Corporate Relations

MEDIA MONITOR

September 3, 1982

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Chicago Tribune
September 3, 1982

RTA votes Milwaukee Road deal

THE REGIONAL Transportation Authority board voted Thursday to take over the bankrupt Milwaukee Road commuter lines and to lower fares on the lines about 15 percent when it assumes operations beginning Oct. 1.

The RTA bowed to pressure from Richard B. Ogilvie, the railroad's bankruptcy trustee, who had threatened to close the lines unless the RTA took them over.

Ogilvie is attempting to sell the rest of the railroad to Grand Trunk Corp., a Canadian-owned holding company that operates several small railroads.

RTA officials said they will reduce fares on the Milwaukee Road after the takeover to standardize the fares with those on other commuter railroads.

Chicago Sun Times
September 3, 1982

Gains seen in RTA's rail takeover

The RTA board formally agreed Thursday to take over Milwaukee Road commuter operations, and Chairman Lewis W. Hill predicted his agency would provide "improved service at lower costs." The vote was 12-1, with Trustee David L. DeMotte of Glen Ellyn the lone dissenter "because I am concerned about costs." The contract between the RTA and the Milwaukee Road's bankruptcy trustee, Richard B. Ogilvie, provides that the authority will lease track, yards and stations for $620,000 a year, until the end of 1984. The RTA and other transit agencies already own the Milwaukee Road's commuter cars and locomotives. U.S. District Judge Thomas R. McMillen, who is handling the line's bankruptcy proceedings, still must approve the agreement, but no difficulty is expected. The RTA wants to take over the railroad's two commuter lines, which originate from Elgin and Fox Lake, by Oct. 1. It anticipates fare cuts of up to 16 percent for commuters.

Cedar Rapids Gazette
August 24, 1982

Milwaukee completes Iowa track purchase

CHICAGO (UPI) — The Milwaukee Road Monday completed the purchase of 98 miles of former Rock Island Railroad track in Eastern Iowa.

The sale price was $17 million.

Rehabilitation of some segments of the line, which runs from Clinton to Washington, Iowa, will begin immediately, Milwaukee Road Trustee Richard B. Ogilvie said.

The Milwaukee Road is being reorganized into a smaller, midwestern railroad and Ogilvie said the Iowa trackage is "an essential part" of the line's new configuration.

The sale was approved earlier by the Interstate Commerce Commission and the Milwaukee Road's reorganization court.

The Milwaukee Road has been providing interim service since April 1980 between Davenport and Fruitland, Iowa, and at Washington.

Chicago Tribune August 31, 1982

Milwaukee Road workers to get passes

By David Young
Transportation editor

THE FINANCIALLY strapped Regional Transportation Authority has agreed to give free passes on the Milwaukee Road commuter line to as many as 1,754 current and retired employees of the railroad's freight service.

It also was disclosed Monday that the Milwaukee plans to ask to abandon its commuter service to Walworth, Wis., once the RTA takes over the line. The RTA plans to operate commuter service only as far as Fox Lake, Ill., about 50 miles northwest of Chicago.

The interim service and joint trackage agreements enabling the RTA to take over the Milwaukee's commuter service were made public Monday. The RTA board is expected to approve the agreements.

According to the agreement under which the RTA will take over the commuter service Oct. 1, the RTA will give free passes on the commuter line to any Chicago area employee of the Chicago, Milwaukee, St. Paul & Pacific Railroad hired before March 1, 1972, and any retired employee hired before that date. The passes will be issued regardless of whether the employee works on commuter or freight service.

RTA OFFICIALS said 1,335 active employees and 419 retirees are entitled to the passes.

Officials of the agency disclosed that similar provisions were made for retired employees of the Chicago, Rock Island & Pacific Railroad when the RTA took over its commuter service in 1981.

The RTA also allows Chicago firemen and policemen to ride free on Rock Island trains when in uniform, one official said. He said he was unsure how many persons took advantage of the free rides.

The RTA raised fares for railroad commuters more than 100 percent last year after the agency ran into financial difficulty and is attempting to arrange loans for up to $100 million to enable it to keep operating until next year.

"IT WAS A STICKY negotiating point," said one RTA official of the talks that led to the current agreement to offer free passes to Milwaukee employees and retirees. "We agreed to give them to the people who now have them."

Prior labor agreements enabled employees even in freight service to ride the commuter trains free. The agreements were continued when the RTA began subsidizing commuter operations in 1975 because the service was still operated by the railroads.

The Rock Island eliminated the practice in 1969 except for those employees already on the payroll at that time, and the Milwaukee Road followed suit in 1972.

However, the takeover agreement shifts 360 Milwaukee Road commuter division employees to the RTA. The freight crews and maintenance workers will remain with the Milwaukee Road, which is being sold to the Grand Trunk Corp., a Canadian-owned holding company that operates several small railroads.

THE AGREEMENT with the Milwaukee Road calls for the RTA to pay $620,000 a year to rent the railroad's track, stations, yards and maintenance facilities, an estimated $50,000 a year as its share of property taxes on Milwaukee Road facilities and an estimated $6 million a year as the commuter line's share of the maintenance of the jointly used facilities.

