Corporate Relations

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

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Wausau Herald
October 30, 1982

Decisions made on rail spur action

By DEWEY PFISTER
Herald Staff

MERRILL — The state Transportation Commission and a hearing examiner have taken or recommended various actions on Milwaukee Road requests to discontinue spur tracks in Merrill.

Examiner Donald Foellmi has recommended the commission approve discontinuance of spur lines serving the former Heine's Gas and Oil and Page Milk companies, Wisconsin Window Unit Co., and Taylor Insulation Co.

The commission has approved discontinuance of spur tracks serving Trantow Building Center and the Wisconsin Public Service Corp.

Another proposed order by the commission will dismiss the railroad's request to discontinue a 3,154-foot spur from the New Wood line. It is not currently used but the commission said the Milwaukee Road could petition again in two years if no usage is made of the track during that period.

The spur track extends through the former Wood Chip Corporation of America grounds, past the SEMCO and former House of Merrill plants to the Wausau Lumber Sales Co.

The latest information from the Transportation Commission is that Foellmi has recommended dismissal of the railroad's request to discontinue spur tracks serving Merrill Gravel and Construction Co. and the former Anson & Gilkey Co. plant now owned by Development and Leasing Corp.

Foellmi said there has been recent usage of the spurs and a likelihood that they will be used again in the future.

At Tomahawk, a Tomahawk Area Corp. request to save the spur track alongside the vacant Hy-Ryder plant off Somo Avenue was denied by the commission. It authorized removal.

The commission decisions leave unanswered questions about how the currently unused spurs ordered retained could be used in the future.

Turnouts (switches) to most of the spurs were removed and not replaced during the current rail rehabilitation project. It is not known if they will be replaced by the railroad if the commission orders stand.

There was testimony at the hearings conducted by Foellmi that safe operation of trains is not possible on some spurs. That raises the question of whether unused spurs would have to be repaired or replaced if they were used in the future and who would pay the cost.

The examiner recommendations and commission decisions appear subject to appeal within brief periods. They are being received locally in scattered fashion.

Kiplinger Washington Newsletter   October 29, 1982

Tough new standards to cut grain-dust explosions are on the way. The Occupational Safety & Health Adm. will propose them early next year. High costs of complying may force some older elevators out of business.

Des Moines Register October 31, 1982

grain cars idle

By GENE ERB
Register Business Writer

It's as if somebody in New Orleans slammed on the brakes during rush hour in the Mississippi River fog, piling up barges and grain cars, denting profits and threatening casualties up and down the grain export corridor.

In 1979, when grain was gushing down the rails and rivers and into the seaways for foreign markets, people in the business couldn't get jumbo hopper cars and river barges fast enough.

So they ordered new cars and barges, and then ordered more. And just about the time the new equipment started rolling off the production lines, the need for transportation took a nosedive.

Political and economic factors cut the world demand for U.S. grain, supplies soared as bumper crop followed bumper crop, and prices fell to levels where, now, it makes more sense for farmers to hold grain than to sell it.

Today, according to Phillip Baumel, an economics professor at Iowa State University, there are 30,000 covered hopper cars "looking for a load."

At $42,500 per car, that's $1.275 billion worth of equipment cooling its wheels. If you hooked the cars end-to-end on a track across Iowa, they'd stretch from Davenport to Council Bluffs, then 60 miles past Omaha.

The multimillion-dollar empty inventory represents a burdensome financial load for railroads, elevators, grain companies and, to a growing extent, leasing companies.

Barge companies are in the same boat. There are about 3,000 barges "tied to trees" along the banks of the Mississippi, waiting in vain for a load, Baumel said.

That represents about 25 percent of the river's grain barge fleet, and about $750 million worth of non-productive equipment.

But that's just the beginning of the grain transportation woes:

- The barge companies are losing money with every mile of the Mississippi they push through because of cutthroat pricing.
- The railroads find themselves stuck with "standby" rolling stock that generally won't get used until cars owned by elevators and other non-railroad interests are moving again.
- Some elevators and grain companies are saddled with long-term leases on cars they may not be able to use until late next year.
- And grain car leasing companies are moving into a worsening "negative cash flow" situation as shorter-term leases expire and shippers and railroads turn the cars back, leaving the lessors with empty stock and storage problems and expenses.

The rail car/river barge glut, caused by a grain marketing slowdown that began 1½ years ago, came as a shock to the grain transportation industry.

Maurice Van Nostrand, an official with AGRI Industries of West Des Moines, a giant grain marketing and transportation co-op, noted that during all the years he was on the Iowa Commerce Commission all he heard was: "Car shortages, car shortages, car shortages."

"For over 100 years in Iowa," he said, "car shortages have been both an acute and chronic problem. That's no longer the case, and we don't expect it ever will be again. So that's about as dramatic a revolution you could ever see in agriculture."

At Iowa State, Baumel said barge companies are scrapping older barges ahead of schedule, and that the nation's fleet of aging 40-foot grain boxcars is disappearing at a rate about about 1,500 cars per month, from 25,000 on May 1 to 19,000 on Sept. 1. The nation's jumbo hopper car fleet is holding steady at about 233,000, he said.

Grain shipments by rail, according to the American Association of Railroads, had fallen 230,469 carloads, or 18.7 percent, to 1,004,477 carloads through Oct. 9 this year from 1,234,946 in the same period two years ago.

But shippers and railroad officials in Iowa say the grain movement dropoff in recent weeks has been much more dramatic.

- Van Nostrand said that before the slump began, "we and our members were running 6,500 jumbo hoppers at a time. Now, a few hundred would be all you would need. It [grain] is not moving."
- George Maybee, a North Western Railway official in Boone, said, "In October, we should move 15 grain trains a day out of this area, and we're not moving one a day. Farmers aren't going to move any grain until prices improve. And I don't blame them."
- Art Beenken, who operates the elevator in Wesley, said that in normal years his elevator moves about 150 grain cars a month in the fall. This year, his elevator moved 64 cars in September, and hadn't moved a single car during the first three weeks of October.
- Roger Corner, president of Iowa Terminal Railroad Co., which has lines from Charles City to Marble Rock and from Mason City to Clear Lake, said grain movements are "extremely slow this year. Grain moved is down over 40 percent, I'd say."
- And Ivan Summa, who manages the huge elevator in Superior, said "the amount being sold by farmers is almost nil. Every nook and cranny they can find for storage, they're using... so consequently there's no movement.

