Corporate Relations

M E D I A   M O N I T O R   August 19, 1982

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Chicago Tribune
August 18, 1982

Milwaukee Rd. pact OKd

A DEFINITIVE agreement on the sale of the bankrupt Chicago, Milwaukee, St. Paul & Pacific Railroad Co. to Grand Trunk Corp., a Canadian-owned rail holding company, was signed Tuesday by officials of both firms.

The Interstate Commerce Commission and a federal court must approve the agreement before it becomes final. That is not expected before mid-1984. Tentative agreement on the sale was announced May 24.

The 70-page document signed Tuesday details the transfer of stock ownership. It requires the Milwaukee Road to make continued progress toward reorganization and in effect requires Grand Trunk to assume an estimated $255 million in Milwaukee Road debts and obligations.

SINCE FILING for bankruptcy in 1977, the Milwaukee Road has abandoned or sold off the bulk of its 10,000-mile system, which once stretched from Louisville to Seattle.

Acquiring the Milwaukee Road will give Canadian National Railway Corp., parent of Grand Trunk, access to Chicago for the first time. Canadian Pacific, Canadian National's principal competitor, serves Chicago with its Soo Line subsidiary.

The agreement was signed by Richard Ogilvie, Milwaukee Road trustee; Worthington Smith, president of the Milwaukee Road; and John Burdakin, president of Grand Trunk.

Wall Street Journal
August 18, 1982

Grand Trunk Signs Pact For Milwaukee Road

By a Wall Street Journal Staff Reporter

CHICAGO—Grand Trunk Corp., which previously announced plans to acquire the Chicago, Milwaukee, St. Paul & Pacific Railroad, signed an agreement for eventual transfer of stock ownership of the railroad.

The acquisition needs approval from the Interstate Commerce Commission and federal bankruptcy court, which isn't expected until mid-1984.

The Chicago Milwaukee, known as the Milwaukee Road, has been in bankruptcy proceedings since 1977. Grand Trunk is a unit of Canadian National Railway.

Chicago Sun Times
August 18, 1982

Grand Trunk Corp. moved yet another step closer to its acquisition of The Milwaukee Road Tuesday with the signing of an agreement providing eventual transfer of stock ownership. The key elements in the proposed transaction, which face Interstate Commerce Commission and Federal Court review, include requirements for continued progress toward reorganization by the Milwaukee Road, and Grand Trunk's agreement that the newly reorganized Milwaukee Road will assume certain debts and obligations of the bankrupt railroad's estate.

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Bayard, Ia. News
August 5, 1982

Milwaukee Road Sale Is Approved by Judge

Authority has been given for the sale of the bankrupt Milwaukee railroad from Council Bluffs to Bayard. Federal Bankruptcy Judge Thomas R McMillen signed order No. 604 Monday afternoon which authorizes trustees of the Milwaukee to sell.

Shippers Consortium, Inc, or its nominee, is listed as the potential buyer. Price for the approximately 100 miles of the abandoned Milwaukee Main Line is $7,650,000.

A Notice of Filing was presented to the judge July 26 by counsel for the trustees of the property of the Chicago, Milwaukee, St Paul and Pacific Railroad Company in the Federal District Court asking for authority to sell the line from Council Bluffs to Bayard to Shippers Consortium, Inc, for $7,650,000.

On Monday the judge signed the order, according to Dennis Downing, a representative of the Iowa Department of Transportation.

The notice of filing also contains the following statement: "It is understood that the purchaser intends to have the Burlington Northern Railroad reinstitute rail operations over the line."

No trains have run on this line since April 30, 1980, but it appears now that if the sale goes through trains again will be running. Why the purchasers bought only to Bayard and left Bagley out is still to be explained.

Also, Wednesday morning Guthrie County Assessor Garth Cottington received notification from the Chicago and Northwestern Transportation Company that it has received a quit claim deed title to 768.09 acres of Milwaukee property. This property includes the line from Perry to Herndon and from Herndon to Waukee. Sale price of this railroad was $4,546,000.

Chicago Sun Times
August 19, 1982

Milwaukee Road may cut fares by 16 pct.

By Pat Wingert

The Milwaukee Road and the RTA have reached an agreement that would allow the transit authority to operate the railroad's commuter line and could mean a 16 percent fare cut for some 30,000 commuters, officials said Wednesday.

