financing, although it filed for the extension a day before the deadline.

The ICC denied the financial deadline extension largely on the basis of objections by the Port of Seattle, says Les Miller, an ICC attorney in Washington, D.C.

Arthur Allen, Seattle & North Coast president, says the line is appealing the denial through administrative channels. He contends the Port is trying to block approval of his financing plan "in order to cause our demise and acquire that (Pier 27) property."

Richard Ford, Port executive director, doesn't deny he's playing hardball, saying: "We want as strong a position as we can get.

"Our job is to develop trade in this harbor. It's not a pleasant job — we step on peoples' toes. . . . If they are allowed to stay there, the development of the Port would be injured."

Seattle & North Coast wants to sell $10 million in tax-exempt industrial revenue bonds through the ports of Port Angeles and Port Townsend to give it a stable, long-term financial future.

The Port of Seattle says it won't approve such a sale, but the railroad says it doesn't need the Port's approval. Both sides say the matter probably will be settled in court.

"I'll go to jail before I have to shut down this railroad," said Larry Bunting, railroad vice president.

After two years of deficit operations, the railroad's officials say their line is on firm financial tracks.

But standing squarely in their path is the Port's overwhelming desire for the Pier 27 site, one of the last privately held pieces of real estate along the East Waterway where the Port plans its new containerized cargo terminal.

If the railroad is unsuccessful in obtaining the financial organization in time to gain an extension from the ICC, Allen said, it probably will continue to receive 45-day extensions of its operating permit but will "have to start from ground zero" on its application to take over the line.

He said such a blow would cost the railroad money and imperil its chances of putting together successful financing.

"The railroad is vital to us," said Dick Stroble of Merrill & Ring Inc., a Port Angeles lumber company. "The delivery cost of lumber is the all-important key in being competitive."

Shipping by truck is more expensive than by rail from the peninsula, especially with the loss of the Hood Canal Floating Bridge in a 1979 windstorm. A rebuilt bridge is scheduled for completion late this year.

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UTU News June 26, 1982

Owners snag Milwaukee sale

The corporation that owns most of Milwaukee Road's stock reportedly has asked the trustee for the bankrupt carrier to cancel an agreement to sell the railroad to the Grand Trunk.

The Wall Street Journal said the Chicago Milwaukee Corp. threatened "long and costly litigation" if the trustee proceeds with the sale.

The Grand Trunk, a subsidiary of the Canadian National, had signed a letter of intent to acquire the Milwaukee after the bankrupt line is reorganized. The deal, which called for a definitive agreement by July 1, calls for the Grand Trunk to assume about 250 million dollars of Milwaukee's debts.

Chicago Milwaukee's main objection, according to the Journal, was that the corporation wouldn't receive anything in the transaction. GT and Milwaukee plan to go ahead with the sale anyhow.

Meanwhile, another snag to the proposed sale appeared to be shaping up as a group of Milwaukee Road creditors got ICC permission to push for liquidation of the carrier's land holdings to pay interest on debts dating back to Milwaukee's bankruptcy date.

Montevideo American News
Excerpt July 1, 1982

Railroads dictated merger of three area elevators

by Jane McKeown

Today, July 1, the merger of three area elevators into the Valley Farmers Elevator becomes official.

But for the present, patrons of Wegdahl Co-op Elevator, Farmers Equity Elevator at Montevideo and the Watson Farmers Elevator can continue their relations with their individual elevators as before — same telephone numbers, same locations. Only the name and the move of the main office to Montevideo has changed.

Consolidations of this kind are occurring all over the state, says Dunbar. The Burlington Northern Railroad has dictated how the grain is to be shipped. It started in North Dakota with unit trains moving to the west coast, then picked up in southern Minnesota, he says, with large quantities of grain moving to the gulf. Now it's moving in here. "And if this is what the railroad wants, we've got to like it or get out. We have to handle the larger volumes of grain to be competitive."

Olaf Nelson, who served on the board of Farmers Equity Elevator,

has been with the co-ops long enough to remember "when we used to haul coal — it was the main source of heating on the farms then. Later the elevator became more and more into the feed business." He says that back in 1972 and those years, the Montevideo elevator had the largest operation of any in Minnesota. "We shipped large amounts of grain to the west coast, Washington and Oregon." But, he says, the Milwaukee Railroad problems undoubtedly contributed to the financial problems of the elevator. He is optimistic now that the consolidation of the three elevators is for the best. "I think that if the farmers are behind the elevators in this merger, I'm sure they will come out of it in fine shape again."

St.Paul Dispatch June 28, 1982

Future of rail lines rests on state amendment

By Gary Dawson
Staff Writer

One of the more popular state projects since 1976 when it was enacted by the Legislature is Minnesota's rail service improvement program (MRSI), or "Mercy," as it is known and pronounced in governmentese.

Alarm has increased in the state over rail line abandonments and loss of service to hundreds of Minnesota communities that need transportation services to move farm and industrial products.

Since 1976, about $10 million has been spent to rehabilitate 150 miles of track scheduled for abandonment, including such key routes as the Austin-Albert Lea line, which likely will be Austin's only rail connection to the rest of the United States in the future, experts say.

Several other lines, mostly in southern Minnesota, have been rehabilitated under the program, which involves a financial partnership among the state, federal government, railroads and shippers.

But all that could come to an end if a constitutional amendment allowing the state to continue to help finance such projects is not approved Nov. 2.

The issue arose in 1980 when the Legislature, facing increased budget difficulties, quit appropriating funds directly from the state general fund for the program. Instead, the Legislature chose to begin selling 20-year general obligation bonds to finance the program.

However, the lawmakers ran directly into a constititional prohibition that makes an initial $13.5 million in authorized bonds unsalable.

The constitution, with few exceptions, bans state sale of general obligation bonds to aid private enterprise. So, the Legislature is asking voters to change that. The following language to amend the constitution will appear on the ballot:

"Shall the Minnesota Constitution be amended to provide for the state bonding authority up to a maximum of $200 million for the improvement and rehabilitation of railroad facilities?"

If passed by a majority of people voting in the election, the amendment would allow the state to sell the bonds with no interest limit to finance rehabilitation of private and public rail lines. It could also use funds for the rail bank program, which allows the state to purchase abandoned lines in case they might be needed in the future.

Currently, the state has 5,960 miles of railroad lines. About 1,500 miles of track have been abandoned over the past 10 years. Another 1,120 miles are scheduled for abandonment in the next 10 years, and that total easily could reach 2,000 track miles, according to Jim Browne, rail program representative of the state Transportation Department.

Another way of looking at the impact is that 225 Minnesota communities could lose rail service in the next 10 years. About 240 rail "users" (farm implement dealers, elevators, utilities, manufacturing plants, etc.) could lose their rail service.

Browne says the state has its eye on 370 miles of line that could be saved in the next five years. Costs could run $32 million to $74 million.

In the Austin-Albert Lea project, scheduled for completion this summer, the state is paying about 32 percent and the federal government 28 percent of the $5.6 million cost for 25 miles of track improvements. The balance is being assessed against shippers and the Milwaukee Road.

Browne says the rail project was a key factor in Hormel Co.'s decision to stay in Austin and remodel its meat processing plant. Similarly, he adds, rail service is important to the economic health of other communities in the state.

The $13.5 million in bonding authority that would immediately be available, should the amendment pass, would retain service to 48 communities, Browne says.

Although there is no formal opposition to such a program, as was the case while it was being financed from direct state appropriations, Browne insists that doesn't ensure voter approval.

"The only thing that frightens us is the current public mentality over anything that costs money," Browne says.

If the amendment passes, the Legislature still would have to authorize bonding projects, as the lawmakers do for other public projects.

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Tuesday, June 29, 1982 St.Paul Dispatch

BN to abandon farm area tracks

By Lee Egerstrom
Agribusiness Writer

Burlington Northern Railroad Co. informed the Interstate Commerce Commission (ICC) Monday it intends to abandon 338 miles of branch lines in Minnesota during the next three years.

While some of the lines are no longer used mine tracks on northern Minnesota's Iron Range, more than two-thirds of the proposed abandonments are grain-hauling lines in Minnesota farm country.

Officials of the Minnesota Transportation Department were traveling Monday and had no immediate response.

But a spokesman for the Minnesota Farmers Union said the farm organization is "concerned," and predicted that the BN announcement will help pass the state constitutional amendment No. 4 this fall.

That amendment on the state's general election ballot would allow the state to spend money with local communities and shippers to rehabilitate and save branch lines.

About 200 miles of agricultural lines listed in BN's proposal now service farmers in the Alexandria, Fergus Falls, St. Cloud, Brook Park, Fertile, Elk River, Princeton and Wadena areas.

Railroads are required to file papers with the ICC each summer pointing out which branch lines they intend to abandon within the next three years. They also must file maps showing branch lines being considered for eventual abandonment proceedings.

Nine of the 15 lines BN is proposing for abanondment were listed in the second category last year. There were no additional lines in the second category listings on the new map.

Journal of Commerce
June 30, 1982

BN Seeks To Drop 679 Miles of Track

United Press International

MINNEAPOLIS — Burlington Northern is seeking Interstate Commerce Commission approval to abandon 338 miles of track in Minnesota and 341 miles in North Dakota.

BN intends to close the 15 branch lines in Minnesota and 10 in North Dakota within three years. The lines are either beyond repair or unprofitable, BN General Manager Charles Bryan said Monday.

More than half of the lines marked for abandonment were listed last year as under study for abandonment. BN listed no lines this year as under study for abandonment and has begun rehabilitation on 800 miles of branch lines in North Dakota, Mr. Bryan said.

Journal of Commerce
June 30, 1982

Conrail to Lay Off 2,000 Employees

Journal of Commerce Staff

Citing an unexpected decline in traffic, Conrail said it will lay off more than 2,000 employees and close five equipment repair shops for five weeks longer than normal.

Freight service will not be affected, it said.

