Corporate Relations

MEDIA MONITOR August 27, 1982

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Quad City Times
Davenport
August 24, 1982

Milwaukee gets track

The Milwaukee Road has closed a $17 million deal to buy 64 miles of Rock Island Lines track between Washington, Iowa, and Davenport, and trackage rights up to Clinton, Iowa.

U.S. District Court Judge Frank J. McGarr, overseer of the Rock's bankruptcy, approved the purchase Monday. The Interstate Commerce Commission granted approval last week.

The rights to Clinton involve 33 miles of track owned by the Davenport, Rock Island and North Western Railway Co., a switching operation co-owned by the Milwaukee Road and Burlington Northern.

A spokesman for the Milwaukee Road said the deal was an important step in reorganizing the bankrupt carrier into an efficient, freight-hauling railroad.

Wall Street Journal
August 24, 1982

Milwaukee Road Buys 98 Miles of Iowa Track From Rock Island Road

By a WALL STREET JOURNAL *Staff Reporter*

CHICAGO—The Milwaukee Road said it completed the $17 million purchase of 98 miles of track in Eastern Iowa from the Chicago, Rock Island & Pacific Railroad.

The Milwaukee Road's bankruptcy trustee last May received court approval to buy 30 miles of the track for $4 million. But after Chicago & North Western Transportation Co. made a bid for the entire 98-mile stretch, the Milwaukee Road dropped its original plan and bought the longer segment.

The purchase has been approved by the Interstate Commerce Commission and by the court supervising the Milwaukee Road's reorganization, the railroad said.

The Milwaukee Road, formally known as the Chicago, Milwaukee, St. Paul & Pacific Railroad, a subsidiary of Chicago Milwaukee Corp., expects to begin making improvements immediately on the segment of track that serves a coal-fired electrical generating plant under construction at Fruitland, Iowa. The entire segment purchased reaches from Clinton, Iowa, to Washington, Iowa.

The Milwaukee Road has been providing interim freight service on part of the line since April 1980, a spokesman said. It will abandon a 33-mile stretch of its existing track between Washington, Iowa, and Culver, Iowa, because it parallels some of the Rock Island track purchased.

Journal of Commerce
August 27, 1982

ICC Delays Ruling On Bid for Railroad

Journal of Commerce Staff

WASHINGTON — The Interstate Commerce Commission has held off ruling on proposed offers the estate of the bankrupt Chicago, Milwaukee St. Paul & Pacific will make to secured debt holders until a final agreement is reached on the sale of the carrier to the Grand Trunk Western Railroad.

The possible sale substantially alters the trustee's plan for reorganizing the Milwaukee which was the basis for the offer.

Under terms of the ruling, the commission will decide whether to resume or dismiss the proceeding once the Milwaukee's trustee decides whether or not to sell the railroad.

Chicago Tribune
August 24, 1982

Milwaukee Road buys trackage

The bankrupt Chicago, Milwaukee, St. Paul & Pacific Railroad Co. has completed its $17 million purchase of 98 miles of track from another bankrupt firm, Chicago, Rock Island & Pacific Railroad Co. The sale of the track in eastern Iowa previously was approved the court overseeing the reorganization of the Milwaukee Road and by the Interstate Commerce Commission. The railroad will improve the track segments and use it to serve a new coal-fired power plant in Fruitland, Ia.

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Des Moines Register
August 24, 1982

Milwaukee Road buys eastern Iowa track

The previously announced $17 million purchase of 98 miles of former Rock Island Railroad track in eastern Iowa by Milwaukee Road was finalized Monday.

The sale, which had been approved earlier by the Interstate Commerce Commission and the Milwaukee Road's Reorganization Court, ended many months of negotiations and judicial and administrative proceedings.

Rehabilitation of certain segments of the line stretching from Clinton to Washington, Ia., will begin immediately, with efforts being concentrated on the segment serving a new coal-fired electricity generating plant under construction at Fruitland, Ia., the Milwaukee said.

Chicago Sun Times
August 24, 1982

The Milwaukee Road closed the $17 million purchase of 98 miles of former Rock Island Railroad track in eastern Iowa. The sale was approved previously by the Interstate Commerce Commission and bankruptcy court. Rehabilitation of some segments of the line will begin immediately. The Milwaukee Road will seek to serve a new coal-fired electricity generating facility under construction at Fruitland, Iowa.

Crain's Chicago Business
August 23, 1982

Transportation line. Right on track is Grand Trunk Corp.'s plan to acquire the **Milwaukee Road**, which is undergoing bankruptcy reorganization. The two lines signed a formal stock-acquisition agreement last week. Meanwhile, the **Regional Transportation Authority** is working out an agreement to take over and operate Milwaukee Road's Chicago-area commuter lines, not included in the Grand Trunk deal. .

Muscatine Journal August 19, 1982

ICC backs Rock Island track sale

The Interstate Commerce Commission has supported the sale of Rock Island railroad track passing through Muscatine to the Milwaukee Road.

The Milwaukee offered to purchase track owned by the bankrupt Rock Island which runs south from Muscatine, through Columbus Junction and into Washington, along with other track north along the Mississippi.

The transaction had to approved by the bankruptcy court which controls the Rock Island property, the court which is handling bankruptcy reorganization of the Milwaukee Road, and the Interstate Commerce Commission.

The Milwaukee court has alread given its blessing the purchase, Milwaukee spokesman Bill Bickley said today, and the railroad has received word that the ICC is recommending that the sale proceed.

The sale was delayed this summer when the Northwester Railroad made a competing bid for the Rock Island track, which continues from Muscatine, through the Quad Cities and into Clinton.

Judge Frank J. McGarr of the Rock Island's bankruptcy court gave the Milwaukee a chance to beat the Northwestern offer, noting the Milwaukee had pursued the sale for many months and the sale had not been truly open for competitive bids.

The Milwaukee offered $17 for the track, and the matter was forwarded to the ICC.

Bickley said that official word from the ICC has not been received yet, but reports of the commission's decision had been made.

The final step in approving the sale will come Monday, when the railroads appear again in McGarr's court.

Bickley said that once the matter had cleared the court, his company would close the sale and begin work improving the track.

Until the track is brought up to parr, coal trains to service the Louisa Generating Station will pass through Muscatine. Milwaukee representatives have scheduled an appearance before the Muscatine City Council tonight to explain their plans.

Green Bay Press Gazette
August 19, 1982

Milwaukee Railroad stock agreement signed

DETROIT (AP) — Grand Trunk Corp. has signed an agreement with the Milwaukee Railroad for eventual transfer of stock ownership to the Grand Trunk.

