Corporate Relations

M E D I A   M O N I T O R   August 5, 1982

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Capital Times, Madison
July 19, 1982

DOT protests railroad's plan

By VIRGINIA MAYO
Capital Times Staff Writer

The Milwaukee Road should not be allowed to abandon freight service on lines between Madison and Janesville and between Beloit and Burlington, the Wisconsin Department of Transportation has told the Interstate Commerce Commission.

In its petition to the ICC, the department said that once service on the two lines was abandoned, it probably wouldn't be resumed.

The Milwaukee Road, currently being reorganized by a federal court judge, has asked for $5.8 million for the two lines, which total 74 miles. DOT said the price tag ($2.7 million for the Madison-Janesville line and $3.1 million for the Beloit-Burlington track) was "grossly overstated."

"The only possible motive the Milwaukee Road can have for wanting to abandon these lines (without allowing DOT the opportunity to purchase the property through condemnation) is (the railroad's) belief that it can force the public to acquire the property for exorbitant prices," said the department's petition.

The department contends that if the ICC allows purchase of the Milwaukee Road property through condemnation procedures, the lines "can be purchased for their true market value."

The department's comments to the ICC also noted:

"Rail service over several lines acquired earlier by the department will be discontinued and disrupted if the Milwaukee Road does not provide trackage rights on the Janesville-Madison line." The department was referring to service on the recently purchased Middleton-to-Prairie du Chien line, being operated by the Wisconsin River Rail Transit Commission, as well as service between Janesville and Monroe, Janesville and Walworth and Waukesha and Milton Junction.

Under Wisconsin law, DOT can acquire rail properties through condemnation and assist local governmental bodies in preserving rail freight service. To purchase land from the Milwaukee Road, the federal court handling the railroad's bankruptcy and reorganization and the ICC must agree to the purchase.

A decision from the ICC is expected Sept. 5.

Journal of Commerce
August 3, 1982

Grand Trunk to Open Lumber Facility

Journal of Commerce Staff

Saying it remains confident in the potential of the lumber industry, Grand Trunk Rail System is opening a lumber distribution center on a 42-acre site in a Detroit suburb.

The facility, called "GT Woodhaven," is located 17 miles southwest of Detroit near Interstate 75. It is expected to improve accessibility of lumber of users in Michigan, Ohio, Indiana, Pennsylvania and southern markets, the Detroit-based railroad said.

The center offers 30-day free lumber storage.

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Cedar Rapids Gazette July 29, 1982

Authority approves loan program to finance rail line rehabilitation

By Dave Rasdal
Gazette Eastern Iowa reporter

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AMES — If things work out for the Iowa Railway Finance Authority, up to $55 million will be placed in a revolving loan program for the rehabilitation of rail lines in Iowa.

The plan approved Wednesday by the authority would allow private shippers and railroads in Iowa to borrow money to upgrade rail lines, said Doug Walkup, finance manager of the authority.

The money also would be turned over several times, with each dollar that is paid back available for lending to someone else, he said.

Although the plan sounds ideal for those railroads in need of assistance, it still hinges on two — as yet questionable — revenue sources.

The authority hopes to raise up to $9 million per year from a diesel fuel tax and a rail car tax. Those proposals, however, are still tied up in court.

The diesel tax would raise about $7 million with an 8-cent-per-gallon usage tax on diesel fuel consumed by railroads in Iowa. But the railroads are fighting that tax and it has been in a district judge's hands since last May, said authority attorney Steve Roberts.

A 1¼-cent-per-mile tax on leased freight cars, scheduled to go into effect July 1, 1983, would raise the rest of the money. But the constitutionality of that tax is being challenged in court and is scheduled for a Sept. 20 hearing, said Roberts.

The end result is that the authority's board has set up a loan program, but the only way it can really work is if the authority is given the legal go-ahead to raise the money in the proposed manners.

If the authority does not get money from that tax it will have to look elsewhere for funding, said Walkup. He said there are other revenue possibilities, but he declined to comment on specifics at this time.

"In effect, you are creating a bank, whose cost for capital is zero," explained John Burrell of Smith, Barney, Harris, Upham and Co. Inc., the firm selected by the authority to provide service in issuing bonds based on the revenue.

This "bank" has been authorized by the Iowa Legislature to sell up to $200 million bonds and then turn around and lend the money for rail rehabilitation. The projected revenue, however, would only allow a total bonding capacity of from $45 million to $55 million, Walkup said.

The loan percentage rates, payment schedules and due dates will be calculated for each shipper or rail line, depending on current conditions and criteria for each project, Walkup said.

Walkup added that the authority could also make grants available for projects if it saw fit.

The board was informed on several other matters Wednesday, including a list of potential revitalization projects that are being considered for federal funding. The only previously approved project in Eastern Iowa is the Milwaukee North Line, which runs 253 miles from McGregor, through Calmar and New Hampton, to Sheldon in northwestern Iowa.

Green Bay Press Gazette July 29, 1982

Ferry resumption is important

The report that the Michigan Transportation Commission has reacted favorably to a plan to resume operation of the cross-lake ferry service is good news for Wisconsin.

The ferry system — operated between Frankfort, Mich., and Kewaunee — has been out of service since April 5 when a Michigan railroad company became involved in a squabble over state subsidies.

Until now, efforts to get the service restored have proved futile.

That was until an employee group of the Ann Arbor Railroad, which comprised the crew for the two ferry boats, stepped forward with their own plan.

The employees have offered to take an 8 percent wage cut on top of another 12 percent cut agreed to earlier. They claim they can operate the ferry at a lower cost. In addition, the group has obtained a rate concession from one connecting line and is assured of a good freight car supply from the Green Bay & Western Railroad.

The employees said once final approval is given by the Michigan commission, it would take only eight hours to get the ferry operating.

Resumption of ferry service is important for Kewaunee, the GB&W, Wisconsin shippers and the tourist industry.

Most important, however, it gets a large number of laid-off employees back to work.

Many persons have been involved in this project, but the untiring efforts of the Ann Arbor employee group deserve special recognition.

Chicago Sun Times
August 5, 1982

Grand Trunk Corp. and the Milwaukee Road have teamed up on routings as part of a court-ordered agreement. Grand Trunk and the Milwaukee Road are currently involved in merger talks. It said the expidited routings affect Chicago, Kansas City, Louisville, Minneapolis/St. Paul, Cincinnati, Toledo, Detroit and Port Huron, Mich. The route are designed to reduce transit time to major gateways.

