Corporate Relations

MEDIA MONITOR

September 15, 1982

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Chicago Sun Times
September 15, 1982

The Milwaukee Road will lease 210 coal cars with delivery expected later this year and early next year. The cars have a current market value of $7.8 million and will be manufactured by Portec Inc.'s rail car division. They will be leased to the railroad over a five-year term.

Wall Street Journal
September 15, 1982

Soo Line Road Offers To Purchase 650 Miles Of Rock Island Track

By a WALL STREET JOURNAL Staff Reporter

MINNEAPOLIS—Soo Line Railroad said it offered to buy more than 650 miles of track from the bankrupt Chicago, Rock Island & Pacific Railroad. Terms weren't disclosed.

The offer covers about 400 miles of main line, including ownership in jointly operated segments between Northfield, Minn., and Kansas City, Mo. It also covers about 200 miles of branch line in Northern Iowa, a 45-mile segment from Dows to Forest City, Iowa, and a 12-mile branch from Carlisle to Indianola, Iowa.

Soo Line, which has routes concentrated in the Northern Midwest, said the acquisition would extend its direct service to Kansas City and give it access to a major grain-producing region in Iowa.

The Rock Island, as the Chicago, Rock Island & Pacific is informally known, is seeking a buyer for the properties as part of the liquidation ordered in 1980, Soo Line said.

Any sale requires approval by the bankruptcy trustee and the court overseeing the liquidation, as well as by the Interstate Commerce Commission.

Chicago Tribune
September 15, 1982

RTA rail pact OKd

AN AGREEMENT BY which the RTA will take over and operate the Milwaukee Road commuter lines beginning Oct. 1 was signed Tuesday by federal Judge Thomas McMillen who is overseeing the railroad's bankruptcy. The Milwaukee's two lines to Fox Lake and Elgin carry about 20,000 daily commuters. The agreement in effect gives the RTA trackage rights to operate commuter trains on the Milwaukee Road until 1984. The RTA board approved the agreement Sept. 2. The board will meet Wednesday to approve various contracts with other agencies and labor organizations necessary before the takeover can occur.

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St.Paul Dispatch
September 8, 1982

St. Paul firm, NSP agree on pipeline

By Steven Thomma
Staff Writer

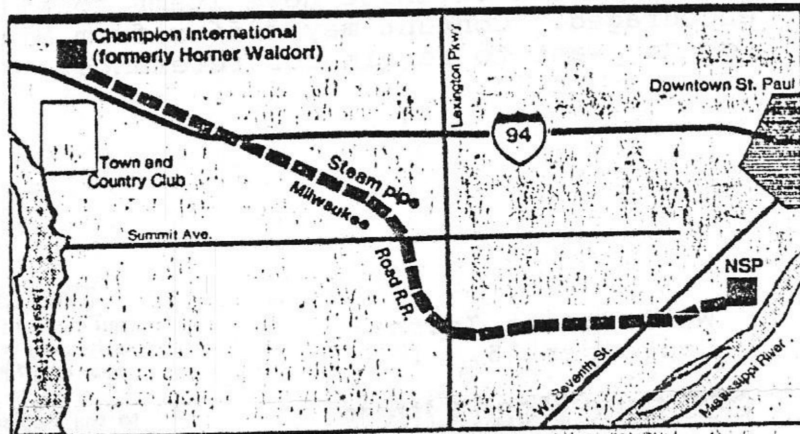
Champion International Corp. and Northern States Power Co. have agreed to build a $40 million steam pipeline to provide power for paper recycling, and are negotiating with the Milwaukee Road railroad to place the underground pipeline alongside railroad tracks.

If an agreement is reached to locate the 5.5-mile pipeline next to the tracks, the first such steam system in the Twin Cities could go into operation by Jan. 1, 1984, according to NSP spokesman Wayne Kaplan. The pipeline would end at Champion's Midway plant at 2250 Wabash Ave. and would not be opened to other customers, Champion vice president Milt Knoll said.

NSP would build, own and maintain the pipeline, linked to its High Bridge plant, but Champion would pay the $40 million price tag through an eight-year energy contract, Kaplan said.

The Champion plant is one of the nation's largest paper recycling operations and uses high-pressure steam in the manufacture of boxboard, consumer packages and corrugated shipping containers. The company now operates its own $14 million-a-year power plant, using fuel oil, natural gas and electricity to produce steam. Little of the steam is used for space heating at the plant.

Threatened competitively by



Map shows pipeline route.

Pipe

Continued from Page 1C

rising costs in fuel oil, natural gas and electricity, the paper company considered constructing its own coal-fired power plant. The NSP High Bridge plant is coal-fired.

NSP's Third Street plant produces steam for space heating in several large office buildings in downtown St. Paul. Many building owners have signed commitments to participate in the proposed downtown district heating system, in which hot water would replace the steam.

At Champion, the steam would be run through large turbines, creating electricity for machinery, and then run into paper-drying machines.

The pipeline would run under the railroad bed where one set of tracks now is located, Kaplan said. The Milwaukee Road has at least two sets of tracks running the course of the 5.5-mile route, Kaplan said. Champion and NSP have proposed that one set of tracks be removed to make room for the buried pipeline.

In addition to a lease-type agreement with the railroad, city approval is needed in the form of various construction permits.

Minneapolis Star/Tribune September 11, 1982

Wirth offers to sell part of his interest in depot land

By Jacqui Banaszynski
Staff Writer

Harry Wirth was working late Friday to put financial deals together to meet Monday's deadline to buy the Milwaukee Road depot property in downtown Minneapolis.

He was offering to sell a substantial portion of his interest in the 15.5-acre site, apparently to gain enough cash to complete the $9.5 million purchase. The move is a dramatic switch for Wirth, who has been reluctant to relinquish control of the proposed project.

The negotiations, which were expected to continue through the weekend, have increased skepticism among Minneapolis and Milwaukee Road officials about Wirth's ability to carry through his billion-dollar dream of rebuilding the downtown waterfront district.

"Monday's supposed to be closing day, but I don't think it's going to be closing day," said Mike Sullivan, an attorney for the Milwaukee Road in Chicago. "I'm almost positive that it's not going to be closing day. I'm convinced Mr. Wirth does not have the money to close."

However, it was not clear whether Wirth's year-long attempt to buy the riverfront site would end if he failed to meet the purchase deadline. Wirth could not be reached for comment yesterday, but his attorney said the matter is not over.

"His (Wirth's) record shows he's a very determined person," said Minneapolis lawyer Wayne Popham.

Wirth has been granted purchase deadline extensions four times since February in return for nonrefundable cash deposits totaling $2.2 million. He is scheduled to pay the remaining $7.3 million in cash, plus 14 percent interest on that amount, by Monday.

If Wirth fails to gather the cash or gain an extension, it is "unlikely" the railroad would refund the deposits, Sullivan said. Wirth has said that the payments were made from his personal funds.