Officials at the Philadelphia-based railroad said the moves were necessary to avoid posting a loss this year. Conrail must achieve profitability by next year if it is to avoid being sold off piecemeal.

Wall Street Journal
June 29, 1982

RAILROAD DRUNKS: Pressure grows for better curbs on workers' drinking.

The National Transportation Safety Board renews a proposal, first made in 1973, that railroad employees be barred from drinking for a period of time before work. It estimates 16 train wrecks in the last decade involved crew alcohol abuse. Any federal rule would have to come from the Federal Railroad Administration. It did a poll in 1979, repeated this year, that showed 19% of rail workers are "problem" drinkers.

In a speech last week, administration chief Robert Blanchette warned that if labor and management can't solve the problem, "I'll have to do it through regulation." Union and industry officials mull his request. But most feel company rules against drinking on the job, plus new employee rehabilitation programs, are sufficient solutions.

The Brotherhood of Locomotive Engineers successfully sues Southern Pacific for trying to give sobriety tests to all crews.

* * *

Des Moines Register June 27, 1982

Train rustling a puzzlement

O'NEILL, NEB. (AP) — Burlington Northern railroad officials in Nebraska and Iowa and law officers were investigating a theft Saturday — a train engine and three empty cars.

"Helluva thing," said Iowa Division Assistant Superintendent Michael Heyns of Sioux City. "I've been with the railroad 13 years and I can't remember anything like that happening."

Neither could Nebraska Division Assistant Superintendent Charlie Fish, a veteran of 27 years with the railroad.

The theft occurred late Friday. The train was driven 12 to 14 miles before being abandoned a mile east of Page, Neb. It was recovered shortly before midnight Friday.

"All we know is that we have a train that goes from Sioux City to O'Neill three times a week and it was tied up at O'Neill," Fish said. "While the crew was off and resting, some person or persons unknown released the train and took off with it."

The train apparently was "hot-wired," driven with its brakes on and abandoned near Page, Nebraska State Patrol officers said.

The engine had considerable damage, and the train lost about 16 brake shoes, officials said.

"It would take someone mechanically inclined who knew about diesels to get that thing going," Fish said.

No suspects were in mind by late Saturday, according to Holt County Deputy Sheriff Everett Watson.

Des Moines Register July 8, 1982

Zephyr bypasses central Iowa

By The Associated Press

Saying it would cost too much to build boarding stations, modify trains and upgrade tracks, Amtrak has decided against rerouting its San Francisco Zephyr passenger train from southern Iowa through more-populous central Iowa.

Amtrak spokeswoman Pam Dickson said Wednesday from Chicago that the decision was made because of the high costs of the change and because part of the track would need to be upgraded for high-speed passenger service.

Rerouting the federally subsidized passenger train through the central part of the state would have made it accessible to more Iowans, the Iowa Department of Transportation has said. DOT officials said they were encouraged when an Amtrak crew did a routine evaluation of the Chicago and North Western route June 9.

Amtrak's current route on Burlington Northern tracks in southern Iowa passes through several smaller communities and its boarding stations are at least an hour's drive away from larger metropolitan areas.

The Zephyr has been detoured over the North Western tracks since Sunday but is making no stops in Iowa. Flash flooding washed out large sections of the Burlington Northern tracks between Albia and Melrose in south central Iowa Friday night.

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Green Bay Press Gazette
June 28, 1982

Chessie only ferry service across Lake

With the Ann Arbor Railroad halting its ferry service to the port of Kewaunee, the ferry operated by the Chessie System is the only one providing passenger and automobile service across Lake Michigan.

The passenger service will continue on a daily basis through Sept. 7.

Departure times, eastbound, are 1 p.m., and 1 a.m., CDT. Westbound from Ludington, Mich., departure times are 8:30 a.m. and 8:30 p.m., EDT.

Confirmed reservations are recommended for automobile passage. Reservation information is available at Ludington, 616-843-2521.

Minneapolis Star and Tribune 6-30-82

BN looking at Lincoln for possible move

Associated Press

Lincoln, Neb.
Lincoln is a strong candidate to become the new Burlington Northern Railroad headquarters, Nebraska Gov. Charles Thone said Tuesday.

Railroad officials are studying whether to move the headquarters, now in St. Paul, and they have acknowledged that Lincoln is a possible location. BN's headquarters employs 2,700 people, most of whom would be transferred if the move is made.

Thone said Richard Bressler, president of Burlington Northern, Inc., the holding company that is the parent of the railroad, assured him that Lincoln was in the running when the two met last week in Washington, D.C.

Thone said Bressler told him about 500 employees could be sent to other BN locations, leaving at least 2,000 to be transferred to the new headquarters.

Earlier this month, Burlington Northern said Minneapolis, Seattle, Chicago, Denver, Billings, Mont., and Springfield, Mo., all regional offices for BN, would be looked at, plus Kansas City.

Miles City Star July 1, 1982

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Canada having special birthday

TORONTO (AP) — Canada celebrates its 115th birthday Thursday with a special fervor, setting off fireworks in the midnight sun, waving a giant maple-leaf flag and enjoying its new status as a thoroughly independent country.

But even when they are celebrating, Canadians cannot escape their national identity crisis. They are debating just what the day should be called — Dominion Day, as in the past, or "Canada Day."

Despite a harrowing economic crisis, the government is spending about $5 million (U.S. $3.9 million), or 20 percent more than last year, to sponsor about 2,000 ceremonies across the land.

"It's worth the money just to celebrate our freedom," said Secretary of State Gerald Regan, whose department provides funds for such events as the re-enactment of a wagon train trek from Moose Jaw to Saskatoon, Sask., and the waving of a 5,000-square-foot Canadian flag in Edmonton, Alta.

Regan told reporters 1982 is "a special year because of the patriation of the constitution."

The constitution, which had been in the custody of the British House of Commons, came under purely Canadian control April 17 in ceremonies presided over by Queen Elizabeth II.

In Yellowknife, capital of the sparsely populated Northwest Territories, city officials have resigned themselves to putting on a fireworks display they do not really want.

Although the sun dips below the horizon briefly on July 1 in Yellowknife, a city of 10,000, Mayor Mike Ballantyne says it does not get dark enough to make fireworks worth shooting off. He would like to find another use for the federal funds earmarked for the sky show.

The city went through the same thing last year, and when the federal government said it was fireworks or nothing, Yellowknife turned it down. The issue become a symbol of what some people think is Ottawa's lack of understanding of the north.

This year, the government offered $50,000 worth of "brilliance-enhanced" fireworks, and the city gave in.

The name of the national holiday, Dominion Day, has become an embarrassment to some Canadians who detect a tone of outdated colonialism. Nowadays most people call it "Canada Day," and Prime Minister Pierre Elliott Trudeau's Liberal Party government has proposed legislation to make the change official.

The Liberals could push the new name through over Progressive Conservative opposition, but have preferred not to stir up tradition-minded Canadians.

Des Moines Register
July 7, 1982

Canada in deep trouble

Under the warmth of the summer sun, Canada is thawing out from a long winter. Under a triple-whammy of high inflation, unemployment and interest rates, it may also be settling in for a long recession.

In an attempt to revive the economy (and the sagging political fortunes of the ruling Liberal Party), the government has introduced a budget that cuts public spending, increases taxes slightly, restrains wages of government employees and seeks to help especially hard-hit Canadians, such as farmers.

Thus far, Canada has tried to curb its economic ills through fiscal and monetary restraint. In the United States, a similar approach has at least reduced inflation, but Canadians haven't been able to brake even that. The latest government budget is not likely to help, either, according to influential critics who have called it a "fiscal Band-Aid" and "a non-event." Provincial leaders seem to be giving the budget only lukewarm support.

Like many people in the world, Canadians attribute much of their trouble to high interest rates in the United States, which draw funds out of Canada into U.S. investments. Those same rates, of course, are playing havoc with the U.S. economy.

Therefore, the health of both the U.S. economy and that of Canada requires that interest rates be brought down. It is bad enough that they should imperil this country's economic health, let alone hurt others.

Corporate Relations

MEDIA MONITOR June 29, 1982

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

Quad City Times, Davenport June 18, 1982

Lean Milwaukee Road awaits merger

By David M. Schechter
of the Times

As the Milwaukee Road nears the end of a fiscal diet — slimming its trackage down to a 2,900-mile Midwest core system — it is preparing to be swallowed in a merger.

"The Grand Trunk Corp. took a look at us and liked what they saw," Worthington L. Smith, president of the Milwaukee Road, told reporters Thursday in Davenport.

Smith, in town to meet with Milwaukee Road employees, said the Grand Trunk deal could be final by late 1984, if approved by the Interstate Commerce Commission and the court handling the Milwaukee Road's bankruptcy.

He said the merger would not affect service by the Davenport, Rock Island and North Western Railway, a switching operation co-owned by the Milwaukee Road and Burlington Northern.

The Grand Trunk is the holding company for American subsidiaries of the Canadian National Railway Co. The Milwaukee Road would become the fourth railroad in the 2,100-mile Grand Trunk family.

Smith said the Milwaukee Road has set a January 1985 target date for completion of its court-ordered reorganization, which has included elimination of nearly 8,000 miles of track.

"We're back and we intend to stay," he proclaimed.

Still to be handled is the sale of non-operating property, such as land holdings and equipment no longer needed.

Smith restated the Milwaukee Road's firm intent to buy 38 miles of Rock Island Lines track from west Davenport to near Muscatine, Iowa. It had a $4 million agreement with the Rock's bankruptcy trustee, he said, but a last-minute offer by the Chicago & North Western railroad upset those plans.

At stake is the lucrative Muscatine rail business and a contract to deliver coal to the Louisa Generating Station, a coal-fired power plant being built near Muscatine.

U.S. District Court Judge Frank J. McGarr, overseer of the Rock's bankruptcy case, has given the Milwaukee Road until June 29 to match or beat the C & NW bid, which has not been disclosed.

"We are going to acquire that track, period," Smith said.

