Corporate Relations

M E D I A   M O N I T O R   July 21, 1982

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Chicago Sun Times July 14, 1982
Afternoon Edition

Milwaukee Road enters $17 million track deal

The Milwaukee Road has agreed to purchase a strategic 97 miles of Rock Island-owned line in Iowa for $17 million.

Trustees for the Milwaukee Road, which is in court-supervised reorganization, and the Rock Island, which is in liquidation, have negotiated for 18 months.

Under terms that must still be approved by the Interstate Commerce Commission and the bankruptcy court, the Milwaukee Road will acquire some 64 miles of Rock Island line between West Davenport and Washington, Iowa, and another 33 miles of trackage rights between Clinton and Davenport. Certain yard and industrial trackage is included.

The line serves a new coal-fired electric generating facility at Fruitland, Iowa, which could be a major source of revenue. The Chicago & North Western also made a bid for the line, but the Milwaukee Road, which already was using some of the trackage, apparently succeeded in winning the route.

"This is really a significant breakthrough for us because the coal traffic will become important, and there is also good business in agricultural machinery from Davenport," a Milwaukee Road spokesman said.

Chicago Tribune
July 21, 1982

Milwaukee Road sells track

The Milwaukee Road Railroad has completed the sale of a 480-mile stretch of track between Minnesota and Montana to the South Dakota Railroad Authority, railroad trustee Richard B. Ogilvie announced. The purchase price was $30.4 million in cash plus other benefits, Ogilvie said. Milwaukee Road's operation of its former main line ended March 31. In April, the United Staes District Court overseeing the reorganization of Milwaukee Road under federal bankruptcy laws approved the interim lease and ultimate sale of the line segment. Since mid-April, freight service between Ortonville, Minn., and Terry, Mont., has been provided by the Burlington Northern Railroad, which operates the line for the South Dakota Railroad Authority.

Green Bay Press Gazette
July 8, 1982

Rail line sale boost for area

A contract signed in Chicago Tuesday in which the Escanaba & Lake Superior Railroad bought an 88-mile route from Green Bay to Iron Mountain from the Milwaukee Road is historic.

The key was the Northeast Wisconsin Railroad Transportation Commission, formed in 1980. It includes representatives of the boards of Marinette, Oconto and Brown counties, all served by the line. Six such commissions have been formed in Wisconsin, but the purchase by the E&LS was the first transaction.

It was a long battle. Efforts to preserve rail service between Green Bay and the U.P. began 42 months ago. Negotiations with the Milwaukee Road have been underway for two years. At times, commission members were fearful the effort would fail.

Pulling things together was the staff of the Bay-Lakes Regional Planning Commission which spent thousands of hours compiling the detailed reports required. Cooperating were representatives of two railroads, the three-county commission, Wisconsin, and the Federal Railroad Administration.

The action commits the E&LS and Milwaukee Road to continued freight service to industries along the route. With an improved economy, the return to production of iron ore mines and growing paper mill capacity, the line will be an important link between the Upper Peninsula, Green Bay and points south.

Des Moines Register
July 15, 1982

Milwaukee Road gets OK to buy track to plant

By RANDY EVANS
Register Staff Writer

The Milwaukee Road appears to have won a bidding war to purchase 60 miles of track between Davenport and Washington, a potentially lucrative line that is expected to carry 30,000 cars of coal a year to a new power plant near Muscatine.

A federal judge in Chicago gave preliminary approval to the purchase Wednesday. Judge Frank McGarr withheld his final approval, however, until after the Interstate Commerce Commission gives its blessing.

The Milwaukee and the North Western Railway both wanted to buy the line from the bankrupt Rock Island railroad. Their competing offers threatened to delay the opening of the new $600 million power plant. Coal deliveries are expected to begin in August, with a trainload a week being delivered at first to fuel the plant's boilers.

The Milwaukee initially offered $14.5 million for the line. The North Western countered with a $16.5 million offer for the track and for the Rock Island's operating rights over another railroad's tracks between Davenport and Clinton.

The Milwaukee's final offer — for $17 million — was approved by the bankruptcy trustees for the Rock Island and Milwaukee and by the Milwaukee's bankruptcy court before being submitted to Judge McGarr, who is hearing the Rock Island's bankruptcy proceedings.

The Grand Trunk Corp., a holding company of the Canadian National Railway, recently signed a letter of intent with the Milwaukee's trustee to purchase the Chicago-based railroad. The purchase would preserve rail service on the Milwaukee's line from Washington through Ottumwa and on to Kansas City, Mo.; on its line north from the Quad Cities along the Mississippi River; and on its important grain-hauling line across northern Iowa.

Since the Rock Island ceased operations in 1980, the Milwaukee has been providing interim service on the Rock Island's Davenport-to-Muscatine line.

State officials preferred the Milwaukee's bid because they feared that a victory by the larger North Western would reduce railroad competition in Iowa.

Wisconsin State Journal
Madison, July 8, 1982

State grants $1.9 million for 120-mile railroad line

Associated Press

The state provided a seven-county rail transit commission with a $1.9-million grant Wednesday, closing the purchase from the Milwaukee Road of a 120-mile line from Middleton to Prairie du Chien.

The state paid $513,000 for the corridor itself, which is owned by the Department of Transportation.

The Wisconsin River Rail Transit Commission, comprising representatives of Grant, Crawford, Richland, Iowa, Sauk, Dane and Rock counties, contributed $477,000 toward the purchase.

The eastern segment of the line, between Richland Center and Middleton, was officially abandoned by the Milwaukee Road Wednesday. Service on the western segment was discontinued in March 1980.

John Zerbel, president of the Western Wisconsin Railroad of Brookfield, which will operate and maintain the railroad, said service "starts immediately" for shippers of coal, containers, lumber, powdered milk and agricultural supplies.

Chicago Tribune
July 21, 1982

Chicago Milwaukee profits up 5%

CHICAGO MILWAUKEE Corp. logged a 5-percent increase in second-quarter profits and said new orders were continuing "at satisfactory levels."

The railroad holding company, which has interests in food service, concrete paving and metal fabrication, reported second-quarter profits of $1.7 million, or 70 cents a share, up from $1.6 million, or 67 cents a share, a year earlier. Sales rose 7 percent to $33.6 million from $31.3 million a year earlier.

For the six months, profits rose 2 percent to slightly over $2.7 million, or $1.11 a share, from just under $2.7 million, or $1.09 a share. Sales for the half rose 8 percent to $63.7 million from $58.8 million. Chicago Milwaukee said its food service business had record results in the first half despite weakness in several lines. It said the outlook for its Southern Boiler and Tank Works Inc. unit continued to be clouded by the recession in the chemical and petrochemical industries.

"If the economy does not weaken appreciably," the company said, it expects a "continuation of good sales and earnings" over last year's results.

Chicago Tribune
July 15, 1982

Bankrupt rails in trackage deal

The bankrupt Chicago, Milwaukee, St. Paul & Pacific Railroad Co. has reached an agreement with another bankrupt carrier, the Chicago, Rock Island & Pacific Railroad Co., to buy and obtain rights to 97 miles of track in Iowa for $17 million. The Milwaukee Road, which is trying to reorganize under federal bankruptcy laws, will acquire 64 miles of Rock Island line in Iowa between West Davenport and Washington and rights to 33 miles of track between Clinton and Davenport. The purchase has received preliminary court approval from the bankruptcy court overseeing the liquidation of the Rock Island, although it still must be cleared by the Interstate Commerce Commission. The Milwaukee Road has been operating over some of the line since the Rock Island ceased operations in 1980. The track purchase also will give the Milwaukee Road access to a new coal-powered generating facility owned by Iowa-Illinois Gas & Electric Co. in Fruitland, Ia., southwest of Muscatine.