U.S. District Court Judge Thomas McMillen, who is overseeing the financial reorganization of the bankrupt railroad, will consider the matter late Monday.

Earlier this week, Wirth was unsuccessful in getting city officials to cosign his application for a $16 million loan from a California savings and loan institution. Until that time, Wirth had not gone to city officials in his attempts to garner the money needed to buy and redevelop the depot site at Washington and 3rd Av. S. He originally pledged to launch a $220 million renewal of the depot property without government money and at one time said he had access to as much as $2 billion in private funds.

"He came to us after he apparently was unsuccessful in trying to come up with the financing himself," said Jim Heltzer, director of the Minneapolis Community Development Agency.

Wirth then sent the agency a telegram from California early yesterday, this time offering to sell the city the right to buy two blocks of the depot site for $4 million. The city had expressed an interest in buying that parcel last year because it wants to tear out railroad tracks on the land and the adjacent Washington Av. viaduct.

Selling the land apparently would give Wirth additional leverage in gaining enough money to complete the purchase, Heltzer said.

"Harry Wirth is borrowing money from a savings and loan in California," he said. "The less he has to borrow, the better off he is."

The Minneapolis City Council declined that offer yesterday and voted to stay out of dealings involving the depot, despite indications that Wirth might try to sell the same parcel to the Soo Line and the Cowles Media Company. Those firms also tried to buy the land from the Milwaukee Road to prevent removal of the railroad tracks and viaduct.

Soo Line officials could not be reached for comment. John Cowles Jr., president of the Cowles Media Company, and Don Dwight, publisher of the Minneapolis Star and Tribune Newspapers, said yesterday that they didn't know if a deal had been struck with Wirth. However, Dwight said the newspaper company remains interested in buying a portion of the depot property in order to save the tracks, which are used to ship newsprint to warehouses at 5th St. and Portland Av.

Heltzer warned the city council that chances of having the tracks removed would be "very slim" if the Soo Line and the newspaper gained control of the property.

But council members remained adamant that the area should be developed with private funds and that Wirth should be held to his pledge to undertake the project without government assistance.

"For the city to get involved at ths point with bailing Mr. Wirth out by buying that property is totally wrong," said Alderman Charlee Hoyt, IR-13th Ward.

Wirth is a San Francisco real-estate developer with property interests in Wisconsin and Upper Michigan. He won the right to buy the depot property last year in a bidding war against four other developers by offering $9.5 million in cash.

Minneapolis Star/Tribune

September 10, 1982

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Wirth asks city to cosign loan so he can buy depot

By Jacqui Banaszynski
Staff Writer

Developer Harry Wirth has asked the city of Minneapolis to cosign his application for a $16 million loan to buy and begin development of the Milwaukee Road depot property, less than a week before his deadline to complete the $9.5 million cash purchase of the site.

City officials said Thursday that they denied the request, which would have left the city liable for the loan if Wirth were unable to fulfill his billion-dollar dream of rebuilding the downtown Minneapolis riverfront district.

"He was trying to get us to intervene and help him and we refused," said Stephen Keefe, chairman of the Minneapolis Community Development Agency. "We don't want to get involved with this if we can help it."

Wirth's negotiations with city officials, which took place earlier this week, have intensified speculation that the California businessman doesn't have sufficient cash to complete his purchase of the depot site by Monday's deadline.

"It sounds to me as if he's having trouble coming up with the money," Keefe said. "But I really have no way of knowing if he'll make the deadline."

Wirth, president of Waterfront Companies Inc., could not be reached for comment yesterday. Colleagues working in the Waterfront Companies' offices in the depot building, at Washington and 3rd Av. S., said Wirth was in Minneapolis earlier this week after spending most of his time the last few months in California negotiating with potential investors.

Wirth asked the city to cosign an application seeking $16 million from a savings and loan institution in Stockton, Calif., according to Jerry Luesse, a community development agency official involved in riverfront renewal.

"What he was asking for was somebody to cosign the loan and get his project started," Luesse said. "The city would then get some action on that land because he'd be able to move forward with the project.

"He wasn't asking the city for any subsidies or cash or bonding, just to cosign the note," Luesse said. "But if he faltered and the city had to make good on that guarantee, it would mean exposure for the whole $16 million."

Luesse said the law does not permit the city to guarantee a private debt.

Wirth originally pledged to complete the $221-million depot renewal project without government money and later to expand the project to include a 20-year, $1.2-billion redevelopment of more than 100 acres of waterfront between downtown Minneapolis and Interstate Hwy. 35.

Wirth was scheduled to buy the 15.5-acre depot site from the bankrupt Milwaukee Road in February. He has since paid the railroad $2.2 million in nonrefundable cash deposits for four extensions of the purchase deadline.

He also has been paying 14 percent interest on the remaining $7.3 million. Milwaukee Road officials declined to say yesterday whether they would be willing to grant Wirth an additional extension.

"It's our understanding there will not be any more extensions," Luesse said yesterday. "But we've been surprised before."

Wirth has continued to negotiate with investors and financial institutions, primarily on the West Coast, in an attempt to raise enough money to complete the purchase, according to Robert Ready, a former Minneapolis city planner who now works as project manager for Wirth's Waterfront Companies.

Ready said yesterday that Wirth's success in acquiring the money to pay for the property and early construction "is a day-to-day thing."

"All I can say is that's what we're working towards," Ready said.

He would not discuss the details of Wirth's proposal to the city and said the development agency hadn't indicated whether or not it would accept the offer.

However, agency officials told the newspaper that they had flatly rejected the proposal.

"He made some presentations and showed us some numbers and none of the stuff looked appealing to us," said agency spokesman Jim White. "Nothing he's shown us has been at all interesting to us."

City Council President Alice Rainville, DFL-Fourth Ward, and Alderman Mark Kaplan, DFL-Eighth Ward, said the Wirth proposal carried too much debt and too great a risk for the city.

"The suggestion presented such an undesirable financial opportunity to the city that I don't think anyone would consider it seriously," Kaplan said.

Other private developers, including the Minneapolis-based Center Companies Inc., still are interested in the depot property, which is considered the cornerstone to the city's efforts to renew the downtown waterfront district.

"There are enough people who want to get involved that we're still willing to let the private market work on it" without investing public money, Keefe said.

Wirth, a San Francisco land investor with property interests in Wisconsin and Michigan, won the right to buy the depot property late last year when he outbid four other developers, including the Cowles Media Company. His unusual cash offer, his plans to eventually expand the depot development to a 100-acre, $1.2-billion riverfront renewal project and his limited experience in large-scale developments prompted skepticism on the part of city officials and more established developers.

Chicago Sun Times September 14, 1982

Lower fares seen in Milwaukee Road-RTA pact

By Pat Wingert and Maurice Possley

Milwaukee Road commuters Monday came one step closer to lower fares after a U.S. District Court judge conditionally signed an agreement to allow the RTA to take over the bankrupt railroad's commuter line by Oct. 1.