"I think we've shipped four cars in the last four weeks, which is nothing for us. And we haven't trucked any for three weeks. We've heard farmers say they'll dry it and put it on the ground, or pick it on the ear and fill cribs."

Last long train

Summa's elevator normally ships

Continued

Des Moines Register 10-31- Grain Concluded

Wheat holds up

Walsh said the Burlington Northern is shipping grain to feedlots in Arizona, Arkansas, Texas and California. And the railroad's shipment of wheat to export markets is holding up fairly well, he added.

"In hard times, demand for grains like corn, which are run through livestock, falls off because countries can't afford them. They go more to the direct consumption of grain, which explains why wheat shipments have stayed up," he said.

The barge lines, while they're taking business away from the railroads, are feeling the pinch, too.

AGRI's Van Nostrand said barge companies can make a fair profit charging about 35 cents a bushel to move grain down the Mississippi. But at 22 cents a bushel, he said, they're "wallowing in red ink."

Earlier this fall, AGRI checked into the availability of barges for grain storage and "we found we could rent 3,000 barges for two years," he said. "That's 150 million bushels of storage. That's how they see the export market outlook. They'll give us 3,000 barges for two years."

Dave Marshall, an official with Alter Barge Line Inc. in Davenport, said his company has been operating its 250 barges almost exclusively on the Ohio and Illinois rivers and points south on the Mississippi this fall because there isn't any grain business north of southern Illinois.

Alter ships grain south and fertilizer, coal and salt north.

The business is in southern Illinois because in times of excess supply and low demand, Iowa and the upper Midwest become "residual" suppliers of feed grain, officials said.

"It's cheaper to buy corn from southern Illinois simply because it's closer to New Orleans," said one grain official.

Van Nostrand said the troubles, which pervade every link in the grain transportation chain, are "so painful [because] we came off such a tremendous high a year and a half ago, when the world needed our grain and was buying it."

He and others in the industry said the world still needs the grain, but nations aren't buying it for economic and political reasons.

Some officials blame the federal government's practice of using grain as a diplomatic weapon.

"It seems agriculture is the only thing this country has to flex its muscles with anymore, so it becomes a cut your nose off to spite your face situation," said Ken Ludlow, an Iowa Grain and Feed Association official.

Van Nostrand said that a worldwide financial crisis is beginning to play a larger role in this country's grain problems.

"Things are a mess around the world.... We're dealing with a world awash in debt," he said.

Van Nostrand said that in 1980, Mexico bought enough feed grains to offset the embargo of U.S. sales to the Soviet Union. But now, he said, the Mexican economy is in a shambles. "The fact that Mexican people are hungry doesn't matter.... You're dealing with anarchy," he said.

Journal of Commerce
November 3, 1982

GT-Conrail Dispute Goes to Court

Journal of Commerce Staff

A federal court in Detroit will hear arguments next week on a bid by the GT Rail System for an injunction against Conrail which wants to cancel joint rates that the two carriers have maintained since 1976.

A spokesman for the GT Rail System said that the cancellation by Conrail, which was posted to be effective Nov. 13, would cost the smaller Detroit-based carrier at least $2 million per year.

Judge Robert E. DeMascio issued a temporary restraint in U.S. District Court against Conrail's action Monday and set Nov. 10 for a hearing on the injunction request.

Conrail has taken the position that eliminating joint rates would both reduce costs for the railroad and shippers and would improve Conrail's profitability.

One of the questions the court is being asked to decide is whether the matter should be decided by the federal courts or the Interstate Commerce Commission.

The Conrail proposal to cancel joint rates applies to situations where multiple carriers are involved but are not essential to the movement, a Conrail spokesman said.

The GT Rail system contends that the action by Conrail would make it impossible for GT to reach eastern markets.

Automobile traffic which forms more than one-third of GT Rail System's revenue is not involved in the suit.

The GT Rail System, which includes the Grand Trunk Railroad and the Detroit, Toledo and Ironton Railroad, contends that the rates, which apply over the entire Conrail system, should remain in effect. The joint rates were established when Conrail was created in 1976.

St.Paul Dispatch
November 2, 1982

Two railroads sue over track sharing

Two railroads say they stand to lose millions of dollars if they no longer are allowed to use tracks that connect them to East Coast cities.

The Grand Trunk Western Railroad Co. and the Detroit, Toledo and Ironton Railroad Co. filed suit Monday in U.S. District Court in Detroit seeking to stop Conrail from denying them use of the rails.

Conrail said in response to the suit that contracts no longer were binding that had been signed with the railroads in the mid-1970s allowing them to share the tracks with Conrail.

grain in 75-car units. But his elevator hasn't moved a 75-car train to the Gulf of Mexico since July. "We've shipped some 25-car units, and a 50. It's probably the lowest grain volume we've ever experienced, any time," Summa said.

"In fact, we've licensed our hopper cars and we have them on side tracks, so we'll be using them for storage. Can you believe that?"

Summa said 120 of the elevator's 170 cars are parked and waiting for grain that's going nowhere fast.

Railroads and rail car leasing companies are offering cars for storage, too, so that elevators will have more room for grain that farmers want to store but not sell.

The North Western Railway is "sitting with well over 4,000" idle grain cars, according to Don Bergquist, the railroad's assistant vice president for grain marketing and pricing.

Those 4,000 cars, about 40 percent of the railroad's 10,000-car grain fleet, could be used to store 14 million bushels of grain, and the North Western is offering to lease them at $50 per month per car.

"What we've tried to do is create a situation where they could take advantage of a cheap way to store grain without having to build anything. We think 3,500 bushels of storage at $50 per month is really pretty cheap storage," said Bergquist.