Milwaukee Road commuters have been paying the most of any in the area since fares rose 75 percent because of the RTA's financial problems last summer.

The railroad operates two commuter lines, originating from Elgin and Fox Lake.

William R. Bickley, Milwaukee Road spokesman, said the RTA and the railroad "have come to an agreement" that will be turned over to U.S. District Judge Thomas R. McMillen Friday. McMillen and the RTA board must approve the deal before it is completed.

ACCORDING TO terms of the agreement, the RTA would lease the railroad's equipment and track, and set fares.

The 360 Milwaukee Road employees working for the commuter service would become RTA employees.

Bickley refused to state the lease price, saying it will be released Friday.

The Milwaukee Road pulled out of the RTA last July when its directors decided the bankrupt railroad needed to raise fares more than the RTA would allow.

At that time, RTA spokeswoman Joyce Macdonald said, the railroad increased fares about 25 percent more than other RTA commuter rail lines.

Before the July, 1981, fare increase, commuters boarding a Milwaukee Road train at suburban Glenview, on the railroad's north line, paid $54 for a monthly pass. After the railroad broke with the RTA, the cost of a Glenview monthly pass jumped to $94.50.

MACDONALD SAID that if the deal goes through, the price of a monthly pass could drop to $79.65, a 15.7 percent decrease.

In 1980, RTA records indicate the railroad transported some 39,700 commuters daily, Macdonald said.

Two months after the July, 1981, increase, ridership was down 41.2 percent, the sharpest decline experienced by any of the commuter lines, RTA officials said.

Macdonald said the railroad had reported in February that ridership is up to some 30,000 a day, a 24 percent decrease since 1980. She said ridership has continued upward in the last six months.

Chicago Tribune August 19, 1982

RTA to run Milwaukee Road lines

By David Young
Transportation editor

THE REGIONAL Transportation Authority will take over and operate the Milwaukee Road commuter railroad operations in the Chicago area within the next two months under an agreement being completed this week, The Tribune has learned.

The deal, which could result in a takeover by the RTA as early as Oct. 1, probably will mean lower fares for the estimated 15,000 daily riders on the railroad's two lines to Elgin and Fox Lake, transportation officials said. Although RTA increased fares on all commuter railroads by 100 percent last year, Milwaukee Road fares were raised 150 percent after the RTA ran out of money to make full subsidy payments to the carrier, which was bankrupt.

Richard B. Ogilvie, bankruptcy trustee of the railroad, is expected to file in federal court Friday the terms of the deal with the RTA. Approval of the transaction is required by U.S. District Court Judge Thomas McMillen, who is overseeing the railroad's bankruptcy, as well as the RTA board before it can become final.

THE MATTER is expected to be submitted to the RTA board in September. The RTA is expected to deposit more than $600,000 in escrow accounts to seal the bargain.

The money for the transaction will come from $5 million the state reserved from a $15 million commuter railroad grant earlier this year from the Federal Railroad Administration. John D. Kramer, Illinois transportation secretary, said the deal is structured so that the bulk of the money will be paid by the RTA over several years. The $600,000 represents only the initial payment.

Lewis W. Hill, RTA chairman, is on vacation this week and could not be reached for comment.

Under terms of the agreement, the RTA will lease the bulk of the Milwaukee Road commuter facilities, including the track. Ogilvie is selling the remaining 2,900 miles of the former 10,000-mile Milwaukee Road system to Grand Trunk Corp., a Canadian-owned holding company that operates several small freight railroads in the United States, including the Grand Trunk Western, which operates between Chicago and Detroit.

A DEFINITIVE agreement on that sale was signed Tuesday by Ogilvie and John H. Burdakin, president of Grand Trunk Corp.

Sale of the Milwaukee to Grand Trunk was contingent on disposal of the commuter operation, which loses $770,000 a month, Ogilvie said.

"The judge has told me repeatedly that because of our losses on the commuter operation we have to get rid of it, and I think the RTA is the logical operator," he said. "The Grand Trunk doesn't want to get stuck with the commuter operation."

The most important provision of the deal negotiated between Ogilvie and Hill is what is known in the railroad industry as a "joint facilities agreement"—a contract allowing the RTA to operate commuter trains over track owned by the Milwaukee Road or any carrier that acquires it.