The proposed acquisition agreement signed Tuesday faces review by the Interstate Commerce Commission and U.S. District Court.

Under the agreement, the newly reorganized Milwaukee Road would assume certain debts and obligations of the bankrupt railroad's estate.

"We shall make every effort to satisfy outstanding claims of creditors and existing shareholders," said Richard B. Ogilvie, former Illinois governor and trustee of the reorganizing Milwaukee Road.

"Proposed integration of the Milwaukee Road into the Grand Trunk will create a 5,000-mile rail system strong enough to meet the challenges of tough competition," Ogilivie said.

The two railroads have 12,500 employees.

Des Moines Register
August 19, 1982

Grand Trunk signs deal to obtain Milwaukee Road

Grand Trunk Corp. of Detroit has signed an agreement for eventual transfer of Milwaukee Road stock to the Grand Trunk.

The proposed acquisition agreement must be approved by the Interstate Commerce Commission and U.S. District Court.

Under the agreement, the newly reorganized Milwaukee Road would assume certain debts and obligations of the bankrupt railroad's estate.

"We shall make every effort to satisfy outstanding claims of creditors and existing shareholders," said Richard B. Ogilvie, a former Illinois governor and the trustee of the reorganizing Milwaukee Road. "Proposed integration of the Milwaukee Road into the Grand Trunk will create a 5,000-mile rail system strong enough to meet the challenges of tough competition."

The two railroads have 12,500 employees.

Journal of Commerce
August 19, 1982

ICC Approves Bid to Buy Track

Journal of Commerce Staff

WASHINGTON — A proposal by the trustee of the bankrupt Chicago, Milwaukee, St. Paul & Pacific Railroad to purchase a 98.5 mile stretch of track from the now defunct Chicago, Rock Island & Pacific Railroad has received Interstate Commerce Commission approval.

At the same time the agency approved the Milwaukee's plans to abandon 33 miles track that parallels the line being purchased.

The Rock Island line being purchased runs from Clinton and Washington, Iowa while the track being abandoned is between Culver and Washington, Iowa.

In its decision the commission denied moves by the Chicago & North Western Railroad for trackage rights over the line.

The purchase price reflects Milwaukee's expectation that it would provide exclusive service over the line, the commission said.

The application now goes to the courts overseeing the reorganization of the two firms for final approval.

Journal of Commerce
August 19, 1982

Rails Take Step Toward Acquisition

Journal of Commerce Staff

A major step toward the acquisition of the Milwaukee Road by Grand Trunk Corp. has been taken, but the two rails will continue to operate as separately-managed firms pending final approval by the Interstate Commerce Commission, which is not expected until mid-1984, Grand Trunk said.

Top officials at Canadian-owned Grand Trunk and the Chicago-based Milwaukee, which is reorganizing its way out of bankruptcy, earlier this week signed an agreement calling for eventual transfer of stock to Grand Trunk.

The move followed the signing May 24 of a letter of intent on the acquisition.

The latest agreement calls for continued reorganization of the Milwaukee and assumption of some of its debts by Grand Trunk.

The acquisition, which also must be approved by a federal bankruptcy court, would create a 5,000-mile rail system covering nine midwestern states.

The two railroads already have begun working together by beginning coordinated operations in major market areas.

Wall Street Journal
August 23, 1982

Milwaukee Road Plans Transfer of Chicago Line

By a WALL STREET JOURNAL Staff Reporter

CHICAGO—Chicago, Milwaukee, St. Paul & Pacific Railroad said its commuter operations will be transferred to the Chicago Regional Transportation Authority under an agreement filed in federal court.

Under the agreement, the Transportation Authority will pay the Milwaukee Road, the railroad's informal name, monthly rental charges and a proportion of expenses for property taxes, maintenance and operations. Richard Ogilvie, the railroad's bankruptcy trustee, said the transfer of commuter service should occur no later than Oct. 1. He is trying to restructure the Milwaukee Road into a financially stable freight-transportation system.

The railroad, in bankruptcy proceedings since 1977, is a unit of Chicago Milwaukee Corp.

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U T U News
August 21, 1982

GT, Milwaukee Road launch fast service

The Grand Trunk and Milwaukee Road have launched a coordinated freight service that cuts transit time to major gateways by between 32 hours and two days.

The expedited service covers the gateways to Chicago, Kansas City, Louisville, Minneapolis/St. Paul, Cincinnati, Toledo, Detroit and Port Huron.

New York Times
August 19, 1982

Railroad Signs A Merger Plan

DETROIT, Aug. 18 (AP) — The Grand Trunk Corporation of Detroit has signed an agreement for the eventual acquisition of Milwaukee Road stock.

Under the agreement, which is subject to approval by the Interstate Commerce Commission and United States District Court, the reorganized Milwaukee Road would assume certain debts and obligations of the bankrupt railroad's estate. The two railroads have 12,500 employees.

"We shall make every effort to satisfy outstanding claims of creditors and existing shareholders," said Richard B. Ogilvie, trustee of the reorganizing Milwaukee Road. The integration of the lines would create a 5,000-mile rail system.

Locomotive Engineer - BLE August 20, 1982

AND P.R. GOES AHEAD

Prince Rupert, the ocean port in Northern British Columbia, is going to become a familiar location for increasing numbers of locomotive engineers during the next four or five years.

In addition to the coal shipments described in the previous item, which will amount to more than seven million tons a year, the go-ahead has now been assured for the development of a major grain facility to handle 3.5 million tons of grain each crop year.

The fate of the proposed grain facility had been in doubt for some months because of the rapid escalation of construction costs. But the Province of Alberta, which originally committed $106 million to the project, has now agreed to add another $134 million from its bulging Heritage Fund to cover the extra bills.

Prairie grain-growing interests have been anxious to see the Prince Rupert terminal move ahead because it represents the only solution to the problem of developing sufficient export outlets for the expanded production of grains planned over the next 15 years.

Vancouver terminals, restricted by the capacity of the CN and CP mountain lines, are now handling the maximum possible. Thunder Bay also faces shipping limits imposed by the capacity of the Welland Canal. And Churchill, in Northern Manitoba, has only a six-week season because of ice conditions in Hudson Strait.

The Prince Rupert grain terminal will have a storage capacity of 200,000 tons and is designed to handle 15 percent of Canadian grain exports by 1990. Its annual shipments will be worth $750 million and will generate economic benefits of more than $2 billion a year for Saskatchewan and Alberta. Completion of the facility is scheduled for 1984.