That does not include the cost of fuel, administration and employees to be paid by the RTA.

The RTA is required to deposit $500,000 in an escrow account in the Bank of La Grange Park to guarantee that it will not fall behind in rental, tax and maintenance payments to the railroad. The Milwaukee Road will be able to withdraw money from the account if the RTA delays making payments as it did last year when it ran into financial trouble.

Officials said they have not been able to estimate how much the granting of employee and retiree passes will cost the RTA.

UNDER TERMS of the agreement, the railroad must maintain track and signals in such condition as to enable the RTA to run commuter trains at up to 60 miles an hour, and may not schedule freight trains over the rented lines between 5:30 a.m. and 8 a.m. and between 4:30 p.m. and 6:30 p.m. to avoid slowing RTA express rush period service.

RTA board members who favor the agreement said they have sufficient votes to pass it at Thursday's meeting. Four of the 13 members of the board are believed to be opposed, they said.

"The alternative is that there will be no service Oct. 1," said Lewis W. Hill, RTA chairman. The Milwaukee has filed with Federal Judge Thomas R. McMillen, who is overseeing its bankruptcy, a petition to abandon its commuter service Sept. 30.

MILWAUKEE OFFICIALS said that if the RTA ratifies the agreement, the railroad will file a petition to abandon that 24-mile portion of the railroad's north line between Fox Lake and Walworth and terminate service at Fox Lake. The railroad currently operates one round trip a day to Walworth.

The proposed abandonment would end service for 18 commuters a day using the Walworth, Zenda, Solon Mills and Spring Grove stations, RTA officials said. Wisconsin does not subsidize commuter railroads.

Northfield, Mn News
August 26, 1982

Historic train

By Scott Richardson

Jesse James and company may have more on their minds than just banks during this year's Defeat of Jesse James Days celebration.

A tempting addition will mark this year's celebration when the Minnesota Transportation Museum's 1905 Locomotive No. 328 rolls into Northfield's Milwaukee Depot with several passenger excursion cars trailing behind. The James-Younger gang of 1876 enjoyed raiding trains as well as banks.

The historic train is scheduled to arrive on Milwaukee Road tracks in Northfield the Friday of the celebration. Excursions will leave from the Milwaukee Depot hourly — two Friday evening at 6 and 7 p.m., and from 9 a.m. to 6 p.m. Saturday and Sunday.

The magnificient, steely-black iron horse with excursion cars with a capacity for more than 400 passengers, an opulent parlor-platform car, once the property of the New York Central Railroad's president, and a mail car will take travelers south out of Northfield through Dundas to Comus and then return.

Tickets will be available at the Milwaukee Depot and at several other locations around town. The satellite locations will be linked to the depot by telegraph wires.

Chicago Sun-Times, Tuesday, August 31, 1982

RTA outlines takeover at Milwaukee Rd.

By Edward Epstein

The RTA hopes to be operating Milwaukee Road commuter service by Oct. 1, a move that will mean lower fares and continued service for about 20,000 riders.

At an RTA board briefing Monday, officials disclosed details of the authority's agreement with the railroad. Under the transitional accord, the RTA will run commuter service until at least Dec. 31, 1984.

IT WILL LEASE track, yards and stations for an annual rent of $620,000. The line's cars and locomotives are already publicly owned. In addition, the RTA will employ the Milwaukee Road's commuter service employees, although labor contracts are yet to be negotiated.

Lower fares will come about because the Milwaukee Road has been operating without an RTA subsidy since last July.

The railroad, which is in federal bankruptcy proceedings, operates two commuter lines, originating from Elgin and Fox Lake.

The RTA board is expected to vote on the agreement Thursday. It must also be approved by U.S. District Judge Thomas R. McMillen, who is handling the line's bankruptcy proceedings.

The railroad had told McMillen that it planned to halt commuter service as of Sept. 30 because of continued losses. At the briefing, Chairman Lewis W. Hill was asked if he hopes to have all the necessary agreements in place by then.

He replied, "They must be. The alternative would be no service."

The agreement will give the RTA an additional two years to study a long-range solution to the problem of Milwaukee Road service. Richard B. Ogilvie, trustee for the bankrupt railroad, has arranged to sell most of the line's trackage to the Grand Trunk Railroad, which has indicated it is not interested in commuter service.

Journal of Commerce
September 3, 1982

Ex-Rail President Sentenced in Theft

United Press International

MORRISTOWN, N.J. — The former president of a railroad and five former rail workers have been sentenced and fined for their parts in a scheme that involved the theft of $1.3 million in equipment from Conrail and Amtrak.

Andrew Cobb III, 52, the former head of the Morristown Erie Railroad, was fined $7,500 for his convictions of conspiracy and receiving stolen property. He also was ordered to perform 50 hours of community service during each month of his five-year probation sentence.

Sentences for the others ranged from three years in jail to fines and community service.