Judge Thomas R. McMillen hesitated in signing the agreement when Amtrak officials complained their interests were being ignored. But after debate by a roomful of attorneys, the judge signed the agreement to ensure the takeover is completed by the Oct. 1 deadline.

Railroad trustees have told the judge they plan to halt their two commuter lines, originating in Elgin and Fox Lake, by Sept. 30.

Amtrak officials complained that the Milwaukee Road now provides some services for them and that the arrangement's future has not been spelled out. McMillen directed all parties to assemble before him Monday to work out remaining problems.

RTA spokeswoman Joan Pearlman said the RTA board will meet during the next two weeks to complete a new fare structure for the 20,000 Milwaukee Road commuters.

The new fares are expected to be identical to the zone-fare system in place on the Illinois Central Gulf RR, the Rock Island Lines, the Chicago & North Western Ry. and the Burlington Northern.

If the zone fare system is put in effect, adult fares would be about 16 percent lower than now. Senior citizen and student fares would be adjusted to 32 percent lower than the new adult fares.

The agreement calls for the RTA to take over the commuter line, as well as hire 360 former Milwaukee Road commuter railroad employees.

In addition, the RTA would lease track, yards and stations from the railroad at an annual rent of $620,000. The line's cars and locomotives already are publicly owned.

The agreement was hammered out after months of problems between the RTA and the railroad company.

The Milwaukee Road pulled out of the RTA system during July, 1981, when the railroad directors decided the bankrupt railroad needed to raise fares more than the RTA would allow.

At that time, the railroad increased fares about 25 percent more than other RTA commute rail lines. Two months later, ridership was down 41.2 percent.

Richard B. Ogilvie, trustee of the railroad, has arranged to sell most of the line's track to the Grand Trunk RR.

How rail costs would change

Proposed revision of adult Milwaukee Road fares

Zone	One-Way		Weekly		Monthly	
	Old	New	Old	New	Old	New
A	$2.25	$1.75	$17.50	$14.00	$59.25	$47.25
B	2.75	2.15	21.00	17.50	71.00	58.05
C	3.25	2.55	24.50	20.40	82.75	68.85
D	3.50	2.95	28.00	23.60	94.50	79.65
E	4.00	3.35	31.50	26.80	106.50	90.45
F	4.50	3.70	35.00	29.60	118.25	99.90
G	5.00	4.10	38.50	32.80	130.00	110.70
H	5.25	4.50	42.00	36.00	141.75	121.50
I	5.75	4.90	45.50	39.20	153.75	132.30
J	6.25	5.30	49.00	42.40	165.50	143.10

(Revised fares rounded to nearest nickel.)

Elgin Courier News September 3, 1982

RTA rail takeover may speed Almora work

By Chris Lemke
With Wire Reports

Improved service for less money was predicted by the Regional Transportation Authority board after it voted in Chicago Thursday to take over Milwaukee Road commuter operations.

The takeover also could move the proposed Elgin Almora Heights commuter station toward a quicker completion.

"The takeover will not hinder the Almora proposal," said RTA spokesman Joan Pearlman. "The board also discussed Almora at yesterday's meeting and said the takeover would probably help the project along."

The Almora station project, which has been in planning stages for more than 10 years, should be completed by the end of 1983, according to Pearlman. The RTA is responsible for extending its lines to the station and the city of Elgin is responsible for designing and securing bids for an adjacent parking lot.

The proposed station would be south of Big Timber Road just west of Lyle Avenue. The parking lot entrance will line up with the Big Timber-Lyle intersection, according to city engineer Gary Miller.

THE PARKING project is expected to cost in the area of $500,000. The most recent estimates, compiled more than two years ago, estimated the cost at $465,000. Miller said he had not seen any drawings or specification for the loading platform and had received no estimate of its cost.

The entire project will be funded by a grant from the Urban Mass Transit Authority and the Illinois Department of Transportation, Miller said.

Miller said the city is now preparing specifications for the parking area and will advertise for bids about the middle of September. The bids will be opened Oct. 7 and awarded at the Oct. 13 Elgin City Council meeting, according to City Manager Leo Nelson.

The Milwaukee Road's commuter cars and locomotives are already owned by RTA and other transit agencies.

The RTA will lease track, yards and stations for $620,000 a year, until the end of 1984, according to the contract between the agency and the carrier's bankruptcy trustee, Richard B. Ogilvie. As its share of the line's maintenance, the RTA also is expected to pay about $6 million a year.

COMMUTERS are expected to receive a pleasant surprise in the form of fare reductions—reductions of up to 16 percent—as a result of the takeover, Pearlman said.

"The takeover must still be approved by the court, but if approved, the board would meet again to reduce the fares," Pearlman said. "We (the RTA) would then fall under zoned fare structures. Our estimates indicate fares would be reduced by about 16 percent."

The agreement must be approved by U.S. District Judge Thomas R. McMillen, who is handling the line's bankruptcy proceedings. Officials said no difficulty is expected.

Trustee David L. DeMotte was the only dissenter in a 12-1 vote. DeMotte said he opposed the move out of concern for costs.

But a recent report from RTA operations staff showed the agency has cut operating costs and improved efficiency since it began running the bankrupt Rock Island Lines commuter service, said board member Kenneth W. Sain.

"I would hope we will have the same performance here," Sain said.

"THOSE ARE my guidelines," said board chairman Lewis W. Hill. "That is the directive I have given. We're going to have a first-class operation here with better service at lower cost."

The RTA hopes to take over by Oct. 1. The Milwaukee serves an estimated 20,000 daily commuters on its two routes—the 50-mile north line as far as Fox Lake and the 40-mile west line to Elgin.

Under the two-year contract, if the RTA files eminent-domain proceedings to buy Milwaukee Road commuter operations, the transit agency and the railroad would have until the end of 1988 to complete the purchase.

RTA aides said the agency has obtained capital funds from the federal government in the past, and is receiving additional federal cash "for rail purposes" that could be used for the purchase.

Ogilvie had threatened to close the lines unless the RTA took them over. He is trying to sell the rest of the railroad to Grand Trunk Corp., a Canadian-owned holding company that owns several small railroads.

MILWAUKEE Road agreed not to allow freight trains to interfere with commuter trains during rush hour and to allow the RTA to increase service by as many as eight daily trains in the future.

After the RTA takeover, the line plans to abandon service for the final 24 miles of its north line from Fox Lake to Walworth, Wis., officials said. The railroad operates one round trip a day from Walworth, serving about 18 commuters at four stations.

Wall Street Journal
September 15, 1982

Huge Rail Merger May Benefit the Rio Grande Even Though Line Opposes Plan, Analysts Say

By George Anders

For many railroads, this week's federal approval of a giant merger in the industry appears to be unwelcome news. But Rio Grande Industries may do just fine, some analysts contend, even if it is leading the opposition to the merger.