Arlington Heights Herald
July 31, 1982

RTA budgets Milwaukee Rd. takeover

by Joann Van Wye
Herald staff writer

An $811 million budget for 1983, which includes funds for the takeover of operations on Milwaukee Road commuter lines, was proposed Friday by the Regional Transportation Authority.

The target date for the takeover is Sept. 7, although it could come as early as Sept. 1.

Notices to the estimated 360 Milwaukee Road employees connected with commuter operations of the proposed takeover were posted this week by both the Milwaukee Road and RTA.

However, both RTA and Milwaukee Road officials emphasized this is just a procedural step and no agreement for the takeover has been finalized.

RTA Chairman Lewis W. Hill said he hoped he would have something to announce on the year-long negotiations with the bankrupt Milwaukee Road within the next week. Any agreement between the Milwaukee Road and the RTA would have to be approved by U.S. District Judge Thomas McMillen, who is hearing the Milwaukee Road bankruptcy case.

HILL SAID THE 15,000 daily commuters who ride the Milwaukee Road's west and north lines should be assured that service will continue at its current level. In addition, the RTA plans to lower fares on the Milwaukee Road to conform with fares on the other six commuter lines once it takes over operations. This would mean a rollback in the cost of a monthly pass from Roselle to Chicago from $106.50 to $90.45 and from Hanover Park and Bartlett from $118.25 to $99.90.

Hill would not guarantee whether the takeover would result in the layoff of some Milwaukee Road employees.

The proposed takeover would add approximately $1 million a month to the RTA's subsidy costs for carriers. The proposed 1983 budget that takes effect Oct. 1 projects the RTA's subsidy cost to carriers will increase from $317,345,000 in 1982 to $380,492,000 in 1983, a nearly 20 percent increase.

The lion's share of the subsidy payments will go to the Chicago Transit Authority, which will receive $268,100,000 up from $228,160,000 this year, a 17.5 percent increase.

Subsidy payments to the suburban bus lines will increase from $22,295,000 to $27,092,000, subsidy payments for paratransit operations will increase from $1,300,000 to $2,161,000 and subsidy payments on the commuter rail operations will increase from $59,940,000 to $76,284,000.

Ottumwa Courier July 26, 1982

Making rail tracks 'like new'

By JACKIE BAYLOR
Courier staff writer

The Milwaukee Road is spending about $8 million to rehabilitate nearly 90 miles of track between here and Muscatine, railroad officials say.

Forty-six miles of track between here and Washington should be completed by late August; the 40 miles between Washington and Muscatine are to be done by late November, said Larry Browning, project manager. About 40 miles of the 46-mile stretch already is finished, putting the crew about one week ahead of schedule.

"It's a major upgrading program," said Vern Graham, trainmaster from Ottumwa. The tracks, which have remained in service, will be rehabilitated to almost new condition, he said.

Work began on the tracks April 19 at Washington. The tracks needed to be upgraded to allow coal trains, which add a lot of tonnage to the tracks, to run from here to Muscatine.

"Coal trains increase the wear on tracks," Graham explained. This will be the first time coal trains have run through Ottumwa on The Milwaukee Road, although they are a common sight on the Burlington Northern.

The Milwaukee Road's main line runs from Chicago to Kansas City. The rail line has 2,900 miles of track in operation, including 665 in Southern Iowa.

Some 100 persons (including two women) from Iowa, Wisconsin, Illinois and Minnesota have been employed by the railroad to work on the tracks and have missed only one day of work because of rain since April.

The tracks are shut down during the day (usually from 9 a.m. to 5 p.m.) while the "gangs" are in operation. The Milwaukee Road hasn't had to detour its trains.

The freight trains "run a little later and take a little longer, but when we're done it will be a more efficient operation," Graham said.

There are five basic types of gangs working, he said. First, the "distribution gang" peddles out the necessary material such as railroad ties. Next, the "sled gang" (the major gang) replaces the ties and eliminates the old ballast from the tracks. The "ballast gang" then dumps ballast (rock hauled from Minnesota) over the new ties. Next, the "surfacing gang" raises and lines the new, rehabilitated rails. Finally, the "undercutting gang" upgrades farm and highway crossings and switches.

Special welded track will be placed on 17.2 miles (near here) of the 46-mile stretch. The track that is there now weighs only 100 pounds compared to the welded track, which weighs 115 pounds.

Graham said this is the first major rehabilitation project in 20 to 25 years on the main line between here and Muscatine.

"We've done minor replacements in various locations, but nothing in this magnitude.

"You've got to do this on a regular basis to maintain the railroad (main line)," he added. "There shouldn't be a defective (railroad) tie left behind."

Browning said the rehabilitated tracks should last for another 15 to 20 years.

Some eight trains daily run through the Ottumwa station of The Milwaukee Road. Three more coal trains will run through here weekly beginning in August, he said.

Like other lines, the railroad has been plagued with washouts because of the excessive rain this month. For the last three weekends in a row, areas of its main line between Mystic and Muscatine, including Ottumwa and Conesville, have been washed out, Browning said.

Those washouts haven't been serious and have not delayed the rehabilitation project, he said. The railroad has been using section help to repair the tracks, which have been fixed within 12 hours each time. He estimated the cost of the repairs at about $150,000.

Wall Street Journal
August 3, 1982

This announcement appears as a matter of record only.

$30,800,000

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Bonds due 1987, 1997 & 2000

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We have arranged the private placement of these securities, proceeds of which were used to acquire from the Milwaukee Road, the 480-mile main line from Ortonville, Minnesota, to Terry, Montana.

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August 1982

Journal of Commerce
July 23, 1982

Milwaukee, State Close Sale on Line

Journal of Commerce Staff

The sale of a 480-mile Milwaukee Road line segment to the South Dakota Railroad Authority has been closed for $30.4 million in cash and $6.9 million in other benefits, according to Milwaukee Road Trustee Richard Ogilvie.

The line runs from Ortonville, Minn., to Terry, Minn.

Milwaukee Road ended operation of its former mainline March 31 with approval of the Interstate Commerce Commission and the reorganization court. The court approved the interim lease and ultimate sale of the segment in April.