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New Hampton, Ia. Tribune
August 26, 1982

City Accepts Paving Bid

The New Hampton City Council accepted a bid of $16,499.52 for paving a one-block section of Milwaukee St. during a special council meeting called Tuesday evening, Aug. 24.

Four bidders submitted prices for the paving project that will pave Milwaukee St. from the former Chicago and North Western railroad crossing to Linn Ave.

Holschlag Construction of New Hampton submitted low bid for the work and the council authorized Mayor Harold Gilbert and City Clerk Robert Gilbert to sign the contract. A policy step to approve the contract and performance bond for the work will be taken at the next regular city council session.

Other bidders were James T. Fox Contracting Corp. of Marion with a bid of $16,647.57. Croell Redi-Mix of New Hampton bid $17,946.74 and Allied Construction of Charles City bid $21,963.01 for the work.

An Oct. 1 completion date for the work has been set with a $100 per day fine scheduled for each day beyond the completion date that the work is not completed.

Members of the council said they are particularly interested in completing the paving before area farmers harvest their crops and haul them to Farmer's Coop grain storage bins located adjacent to the street to be paved.

The street was to be paved along with the others in the 1981 street program, but delays in acquiring right of way from the Milwaukee Road railroad sidelined the paving last year.

The property was acquired recently through condemnation proceedings. The Milwaukee Road firm is in federal bankruptcy court which added to the complexity of condemning the right of way property.

City Attorney Kit O'Donohoe told members of the council the railroad could ask the federal judge for an enjoinment against the city to delay the work, but added, any legal action the rail firm may take would only serve as a delay.

"When you're dealing with the railroad nothing is easy," O'Donohoe said. "But, we've done everything according to the book and I don't believe the railroad is going to take any action to prevent the paving of the street."

It remains uncertain when Holschlag will begin work at the paving site. He could not supply the council with a performance bond during their meeting Tuesday night, but did offer a certified check instead. The contract has been signed, though, and he may begin the work at his own risk, according to Mayor Gilbert, until he receives his performance bond.

Mason City Globe Gazette August 27, 1982

Railroads ready for bumper crop

AMES (AP) — The railroads serving Iowa are ready, willing and able to handle the state's expected huge harvest of corn and soybeans this fall.

That's the report from Les Holland, director of the railroad division of the Iowa Department of Transportation.

As of Aug. 1, the Iowa Crop and Livestock Reporting Service was forecasting corn production at 1.61 billion bushels and soybean production at 325 million bushels.

"That's another bumper crop," noted Holland. "With that situation, and with the problem of storage bins being fairly well full, that would put a tremendous burden on the transportation system of the state."

Holland said no transportation system could physically handle the load if the grain was all sold in just a few days time.

"If that happened, of course, you could run into a car shortage," he said. "But at this point in time," he laughed, "the railroads would be pleased to face that challenge because there are thousands of grain cars sitting all over the state and the Midwest."

Holland said today's healthy railroad situation can be credited mainly to two factors: more orderly marketing of grain and the rehabilitation of trackage.

"The so-called car shortage you hear about from time to time is kind of a cyclical thing," Holland said. "But it's leveling out a little bit because grain is being sold the year around.

"It used to be there was a big bulge during the fall harvest when farmers would sell their grain to pay off notes," he explained. "But in the last five to 10 years, this has changed. The marketing of grain is being spread out more evenly.

"Of course," he noted, "there are still some humps."

One example of a hump, Holland said, is the current situation of excess grain cars.

"About three or four years ago we had a serious car shortage problem," Holland said. "I feel the problem is one of car equipment use, rather than a shortage of cars. You can build more, but the economics are not there to run them a few weeks of the year during the peak of the cycle then have them sitting around for months.

"There are 1.7 million rail cars (of various kinds) to serve this country, so there is plenty of equipmemt," Holland said.

As for the physical condition of the railroad trackage, Holland said, there has been considerable improvement all across Iowa.

"The Iowa DOT, the shippers and the railroads serving the state have jointly rehabilitated 1,200 miles of tracks in the past six years," he said.

For example, Holland said, the Burlington Northern has spent $50-60 million fixing up its east-west mainline across southern Iowa and the Chicago and North Western has spent $180 million fixing its line through central Iowa.

"Lots has been done," Holland said. "And the bulk of the grain we're talking about is sitting in storage located alone those lines."

Green Bay Press Gazette
August 26, 1982

Ferry plan may fizzle, 2nd plan in offering

By The Press-Gazette and Associated Press

Although an employee proposal to resume Lake Michigan ferry service may be dead, Curtis Hockaday, Green Bay, president of the Green Bay & Western Railroad, said another plan already is being developed that could take effect by Sept. 7.

Hockaday's opinion came this morning after Michigan officials said Wednesday that the employee plan appeared dead unless the Legislature could revive it.

Don Riel, director of the Michigan Department of Transportation's rail freight division, said, "The service is not going to be resumed."

Hockaday said another company has been formed and intends to submit a proposal to the Michigan DOT this week. The plan would not require the approval of the Legislature, Hockaday said.

The GB&W is a partner with that company, Hockaday said.

After analyzing the employees' plan, the Michigan transportation department determined that the state could not afford the employees' bid to run the cross-lake ferry in August and September.