There is still another element in the Port's bright future. A group representing private interests in Vancouver and Britain has announced firm plans for a petrochemical terminal which would ship between 500,000 and one million tons of chemicals a year to overseas markets. The products would come from Alberta oil refineries.

Traffic World Magazine
August 23, 1982

Probe Opened of C & NW Bid to Abandon Tracks

The Commission has opened an investigation into a proposal by the Chicago & North Western Transportation Co. to abandon 130.5 miles of track in Minnesota.

At issue is a line extending from Milepost 51.3 near Norwood to Milepost 181.8 near Madison. The proposal is being contested by various shippers, local governments, labor unions, and federal and state legislators.

ICC Administrative Law Judge Paul S. Cross is to preside over hearings in the inquiry, which will be held October 5, 6, and 7 at William Mitchell College of Law, Room 111, 875 Sumimit Ave., St. Paul. C & NW's opening statement is due August 30 and protestants' opening statements are due September 22.

The Commission opened the inquiry in a decision served August 13 in AB-1, Sub. 142, *Chicago & North Western Transportation Co.—Abandonment—In Carver, Sibley, Renville, Redwood, Yellow Medicine, and Lac Qui Parle Counties, Minn.*

Chicago Tribune
August 21, 1982

Commuter line is RTA's Oct. 1

OPERATION OF the Milwaukee Road commuter trains in the Chicago area will be shifted to the Regional Transportation Authority Oct. 1 under terms of an agreement filed Friday in United States District Court.

Fares for the line's 15,000 commuters will be lowered about 16 percent when the RTA takes over, officials of that agency said.

The agreement must be approved by the RTA board and by Judge Thomas McMillen, who is overseeing the railroad's bankruptcy proceedings. A hearing is set for Sept. 13.

THE DEAL CALLS for the Milwaukee Road to lease track and facilities on its lines to Fox Lake and Elgin to the RTA, which will take over and operate the commuter service. About 360 Milwaukee employees will shift to the RTA payroll.

Richard Ogilvie, Milwaukee Road bankruptcy trustee, had sought to dispose of the commuter operation, which loses $770,000 a month, to facilitate the sale of the 2,900-mile railroad to the Grand Trunk Corp., a Detroit-based holding company owned by the Canadian National Railroad. Grand Trunk officials did not want to become involved in commuter operations.

The railroad's lines will be the second to be taken over and operated by the RTA. That agency assumed control of the commuter division of the bankrupt Rock Island Lines last year.

Fares on the Milwaukee Road line have been higher than those on other RTA-regulated railroads since July, 1981, when the railroad's contract with the RTA expired.

Fares will be lowered to bring them in line with the other railroads, RTA officials said.

Arlington Heights Herald August 21, 1982

RTA to take over Milwaukee Ry. Oct. 1

by Joann Van Wye
Herald staff writer

The Regional Transportation Authority will take over operation of the Milwaukee Road's two commuter lines and reduce fares for its 15,000 riders by an average of 16 percent on Oct. 1 under an agreement filed Friday in U.S. District Court.

The deal, which is expected to win quick court approval, will clear the way for the RTA to bring fares into line with those charged on the other six commuter lines under the RTA's jurisdiction.

The agreements call for the RTA to pay the Milaukee Road about $612,000 a year in rental charges. The agreement provides for:

• Granting the RTA rights over about 40 miles of tracks between Chicago and Almora on the west line and 50 miles of track between Chicago and Fox Lake on the north line.

• Lease of the Western Avenue, Fox Lake and Elgin train yards and other Milwaukee Road property.

• Transfer of equipment, facilities and employees.

• Payment of a portion of the Milwaukee Road's expenses for property taxes, maintenance and operation.

As part of the takeover agreement, the RTA also is expected to take on the railroad subsidy payments due before July 1, 1981. An exact amount on the subsidy payments was not available Friday, but Milwaukee Road officials previously have said the RTA owes the railroad $884,997 in uncontested subsidy payments and another nearly $4 million that is being contested.

OPPONENTS OF the proposed transfer of the commuter operations to the RTA have until Friday to file objections. U.S. District Court Judge Thomas McMillen, who is overseeing the reorganization of the bankrupt Milwaukee Road, has scheduled a Sept. 13 hearing on the proposed transfer of commuter operations.

McMillen has repeatedly warned Milwaukee Road officials that the continued drain of the commuter operations on the rest of the railroad was not acceptable. He indicated earlier this month he would expedite hearings on the takeover to work toward the Oct. 1 target date.

Milwaukee Road Trustee Richard B. Ogilvie said his efforts to restructure the Milwaukee Road into a financially stable freight transportation system will be greatly enhanced if the agreement is approved. The remaining 2,900 miles of the Milwaukee Road is being sold to the Grand Trunk Corp.

RTA Chairman Lewis W. Hill was unavailable for comment Friday on the proposed takeover of commuter operations.

Hill has previously stated that the takeover of the Milwaukee Road commuter lines, which he has been negotiating since July 1, 1981, would lead to a rollback in fares.

THE 15,000 weekday commuters on the Milwaukee Road every day have been paying higher fares to commute since July 1, 1981, when the Milwaukee Road broke away from the RTA's jurisdiction and hiked fares 75 percent compared to increases of 57 percent on the other commuter lines.

With the rollback, a monthly pass from Roselle to Chicago will drop from $106.50 to $90.45; a one-way ticket from $4 to $3.35. Monthly passes from Hanover Park and Bartlett would drop from $118.25 to $99.90; a one-way ticket from $4.50 to $3.70.

Hill has said the RTA anticipates losing nearly $1 million a month on the Milwaukee Road lines. This compares to an estimated loss of $750,000 a month by the Milwaukee Road.

Hill has refused to say whether any service cuts will be recommended to trim the RTA's anticipated losses on the two lines. The Milwaukee Road was the only commuter line that did not cut service last year as part of a cost-saving measure by the RTA.

RTA adopting philosphy of doing things for itself

By David Young
Transportation editor

THE REGIONAL Transportation Authority over the last 18 months has been steadily transforming itself into what is essentially a suburban version of the Chicago Transit Authority.

The metamorphosis is occurring step by step with almost no public debate and very little discussion on the 13-member RTA board.

What has happened is that the RTA, which for its first seven years of existence was largely a financing and regulatory agency for mass transit systems in the Chicago area, has gotten into the business of taking over and operating the systems itself.