Wausau Herald

July 17, 1982

Rail improvement to allow faster trains, heavier loads

By DEWEY PFISTER
Herald Staff

MERRILL — Anyone taking more than a casual glance at many portions of the Milwaukee Road line between Wausau and Tomahawk would wonder how trains manage to stay on the track.

Rails are worn and broken, ties seem to shift in mud rather than rest in supporting gravel ballast, spikes are loose, and fishplates intended to hold rails to ties are sometimes missing or unsecured.

That is destined to change with the current $6 million rehabilitation along the 41-mile route. The project is being funded with Milwaukee Road materials, a loan by rail users along the route, and a grant and loan from the state Department of Transportation.

The project has two objectives, according to Lawrence Carroll of Tomah, the railroad's project manager. Improving the trackage will allow the speed limit to be increased from 10 and 15 miles per hour to 25 mph. It also will allow for heavier car load limits, from 220,000 to 263,000 pounds.

Work started June 17. The crew installing salvaged ties has proceeded north from Wausau past Brokaw. Additional ballast to support ties will be put in place as soon as a crew completes repairs to washouts in Missouri.

Continuous welded rail will be installed on 29 miles of the route. Rail salvaged elsewhere first goes to a shop at Tomah where ends are cut off. Then it is taken to Savanna, Ill., where it is welded into 1,400-foot-long strings to be shipped to the project on a series of 27 flatcars. The strings are then welded together, except at turnout switches.

Installation of ties and ballast should be completed by late October, about the time a crew is expected to start installing rail. That should take about five weeks.

Cold weather or snow could delay the rail installation until next spring, Carroll said. It must be laid when there are medium temperatures to avoid later expansion and contraction problems. Snow covers small parts, thus prolonging the work.

The Wausau-Tomahawk line now has 75- to 100-pound rail in no particular system. Plans are to install 100-pound rail between Wausau and Merrill, except for a 3-mile section, a cutback based on lack of funds. Ninty-pound rail will be installed between Merrill and Tomahawk. Poundage refers to the weight of a 3-foot-long section.

Related work will include replacement of turnouts, the switches leading into spurs and side tracks, and rehabilitation of street and road crossings.

Some crossings have already been rebuilt but they will be raised later when heavier rail is installed, Carroll said.

One problem encountered in the project is the lack of funds allocated from the $6 million for ballast. Continuous welded rail requires sufficient ballast to avoid shifting of the track, Carroll explained at a recent state Transportation Commission hearing.

He said continuous welded rail, installed by the Milwaukee Road since 1977, has generally required 25 carloads of ballast a mile but funding for the Wausau-Tomahawk project allows for only 13 carloads a mile.

To come up with additional funds to increase ballast, the railroad has proposed not replacing turnouts at unused spurs. With the cost of replacing a turnout estimated at $17,350, not replacing 10 of them will provide funds to increase ballast from 2½ to 5 inches, a railroad official said.

By early next summer, at the latest, the northern end of the railroad's Wisconsin Valley Line should be providing faster service, certainly with less risk of derailments.

Wall Street Journal
July 20, 1982

C&NW Reports Loss Of Nearly $3.3 Million In the Second Quarter

By a WALL STREET JOURNAL *Staff Reporter*

CHICAGO — Chicago & North Western Transportation Co. reported a second-quarter loss of nearly $3.3 million attributed to declining rail traffic.

Shipments are down sharply in the railroad's two largest commodities, grain and coal, a spokesman said. He attributed the slump to the recession. Reduced industrial demand for power has cut utilities' need for coal, and farmers are withholding grain from the market until prices rise, the spokesman said. He added that the railroad hasn't seen any signs of a turnaround.

The second-quarter loss compares with year-earlier operating profit of $14.9 million, or $1.07 a share, when an extraordinary credit of $4.3 million from reacquired bonds made net income $19.2 million, or $1.38 a share.

Revenue in the latest quarter was $202.5 million, down 19% from $251.2 million.

For the six months, the railroad reported a net loss of $10.7 million. It compared with year-earlier operating profit of $26. million, or $1.92 a share, when an extraordinary credit of $4.3 million made net $31.1 million, or $2.23 a share. Revenue was $402.1 million, down 21% from $511 million.

Trains
August 1982

Milwaukee Road finds a home

Milwaukee Road's strategic retreat from transcontinental status, begun in the wake of its third bankruptcy in 1977, appears about to pay off in (1) solvency and (2) sale. Now on the last lap toward reorganization by condensing from a 10,000-mile, 11,445-employee, 752-diesel, 28,000-freight-car transcontinental system to a 2900-mile, 6300-employee, 325-diesel, 12,500-freight-car regional road, the Milwaukee Road broke into the black in March 1982 for the first month since it went broke. Then, on May 24, it announced a letter of intent with Grand Trunk Corporation for transfer of its stock ownership to GTC. GTC, the holding company for Canadian National's three U.S. railroads (Grand Trunk Western; Central Vermont; Duluth, Winnipeg & Pacific), has agreed to acquire Milwaukee's stock after reorganization in exchange for assumption of 250 million dollars' worth of debt. Excluded from the sale: Milwaukee's Chicago suburban service, which would be taken over by the Regional Transportation Authority.

Two obvious questions occur.

First, what's in it for 2100-mile, 390-million-dollar-a-year (in 1981) Grand Trunk to double its mileage and gross? GTC President John H. Burdakin believes that in the face of rail megamergers, smaller roads must strengthen themselves. "It is better than making emergency transfusions from the taxpayers to support the tottering finances of bankrupt railroads," he says. Toward that end, Grand Trunk Western acquired Detroit, Toledo & Ironton in 1980 and complete control of Detroit & Toledo Shore Line in 1981 (DT&I, not yet merged, is a GTW subsidiary; D&TSL has been absorbed by GTW). Acquisition of Milwaukee will give GTC an iron lariat around the bottom of the Great Lakes plus rails to the Missouri River at Kansas City and the Ohio River at Louisville and Cincinnati. And MILW will give GTC a better traffic mix and a longer average haul.

Second, what about the disparity in labor situations between GTC and MILW? (Bear in mind that *Railway Age*'s Gus Welty, dean of American rail labor reporters, has predicted that Florida East Coast might be the last independent Class 1 road because any buyer would find the Florida line's labor situation in wages and work-rules incompatible with national standards of its own.) Specifically, the Milwaukee's unions have agreed to work for 93 per cent of industry wage rates during 1982-1984; and 3-man crews now staff both road and yard jobs. Parallel Chicago & North Western has warned its own unions that it could suffer a substantial loss of business to the Milwaukee if the Milwaukee reflects its lower wage costs in price reductions. Now, the Milwaukee's wage (but not manning) agreements are subject to renegotiation in the event of the railroad's purchase, but presumably the unions are aware that unless the trustee had been able to get his costs under control, no buyer could have been located. Item: One of GTC's properties, Central Vermont, has been operating 2-man-crew *Rocket* piggyback trains.

Aberdeen American News
July 6, 1982

Myers says rail gamble paid off

BROOKINGS, S.D. (AP) — Gov. Bill Janklow's solution to South Dakota's rail problem was a gamble — but one that paid off, state Rail Director Jim Myers says.