The RTA will pay a lease fee for the trackage rights, but the Milwaukee Road will control train movements, signals and maintenance.

OGILVIE SAID the proposed agreement contains provisions to ensure that the commuter operation is not subordinated to freight operations on the railroad.

Although most of the commuter facilities will be leased, the RTA will buy the Milwaukee Road's Western Avenue coach yard, which is not needed for freight operations.

The deal does not affect the Milwaukee Road's 25 percent interest in Union Station, however. The station, the downtown terminal for much of the city's rail passenger service, also is owned by Amtrak [50 percent] and the Burlington Northern Railroad [25 percent.]

The agreement also calls for the estimated 360 employees in the Milwaukee's commuter division to be transferred to the RTA.

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Green Bay Press Gazette
August 11, 1982

60 take a snailroad trip

By HARRY MAIER
Of the Press-Gazette

Four hours from Green Bay to Crivitz by train, one hour for the return trip by bus.

That was the experience of about 60 persons Tuesday who joined with Escanaba and Lake Superior Railroad officials in an inspection trip of a segment of the route just purchased by the railroad from the Milwaukee Road.

The entire route is between Green Bay and Iron Mountain, Mich., a distance of 88 miles. The E&LS already had secured the trackage from Iron Mountain to Ontonagon, Mich.

The E&LS has been operating the line since March 1980, after it was abandoned by the Milwaukee Road.

The section in Wisconsin was purchased by the Northeast Wisconsin Railroad Transportation Commission, a group made up of representatives of the county boards of Brown, Oconto and Marinette counties, and the E&LS.

Purchase price was $2.25 million.

The railroad will make regular payments to the commission over a six-year period before it gains full ownership of the route.

In the meantime, an application is being processed for a $1.25 million grant through the state Department of Transportation for rehabilitation of the 50-mile segment of track between Green Bay and Crivitz.

The grant will be matched with another $1.25 million from the E&LS.

Because of the condition of the trackage, trains are limited to traveling less than 15 miles an hour, often as slow as 10.

John Larkin, E&LS president, said primary work will be replacement of ballast and ties along the route. The rail itself is in good condition.

"We expect to bring the speed up to at least 25 miles per hour," Larkin said. The long-term goal is to raise the speed to 40 mph.

After Sept. 16, it is expected the track will be used four times a day, six days a week by the E&LS and the Milwaukee Road. The Milwaukee Road is leasing trackage rights between Green Bay and Crivitz so that it can continue to use its own line from Crivitz to Marinette where it serves industry in that area.

Larkin said his trains primarily will serve Green Bay's James River Corp., carrying pulpwood from Upper Michigan, and Pound Equity Cooperative, Oconto County Cooperative and Land O' Lakes Cooperative.

The trains will haul forest products, paper, fertilizer and chemicals, according to Larkin.

The need for rehabilitation of the track was obvious.

State Sen. Jerome Van Sistine was among the passengers and he recalled working on replacing ties along that route in 1943. Little maintenance has been done since then.

The slow speed of the four-car passenger train made it easy to detect large sections of trackage that will require replacement.

In many areas, ties were rotted away. Because of the condition of the ballast, rain water does not drain away from the track, causing additional problems with "pumpage," a condition in which the weight of the train combined with the pressure of the water lifts the ties from the ballast.

A formal inspection of the line revealed that an average of 750 defective ties was found in each mile of track. The average number of ties per mile is 3,250. In some areas, up to 1,000 ties per mile will have to be replaced.

The railroad plans to install 27,000 new ties.

The other major rehabilitation work will be applying two inches of crushed granite over the entire corridor, approximately 1,260 tons per mile.

Larkin said that will provide an average lift of three inches, which will improve the drainage of the roadbed and minimize track pumping.

The granite will be obtained from the Groveland Mine in the U.P.

Paul Heitmann, director of the bureau of railroads for the DOT, was among the group making the inspection trip.

Heitmann's staff is processing the final application for the federal grant and he said the prospects for receiving it "are quite good."

"The project is justified. Planning for this project has been under way for some time, and the dollars are available," he said.

Efforts are being made to expedite the grant application so that some of the rehabilitation work can begin this fall, with the remainder to be completed next spring.