The proponents of the change claim the RTA has little choice. The agency is simply taking over failing suburban bus and rail lines before they collapse, they say.

THE OPPONENTS claim the RTA is becoming a suburban CTA as a last-ditch effort to prevent suburban politicians from abolishing it. The RTA was originally intended to be an agency that funded and regulated mass-transit systems, not a giant commuter railroad or suburban bus empire, they claim.

But the signs of change at the RTA are unmistakable.

At the end of 1977, the agency had 208 employees and didn't run a single train or bus. That was all done under contract to private firms. By the end of this year the RTA will have 1,400 employees and operate two commuter railroads and two suburban bus systems.

Over that span, the size of the RTA's administrative staff—the bureaucracy—has increased by about 50 percent to 322 persons. But the bulk of the new employees [more than 1,000] will have been picked up by the RTA as a result of acquiring railroads and bus lines in the suburbs.

Those acquisitions include:

- The Rock Island Lines commuter railroad taken over by the RTA in May, 1981, after the bankrupt railroad was ordered liquidated by Federal Judge Frank McGarr. The RTA now pays the railroad's bankruptcy trustee 15 cents per car mile to operate its trains, but has filed a condemnation suit to acquire the railroad's tracks, stations, and facilities. That will cost an estimated $36 million. The Rock Island has 518 employees on the RTA payroll.
- An agreement with the Milwaukee Road to acquire that railroad's two commuter lines Oct. 1. That will add another 360 employees.

IN ADDITION to what it already owns or operates, the RTA has filed suits to acquire the Suburban Transit bus system in Oak Lawn and South Suburban Safeway bus lines in Harvey. It is also considering purchase of the Illinois Central Gulf Railroad commuter lines, although that may not occur for a while because of the agency's financial condition.

The RTA has grown so large in the last 18 months that its officials are considering creating a separate corporation or corporations to actually manage its bus and rail holdings.

The proposed corporation would also enable the RTA to circumvent provisions in a new state law that limit its administrative expenses to 8 percent of the revenues it receives each year from the sales tax it levies on the Chicago area. The agency's proposed administrative budget for the 1983 fiscal year calls for expenditures of $14 million—about 5.1 percent of the sales tax collected last year.

But that administrative budget includes only 322 employees and none of the staffs of its rail and bus lines.

A NUMBER OF the RTA's administrative employees would then be shifted to the new corporation to blunt potential criticism about its becoming a bloated bureaucracy.

Whether or not the agency makes itself indispensible and therefore hard to abolish is another question.

"Obviously if the RTA performs well it will reduce the opposition," said John D. Kramer, Illinois transportation secretary. "If it cleans up its act and operates well, the chances for change will be greatly reduced."

The two major transit bills introduced in the General Assembly last spring, one by a group of suburban mayors and the other at the behest of the Chicago Association of Commerce and Industry, proposed reform of the RTA by abolishing it. Both measures would have replaced it with new agencies, but neither bill survived the legislature.

"I don't think there is any doubt that if the RTA keeps going the way it has the past year, we will have another public agency with 5,000 employees on our hands in a few years," said one foe of the agency. [The CTA has about 12,000 employees.]

RTA OFFICIALS admit that operation of the Chicago area's entire commuter railroad network may require as many as 3,000 employees, but claim their agency can operate the system cheaper than the railroads do now under contract to the RTA.

Although the law creating the RTA in 1974 stipulates that the agency can own and operate its own bus and rail systems and allowed the RTA to establish the Northeast Illinois Regional Commuter Railroad Corp. [NIRCRC] for that purpose, the task force appointed by former Gov. Richard B. Ogilvie that recommended establishing a regional transit agency in 1973 strongly recommended that it not be an operating agency.

"The primary purpose of regionalization should not be to create another operating agency," the task force said. "In fact, it is the conclusion of the task force that the agency can better fulfill its purpose and role by maintaining a separation from day-to-day operations."

For the first seven years of the agency's existence, the RTA board strongly resisted attempts by the staff to get into the business of operating transit systems. When the Chicago, Rock Island & Pacific Railroad was ordered to liquidate by Judge McGarr in early 1980 and the RTA staff prepared a plan for that agency to take over the commuter operation, the RTA board rejected it and hired the Chicago & North Western Transportation Co. at a $1,000-a-day management fee to run the Rock Island.

The board also forced the staff to hire ATE Management, a Cincinnati firm, to operate various suburban bus firms when it became obvious the RTA would have to buy them.

Continued

THE ARRANGEMENT by which the North Western operated the Rock Island ended when the RTA ran out of money in 1981, fell $5 million in arrears in subsidy s, and the North Western pulled out of the deal. That forced the RTA board to let its staff run the railroad.

Ogilvie, who now is the trustee of the bankrupt Milwaukee Road, then forced the RTA to take over his commuter operations because they lose $770,000 a month and are threatening his attempts to reorganize and sell off the railroad. Ogilvie has threatened to ask the court to shut down the commuter lines if no deal can be arranged with the RTA to take them over.

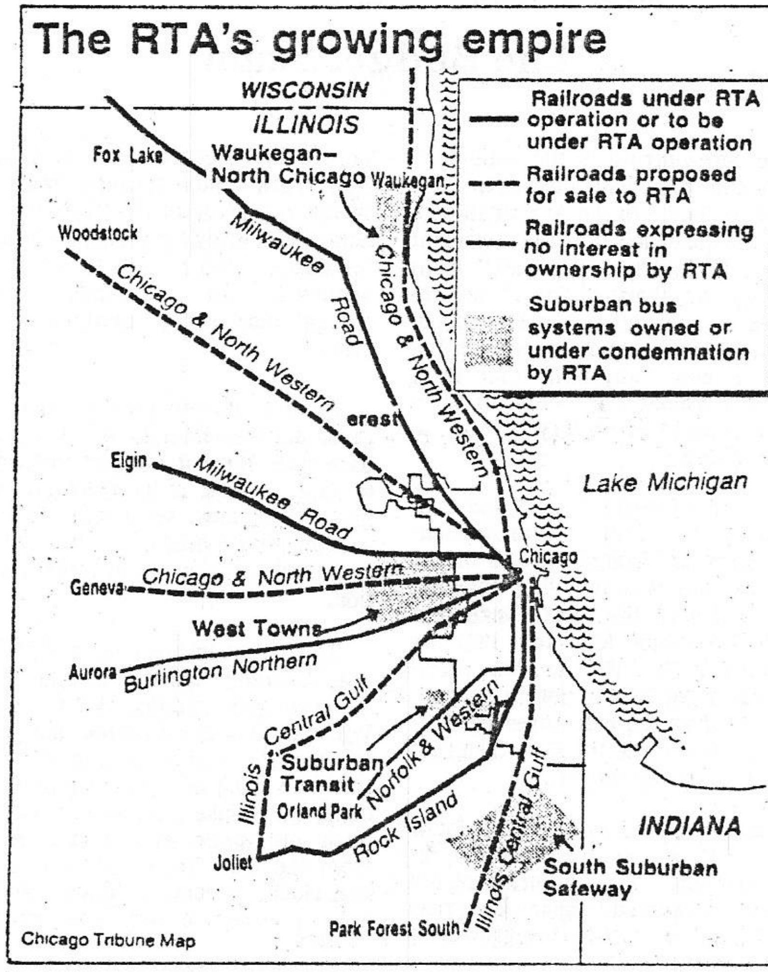
Even some of the RTA's sharpest critics concede the RTA probably had no choice but to take over the two railroads and suburban bus systems. "There was no alternative available as an operator for the Rock Island, Milwaukee, and the suburban bus lines," Kramer said.