At issue is the Interstate Commerce Commission's decision Monday to approve the combination of the Union Pacific, Missouri Pacific and Western Pacific. The merger would create the nation's third largest railroad, Pacific Rail System. With 22,000 miles of track, it would trail only Burlington Northern and CSX in size.

Heard on the Street

In testimony before the ICC, Rio Grande said the merger would cost it $35 million in annual revenue, because Pacific Rail wouldn't any longer need Rio Grande track to help complete some of its freight runs. (Rio Grande's revenue last year totaled $388 million.) Rio Grande Monday challenged the ICC's action, going to federal court in Denver. Southern Pacific also is appealing the ICC decision, and Southern Pacific has said the merger could trim it's annual revenue significantly as well.

Yet while most railroad stocks declined fractionally yesterday, Rio Grande jumped 1⅛ to 40⅛. Few analysts give Rio Grande much of a chance of derailing the ICC merger plan, and any change in the merger would affect nearly all the Western railroads anyway. Yet at Morgan Stanley & Co., analyst Andras Petery figures the next round of railroad consolidation may benefit Rio Grande.

The ICC's willingness to go along with the Pacific Rail merger makes Rio Grande "materially more attractive to other companies looking to consolidate," Mr. Petery contends. Rio Grande is the smallest of the five other major Western railroads, and it could constitute "a missing link for Southern Pacific or Sante Fe," he says. On Monday, the ICC's vice chairman, Reginald Gilliam, said he wouldn't be surprised to see those three railroads move toward a merger.

Rio Grande's general counsel, Samuel Freeman, says the company isn't holding talks with any other company about a merger. "But like many railroads, we have an ongoing internal review of what our options may be as far as independence versus alliances," Mr. Freeman says. In Southern Pacific, Rio Grande already "connects with a friendly carrier," he says.

Monday's ICC decision also granted Rio Grande trackage rights along Pacific Rail between Pueblo, Colo., and Kansas City. That helps offset the other revenue losses, Mr. Freeman says, though Rio Grande contests proposed terms for those rights. Morgan Stanley's Mr. Petery expects Rio Grande to earn $4 a share this year and $6-$6.50 a share in 1983, after posting fully diluted per-share profit of $4.75 in 1981. Expected to help it along in 1983 is coal-hauling volume in Utah and Colorado that is growing 10% a year, he says.

Few railroads are likely to see much growth soon, says Jack Kawa, an analyst at Dean Witter Reynolds Inc. In a memo to clients yesterday, he contended there isn't any clear indication of a rise in industry tonnage, and he advised short-term investors to take profits. Most rail stocks have risen even faster than the overall stock market's 15% climb the past month, he finds. Thus, Mr. Kawa is braced for rail issues to retreat 5% to 15%.

The Western rail merger "could give consternation to Santa Fe and Southern Pacific," Mr. Kawa says. "A lot of Western roads have to wonder where they will be in two or three years," he asserts. Among the eight Western railroads he follows, none wins an outright buy recommendation from Mr. Kawa. He regards Kansas City Southern and Santa Fe as somewhat attractive longer term.

"July tonnage was terrible," Mr. Kawa says, "and although there was some slight indication that tonnage turned up in late August, the industry is due for a very poor third quarter. I don't think there are going to be any losses, but it's going to be close for a few roads."

At Kidder, Peabody & Co., analyst Henry Livingston also finds the rail stocks "pretty fully priced." He's less convinced, though, that the stock market should be reacting to the ICC's latest action. Antitrust issues are more serious than is generally regarded, he maintains, and could change the merger plan. Longer term, Mr. Livingston argues that such mergers produce "fortress-like companies" that have tight control of a region's rail traffic. Eventually, they may end up getting broken up again or nationalized, he speculates.

Morgan Stanley's Mr. Petery, however, argues that the ICC, "after having long been decades behind the times, is finally making decisions that look to the future. The Union Pacific merger is a major transaction, but it isn't the last one."

Chicago Sun-Times, Wednesday, September 15, 1982

Santa Fe may appeal rail merger

Approval of the Union Pacific-Missouri Pacific-Western Pacific merger Monday may be appealed by the Santa Fe Railway because of the granting of trackage rights in connection with the consolidation.

Santa Fe posed that possibility in a statement Tuesday, expressing its disappointment with the action of the Interstate Commerce Commission in approving the merger.

The ICC made the unusual decision to require the combined railroads to provide for the movement of traffic over their tracks on a fee basis to avoid the reduction of competition.

"We are distressed that the commission, in an attempt to mitigate some of the harm which will result from the proposed takeover, has granted trackage rights to the Southern Pacific between Kansas City and St. Louis and to the Denver & Rio Grande Western between Pueblo, Colo. and Kansas City," the Santa Fe statement said.

'A grant of these trackage rights . . . would constitute unlawful appropriation of Santa Fe properties as well as undue, adverse interference with Santa Fe's operations,' the company said.

"A grant of these trackage rights would impose Southern Pacific and Denver & Rio Grande Western operations over segments of Santa Fe lines and would constitute an unlawful appropriation of Santa Fe properties as well as an undue, adverse interference with Santa Fe's operations."

Before deciding whether to appeal the merger, Santa Fe said it would review the commission's decision in detail when it is issued in October.

"However, given what Santa Fe believes to be the substantial anti-competitive nature of the transactions and the serious injury they would do to other segments of the Western rail industry, the possibility of a successful appeal of the commission's decision should not be ruled out," the company siad.

The Southern Pacific already says it will appeal the decision. It bases its opposition on 19th century agreements that govern the competitive aspects of Western railroad operations, as well as antitrust laws.

Wall Street Journal
September 15, 1982

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Two Canadian Firms Agree to Buy Assets Of Conrail in Canada

By a WALL STREET JOURNAL *Staff Reporter*

TORONTO—Canadian National Railway Co. and Canadian Pacific Ltd. said they agreed to purchase jointly most of the Canadian assets of Consolidated Rail Corp., Philadelphia.

The assets include the main rail line between Niagara Falls, Ontario, and Windsor, Ontario, together with three branch lines totaling 274 miles, and the Niagara River Bridge, a railway bridge connecting Niagara Falls, Ontario, with Niagara Falls, N.Y. The rail lines and Niagara River Bridge both are owned by Conrail's 71%-owned Canada Southern Railway Co. unit.

Canadian National and Canadian Pacific also would purchase Conrail's Detroit River Tunnel, a railway tunnel which connects Detroit and Windsor.

Terms of the transaction weren't disclosed, but a spokesman for Canadian Pacific, a major transportation concern, said the cost of the purchase would be between $20 million and $30 million (Canadian).

The transaction is subject to Conrail reaching an agreement to purchase Canada Southern's bridge and rail lines. Conrail then would sell the Canada Southern assets and its own to the two Canadian companies. Negotiations between Conrail and Canada Southern are continuing, the two companies said. Canada Southern shareholders and regulatory agencies in Canada and the U.S. also would have to approve the transaction.