Journal of Commerce August 18, 1982

ICC Slates Rail Merger Conference

Journal of Commerce Staff

WASHINGTON — The Interstate Commerce Commission probably will hold a Sept. 13 conference on the Union Pacific Railroad's proposed purchase of two other major railroads.

But possible impacts the agency's decision will have on stock of the Missouri Pacific, Western Pacific railroads the UP wants to buy as well as carriers opposing the (deal) made the agency decide the meeting will be a closed session.

If it is consummated a 22,806 mile railroad system serving 21 states in the western two-thirds of the nation will be created.

But several railroads — including the Burlington Northern, the Missouri-Kansas-Texas, and the Southern Pacific — want conditions attached to the deal.

UP contends, however, that too many conditions attached to the transaction could force it to pull out.

The Missouri Pacific claims such a move would make it almost impossible for the carrier to find a new merger partner.

The Western Pacific threatens to go into bankruptcy if the transaction is vetoed.

One uncertainty in the situation is whether the Southern Pacific has found a merger partner in the event the transaction is approved.

Several sources indicate the SP has been talking with other railroads about such a deal.

The carrier most often mentioned is the Chesapeake & Ohio Railroad which also owns the Baltimore & Ohio Railroad and the Family Line Systems.

A decision in the UP case is expected sometime during October.

Wisconsin State Journal, Madison August 9, 1982

Better warnings help cut car-train crashes

The number of car-train accidents in Wisconsin has dropped nearly 40 percent in the past several years, and officials give improved safety measures at crossings credit for reduction

According to Department of Transportation statistics, there were 259 accidents at rail crossings in 1981 — a slight decline from 282 in 1980. Most involved freight and switch trains, the majority of rail traffic today

But those numbers represent a drastic decline from the late-1970s.

From 1976 through 1979, there were 1,678 crossings accidents, an average of 420 a year.

"The Wisconsin Department of Transportation's investment in rail-crossing safety is paying off," said Owen Ayres, DOT secretary. "Over the years, rail-crossing safety has been a serious problem — and still is — but through safety improvements, we have been able to reduce the toll."

DOT spends about $6 million a year in state and federal funds to improve crossings, including about $3.5 million for automatic warning signals and crossing gates.

Flashing signals — using 12-inch lights — have proved the most effective in warning motorists of approaching trains, officials said, even at urban crossings, where there is light interference from high volumes of traffic, city lights and advertising signs.

The department has also tried to increase motorist visibility by clearing trees and brush from around crossings, and by eliminating steep road-grades.

Officials said studies have shown drivers pay more attention to avoiding bumps and potholes at crossings than to approaching trains. This year, DOT will reconstruct about 30 crossings with prefabricated or rubberized surfaces, giving a smoother ride over crossings.

Safety engineers also are considering using conventional traffic signals — with red, yellow and green lights — or strobe lights at crossings to further eliminate accidents.

Since 1975, there has been a sharp decline of train traffic in the state. In a 1981 DOT report to the Legislature, then-Secretary Lowell Jackson said nearly 1,000 miles — about 20 percent — of the state's rail network had been abandoned.

The state and county rail transit commissions teamed to buy more than 500 miles of the abandoned lines since April 1978, but rail traffic remained down.

Despite safety efforts and decreased rail traffic, 20 people were killed in car-train accidents in 1981. That is only half, however, the yearly average of fatalities during the past 30 years. Since 1953, more than 1,200 people have died. The worst years were 1953 and 1958, when 62 people were killed each year.

Officials said they face a numbers game in preventing car-train crashes, noting there are 6,595 crossings in Wisconsin, and funding for safety improvements is being cut.

But improved safety measures is not the final solution to avoiding car-train collisions, officials said.

The answer ultimately lies with motorists, officials said, noting that of the 259 accidents in 1981, 143 were at protected crossings and 116 at unprotected crossings.

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Chicago Tribune August 17, 1982

Corporate taxes fall

WASHINGTON (AP)—Federal taxes paid by the largest United States corporations declined to 20.5 percent of their earnings in 1981, and dozens of highly profitable firms—particularly banks, railroads and paper companies—paid no taxes at all, according to an independent tax study.