"We're just out of money," Riel said.

The DOT cut off state subsidies to the Michigan-Wisconsin ferry in April in a financial dispute with the Michigan Interstate Railway Co. The Owosso-based firm had operated ferry boats for the state since 1977.

The boats were linked to tracks formerly owned by the Ann Arbor Railroad system and carried railroad freight cars and passengers between Michigan and Kewaunee. At Kewauanee, the system links with the GB&W.

But in July, about 100 employees who lost jobs when the subsidy was cut petitioned the state to award them a low-cost contract to run the boat for two months.

They proposed that Michigan, which had previously paid $250,000 a month to operate two boats, spend about $47,000 a month to run one ferry across the lake.

The state of Wisconsin and two other railroad companies would provide the remaining money needed to operate the ferry between Frankfort and Kewaunee, Wis.

The Transportation Commission, impressed with the plan, asked the DOT to negotiate a short-term agreement with the employees that would resume service and same jobs.

Though the proposal, later revised upward, was sound, the DOT still lacked the cash for the project, Riel said. It could come up with only about $98,000, and $23,000 of that was needed for extra insurance.

Cedar Rapids Gazette: Thurs., Aug. 19, 1982

IDOT panel OK's rules for railroad authority

By Dave Rasdal
Gazette Eastern Iowa reporter

AMES — Despite skeptism from commission Chairman Robert Rigler, the Iowa Department of Transportation commission has approved administrative rules for the Iowa Railroad Finance Authority.

During the commission's meeting Tuesday, Rigler objected to what he called ambiguous language in the last chapter of the rules and said he felt that it could lead to a lawsuit against the railroad authority.

Rigler feels there are enough court tie-ups now — with the pending lawsuits over revenue sources for the authority — and he would like to see things get moving for the authority.

"I'm going to vote against it, just as a matter of principle," he said.

The rules were passed, however, 5-2, with commissioner Del Van Horn of Jefferson voting with Rigler. Among other things, the rules spell out the IDOT commission's role with the railroad authority.

The rule questioned by Rigler concerns an "enforceable undertaking" clause that requires a railroad company to operate a line according to a contract with the transportation commission. Rigler wondered what the term means and also wanted to know exactly what terms of operation by a railroad company are acceptable to the state.

Barbara Dunn, commissioner from Des Moines, also questioned the terms of operation and wanted to know if it meant running a train once a year or once a week or what.

Les Holland, director of the IDOT's railroad division, agreed the "enforceable undertaking" clause is not defined and said that would be an excuse to send the rules back to the state Legislature for clarification.

Des Moines Register August 31, 1982

Eastern Iowa firm buys share in power plant

By RICHARD PAXSON
Register Staff Writer

The sale of a $25 million share in a giant new power plant in Louisa County was announced Monday, but it made only a tiny dent in the sizable excess generating capacity of the plant's principal owners.

Officials of Iowa-Illinois Gas and Electric Co. of Davenport said Interstate Power Co. of Dubuque has agreed to assume $25 million of the facility's $578 million cost in return for a 4 percent share, or 26 megawatts of the plant's 650-megawatt capacity.

Iowa-Illinois and Iowa Power and Light Co. of Des Moines, which along with Iowa Public Service Co. of Sioux City are the plant's principal owners, have been scrambling to find buyers for part of their shares. The growth of demand for electricity has slowed dramatically, leaving the companies with far more electricity to sell than their customers are buying.

The completion of the Louisa plant, scheduled to begin operation next summer, will add to the problem. Iowa-Illinois, for example, currently has about 30 percent more generating capacity than its peak demand plus a reserve. The excess is likely to jump to 60 percent or more once the new plant is completed. Iowa Power would have about a 45 percent surplus.

Iowa-Illinois wants to sell ownership of 100 megawatts of its 300-megawatt share, and Iowa Power has put half its 200 megawatts up for sale. Spokesman Sam Wilson said the relatively small sale to Interstate does not solve the problem.

"If you know of any buyers, please have them contact us," Wilson said. "We are not currently discussing sales with any other power supplier in the Midwest."

By contrast, Interstate needed to buy a small amount of generating capacity to meet customer demand. Interstate was scheduled to be a partner in another plant that would be built in Guthrie County in the mid-1980s, but sluggish sales may delay construction to 1990 or beyond.

The sale still must be scrutinized by the Illinois Commerce Commission, because Iowa-Illinois and Interstate have customers there. There is no similiar requirement in Iowa.

Journal of Commerce
Three Items

August 30, 1982

Lamboley In Line For ICC Seat

Journal of Commerce Staff

WASHINGTON — A Nevada labor lawyer quite active in Democratic circles apparently is in line for a seat at the Interstate Commerce Commission.

He is Paul H. Lamboley who is engaged in private practice in Reno.

Though he once was quite active in American Civil Liberties Union suits, Mr. Lamboley now focuses primarily on labor matters and represents virtually every AFL-CIO local in Reno.

He also has been quite active in Nevada Democratic politics and often contributes to their campaigns.