South Dakota's state-owned rail system is "doing more work today than the entire Milwaukee (Road) system did when they controlled it," Myers told Brookings County Republicans last week. "We expect that the Burlington Northern will be able to use some black ink this year."

The BN now operates its trains on the core system, which the state bought from the bankrupt Milwaukee.

Much of the credit goes to Janklow, who managed to solve a problem that had everyone stumped, Myers said. In order to save the railroad, Janklow had to depart from a normal Republican philosophy which opposes government involvement in private business, Myers said.

"It was survival," he said. "There was no philosophy applied to this."

When Janklow took office three years ago, South Dakota was faced with 3,000 miles of rail lines needing repair and belonging to a financially-strapped railroad, Myers said.

"We've found ourselves in the fortunate position of having a governor who would step forward and do what needed to be done," he said.

Wisconsin State Journal, Madison

July 14, 1982

Zerbel may be answer to short-line solvency

This is the last of three articles describing the plans and problems of keeping short-line railroads operating in Wisconsin as major rail companies curtail service on unprofitable lines.

By Paul A. Rix
State government reporter

It's taken nearly three years and a nationwide search for members of the Wisconsin River Rail Transit Commission to attract a short-line operator.

Now that they've got John Zerbel, head of the Central Wisconsin Railroad in Brookfield, there's renewed enthusiasm among many who follow railroading in Wisconsin that Zerbel might be the man of the hour.

"Zerbel is an opportunist," said Waltraud Arts, an attorney with the state Justice Department in Madison. "He will wait until the time is right."

James Smith, attorney with the state Department of Transportation, adds, "He's met the test. People have confidence in Zerbel."

Those closest to the commission believe Zerbel's ability to get an operating contract with the transportation department on 120 miles of [illegible] including Dane and six other c[illegible], between Middleton and Pr[illegible] Chien is a dream come tru[illegible]

"Zerbel's group was able to get the division of rates with the Milwaukee Road which John Jenswold didn't get," John Kramer, commission attorney, said.

Jenswold, a Madison lawyer, heads the Chicago, Madison and Northern Railway Co. The firm entered federal bankruptcy court in Madison after transferring its short-line operations on two lines, from Janesville to Mineral Point and from Madison to Freeport, Ill., to Zerbel last winter.

Underestimate expense

Under a new agreement with the state, Zerbel now provides service on those routes formerly operated by Jenswold's company.

It's no bed of roses for the short-liner who takes over an abandoned line in Wisconsin. Transportation experts say these ventures, while noble and courageous at the outset, traditionally lack money. Management tends to underestimate expenses while counting too much on government help.

In addition, experts say, once generous transportation subsidies may one day be reduced, putting more pressure on local governments and short-line operators to come up with the dollars to feed such enterprises.

Rail experts also say it is imperative that a short-liner secure trackage rights with the major railroads that will allow the small outfits to use the latters' intersections to criss-cross rural areas of the state.

10 transit commissions

Since 1979, 10 transit commissions were formed by local governments to serve as conduits between the state DOT and the short-line.

Of the 10, six commissions hired short-liners to provide service. Two commissions couldn't raise enough money to repair their lines, and two couldn't get off the ground for a variety of reasons, according to the Legislative Audit Bureau.

Zerbel, a certified public accountant, has managed to score quite well, so far.

He recently assumed operating rights on the line between Middleton and Prairie du Chien, formerly owned by the Milwaukee Road. His empire, which also includes 41 miles from Waukesha to Milton Junction, now totals some 360 miles.

Zerbel, with railroading in his blood, has publicly announced his disdain for short-line operators who feed at the public trough rather than treating it as a business.

"We're not railroad buffs, we're businessmen," Zerbel said. "We receive no money from the state, and we will show that we can make money."

While he's had to work closely with the state DOT in order to expand his network, Zerbel hasn't been afraid to identify what he sees as weaknesses in the state's rail preservation program created by the state Legislature in 1977.

$100,000 per mile

"There's been a tendency to spend too much money for rehabilitation," Zerbel said. He cited a $700,000 project to upgrade seven miles of line between East Troy and Mukwonago. "That's $100,000 a mile; that's an insult."

His Central Wisconsin Railroad was set up, Zerbel said, to offer a tax shelter for investors. The railroad's losses, he said, are passed on to individual investors who can deduct a percentage of losses from their personal income taxes. When the lines begin to make money, Zerbel said, it will be a tax-paying corporation.

Continued

Wisconsin State Journal
July 14 '82 Concluded

Zerbel predicts that by next March, his Waukesha-Milton Junction route will "break even. We're just about on schedule."

As he did on the Waukesha-Milton Junction line, Zerbel provided 20 percent or about $480,000 for the cost of the track, a heady expense that otherwise would have been assumed by the Wisconsin River Rail Transit Commission and local taxpayers.

He also agreed to pay some $8,000 in legal fees to Kramer, another expense not borne by the commission.

"We put it all up," Zerbel said. "I think we do a better job with private money than public."

Under the operating agreement, Zerbel also will have trackage rights permitting him to move equipment over Milwaukee Road tracks from Middleton to Madison where they will connect with the Madison-Freeport route. This is a critical nugget in his system, one which could mean the difference between making or losing money, according to transportation experts.

The state DOT paid the Milwaukee Road $2.94 million for the Middleton-Prairie du Chien line. On most short-line projects, the state DOT agrees to cover 80 percent of the cost of the track and 100 percent of the right-of-way costs.

Kramer, who has represented rail commissions for more than four years, said efforts to preserve freight service on this line "was an uphill struggle."

"The burden is always on the short-liner," he says. "It's a cut-throat business. To find people to take the risk is not easy, and the risks will continue."

"Much of the short-line business is based on hope. John Jenswold may have a broken heart out of all this," Kramer said. "He believed he could make it go, and he successfully got shippers involved in short-lining. They were satisfied with his service."

Paul Heitmann, head of the DOT's rail assistance bureau, said Zerbel, unlike Jenswold, has offered a more realistic plan.

"Zerbel has a little bit larger system and closer links with the larger railroads," he said.

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Short-Line Apparently Violated State Contract

Janesville Gazette
July 2, 1982

By DENNIS McCANN
Gazette Madison Bureau

MADISON—The Chicago, Madison & Northern Railway Co. (CM&N) apparently violated a contract with the state Department of Transportation (DOT) by using grant money earmarked for track rehabilitation for general operating expenses, a state DOT audit shows.

The audit criticized CM&N and the Pecatonica Rail Transit Commission, a local government group of which Rock County is a member, for failing to keep financial records showing how grant money was spent.

The findings are being reviewed by the state Justice Department's legal services division. In addition, a legislative committee has ordered a larger audit of the entire track rehabilitation program through which CM&N was funded.

CM&N contracted with the transit commission to operate a rail line from Janesville to Mineral Point. The commission entered into a contract with the state DOT for a track rehabilitation grant.

The railroad began track work and to provide short-line service but encountered financial difficulties and subsequently dropped the service. On April 15, CM&N filed for bankruptcy, and a new operator has taken over the line.

The audit shows the state provided $373,448 in track rehabilitation funds to CM&N through Dec. 31, 1981, and the commission added $34,782, the audit showed. However, the audit showed justifiable costs for labor and equipment rental and payments to suppliers did not equal the amount of the grant transferred to CM&N's general checking account.

"Our audit revealed that the majority of the rehabilitation funds transferred to the general checking account were used to pay general operating expenses of the railroad. Once the rehabilitation funds were co-mingled with other railroad funds, they lost their specific identity, and we could not identify what the rehabilitation funds were being used for. This practice was against the provisions of the contract," the audit said.