THE LATEST STUDY found that on an industrywide average, the commercial banks, railroads and heavy equipment builders included in the survey paid no corporate taxes last year.

Rather, these industries had "negative" tax rates, which means they are owed money from the government because their tax credits outstrip their profits. A company does not receive a tax refund from the government in such a case, but it can apply the amount owed as a credit to offset future taxes.

Union Pacific reported earnings of $594 million but said it was owed $25.6 million. CSX, a railroad company, had earnings of $523 million but said it was owed $41.3 million.

AMONG OTHER high-earning firms paying no federal corporate taxes in 1981 were Burlington Northern, $400.2 million; Santa Fe Industries, $319.2 million; Southern Pacific, $207.5 million, and Southern Railway, $319.4 million.

Aberdeen American News
August 15, 1982

BN lays off 350

ST. PAUL (AP) — The Burlington Northern Railroad posted notices Thursday informing a total of 350 employees in four maintenance shops that they are being laid off until business improves.

Mike Wenninger, the BN's associate news director, said the layoffs reflect the state of the economy. "When manufacturing and selling are off, there's less business for the railroads, too," Wenninger said.

He said 100 layoffs were at the West Burlington, Iowa, locomotive shop, and 90 were at the BN's locomotive shop in Livingston, Mont. Freight car shop employees being laid off include 100 at Havelock, Neb., a suburb of Lincoln, and 60 at the Springfield, Mo., shop.

Green Bay
Press Gazette
August 15, 1982

Efforts to save ferry continue

LANSING, Mich. — Efforts to resume Lake Michigan ferry service between Frankfort, Mich., and Kewaunee will continue this week.

A proposal from the Ann Arbor Employees Committee is expected to be ready early this week. The Michigan Transportation Commission may meet this week to act on the proposal.

The car ferries have been docked since April when the operator of the ferry service, the Michigan Interstate Railway Co., protested a reduction in subsidies from the state of Michigan.

The only cross-lake ferry service is now being provided by the Chessie System between Kewaunee and Ludington, Mich.

The employees' committee has been working to restore the ferry service since the committee was organized in March. The employees' latest plan calls for service to Wisconsin five days a week instead of seven.

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

Chicago Tribune August 19, 1982

Canada 'wins' comparison of economic ills

America's neighbor plagued by higher interest rates, inflation, unemployment

TORONTO [AP]—Canada is suffering a combination of economic ailments this summer that makes the economy of the United States look pink-cheeked and healthy.

Unemployment has hit a post-war peak at 11.8 percent, compared to 9.8 percent in the United States. Inflation is refusing to follow the American example and crumble under the weight of the recession.

And interest rates have been so high that some major corporations—notably Dome Petroleum Ltd.—are having trouble making payments on bank loans that financed acquisitions and expansions.

In Calgary, where Dome Petroleum is based and the once-booming oil exploration business has busted, real estate developer Len Wong has shelved plans for an exclusive Millionaire's Club.

"All the millionaires are broke," Wong says.

THE CANADIAN consumer has lost confidence. The Conference Board of Canada's monthly index of consumer confidence in June was at its lowest level ever. One of the findings the business research group used to compile the index was that only 8 percent of the consumers and businessmen questioned in a survey believed the economy will improve in the next six months.

The Conference Board predicts the Canadian economy will begin a slow recovery in the current quarter, although the country's inflation-adjusted gross national product is expected to decline 2.8 percent for the entire year.

The news will be better next year, the business-financed study group says. Economic output will grow 3.1 percent and consumer prices will rise 7.9 percent compared to 10.7 percent in 1982. However, the job outlook remains grim, with average annual unemployment expected to rise to 10.9 percent from 10.2 percent this year.

The consumers' lack of confidence isn't surprising in light of these happenings:

- On a single day last month—dubbed Black Thursday by the Toronto Star—six companies announced a total of 6,000 layoffs in Ontario. Since August, 1981, 382,000 jobs have been lost nationwide, and it's estimated that 250,000 to 500,000 people have given up looking for a job.
- The consumer price index in July was 11.2 percent higher than in the same month last year. U.S. inflation was 7.1 percent for the 12 months ended in June, according to the White House.
- The Canadian prime rate has been fluctuating with the U.S. prime rate, but usually a point or more higher. The U.S. rate dropped this week to 14 percent, and a further decline is expected.
- The Canadian dollar has been hovering around 80 U.S. cents, and in June it hit record lows in what critics said was an international no-confidence vote in the economic policies of Prime Minister Pierre Elliott Trudeau's government. A weak Canadian dollar could push the inflation rate higher because it adds to the cost of imports.