He estimates about 50 elevators in Iowa might be able to use the leased cars for storage.

The Burlington Northern Railroad, which has about 2,500 idle hopper cars, plans to offer cars for storage, too, at $100 per month.

Stopgap solution

But leasing cars for storage is just a stopgap measure for the railroads, a means of cutting losses and offering the convenience of easy storage for shipping customers.

As long as grain isn't moving, said North Western's Bergquist, his company and others will feel the pinch.

"Any railroad that moves grain the way we do is going to be impacted," he said, noting that grain movement accounts for about 23 percent of the railroad's revenues.

Bergquist said few people believe 1983 will be a good year for the grain industry, but "we know at some point in time, the grain's going to move. You just hitch up the belt and wait."

The North Western, like other companies in grain transportation, has cut rates in an effort to attract business, but this fall "rate reductions just aren't working. Rate reductions aren't persuading people to move grain," an official said.

Gary Colby, North Western's manager for grain and grain products, said the huge number of privately owned grain cars — owned by grain firms, co-ops, leasing firms and private investors — has forced the railroads into the position of providing standby equipment.

Idle cars big burden

The idle cars represent a significant financial burden to whoever gets stuck with them.

ISU's Baumel noted, for instance, that the North Western recently turned back about 500 cars to a leasing company when the leases expired. Baumel said the cars were built in 1980 and were used only once.

"They've been sitting ever since, first at North Western's expense and now at the leasing company's expense," said Baumel.

He said North Western was paying about $550 per month per car, or a total of about $3.3 million per year, until the leases expired.

Now the leasing company is paying North Western 90 cents a car per day, or a total of about $450 a day, to store the 500 cars on North Western tracks.

One of the largest leasing companies to watch its grain car inventory grow is Pullman Leasing Co. in Chicago.

Dick Hoffman, director of fleet management and administration for the company, said about 1,000 of Pullman's 15,000 grain cars are in storage now, and another 1,400 are being used for grain storage.

But as leases expire, more cars are going into storage. He described the problem as very serious and growing, but Hoffman doesn't expect the grain car glut to reach a critical point for Pullman, one of the largest in the business with a fleet of 25,000 railroad cars of all kinds.

However, ISU's Baumel said the situation could become serious for some leasing companies and some barge lines, which will carry the burden more and more as grain transportation continues to stagnate.

The barge lines, said Baumel, "are moving grain to the Gulf at a loss. I don't think there's any doubt about that."

Grain shipping rates, according to officials in the industry, have been chopped in half, to all-time lows considering inflation, from about $16 a ton, or 44 cents a bushel, to $8 a ton, or 22 cents a bushel, for the trip from Davenport to New Orleans.

Barge rates have been cut so low that the railroads have been temporarily excluded from the shipment of export grain to the Gulf — and even to the West Coast cities that normally serve as the ports for shipments to Asia, officials said.

The unit train rate to the Gulf is about 55 cents a bushel, said Van Nostrand, adding: "That's a losing proposition. There isn't anything the railroads can do in a situation like that, except sit on their assets."

North Western's Bergquist said his company has "cut rates to the river. We're feeding those barges. That has worked for us to some extent. If you can't beat 'em, join 'em . . . ."

Burlington Northern hasn't been able either to beat 'em or join 'em in its shipment of grain to the west coast.

"The market for corn to Japan is still there, but for us it [business] has dried up because of cheap barge and steamship rates," said Tom Walsh, Burlington Northern's director of marketing planning. "So it's going down the river and through the Panama Canal when it normally would go overland to the Pacific Northwest.

"As long as the competition is giving its service away, we're not able to compete . . . . It's become a question of throwing anything in [the barges] to get gas money to get down to the Gulf . . . . They're not making money shipping it, but it's better than sending the barges back to the Gulf empty . . . ."

more

Montreal Gazette
October 27, 1982

Jack Horner: No more CN cash for Cast

By JAN WONG
Gazette Marine Reporter

Canadian National Railways chairman Jack Horner served notice yesterday that CN won't bail out the troubled Cast shipping group any more.

"We're not going to put any more money into Cast," Horner told *The Gazette*. "We made that decision some time ago."

Shipping circles have been rife with rumors that Crown-owned CN, which already has invested $61.6 million in the shipping group, might decide to increase its exposure in Cast.

Horner's statement is the first categorical denial of this by a CN official.

Cast runs a trans-Atlantic container operation between Montreal and Antwerp. Last year it accounted for 40 per cent of the container traffic through the Port of Montreal, but this year it ran into financial difficulties in paying for new ships ordered from Korea.

Ride it out

Horner, who became CN chairman last June, said he thought CN should never have got involved with Cast in the first place. "But having gotten involved, we have to ride it out," he said. "It's like sticking it out in a bad marriage. We're kind of old-fashioned here at CN."

Horner also confirmed that CN Rail is demanding cash in advance for hauling Cast's containers. Like other shipping lines, Cast normally has credit terms of 30 to 45 days.

Klaus Glusing, chairman of Cast in North America, denied that CN had put Cast on a cash basis. But Horner said: "We've given them notice. We don't want them running up too many big bills." Horner wouldn't reveal how much Cast owed the rail line. But he said of an estimate of $1 million: "You're warm."

CN's tough stance comes amid concern over Cast's long-term viability in the face of diminishing cargo and plunging rates.

Horner refused to comment on Cast's financial health. He confirmed reports, however, that CN had instructed its auditors that the railroad might have to write off as a loss its multi-million-dollar investment in the Swiss-based Cast group this year.

CN had noted the possibility in a financial document it filed with the Interstate Commerce Commission in Washington, Horner said. He said that CN still retains this view, "but we haven't done anything about it."

A long time

Cast's Glusing said he was unaware of the document. He refused to comment on Horner's statements, but said: "We expect to have a relationship ongoing with CN for a long, long time."

CN stands to lose about $50 million if it writes off Cast. CN has invested $61.6 million in Cast. It has received back about $10 million in dividend payments.