Conrail said it is selling the Canadian properties because they are no longer necessary to its operations. It also said the regulatory climate in Canada wasn't favorable to Conrail. The railroad has been scaling down its operations to match declines in freight traffic.

Canadian National and Canadian Pacific said the transaction would improve the efficiency of their rail-freight operations and open opportunities for new business. The two companies said they are continuing discussions for an agreement to operate the properties they are acquiring.

Chicago Tribune September 14, 1982

ICC approves merger

ICC puts few conditions on huge western system

By James Worsham and David Young

THE INTERSTATE Commerce Commission Monday approved the merger of the Union Pacific, Missouri Pacific and Western Pacific railroads and imposed what officials said were a "limited number" of conditions on the consolidation.

Reese H. Taylor, ICC chairman, announced the decision at an unusual press conference in Washington after the commission voted 5 to 1 behind closed doors to approve it. The ICC usually only publishes its decisions. A written decision giving details of the merger will be released Oct. 20, Taylor said.

The three railroads will be combined in a 22,800-mile system serving 21 states from Chicago on the east to the Pacific Coast on the west and from the Gulf of Mexico to the Canadian border.

The conditions imposed include the requirement that the Union Pacific and Missouri Pacific grant trackage rights to three smaller railroads to give them access to Kansas City, Omaha and Topeka.

However, the ICC dismissed the bulk of the conditions sought by other railroads that objected to the merger.

Southern Pacific Co. announced late Monday that it planned to appeal the merger decision in federal appeals court. Southern Pacific said the merger would cost it about $100 million a year in lost revenue.

AMONG THE conditions granted are:

- The Denver & Rio Grande Western Railroad will be able to operate over Union Pacific track from Pueblo, Colo., to Kansas City to connect with other railroads there.
- The Missouri-Kansas-Texas Railroad will have trackage rights over the Union Pacific from Kansas City to Omaha; Lincoln, Neb.; and Topeka, Kan.
- The St. Louis Southwestern Railway, a subsidiary of the Southern Pacific, will have trackage rights between Kansas City and St. Louis to enable it to connect with eastern railroads in that city. The condition in effect saves the Southern Pacific the cost of rebuilding a former Chicago, Rock Island & Pacific line it purchased between those cities.
- The Chicago & North Western Transportation Co. and the Union Pacific in effect agree to maintain existing rates and routes for five years for transcontinental traffic handled between those two railroads over the North Western's line between Chicago and Fremont, Neb. ICC approval will preclude challenges to the agreement under federal antitrust laws.
- Missouri Pacific crews will handle North Western trains between Omaha and Kansas City over Missouri Pacific trackage. The North Western had originally sought trackage rights over that Missouri Pacific line.

Officials of the North Western said they were satisfied with the merger agreement and conditions. Federal officials originally questioned the merger because federal guarantees had been used to allow the North Western to repair the Chicago-Fremont line, and the merger might undermine the financial position of the North Western.

THE COMBINATION is the latest in a series of mergers and consolidations that have left four major railroad systems west of the Mississippi River and three to the east, although a number of smaller regional railroads still survive.

The three major systems that have evolved in the East include the Consolidated Rail Corp. [Conrail], the CSX [Chessie, Seaboard Coast Line, Louisville & Nashville] and Norfolk Southern systems.

The merger deal leaves the Southern Pacific and Atchison, Topeka & Santa Fe as the only major western railroads that haven't been involved in mergers in recent years.

The merger effectively expands the Union Pacific to give it direct access to the eastern railroads and Gulf Coast. The bulk of the Union Pacific traffic to or from the East or Gulf Coasts had to move over what is known as "bridge lines," usually small regional railroads or major western competitors.

The Sun Belt and Gulf Coast is important to the Union Pacific as a source of petrochemical products moving north and as an outlet for such commodities as low-sulphur western coal moving to expanding southern utilities.

ALTHOUGH THE MAJOR benefit to the Union Pacific is access for the first time to the gulf ports served by the Missouri Pacific and to the San Francisco Bay area served by the Western Pacific, the Union Pacific will also obtain for the first time a direct link to Conrail at East St. Louis and a route of its own, though circuitous, to Chicago over the former Chicago & Eastern Illinois Railroad line obtained earlier by the Missouri Pacific.

Officials of the North Western, which now serves as the main Union Pacific-Conrail connecting link for transcontinental traffic over its line between Fremont and Chicago, had sought concessions in the merger proceeding to avoid losing that traffic to the combined system via Kansas City and St. Louis.

The principal dispute before the ICC, as in the case of most railroad mergers, was how much traffic the combined Union Pacific-Missouri Pacific-Western Pacific system would take away from other railroads. Union Pacific officials in their initial studies said the diversions would amount to no more than 1.25 percent of revenues from most of the other railroads.

THE MERGER, known informally in the railroad industry as the "Mop Up" because of the initials of the Missouri Pacific and Union Pacific, will have a minimal effect on Chicago and Illinois, officials of the railroads said. The Missouri Pacific is the only merger partner now serving the state. It has 910 miles of track and 1,900 employees in Illinois, including 400 in the Chicago area.

The Missouri Pacific handles about 78,000 carloads of freight in and out of the Chicago area.

ICC Approves Disputed Merger Of 3 Railroads

Union Pacific, Western Pacific And MoPac to Be Nation's Third Largest Rail System

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON – The Interstate Commerce Commission approved the controversial merger of the Union Pacific Railroad with the Missouri Pacific and Western Pacific railroads, creating an industry giant.

The ICC attached several conditions aimed at giving some market protection to competing lines, but it didn't grant all the concessions requested by other roads. The consolidation was widely opposed by many railroads, because they fear that combining the strong Union Pacific and Missouri Pacific, along with the less-robust Western Pacific, will create an unusually powerful competitor.

In San Francisco, Southern Pacific Co., parent of Southern Pacific Transportation Co., said it filed notice Monday with the federal appeals court in Washington that it will appeal the merger if formally approved.

The merger informally was dubbed the "mop-up" by the opposing roads, suggesting the new combination will mop up the competition. The consolidation will form a single railroad stretching from the Pacific Coast through the Midwest to Chicago and St. Louis, and to New Orleans and Texas points, including the Gulf Coast. The railroad will rank as the nation's third largest, with 22,000 miles of track covering 21 states, behind the Burlington Northern and CSX Corp.

The merger would become effective 30 days after the ICC issues a formal approval order, which is expected by Oct. 20 if the parties agree to the conditions. The plan calls for Union Pacific Corp., the Union Pacific Railroad's holding company, to form a unit called Pacific Rail System Inc., which will keep the three railroads as separate corporate entities but operate them as a single rail system.

A spokesman for Missouri Pacific in St. Louis said: "We're very pleased by today's announcement by the ICC and we're pleased they acted expeditiously. We believe the new system will provide . . . better service."

Softening the Impact

The ICC lately has stopped imposing what it calls "standard traffic protective conditions" on rail-industry mergers to soften the impact on competitors. It has argued that in an era of deregulation and increased competition, freer market forces can protect roads from anti-competitive excesses, and stronger competitors in general have been created by numerous mergers.