Since mid-April, Burlington Northern Railroad has operated freight service on the segment for the South Dakota rail agency.

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Aberdeen American News July 23, 1982

Closing of railroad deal is good news for all South Dakotans

EVEN though it's a bit anti-climactic, it still was good news to read about the finalizing of the deal between the state of South Dakota and Burlington Northern concerning the former Milwaukee Road north line.

The 480-mile stretch of track across northern South Dakota, southwestern North Dakota, and a portion of Montana is now officially the property of the state of South Dakota, purchased by the South Dakota Railroad Authority and leased to the Burlington Northern Railroad. Final documents were signed in New York City last week.

It is the lifeline for the Big Stone power plant, hauling the coal from western North Dakota to keep it operating. It also opens up West Coast grain markets for the state's farmers.

The agreement signed between the state and BN allows the state to issue $30.8 million in bonds to buy the line from the bankrupt Milwaukee Road. It provides for a 20-year lease for the BN to operate the line and make all payments on the bond issue. At the end of that period, the BN can buy the line for $1.

The pact also allows the federal government to issue a $30 million loan at low interest to finance repair of the line. BN also will make the payments on this loan.

Evidence of the good faith involved is the fact that the BN already has begun repairs on the eastern segment of the line.

Combined with 435 miles of other trackage owned by the state and operated by BN, the state's rail network now is effectively integrated. Better prices in the future should see a tremendous amount of grain shipped on all segments of the line.

The fight to retain railroads in South Dakota has been a long and difficult one. Much credit has to go to Gov. Bill Janklow and State Rail Director Jim Myers for the successful effort.

We hope railroads now can be moved to a backburner and the state can concentrate its efforts on water and highway problems. Drought in many areas of the state and deteriorating highways remind us how serious these problems are.

Hopefully, the state will be able to deal with them in years to come in the same successful manner that it has handled the railroad crisis.

Des Moines Register
August 2, 1982

Fair shares of road cost

A federal study showing that tractor-trailer rigs don't pay their fair share of federal highway taxes will furnish added ammunition to taxpayer and transportation groups working for an equitable distribution of highway costs. Those groups usually have watched in frustration as legislative bodies, both national and state, have bowed to the wishes of powerful trucking interests.

The study's main conclusion is not surprising, at least not to Iowans, whose Department of Transportation periodically records the inequities between auto and truck support of the state's highway network.

What is surprising, though, is how little the big, long trucks pay in federal taxes. As a group, the study shows, the tractor-trailer combinations have been paying less than two-thirds of what they should pay to compensate for the damage they cause to highways.

In Iowa, the difference between cars and trucks has been narrower. A 1977 DOT study, for instance, showed that cars paid 104 percent of their assigned financial responsibility and trucks paid 90 percent.

In 1978, when trucking interests asked the Legislature to increase the legal weight limit from 73,280 pounds to 80,000 pounds, the state's transportation commissioners appealed for license-fee increases to pay for the extra damage expected from the heavier trucks. The damage estimate was put at $12.4 million a year. The Legislature raised fees only enough to cover $9.8 million.

The federal study shows that autos have been paying slightly more than they ought to in federal highway taxes, with small cars paying proportionately less than big cars. Pickup trucks and vans have been paying nearly one-fourth more than their fair share, and single-unit trucks have been overpaying by about one-half.

Taking a different tack two years ago, the Iowa DOT tried applying vehicle taxes to the projected "needs" of maintaining and rebuilding an adequate state highway system. Trucks and cars alike, without classification by size, were calculated as falling about 30-percent short of what road engineers consider necessary.

Now the Iowa DOT staff will incorporate findings of the federal study into an updated assessment of how cars and trucks are fulfilling the financial responsibility of keeping an adequate highway system here. But the results of that study won't matter much if legislators pay no attention next year. Assessing highway taxes equitably should go hand-in-hand with a much-needed re-evaluation of the state's highway needs.

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Des Moines Register
July 29, 1982

High interest eats into fund to restore rails

By RANDY EVANS
Register Staff Writer

AMES, IA. — The size of Iowa's planned railroad-improvement bond issue will have to be scaled back if interest rates continue at their present high levels, state officials learned Wednesday.

The Iowa Railway Finance Authority had been hoping to sell about $70 million in state revenue bonds to finance improvements in Iowa's rail system.

But John Burrell, a vice president of the investment banking firm of Smith Barney, Harris Upham & Co., told the five-member authority board that current interest rates of about 12 percent on tax-exempt government bonds will limit the state to a rail issue totaling between $45 million and $55 million. The $70 million bond issue had been based on a 9 percent interest rate for government bonds.

Members of the railway authority were disappointed by the news, but they expressed hope that interest rates will be lower when the state is ready to sell the bonds. That could be a year or more away because the sale is being held up by a lawsuit seven railroads have filed, challenging the constitutionality of a new tax on locomotives' diesel fuel — a tax that is intended to raise money to repay the bonds.

Authority members were in agreement Wednesday that the bond money should be used primarily to create a permanent loan fund from which railroads, shippers and other groups can borrow money at a low interest rate to buy or improve important rail lines. But the state board held open the possibility that Iowa might use some of the money itself to purchase lines or to make grants to certain railroads and shippers if circumstances warrant.

"It seems logical to us that creating lendable money will make that dollar go the farthest and serve the largest number of people, rather than gobbling the money up with a purchase," said Burrell, whose company has been hired by the Railway Finance Authority to assist with the bond issue.

State Transportation Director Warren Dunham agreed: "It seems to me that we have an ongoing railroad problem in the state, and this is an ongoing financing mechanism."

The staff of the Iowa Department of Transportation now is drafting regulations that will spell out how the loan fund will be operated. Those rules are expected to be ready for approval by the Railway Finance Authority in several months.

Les Holland, the DOT's rail director, said state officials are leaning toward establishing interest rates and payment schedules for the loans that would be tailored to the financial condition of the individual railroads and shipper groups that obtain money from the state fund.

The Railway Finance Authority and the rail bond program were created by the Iowa Legislature in response to the bankruptcies of two of Iowa's largest railroads, the Rock Island and the Milwaukee, which threatened the future of a large portion of the state's rail network.