Horner said that $10 million invested last spring in the shipping group in exchange for the assets of Cast's Task Terminals Ltd. at the Port of Montreal would be the last injection of funds contemplated by CN. "That was it," said Horner. "And we haven't changed our minds."

CN's investment in Cast has been controversial because CN operates the only rail link to Halifax, which shipping lines competing with Cast must use.

CN owns 18 per cent of the voting shares of Eurocanadian Shipholdings Ltd., the Swiss-based holding company of the Cast group. Frank Narby, a Canadian resident in Switzerland, owns 61 per cent, with the remainder owned by Donald Webster, a Toronto financier.

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Journal of Commerce
November 1, 1982

A Canadian Rail Boost

THE CANADIAN RAILWAY SYSTEM got a boost when the country's new finance minister announced that an additional $400 million will be made available for upgrading railroads in the western provinces and for resolving a sticky grain-rate situation.

Minister Marc Lalonde, outlining a number of major government economic initiatives, said the funds will help make sure the rails will have the capacity to haul the "substantially higher volumes" of commodities Canada expects to export from 1985 onward. He termed the expansion "critical to Canada's economic development."

The Ministry of Transport has yet to decide how the extra funds will be allocated. But they are expected to be divided between tax breaks for capital expenditures by the country's railroads and an adjustment of the controversial Crow's Nest Pass rate agreement, an 85-year-old government pact that makes it possible, some say, to ship western grain in Canada today for less money than it takes to mail a letter.

An extra $400 million may not seem much when viewed in context of the $3.2 billion already earmarked by the Transport Ministry for the western rail system, mainly for resolution of the Crow Rate situation. But the amount is not to be sneezed at. And the fact that the funds will be forthcoming at all demonstrates an added commitment by the Canadian government to freight transportation.

THE COMMITMENT is sure to bear fruit. The country expects to export some 30 million metric tons of wheat in 1985, and its analysts say worldwide demand for its coal, potash and sulfur will soar as the international recession subsides.

The economic woes have left the country's two major railroads, the Canadian Pacific and Canadian National, in tight financial straits. But the two expect to spend some $11 billion by the end of the decade for capital improvements necessary to double-track and upgrade lines in the western provinces to carry the extra grain and other export commodities to West Coast Canadian ports.

And, although final details remain to be approved, officials still are working to replace the Crow Rate with a system in which grain transport costs will be shared by the federal government and the farmers as well as the railroads.

Indeed, the rail scene seems to be looking up in Canada.

Business Week November 8, 1982 cover date

CANADA

An economic plan that buys time for Trudeau

With the onset of what looks like Canada's cruelest economic winter since the Depression, Prime Minister Pierre Elliott Trudeau is searching for solutions to the deepening economic crisis and his Liberal Party's mounting political problems. Within days, Trudeau is expected to introduce a package of economic sweeteners, including a job-creation program and new investment incentives. But if the economy does not begin to turn around by early 1983, Trudeau may impose more powerful economic measures, including mandatory wage and price controls.

To deflect growing criticism that he has done little to resolve the economic crisis, Trudeau made three nationally televised speeches in mid-October—his first in more than two years. The speeches, however, failed to outline any concrete new policies and only increased criticism of government inaction. "The government has to introduce some specific legislation to deal with the crisis; otherwise the opposition will be lining up bazookas to blow them out of the water," says political consultant David B. MacNaughton, president of Ottawa's Public Affairs International Ltd.

Meanwhile, more bad news is on the way for the economy. Canada's gross national product will fall for the fifth consecutive quarter, economists predict. And Finance Minister Marc Lalonde is expected to tell Parliament soon that the government will finish the fiscal year with a budget deficit of $21 billion—double the U.S. deficit on a per capita basis.

Higher depreciation. The jobs program, which is designed to lower Canada's 12.2% unemployment rate, will focus on developing highways, rail lines, and port facilities and could create as many as 100,000 new jobs. In addition, the Liberals may increase depreciation allowances in the manufacturing and mining industries to spur private-sector investment. To cut the budget deficit, Trudeau may also reduce spending in such government programs as federal energy conservation projects and transfer payments to the provinces for higher education. Politically sensitive social service programs are expected to remain intact.

These measures could buy Trudeau time and position the Liberals to claim credit if the economy rebounds. Some observers are pointing hopefully to Canada's swiftly dropping inflation rate—down to 6% in the last three months from an annual rate of 10.5%—as evidence that a recovery is on its way.

Although some union wage settlements have continued to average about 12% this year, Toronto's C. D. Howe Institute estimates that total labor wage settlements have come close to the Trudeau government's suggested 6% guidelines. "There's a sense we may be near a turning point here," says Howe analyst Edward A. Carmichael.

Canada's debt-ridden resource industries may not be able to survive the government's waiting game. Inco Ltd., the world's largest nickel producer, reported a $66 million operating loss for its third quarter this year, while Dome Petroleum Ltd. is currently $6.5 billion in debt. Their fortunes will not improve until commodity prices rise and rates fall.

If the expected recovery proves a mirage, Trudeau may be forced to take more severe measures to halt Canada's slide, including mandatory wage and price controls. The government could also loosen reins on monetary policy, bringing the prime rate, now at 13.75%, down to 10% or less to ease the cash bind on large corporations and fuel consumer spending. To do that, Trudeau may have to use emergency powers to impose foreign-exchange controls that would prevent capital flight.

Trudeau's new policies are expected to increase fissures in the already polarized Liberal Party. Trudeau alienated many of his nationalist supporters earlier in October by curtailing the extreme nationalism of the Foreign Investment Review Agency. The job-creation program may alienate more moderate elements of the party who have been arguing for restraint rather than increased government intervention. Trudeau faces no danger of being dumped at the party's annual convention in November. But, warns MacNaughton, "We're going to see some intense political turmoil in the months ahead." ■

TRAFFIC WORLD • NOVEMBER 1, 1982

Line Purchase Extended, But C & NW to Get Subsidy

The Geneva Lake Area Joint Transit Commission has been granted a 60-day extension of time to conclude the purchase of a 17.4-mile Chicago & North Western Transportation Co. line, but must pay the C & NW an operating subsidy until the transaction is finalized.