Mr. Lamboley has been dubbed the "Candy Man" by some Hill staffers since his wife recently started a gourmet candy shop in a shopping center outside Reno.

Though sources said the administration has agreed to the nomination it is not expected to be announced for the next two or three weeks.

There are reports however that it might be dropped if Sen. Howard Cannon, D-Nev., loses his primary fight with Rep. James Santini, D-Nev.

If nominated and confirmed Mr. Lamboley would bring the ICC to the four Republican, three Democrat composition required by Federal law.

It also would represent a distinct westward tilt at the commission since ICC chairman Reese H. Taylor Jr. also is a Nevada native.

Mr. Lamboley was out of town and could not be reached about his future plans.

August 31, 1982

ICC Order Frees Line For Sale

Journal of Commerce Staff

WASHINGTON — Either the Baltimore & Ohio or the Chesapeake & Ohio railroads will be free to lease and eventually purchase a line from the estate of the defunct Chicago, Rock Island & Pacific Railroad under terms of a recent Interstate Commerce Commission order.

The track involved is an 89-mile line between Henry and Joliet, Ill. as well as a 5,000-ft. stretch at Blue Island, Ill.

Either of the railroads also will be able to receive trackage rights over 23 miles of track owned by the Peoria & Blue Valley Railroad Co., a Rock Island subsidiary.

The Rock Island's trustee has the option, until Aug. 1, 1985, to sell the lines to either the B&O or the C&O, the ICC said. But the Peoria & Blue Valley track will not be affected by the sale.

The railroad will pay either $18 million or $20 million for the Rock Island line, depending on whether some easements, licenses, leasehold interests and salvage rights are part of the transaction.

September 1, 1982

Family Lines System Closes for Weekend

Journal of Commerce Staff

WASHINGTON — As a cost-cutting measure, the Family Lines Railroad system has decided not to operate this weekend.

Carriers involved include the Louisville & Nashville, the Seaboard Coast Line and several smaller railroads.

In a notice sent to shippers on their lines, the railroads said they will not operate from about 7:00 a.m., Sept. 5, until around 7:00 a.m., Sept. 7.

As a result agency and yard offices, mechanical facilities and other operations will be shut down Sept. 5 and 6.

Industry officials said various railroads have been doing this for years and that virtually every carrier cuts back service to some degree on holiday weekends.

They pointed out that railroads must pay workers double time for working on holidays. That can involve substantial amounts, they said, particularly in an environment of reduced carloadings due to the recession.

Industry officials also said it is hard getting workers for the holiday weekend, even with the overtime incentive.

Shippers of perishables and other commodities were urged to either tender the shipments early or wait until after the weekend before turning them over to the carrier.

Switches will be closed so traffic going over a main line still will be able to move.

THE JOURNAL OF COMMERCE, Tuesday, August 31, 1982

Southern Pacific Railroad Prepares for Recovery

By SUSAN FASS
Journal of Commerce Special

The reports of gloom and doom about the Southern Pacific Transportation Co. may be greatly exaggerated.

In fact, according to Robert D. Krebs, president of the wholly owned subsidiary of the diversified San Francisco-based Southern Pacific Co., the reports are not only exaggerated, "They are wrong."

Despite a loss of more than $15 million for the railroad operation in first half of 1982, Mr. Krebs, in a telephone interview, said that "in spite of the things you read, we have a good story to tell."

The 40-year-old executive pointed out that "in the short run our cash flow is good. And while we are not counting on any upswing in business between now and the end of the year, we will be all right even if we have to go through to next year (without an upswing)."

He emphasized that SP's railroads have "about $100 million in cash in the bank right now, so I feel we are doing just fine based upon the economy we are in."

In 1981 Southern Pacific Co. reported total revenues of $3.2 billion. Of that, the SP railroads generated $2.6 billion, or about 81 percent of total revenues.

Over the long term, Mr. Krebs said the railroad is poised to take off when the economy takes off. Pointing to SP's policy of continuing its maintenance programs throughout the recession, Mr. Krebs explained "that is why our profit and loss statement looks so crummy."

Last year SP put in about 2.5 million new ties on its 13,740-mile railroad system, which runs through 14 states — more than in any year prior to World War II.

And the road has also spent close to $100 million rebuilding locomotives and taking slow orders off the railroad.

Mr. Krebs is quick to point out that the heart of SP's road locomotives — about 25 percent — are in storage. These either have been newly rebuilt, at a cost of about $700,000 each, or have been subject "to the highest level of our preventative maintenance program."

Therefore, he said, "we will be ready for business when it comes back."

Mr. Krebs believes SP still has a strong traffic base despite a continued drop in carloadings and the fact that it failed to cash in on the coal and grain booms of the late 1970s.

"We have the traffic base, and it's up to us to figure out a way to develop it."

The SP executive, who assumed the presidency of the transportation division in July, cited as positive factors the road's upswing in piggyback traffic, its entry into the grain business with the 1980 acquisition of the bankrupt Rock Island Railroad's 965-mile Tucumcari line, the addition of unit coal trains bound for Arizona and Texas markets, as well as the great potential for exporting coal from West Coast ports to the Far East.