He also said the sale of non-operating assets eventually would enable the Milwaukee Road to repay the massive tax bills it owes states, counties and cities throughout its system.

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Rock Island Argus

June 17, 1982

Milwaukee to buy Rock line to Muscatine

By Tim Moran
Argus business writer

The Milwaukee Road will be acquiring the Rock Island Lines track between west Davenport and Muscatine, despite the efforts of another railroad to acquire the track, Milwaukee Road President Worthington Smith said today at a Davenport press conference.

Smith, in the Quad-Cities to talk to employees and freight customers of the line about the merger plans and progress on the bankruptcy reorganization, told news reporters that his railroad "will be acquiring that track, period" despite the Chicago and Northwestern Transportation Co.'s belated bid on the track.

Smith said his railroad had negotiated a contract for the track in question with the bankrupt Rock's trustee after other railroads, including the Chicago and Northwestern, had indicated that they were not interested in it.

"We were a little surprised at the upset bid arriving so late in the game," Smith said. U.S. District Court Judge Frank J. McGarr has ruled that the Milwaukee can acquire the track if they better the offer made by the Chicago and Northwestern for the track, and Smith said he intends to do that.

The track is important because of a potentially lucrative contract to haul coal to the Louisa Generating Station now under construction a few miles south of Muscatine.

SMITH REPORTED THAT the railroad has almost reached its goal of paring down to 2,900 miles of track, and told reporters that the proposed merger with the Grand Trunk Corp. is a result of successful efforts at reorganizing the railroad into a profitable entity.

The reorganization and the merger are likely to be finalized sometime in 1984, Smith said.

The merger, announced in mid-May, would make the Milwaukee Road one of four railroads that would make up the Grand Trunk Corporation.

The Grand Trunk Corp. is a holding company for American railroad subsidiaries of Canadian National Railway Co. They currently include the Grand Trunk Western, operating in Michigan, Indiana, Ohio, Kentucky and Ontario; The Duluth, Winnipeg and Pacific Railway operating in Minnesota; and the Central Vermont Railway operating in New York, Vermont, New Hampshire, Massachusetts, Connecticut and Quebec.

Smith characterized the combined routes of the Milwaukee Road and the Grand Trunk as the "best in the upper Midwest."

SMITH SAID THE Milwaukee Road would take some $250 million in debt with it into the Grand Trunk system, relieving the Milwaukee Road estate of those obligations. The estate would then consist of non-operating properties and equipment still under the jurisdiction of the bankruptcy trustee.

The railroads will start Monday on coordination of freight services and pooling of locomotives and other equipment, Smith said.

The merger will have to be approved by the Interstate Commerce Commission and the bankruptcy court, Smith said, a process which will probably take between 18 and 24 months.

The merger is a natural result of the Milwaukee Road's reorganization, Smith said. "Our first objective has always been to arrive at an income-based successful reorganization of the Milwaukee Road.

It's been the intention of the Milwaukee Road to affiliate with a stronger railroad, and the offer could have come from anyone," the railroad president said.

Smith also pledged that the railroad will pay back its creditors "dollar for dollar" after the reorganization is completed.

Rail plan moves ahead

By DEWEY PFISTER
Herald Staff

MERRILL — A last-minute hurdle that threatened to halt the planned $6 million rehabilitation of Milwaukee Road tracks between Brokaw and Tomahawk was eliminated Monday.

The state Department of Administration eliminated a Department of Transportation requirement that the railroad post a surety bond guaranteeing completion of the project. That requirement had been added last Wednesday just as the plans were about to be finalized.

DOA action came after a meeting Monday between State Rep. Sheehan Donoghue, R-Merrill; Merrill attorney Glenn Hartley; and Gov. Lee Dreyfus. Hartley represents rail users along the route forming the Lincoln County Shippers Association.

County Clerk Kenneth Oldenburg was notified by telegram Monday afternoon that all documents, except the amendment added last week, could be released.

The DOT directed last Wednesday that a surety bond be posted by the railroad. The requirement came just a day before signing of financial documents involving the DOT, shippers, Lincoln County and four area banks.

Participants have been reluctant to discuss the surety bond requirement. DOT reportedly offered to pay up to $50,000 of the bond cost but the cheapest bond that could be obtained by the railroad guaranteeing the project would have cost more than twice that amount.

The Milwaukee Road will install used ties, continuous-weld 100-pound rail and new ballast along much of the 42-mile route. Work will be inspected by DOT representatives and approved before payments are made to the railroad for work performed.

The DOT will provide a $2.1 million grant, matched by loans from the shippers and Lincoln County. Loans will be be repaid by the railroad on a per-car basis as rail shipments are made.

Work on the line is expected to begin this month with completion scheduled for November.

Merrill viewpoint

Rail project is big achievement

The Milwaukee Road's desire to rehabilitate its tracks between Wausau and Tomahawk and a unified commitment by area industries, financial institutions and government leaders are about to result in a significant economic boost for north central Wisconsin.

The $6 million project doesn't mean that we couldn't lose rail service some day. There is always the prosect of losing rail service if it isn't used. But, existing and prospective industries in Lincoln County are about to be assured of a first-rate rail line.

Six industries between Brokaw and Tomahawk are borrowing $1.6 million and promising to repay Lincoln County another $500,000 it is borrowing to help finance the project.

The state Department of Transportation is providing a $2.1 million advanced grant, its first ever to rehabilitate a branch line.

This complex financing arrangement would not have been possible without a 100 percent cooperative effort by area industries, their financial institutions, the railroad and DOT's Rail Bureau. Perseverance by all parties against what once looked like insurmountable odds is about to produce rewarding results for the entire area.

There are some individuals whose efforts could easly slip between the recognition cracks. Industries organized a shippers association and all their delegates made a dedicated effort. Their counsel, Attorney Glenn Hartley, successfully packaged what probably is one of the most complicated financial dealings ever attempted in the area.

A can-do attitude from Paul Heitmann, DOT Rail Bureau director, coupled with support from State Rep. Sheehan Donoghue and Sen. Clifford Krueger, made the needed state financial help possible.

The Lincoln County Board has given its support since the initial proposal by the Milwaukee Road. Tom Geiger, UWEX county community development agent; Ewald Katke, rail preservation committee chairman; and Supervisor Jean Rogers of the committee have been among those regularly helping the project over hurdles.

One must not overlook the Milwaukee Road. Nothing would happen if the railroad didn't want to improve rail service into northern Wisconsin. Company officials were first to show their confidence in the future of the area and make the best commitment they could, despite the company's own financial plight.

We salute everyone who made the project possible. It is certain to be one of the area's best assets in fostering economic growth by new and existing business and industry.

Journal of Commerce June 18, 1982

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Justice Reveals Details of Rail Antitrust Case

By HELEN ERICSON
Journal of Commerce Staff

WASHINGTON — Milwaukee Railroad's 1977 bankruptcy was not caused by Burlington Northern Railroad's competition, but instead was due to Milwaukee's money-losing western lines, according to the Justice Department.

William F. Baxter, assistant attorney general for antitrust, recently disclosed more information about the agency's now completed investigation into allegations the BN violated its 1970 merger conditions and antitrust law by monopolizing traffic in the Northern Tier states of Minnesota, the Dakotas, Montana, Idaho and Washington.

The charges were made by the state of Montana, which two years ago asked the Interstate Commerce Commission to reconsider the BN (Northern Lines) merger in light of documents obtained from BN's traffic department allegedly proving BN's illegal actions.

The Justice Department report was requested by Sen. Max Baucus, D-Mont., last March, when Mr. Baxter announced results on the 18 month investigation at a Judiciary Committee hearing, but gave few details. BN was found innocent of the charges.

In a recent letter to Sen. Baucus, Mr. Baxter repeated that the investigation "failed to disclose any evidence of possible antitrust violations."

The assistant attorney general added that "although there was some indication that the BN might have committed isolated breaches of some of the ICC-imposed merger conditions, the effect of any such violations on the financial standing of the Milwaukee was de minimus," or minimal.

When the ICC approved the 1970 merger of the Great Northern and the Northern Pacific (now BN), it imposed protective conditions for the Milwaukee Road aimed at strengthening it as a BN competitor.

The Justice Department singles out two conditions as the most important from a competitive point of view. They were aimed at correcting what the agency called "serious structural deficiencies" in Milwaukee's route system.

For example, a Milwaukee main line from Chicago, through Minnesota's Twin Cities, across the Northern Tier states to the Pacific Coast did not allow equal competition because it stopped a few miles short of Portland, Ore.

The agency points out that a shipment originating in Portland and bound for Chicago would have to begin on Northern Lines trackage.

Milwaukee Road was being "short hauled," and deprived of substantial revenue on this and other movements, both east and west bound, and north-south along the West Coast, the report states.

The ICC's conditions opened 11 BN gateways to Milwaukee Road in Montana, North Dakota, Washington and Oregon. The idea was to allow Milwaukee to solicit the longest practical haul.

Another condition gave Milwaukee the right to run trains over BN track from Washington state to Portland.

The Justice Department said the allegations were that BN used these conditions to improperly maximize its long hauls and that BN, on occasion, refused to honor the open gateway requirement.

"Our investigation confirmed that, in fact, the BN did make a concerted effort to maximize its long hauls," Mr. Baxter told Sen. Baucus, "and, as a result in many cases caused the Milwaukee to be 'short hauled.'"

But contrary to the allegations, BN's conduct was "entirely consistent with the ICC's merger conditions, Mr. Baxter explained. These conditions were reciprocal, permitting either railroad to ask shippers for the long haul, he said.

Wall Street Journal
June 21, 1982

Grand Trunk to Pursue Milwaukee Road Plan

By a WALL STREET JOURNAL Staff Reporter

MONTREAL—Grand Trunk Corp., a unit of Canadian National Railway, said it intends to proceed with plans to acquire Milwaukee Road, a Midwestern railway in bankruptcy proceedings since 1977.