The cost of preserving and upgrading important segments of the two railroads will exceed the $45 million to $55 million, Holland said. But the Iowa statute — one unique in the United States — also permits the state to issue more than $100 million in industrial development bonds for additional work, he noted.

Those bonds would not be repaid with tax money but would give railroads and shippers a source of lower-interest-rate loan money from private lenders.

Des Moines Register July 25, 1982

America's trucking industry runs into gigantic pothole

By RANDY EVANS
Register Staff Writer

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America's trucking industry has run into a gigantic pothole, in the form of a new federal study that concludes that tractor-trailer rigs are getting by without paying their fair share of federal highway taxes.

That conclusion, and the study report's recommendation that the federal government's highway tax package be overhauled to remove the inequities, have brewed a king-size controversy around the country. And the controversy has rolled into Iowa in recent weeks.

There is much at stake, for the Federal Highway Administration's report is viewed in Washington as the ammunition that could result in $1 billion in tax obligations being shifted from other highway users to the tractor-trailer rigs.

"This isn't a little refinement," said Larry Miller, chief operating officer of Ruan Transport Corp., the big Des Moines trucking firm. "It's a double-the-ante-overnight."

Miller added: "Nobody could choke that down. It would bust many important segments of the trucking industry. I'm not exaggerating."

But Barbara Dunn of Des Moines, a member of the Iowa Transportation Commission, said the higher truck taxes proposed in the federal report are necessary. "We are, in effect, subsidizing the trucking industry," she said.

"We are giving them an unfair advantage over the railroads."

Four Years in the Making

The federal study was four years in the making and represents the government's first attempt in two decades to analyze whether various types of motor vehicles are paying enough in federal highway taxes — such as those on gasoline, diesel fuel, tires, oil and new trucks — to cover the government's $7-billion-a-year road program costs.

Congress wanted to know whether any inequities existed, and in a word, the answer was "yes."

The lengthy and complex report found:

- As a group, tractor-trailer trucks have been paying less than two-thirds of what the researchers concluded the rigs should be paying, based upon the amount of damage they cause to roads. The rigs each paid an average of $1,056 a year in 1977, but they should have kicked in $1,777 to cover their share of the federal highway program.
- With the heaviest of the trucks, the payments have fallen short by considerably more, totaling less than one-half of those trucks' proportionate share. The tractor-trailer trucks carrying more than 75,000 pounds paid an average of $1,451 each, while their fair share was computed at $3,202.
- The federal highway taxes paid by intercity buses were the farthest from what was determined to be their fair share, amounting to just one-third of what they should be. The buses paid an average of $46 in 1977, while their allotted portion was put at $140 each.
- Automobiles, in contrast, have been paying slightly more than they ought to. The average car was paying $36 a year in federal road taxes, $3 more than what the researchers determined the fair share to be.

[The federal report noted, however, that small autos are falling short of paying their fair share and are being subsidized by larger autos that pay more than they ought to. The smaller cars are underpaying by an average of $10 each; the bigger ones are overpaying by an average of $7 each.]

- Pickup trucks and vans have been paying nearly one-fourth more in federal taxes than their fair share. Their average payment in 1977 was $49, and their portion of the federal highway costs was put at $40 each.
- Single-unit trucks — the so-called "straight trucks" — have overpaid by one-half. Their average tax bill came to $175, while their fair share was set at $115.

"The study is telling us that the trucker, the heavy trucks, are a major factor in the cost of highways and the wear on highways," said Ian MacGillivray, the planning director for the Iowa Department of Transportation. "And they are paying less than they should be."

State Road Taxes

The federal highway agency's study did not deal with state road taxes that motor vehicles also pay. But MacGillivray's staff is using the data contained in the study to determine whether Iowa's road use taxes — vehicle registration fees and fuel taxes — contain any inequities among the various types of vehicles.

The Iowa DOT's report is expected late this year and has the potential for an even greater financial impact on Iowans than the Federal Highway Administration study. Whereas Iowans pay about $150 million a year in federal road taxes, the state's road use tax fund collects more than $300 million a year, DOT officials said.

"They are vastly underpaying their fair share," said Dan McCarthy, public affairs director of the Motor Club of Iowa. "We have every confidence the federal government will do something to equalize these payments."

He added: "The guy that's doing the damage to the roads and making the bucks off them ought to be paying more of the bill. That's only fair."

Dunn, the Iowa Transportation Commission member, said the highway taxes paid by trucks must be increased if Iowa and other states are to succeed in halting the deterioration of the nation's highway network.

Matter of Weight

"It's not a matter of the number of trucks compared with the number of cars," she said. "It's a matter of the tremendous weight that the trucks carry and the fact that they are digging up our highways."

But Miller, the Ruan company executive, and others in the trucking industry in Iowa see it differently.

They point to statistics that show trucks make up 20 percent of the motor vehicles in the United States and already pay nearly 50 percent of the federal highway taxes.

"We feel very strongly that we are paying more than our fair share right now," said Paul Crouse of Carroll, president of Crouse Cartage Co. "If we have to pay more, in the end it's going to be the consumer who is going to pay it.

"You go into the grocery store and find that a can of beans is higher, you'll know why."

Bigger-truck rule change exempt from red-tape delay

Des Moines Register July 21, 1982

By RANDY EVANS
Register Staff Writer

AMES, IA. — The controversial 65-foot, twin-trailer trucks got the green light Tuesday to roll at once on two-thirds of Iowa's highways.

But a proposal to fill in about 45 miles of gaps in the state's new road network for the bigger trucks was stalled temporarily on a 3-to-3 vote by the Iowa Transportation Commission.

The commission had voted earlier this month to authorize the longer rigs' use of all four-lane highways and virtually all 24-foot-wide, two-lane roads in Iowa. State transportation officials said then that it would be a couple of months before truckers could begin using the longer rigs on those routes, because of the time it would take for the decision to be processed through the state's administrative procedure.

Rule Change Exempt

But Assistant Attorney General Eric Heintz, chief legal counsel to the Iowa Department of Transportation, told commissioners Tuesday that a rule change pertaining to the 65-footers was expressly exempt from the administrative red tape. In the opinion of the Attorney General's Office, he said, the bigger trucks could operate legally on the 6,800-mile network as of the commission's vote on July 6.

Some truckers had been ticketed after July 6 for driving the 65-foot rigs off the interstate highways — to which the trucks had been restricted before the Transportation Commission's vote. Those drivers now will not be prosecuted, Heintz said.