"We have sacrificed some profits during this recession to build for the future, and we are taking some heat for it," he said.

For the past three or four years, the SP executive explained, the railroad has been working on improving its service. "We are now at a level where our customers are telling us we are as good or better than our competitors," according to Mr. Krebs.

In the future, the road will put the emphasis on its sales and marketing forces. "We are taking the initiative in the marketing area so that we can better act on our customers' behalf instead of reacting," said Mr. Krebs.

This kind of marketing effort is already paying off, according to the SP executive.

In the first seven months of the year, intermodal revenues and units have increased 29 percent and 27 percent, respectively.

Journal of Commerce
August 31, 1982

BN Transport Opens Facility in Michigan

Journal of Commerce Staff

Denver-based BN Transport said it has opened a new facility at Niles, Mich., as a satellite of its Chicago facility.

The Niles terminal will serve the southwestern part of Michigan and the northern part of Indiana, including Battle Creek, Grand Rapids, Kalamazoo and Lansing, all in Michigan; and South Bend, Mishawaka, Valpariso and Warsaw, Ind.

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The Kansas City Southern railroad has 1,700 miles of strategic track and Irvine Hockaday. That's abundance.

FORBES September 13, 1982 (Cover date)

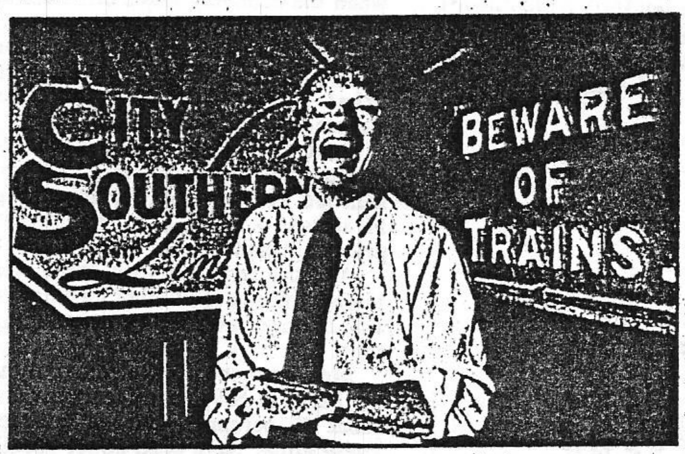
Who needs merger?

By Lisa Gross

WITH THE MOST DIRECT ROUTE between the Kansas City rail gateway and the Gulf of Mexico, it goes without saying that the Kansas City Southern Lines railroad would fetch a premium price in the national railroad merger market. But because of Irvine Hockaday's achievements over the last 14 years, the KCS attracts more than a premium. It commands tribute.

One analyst suggests the Burlington Northern or the Santa Fe ask Hockaday—president of Kansas City Southern Industries—to name his price, add on 50% and buy the KCS as a bargain. It is not so much that BN or SF will need KCS' strategic 1,700 miles of track once the Union Pacific and Missouri Pacific merge. It is that Hockaday has increased rail earnings 400% in the last five years, to $26.4 million on $321 million revenues in 1981, and made the KCS one of the most profitable railroads in the nation.

First it had to be saved, then rebuilt. Less than a year after Hockaday joined KCS' legal department in 1968, he noticed accumulation in its stock. He responded quickly, persuading the board to institute staggered terms for directors, flushed the secret buyer—Lee National Corp., an investment and real estate firm—and exulted. Because Lee was an investment company, and KCS owned 54% of a mutual fund management company, University of Michigan-trained lawyer Hockaday "sued every Wall Street brokerage firm that held stock for Lee and withheld dividends." He stopped the takeover cold, eventually buying out Lee's $23 million of KCS in a trade for real estate in 1971. The next year, when he was 36, Hockaday was named president of KCS.



KCS President Irvine O. Hockaday
Thank you, but "we know best how to run our railroad."

Then he learned that salvation was easy, redemption harder. In 1972 Kansas City Southern Industries had $139 million revenues, $7 million earnings and a railroad badly in need of maintenance. The company had spent ten years debating how much to commit to the railroad and how much to diversification, and the roadbed reflected its waffling and tough competition from trucking. But Hockaday listened closely as his marketing people talked about the 20-year coal contracts Gulf States Utilities and Southwestern Electric Power were about to sign with mining companies in the Powder River Basin. The Burlington Northern could take that coal to Kansas City, but only KCS could take it on to the utilities in Texas and Louisiana. Hockaday "opted to bring the roadbed up to state of the art—even to err on the side of overdoing it," and authorized what became a $341 million, ten-year upgrading program. Then he scrambled to pay for it by selling off diversifications in metal fabrication and financial services, but chiefly by husbanding KCS' capital.