IN RECENT MONTHS, Trudeau's political fortunes have slumped with the economy. Last month a Gallup Poll found Trudeau's popularity well behind that of Conservative Party leader Joe Clark, who ousted him from power for nine months in 1979.

Clark was favored by a commanding 43 percent of those polled, compared to 32 percent for the prime minister. That would be enough to win the Conservatives a majority of seats in parliament if an election were held today.

Trudeau has contended that he can do little to alter the economy because the problems are international in scope and largely stem from U.S. policies.

The crunch hurts even more because it came suddenly. A year ago, Canadian inflation was high but unemployment was not much over 7 percent. Since then the jobless rates have doubled in the western provinces of Alberta and British Columbia.

IN SUDBURY, a northern Ontario mining city where the unemployment rate is 30 percent, a national theater chain cut the price of a ticket to the movies from $4.25 (Canadian) to $2 because of the economy.

"We've been in business in Sudbury for many years," says Jerry Dillon, general manager of Famous Players Ltd. "We've made money there, and we know the city is going through some tough times, so we decided to give something back."

The federal government announced a new recession- and inflation-fighting budget in June, including a 6 percent limit on public service pay increases this year and a 5 percent limit next year.

The same 6 percent and 5 percent boundaries are supposed to apply to prices charged by federally owned and regulated businesses—an important sector in Canada, where government plays a large role in the economy. Already, Air Canada, the government airline, and Bell Canada, the regulated telephone company, have said they need much higher price increases to cover costs.

TRUDEAU IS URGING businesses and labor unions to follow the same guidelines, but acknowledges that many Canadians will respond by asking, "Why should I be the sucker?"

"And, indeed, anybody who accepts the 6 and 5 is a sucker if the majority of everyone else doesn't," Trudeau told reporters at a recent news conference.

Among those lining up to fight the prime minister's program are the federal employee unions.

The president of the Public Service Alliance of Canada, Pierre Samson, calls the government's approach "discriminatory, punitive, repressive and generally bad legislation."

Journal of Commerce August 16, 1982

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British Columbia Railway to Electrify 79-Mile Branch Line to Tap Coal Deposits

By MARK WILSON
Journal of Commerce Special

VANCOUVER, British Columbia — Provincially-owned B.C. Railway is to electrify its new 79-mile branch line now under construction to tap coal deposits in northeastern British Columbia.

The cost will be less than $60 million (Can.). Confirmation of the project is expected early this week when Federal Transport Minister Jean-Luc Pepin will announce a grant towards the cost of electrification, which will feature technically advanced 50,000-volt overhead power.

On Aug. 12, a Pepin aide said that the announcement was to have been made last week, but has been held up because it involves another ministry and the B.C. government.

BCR's branch line is being laid over the Rocky Mountains, at a cost of $500 million, to transport seven million metric tons of coal a year from new mines on the eastern slopes of the Cordillera.

The branch is supposed to be in place and ready to move export coal for Japan by late 1983.

BCR is not divulging details of the agreement with Ottawa, pending the Pepin announcement. But the diesel division of General Motors of Canada Ltd. confirmed that it expects to supply seven 6,000 horsepower electric locomotives, to be built at its London, Ontario plant under a manufacturing arrangement with Swedish locomotive builders Allana Svenska Elektriska Aktiebolaget.

The six-axle locomotives will be designed to draw power at 50,000 volts from overhead wire.

To date, the only two 50 kilovolt systems in the world are in the United States and South Africa.

The American operation is the 78-mile coal hauling line of the Black Mesa and Lake Powell Railway in northern Arizona. It uses 6,000 horsepower locomotives built by General Electric Co.

BCR plans to move 98-car trains over a line with a ruling grade in excess of one percent (a rise of more than one foot in 100 feet of lateral travel).

Its trains will draw about 20,000 kilowatts as they cross the Rocky Mountains.