The DOT's planning director, Ian MacGillivray, had recommended Tuesday that approximately 45 additional miles of two-lane roads be opened to the trucks to provide continuity for the twin-trailer network. The additional segments — ranging from 9 miles to 2 blocks in length, and including roads 18, 20 and 22 feet wide — would fill gaps in the Brighton, Charles City, Elkader, Marshalltown, Rock Rapids, Sac City, Sibley, Sidney and Storm Lake areas.

The recommendation lost on a tie vote, but its passage is expected on Aug. 3, when the proposal will be considered again. Commissioner Del Van Horn of Jefferson, a supporter of the 65-foot twin-trailer rigs, was absent from Tuesday's meeting.

Fair Joins Opposition

Commissioner Roger Fair of Davenport, who earlier had voted in favor of the 6,800-mile network, on Tuesday joined in opposition with Commissioners Barbara Dunn of Des Moines and Austin Turner of Corning. Fair said he was uncomfortable with permitting the bigger trucks to be driven on narrower highways without a formal request from residents of the affected areas.

And Dunn questioned the logic of allowing the 65-footers to be driven into a city but not to a business there that is not located along a state highway.

DOT opens most roads to twin-trailer trucks

Des Moines Register July 7, 1982

By RANDY EVANS
Register Staff Writer

AMES, IA. — The decades-old opposition by Iowa officials to 65-foot twin-trailer trucks effectively came to an end Tuesday when the Iowa Transportation Commission opened two-thirds of the state's highways to longer rigs.

On a 5-to-2 vote, the commission designated 6,800 miles of the state's 10,000-mile highway system for use by the twin-trailer trucks.

The commission gave the go-ahead for the trucks to travel on all four-lane highways and, with only a few exceptions, on two-lane roads that are at least 24 feet wide. The trucks must stay off older highways that are between 18 and 22 feet wide and 24-foot-wide pavements where the speed limit has been reduced because of road conditions.

The twin-trailer truck issue has been one of Iowa's thorniest for many years. The past two governors, the Transportation Commission, and the old Iowa Highway Commission all had opposed the longer trucks.

But the squabble ended last year when the U.S. Supreme Court ruled that Iowa had to allow the trucks on the state's interstate highways and on access roads within five miles of them. The state's ban on the trucks was an improper restraint on interstate commerce, the court said.

Many of the arguments for and against the bigger rigs have been repeated since the Transportation Commission decided in January to study a possible expansion of the 65-footers' road network.

In the end, Commissioners Barbara Dunn of Des Moines and Austin Turner of Corning held firmly to the belief that the longer trucks are more of a safety hazard than shorter trucks.

But Commissioners Robert Rigler of New Hampton, Roger Fair of Davenport, Darrel Rensink of Sioux Center, Del Van Horn of Jefferson and Dennis Voy of Maquoketa sided with those who maintain that the trucks will provide cheaper shipping for Iowa businesses without endangering motorists any more than single-trailer trucks or the shorter, 60-foot twin-trailers do now.

The commission, the governing board for the Iowa Department of Transportation, attached a number of conditions Tuesday.

The commission decided to review the twin-trailer truck issue a year from now with an eye toward the safety record the trucks roll up. The authorization depends on Congress not increasing the maximum legal width of trucks.

The longer trucks would be barred from certain highways if deteriorating roads forced the state to lower the speed limits there, commissioners said. That possibility is quite likely, the DOT's planning director, Ian MacGillivray said, since the state's budget for highway improvements continues to fall short.

Tuesday's decision drew predictable reactions from two groups that have been the most vocal on the issue.

Charles Ingersoll Jr., president of the Iowa Motor Truck Association, said his group was pleased with the decision. But he added: "This decision should have been made a long time ago. This is essentially what we asked for way back in the beginning."

But Dan McCarthy, public affairs director of the Motor Club of Iowa, said: "We think the motorists of Iowa are going to be the losers because we think this possibly will increase the deaths and injuries on our two-lane roads and bridges. I'm sorry our DOT commissioners chose to be on the side of the truckers and not the motorists who are having to drive smaller cars."

DOT officials said it will be a couple of months before the bigger trucks can roll because the new rules must clear state administrative procedures.

Business Week August 2, 1982

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Slurry backers outfox the rails

Proponents of coal slurry transportation sense victory may be near in their 20-year campaign to win the right to build pipelines to transport slurry—a 50-50 mixture of coal and water—from coal mines to power plants and export terminals on both coasts and throughout the Sunbelt. A well-orchestrated campaign by a coalition of would-be coal slurry pipeline developers, utilities, unions, consumer groups, and coal mine operators has slowly won the backing of important lawmakers for federal eminent domain legislation considered essential to coal slurry development. The bill is now scheduled for late July consideration by the Senate Energy & Natural Resources and House Public Works & Transportation committees.

The timing is critical. If not passed, the eminent domain legislation will die with the current congressional session. In an election year, Congress will in all likelihood be responsive to arguments that slurry pipelines are a private sector vehicle to create jobs and hold down consumers' heating and electric bills. With 159 new coal-fired power units expected to come on stream by the 1990s, and with more than half of them planned for the Sunbelt, time is running short to line up long-term contracts.

The coal-carrying railroads—the arch-enemies of coal slurry—are fighting eminent domain, which developers insist is essential to overcome the rails' clout at the state level. "They shouldn't get such special privileges," maintains an official of Union Pacific Corp. Before they won considerable rate-setting freedoms from the Staggers Rail Act in 1980, regulation hampered railroads. But as they post hefty profits—and such coal-carrying lines as CSX, Norfolk Southern, and Burlington Northern are scoring record gains—the railroads' shrill cries are wearing thin. "We are fighting the forces of evil," declares Carl E. Bagge, president of the National Coal Assn. In light of hefty coal-rate increases from the rails since deregulation, it is clear that the railroads' main interest is in keeping their captive coal traffic.

Savings for users. For their part, slurry proponents want to be able to use the threat of a competing coal slurry pipeline to keep railroad prices in line. And potential developers, primarily energy and pipeline companies, see a profit to be made. Estimates vary, but studies indicate that pumping coal slurry over distances of 500 mi. and more could cut users' transportation costs by 30% to 50%.