But this time, the ICC indicated it considers the impact of an unmodified merger on competitors might be too great. The agency, which approved the merger by a 5-1 vote, tacked some conditions onto the consolidation because of "significant competitive problems" caused for other roads, Chairman Reese Taylor said at a news conference. Among those conditions were trackage rights over certain segments of the merging roads' track for the Missouri-Kansas-Texas (Katy), Denver & Rio Grande Western and St. Louis Southwestern railroads. The St. Louis Southwestern is a Southern Pacific Transportation Co. subsidiary.

The ICC approval gave new impetus to the consolidation trend in the rail industry. In recent years, the commission has approved several major mergers, including the marriage of the Norfolk & Western Railway and Southern Railway in March, and, in September 1980, the merger of the Chessie System and Seaboard Coast Line Industries into CSX.

Continuing Trend

The trend isn't likely to slow down, Reginald Gilliam, the ICC's vice chairman, suggested in remarks at the news conference. He said he "wouldn't be surprised" to see the Southern Pacific, Santa Fe Railway and Denver & Rio Grande move toward mergers of their own; the Santa Fe and SP recently sought to merge, but talks broke off.

Mr. Gilliam said combinations between eastern and western systems, forming the first transcontinental railroad company, also may be likely, as well as railroad attempts to acquire trucking and airline concerns.

The protective conditions placed on the UP-MoPac-WP merger included trackage rights for the Katy between Kansas City, Mo.; Omaha and Lincoln in Nebraska, and Topeka, Kan. Similar rights for the Denver & Rio Grande Western between Pueblo, Colo., and Kansas City, and for the St. Louis Southwestern between Kansas City and St. Louis also will be required, the ICC said. The ICC rejected other requests by roads, including the Santa Fe, Kansas City Southern and Katy and Burlington Northern.

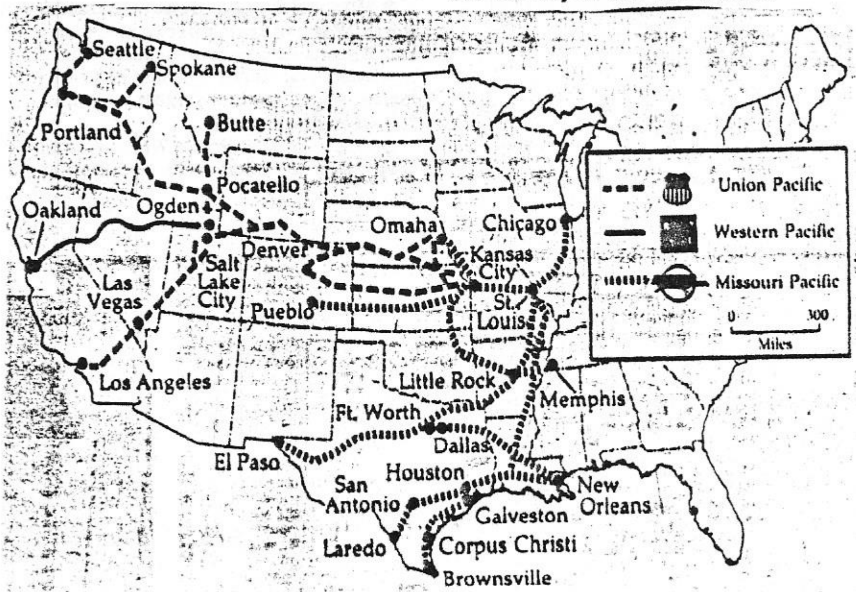
The agency also approved an agreement, tied to the merger, allowing UP to run certain Chicago & North Western Transportation Co. trains, for North Western's benefit and some rate or joint-operation pacts between the merger partners and the North Western or Consolidated Rail Corp., the government-chartered Northeast and Midwest road.

The 5-1 vote was taken at a closed meeting. The ICC wouldn't say who the dissenter was, but it was understood to have been Commissioner Frederic Andre. Mr. Andre couldn't be reached for comment.

Southern Pacific strenuously opposes the merger on the ground that it will destroy railroad competition in the western U.S., it said. It also believes affiliation of Union Pacific with Western Pacific is illegal under the 19th century Pacific Railroad Acts, it said.

Southern Pacific filed suit in 1980 in federal district court in Los Angeles challenging the merger of Western Pacific with Union Pacific on the latter ground. The case is expected to go to court if the merger is formally approved, Southern Pacific said.

Southern Pacific Chairman Benjamin F. Biaggini testified during the ICC merger proceedings that approval of the merger would cost Southern Pacific about $100 million annually in lost rail revenue.



Journal of Commerce
September 14, 1982

UP Ruling May Hike Rail Merger Activity

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Consummation of the Union Pacific Railroad's takeover of two other major carriers probably will renew the industry's mating game and eventually will result in more merger applications filed at the Interestate Commerce Commission.

But representatives for all sides think that the ICC's decision Monday to approve the UP's purchase of the Missouri Pacific and Western Pacific Railroads eventually will find its way into the courts.

However, in any event the agency's action marks a major step in the creation of a 22,500-mile railroad system serving 21 states that stretches from the West Coast to the Mississippi River and down to the Gulf ports.

In its decision, the commission ordered the UP to give three carriers trackage rights to operate over parts of its system.

Specifically, the Denver & Rio Grande Western Railroad was given rights to operate over UP track between Pueblo, Colo. and Kansas City, Mo.

UP had agreed to this earlier in the proceeding after the Justice Department indicated it might oppose the merger if these rights were not attached.

The Missouri-Kansas-Texas Railroad was given rights to operate from Kansas City to Omaha and Lincoln, Neb., and to Topeka, Kan.

But the Katy was not authorized to operate from Kansas City to Corpus Christi, Texas, in order to offset its loss of the UP as a friendly connection.

The agency also ordered the UP to give the St. Louis Southwestern Railway trackage rights between Kansas City and St. Louis, Mo.

The SLS is owned by the Southern Pacific Railroad but the rights granted are not nearly what was originally sought from the commission.

An agreement the Chicago & Northwestern Railroad negotiated with the Missouri Pacific outlining pooling arrangements and rates they charged on traffic interchanged with each other was approved by the agency.

The ICC also gave the two carriers specific immunity from antitrust laws to negotiate such an agreement.

This pact was substituted for major trackage rights the C&NW was seeking as a protection for anti-competitive impacts resulting from the transaction.

The paucity of protective conditions attached by the agency surprised some observers, but it definitely pleased the Union Pacific.

Though the company will not have a formal evaluation of the trackage rights grants completed until after the agency releases its decision next month, Union Pacific Corp. Chairman James H. Evans commented, he did say they did not appear to constitute an impediment to completing the transaction.

But carriers not receiving the rights they sought appear to be the most likely to take the commission's decision to court.

Besides the Southern Pacific this would include the Burlington Northern Railroad.