Other findings included:

- CM&N could not provide any information on how it arrived at labor rates used for billing, and hours listed as rehabilitation on time cards differed from those on other records.
- CM&N used equipment rental rates not cited in the contract.
- Some quantities and prices invoiced to DOT for payment were not supported by invoices from the suppliers of materials.
- Some costs were incurred after the rehabilitation grant was halted.
- No documents were provided to support the purchase of about $140,000 of goods and services.

The rehabilitation project was halted in February 1981 because the DOT determined the amount of labor being charged was too high for the number of ties being installed, CM&N was charging time and materials to the rehabilitation project for non-rehabilitation work and the CM&N was using rehabilitation funds to pay general operating expenses, the audit said. The cutoff was to have been temporary, but a new working agreement was not signed.

Last month, the legislative audit bureau voted unanimously to order a performance audit of the whole grant program to determine if the state is being adequately protected against loss. The audit was requested by Rep. Delmar DeLong, R-Clinton, who said he feared the DOT was not adequately reviewing the financial stability of grant applicants.

James Jeffries, administrator for the Justice Department's legal services division, said today he has asked Michael Zileski, an assistant attorney general in the criminal litigation unit, to review the audit of the Pecatonica Tranist Commission and CM&N. Jeffries said he has not ordered a full-scale investigation at this time but said he is concerned about finding that CM&N used rehabilitation funds for operating expenses and cannot account for some other funds. Zileski is to report back within a month.

Transportation officials said they are protected against losses because grant money is to be used to improve track and equipment that can be operated by another company if the grant applicant defaults.

Jeffries said money used for operating expenses cannot be retrieved if a company goes bankrupt.

Des Moines Register July 13, 1980

Iowa leaders applaud state's new rail line

By RANDY EVANS
Register Staff Writer

The Iowa Railroad Co. took its first bows in Iowa's capital city Monday with government officials and business executives on hand to welcome the line's border-to-border freight service.

The day's biggest cheers came, however, when the railroad's president, Bryan Whipple, announced that there is a "realistic hope" the railroad can run special passenger trains this fall from Des Moines to Iowa City for University of Iowa football games.

Whipple's railroad has leased the east-west mainline of the bankrupt Rock Island Line — portions of which had not had train service for more than two years. The line passes through several of Iowa's largest cities, including Des Moines, Davenport, Council Bluffs, Iowa City, Newton and Atlantic.

State transportation officials have called the route a vital link in Iowa's rail network. They say the line is necessary to provide needed service — and to keep other freight rates competitive — for businesses and farmers in much of the state.

Gov. Robert Ray and State Transportation Director Warren Dunham led the praise for Whipple and his company Monday during a ceremony in front of the once-bustling Rock Island depot, which now houses Iowa Railroad's headquarters.

The railroad is a "terrific" addition to the state, Dunham said, adding: "Bryan Whipple is the man of the hour."

The governor noted that the Iowa Legislature created the Iowa Railway Finance Authority and a special $200 million rail bonding program to find solutions to the state's railroad problems, particularly those brought on by the bankruptcies of the Rock Island and Milwaukee railroads and the abandonment of hundreds of miles of track by the big railroads.

The state's efforts have been stalled by a court challenge of the legislation's legality, but Ray said, "Some people aren't waiting for the state to act. Bryan, you represent an organization that has decided on its own, without a subsidy from the state, that you can do something."

Whipple used the occasion of Monday's ceremony to put in a not-too-subtle plug for businesses to use his railroad: "The future of our railroad and the future of the east-west line probably hinges on our success at converting these prospects into actual shippers. We need your business, and your business will make this railroad work."

A number of large operations — including grain elevators, the Maytag Co. at Newton, the Rolscreen Co. at Pella, and the Eagle grocery warehouse across from Davenport in Milan, Ill. — are located along Iowa Railroad's tracks. But a number of shippers turned to trucks after the Rock Island's collapse, Whipple said, and his job now is to persuade them to give Iowa Railroad a chance.

In spite of the recession, which has reduced business for many railroads, Whipple has said, "Our operations are now stabilized to the point that we are breaking even. As the economy improves, we should do all right."

The long-term future for Iowa Railroad is uncertain, however, because the Rock Island's bankruptcy trustee is under court order to sell or dismantle the Rock's tracks, including the east-west line through central Iowa. Whipple has said he doubts his company, alone, would ever have the financial muscle to buy the tracks.

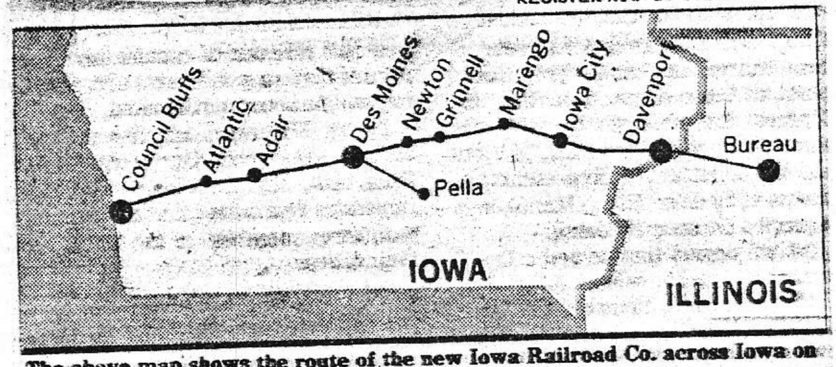
The railroad is owned by Whipple, a former official of the Southern Pacific and Western Pacific railroads, and three other investors, whom he has declined to identify. It began operations last fall on the Rock Island's line between Council Bluffs and Stuart, then extended eastward to Davenport at the beginning of June.

The company now operates 425 miles of track in Iowa and Illinois and has about 50 employees — most of them former Rock Island workers, Whipple said, who probably would be unemployed if it weren't for his railroad.

Whipple said that an independent promoter had approached him about organizing the Iowa football excursions. He did not identify the promoter, and he said that the special trains are not a certainty.

The Rock and later a Moline, Ill., travel agent, William Butterworth, operated such football trains until about 10 years ago.

REGISTER MAP BY STEVE PEGLOW



The above map shows the route of the new Iowa Railroad Co. across Iowa on the former east-west line of the bankrupt Rock Island Railroad.

Cedar Rapids Gazette July 13, 1982

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Newest rail line fires up

By J. McCauley Flansburg
Gazette Johnson County Bureau

IOWA CITY — Red, white and blue streamers adorned the old Iowa City train depot and a tape-recorded version of "Railroad Bill" played in the background as a train owned by the newly formed Iowa Railroad company broke the ribbon strung across the tracks to celebrate the state's newest east-west rail line.

Johnson County

About 70 persons, including several city, county and state officials, were on hand in the hot Monday afternoon sun to welcome the train toting railroad and state officials.

The train arrived from Des Moines, where ribbon-cutting ceremonies had taken place earlier in the day.

The Des Moines-based Iowa Railroad began carrying freight in June on the old Rock Island tracks from Council Bluffs to Bureau, Ill. The company was able to strike a lease agreement for the tracks with the Rock Island bankruptcy trustees and the Interstate Commerce Commission. The tracks had not been used since 1980, when the Rock Island went bankrupt.

Bryan Whipple, the company's president, told the crowd the new freight service puts central Iowa "back on the map as an important freight carrier."

During the nearly four-hour trip from Des Moines, Whipple said it appeared the tracks were in relatively good shape, in spite of "a few rough spots."