Detroit-based Grand Trunk was reacting to a request by Chicago Milwaukee Corp., which owns 96% of Milwaukee Road's common, to end the sale. The request was made to Richard B. Ogilvie, Milwaukee Road's bankruptcy trustee.

Chicago Milwaukee threatened "long and costly litigation" if the trustee proceeds with the sale.

John H. Burdakin, president of Grand Trunk, said the matter is entirely between Chicago Milwaukee and the trustee, but he added, "Grand Trunk Corp. is proceeding with obligations and plans agreed upon in our letter of intent with the trustee of the Milwaukee Road and the court."

Milwaukee Road's formal name is Chicago, Milwaukee, St. Paul & Pacific Railroad. Canadian National is owned by the Canadian government.

New York Times
June 18, 1982

Holders Fight Sale Of Milwaukee Road

Special to The New York Times

CHICAGO, June 17 — Major stockholders of the Chicago Milwaukee Corporation have asked the trustee of the bankrupt Milwaukee Railroad subsidiary to end talks on its planned sale to the Grand Trunk Corporation unless terms can be renegotiated.

Grand Trunk and the trustee, Richard Ogilvie, said they would proceed with the proposed takeover of the 3,000-mile rail system.

Under an agreement reached last month, Detroit-based Grand Trunk signed a letter of intent to acquire an undisclosed amount of Milwaukee Road stock after it emerges from reorganization. Although terms of the accord were not disclosed, a major part of the agreement provides for Grand Trunk to assume $253 million of the railroad's $500 million debt.

In addition, the Government would "forgive" a $50 million loan granted in 1979, and an equal amount of interest that has accrued since then. Other terms were not disclosed.

In a letter to the trustee, Emory Williams, chairman of Chicago Milwaukee, noted that Grand Trunk would be gaining "valuable tax benefits," including a $207 million net operating loss carry-forward. He was also critical of provisions that would give Grand Trunk, a unit of the state-owned Canadian National Railways, a two-and-a-half-year option to acquire 100 percent of the railroad's equity.

In his letter, he projected that a reorganized Milwaukee Road would be capable of earning $36 million in the year 1985.

According to analysts, the railroad would yield more from liquidation than from the proposed sale to Grand Trunk.

Wisconsin State Journal
Madison, June 20, 1982

Firm proceeding with plan to buy Milwaukee Road

MONTREAL (AP) — Grand Trunk Corp., a unit of Canadian National Railway, said Friday it intends to proceed with its plan to buy the Milwaukee Road, despite the railroad's objections.

Legal action by the parent company of the Milwaukee Road may block the planned sale.

Grand Trunk's president, J.H. Burdakin, said the matter is "entirely between Chicago Milwaukee and the trustee" who arranged the sale, but Grand Trunk is proceeding with "obligation and plans agreed upon in our letter of intent."

Trustee Richard B. Ogilvie last month signed a letter of intent for a deal allowing Grand Trunk, which is based in Detroit, to acquire Milwaukee Road stock after the line is reorganized under federal bankruptcy laws.

Minneapolis
Star & Tribune
June 18, 1982

Milwaukee Road sale criticized

Chicago, Ill.
The parent company of the Milwaukee Road railroad said an agreement to sell the company to Grand Trunk Corp. of Detroit is "one-sided."

Milwaukee Road trustee Richard Ogilvie last month signed a letter of intent for a deal allowing Grand Trunk to acquire Milwaukee Road stock after the line is reorganized under federal bankruptcy laws.

Grand Trunk would assume about $250 million in Milwaukee Road debts. The transfer of ownership would involve no cash payment.

The chairman of the board of Chicago Milwaukee Corp., Emory Williams, said in a letter to stockholders that the proposed deal "contemplates delivering to GTC what is tantamount to a 2½-year option to acquire, for no consideration, 100 percent of the equity in a reorganized railroad operation capable of earning an estimated $36 million in the year 1985."

Williams continued: "We believe it is clearly indefensible to transfer such equity of the estate to GTC for no consideration."

Journal of Commerce
June 21, 1982

Grand Trunk To Proceed In Rail Bid

Journal of Commerce Staff

CHICAGO — Grand Trunk Corp. said it intends to go ahead with its proposal to buy the Milwaukee Road despite a strong objection to the plan.

The statement came in response to a warning by the chairman of Chicago Milwaukee Corp. that the proposed sale of the bankrupt line to Canadian-owned Grand Trunk could lead to "long and costly litigation" if the Milwaukee's trustee fails to achieve a better deal for shareholders.

In a letter late last week to Richard B. Ogilvie, trustee of the Chicago, Milwaukee, St. Paul and Pacific Railroad Co., Emory Williams argued that the proposed sale provides little protection for the estate and its shareholders. Chicago Milwaukee owns 96 percent of the Milwaukee Road's common stock.

The letter of intent to sell the railroad is little more than a two-and-a-half year option for Grand Trunk to buy a property capable of earning $36 million in 1985, but requires no consideration by Grand Trunk to keep its option, Mr. Williams said.

No protection is afforded by the letter to the railroad in the event the Grand Trunk pulls out of the deal and that is "clearly indefensible," he said.

The Milwaukee Road and Grand Trunk brought their proposed agreement to U.S. District Court in May, indicating that no takeover would occur until after a reorganization plan is approved by the Interstate Commerce Commission.

The addition of the Milwaukee Road would link the Detroit, Toledo and Ironton and Grand Trunk railroads with the Duluth, Winnepeg and Pacific Railroad and add greatly to Grand Trunk's depth as an originating and terminating carrier in the Great Lakes area.

Mr. Ogilvie was out of town and had not seen the letter, but a spokesman for the Milwaukee Road indicated a belief that the message was unlikely to alter the railroad's plans.

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U S Rail News June 23, 1982

'THE TRAINMAN WHO DRINKS endangers not only himself, but his fellow crew members and passengers," NTSB Chairman James Burnett told a Pittsburgh safety meeting of the Association of American Railroads, and FRA has the responsibility to address the problem. Burnett outlined his suggestions to curb alcohol abuse, including an abstention period before workers start their shifts, screening for crews on hazardous materials and passenger trains, and post-accident blood tests for alcohol content.

'THE FEDERAL GOVERNMENT... IS DOING NOTHING to get the drunks off the railroad," Burnett complained, and an NTSB staffer later agreed that FRA "hasn't been too receptive" to regulating the rail industry on alcohol abuse. "The message to rail personnel must be absolutely clear," declared Burnett. "First, alcohol and the job don't mix. Second, help is available for those who have a drinking problem. And third, rehabilitation must come before the accident." The chairman assured that alcohol abuse among railroad workers will be a major issue during his term.

WITH THE CHALLENGE THUS MADE, FRA'S RESPONSE will come June 24 when Administrator Robert Blanchette addresses the National Conference on Alcohol and Drug Abuse in New Orleans. He will strongly urge management and labor to negotiate an industry solution to the problem, according to an FRA source. The message will be "if you can't solve the problem though negotiation, then we'll have to solve it through regulation," said the source, noting that a similar approach worked when FRA succeeded in prompting management and labor to agree on power brake rules.

'THE LID IS OFF' what the rail industry thought was a well-kept secret, said the observer, and NTSB's Burnett is not about to let up on what he termed the federal governments' legal and moral responsibility to address rail workers' alcohol abuse.

BURNETT OFFERS PLAN TO REDUCE ALCOHOL ABUSE AMONG RAILROAD WORKERS

"It will take more than rhetoric and hand wringing to deal with the problem" of alcohol abuse among railroad workers, declared National Transportation Safety Board Chairman James Burnett, as he offered a three-point plan to reduce drinking on the job.

Burnett spoke June 15 before the Association of American Railroads' annual safety meeting, calling railroad workers' alcohol abuse an "impermissible situation." The rail industry has avoided the glare of recent national publicity about drunken driving, he said, and the Federal Railroad Administration should face the problem with regulations designed to cut down on alcohol abuse.

Burnett recommended a rule similar to the one used by the airline industry that would prohibit railroad employees from using alcohol for a specific length of time before starting their shifts. He said that FRA should require a screening procedure with a breathalyzer test for all workers on passenger and hazardous chemical trains, and recommended a test for alcohol levels in the blood of all crew members immediately after a train accident.

The chairman cited a 1979 NTSB survey of 234,000 workers at seven major railroads revealing that 19% of the employees are repetitive excessive drinkers. Five percent of the workers showed up for work "very drunk" or got "very drunk" on the job at least once a year, according to the survey.

Locomotive Engineer - BLE
June 18, 1982

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Canadian Spotlight

(Edited by E. J. Davies, Canadian Director)

CN GETS U.S. LINE

Grand Trunk Corp., the subsidiary that operates CN Rail properties in the U.S., has completed arrangements to take over the bankrupt Milwaukee Road railway as soon as a U.S. bankruptcy court has completed its reorganization.

The deal calls for Grand Trunk to assume responsibility for about $250 million in debts that the Milwaukee Road has incurred since it went under in 1977. But Grand Trunk will also take over control of the Milwaukee Road's stock shares without any cash outlay.

Since 1977 the bankruptcy trustees have reduced the Milwaukee Road from a cross-country network of 16,000 kilometres to a regional line of 5,000 kilometres serving the U.S. Midwest. The surviving routes would fill some of the gaps in the Grand Trunk network which is also a regional operation.

Grand Trunk officials said the merger is a "matter of survival" for both railways because it will make possible the development of more profitable longer-haul routes and remove the Grand Trunk's heavy reliance on the auto industry which has been on a sharp decline.

The Milwaukee Road has lost more than $100 million in the last two years while Grand Trunk has been showing a profit in recent years, including $17 million for 1981. The Milwaukee operation showed a turnaround in the first quarter of this year, when it reported a $4.2 million profit, but its long-term prospects are still uncertain.

The merger proceedings could take up to two years to complete.