GLA in 1981 sought to purchase the C & NW line from Ringwood, Ill., to Lake Geneva, Wis., after the C & NW said it planned to abandon the line. C & NW fought the sale in court, but in April, a court upheld an ICC decision prescribing terms for the transactions.

GLA was to have consummated the transaction by September 30 but asked for a 60-day extension because it had not received a title insurance policy necessary for the financing (T.W., Oct. 18, p. 55).

C & NW opposed the extension because it said it was losing money operating the line. Therefore, the Commission ordered GLA to reimburse C & NW from September 30 through November 29 for operating losses. GLA must notify the Commission within five days of the October 26 service date of the decision whether it will accept those terms.

An abandonment certificate will be issued to C & NW immediately if GLA does not agree to the operating subsidy, or does not consummate the purchase by November 29, the Commission said.

The case is docketed as AB-1, Sub. 70, *Chicago & North Western Transportation Co.—Abandonment—Between Ringwood, Ill., and Lake Geneva, Wis.*

October 27, 1982 U.S. RAIL NEWS

ICC SETS TERMS FOR C&NW ACCESS TO POWDER RIVER LINE

The Interstate Commerce Commission has stepped once again into the middle of a six-year debate and told the Chicago & North Western Railroad that it must pay $76.2-million for a half interest in a rail line serving Wyoming's coal-rich Powder River Basin.

ICC authorized C&NW and Burlington Northern to build a line jointly in 1976 to avoid environmental problems that would have been caused by constructing two separate lines. When C&NW was unable to raise the money for its share, BN moved unilaterally and built the line in 1979.

The 94-mile stretch runs between Shawnee Junction and Coal Creek Junction, Wyo. BN had asked ICC to set the buy-in price at no less than $90-million, while C&NW had declared that $53.6-million was a fair offering. The railroad has, however, reportedly indicated that it would pay up to $83-million for access.

C&NW has already lined up a $574-million financing package with Western Rail Properties, a wholly-owned subsidiary, and WRPI Trust, a firm owned by Union Pacific Railroad. Fourteen banks have agreed to put up $574-million to purchase half the Powder River trackage plus repair 45 miles of C&NW track that is linked to the joint line, and build a 53-mile line to connect the joint line with Union Pacific track at Joyce, Neb.

ICC's Oct. 22 decision calls for C&NW to present evidence by Nov. 5 that it has the financing to meet the purchase price. If BN accepts C&NW's offering, BN cannot challenge the commission decision in court. C&NW has 15 days after BN accepts its offer to make the payment. If BN decides to take the matter to court, C&NW will not have to make a payment until litigation is completed.

ICC said that it determined the buy-in price by totaling historical cost, updated by BN's cost of capital, minus depreciation, plus an allowance for a capital gains tax.

Journal of Commerce
October 29, 1982

SP Starting Work On Calif. Terminal

Journal of Commerce Staff

The Southern Pacific Railroad has begun building a new terminal outside Sacramento, Calif., which is intended to become the northern California hub for intermodal operations.

R.D. Krebs, president of the Southern Pacific Transportation Co., said piggyback business at Roseville has increased 300 percent in two years. The $500,000 facility, which will be completed next year, will be the 11th intermodal terminal in the SP system.

Overall piggyback business on the SP has increased 27 percent during the first nine months of this year, Mr. Krebs said.

Chicago Tribune
October 31, 1982

Freight's fate's great fun for Texas Aggies

COLLEGE STATION, Tex. (AP) — When a Missouri Pacific freight train derailed near Texas A&M University early Saturday, the students made light of the accident.

The train dumped 192,000 cans of Miller Lite Beer, which cascaded onto a highway on the northwest corner of the campus.

Students rushed to the scene of the accident, which occurred a half-hour after midnight, to scoop up free beer.

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Journal of Commerce
November 1, 1982
Three Articles

Coordinated Rail Service Is Proposed

By RIPLEY WATSON 3rd
Journal of Commerce Staff

If or when the complete Guilford New England rail system begins operating, the line may well be looking toward developing direct routes to improve rail's competitive position against trucking.

That was the message given to the Traffic Club of New York by Michael V. Smith, vice president of marketing of the Boston and Maine Railroad, who proposed joint service with Conrail between Montreal and the East Coast as an alternative to three circuitous routes now in use.

Before any new arrangements come into practice, the entire Guilford Transportation Co. system must be approved by various courts.

He declined to speculate on a timetable for final approval of the system, which has been challenged in court.

Mr. Smith, however, appeared optimistic that the combination of the Delaware and Hudson, Boston and Maine and Maine Central would start operations sometime soon.

He said the New England rail system, which was first proposed 50 years ago, "is no longer talk. It's almost fact."

Mr. Smith was careful to point out that no discussions with Conrail about direct service between Montreal and New York, Philadelphia and Washington have been initiated because of antitrust questions such talks would raise.

Nevertheless, he called D&H's route from Montreal to Albany "the ace in everyone's hand because it's the straightest route between two major metropolitan areas."

He said that only by connecting the best routes in a particular market could both Guilford and Conrail be competitive with trucks and receive the benefits of increased business.

Freight traffic between Montreal and New York now moves either via Springfield, Mass. and the Albany area via the Boston and Maine, or via the Delaware and Hudson to Albany, Binghamton, N.Y. and Allentown, Pa. or via a Conrail line via Syracuse. In each case, at least 100 miles is added to a trip which is less than 400 miles by the shortest available rail line.

Mr. Smith said the Delaware and Hudson still is in very severe financial straits but is in "pretty good physical shape."

The complete Guilford system has been seen as a competitor to Conrail, which, along with various Canadian railroads, have been trying to get the courts to scuttle Guilford.

Mr. Smith also told the group that if Guilford can start operating as a unit, there are plans to expand overnight service. Trains generally using two-person crews are operating currently between Boston and Montreal and New Haven. Plans include adding routes originating in Maine and routes extending to Buffalo, Toronto, New York and Philadelphia.