He said the trip was unusually long because the entourage from Des Moines stopped several times to pick up various officials along the way.

The top priority facing his company, Whipple said, is to pick up business lost when the Rock Island went bankrupt. Since then, he said, businesses were forced to use trucks as a means of transporting their products.

"We now need to build up traffic to the point where it's profitable," Whipple said. "We need to solidify our base."

Iowa Railroad's freight cars will normally go through the Iowa City area at night, Whipple said. "You won't see much, but you'll hear our whistle."

Rep. Jean Lloyd-Jones, D-Iowa City, said the state must work toward "total restoration" of Iowa's railroad system.

Lloyd-Jones, a longtime proponent of both freight and passenger rail service restoration in Iowa, said, "Not only have I hoped to have trains go through here both ways, but I hope to have people going both ways."

Before the crowd in Des Moines, Whipple said the Iowa Railroad is negotiating to begin special football trains from western Iowa to Iowa City, where the University of Iowa plays home games.

Des Moines Register
July 15, 1982

A railroad experiment

The new Iowa Railroad Co. — running from Council Bluffs through Des Moines and the Quad Cities to a Chicago connection at Bureau, Ill. — is an experiment, as its president concedes. The experiment is to find out whether shippers who have lost rail service and turned to trucks will go back to trains.

The longer the old Rock Island mainline across Iowa remained idle after the "Rock" ceased operations early in 1980, the greater the likelihood that on-line businesses would find they could get along without it. The kind of service and rates the Iowa Railroad offers will be a major factor in truck-or-train decisions.

The new company faces another danger at least as great as insufficient traffic to pay the bills: Its track may be sold out from under it, because the Iowa Railroad is merely leasing the line from the bankrupt Rock Island system's trustee, who is obliged to sell it as soon as he can find a buyer. The Iowa Railroad probably can't afford it.

The buyer might be a major railroad wanting its own line from the East to Omaha or from the West to Chicago, but this is unlikely. Or the buyer might be a junk dealer. Or it might be one of the roads operating between Chicago and Omaha — the Chicago & North Western or the Burlington Northern — willing to operate local segments (as the North Western did for awhile) but mainly intent on tearing up parts of it to eliminate potential competition for long-haul freight.

Or the buyer could be the state of Iowa, using money from a $200 million bonding program approved by the 1981 Legislature and now tied up in a court challenge. The state would not run the trains, but would lease operating rights to private companies, as several other states have done.

On-line shippers will play a critical role. They don't exactly face a challenge of "use it or lose it" because they might lose it anyhow, but they certainly will lose it if enough of them don't use it. The more they use it, the more likely the state would be to help out; the more likely some private company would be to buy the track as an operating railroad.

There is danger in a growing reliance on trucks for long-distance freight-hauling, as highways deteriorate and uncertainties in the Mideast remind of the insecurity of petroleum supplies. The tracks the Iowa Railroad runs on are a valuable asset that the new company and its potential customers should be encouraged to preserve.

Chicago Tribune July 21, 1982

Hard-hit Santa Fe Industries hoping coal venture pans out

By Sheila Tefft

JOHN J. SCHMIDT, president of Santa Fe Industries Inc., talks about the Chicago company's coal fields in northwestern New Mexico with all the anticipation of a prospector staking his claim.

Star Lake, Gallo Wash, Burnham deposit, Fire Rock Wells, Chaco Canyon; Schmidt readily ticks off landmarks in the stretch of southwestern wilderness where the firm plans to mine coal and build a rail line to haul it.

There has been little good news of late on the earnings front for Santa Fe, a diversified transportation, natural resources, forest products and real estate company that is best known as the parent of the Atchison, Topeka & Santa Fe Railway Co. Still, the firm announced in May that it signed long-term coal contracts and will mine the coal reserves of the San Juan Basin in New Mexico.

THE PLAN CALLS for Santa Fe not only to build the 23.1-mile first segment of the rail line, but to be involved in developing and operating the mine, which is to begin operation in 1984. Companies usually lease reserves for others to develop.

Santa Fe hopes to eventually extend the rail line, called the Star Lake Railroad, about 108 miles into the coal country.

The mine will tap 244 million tons of coal in an area called Lee Ranch. The firm estimates the mining operation will pump $6 billion in pre-tax income into Santa Fe over the 35-year life its contracts.

"I think it's an extremely important project for Santa Fe, perhaps the single most important one for Santa Fe," said Schmidt, who has been in charge of expanding the firm's non-rail businesses, which are mainly energy-related.

"I was involved in every step of it, including the discovery of most of the coal," he added in an interview at Santa Fe's Chicago headquarters, 1,500 miles from the coal fields he helped survey, explore and study.

STILL, THE $140 million project is not out of the woods yet.

Santa Fe has yet to obtain all the rights-of-way needed for the rail line, which has been delayed for about a decade by court challenges, government approvals and economic hard times. Last week the United States District Court in Albuquerque postponed Santa Fe's efforts to condemn 14 parcels of land needed for the line pending the outcome of a lawsuit contesting the Interstate Commerce Commission's approval of the project in the spring of 1981.

The ICC decision is being challenged by several Navajo Indian communities in New Mexico, a group of ranchers and an environmental group. The suit they filed in the United States Court of Appeals in Washington, D.C., seeks to block the rail line and could create serious delays, Santa Fe officials admit.

THE LEGAL HASSLES have hit Santa Fe at an inopportune time. Like other railroads, the Santa Fe has been sidetracked by the recession, which caused a 19 percent decline in freight carloadings in the first quarter. Competition for rail traffic has intensified, prompting widespread rate cutting allowed since the industry was deregulated in 1980.

The downturn also has affected the railroad's all-important semitrailer piggyback service, which accounts for about 20 percent of its rail revenues. Santa Fe's piggyback traffic, which grew by 11 percent in 1981, is up less than 1 percent this year even though Santa Fe is the rail industry's largest such carrier.

The holding company's natural resources business has suffered from the weakness in oil prices. In May its petroleum subsidiary showed an average price decline of $4.39 a barrel of crude oil compared with May, 1981; it has dropped $2.61 in the year to date.

Santa Fe's oil business also has been hurt by sizable losses from dry holes, particularly in the 1981 fourth quarter. Failed drilling ventures in eastern Texas resulted in writeoffs of $16.3 million and were due to "bad engineering and geologizing," Schmidt conceded. "We have to put those in the category of management mistakes which have been corrected."

THOSE REVERSES have taken their toll on Santa Fe's bottom line. In the first quarter the parent company reported a 56 percent decline in net income, to $30.2 million on revenues of $780.9 million. The railroad's pre-tax income in that quarter shrank to $3.1 million from $36.8 million, while the pre-tax earnings from petroleum production slipped to $28.8 million from $41.5 million.

The dismal first quarter followed a disappointing 1981, when the company's net income fell 20 percent, to $242.2 million. And the 1981 fourth quarter also roughed up Santa Fe: Earnings dropped 47 percent from the year-earlier period.

The second quarter is expected to show some improvement, due mainly to an extensive cost-cutting program launched in February. "There will be improvement over first-quarter levels," predicted Jim Voytko, who follows Santa Fe for Paine Webber Mitchell Hutchins. "How dramatic it is depends on how well they reduce their costs."

SINCE EARLY in the year, Santa Fe has laid off about 2,000 railroad employees. The railroad work force of 28,600 is down 18 percent from the spring of 1981.

The parent company also has slashed its 1982 projected capital expenditures of $593 million. The railroad has curtailed its maintenance and improvement program, and some of Santa Fe's smaller businesses, such as trucking, have seen their capital expenditures budgets cut off completely. Other capital projects have been put on hold, Schmidt says.