That leaves Lewis W. Hill, RTA chairman, and his board with the problem of how to be both a transit operator and regulator at the same time. The problem is: How can an agency regulate itself?

THE RTA WAS created in part to regulate and oversee the CTA—a function RTA critics claim it has never undertaken because its board is dominated 7 to 6 by appointees of the mayor of Chicago who don't want the six-member suburban minority meddling in the affairs of the city's transit system. [Actually the RTA appointees are evenly divided between the city and suburbs but the city has been able to force its choices for chairman, both Chicagoans, on the suburban members.]

When the RTA was created, the regulatory powers over the suburban bus lines and commuter railroads were shifted to that agency from the Illinois Commerce Commission, which had handled the job for most of the century.

But the emergence of the RTA as an operating agency has meant that although the CTA is sacrosanct from its control, the city-dominated RTA board ontrols the suburban transit system. An amendment to state law signed by Gov. James Thompson will change that next year. The amendment restructures the RTA board to give the suburbanites a 7-to-5 majority. Those 12 will select a chairman.



The RTA's growing empire

Chicago Tribune Map

TO MOLLIFY critics and change the RTA to better enable it to fullfill its new role as an operator, Hill is considering restructuring the agency to separate the operating end of the business from the regulatory and financial oversight functions.

Although the action is still in the planning stage, it could include a subsidiary corporation to run the railroads and possibly another to run the bus systems. Officials have also discussed the possibility of the formation of semi-independent transit districts in the western and southern suburbs, similar to the successful North Suburban Mass Transit District [Nortran], to operate bus systems in those areas.

Nortran combines the features of local control because its board is made up of representatives from its 23 member communities and regional regulation by the RTA, which subsidizes its operations.

Until recently, however, the RTA was opposed to the idea of creating additional suburban transit districts because the staff of the agency wanted to operate the systems itself and because Nortran sometimes has an independent streak resulting in friction with RTA policy.

Wall Street Journal
August 13, 1982

The Budget Scam

The core untruth in the budgetary fiction the president has been persuaded to peddle to the American people is the assertion that the president will get $3 in "spending cuts" from Congress for every dollar in tax increases he permits. Among people who have some acquaintance with the budget-making labyrinth, this is a joke. The trade-off is closer to $3 in tax increases for every dollar in spending cuts.

The three-for-one fiction was concocted by the Office of Management and Budget and Congress to resolve a deadlock that was delaying congressional action on the First Concurrent Budget Resolution for fiscal 1983. As presented to Mr. Reagan, the president would get $284 billion in "spending cuts" over the next three years if he would but agree to allow Congress to raise taxes $98 billion.

That $284 billion sounds like a lot of money until you examine what it really represents. The compromise actually was designed to spare Congress the difficulty of cutting the growth in appropriations.

You calculate "spending cuts" in Washington by first setting a "base line," which theoretically represents what the government would be spending three years from now if you simply let programs follow their natural tendencies to balloon. If you project the base line high enough, you can project some enormous savings, and Congress didn't stint. It projected fiscal 1985 spending at over $1.1 trillion and deducted its $284 billion in "spending cuts" from that. *Voila!* Fiscal 1985 spending still comes out at $881 billion, up *only* 21% from the current fiscal year.

But let's examine the $284 billion, most of which involves no congressional action at all. A large chunk, some $36 billion, consists of so-called "management savings," meaning things the president could theoretically do on his own, like sell more oil leases if anyone would buy them. This whole area deserves the utmost skepticism, as a Federal Reserve Bank of New York study recently indicated. Worse yet, some of the "savings" are achieved merely by revising economic forecasts. Over $100 billion is achieved, for example, merely through more optimism about interest costs.

Finally, we get down to what Congress actually intends to cut from the base line. Here it is most instructive to look at what is happening in Congress right now, as it tries to make appropriations bills conform to what it promised in the concurrent resolution.

The target in the resolution for actual spending cuts for fiscal 1983 was a thoroughly modest $27.15 billion. With that it was estimated that spending growth could be held to about 5%. But with most of the committee work done, the House isn't even close. The most optimistic estimates put cuts from the base line at $17 billion and one House specialist figures $13 billion, or less, is closer to the mark.

Moreover, these "savings" are being achieved in ways that sometimes border on the outrageous. A projected cut in dairy price supports, for example, will be attained by giving the industry what amounts to a cartel, letting it make up for lost budget money by charging consumers higher prices. And "savings" in Medicare are arrived at by requiring employers to continue health insurance coverage for retirees—in other words a hidden tax. We're told that Dan Rostenkowski's House Ways and Means Committee wants to count this large sum as both a "savings" and a tax to get credit for deficit trimming on both sides of the ledger. "If I tried to do that in a bank, I'd be arrested," says one congressional aide.

Indeed yes. But the larger point is that Congress clearly has no intention of curtailing federal spending. The president is allowing himself to be made a participant in, or victim of, a hoax.

Wall Street Journal
August 23, 1982

Russians Agree To Year's Extension Of U.S. Grain Pact

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON—The Soviet Union agreed to extend for one year an agreement to buy grain from the U.S.

The pact, which was the subject of intense debate this summer, requires the Russians to buy at least six million metric tons of grain from the U.S. each year. The Soviets are expected to buy far more than that in the fiscal year beginning Oct. 1, however, as their own harvest is expected to be poor for the fourth consecutive year.