The fact that coal was the No. 1 commodity in both revenue and traffic for U.S. railroads last year—at Burlington Northern Railroad Co. it represented 53% of total revenues—helps explain the ferocity of the railroads' opposition to slurry. There is a certain irony in Southern Pacific Co.'s ownership of the only operating slurry pipeline (Black Mesa Pipeline Inc., in Arizona). But the nine slurry projects in various stages of planning have been tied up in railroad-backed opposition in many state courts and legislatures.

Proposals for slurry pipelines call for a large degree of subterranean construction along paths that must frequently cross existing railroad tracks. The only successful defeat of the railroads has been by ETSI Pipeline Project, a joint venture of Bechtel Group, Atlantic Richfield, Texas Eastern Transmission, Kansas-Nebraska Pipeline, and Lehman Bros. Kuhn Loeb. After 10 years, $30 million, and 65 lawsuits, ETSI is ready to build its proposed $4 billion, 1,400-mi. line to several utilities in Arkansas from Wyoming's Powder River Basin.

Citing 1862. "It's been a long, difficult process," says Wesley Witten, an ARCO vice-president currently serving as ETSI's chairman and president. The pipeline's major problem was the refusal by Burlington Northern and others to grant permits for work on the 65 points where ETSI's plans called for its line to cross beneath the railroads' beds, on grounds that federal land grant acts of 1862 and 1875 gave them subtrackage rights. ETSI successfully argued that the acts granted only surface rights.

Railroads contend that ETSI's success in assembling its right of way proves eminent domain is unnecessary. But ETSI was able to get that far only because the checkerboard way Congress initially doled out Western land grants allowed the group to piece together a route. Even then, ETSI had so much trouble in Nebraska that it rerouted its line around the state—it goes through Colorado instead—at a cost of several hundred million dollars.

'We are fighting the forces of evil,' a coal chief says of the influential rail lobby

In the East, where two pipeline systems have been proposed, the rails have a much tighter grip on their rights of way. And denser populations mean the pipelines have fewer routing options and must cross railroad beds more often. Coalstream Pipeline, a proposal by Continental Resources Co. for a slurry project to pump coal from Illinois and West Virginia to southern Georgia and Florida, estimates it has 150 railroad crossings, for example, and knows the railroads are too powerful at the state level for pipelines to be approved without the club of federal eminent domain.

A close vote. Slurry developers have largely overcome the other big hurdle to their projects—water rights—by agreeing to legislative language granting states preeminence in allocating scarce water resources. President Reagan's concern with states' rights could still stymie the eminent domain legislation. And at least one important senator—James McClure (R-Idaho), chairman of the Senate Energy Committee—opposes the bill because of the water rights.

Nonetheless, slurry advocates are optimistic. "We think we have the votes," says George H. Eatman, executive director of the Slurry Transport Assn. It will be close, and slurry forces are pushing hard not to lose their current edge. ■

Chicago Tribune
July 29, 1982

Slow recovery seen for Canada

CANADA'S ECONOMY will begin a slow recovery in the current quarter, the Conference Board of Canada predicted, but the business-financed study group said in its quarterly forecast that despite an anticipated economic upturn in the second half of 1982, it expected Canada's inflation-adjusted gross national product to decline 2.8 percent for the entire year. For 1983, it predicted that GNP, a broad measure of economic activity, would grow 3.1 percent. Among other predictions for 1983 compared with 1982, the Conference Board also forecast that inflation as measured by the Consumer Price Index would rise 7.9 percent in 1983, compared with 10.7 percent in 1982. It said the unemployment rate would stand at 10.9 percent against 10.2 percent.

Associated Press

Wall Street Journal
July 21, 1982

Canadian Rail Freight Traffic

OTTAWA—Canadian rail freight traffic declined 13% in the seven-day period ended July 7 to 3,770,490 metric tons from 4,336,227 metric tons a year earlier, Statistics Canada said. The government agency said the number of carloadings fell 14% in the period to 57,356 from 66,473.

For the year to date, tonnage fell 7.8% to 111,733,255 metric tons from 121,171,874 metric tons a year earlier. The number of carloadings fell 11% to 1,714,955 from 1,934,972 a year earlier. A metric tons equals 2,204.6 pounds.

Chicago Tribune
July 23, 1982

President blocks 2d rail strike threat

WASHINGTON (AP)—President Reagan signed an executive order Thursday that blocks a threatened Friday strike against most of the nation's major freight railroads by 85,000 workers covered by the United Transportation Union.

Reagan's order blocks a strike during a 60-day cooling off period and establishes an emergency board to investigate and make recommendations in the negotiations stalemate between the rail lines and the union.

It was the second time this month Reagan invoked emergency procedures of the Railway Labor Act to prevent a strike. He signed a similar order July 9 to block a strike by the union that represents 35,000 locomotive engineers and firemen.

The United Transportation Union, representing trainmen, clerks and other rail workers, had listed nine of the nation's largest railroads as strike targets, the White House said. The union indicated it did not intend to strike the entire rail industry but would engage in selective strikes.

Chicago Sun-Times, Thursday, July 29, 1982

Canadian seeks $5 million to retire Trudeau

By Stanley Meisler
Los Angeles Times

TORONTO—Can Canadians bribe Prime Minister Pierre Elliott Trudeau to quit for $5 million?

An Edmonton real estate agent is collecting $10 contributions for such a retirement plan. Recalling P. T. Barnum's maxim, "There's a sucker born every minute," Trudeau told a recent press conference he was ready to sit down and talk with the agent about the scheme. "Five million would go a long way," Trudeau said amid great laughter.

John Trueman, the real estate agent, has called for 500,000 Canadians to contribute $10 each to a Trudeau Early Retirement Fund.

ALTHOUGH THE FUND has its comical side, it reflects the obsessive resentment and anger many western Canadians feel for the 62-year-old Trudeau.

Trudeau has promised to resign before the next general election, which must be held before the end of 1985. But many Westerners are suspicious of his plans. As a result, a Trueman associate said, many Edmontonians are stopping by the office every day to drop off checks, and checks are coming by mail from everywhere else in Canada.

At his press conference, Trudeau asked: "Who of you would spend $10 of your hard-earned money to a fund like that?" When one of the reporters reached for his checkbook, Trudeau repeated the old line from Barnum. Then, he wondered aloud why Canadians would want to send their checks out to Edmonton. "We can collect them right here," he said.