"Roughly, I would say we have in excess of $100 million in capital expenditures in that hold category," he said. "We're playing it almost week by week in some of these areas."

Schmidt sees a slow recovery. "Santa Fe is a complex company, and it's not going to happen simultaneously for each of our businesses. I don't think that, in general, there will be a noticeable pick-up until later in the year, and I don't think it will be a very rapid pick-up for business. That's why I think we'll come out of this slide gradually."

ONE PLUS is a projected record wheat harvest, which is expected to bolster rail operations in the third quarter. Grain is among the railroad's major cargoes. In addition, sharply higher natural gas prices and a doubling in gas production have helped offset the downturn in the oil business.

On the other hand, labor problems loom. The Brotherhood of Locomotive Engineers and the United Transportation Union have threatened to strike the nation's railroads, and two weeks ago President Reagan averted a walkout by engineers by imposing a 60-day cooling-off period. The UTU could strike July 30, and it has targeted three railroads, including the Santa Fe.

Continued

Chicago Tribune
July 21 concluded

Meanwhile, Santa Fe is continuing its longer-term efforts to become a greater force in natural resources. The company recently signed a joint venture agreement with Belco Petroleum Corp. and a privately owned firm to explore a portion of the Anadarko Basin in central Oklahoma. The size of those reserves, primarily in natural gas, will be announced next month.

Schmidt also is spearheading Santa Fe's efforts to diversify into other, less capital-intensive businesses than railroads, oil and gas production, and coal mining.

SCHMIDT, A LAWYER, has been president of Santa Fe since 1977. Company observers say he is heir apparent to chairman and chief executive officer John S. Reed, who turned 65 last month. Reed hasn't announced plans to retire and his term as chief executive has been extended through April.

If and when Schmidt, 54, does ascend to the Santa Fe helm, the company will likely be propelled even further into diversification, industry experts predict. "Schmidt clearly is a different type of manager than Reed," one analyst said. "Reed is a railroad man while Schmidt is a generalist."

One of Schmidt's pet projects was last year's restructuring of the company's real estate operation, which had focused on inducing shippers to locate along the railroad. The revamped business is working to develop the company's 22,000 acres of investment property, mainly through joint ventures.

"I've kind of put my neck out on this one," Schmidt said. "I've been a champion of the whole thing. My reputation is riding on this."

WHERE DOES ALL this leave the railroad? It provides about two-thirds of the parent company's revenues, but only about one-third of its pre-tax profits. Those percentages have stayed relatively stable during the last several years, although they are likely to change.

One factor is the company's emphasis on natural resources and its intent to exploit its coal reserves. Another is its continuing zeal for a railroad merger.

In September of 1980, Santa Fe and Southern Pacific Co. aborted plans to merge, four months to the day after they were announced. Whether Santa Fe revives that attempt or tackles a new one largely hinges on the outcome of the proposed merger of Union Pacific Corp., Missouri Pacific Corp. and Western Pacific Railroad Co.

One reason the Santa Fe-Southern Pacific merger unraveled, many feel, was fears the ICC would reject it on antitrust grounds. If the large-scale Missouri Pacific-Union Pacific-Western Pacific merger goes through it could breathe new life into a Santa Fe-Southern Pacific combination.

"The rail situation has to be rationalized," Schmidt said. "I think we have to look at our position vis-a-vis the nature of the railroad lines that are forming and have been formed."

Minneapolis
Star/Tribune
July 10, 1982

Who wants land in S.D.?
Hardly anyone, it seems

Associated Press

Pierre, S.D.
South Dakota's 1982 sale of public lands has been canceled because few people were interested, Public Lands Commissioner Jack Gerken said Wednesday.

"The discretion to cancel the annual sale is based on financial conditions and is for only one year," Gerken said. "If conditions improve as they seem to be, a sale for 1983 would then proceed as usual."

Gerken cited poor economic conditions on farms and ranches for the lack of land inquiries. Although recent rains have improved the agricultural outlook, most farmers and ranchers want to take care of other needs before they buy more land, he said.

Aberdeen American News July 12, 1982

Pressler worried about B.N. plans

SIOUX FALLS, S.D. (AP) — Sen. Larry Pressler, R-S.D., says he's worried that Burlington Northern Inc. has a stranglehold on South Dakota.

BNI is a holding company, formed more than a year ago, which controls the Burlington Northern Railroad as well as extensive interests in timber, minerals and real estate.

BNI's railroad subsidiary owns 415 miles of track in South Dakota and has also signed contracts to operate trains over the state-owned core rail lines.

Critics fear the BNI reorganization could lead to the demise of the railroad, which operates more than half the rail lines in South Dakota.

Pressler said he is "very troubled by what's going to happen down the road...in terms of being captive to a holding company that's not a railroad," Gannett News Service reported over the weekend.

Most South Dakota officials have only good things to say about the Burlington Northern, and they aren't worried about the BNI's plans. After reviewing the BNI reorganization, state Rail Director Jim Myers said, "Our view is there isn't a reason to be worried about it."

Right now, BNI is struggling for the second time to defend its reorganization before the Interstate Commerce Commission.

A year ago, the ICC dismissed a complaint challenging the reorganization. But later, a federal court returned the case to the ICC for review of a previously unconsidered matter.

The railroad-turned-holding company also is fighting a fire in Congress. North Dakota and Montana lawmakers have introduced legislation that could interfer with a holding company's efforts to develop resources and abandon branch lines.

In the next three years, the BN wants to abandon up to 1,200 miles of track in North Dakota, Montana, Nebraska and Minnesota. However, the BN proposes to abandon only 65 miles of track in South Dakota.

The debate has its roots 100 years ago when the U.S. government gave railroads almost one-tenth of the nation's land mass to build track and help settle the West. BNI is the successor to railroads that received 40 million acres of public lands.

Railroad reorganization into holding companies has been the subject of several studies and congressional inquiries. The House Energy and Commerce Committee expects a report from the ICC in August on the whole land-grant issue.

Critics insist Congress intended for the land grants to support the railroad. "Quite simply...the public responsibilities of the railroads must be of the same duration as the land grants," said Rep. Pat Williams, D-Mont.

Opponents fear revenue from the land grants could be transferred to other, more profitable subsidiaries, leaving financially-marginal rail lines without adequate support.

But testifying before Congress, BNI President Richard Bressler argued that the railroads have more than paid off any debt for the land grants, and there is no continuing legal obligation to link them with rail service.

Bressler says Burlington Northern Railroad is better off now because it is part of a better-operated, more profitable company.

The flow of money within the company hasn't really changed, he said, because land grant profits never have gone directly to the railroad but have been spent as management thought best.

Bressler said he isn't trying to get out of the railroad business. He said his firm has spent $1.4 billion over the past three years to improve track, and the company plans to triple its expenditure for track maintenance machines this year.

Bressler denied charges from critics that he is shopping for an oil company to buy. But as a former oil company executive, Bressler admitted he's looking for expertise to develop BNI's massive resources.

Miles City Star July 10, 1982

Pat Williams asks BN coal swap probe

HELENA (AP) — Rep. Pat Williams, D-Mont., said Friday he will ask the General Accounting Office, an investigatory arm of Congress, to review the proposed coal land swap between the Bureau of Land Management and Burlington Northern's coal mining subsidiary, Meridian Land and Mineral Co.