President Reagan announced on July 30 that the U.S. would seek the extension. A formal request was delivered to the Soviets Aug. 4, but their written reply didn't reach the American Embassy in Moscow until Friday. The delay caused some anxiety among U.S. officials.

The pact, which first took effect in 1976, was for five years, but was extended for one year in 1981. Had the Soviets decided against another extension, the agreement would have expired Sept. 30.

U.S. farmers fought hard to get the pact extended. Russia, which is the second largest importer of U.S. grain after Japan, is viewed by farmers as an important market to help relieve the vast U.S. oversupply of corn and wheat.

President Reagan forbade any negotiations for a new long-term pact last December to punish Russia for the military crackdown in Poland. Some hard-line officials argued that the U.S. should refuse to extend the existing agreement, but Farm Belt congressmen and farm leaders persuaded the president to seek an extension. The Russians also were eager to continue the accord.

Many farm groups have expressed disappointment that the U.S. didn't try to fashion a new long-term pact requiring the Russians to buy more grain.

"I will be contacting the Soviet Union immediately to determine a date for discussing additional grain sales," Agriculture Secretary John Block said. In the meantime "this extension will allow American farmers to continue rebuilding this important market which was thrown away" during the 1980 grain embargo, he said.

Chicago Tribune
August 26, 1982

Final awards granted in toxic spill from train

From Tribune Wire Services

EDWARDSVILLE, Ill.—Jurors in a suit filed by 47 former Missouri railroad workers returned the final four awards in the controversial case Wednesday, bringing the total awarded to nearly $58 million.

Thirty-two defendants in the suit, brought against the Norfolk & Western Railway Co., received awards of $1 million of more.

The case stirred legal controversy because it was filed in an Illinois county that is 120 miles from the site of the accident that triggered the suit. The 47 workers claimed health problems following a January, 1979, derailment that spilled thousands of gallons of a toxic chemical in north-central Missouri.

THEY WERE allowed to file suit in Madison County Circuit Court, viewed by some attorneys as one of the most lenient in granting financial settlements, under a federal law that permits injured railroad workers to file personal injury claims in any jurisdiction where the railroad does business. The Norfolk & Western has tracks in Madison County, which is located on the Mississippi River northeast of St. Louis.

The five-month trial in which all 47 workers' suits were heard was the longest in the county's history. Attorneys for defendants and the railroad refused comment after the jury returned the awards, but railroad attorneys said the case will be appealed.

Richard Lowe, Col' nbia, Mo., the first to be awarded more than $1 million in the settlement, claimed the accident and subsequent cleanup caused him loss of memory, rashes, stomach problems and muscle pains. According to evidence in his trial, he was drenched in the chemicals after walking a half-mile stretch to determine the damage from the derailment of the 87-car train.

ONE TOXICOLOGIST testified that the 47 were forced to go "sloshing around in toxic soup." All 47 cleaned up the spill of orthochlorophenol crude or helped haul the disabled tank car to nearby rail yards.

Officials said the crude contained dioxin, a byproduct of a toxic substance suspected of causing cancer. The chemical was being shipped from the Monsanto Co.'s Sauget plant near East St. Louis to a wood company in Washington state as a wood finish.

The latest awards were made to Wid Smith, 43, Jacksonville, Mo., who received $550,000; Dean Coleman, 31, of Huntsville, Mo., $600,000; John Little, 28, Clark, Mo., $650,000; and Richard Tremblay, 36, Mexico, Mo., $650,000.

Journal of Commerce
August 27, 1982

Cast Gets Authority For 1 Year

Journal of Commerce Staff

WASHINGTON — Cast North America Ltd. has received a one-year operating rights certificate from the Interstate Commerce Commission.

Specifically Cast was given authority to haul general commodities, with exceptions, between points on the U.S.-Canadian border, on the one hand, and, on the other, points in New York, New Jersey, Pennsylvania and Maryland.

It also received authority to operate between points in Tennessee, Nebraska, Kansas, and Minnesota, on the one hand, and, on the other, Chicago, Ill. and Detroit, Mich.

The firm presently holds rights to haul freight between the border and points in Maine, Massachusetts, Connecticut, Rhode Island, Vermont, and New Hampshire, as well as a variety of midwest states.

The application was strongly protested by the North Atlantic Ports Association, Yellow Freight System and the American Trucking Associations on grounds ranging that it would enhance diversion of freight from U.S. to Canadian ports to allegations that Canadian provincial agencies are discriminating against U.S. carriers.

But the ICC decided Cast should receive a certificate until the ICC's investigation into alleged discrimination by the Canadian government is completed.

Minneapolis
Star/Tribune
August 20, 1982

Bill introduced to authorize a second lock at Alton, Ill.

By Al McConagha
Staff Correspondent

Washington, D.C.
Legislation was introduced Thursday to authorize up to $200 million for construction of a second lock at Lock and Dam 26 on the Mississippi River.

The measure, sponsored by Sens. Rudy Boschwitz and David Durenberger, R-Minn., would add a 600-foot facility to the 1,200-foot lock that is under construction as a replacement for the two 600-foot locks in the river north of Alton, Ill.

Boschwitz said the river is a vital part of Minnesota's transportation system. State farm products headed overseas accounted for nearly a third of the 30 million tons of cargo that moved down the upper Mississippi last year, he said.

He said that navigation projections show an additional lock will be needed early in the next decade; that joint construction of the locks will save money, and that an auxiliary lock is needed if the other is damaged.

The replacement of the existing lock was a hotly contested political issue in the 1970s. Environmental organizations and railroads opposed the project, which was sought by farm and barge interests for nearly a decade.

In 1978 Congress approved a measure setting up a barge tax system, authorizing construction of a single lock and directing the Upper Mississippi River Basin Commission to prepare a comprehensive master plan for the river.

This year the commission recommended authorization of a second lock. It also urged Congress to appropriate funds for wildlife habitat rehabilitation, erosion control and a long-term resource monitoring council.

The measure proposed by Boschwitz and Durenberger would provide federal funding for environmental enhancement and resource scrutiny.

Chicago Tribune August 24, 1982

A fight both railroads could lose

The continuing squabble between the Burlington Northern and Chicago & North Western railroads over who serves the rich Powder River coal basin in Wyoming could end up with both the losers: It could strengthen the case for a coal slurry pipeline, something that all railroads abhor and that will come up in Congress again next month.