The attractiveness of a 50 kilovolt system is that it cuts down on the need for lineside sub-stations and allows the weight of overhead energized wire to be cut by 75 percent compared with a 25 kilovolt system delivering the same power to trains.

BCR can tap into a 230 kilovolt line being laid by BC Hydro to Tumbler Ridge, a new town being built to serve the coal fields.

BCR will be able to power its branch line from a sub-station at Tumbler Ridge and a second sub-station positioned at the mid-point on its new $500 million branch line.

A 25 kilovolt electrification scheme would have required the construction of up to nine sub-stations.

The branch line will connect new coal mines with existing bcr trackage north of Prince George, where coal traffic will be interchanged with Canadian National Railways for onwards delivery to Prince Rupert.

BCR will probably elect to string overhead wire from wooden poles.

It has retained Canadian Pacific consulting services to help with the electrification project.

The consultant has on call experience gained by CP Rail from tests with various types of support structures in a high snowfall area east of Revelstoke, British Columbia.

BCR is driving two tunnels with a combined length of 15 kilometers on its new branch line.

Since the outset of the project, BCR has eyed electrification of the branch. In 1981, the railway let contracts for tunneling work calling for the installation of rock bolts to secure overhead electrical gear.

The tunnels would have needed elaborate ventilation equipment, costing around $15 million, had diesel power been adopted, even though BCR was contemplating using diesel-electric locomotives modified to ease engine breathing problems in tunnels.

Elimination of electric fans and automatic doors for tunnel ventilation will offset the cost of electrification.

By drawing power from B.C. Hydro the railway will be saved from buying two million gallons of diesel oil a year.

The railway will still need to buy diesel locomotives to move coal trains between Anzac, a junction point on existing trackage, and Prince George.

Mr. Pepin is expected to announce a contribution of $5 million in government funds towards the electrification project, with the B.C. government granting a matching sum.

Journal of Commerce August 12, 1982

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Rail Chief Would Brave Strike for Concessions

By KEITH M. ROCKWELL
Journal of Commerce Staff

The Atchison, Topeka and Santa Fe Railway Co., a subsidiary of Santa Fe Industries Inc., would be willing to take a strike by the Brotherhood of Locomotive Engineers and the United Transportation Union to get the concessions it wants, said Lawrence Cena, president of the railway.

"We don't know if there will be a strike but we would take one to reach what we think we should we have," said Mr. Cena. "I think we will gain some advantages out of the series of negotiations we've been involved in. I think they (the unions) will come around and give us some of the things we want."

Mr. Cena said removing cabooses is one of the concessions the railroads are seeking but would not outline any of the railroads' other goals.

He did say that the railroads would carry a stiff backbone into negotiations and stick together for the duration. "If ever there was a time where we (the railroads) should hang tight, I think this is it," he said.

Both the UTU and the BLE are currently engaged in a 60-day cooling-off period, which expires Sept. 20 for the BLE and a day or two later for the UTU.

Revenues for railroad operations were down $70 million during the second quarter, said John J. Schmidt, president of Santa Fe Industries Inc., a reflection of the 18.7 percent reduction in carloadings.

To offset a business climate which Mr. Cena described as "lousy," Santa Fe has installed a vigorous cost cutting program.

The railroad has slashed its capital expenditures program, previously forecast for $271 million this year, down to $120 million.

"Beyond a doubt, our current program is the most strenuous expense control program instituted on the railway in recent years," said Mr. Schmidt. "This expense control is highlighted by a 15.6 percent reduction in rail employees in the first six months of this year."

Mr. Schmidt stated emphatically that the reduced expenses had not "impaired the quality or efficiency" of any of the railway's operations.

He cited a long list of efficiency improvements for the second half of 1982 compared with the same period last year. "There was an 18 percent improvement in revenue ton-miles per switching hour; an 11 percent improvement in revenue ton-miles per freight train mile; a 21 percent improvement in revenue ton-miles per freight train hour; a 16 percent improvement in gross ton-miles per freight train hour; and a 7 percent improvement in gross ton-miles per freight train mile."

Maintenance of way expenses for the first six months were down to $145 million compared with $193 million last year. Mr. Schmidt expects 1982 maintenance of way expenses to be about $300 million.

Despite this maintenance cost cutting, Mr. Schmidt stressed that all necessary track work was being done.