The lawmaker said there are "serious questions about the propriety of this exchange and the BLM's handling of it." Among other things, Williams said he was "amazed" the BLM didn't know about the relationship between BN Railroad and Meridian when it made the initial analysis of the proposed coal exchange near Circle.

Meridian is the coal-mining subsidiary of BN Inc., a holding company that also owns BN Railroad.

Williams added that if the swap is approved, he will introduce a bill requiring the resulting BN profits go to the holding company's railroad subsidiary.

He also noted that a GAO review last year of a proposed exchange in Utah "raised such crucial unanswered questions that the deal was canceled."

BLM is considering a BN plan to swap company and gover ment coal in an area of checkerboard ownership near Circle.

Chicago Tribune
July 10, 1982
Two Articles

Chicago Tribune
July 14, 1982

Judge blocks strike on Santa Fe

The Atchison, Topeka & Santa Fe Railway Co. on Tuesday was granted a preliminary injunction in United States District Court in Chicago that will block a strike by the United Transportation Union that threatened to shut down the railroad's operations nationwide. Judge Joseph Sam Perry, who issued a 10-day restraining order against the union on Friday, granted the preliminary injunction after two days of hearings. The union's 7,000 workers threatened to walk out Friday night over a disagreement on local work rules regarding seniority. The railroad is a unit of Chicago-based Santa Fe Industries Inc.

C&NW sets layoffs

By Sheila Tefft

HARD HIT BY depressed rail traffic and the weak economy, the Chicago and North Western Transportation Co. is laying off 10 percent of its management employees, The Tribune has learned.

"We're being affected by the recession just like everybody else," said Jim McDonald, spokesman for the C&NW, confirming the layoffs.

The layoffs are expected to affect up to 130 middle level managers, including those taking early retirement.

The C&NW has about 2,000 rail workers on furlough, and its work force is 3,000 to 4,000 below last summer because the railroad hasn't hired as many seasonal workers to work on track improvement, maintenance and other construction projects, McDonald said.

THE C&NW's WORK force normally numbers around 13,000, including 1,200 to 1,400 management personnel.

The railroad industry is suffering from declining shipments of grain, coal and other commodities. An estimated 50,000 workers are out of work, according to the Association of American Railroads.

The industry trade group reported that traffic, as measured in ton miles, has been running 9 to 10 percent below last year's levels while carloadings are off more than 10 percent.

The industry also is facing the prospect of a nationwide strike, although President Reagan on Thursday averted a walkout scheduled for Sunday by locomotive engineers by ordering a 60-day cooling off period.

SINCE THE FIRST of the year, the C&NW reported a $7.4 million net loss in the first quarter and significant declines in carloadings of most major commodity groups. While piggyback shipments have increased over last year, shipments of such lucrative commodities as coal are off 10 to 12 percent, McDonald said.

The first quarter deficit, which included a $17 million pretax gain from the sale of the railroad's Chicago passenger terminal, compares with an $11.8 million profit in the first period of 1981. Operating revenues in the 1982 first quarter declined 23 percent to $199.6 million.

The company had record earnings of $54.3 million last year, up from $39 million in 1980. However, traffic started to weaken in the fourth quarter of last year when net income fell 5 percent to $13.3 million and revenues dropped 13 percent to $226.7 million.

Court blocks Santa Fe strike

By Rudolph Unger and Sheila Tefft

THE ATCHISON, Topeka & Santa Fe Railway Co. Friday won a 10-day restraining order against the United Transportation Union, blocking a strike that threatened to shut down the railroad.

U.S. District Court Judge Joseph Sam Perry granted the railroad's request to temporarily prohibit the strike, which was scheduled to begin at 10:30 p.m. Friday. The judge set a hearing Monday on a motion for a preliminary injunction against the union.

Santa Fe, a unit of Chicago-based Santa Fe Industries Inc., filed the lawsuit late Thursday after receiving a telegram from the union saying it planned to strike over a disagreement on work rules regarding seniority.

The walkout threat was made just as President Reagan was imposing a 60-day cooling off period to avert a national rail strike, although Santa Fe insisted its dispute was not related to the national situation.

AT THE HEARING Friday, Ronald A. Lane, attorney for Santa Fe, labeled the disagreement a "minor dispute" and said a strike would be unlawful under the National Railway Labor Act. Despite union claims that it had exhausted all possible avenues for resolving the dispute, the railroad contended that the union had failed to pursue arbitration on the matter.

In opposing the Santa Fe request, union attorney John J. Naughton said the dispute arose because the railroad reached an agreement with the Brotherhood of Locomotive Engineers that the union said impinges on its members.

Union officials said the railroad had violated its agreement with the union by promoting an estimated 1,500 people to engineer's seniority before they had achieved firemen's status.

Naughton claimed the agreement with the engineers, reached last February, came about without the involvement of the United Transportation Union.

THE WALKOUT would have directly involved about 900 firemen, although the remaining 7,000 Santa Fe workers represented by the union pledged to honor picket lines.

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THE JOURNAL OF COMMERCE, Thursday, July 15, 1982

Senate Panel Clears Legislation Cutting Size of ICC to 5 Members

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Legislation reducing the size of the Interstate Commerce Commission from 11 to five members has cleared the Senate Commerce, Science and Transportation Committee.

If the bill is signed into law as is, it would cost ICC Chairman Reese H. Taylor Jr. his job.

But since it cleared committee most observers think its chances of enactment are quite slim.

Specifically, the bill would reduce the size of the commission from 11 to five members though the present six would be grandfathered in.

This means that ICC Vice Chairman Reginald Gilliam Jr. would not be reappointed or replaced when his term expires Dec. 31.

Chairman Taylor's term expires Dec. 31, 1983, and here's the rub.

Federal law currently requires that the party in power has a one-seat majority at the commission, so if the size is cut to five the party lineup should be three Republicans and two Democrats.

But the ICC will be composed of four Republicans and one Democrat once Commissioner Gilliam leaves, so a Democrat would have to be named to replace Chairman Taylor.

If the bill is signed into law about the only thing that could get Mr. Taylor reappointed is if one of the three other Republicans at the commission resigned.

A federal court rejects Interstate Commerce Commission assertions that the court has no power to order the agency to release final rules outlining what must be in rail contracts. **See Page 14A.**

They are Commissioners Frederic Andre, Heather Gradison and Malcom M.B. Sterrett.

Several grounds were cited to justify reducing the number of sitting ICC commissioners.

Every other regulatory agency in government only has five members, they pointed out, so it makes no sense for the commission to theoretically have 11.

The sources also noted that the commission has not been at full strength for years and has seemed to get along quite nicely.

Fewer commissioners also will reflect the commission's reduced role in the new regulatory environment, they added.

It also will save money.

It costs about $500,000 a year to operate a commissioner's office, one Senate source pointed out, so lopping off two commissioners would save $1 million.

"A million bucks isn't much when you're looking at the deficit we're facing," he conceded, "but you have to start cutting somewhere."

But since it is so late in the schedule few expect the bill to make it into law.

Several Hill observers pointed out that it must clear the Senate Floor, the House Public Works and Transportation Committee and the full House before it becomes a law.

They expressed some skepticism that such legislation will emerge from the Public Works Committee.

Journal of Commerce July 13, 1982

Survey Says Trucking In Bad Shape

Journal of Commerce Staff

WASHINGTON — The trucking industry is in bad shape, according to an American Trucking Association survey showing that four out of five trucking companies lost substantial amounts in the 1982 first quarter.

The Regular Common Carrier Conference — ATA survey of 190 general freight motor carriers reported that 153 of these companies showed after tax losses totaling $76.1 million compared to net incomes of $11.8 million in the first quarter of 1981.