Trudeau said he would be more interested in the fund if it went directly to his Liberal Party to fight the next election. While offering to discuss the matter with Trueman, however, Trudeau warned that the talks might prove of little use.

"The negotiations," he said, "just might take time, and I might want to retire anyhow."

THE FUND HAS evoked a good deal of political comment, much of it with less comic flair than that shown by Trudeau.

"I'm sure," said Flora MacDonald of the opposition Progressive Conservative Party, "there are lots of people prepared to pay more than $10 to get rid of Trudeau. My fear is that he'd accept the money. He's always been an enigma to me."

Dennis McDermott, president of the Canadian Labor Congress, said he had no plans to contribute. "Trudeau's not the kind to take a bribe. Trueman can go ahead with his fund, but I prefer to [turn] Trudeau out at the ballot box," he said.

Trudeau seemed to agree.

When a reporter stood up at the conference to say that, despite Trudeau's frugality, the $5 million scheme would probably not work because it has to be the electorate that turns Trudeau out, Trudeau, who is often contemptuous of Canadian journalists, said: "That's pretty wise—for once."

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Washington Post July 28, 1982

Norfolk Southern Cites Recession, Furloughs

By Merrill Brown
Washington Post Staff Writer

NEW YORK, July 27—Norfolk Southern Corp. has furloughed nearly 5,100 train and engineering workers this year, about 12 percent of its work force, officials of the giant railroad told financial analysts today.

In their first appearance before analysts here since the June 6 merger of Southern Railway Co. and Norfolk and Western Railway Co. that created the company, officials said the recession is cutting into their business, particularly the hauling of steel-related coal products and manufactured goods.

Robert B. Claytor, chairman and chief executive of the company, said Norfolk Southern has seen no evidence of an economic upturn. "I don't anticipate any substantial upturn before late in the year, if then," Claytor said.

Though Norfolk Southern officials cautioned against quarter-to-quarter comparisons of second-quarter figures, the company reported profits for the period of $138.2 million ($1.26 a share), up 77 percent from $78 million ($1.26) in the same quarter of 1981. Revenues for the quarter rose to $916.9 million, up from $789.3 million. The company also announced that it would pay its first joint quarterly dividend on Sept. 10 of 70 cents a common share to owners of record Aug. 6.

Although the figures are based on the assumption that the two railroads were merged for the entire quarter, Norfolk Southern officials said the calculations do not measure the integration of the two operations and also are being compared to a 1981 quarter when the company's coal shipments were crippled by a major coal strike.

Claytor said that revenues for all major merchandise groups carried by the railroad were down in the quarter, except some intermodal shipments and farm and paper products.

Since coal shipments dominate the railroad's business, with coal, coke and iron ore making up 41 percent of second quarter revenues, Claytor was asked about coal's prospects. He said the long-term outlook is very good, particularly since utility executives have told him that "nuclear power is absolutely dead" as far as new facilities go.

But Claytor said Norfolk Southern is seeing "signs of weakening now," particularly in shipments of coal for export, which he said would be lower for the second half of the year. In fact, the railroad has 9,500 hopper cars in storage, part of a fleet of 38,000 cars in storage awaiting an end to the economic downturn.

The company also faces the possibility of a strike this fall with federal mediation beginning with two unions on Aug. 10. Work rules and not wages are the primary issues in the talks, according to George S. Paul, executive vice president for administration. Eliminating cabooses is "our No. 1 priority in the labor negotiations," Paul said.

On the merger of the lines, Claytor said he expects that by the end of the third year of the amalgamation, the new railroad will realize about $95 million a year in savings. And since the merger, a company "sales blitz" has brought Norfolk Southern new or expanded contracts worth about $40 million a year.

He also reiterated the company's interest in ultimately "offering a total transportation package," which would include truck and water services. With the trucking industry "in shambles," the company is studying possibilities there with an eye on its own cash-rich position.

Norfolk Southern has about $723 million in the bank, and the combined operations of the two companies make it the nation's largest transportation concern.

Wall Street Journal July 22, 1982

Southern Pacific Unit Plans 1,200 Layoffs

By a WALL STREET JOURNAL *Staff Reporter*

SAN FRANCISCO – Southern Pacific Transportation Co. said it will layoff about 1,200 of its railroad employees next month because of depressed business conditions.

Southern Pacific Co.'s railroad subsidiary said the move will bring its total layoffs to 5,900, or 15% of its work force, since the onset of the recession last year. The company said the layoffs will be made in all railroad activities and throughout its 14-state operating territory.

The company said that its railroad carloadings for the most recent four-week period were down 17.6% from last year's level, and that it expects the recession to keep its business low until year-end.

The cutbacks won't impair railroad service to shippers and receivers, Southern Pacific said.

Progressive Railroading July 1982

STUDY FINDS 100/TON CAR RUINIOUS TO TRACK. That the 80-ton freight car does make more economic sense that the 100-ton car was the conclusion of the first phase of a study compiled by the Cost Analysis Organization Executive Committee of the AAR. In assessing the report, William F. Lewis of the economics and finance dept. of the AAR stated: "Best results show that the loaded 100-ton car significantly shortens rail life and increases maintenance of way costs on a gross-ton basis. The weight also affects tie, ballast, and subgrade and will increase such costs per gross ton. This conclusion has been supported by the AAR Engineering Division General Committee."

Green Bay Press Gazette
July 27, 1982

Railroad group looking to run Kewaunee ferry

By HARRY MAIER
Of the Press-Gazette

KEWAUNEE — "We want to demonstrate our ability to operate the line."

That comment Monday came from Daryl Holmes, the spokesman for a group of Ann Arbor Railroad employees who met at Happy's Restaurant to report on their efforts to resume the ferry service between Frankfort, Mich., and Kewaunee.

Holmes said time is running out to get the ferry service started. It was halted last April 5 when the operator, the Michigan Interstate Railway Co., protested a reduction in subsidies from the state of Michigan.

The only cross-lake service now is being provided by the Chessie System between Kewaunee and Ludington, Mich. The ferry hauls both rail cars, passengers and personal vehicles. Nearly 400 people were on the ferry when it docked at Kewaunee Monday.