The BN had sought trackage rights to serve five power plants located on the Missouri Pacific once the Chicago & North Western Railroad gets rights to serve Wyoming's coal rich Powder River Basin.

But BN's plea was turned down even though it received some support from the Departments of Justice and Transportation.

Several persons familiar with the case predicted that a coalition of a carrier and other interests will take the ICC's decision to court.

But ICC Vice Chairman Reginald E. Gilliam Jr. predicted the agency's action will pecipitate talks that eventually will result in another round of mergers within the industry.

At least three railroads — the SP, the Rio Grande and the Atchison, Topeka & Santa Fe — probably will find in their best interests to start looking for merger partners, he said, and carriers east of the Mississippi probably will start turning their eyes westward.

Though he was unwilling to go as far as Commissioner Gilliam ICC Chairman Reese H. Taylor, Jr. did say he thinks there is a "fair chance" that more applications will be filed further on down the road.

Wall Street Journal September 7, 1982

Bill Clearing Way for Coal-Slurry Lines Appears to Be Nearing Vote in Congress

By SUSAN CAREY
Staff Reporter of THE WALL STREET JOURNAL

Legislation clearing the way for giant, underground coal-slurry pipelines to crisscross the country appears to be headed for a decisive vote in Congress this month after years of going nowhere.

But even if the legislation passes, it is unlikely many of the proposed multibillion-dollar projects will be built. Nine such pipelines currently are on the drawing boards. They would carry an equal mixture of water and pulverized coal for hundreds of miles between mines and coal-burning utilities or export terminals. As many as five depend on passage of the legislation, which would give developers federal eminent domain to acquire needed rights-of-way. Contractors, utilities, coal companies and labor unions have lobbied hard for this authority.

But other obstacles, some unforeseen by pipeline proponents, have cropped up. Water scarcity is an increasingly important issue, especially in dry Western states where many of the pipelines would start. And coal demand isn't nearly as robust as some had projected. Some of the nine projects "may be put on the back burner for three or four years," conceded George Eatman, executive director of the Slurry Transport Association, a trade group.

Others are even less sanguine. Marc Cohen, a coal analyst for Kidder, Peabody & Co., predicted that only two or three of the proposed pipelines will ever be built. "It's easy to talk and do studies," he said. "Conceptually, some of them work and some of them don't. But most are just a lot of announcements." Mr. Cohen thinks the ETSI Pipeline, if suits over water rights are settled, and the Coalstream Pipeline, if federal eminent domain is granted, are the most likely to go forward.

The analyst thinks federal eminent domain—the government's right to take private property for public use—will be granted at some point. And Mr. Eatman says "we'll be back next year" if the initiative fails before Congress adjourns early next month. At this time, eminent domain bills have the approval of crucial House and Senate subcommittees and are expected to go to both houses for full votes. The chances for passage are about even, observers said.

The railroads, fearful that the supposedly lower-cost pipelines would steal some of their lucrative coal-haulage business, refused for the most part to let the pipelines cross their railbeds. So pipeline planners have tried to get around that by rerouting their rights-of-way or crossing the railbeds where the tracks are on federal land. Often these methods aren't enough.

Water scarcity is perhaps more of an impediment than the railroads. ETSI Pipeline Project—a joint venture begun by Bechtel Group Inc. and Lehman Brothers Kuhn Loeb Inc., and now expanded to include Atlantic Richfield Co., Texas Eastern Corp. and Kansas-Nebraska Natural Gas Co.—assembled the right-of-way for its proposed 1,400-mile pipeline through litigation, not eminent domain. But its water-rights award from South Dakota is being challenged in two lawsuits. ETSI maintains that barring an injunction it will begin construction next year on the $4 billion pipeline from Montana to Louisiana.

Inability to secure water rights in Wyoming for its proposed 1,300-mile pipeline forced Texas Eastern to put that project on hold in 1979. The company later joined ETSI as a 20% partner. And the 900-mile pipeline planned by San Marco Pipeline Co., a joint venture of Houston Natural Gas Corp. and Rio Grande Industries Inc., has been held up for two years while Colorado considers the company's water-rights application.

Soft demand for coal has scuttled two other proposed pipelines. Northwest Energy Co.'s plan for an 1,100-mile line from Wyoming to either Washington or Oregon "is pretty much" on hold because demand is down in the Pacific Northwest and hasn't developed enough from Pacific rim counties to justify the expenditure, said E.R. Hayes, manager of special projects for the company's venture.

A proposal by Boeing Co. and the Commerce Department's Maritime Administration to build a pipeline from central Utah to Southern California was dropped two years ago despite a bright outlook for securing water rights and property rights-of-way. The problem, according to a Boeing spokesman, was that coal users wouldn't sign long-term supply contracts needed to ensure the project's success.

Getting state eminent domain authority is a sticking point for Virginia Electric & Power Co., which wants to build an intrastate pipeline from Appalachian coal fields to Hampton Roads. A state commission currently is assessing whether it is in the public interest to let a coal-slurry pipeline compete with the railroads.

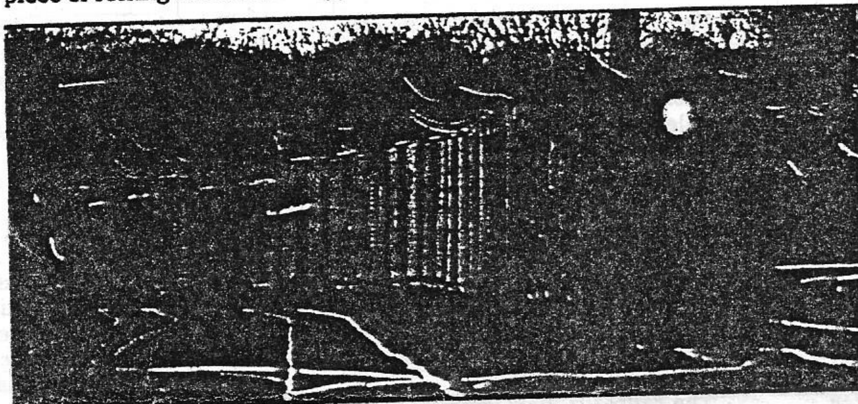
Coalstream Pipeline Co., a unit of Continental Resources Co., stands to reap the first benefits if the bill is passed. The company plans to build a 1,500-mile line from Appalachia and Midwest coal fields to Florida, and only 150 to 170 railroad-crossings stand in the way, a spokesman said. Coalstream has letters of intent from nine utilities interested in using the pipeline, and the venture doesn't expect any trouble using Ohio River water to make slurry from 35 million to 70 million tons of coal a year. And several concerns have expressed interest in participating in the $5 billion project, he said.

The boxcar, a piece of Americana as well as railroad history, may be rolling down the tracks toward oblivion.