He also reported that integration of B&M's newly acquired lines in Connecticut is proceeding well on two fronts. Incentive rates on lumber and paper movements are generating more business and upgrading of the tracks with new ties, ballast and surfacing also is underway, Mr. Smith said.

Large Trucks Cited In Accident Report

Journal of Commerce Staff

WASHINGTON — A significant cause of death and injury on U.S. highways are accidents involving large trucks, according to a report by the Department of Transportation.

Prepared at the request of the Senate Appropriations Committee, the report, "Large-Truck Accident Causation," concludes that an expected increase in truck traffic in the next 10 years will mean more accidents.

The report recommends that federal and state governments take steps to improve truck safety. These include correction of road hazards, increased inspections of large trucks, and improved driver testing.

In addition, the report suggests that trucking companies require use of safety belts, better maintenance of vehicles and increased driver training and supervision.

Kilroy Defends Retirement System

Journal of Commerce Staff

WASHINGTON — Richard I. Kilroy, president of the Brotherhood of Railway and Airline Clerks, AFL-CIO, warned against the Reagan administration's renewed call for an end to federal support of the railroad retirement system.

"What the president proposes is the abandonment of a tested and workable system. Such a move would bring about a chaotic period of uncertainty," Mr. Kilroy asserted.

The union leader pointed out that earlier this year the administration's proposal was rejected by the nation's rail unions, rail management and the House Appropriations Committee.

"The railroad retirement system is funded strictly by contributions by rail workers and the railroad industry," Mr. Kilroy explained.

"To portray these railroad retirement benefits as being funded by the general treasury is misleading and unfair. . . " he concluded.

The federal government spends about $240 million annually to run the Railroad Retirement Board, which manages the system.

THE ADMINISTRATION IS SHIFTING ITS POSITION on coal slurry pipeline legislation, and high unemployment in an election year has much to do with the change, according to sources lobbying to win the pipelines federal eminent domain. Up to now, the Administration, with Interior Department spokesmen as the lead witnesses, has opposed the various eminent domain bills on philosophical grounds -- they tamper with states' rights.

BUT A 'MORE SUPPORTIVE' ATTITUDE HAS EMERGED toward coal slurry proposals in the White House and Interior, mainly because the projects slated for development could provide jobs for hundreds of thousands, sources say. Pipeline opponents, including the railroads, have argued that most of the construction jobs generated by coal slurry development will evaporate when projects are completed. The unemployed, however, may not be quick to quibble over just how long the slurry job bonanza will last.

THE ADMINISTRATION HAS NEVER ACTIVELY LOBBIED against the bills reported out of House and Senate committees, and there's little chance that the White House will now praise the measures. However, despite his well-known distaste for federal intervention into state affairs, President Reagan may be willing to "hold his nose" and sign the slurry legislation when and if Congress approves, the *New York Times* reported.

CONGRESSIONAL OPPOSITION is, of course, the sticking point (USRN, Sept. 29, 1982, p. 151). Senate slurry activists are apparently ready to compromise, while the heavy opposition is concentrated in the House. One pro-slurry source said that the House leadership has indicated that legislation currently pending before the Rules Committee will be released for a floor vote. But the observer wasn't as optimistic about the bill's chances if it is bottled up in the Rules panel, pointing out that suspending rules and bringing it to a vote during the lame duck November session would require a two-thirds House majority, something coal slurry proponents aren't sure they have at this time.

* * *

THE RAILROAD PENSION FUND BELONGS IN THE PRIVATE SECTOR, President Reagan reiterated Monday in the annual report of the Railroad Retirement Board submitted to Congress. "The railroad retirement system faces severe financial difficulty" despite efforts to improve its fiscal footing, Reagan warned. "With the railroad industry's strong tradition of collective bargaining, it is my belief that the parties should be free to negotiate and implement changes in the railroad retirement system as part of their normal collective bargaining." He added that returning the fund to the private sector would free the industry "from inappropriate federal intrusion in their affairs."

Chicago Tribune
November 5, 1982

RTA

LAST MONTH THE RTA began a major campaign to bring labor costs under control by announcing that it had reopened contracts with 14 railroad unions whose members work on the Milwuakee Road and Rock Island commuter service.

Labor costs account for an estimated 80 percent of the RTA's expenses. The RTA is expected to borrow $100 million to continue operations this year. Last year RTA financial problems forced major fare increases and nearly caused the Chicago area's public transit system to shut down.

Teamsters May Test Mopac-UP Link

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Look for a slew of court suits — including one involving the trucking industry — now that the Interstate Commerce Commission has issued its decision outlining why it approved the Union Pacific's purchase of the Missouri Pacific and Western Pacific railroads.

At least two railroads — the Southern Pacific and the Denver & Rio Grande Western — will take the agency to court but the most interesting possibility is that the powerful Teamsters Union also will move to block the merger.

The Burlington Northern Railroad also is considering launching a court action.

By far the most interesting possibility is a Teamsters suit aimed at blocking the transaction.

Suits by other railroads in merger cases are nothing new but a Teamsters suit would mark the first time in recent memory that a railroad merger sparked intermodal intervention.

Possible diversion of freight from truck to piggyback movements apparently is behind the possibility of a Teamsters suit, officials said, noting that culmination of the transaction will create a 22,500-mile railroad system serving 21 states stretching from the West Coast to the Mississippi River and down to Gulf ports.

UP officials have made no secret that they are considering attempts to dramatically improve the amount of piggyback traffic handled by the new system.

Besides blanketing the western half of the nation, the railroad would enjoy certain competitive advantages not enjoyed by trucking companies.

For example, the ICC no longer requires railroads to file tariffs at the agency setting rates they charge on piggyback traffic moving by rail and using railroad-owned truck lines.

But trucking companies not owned by railroads still have to file such tariffs.

Union officials fear that the UP effort, if successful, could result in more traffic presently moving by truck to be diverted to rail.