For years, Congress has resisted the pipeline lobby, which wants the federal government to give pipelines the right under eminent domain to cross any private property, including railroad rights of way. The railroads oppose this because they are the country's primary coal haulers and would lose essential business if a pipeline were built through which coal mixed with water could be moved eastward from Montana and Wyoming.

The railroads have been supported by the states, which have the power of eminent domain but have refused to use it for a pipeline, and by environmentalists and others concerned about the 13 billion gallons of water or so that a pipeline would divert each year from the water-short plains states. Given the cost of a pipeline, there's good reason to wonder whether it could deliver coal more cheaply than the railroads without a government subsidy.

Meanwhile the Powder River basin has proved the country's most productive source of low-sulfur coal, which causes less air pollution than eastern high-sulfur coal and is therefore much in demand in the industrial states of the Midwest and South. The Burlington has three lines in or near the basin, and the North Western has one. Several years ago the Burlington built a 103-mile spur running north and south through the center of the basin to connect two of its lines.

To compete with the Burlington, the North Western (working with Union Pacific) last year won Interstate Commerce Commission approval of a $300 million construction and track improvement program. Instead of building duplicate lines through the middle of the basin, the ICC ordered the two lines to work out joint use of the 103-mile spur. But the two lines have been unable to agree on how much the Burlington should be paid.

The issue is of public interest because only through competition can consumers be assured a fair price for coal. This was the purpose of the ICC decision in July, 1981. It is why the ICC is expected to jump into the arena again in a few weeks by fixing a price to be paid the Burlington; but this would no doubt lead to litigation that could drag on for years and probably have to go to the Supreme Court. It is therefore why, if the two lines remain deadlocked, Congress may well react by saying, in effect, "OK, if you two can't provide for competition yourselves, then we'll let the pipeline provide it for you."

The two lines would serve their own cause and the country's far better by reaching an amicable agreement. Any other course would help nobody but the lawyers.

Wall Street Journal August 23, 1982

Special Panels Urge Rail Unions to Accept Earlier Wage Pattern

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON—Two railroad unions are studying recommendations from special presidential panels that they accept contract settlements in line with earlier railroad-union agreements.

A special panel last Friday completed a 30-day study and made the recommendation to the United Transportation Union, which represents 86,000 railroad workers. The previous day, a separate panel urged the Brotherhood of Locomotive Engineers, which represents 26,000 engineers, to accept the earlier wage pattern. Both unions and the nation's rail carriers have 30 days to consider the recommendations.

For both unions, the special panels said the labor groups should accept retroactive wage increases of 2% from April 1, 1981; 3% from Oct. 1, 1981, and 3% from July 1, 1982, plus an increase of 3% beginning next July 1. Further, the proposed accord would include cost-of-living increases.

The panel said these settlements would continue the pattern of agreements reached since last November between 11 other rail unions and the carriers.

For the United Transportation Union, the special board said that under certain circumstances, cabooses may be eliminated from trains without undermining safety. The board recommended that the parties negotiate guidelines on the national level to implement the recommendation. The carriers say elimination of cabooses would result in annual savings of $400 million. The union says eliminating cabooses could be hazardous, and, in any case, should be a local bargaining issue.

A spokesman for the United Transportation Union said late Friday that the union hadn't yet seen the special panel's report and, therefore, couldn't comment on it.

Under railroad labor law, President Reagan established both emergency boards on the recommendation of the National Mediation Board, the federal agency that oversees labor relations in the railroad industry. At the same time, the president invoked a 60-day cooling off period. In July, both unions threatened to strike because of a stalemate over work-rule concessions in contract talks with the carriers.

WASHINGTON F.Y.I. *By Steve Marcy*

Look for a Showdown Next Month As Slurry Measures Reach Floor

Coal Industry News August 16, 1982

FOR the first time since the mid-1970s, backers of coal slurry pipeline legislation are guardedly optimistic about the chances of enacting legislation giving pipelines eminent domain to condemn railroad and other property to obtain rights of way.

The legislation faces a probable September showdown after having won the approval of three congressional committees — the Senate Energy Committee by a 14-6 vote, the House Public Works Committee by a 25-21 vote and, late last year, the House Interior Committee by a 21-20 vote.

The House bills differ somewhat in their approaches, which will probably necessitate ironing out a common version in the Rules Committee to take to the floor. The House Interior bill has the Interior Secretary making a finding of pipeline need while the Public Works Committee leaves that to the Interstate Commerce Commission. The Public Works version also has more detailed ICC control over the rates a pipeline can charge for moving coal and imposes them on all interstate coal pipelines regardless of whether they seek eminent domain.

The inability of the rail industry to bottle up the legislation in at least one committee, and thereby prevent its coming to the floor of at least one chamber, explains much of the optimism.

Passage of the Staggers Rail Act in 1980 so expanded rate-making freedoms of the railroads that it undercut their most powerful argument — that pipelines would lure away their most profitable traffic and leave many financially enfeebled lines tottering on the precipice of bankruptcy.

Offsetting Staggers

The railroads invoke Staggers as justification for their receiving ever larger shares of the total price that coal can command in the energy marketplace. This proclivity has caused many in Congress to reach for some method of reining in the railroads' new-found pricing power. What many congressmen have grasped is the competition provided by slurry pipelines.

But many in Congress are also naturally queasy about conferring on private projects the power of federal eminent domain to obtain rights of way. Conferring that power only after a federal agency finding that the proposed project is a public necessity and only by a federal court — as the slurry bills would do — has eased that queasiness only a little.

That's why those eminent domain powers were pared back during the committees' legislative writing sessions and face attempts at further paring on the House and Senate floors.

Eminent domain cannot be used to seize water supplies, and states are protected from being deemed as intruders of congressional rights to regulate interstate commerce if they cut off water to an already operating pipeline.

Sen. Wendell Ford, D-Ky., in the Senate and Rep. Arlan Stangeland, R-Minn., in the House tried to prevent the federal eminent domain power from pre-empting state law. Both measures were defeated, but everyone is looking for them to reemerge during floor debate.

Also sure to resurface, slurry proponents say, is a measure requiring the approval of bordering states for a pipeline to use water drawn from an aquifer or river from which all draw their supplies.

Adoption of a an interstate water sign-off provison would probably kill the bill's ultimate chances of passage. It contravenes existing interpretations of water law which make states virtually soverigns over their water supplies, a contravention they could not accept.

Proponents doubt that Congress can get to it before September because of legislaive calendar jammed with outstanding spending bills, a major tax bill and a constitutional amendment for balancing the budget. The House and Senate are scheduled to clear out of town Aug. 20 for a long Labor Day recess.