One possible barrier to the merger is the opposition of some U.S. Atlantic port authorities who fear that it may lead to the diversion of traffic from American to Canadian ports. They have been complaining for years about the CN-Grand Trunk service attracting Europe-bound traffic from the U.S. Midwest onto Canadian routes leading to Montreal and Halifax.

CN has been luring U.S. shippers by using CN trains, trucks and ships in combined rates which can be up to 50 percent below those of competitors. A piece of legislation is now before the U.S. Congress which would nullify this arrangement by forcing CN to file rates with U.S. regulatory authorities. This would compel CN to charge the higher U.S. rates on shipments to Europe. The legislation is being opposed by U.S. companies that benefit from the CN rate structure.

Miles City Star June 16, 1982

Railcar Maintenance Co. gets locomotive to aid with switching

By Star Staff Writer

For those who have not already heard the sporadic whistles, PLM Railcar Maintenance Co. has a new 65-foot, 268,000-pound locomotive designed for railcar switching.

The blue and white Alco Century 1966 engine has been pushing and pulling railroad cars in and out of the former Milwaukee shops for about a month. It replaces a locomotive rented from the Milwaukee Railroad since September.

Bud Jenkins, vice president of operations for PLM of San Fransisco, said the purchase of the locomotive, which could handle even more than the Miles City demands, was necessary because of the Milwaukee abandonment.

"The BN (Burlington Northern Railroad) has refused to provide service to shippers formally served by the Milwaukee Railroad, and that includes us," he said.

Jenkins also said PLM is considering other purchases. Company representatives are negotiating the purchase of Milwaukee-owned property, buildings and trackage in the Miles City area that PLM now leases from the Milwaukee.

"We are planning a crossover track from Burlington Northern to the former Milwaukee Railroad," he said, adding that this is necessary because BN requires PLM to provide its own crossover if the firm wishes to gain further BN service.

Green Bay Press Gazette
June 22, 1982

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Planners told ferry to Frankfort still out

The Ann Arbor ferry between Frankfort, Mich., and Kewaunee is not operating and there is little likelihood of it getting into operation, it was reported today.

The information was given members of the transportation committee of the Bay-Lake Regional Planning Commission which met at the Holiday Inn-Downtown.

Tom Klimek, staff member, said he had just talked with a representative of the Michigan Department of Transportation, which controls the operation of the rail line.

Klimek said talks had been held with representatives of the Michigan and Western Railroad, a subsidiary of the Green Bay & Western Railroad, and the Delpar Group, based in Saginaw, Mich.

However, M&W officials said they had no interest in operating the ferry and rail line only to Ann Arbor, Mich. They indicated they would require operating rights all the way to Toledo, Ohio, where connections could be made with railroads serving the East.

That route continues to be run by another line which has discontinued the Lake Michigan ferry service and trackage from Frankfort to Ann Arbor.

Dave Scales of the GB&W, confirmed that the cross-lake service has not operated since late April and said little progress was being made toward resumption of service.

Meanwhile, the GB&W is shipping traffic via the Chesapeake and Ohio ferry, which continues to serve Kewaunee, or is routing its traffic through Chicago.

Joe Schmitt, Manitowoc, a committee member, said he visited Kewaunee Monday and noted that the C&O loaded 77 automobiles and 329 passengers and left promptly at 1:30 p.m.

However, the C&O also is rejecting some railroad traffic because of a dispute over rates, Scales pointed out.

The committee received an outline of a proposed study of cross-lake service that would be conducted with the Wisconsin Department of Transportation. The study would attempt to assess the value of the service to shippers.

Aberdeen American News
June 24, 1982

$1.2 million for S.D. rail repair

PIERRE, S.D. (AP) — The U.S. Transportation Department has approved a $1.2 million grant to help repair the state-owned rail system in southeast South Dakota, state Rail Director Jim Myers said Tuesday.

The federal grant is mainly for repairs on the rail line from Canton to Mitchell, Myers said. The money completes a funding package for about $9 million in repair work being done this year on the core system track, he said.

The repairs are being financed by South Dakota and the federal government as part of a deal under which Burlington Northern Railroad operates trains on the core system. BN crews are doing the repair work.

When the repairs are complete, Burlington Northern trains will be able to travel up to 40 mph on the Sioux City-to-Mitchell line and up to 25 mph on the track from Sioux Falls to Mitchell.

Get drunks off railroad crews, U.S. urged

Chicago Tribune
June 16, 1982

PITTSBURGH (UPI)—The head of the National Transportation Safety Board Tuesday challenged federal railroad officials to deal with the growing problem of drunk railroad workers.

Jim Burnett, in remarks prepared for safety officers at an Association of American Railroads meeting in Pittsburgh, said a recent government survey found 19 percent of railroad workers are repetitive excessive drinkers.

The study, funded by the Federal Railroad Administration, showed 5 percent of the 234,000 workers surveyed at seven major railroads showed up for work "very drunk" or got "very drunk" on duty at least once a year.

"The trainman who drinks," he added, "endangers not only himself, but his fellow crewmembers and passengers."

IN HIS FIRST address since becoming chairman of the independent federal agency in January, Burnett said the railroad administration should implement a board recommendation to require train operating rules that prohibit the use of drugs by employees for a specified time before reporting to duty.

"One need go no further than the Federal Avition Administration, a sister agency of the FRA, to find such a rule affecting flight crews and even private pilots not engaged in interstate commerce," said Burnett, who plans to make the issue a major one during his term.

The board chairman said the federal government has a legal and moral responsibility to protect passengers aboard trains.

HE SAID HE found it ironic that while Congress is moving toward passage of drunk-driving legislation for the highways, "the federal government itself—in the form of the FRA—is doing nothing to get the drunks off the railroad."

Enforcement of an alcohol-free period before work would not be easy, Burnett acknowledged. But he said he hoped such a program could begin with strict screening of train crews responsible for passenger trains or shipments of high-risk hazardous materials.

As alcoholics are identified, they should be rehabilitated, he said.

"The message to rail personnel must be absolutely clear: first, alcohol and the job don't mix," Burnett said. "Second, help is available for those who have a drinking problem. And third, rehabilitation must come before the accident."

St. Paul Dispatch June 16, 1982

BN studying possible move from St. Paul

By Jackie Roedler
and Lee Egerstrom
Staff Writers

Burlington Northern Railroad has started a three-month study to determine whether it should move some or all of its St. Paul departments to another city, it was learned today.

President Walter Drexel informed senior officers of the study Monday night, and letters were sent today to all BN employees. The decision to undertake the review was made by Drexel and Chairman Richard Grayson, and it is already under way.

BN, one of St. Paul's largest employers with 2,700 employees, will first decide which departments, if any, should relocate. The next step will be to select a new site if the decision is to move.

When asked to confirm the letter, BN spokesman Jim Verstraete said that if a decision is made to move the (railroad) corporate headquarters from St. Paul, "this would take almost all departments out of the city."

Although there have been rumors BN might move its entire operation to Seattle — the home of its new holding company and headquarters for many of its corporate offices — Verstraete said Seattle is only one of many cities being studied.

"Billings, Chicago, Seattle, Denver, Minneapolis and Springfield, Mo., are all regional offices for BN, so all of them will be looked at," Verstraete said. "Kansas City, Mo., is also a central city, so this would also be a possibility."

Another rumor that has been floating in the BN rumor mill — and inside St. Paul's business community — is that BN recently purchased the TWA Building in Kansas City. Verstraete flatly denied today that BN has purchased any buildings in Kansas City.

Drexel noted in his letter to employees that one reason for the study is to lay all rumors to rest.

BN formed a holding company at its annual meeting here in May 1981, and moved the corporate headquarters, Burlington Northern Inc., to Seattle last August. The railroad, now a subsidiary, has continued to have headquarters in St. Paul.

But since the holding company was formed, BN employees have spread persistent rumors that the company was considering moving its railroad headquarters.

These reports were repeatedly denied by company spokesmen. Instead, Grayson and other top officials have insisted St. Paul would continue to be home to the railroad without any significant loss of personnel.

BN acquired the St. Louis-based Frisco railroad shortly before it formed the holding company. Grayson and other top Frisco officials were moved to executive positions here after the merger.

A move to Seattle hasn't been anticipated by employees here because it would contradict company arguments for moving the corporate headquarters away from the railroad.

Richard Bressler, BN's corporate president, said at the 1981 stockholders' meeting that the purpose for the move was to separate the railroad from the corporate offices and BN's other transportation and natural resource activities. This would make each BN business, now separate subsidiaries, more independent, he said.

SOCIAL ISSUES

BUSINESS WEEK: June 21, 1982

Hiring quotas may creep north

An affirmative action suit at Canada's state railroad could set a major precedent

A U.S.-style affirmative action case, Canada's first, is spreading concern among employers north of the border. A complaint before a specially convened administrative tribunal of the federal Human Rights Commission pits a tiny, Montreal-based women's group, Action Travail des Femmes, against the state-owned Canadian National Railway (CNR), which has 74,000 employees. Victory for the women—which many experts believe is likely—would mean a wrenching change for the railroad, which would be required to set goals and timetables for hiring and promoting women. More important, it would encourage equally aggressive tactics by other women, blacks, and native Indians.

"The push is on," says Robert J. MacIntyre, director of corporate human resource planning at Gulf Canada Ltd., expressing the opinion of many Canadian executives. "Affirmative action will only get hotter as an issue." Other business leaders share his fear that the CNR decision—expected this autumn—will serve as a precedent for similar cases. Experts compare the dispute to the cluster of cases in the early 1970s, when U.S. courts first imposed job goals and timetables for hiring of blacks.

A first. Canada's federal human rights law dates back only to 1977. All the job bias charges filed since then have been settled without using the kinds of affirmative action formulas sometimes imposed by U.S. courts. In fact, no previous dispute involving long-standing employment practices that tend to exclude women has made it to a federal tribunal, which has the powers of a court under Canadian law. "This is the first time that a tribunal has been asked to look at a complaint of systemic discrimination that affects women as a class," says Catherine D. Burr, chief of the Canadian Human Rights Commission's systemic discrimination unit. "We are testing the limits of the legislation."