"It's a dinosaur"

By Jeff Blyskal

"I HATE TO USE the word 'dead,'" says Larry Cena, CEO of the Santa Fe Railroad, "but I doubt there will ever be another boxcar built." Recessions are amazing corrective mechanisms for weeding out the redundant, the inefficient, the weak links of an economy. The boxcar—standard equipment as old as railroading itself—is a case in point. Hurried on by the economy, this inefficient piece of rolling stock is fast approaching the end of the line.



A switch engine corrals boxcars to make up a train
Headed for the last roundup?

The reasons: The boxcar has had a formidable competitor since the Fifties in piggyback service, in which a truck trailer is placed on a railroad flatcar and hauled long distance at less than half the fuel cost of highway transit. And, instead of blowing wheat and corn into converted 40-foot boxcars lined with heavy corrugated paper, railroads turned to 100-ton covered hopper cars to haul grain. Result: Between 1970 and 1981 boxcar loadings fell 58%, from 7.7 million to 3.2 million per year. Only about 14.5% of all rail freight now moves in boxcars, versus almost twice that in 1970.

Fact is, the boxcar is economically obsolete. Take a 50-ton shipment of tomato juice bound for New York from Los Angeles. By boxcar, which must wend its way through a time-consuming tangle of switching yards coast to coast where the train adds and drops cars, the trip takes 14 to 16 days. Via piggyback in dedicated service—a straight-through run the railroads must make between major cities to be competitive with truckers—the juice gets to New York in just five or six days. When you are watching inventories, time is money. A truck can probably equal that time or do better by breaking speed limits from Hollywood Boulevard to Broadway, but the cost by road is higher.

If the boxcar must go farther than New York—to, say, New Haven—add two or three more days of switching delays. The truck trailer, on the other hand, can be lifted off the train in New York and driven that last hundred miles on the same day.

Boxcars are "archaic in their use of labor," says David Anderson, a transportation economist at Data Resources Inc. Explains Santa Fe's Cena: "You need only one Teamster to pick up a piggyback trailer, whereas sometimes it will take 20 Teamsters to unload that boxcar in a workday."

Of course, there are also too many boxcars around for other reasons. In the late Seventies government incentives to meet a shortage caused investors to buy into them by the thousands as tax shelters. "With something like 80,000 boxcars in storage all over," says John Burditt, chairman of railcar maker ACF Industries, "the forecast for new boxcars between now and 1985 is about zero."

Beyond that point? "With deregulation of trucking and railroads, there are now a lot of opportunities to change mode," says DRI transportation economist Jim Hendrix. Piggyback "stretches the railroad's ability to compete beyond its rails."

"The boxcar is obsolete because railroads can't get enough business into them to make them profitable," says John Fishwick, retired chairman of the Norfolk & Western. Meanwhile, railroads and railcar manufacturers are working on more cost-stingy intermodal designs—everything from North American Car's RoadRailer, a regular truck trailer with fold-down railroad wheels, to Santa Fe's computer-designed containers that neatly stack two high—no wasted space—on a 125-ton flatcar. "It makes no sense to carry the trailer's tires, brakes and kingpin," says Cena. Santa Fe's 45-foot fiberglass and aluminum containers will carry general merchandise, and, to eliminate empty back-hauls, also carry bulk commodities like coal and grain.

To be sure, not everyone agrees the boxcar is headed the way of the steam engine. "It's premature to talk of extinction," says Alan Miller of Lamson & Sessions, a diversified manufacturer that got into the railcar business in 1979, just before the bottom fell out of the market. "More likely, the 50-foot boxcar with wider doors, smooth-skin interior and cushioned chassis will become popular."

Considering its 30-year life span, the boxcar will not disappear overnight, says Dan Croes of the American Association of Railroads. "A 30-year phase-out is more likely." One industry analyst is less optimistic: "Over the next ten years, you're going to see a lot of boxcars scrapped. The boxcar is a dinosaur." ■

Chicago Tribune September 14, 1982

Truck firms face hard road

By Sheila Tefft

THE HARD-HIT trucking industry is expected to suffer from low volume, excess capacity, heavy rate discounting and high interest rates for at least another year, a top business economist predicted in Chicago Monday.

However, hard times could hold some bright spots for trucking firms, Wall Street economic consultant A. Gary Shilling said in an interview after addressing the annual meeting of the Chicago-based National Truck Leasing System. The system has about 130 member companies.

Shilling, president of A. Gary Shilling & Co., estimated that excess capacity in the motor carrier industry is about 40 percent, prompting widespread rate-cutting.

While trucking firms are going through a shakeout period, deep rate discounts have made truck transportation more competitive. And that has enabled the industry to post gains over other transportation modes, such as railroads, and will mean increased business for surviving trucking companies and truck leasing firms, the economist maintained.

FOR EXAMPLE, Shilling explained that, instead of making large shipments by rail, some automakers have switched to smaller, more frequent truck shipments to hold down inventories.

"There are some positive things to say. First, there will be a backlog of needed replacements in equipment," Shilling said, pointing out that many firms have delayed new equipment purchases because of the weak economy.

"Secondly, with deregulation, lower truck rates do increase the amount of goods moved by big trucks," he continued. "There also is some evidence that high interest rates likely will continue to hold down inventories to lower costs, with trucks used to replace the rails."

The economist said he doesn't expect further large and rapid increases in interest rates. Expecting the prime rate to hit a plateau of about 12 percent by the end of 1983, the economist said the industry's recovery will be long and slow.

Journal of Commerce September 7, 1982

ICC Rules On Status Of Rail Act

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Portions of the Staggers Rail Act of 1980 outlining how the Interstate Commerce Commission's regulatory role over the railroad industry will change after 1984 will be considered on a case-by-case basis, according to an ICC ruling.

At issue are portions of the law requiring the commission to consider several factors — such as the amount of a traffic that fails to contribute to a carrier's going concern value or contributes to its fixed costs — in determining whether a rail rate is too high.

Railroads' efforts to minimize such traffic and methods of raising rates also will have to be considered.

But the commission must look into these issues only if cost evidence submitted by shippers indicates that the rate hike will result in revenues being 20 percent above variable costs or higher.

For the first time, the agency also is required to look at a carrier's traffic mix and determine whether one commodity is bearing an unreasonable share of its revenues.

Coal and other interests asked the ICC to launch a proceeding aimed at getting the revenue-to-variable-cost data for individual carriers.

That would be used to determine whether rates on some commodities are subsidizing traffic that otherwise would move by more efficient modes and how rates should be changed to ensure adequate revenues.

The railroads asserted it would be easier for the ICC to determine these issues on a case-by-case basis.

This also would mean shippers have the burden of producing evidence aimed at supporting allegations in efficient management.

The commission rejected the shippers plea on a variety of reasons, including it is not required by the law and policy.

It also is impractical, the agency added.

The commission agreed that railroads should not be permitted to pass on avoidable revenue losses to captive shippers but said the new rail law gave carriers more discretion to manage themselves.

A proposal requring annual carrier-by carrier, commodity-by-commodity studies flies in the face of the law, the agency said.