The Ann Arbor ferry is a key link in the operating system of the Green Bay & Western Railroad which terminates at Kewaunee.

The Ann Arbor Employees Committee, formed late in March, has been working to restore the service, including a proposal that the employees would take over the operations with administration furnished by the GB&W.

In addition the employees have offered to take a 20 percent wage cut, and have received a commitment from Michigan Interstate to offer a 15 percent reduction in freight charges for freight delivered to or picked up at Frankfort.

Michigan Interstate is a contract carrier using the former Ann Arbor trackage from Frankfort to Toledo, Ohio.

Holmes said the employee group also intends to operate the ferry service more efficiently through fuel conservation, increasing the tourist business and giving adequate freight service.

He said Michigan Interstate has renewed its interest in serving Frankfort after learning that the employees had proposed an alternate route using the Ann Arbor, Michigan-Northern and Chessie System to reach Toledo.

The Michigan group is scheduled to meet with staff members of the Michigan DOT today in Lansing with a request that they be placed on Wednesday's agenda with the full commission.

They will be asking Michigan to match the $525,000 subsidy already committed by Wisconsin to keep the ferry service running.

They said the funds are needed to meet startup costs for fuel, insurance and wages during the first several weeks of operations.

"It's also imperative that we keep the current freight rates alive," Holmes said.

He reported that Curtis Hockaday, president of the GB&W, said the current rate structure could be kept in place for about another month.

"If we're not operating by the end of August the route is done. This is a last ditch effort," Holmes said.

With the support from the state of Wisconsin and the GB&W, Holmes said his group is confident that Michigan will have to make a positive response.

"If they don't accept our offer, the blame will rest with them," Holmes said.

Wall Street Journal
July 28, 1982

Missouri Pacific Elects Hennelly as President

By a WALL STREET JOURNAL *Staff Reporter*

ST. LOUIS — Missouri Pacific Corp.'s board elected Mark M. Hennelly president and a director, effective this Sunday.

Mr. Hennelly, currently executive vice president of the railroad holding company, succeeds Thomas H. O'Leary, who, as reported, becomes vice chairman of Burlington Northern Inc. Sunday.

Downing B. Jenks remains chairman and chief executive officer.

Robert G. Flannery, president and chief executive officer of the Missouri Pacific Railroad subsidiary, was elected a director, filling a vacancy caused by the death of James W. Gessner.

C. J. Maurer, secretary and treasurer of the railroad, was elected vice president and treasurer of the parent, succeeding L. White Matthews III, recently named vice president and treasurer of Union Pacific Corp. Mr. Maurer continues as the railroad's treasurer.

Chicago Tribune
July 22, 1982

Rail operations boost Santa Fe net

SANTA FE INDUSTRIES Inc., the Chicago-based parent of the Atchison, Topeka & Santa Fe Railway Co., on Wednesday reported a 10 percent earnings increase for the second quarter, mainly because of stronger results from rail operations

The company had record earnings for the period of $64.6 million, or 73 cents a share, up from $59 million, or 67 cents a share, a year earlier Revenues dropped 7 percent to $798.8 million

For the first half of 1982, however, net income was off 25 percent to $94.8 million, or $1.07 a share, because of a steep 56 percent drop in the first quarter

Pretax railroad income rose to $33.9 million, from $30.4 million, during the second quarter Carloadings dropped 18.7 percent from last year, but the decline was offset by an extensive cost-reduction program, decreased expenses due to a lower volume of business and general freight rate increases

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Green Bay Press Gazette August 1, 1982

Ashland buys abandoned railroad

By PETER MALLER
Special to the Press-Gazette

ASHLAND — A little more than a century after a cheering crowd watched the first locomotive steam its way into Ashland, the city's transportation news couldn't have been much worse.

The Chicago and North Western Transportation Co., which serves the largest industries here, announced its intention in December 1980 to abandon that part of the line as well as another 120 miles of tracks, stretching from Washburn to Rhinelander.

The railroad said the span was unprofitable.

Facing the prospect of no rail service, the managers of several Ashland factories feared they might have to shut down.

With a total of about 400 jobs at stake, the industries considered their options and decided they were pretty limited. Switching from rail to trucking was out of the question since materials like coal and heavy forest products are what get shipped.

Not only were existing industries threatened, but future industrial growth looked grim without viable freight train service. The city's industrial park, vacant and waiting for its first tenant, is located by the CNW line.

Ashland Mayor Ed Wagner stepped into the breach and after about a year of tough negotiating and rallying local support, he led the municipality to become the first city in the state to buy a piece of a railroad. Fond du Lac County has been in the railroad business since 1980, owning a mile of track.

Ashland now owns about 3.5 miles of the abandoned track and has made a deal with another railroad, the Soo Line, to service the area. The Soo Line already had tracks leading into Ashland, but they did not service the industries involved in the abandonment.

A $478,000 project to rehabilitate the badly neglected tracks that the city now owns started June 1 and is scheduled to be completed by the end of the summer. The city is serving as its own general contractor. Holubar Construction Co. Inc. is doing most of the work connected with rails and ties.

The first plan for keeping the railroad alive, Wagner said, was shot down during the Interstate Commerce Commission abandonment hearing when the Soo Line testified that it had no interest in buying the portion of the line that the CNW didn't want.

"I guess they wanted to make it very clear where they stood," said the mayor.

Turning to the Wisconsin Department of Transportation's Bureau of Rails and Harbors, Wagner discovered funds were available for the city to buy the tracks, once a price was negotiated by the ICC.

When the amounts were nailed down, the DOT said it would supply $65,000, the full price of the land, but only about $100,000, or roughly 80 percent, of the cost of the tracks. The city, DOT said, would have to come up with the rest.

But Wagner said Ashland didn't have that kind of money and he turned to the five major businesses that were affected by the abandonment. The importance of the rail link was clear and the companies each paid a share, based on the portion of the spur it uses.

Ashland also put in a total of about $10,000 for the portion of the line that serves the city directly.

The city and industries took six months to work out an agreement that was satisfactory to the Soo Line. There were three face-to-face meetings in Minneapolis and hundreds of phone calls, Wagner said. The American Can Co., the city's second largest employer and a major user of the rail, volunteered to pay for the attorney who represented Ashland's interest.

Finally a 40-page document was hammered out that dealt with dozens of complex issues concerning such things as liability and maintenance.