Competition resulting from changes contained in the Motor Carrier Act of 1980 and declining tonnage due to the falling economy have had a devastating impact on trucking operations.

Union companies have been hurt the most especially in the full truckload area.

Any major diversion of freight to piggyback service, officials fear, could create additional problems for union firms and might preciptate further layoffs.

No final decision whether to file a suit has been made yet, persons familiar with the situation told this newspaper.

The Southern Pacific is attempting to get the entire merger overturned on grounds it violates a 19th century law still on the books that prohibits such a transaction.

But SP President Ben Biaggiani has indicated his firm could live with the merger if an agreement is reached barring the UP from buying the Western Pacific.

However such a deal is not likely since WP claims it will be forced into bankruptcy if it does not become part of the merged system.

The Rio Grande apparently is seeking trackage rights to serve Sacramento, while the BN is thinking about going after rights to serve utilities located on the merged system.

The BN had asked for trackage rights to serve five power plants located on the Missouri Pacific once the Chicago & Northwestern Railroad gets rights to serve Wyoming's coal rich Power River Basin.

UP is involved in the project with the C&NW.

While all the court fights are going on, it is a virtual certainty the SP and other railroads are searching for merger partners in order to cope with the competitive impact of the merged system.

Mr. Biaggani dismissed reports his company is thinking about taking over the Denver & Rio Grande on grounds such a move would violate the same laws that make the Mop-Up merger illegal.

But he refused to say what his company's response would be if the court rules against the SP.

The SP executive also said he wouldn't mind sitting down and talking with his "grood friends" at the Atchison, Topeka & Santa Fe and the Chessie System railroads.

SP and the Santa Fe two years ago worked out a tentative merger agreement, but it eventually fell apart and was abandoned.

There has been talk throughout the summer that SP and Chessie officials had been discussing a possible merger if the UP's purchase was approved by the commission and withstood court tests.

But the rumors never were confirmed.

St.Paul Dispatch October 27, 1982

BN keeping headquarters here

By Lee Egerstrom
Business Writer

Burlington Northern Railroad Co. will remain headquartered in St. Paul, the company announced today after completing a four-month study.

But about 250 of BN's 2,700 headquarters employees will have their jobs transferred to the railroad's Kansas City offices by next summer in a move to centralize its operations department. Kansas City is now the most central location on BN's expanding rail network that stretches from the Pacific Northwest to the Florida Gulf coast.

Railroad officials told employees of the decision to stay in St. Paul at midmorning briefings today. In addition, company executives planned to call the governors of Minnesota and Missouri and the mayors of St. Paul and Kansas City to announce their decision.

Several other communities in Missouri, Nebraska, North Dakota and Montana that were openly courting the St. Paul-based railroad will receive letters informing them BN is staying put, a spokesman said.

Burlington Northern began its relocation study in June. It examined whether BN should continue to have its offices here, where the original companies of the current BN have been headquartered since 1864, move to another city or decentralize offices in several locations.

However, company officials acknowledged during the study that a complete headquarters move would probably cost a minimum of $70 million.

Walter A. Drexel, BN Railroad president and chief operating officer, announced the company's decision in a statement today that was obliquely critical of Minnesota's business climate.

"We are pleased that the study resulted in retaining our headquarters in St. Paul," he said. "We have long enjoyed a good relationship with this community and look forward to continuing that relationship.

"We did find that certain aspects of doing business in Minnesota are more costly than in most other locations and we intend to work with both the state government and with the St. Paul Chamber of Commerce in an attempt to bring those costs more in line with other areas," Drexel added.

"It is imperative that businesses not be penalized from a cost standpoint simply because they are located in Minnesota."

Drexel said the study did reveal that the operations department should be moved to a more cental location on BN's rail system, and this move is consistent with the company's emphasis on decentralizing activities.

BN is the largest employer in downtown St. Paul, and will remain so even after the operations department moves to Kansas City and reduces the headquarters payroll here to about 2,500 people.

Its building, home to the Great Northern and Northern Pacific railroads before BN was created through mergers, has 800,000 square feet of space, of which 619,000 square feet are used as offices.

Extensive remodeling work inside the building continued while the relocation study was in progress, prompting many veteran railroad employees to speculate that some departments might be moved to other cities, but that the main railroad headquarters would remain in St. Paul.

Regardless, employees and St. Paul civic leaders have worried that the railroad might move since a parent holding company, Burlington Northern Inc., was formed a year ago and those corporate offices moved to Seattle.

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Journal of Commerce October 22, 1982

ICC Rejects Claims That Rail Controls Cast

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Port interests' allegations that the Canadian National Railway has illegally acquired control of Cast North America Ltd. have been rejected by the Interstate Commerce Commission.

The agency's action is the latest in an increasingly bitter feud between U.S. port interests and Cast.

At issue were North Atlantic Ports Association charges that CN had assumed control of Cast North America, a trucking company that is the U.S. arm of the "Cast System" of North American and European trucking companies and ocean carriers hauling intermodal shipments between North America and Europe.

Until running into financial problems earlier this year Cast apparently was handling shipments through Montreal at rates well below those charged by shipping lines operating through U.S. ports.

This precipitated attempts by U.S. maritime and port interests to enact legislation requiring Cast to file tariffs with the Federal Maritime Commission and several moves to get the ICC involved in the controversy.

The latest case involves allegations that CN took several steps giving it de facto control of Cast without first receiving ICC approval to do so.

For example, the ports pointed out that CN has an option to buy 75 percent of Cast Containers Ltd. the firm that owns the trucking compny.

CN apparently has purchased the equipment and shoreside facilities used by Cast and an 18 percent interest in Eurocanadian Shipholdings Ltd., the firm that owns Cast Containers, they added.

Since CN is owned by the Canadian government, the ports argued, control of Cast could result in cross subsidization that would put U.S. rail, truck and ports at a competitive disadvantage.

"The facts strongly indicate that CN does not control Cast," the ICC concluded.

The agency pointed out that 61 percent of the company's stock is owned by Dolphin Investments, Bermuda, a Narby family investment company.