When it came to negotiating shipping contracts over the newly upgraded rail, Hockaday and railroad President Tom Carter stood tough. Other railroads give coal shippers the option of buying or leasing unit coal trains. Not KCS. "We gave them prices for both, but we never intended to buy those unit trains," says Carter with a grin. If utilities want the coal, let them own the trains. That shrewd calculation has saved KCS $225 million to date. With that sort of thinking, plus strict budget controls, KCS has been able to pay for renewing its line while keeping long-term debt manageable—46% of capital by last year. The renewal is still paying off. This year, KCS estimates unit coal train tonnages will increase 25%, raising coal revenues at least 75%, to about $74 million.

Hockaday has brought KCS from desperation to a company with enviable options. He figures the coal surge will last another five years, based on current contracts. Adding to that, he counts on exporting soda ash from Wyoming and Montana through the Gulf—where KCS happens to own the only existing soda ash handling facility, at Port Arthur, Tex.

Then there's a new KCS innovation, the "Big D" cooperative carloading agreement with the Santa Fe at Dallas—a connection to or from the Southeast, West Coast and Central regions—which brought in $47.5 million revenues in this year's first half. KCS' share is about 20%. Hockaday is seeking similar agreements with Burlington and Southern Pacific, trying to make the most of his small railroad's strategic position. "Before the UP/MoPac merger talks," he notes dryly, "trying to get the big guys to listen on things like the Big D connection was like trying to teach a duck to sprint."

An eventual merger? Hockaday, 46, doesn't blink. "We think we know best how to run *our* railroad," he says firmly. The evidence confirms it. ■

Congressional Quarterly
August 21, 1982

House Passes Rail Service, Safety Bill

—*By Judy Sarasohn*

The House has passed a bill dealing with a passel of rail service and safety issues, including providing labor protection benefits to Rock Island Railroad employees, shifting the Alaska Railroad to state control and adding money to transfer Conrail commuter lines to other agencies.

The measure, (HR 6308 — H Rept 97-571, Pts. I and II) approved by voice vote Aug. 12, also reiterated congressional intent that the entire Northeast Corridor improvement project from Washington, D.C., to Boston be completed.

The Senate March 2 passed a bill pertaining to the purchase by other railroads of lines belonging to the bankrupt Rock Island (S 1879). Other pending bills (S 2301, S 2430, S 1500) cover some of the issues wrapped into the single House measure.

The House bill authorized $52 million in fiscal 1983 for the Federal Railroad Administration (FRA) safety programs and $52.7 million in 1984. The agency's authorizations are due to expire Sept. 30, 1982.

The 1983 authorization is $2.7 million above President Reagan's request because the bill included a grant program for states making rail inspections that he wanted to cut out.

Also, the bill clarified the FRA's safety jurisdiction over commuter rail operations.

The House accepted by voice vote an amendment by Robert T. Matsui, D-Calif., that required the transportation secretary within one year after enactment to issue rules to require that the construction, maintenance and operation of rail equipment be done in a manner so as to increase the safety of passengers.

The amendment also required the secretary within two years to issue rules to require training of on-board rail staff in evacuation procedures and the use of emergency equipment.

Rock Island Railroad

The legislation attempted to circumvent a March 2 U.S. Supreme Court ruling that struck down as unconstitutional provisions of a 1980 act (PL 96-254) that required $75 million in benefits to former Rock Island employees. The court said that Congress may not pass bankruptcy laws that apply to the affairs of only one bankrupt organization. *(Weekly Report p. 535)*

The bill applies its provisions to any bankrupt railroad, not just the Rock Island. It requires the transportation secretary to guarantee the obligations of any bankrupt railroad for purposes of funding a labor protection agreement, which could include such aid as severance pay. The maximum liability of a railroad would be $75 million. The railroad's estate would be allowed to sue the federal government for compensation.

This section also set procedures for the acquisitions by other railroads of lines abandoned by the Rock Island to ensure continued service.

Alaska Railroad

Under the House bill, the federally owned Alaska Railroad would be transferred to the State of Alaska by Oct. 1, 1982.

The state would be required to pay an amount equal to 75 percent of the net liquidation value of the rail properties. The Congressional Budget Office said one estimate of the cost was $183 million but added that the final figure might be substantially different.

Reagan requested no new funds for the railroad in fiscal 1983.

While the state is willing to take over the railroad, it does not want to pay for it. According to Alaska Gov. Jay S. Hammond, R, the state will be responsible for a railroad in need of more than $100 million in improvements, and the transfer would be subject to costly employee protection conditions and probably to valid, existing claims to some railroad lands.

Conrail

The bill authorized $75 million to pay transition costs of the transfer of Conrail commuter lines to an Amtrak subsidiary and other commuter agencies. Although this would be additional monies for commuters, the funds would come from previously authorized Conrail operating subsidies.

Congress last year authorized $50 million to help in the transfer of commuter lines inherited by Conrail, the federally subsidized freight railroad. *(1981 Almanac p. 561)*

James J. Florio, D-N.J., chairman of the House Energy and Commerce Transportation Subcommittee, said the transition expenses have been greater than expected.

Northeast Corridor

The bill required the eventual appropriation of all the $2.5 billion authorized for the Northeast Corridor project and identified specific improvements to be accomplished.