"I want to emphasize that all of the track work that is required to run a safe, sound, high-speed railroad is being done on a daily basis."

He said the current depressed market hampered attempts at forecasting which track would take additional tonnage and require more upkeep.

"Rather than spend large sums on programmed track and tie work in this period of uncertainty, we are taking a 'wait-and-see' stance," he said.

Currently, piggyback business acounts for about 26 percent of railway revenues. However, the competition — chiefly Southern Pacific Railroad — has slashed its rates for grain and other commodities causing Santa Fe to lower its rates in effort to protect its market share. The result has been a decline in piggyback revenues for Santa Fe.

"In an effort to secure a share of this business some of our rail competitors have established severely reduced rates under contractual arrangements," said Mr. Schmidt.

"The decreases in intermodal and grain rates have adversely affected revenues. But anyone choosing to play that game with us will find out they're in for a tough battle."

Santa Fe currently hauls the largest share of piggyback traffic in the West and Southwest.

Mr. Cena said the proposed merger of the Union Pacific, Western Pacific and Missouri Pacific railroads would have a definite impact on Santa Fe's piggyback market share, but said Santa Fe's established position still gives it the advantage.

"I would suspect that because of the capital dollars we have spent on our facilities that we'll be able to hang tough and hold our own in the intermodal area," he said.

Santa Fe would "very definitely" consider making long range contracts with its major shippers in an effort to keep their business, acknowledged Mr. Cena, but he warned that contracts "don't guarantee you're going to keep the business."

Following recent increases in rates, Mr. Cena said the railroad has had "no problem increasing our fares when we go to our customers. They understand the need for our rate increases."

He also said the company's laid up boxcars would, in all probability, not be returned to service.

"The rail box has had it," he said. "There is no way it can survive. I do not believe that you will see another boxcar built again in this country. I also have concerns about gondola cars, because I don't think the steel industry can ever come back to where it once was."

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Journal of Commerce
Two Items

August 13, 1982

ICC Rules On Costs For Rails

Journal of Commerce Staff

WASHINGTON — Railroads must earn 16.7 percent of the value of the assets tied up in a rail line to avoid incurring "opportunity costs" according to a recent Interstate Commerce Commission decision.

This figure — which represents the real economic loss a railroad experiences when it must forego some other, more profitable use of its resources — has been at 9.3 percent.

Since 1980 the comission has held that it should be considered as a factor in determining whether a carrier should be permitted to abandon the line.

It is determined by multiplying an "adequate" rate of return for the industry against the net liquidation value of the line.

Net liquidation value is the value of the rail, ties and other material on the line and the underlying real estate after the cost of removing or selling the assets is subtracted.

New economic data indicates that the opportunity cost figure should be increased, the ICC said.

The agency said this figure will be used in all abandonment proceedings until new findings in rail revenue proceedings indicate it should be changed.

Shippers and carriers are free to develop their own figures but they must be supported by existence and a clearly explained methodology.

Commissioner Frederic Andre dissented from the decision.

Though he accepted the 16.7 percent figure, Commissioner Andre said he did not accept the methodology used to reach it.

August 12, 1982

FRA Grants Will Aid Rail Projects

Journal of Commerce Staff

WASHINGTON — Three assistance contracts totaling more than $1 million have been awarded to railroad labor-management cooperative programs by the Federal Railroad Administration.

One $250,000 grant was awarded to Conrail and two unions — The United Transportation Union and the Brotherhood of Airline Railway and Airline Clerks — to expand the size and encourage the growth of labor-management programs aimed at improving operating efficiency and employee productivity.

Specifically, the railroad is going to try to start a number of labor-mamagement groups similar to a program Conrail runs in Cleveland, Ohio.

Under the plan local supervisors and employees meet and develop projects aimed at reducing costs, increasing traffic or making the operations more efficient.

The other two awards went to the Association of American Railroads and the Houston Belt & Terminal Railway Co.

The money will be used to continue similar projects at St. Louis, Mo. and Houston, Texas.

These programs have resulted in new work rules that made grain operations through Houston more efficient and improved traffic flow through the St. Lawrence gateway.

The program also has fostered increased cooperation between New England railroads and helped the bankrupt Chicago, Milwaukee, St. Paul & Pacific Railroad reorganize through a wage deferral program.