Action Travail's complaint centers on CNR hiring practices involving 33,000 skilled and unskilled blue-collar jobs, a category in which women constitute only 0.9% of the work force. The women's group filed a class-action complaint in June, 1979, charging the railway with "deliberately pursuing a hiring policy designed to discriminate against women" when CNR refused to pledge more active recruitment of women. Explains Action Travail leader Carole Wallace: "We met with no progress after two years of efforts to place women as coach cleaners [a basic blue-collar maintenance job] or to get women into CNR's apprenticeship program. CNR uses various employment screens to ensure that women won't be hired for those jobs." The railroad would not comment on the charges.

In the current hearings, Action Travail is trying to prove that women have been denied jobs on the basis of requirements that are irrelevant to job performance. Testing mechanical aptitude and welding skills, the group says, automatically favors men, who usually attend trade schools. In addition, Action Travail charges that the few women who have passed the screens have been subject to sexual harassment in job interviews and in the workplace.

CNR, say company insiders, is in a weak position to defend itself. In 1977 the Canadian Advisory Council on the Status of Women, a federally sponsored agency, singled out the railway, ranking it worst among 50 state-owned companies in hiring of women. Even more embarrassing, a 1974 company-commissioned study by the U.S. consulting firm Boyle/Kirkman Associates Inc. found that women were dramatically underrepresented in most jobs and that CNR managers had negative attitudes toward women. The study recommended that the railroad take significant steps to correct the situation, but Action Travail charges that little has been done.

Formula for change. As a result, CNR now faces the threat of a sweeping affirmative action plan, a move recommended last year by the Human Rights Commission after it had failed to negotiate a voluntary settlement. The commission left the specific numbers up to the tribunal. Action Travail is seeking a formula that would guarantee stepped-up recruitment and hiring, bringing the number of women in blue-collar and other nontraditional jobs up to 39%.

Canadian employers almost unanimously see the case as a sign of the country's changing social mood—and as a likely precedent. Federal human rights law covers only 10% of the Canadian work force in federally chartered companies in transportation, communications, and banking, but the provinces have patterned their own laws on the federal model. Thus, an affirmative action order against the CNR may embolden provincial commissions to order affirmative action in their own jurisdictions.

Although they are less organized than women, Canada's blacks and Indians are also eager to push for job quotas. Since the immigration of the mid-1960s, Toronto's black population has grown to 300,000, and Pakistanis, Vietnamese, native Indians, and other nonwhites number another 300,000—in all, 20% of the city's inhabitants. "While discrimination in Canada doesn't have the hard edge it has in the U.S., we still have a problem," says Wilson Head, former president of Canada's National Black Coalition. "Blacks are just not advancing to higher-paying jobs," he adds.

Making it mandatory. Moreover, the government of Prime Minister Pierre Elliott Trudeau appears ready to shelve its laissez-faire approach to equal job opportunity in favor of a more activist program. In April the federal Ministry of Employment & Immigration released statistics showing that its five-year attempt to persuade companies to adopt voluntary affirmative action programs had failed; of 750 companies approached, only 27 had signed up. Now the Cabinet is considering legislation requiring affirmative action, and such hiring may be tied to the award of federal contracts, as it is in the U.S.

A few U.S. companies doing business in Canada have already received a taste of mandatory affirmative action. As a condition of winning approval for renegotiation of exploration permits on federal lands in the far north, the big oil companies are being asked to submit plans for hiring native Indians based on their representation in the population. ■

CONGRESSIONAL QUARTERLY INC.
May 29, 1982

Budget Cuts Derailed:

Railway Unions Score Victory On Senate Vote to Assure Full Funding of Pension Benefits

—By Bill Keller

The trains run late. the food tastes synthetic, the service is surly, the companies are cutting routes and crying for bailouts — everyone seems to have a favorite gripe about the sorry state of the railroads.

One thing that is still on track, though, is the pension plan that serves retired railroad workers.

An amendment assuring full funding of rail pensions passed the Senate May 21, 57-40, while other interest groups — including such revered lobbies as the veterans — were diverted to sidetracks.

It was the only major floor amendment the Reagan administration was unable to flag down as the first fiscal 1983 budget resolution passed through the Senate. *(Senate action, Weekly Report p. 1173; subsequent House action, p. 1243)*

The amendment — heavy with the political freight of election-year concern for the elderly — was crewed by a bipartisan team of railroad loyalists and stoked by the lobbying of rail labor unions.

"We made history over there, I guess," boasted James Snyder, legislative director for the United Transportation Union (UTU), the largest rail labor group.

Head of Steam

Long before the first budget resolution reached the Senate floor. the rail unions had a full head of steam.

In 1981, administration efforts to curtail rail benefits. both by legislation and administrative maneuver, had alarmed rail retirees and begun to dominate the weekly newsletters of the major rail unions.

When the president sent Congress his fiscal 1983 budget. it proposed a freeze on the so-called "windfall" benefits going to pre-1975 retirees who paid into both the railroad and Social Security funds. It also called for sharp cutbacks in the rail retirement bureaucracy that distributes the checks.

In March, Sen. Howard M. Metzenbaum, D-Ohio, introduced a resolution (S Res 334) expressing disapproval of the cuts, and that served as a rallying point for letters from rail pensioners.

"Since most of the people who are most interested in this are retired, they can devote a lot of time to the issue," observed Steven D. South, a labor aide to Sen. Don Nickles, R-Okla., who opposed the unions. That phenomenon, of course, is what gives another retiree constituency, Social Security recipients, its legendary clout.

South said Nickles received about 2,000 letters urging him to back off on rail pensions, though Oklahoma has only 9,500 rail retirees and dependents.

The Senate Budget Committee's first resolution (S Con Res 92) embraced the administration-backed cuts. It also proposed elimination of the cost-of-living (COLA) increase due in July and a cap on COLAs in the two succeeding years.

Sen. Jim Sasser, D-Tenn., drafted an amendment to restore the money, estimated at $1.7 billion through fiscal 1985. Sasser, in the midst of a tough re-election campaign, has 20,900 rail pensioners in his home state.

Sen. John Heinz, R-Pa., whose state has the largest concentration of rail pension beneficiaries (81,000) joined him at the throttle, and they began pulling colleagues aboard.

Strong Case

In their drive to overturn the committee, Sasser and Heinz started out with one important edge: Even critics concede the railroad retirees have a better case than some other, equally vociferous interest groups trying to dodge budget cuts.

Most rail pensions are paid out of a fund built on the contributions of rail workers and employers, not out of government revenues. What the government does pay — the "windfall" benefits for pre-1975 pensioners — was committed by Congress in 1974 legislation. Supporters say to cut the dual benefits would be to renege on a promise.

Critics reply that the rail pension fund is being depleted by unemployment in the railroad industry, and predict that if COLAs are not curbed Congress eventually will be asked to bail the system out. The "windfall" benefits, they add, have escalated faster than Congress intended.

Nonetheless, Nickles' aide agreed, "they probably have a stronger argument" than other interest groups.

"I think it was really the merits of the case" that won in the Senate, said Heinz aide Frank McArdle. "I wouldn't describe this as just a lobbying effort that paid off."

McArdle said the pension amendment also was helped by its perceived "linkage" with Social Security, a topic neither party is eager to touch this year. Rail pensions are tied to Social Security through a benefit formula.

Union Help

Sasser aide Lance Simmens, however, was quick to share the credit with the railroad unions.

"Of course, it helps to have a strong, organized effort behind you, and rail labor has it," Simmens said. "I will tell you candidly the railroad unions are very strong, and they do a hell of a lobbying job."

The two major unions are the United Transportation Union, representing most railroad crews, and the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees (BRAC), representing clerks, porters and other station personnel.

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These two unions and 17 smaller ones are represented in the Railway Labor Executives Association, which claims to speak for 430,000 active rail workers and a million retirees and dependents.

Job losses have reduced the unions' active membership by about 70,000 in the past year or so, according to UTU lobbyist Snyder, who is also legislative chairman of the labor executives' group. The layoffs have eroded union strength, but they have added to the intensity of the concern about financial security.

Rail retirees are most heavily concentrated in the industrial states of the Northeast and Midwest, but there are also sizable pockets of retirees in rural states. "Where there is industry, there is the railroad industry," said Donald R. Sweitzer, legislative representative for BRAC.

During the Senate debate, Sasser reminded his colleagues of that fact, reading to them from a state-by-state count of rail pensioners furnished to him by the unions.

Campaign Year

While it was not openly part of the lobbying pitch, the fact that those retirees are also voters was evidently not far from the minds of senators.

Senators facing re-election this year voted for Sasser's amendment 24-6. Though the administration and Republican leadership opposed the measure, the winning side included six of the 11 election-bound Republicans who were present.

Like most unions, UTU and BRAC have long had political action committees to reward candidates with get-out-the-vote activity and campaign donations.

BRAC's Responsible Citizens Political League reported to the Federal Election Commission at the end of February it had contributed $348,470 to congressional candidates since the beginning of 1981. UTU's Transportation Political Education League, reporting a month later, listed gifts of about $233,945 to congressional candidates, plus widespread contributions to candidates for statewide offices.

Senators who voted to restore the railroad pension money received $95,350 of these donations. Only one senator who voted against the Sasser amendment had received any money from the unions: Sen. John H. Chafee, R-R.I., has collected donations totaling $1,750.

"I guess we'll take a second look at [Chafee]," Snyder said.

Bipartisan

Rail labor backers said a crucial step in selling Sasser's amendment was recruiting enough Republicans to breach party loyalty toward the president's budget.

Lobbying by Sasser, Heinz and the rail union leaders enlisted as cosponsors Sens. Nancy Landon Kassebaum, R-Kan., a longtime rail supporter; David Durenberger, R-Minn., who comes from a rail family; Paula Hawkins, R-Fla., with 48,800 rail beneficiaries back home in a state where all retirement issues are acutely sensitive; and Larry Pressler, R-S.D., and Lowell P. Weicker Jr., R-Conn.