Last year, the administration announced it would reduce the scope of the project and spend only $2.19 billion. Language was included in the 1981 budget reconciliation act (PL 97-35) stating that the full $2.5 billion should be spent. *(1981 Almanac p. 566; 1980 Almanac p. 238)*

The bill provided that authorized but unappropriated corridor funds may be carried over and used in excess of any limit applicable in future years. Thus any unspent funds would be available to Amtrak, which after fiscal 1985 has responsibility for the project.

A Florio aide said HR 6308's provisions are necessary despite the 1981 act because the administration still does not want to spend the entire authorization.

The bill also extended for three years the existing authorization for a loan program that helps railroads repair and rebuild facilities and equipment. The program, due to expire at the end of fiscal 1982, has an authorization of $1.4 billion, of which about $600 million has been appropriated.

No new authorizations were included in the bill. The legislation directed that of the funds already authorized, no more than $160 million is authorized for fiscal 1983.

The administration proposed terminating the program.

The legislation directed that up to $80 million of the $160 million be used to aid in the purchase, lease and rehabilitation of lines that Conrail intends to abandon and that shippers, local and state governments and small railroads want to take over.

In addition, the legislation authorized $15.6 million in fiscal 1983 for the Office of the Administrator of the FRA.

Journal of Commerce September 1, 1982

Acute Canadian Problems Bring Push for New Leader

By LEO RYAN
Journal of Commerce Staff

OTTAWA — With the banking elite gathering in Toronto beginning today for the annual meetings of the World Bank and the International Monetary Fund, Canada will be in the spotlight as the host country for the first time of the important event.

But this will not necessarily turn to Canada's advantage. Though all industrial democracies are suffering from the worldwide recession, Canada is suffering from particularly acute political and economic problems, and government leadership is blamed for much of the dilemma.

While the bankers in Toronto will be devoting much of their attention to averting a debt rescheduling crisis, a scheduling crisis of a different order has been gaining momentum in Canada: timing the final retirement of Prime Minister Pierre-Elliott Trudeau from the political stage.

The longest-reigning Western leader, Mr. Trudeau has been continuously in power since 1968 apart from a brief hiatus in 1979. But the pressure has become virtually intolerable for Mr. Trudeau to let another figure guide the resource-rich country back to economic health and, above all, to preserve its fragile unity.

This, at least, is what is suggested in the public opinion surveys. The most recent Gallup poll shows a scant 28-percent support for Mr. Trudeau's Liberal Party, compared to 47 percent for the Progressive Conservatives.

The business and financial communities, in the past few years, have become increasingly disenchanted over nationalistic economic and energy policies that have provoked a dramatic outflow of investment dollars and created sharp friction with Canada's largest trading partner, the United States.

As illustrated by the financing problems of Dome Petroleum, the adventurous, Calgary-based oil giant, the whole "Canadianization" process required a more gradual approach. Some of the country's blue-chip financial institutions became somewhat over-exposed, as a result, though the Canadian banking system still appears to analysts sufficiently strong enough to weather a number of corporate defaults.

At the present time, however, talk of the possible imminent retirement (this fall, or early winter at the latest) of Mr. Trudeau has been stirred by an incident that occurred a couple of weeks ago.

On a holidaying trip with his three children on a private railway car through Western Canada, Mr. Trudeau is greeted at one point by a small group of protestors in a Rocky Mountain town. The train car is pelted with tomatoes. Placards are raised carrying the message: TRUDEAU RESIGN.

The prime minister's eventual response, in front a peacefully-demonstrating middle-age couple, was an arrogant middle-finger salute, a gesture even recorded on astonished U.S. networks.

Some of Canada's best-known columnists immediately sharpened their claws. "It is a head of government behaving like a fish-market Robespierre," wrote Barbara Amiel.

"It was his gracious way of saying goodbye, a man who leaves not with a bang but a finger," was the devastating comment of columnist Allan Fotheringham, abandoning his usual whimsical humor.

In the past, Mr. Trudeau has sometimes failed to keep his patience under provocation but the latest outburst was especially damaging, taking place, as it did, in the western part of the country that in recent years has politically become totally removed from the Liberal administration in Ottawa and that is no longer spared from the ravages of the recession.

Despite a courageous policy of bilingualism and attracting talented French Canadian politicians to the federal capital, Mr. Trudeau has failed, too, to significantly weaken the separatist forces in Quebec. His confrontational style, many observers feel, has basically been ill-suited to knitting together the sparsely-populated, diversified country with the biggest land mass in the Western Hemisphere.

The economic indicators, for their part, continue to be less encouraging in Canada than south of the border.

The record unemployment rate of 11.8 percent is 66 percent higher from the level a year ago. An inflation rate of 12 percent is about double the U.S. level.

In its latest forecast, the Royal Bank of Canada said Canada's real Gross National Product will decline by 3.2 percent this year — "the sharpest contraction in Canada's economic acticity since the Depression." A modest upturn of 1.6 percent in predicted for 1983.

Earlier forecasts by the Royal Bank had foreshadowed faster growth in Canada in both 1982 and 1983 than in the U.S. Revised figures indicate the U.S. will fare much better.