There won't be much time when they return. Although the post-Labor Day schedule has yet to be finalized, it is possible that only the last three weeks of September stand between Congress and adjournment. This ensures everyone has a full month of campaigning before the Nov. 2 election.

Wall Street Journal August 20, 1982

Rail Engineers Union Is Asked by U.S. Panel To Accept Contract

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON — A special presidential panel urged the Brotherhood of Locomotive Engineers to accept a contract settlement in line with earlier railroad-union agreements.

The panel was one of two appointed last month by President Reagan to avert a nationwide rail strike. The president also imposed a 60-day cooling-off period to allow the special panel to investigate the railroad situation and to give the parties time to consider the panel's findings.

Specifically, the panel said the union should accept retroactive wage increases of 2% from April 1, 1981, 3% from Oct. 1, 1981, and 3% from July 1, 1982, plus an increase of 3% beginning next July 1. Further, the proposed accord would include cost-of-living allowance increases.

The panel said yesterday that its proposed wage settlement would continue the pattern of agreements reached since November between 11 other rail unions and the nation's major rail carriers. Under these agreements, the union's members will receive wage increases of 25% to 30%, depending on the inflation rate, over a 39-month period that began April 1, 1981.

A spokesman for the union declined comment on the proposals late yesterday, because he said officials hadn't yet had a chance to study them. He said that in its negotiations, which began in May 1981, the union had been calling for a wage increase of 15% for 1981 and 10% for both this year and next year, plus cost-of-living increases.

The panel was appointed by Mr. Reagan 30 days ago, and the parties now have 30 days to consider the proposal. The union had planned to strike last month because of a stalemate over work-rule concessions in its contract talks with the carriers.

Under railroad labor law, the president established the emergency board on the recommendation of the National Mediation Board, the federal agency that oversees labor relations in the railroad industry.

Also last month, Mr. Reagan appointed a second special panel to investigate a contract dispute involving the United Transportation union. This dispute also is over work-rule changes, and the panel is expected to make its recommendations today.

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St. Paul Dispatch August 16, 1982

Economy sours BN's fortunes

By Steve Massey
Business Writer

The recession-plagued energy, grain and forest industries have put the brakes on rising stock fortunes in Burlington Northern Inc., reports analyst Zigurd Zivarts of Piper Jaffray & Hopwood's Seattle office.

The price for a common share in the Seattle-based transportation and natural resources concern has slid a crunching 35 percent since the beginning of the year, and Zivarts doesn't see it turning around anytime soon.

"Obviously, the company's financial performance, to a large degree, will reflect domestic economic activity," Zivarts said. "We believe economic activity for the balance of the year will remain sluggish."

Zivarts recently reduced 1982 fiscal earnings estimates for BN to about $200 million, or $5 a share fully diluted. That's a far cry from last year's healthy profit of $272 million, or $7.02 a share.

But BN's fortunes mainly rest on the performance of its St. Paul-based railroad, which has had its share of problems.

Railroad revenue-ton miles fell 9 percent in the second quarter ended June 30, mainly because of a 26 percent drop in lumber shipments. Lumber traffic was off another 22 percent in July, while coal dropped 4 percent and grain remained flat.

Coal, grain and lumber represent about 60 percent of revenues at the railroad, which itself accounted for about three-fourths of total BN revenues last year.

BN did report a second quarter profit of $121.4 million, or $3.20 a share. But those earnings included a gain of $102.2 million, or $2.74 a share, from the sale of BN Air Freight to Pittston Co. of Greenwich, Conn.

Excluding the sale, earnings from continuing operations plummeted 49 percent to $18.1 million, or 43 cents a share. For the six months, net profit from continuing operations fell 57 percent.

"I think the second quarter results were really a surprise," Zivarts said. "It called attention to how vulnerable the stock really is."

BN's other divisions haven't exactly been stellar performers, either. All but one of the seven non-railroad subsidiaries posted earnings declines in the second quarter — the sharpest coming in the oil and gas division, which earned $1.5 million compared to $14 million a year ago.

"Energy stocks are selling at one-third the price of what they used to, and the Russian wheat deal — or the trade with Russians — isn't all that secure," Zivarts said. "So companies dependent on grain and natural resources in the ground aren't doing too well."

Depressed product prices also have put a squeeze on the company's profit margins. BN had increased its return on revenues in the past two years by slicing the employee payroll, abandoning seldom-used track and charging higher freight hauling rates for some products.

But this year's lower product prices have held rate increases down, causing profit margins to shrink. In the second quarter, BN earned slightly less than 2 cents profit on the dollar.

Zivarts isn't totally bearish on BN, however. He noted that its extensive track system joins coal and grain producing states with the lucrative West Coast, Great Lakes and Southeastern ports.

"Once there is an economic rebound, and sales begin to dictate higher inventories, the rails will get that volume," he said. "Ultimately, that will reflect itself with a better price in stock."

Zivarts said he feels BN stock is "reasonably priced" for investors looking for long-term gains. But he added that the stock could drop further in the next few months before it begins to climb back to higher levels.

BN, which has traded as high as $73 a share in recent years, now is trading in the $34 to $37 range. The company has a book value of $73 a share.

August 26, 1982

Review Board OKs Track Abandonment

Journal of Commerce Staff

WASHINGTON — The Chicago & North Western Railroad's application to abandon 68.1 miles of track in Wisconsin has been approved by an Interstate Commerce Commission review board.

Specifically, the C&NW was given authority to abandon its line from milepost 187.9 near Eland to milepost 256.0 near Rhinelander.

The line runs through Shawano, Langlade, and Oneida counties.

In its decision the board noted that traffic has been declining and there is no indication that it will increase enough to make operations profitable.

August 24, 1982

BN Coal Loading Sets Unofficial Record

Journal of Commerce Staff

Burlington Northern recently loaded a 111-car railroad coal train in 32 minutes, an unofficial record for such an operation, say BN officials.

The loading, which occured near Gillette, Wyo., broke the old unofficial record of 43 minutes set in 1975, said Roger H. Nelson, railroad coal superintendent in Denver. The average time is 2½ to 3 hours, he said.

Mr. Nelson said the key to such a fast loading time is the use of two loading gates. "At the first gate the bottom half of the car is filled, and the second gate fills the top half," he said. "This makes for a faster loading time."

The 11,218 tons of coal in the train were then hauled to the Arkansas Power & Light Co. plant in White Bluffs, Ark.