A few additional Republicans joined in the first test vote May 20, tabling a leadership amendment that would have restored the windfall benefits but not the cost-of-living adjustments. The rail advocates put that down 58-41. *(Vote 135, p. 1306)*

"We were a little bit surprised, especially when we saw the veterans go down right before us," BRAC's Sweitzer said. The Senate had earlier rejected an effort to restore COLAs for veterans' pensions and disability compensation.

Majority Leader Howard H. Baker Jr., R-Tenn., also evidently surprised, forced an overnight recess to regroup. The next morning the leadership offered a compromise crafted by Budget Chairman Pete V. Domenici, R-N.M.

"They offered us 80 percent of what Sasser had, but we didn't feel like being singled out," said UTU lobbyist Snyder. The unions beat Domenici's amendment 53-44, then went on to approve Sasser's measure. *(Votes 138, 139, p. 1307)*

In the final vote, several other Republicans jumped on board the rail labor express, including such administration stalwarts as Alfonse D'Amato, N.Y., Orrin G. Hatch, Utah, and William V. Roth Jr., Del.

Aberdeen American News
June 9, 1982

BN employees picket dinner

PORTLAND, Ore. (AP) — Burlington Northern employees picketed a BN-sponsored dinner Tuesday night, saying the event was a mockery in light of heavy layoffs by the railroad.

The "family appreciation" dinner at motel in the Jantzen Beach area was similar to other dinners the railroad has held around the nation to exchange company job and policy information with its employees.

The family dinners have been picketed by various unions elewhere in the BN system.

The informational picketing was staged by Local 1502 of the Brotherhood of Railway, Airline and Steamship Clerks. About 50 of the union members have been laid off by BN in the past year.

"Despite promises to the contrary, Burlington Northern has laid off nationally more than 7,500 workers, 13 percent of its work force," said Harry Haley, Local 1502 chairman. "And 1982 is even darker. We expect that total to reach 10,000 this year."

Haley said the job losses have come despite the fact that the railroad earned more than $272 million last year.

A spokesman at the company's headquarters in St. Paul, Minn., acknowledged that the railroad had laid off many workers in recent months, but blamed the action on losses in its freight business.

To seek abandonment of railroad line

Wausau Herald 6-7-82

ANTIGO — The Chicago and Northwestern Railway has announced that it will file a request for abandonment of its Eland to Rhinelander line with the Interstate Commerce Commission June 8.

The 68-mile line serves Birnamwood, Aniwa, Antigo, Deerbrook, Kempster, Summit Lake, Elcho, Pelican Lake, Monico, Malvern and Rhinelander. Rail service to Rhinelander is also provided by the Soo Line.

If protests are not filed, C&NW service could be discontinued as early as August. The railroad said the line is unprofitable and will be unprofitable in the future.

The C&NW has within the past year abandoned all rail service btween Rhinelander and Ashland and from Monico to Watersmeet, Mich.

All things in time

FORBES, JUNE 21, 1982

By Lisa Gross

SOMETIMES IT TAKES a little longer. In 1966 William B. Johnson, a lawyer who started with the Pennsylvania Railroad, took over the Illinois Central Railroad, planning to use it as a base on which to build a consumer goods conglomerate.

The idea was to use ICG's cash and stock to buy other companies, shelter their earnings with a railroad-generated tax umbrella. Later, of course, he would sell the railroad—undoubtedly at a price below historic book value—thus generating more tax credits to shelter the continuing conglomerate earnings. That was the thinking.

Johnson did some of those things with moderate success. He turned Illinois Central into IC Industries, took it into soft-drink bottling (Pepsi-Cola General Bottlers), franchised auto service shops (Midas International), and industrial equipment (Abex Corp.). By 1976 he had built IC into a $1.7 billion (revenues) company, earning $94 million pretax, 85% of it from nonrailroad businesses. (Last year: $4.2 billion and $151.8 million.)

But he never sold the railroad. In building his conglomerate, Johnson neglected maintenance on the Gulf part of the railroad, with the result that when he tried to sell it in the late Seventies, nobody would buy it. Practically every other road took a look at the ICG, and in 1979 there were brief negotiations with the Southern Railway. But nobody bought.

So Johnson changed course. Since 1977 he has poured $2.5 billion into maintenance and upgrading of the ICG. Today, in the words of Charles Shannon, senior consultant at the Wyer, Dick Co., the consulting firm that appraised the Penn Central and Erie Lackawanna, "The ICG is a valuable property, one of the better operated railroads in the country." Others in the railroad industry concur. But Johnson no longer has it actively up for sale. He took it off the market last August, explaining that he did so because a new law enabled him to wring hundreds of millions more in tax credits out of it. "We visualize the ICG becoming part of one of the very large rail systems now being evolved in the rationalization of lines throughout the U.S.," stated Johnson, 63, in a written reply to a FORBES question. But, he added, that is not likely before "the end of 1983. This will permit us to write off, for tax purposes, at least 82% of $327 million of ICG track investment which was undepreciable prior to the Economic Recovery Tax Act of 1981."

Not only tax credits. Johnson has been selling the properties piecemeal—last year the ICG's $82 million pretax income included $46 million from real estate and tax credit sales—and he still has $193 million worth of remaining real estate to sell. Johnson's aim seems to be to turn all the railroad's ancillary assets into cash and then sell the unadorned ICG within the next two years.

That could be an interesting deal. Last year the ICG earned $36 million from operations. Based on that level of income, FORBES estimates that if Johnson sold the road today he could get approximately $350 million, $618.5 million below its stated book, which would become a massive tax credit to shelter the earnings of the diversified company he has built.

Compared to ICG earnings, the nonrail earnings are strong. By acquiring and pruning companies, Johnson has built the nonrailroad part of IC into a $3 billion (revenues) company that brought in $212 million in operating income last year. In 1978 he fought and won a tough takeover battle to acquire Pet Inc., the then $1 billion specialty foods maker. He has sold off low-profit lines, and last year Pet contributed $55 million of operating income to IC's total plus a $5 million nonrecurring gain on sale of property.

The bottling operation, Hussmann supermarket refrigeration equipment and other consumer lines are all doing well; Abex' castings, auto and rail equipment are hurt by the recession but are capable in a good year of earning over $80 million pretax. Johnson, in other words, has the tidy conglomerate he always planned on. But its relatively good performance is shadowed by the railroad, which makes up 53% of IC Industries' $3.7 billion in assets, and whose losses—$11.5 million in the first quarter—pull down IC earnings.

The stock market, with its habitual short-term focus, clamors for Johnson to rid IC of the railroad. "Get rid of the railroad and IC would be an interesting investment," says one institutional investor. IC stock recently sold at 29½, a 65% discount from book value, a 6 multiple on the company's nonrail earnings.

Johnson, of course, does intend to sell the ICG, but not yet. Meanwhile, he has been spending spare cash to acquire IC's stock—$108 million last December in a tender offer to shareholders and $72 million last month to purchase Union Pacific's 14.3% block. By doing so, IC is inducing preferred shareholders to switch to common at its depressed price by increasing common's yield. At the same time IC manages to set up a bank of common stock to be ready for another consumer acquisition.

Who will buy the ICG? The two names mentioned most often by railroad men are the Canadian Pacific and the Southern Pacific.

The CP seems the better bet, since its Soo Line could hook up with the ICG at Chicago. The ICG would give it access to the Gulf. However, such a merger would make sense only if export coal business through the Gulf should pick up. It hasn't yet, but ICG's marketing department is optimistic and has developed a price schedule that competes with the cost of multiple handling, via truck and barge, which is ICG's traditional Mississippi River competition. The Southern Pacific could use a tie-up with the ICG for the same reasons. However, the Southern Pacific is in shaky financial shape, and CP just reported first-quarter earnings down: two more reasons Johnson is better off biding his time selling the railroad.

In 1984 Bill Johnson will be 65 and may be thinking of bowing out. If he can do so leaving behind a thriving diversified company, its earnings sheltered for years thereafter by a tax-loss carryforward from the sale of the ICG, he will have recycled capital, built a company with a future out of less than promising parts, and completed the job in some 18 years. Which isn't such a long time when you think about it. ■

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Journal of Commerce

June 25, 1982

Trailer Train Trims Work Force

By MICHAEL ROSENBAUM
Journal of Commerce Staff

CHICAGO — Trailer Train Co., the railcar management firm operated by a group of 27 railroads, has laid off almost 20 percent of its work force, including about 20 managers. Most of the layoffs begin today and it is believed that all but a few will be permanent.

Just last week, one of the company's four car repair subsidiaries announced shutdowns that will idle almost 300 people.

Top management was confident about the recovery prospects for Trailer Train, which advised some 70 of its 350 employees late last week that their services will no longer be needed. Members of the company's board denied that the company is in serious danger.

It was the second time in the past year that Trailer Train has laid off employees, the first being a 5 percent cutback last October. Prior to that, the railcar company had seldom needed staff reductions.

But documents filed with the Securities and Exchange Commission indicate that the company is reeling from heavy levels of idle equipment. The problems are particularly severe for two of Trailer Train's subsidiaries: Railbox Co. and Railgon Co.

Railbox, which manages a fleet of box cars, reported a 39 percent plunge in revenues in the first quarter of this year, vs. the same period a year earlier. Revenues from gondola car operations performed by the Railgon subsidiary plummeted 52 percent. Consolidated revenues dropped from $123.5 million in the first quarter of 1981 to $115.9 million this year.

Operating income suffered dramatically. While the flatcar operation, the mainstay of Trailer Train business, almost doubled its pretax income to $12.2 million, losses from box car operations more than tripled to $9.2 million and gondola losses more than doubled to $3.2 million.

Results would have been worse if not for rate increases that added $5.4 million to first quarter pretax income.