Another 13 companies which had been a part of the fourth quarter 1981 survey are no longer included because of bankruptcy, cessation of general freight operations, liquidation or similar factors, the conference said.

The difference between revenues and expenses was wide, according to the survey. Revenues totaled $3.05 billion and expenses were $3.15 billion in the 1982 first quarter.

Wall Street Journal
July 12, 1982
Excerpt

Six Companies Declare Layoffs

A WALL STREET JOURNAL *News Roundup*

Layoffs and salary curbs were announced by six companies.

Chicago & North Western Transportation Co., Chicago said it is laying off about 130, or 10%, of its managers because of declining rail traffic.

The railroad said mostly middle-level managers will be affected. It attributed its decreased commodities shipments to the weak economy. Currently, the company has about 2,000 workers on furlough.

The railroad posted a first-quarter loss of $7.5 million, compared with year-earlier profit of $11.8 million.

Business Week July 19, 1982

Rail strife puts Reagan in the middle

President Reagan faces a delicate test in labor-relations policy over strike threats by two big rail unions, representing 120,000 operating employees. He dislikes intervening in private-industry labor disputes, but the threat of a national strike leaves him little alternative but to apply the Railway Labor Act. This means naming a three-member emergency board to delay the walkout set by the Brotherhood of Locomotive Engineers (BLE) for 10:30 p.m. on July 11, and he will have to cope with the promise of later, selective strikes by the United Transportation Union (UTU). If the board is perceived as antiunion, Reagan may lose more of his blue-collar support. If his nominees are too soft on unions, Reagan will disappoint railroad executives who say they need relief on costly work rules.

An emergency board the President must appoint will have to suit both sides

"If ever we had a chance of getting a decent emergency board, this is it," says a top officer of one big Eastern railroad who expects sympathy from the White House. The railroads settled with nonoperating crafts last December on a 39-month contract that will raise wages by 32%, assuming 8% annual inflation. But railroad management held out for work-rule changes in talks with operating unions, while offering the same pay increases granted to the non-ops. This set the stage for a bargaining stalemate through the spring and summer. "If the non-ops were bargaining with us now, there is no way in hell they would have gotten so generous a settlement," asserts one rail executive who opposed last year's settlement but was outvoted.

The two sides have exhausted the lengthy processes of mediation and arbitration required by the law, freeing the BLE to strike on July 11 and the UTU on July 30. The carriers will be free to lock out workers in return. But the naming of an emergency board delays a strike or lockout for 60 days while the board tries to find a solution. Failing that, another strike threat would probably bring a reluctant Congress into the picture to legislate a settlement this fall. Members of Congress do not like getting involved in rail disputes, especially so close to elections, and will be bringing heavy pressure on Reagan and his board to try to get a BLE settlement that could then be imposed on the UTU.

Forcing a settlement will most likely take pressure from either the White House or Congress. All talks have been broken off. "Positions are set in concrete, and the concrete has hardened," says John F. Sytsma, the BLE's president. He concedes that the carriers "probably feel they are dealing from strength," but he is taking steps to fight back. Most industry and labor sources say that Sytsma does not want a strike and that he carefully telegraphed his punches to the White House so that an emergency board would be named. In the meantime, he has joined six other union presidents on the Republican National Committee's newly formed National Labor Advisory Council. A Republican, Sytsma denies that he joined the council just to influence the White House on the rail talks, but he boasts of "good relations" with the Administration. He is also lobbying key members of Congress in case the fight gets that far.

The upper hand. More trouble could come from the UTU, whose president, Fred A. Hardin, has threatened selective strikes after July 30 against the Southern Railway, the Santa Fe, and the Baltimore & Ohio roads, because, he says, they have been the most "recalcitrant" in negotiations. Such strikes do not normally warrant an emergency board but could set in motion a series of tough management steps that might make it necessary for Reagan to intercede again.

Management sources say that in the case of selective strikes, the struck roads would operate with supervisory personnel—"business is down so much anyway that we might welcome it," says one rail strategist—and that other roads would pitch in to a mutual-aid fund for those struck roads. Nonstruck roads would probably begin unilaterally imposing new work rules: cutting cabooses of freight trains, eliminating supplementary pay, and broadening work classifications. The UTU would likely widen its strike at that point, forcing the White House to appoint a board, perhaps with the same members as the BLE panel.

At the moment, the carriers may have the upper hand. The industry, which splintered enough in 1979 to lose a bid for national work-rule changes, has shown strong unity in this round of talks. The operating and nonoperating unions are split over tactics, and as the economy has cut rail traffic and revenues, management's spine has stiffened. The question now is whether President Reagan will get tough, too. ■

St. Paul Dispatch
Wednesday, July 14, 1982

The coal-hearted railroads are trying to turn the tables

Jack Anderson

Washington

The flirtation between the Reagan administration and corporate America is developing into a serious love affair.

The Interior Department, for instance, was set up to protect federal lands from exploitation. But Secretary James Watt repeatedly has acted as if he's on the side of the exploiters. In strict secrecy, his aides even asked the Justice Department to let them do something that Congress has explicitly forbidden.

Here's the story:

The Federal Coal Leasing Act, passed by Congress in 1920, prohibits railroads from mining coal on federal lands. The purpose was to prevent the railroads from creating an unfair monopoly.

"They've already got a rail freight monopoly. If you add a coal monopoly, it would get worse," explains Sen. John Melcher, D-Mont., who alerted me to the giveaway. "They could be in a position to bid higher and set the price not only for transportation rates, but the price of coal itself."

Melcher is most upset over the slippery way the railroads and the Reaganites are trying to subvert the stated will of Congress by getting the Justice Department to wink at the violation of the law.

"This is public business," the senator told my associate John Dillon. "This should be done right in the public eye with full public disclosure. The question was presented to Congress whether to change the law. Now they want to go around the law by getting Justice to change its position."

It's not as if the railroads don't already have plenty of valuable coal lands in the West. Two of the major coal carriers, Burlington Northern and Union Pacific, own hundreds of thousands of acres obtained free from the federal government in the last century.

But the checkerboard pattern of these land grants along the railroads' rights-of-way — interspersed as they are with land that the government still holds onto — hinders the easy development of the coal. And, of course, it also provides a restraining federal influence.

So the obliging Interior Department officials devised a "cooperative leasing" program to give the railroads access to the federal land. If allowed, this would give them control of the coal, its production and the means of transportation — a robber baron's delight.

When this proposal was rebuffed by Congress, Interior Undersecretary Donald Hodel tried the back door. In a confidential letter to the Justice Department, he asked that a crucial interpretation of the law be "revoked immediately."

The offending interpretation declares that railroad affiliates as well as the railroads themselves are bound by the leasing prohibition of the 1920 law.

If Hodel gets his way, companies *affiliated* with railroads would be permitted to lease federal coal lands. This would be a distinction without a difference; the coal would still be controlled by the railroads.

Hodel phrased his request in Orwellian "newspeak," asking that the law be reinterpreted "so we can move ahead and promote competition." On the contrary, of course, it would reduce competition.

An Interior spokesman dutifully stuck to the dizzying concept that by permitting railroads to mine the coal they haul, it would somehow encourage competition and bring prices down. Then he gave the game away by admitting: "No doubt there would be some advantage (for the railroads). But it wouldn't be a huge windfall."

At Jim Watt's giveaway counter, windfalls are apparently graded like olives: small, medium, large, huge, mammoth and out-of-sight.

— United Feature Syndicate