Flatcar utilization held its own in the first quarter, hovering around the 80 percent level. But utilization of boxcars fell from 66 percent in the first quarter of 1981 to 34 percent this year. Even worse, utilization of gondola cars plunged from a healthy 92 percent last year to a deathly 23 percent in the first quarter of 1982.

The deteriorating finances of the Railbox and Railgon operations led the Trailer Train board to authorize loans from the parent company to the subsidiaries. The move represented a change in policy from previous efforts to separate the financing of the parent firm and its subsidiaries.

Since the first quarter, the board has boosted the bail-out package. Trailer Train has been authorized to lend up to $50 million to Railbox and $10 million to Railgon. As of June 10, Railbox had taken $19 million, but Railgon had not borrowed anything.

If the subsidiaries take down the remaining $41 million in authorized borrowing, the impact on Trailer Train's cash position would be substantial. The company's cash and short-term investments totaled $54.7 million at March 31.

But Curtis Buford, Trailer Train president, indicated in an interview that the lending shouldn't threaten the parent company. Cash flow for the flatcar operation remains healthy enough to support the lending, he said. In addition, the borrowing is expected to be spread out over the full year.

Mr. Buford said box car demand traditionally picks up in the fall, whatever its underlying base, and that cutbacks in the nation's gondola fleet will combine with recovering steel demand to produce healthier operations for Railgon in 1983. "Bridging this deep, deep valley," is the problem, he said.

The layoffs at Trailer Train are not specifically aimed at Railbox and Railgon. No separate staffs are utilized for those subsidiaries, although separate accounts are kept.

But Trailer Train's repair subsidiaries do have separate staffs, including 297 employees who will be laid off when the Delpro Co. facility near Glasgow, Del. closes its doors next month.

Delpro, described by one Trailer Train board member as a low-productivity repair center, will be closed indefinitely after the last layoffs take effect in mid-July.

Trailer Train Co. is owned by 27 operating railroads, trustees of two non-operating lines and two non-railroad companies. Besides its Railbox and Railgon subsidiaries, Trailer Train owns four repair firms and an offshore financing company.

Wall Street Journal
June 29, 1982

Conrail to Lay Off 2,200 Employees, Close Repair Plants

By a WALL STREET JOURNAL *Staff Reporter*

PHILADELPHIA — Consolidated Rail Corp. said it will lay off about 2,200 employees this summer and will close five equipment repair shops for an extra five weeks in an attempt to reduce costs in the wake of an extended business downturn.

Conrail's unexpected sharp traffic decline in recent weeks prompted the cost-cutting steps, which the company said were necessary to prevent it from having a loss this year and from having "more serious consequences for the company and its employees in the future."

The company said the steps won't affect the level of rail freight service. But it said it has developed additional contingency cost-cutting programs.

Journal of Commerce June 25, 1982

Railroad Labor Talks Dragging; Strike Could Come in 90 Days

By GREG STOREY
Journal of Commerce Staff

With the clock already legally ticking toward a strike by one major railroad union, the only other rail labor group yet to settle on a new contract is scheduled for another bargaining session today, officials said.

Because of waiting periods mandated by federal law and the probability of presidential intervention after they expire, a strike against the nation's railroads is highly unlikely before early September, management and labor officials said.

And neither side would speculate on the exact chances of a strike at that time.

But, more than 14 months after the bargaining process began, the "book has been closed" by the National Mediation Board on talks between the National Railway Labor Conference and the 35,000-member Brotherhood of Locomotive Engineers, officials at both groups said.

Meanwhile, negotiators for the 150,000-member United Transportation Union are to sit down in Washington today with a team from the NRLC, the bargaining arm for management.

Fred Hardin, president of the Cleveland-based UTU, was in Washington Thursday and could not be reached for comment. He has indicated in the last few months, however, that he is unwilling to give management what it wants.

Under the federal Railway Labor Act, the National Medition Board offers binding arbitration if talks hit an impasse. If either side rejects the offer — as the engineers did earlier this month — a 30-day cooling-period must elapse before a union can strike or management can impose a lockout.

The president, however, can then appoint a special emergency board to assess the situation and recommend the solution, a process that forestalls a strike or lockout by another 60 days.

The two big unions represent the railroads' operating personnel, the workers who actually run the trains. The 11 other rail unions workers have settled on three-year pacts that provide annual raises of about 10 percent.

The standoff between management and the operating unions, however, is not pay but work rules, officials on both sides said.

The operating unions over the years have been granted extra pay for various duties they perform that are not considered part of the normal operation of a train. Called special allowances and arbitraries, the rules vary from railroad to railroad and can number as many as 40.

Also, operating personnel are paid on a scheme that management calls the "100-mile day" and the unions call "100-mile units." Basically, that means pay is calculated by mileage rather than by the hour.

"In the past, and for years and years, the arbitraries have been increased commensurately with any general wage increases included in the contract," the management spokesman said.

An example, he added, is in the amount of pay for coupling or uncoupling an air hose. In 1951, the pay was 51 cents. Currently, it is more than $5, he said.

The nation's railroads, experiencing traffic declines in the recession, are looking to cut costs and boost productivity. The NRLC spokesman said they want to hold arbitraries at their levels under the current contract and form a special forum to consider eliminating them.

The operating unions vehemently take the opposing view.

John Sytsma, president of the BLE, accused management of "wanting to have their cake and eat it too" by holding off on increasing arbitraries while discussing their elimination.

The arbitraries were designed as incentive pay, he said in a telephone interview from his headquarters in Cleveland.

"They (management) apparently didn't want us to have incentives," he said. "I don't think they can run their railroads without incentives."

Mr. Sytsma said his members have "overwhelmingly" voted to authorize the BLE to strike if need be. Many members, he said, "commented that they certainly didn't want to strike but said since they're forced into it, it's a matter of principle."

He declined, however, to speculate on the probability of a strike.

"I don't know more than anyone else. They (management) might come up with something else that would bring us into the fold, or the president may appoint an emergency board," he said. ". . . It may take a strike to force some movement."

The NRLC spokesman declined to discuss the possible outcome of today's scheduled session with the UTU.

"It's awfully difficult to say. If progress is made, I believe there will be more (bargaining) sessions," he said. "But I guess we'll just have to wait and see what happens."

Normally, he said, if matters bog down, a special emergency board is appointed by the president. On occassion, he added, Congress has had to hammer out a settlement.

The last major strike on national issues, he added, was in 1971 and was not prolonged.

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Aberdeen American News June 24, 1982

Grain shippers are worried by BN rate increase

By MIKE GAST
American News
Staff Writer

A HIKE in Burlington Northern freight rates has many grain shippers along the main line in northeastern South Dakota worried about the future of their businesses.

The rate hike, scheduled for July 8, will be as high as 38 percent in Selby, according to Paul Miller, manager of the Selby Equity Union Exchange.

Burlington Northern officials say the higher rates are adjustments of the temporary rates put in place when the BN took over traffic on state-owned former Milwaukee Road trackage earlier this year.

"Something like this really puts the squeeze on us and on the farmers," Miller told the American News Thursday. "It sure isn't the thing you want to happen right before harvest. We have a lot of grain to move."

Miller said the 38 percent increase will mean farmers will be getting about 18 cents less per bushel for wheat at his elevator after July 8 for grain shipped east on the main line.

"The Burlington Northern is going to price itself right out of business doing things like this," he said. "I can get trucks to haul the grain cheaper than I can get rail cars."

The BN did announce Monday it plans to drop the rate for single-car barley shipments in five Midwestern states starting July 8 which could save shippers 25 to 30 cents per hundredweight on single-car shipments. But Royce Birney, manager of the Farmers Union GTA elevator in Waubay, says that drop simply brings the BN in line with other shippers, since the old BN barley rate was about 50 percent higher than everyone else.

"They simply dropped the barley rate down to be competitive," said Birney. "The raise in rates for other grains doesn't surprise me. I wouldn't put it past them."

Shippers to the west of Aberdeen will be hit harder than those to the east, closer to Minneapolis grain terminals.

Vince Jensen, manager of the Ipswich Elevator Company, said Thursday the new shipping rate will cost farmers about 16 cents per bushel at his elevator.

"They (the BN) came out here to South Dakota with a real good shipping rate and I still think they could live with it," said Jensen. "This new rate is ridiculous. It means bankruptcy for us and for the farmers too."

Jensen said the rate increase will be about 27 percent at his facility. "We will have no choice but to adjust our rates to the farmers," he said.

Keith Hainy, spokesman for South Dakota Wheat Growers Association in Aberdeen, said the increase was "very disappointing."

"Things with the BN were going very well with the rates that were in place," he said. "What this will mean is less usage of the main line by shippers because hauling grain with trucks will cost less than the railroad rates."

Hainy said shippers had been warned by the BN that there would be some realignment of rates a few months into the BN takeover of the main line.

"We figured there would be some realignment, but not to this extent," Hainy said. "The stations that are going up significantly will just have to take it out of the farmer's pocket."

Burlington Northern says the rates set in April when the BN took over operation of the main line were just "temporary."

"I am surprised that you are getting this feedback from shippers because we told them going in that the rates were just temporary," said BN spokesperson Lynn Callahan. "We were working on short notice and we wanted to get (them) rates as quickly as possible."

Callahan said now that the BN has had time to study the rate structure it has found it needed adjustment.

"It would be nice to keep the rates very low, but we are a very large system and are dedicated to keeping competitive with elevators and shippers in other states and areas," she said. "We told our shippers that once we got things in order we would be adjusting the rates."

One unexpected development might force the Burlington Northern to take another look at its new rates.

The Chicago and North Western Railroad recently lowered its grain freight rates to a level competitive with the BN temporary rates.

"We are studying that relationship and we may have to make a few changes," said Callahan when asked about the C&NW rate drop.

"What I want to make clear is that a change in rates is not made just on a whim," Callahan said. "With a system as large as BN's we must study every location along the line very carefully before making any moves."