The remaining 21 percent of the stock is owned by Helix Shipping Ltd., Bermuda, which is controlled by the Webster family.

CN's decision to pay $10 for the shore equipment also does not indicate unlawful control, the commission said.

The commission also pointed out that CN has had only one representative on Eurocanadian's board of directors since 1976 and has never been represented on the boards of either Cast Containers or Cast.

The agency also noted that the option to buy 75 percent of Cast Container cannot be exercised until 1985 at the earliest.

"It is not likely that CN would successfully use the threat of a future exercise of the option as a weapon to gain present compliance from the other Cast shareholders," the agency concluded.

Cast Attorney Richard Streeter praised the ruling as "proper and correct in all respects."

He hoped the commission's decision will "bring to an end the continuous stream of frivilous complaints by port interests against the carrier.

Wall Street Journal 14 November 3, 1982

Philadelphia's Commuter Rail Deadlock Reflects the Problems That Conrail Faces

By RICHARD KOENIG
Staff Reporter of THE WALL STREET JOURNAL

PHILADELPHIA—If anyone makes book on whether the commuter trains here will keep running, the betting should be brisk. The perennially chancy existence of Philadelphia's commuter-rail service now faces a contract dispute in which management and labor seem irreconcilable. A mediator recently told both sides: "You are operating in two different worlds."

On one side is the Southeastern Pennsylvania Transportation Authority. By Jan. 1, the authority plans to take over commuter-rail operations in the Philadelphia area from Consolidated Rail Corp. Conrail, as the government-owned railroad is known, is under a congressional directive to abandon its unprofitable commuter business and concentrate on freight hauling. On the other side is a federation of 15 railroad unions representing about 1,400 workers. In between are 45,000 commuters.

The transportation authority sees this moment as a last opportunity to reduce the labor costs that consume more than half of the commuter-rail budget and to undo union work rules that have multiplied over decades. At stake, says David Gunn, general manager of the authority, is "the survival of the commuter rail system." The authority says it must hold railroad labor costs to about the level of the 7,000 employees who now run the city transit system of buses, subways and trolleys: $26,400 per employee a year, including benefits. Mr. Gunn touts this compensation as "the best public-sector, blue-collar contract" in the Philadelphia area.

Craft Suicide

The unions call it "craft suicide." Their members average $40,300 a year. If the commuter trains stop running, though, many Conrail junior employees on the freight side probably would also lose their jobs to senior commuter employees. Junior employees on the commuter side also could be out of work. Vince D'Amico, a six-year veteran, says that in the control tower where he works "we have gallows humor. We'll all be out on the street."

This dispute isn't limited to Philadelphia. Conrail has been running larger commuter-rail operations for the Metropolitan Transportation Authority in New York and the New Jersey Transit Corp. since 1976, when Conrail replaced the Penn Central and five other bankrupt railroads. No new labor accords have been reached anywhere, and emergency boards appointed by President Reagan have been meeting in all three transit districts.

But labor and management are perhaps farthest apart in the Philadelphia area. This week an emergency board here is issuing a report meant to push contract talks along. But Herbert Northrup, a professor of industrial relations who chairs the board, already has warned: "Don't expect any magic solutions."

The authority says it has to take a tough stance. So desperate are its finances that timely maintenance seems almost a pipe dream. In September, the authority closed a large commuter bridge, a 19th-century structure 100 feet above a creek valley that it spans for about 300 yards. A support column was loose from its footing. Girders were broken clean through. Before the bridge was closed, 52 trains crossed it every day. As Mr. Gunn notes, what the bridge needs is "not just paint—or it's got to be very thick paint."

Assuming constant operating costs, the authority now projects a $20.1 million deficit in commuter-rail operations at the end of the fiscal year that began July 1. That deficit, more than one-fifth of expected expenses, is calculated *after* accounting for all government subsidies. Barring lower costs, the authority says, commuter-rail operations will run out of money as early as February, unless they are subsidized by other public transit.

Still another worry is that the authority's employees would see high commuter-rail wages as a new standard for themselves. "That would create the downfall of city transit," says Thomas Widing, who follows transportation issues for the Philadelphia Chamber of Commerce.

What the authority regards as a threat the unions regard as time-honored work rules. For example, the authority says, though a single employee could repair an air conditioner, union rules might require separate participation by the International Brotherhood of Firemen and Oilers, the International Brotherhood of Electrical Workers, the Sheet Metal Workers and the Machinists.

Then there is the "100-mile rule," which has its origin in the yesteryear of steam locomotives that traveled about 100 miles over eight hours. For daily mileage exceeding 100 miles, train crews were paid extra—a bonus that encouraged unsupervised workers to speed freight deliveries. Today the steam engines are museum pieces, but the 100-mile rule lives on, despite its unsuitability for commuter trains that travel the same distance each day.

(Elsewhere, National Railroad Passenger Corp., or Amtrak, just reached an agreement with the Brotherhood of Locomotive Engineers to eliminate mileage as a basis for union pay.)

Thomas Roth, a consulting economist representing the unions, answers that pay for Conrail's commuter-rail employees isn't out of line with the railroad industry. Conrail's commuter-rail employees would bend on some work rules, Mr. Roth says, if overall compensation weren't cut. But he argues that city transit wages in Philadelphia are an unreasonable standard, arguing that "bus operators in Peoria, Ill., make more than the bus operators in Philadelphia."

Other Solutions Tried

One reason the transportation authority is taking aim at labor is that other ways out of its financial straits have already been tried. Fares, which cover about half of the authority's expenses, have soared 97% since 1979. But rail ridership has dropped 31% over the same period, to the lowest level in the authority's history. The authority now is trying to recover by adjusting fares again, some down, some up. Curtailing service has been tried, too. Since fall 1980, the authority has reduced passenger-route miles by nearly one-third.

An end to commuter-rail service here has been foreseen before, only to prove a mirage. Twice in the past two years, Conrail has posted the quaint stations that radiate into the suburbs with warnings that it was about to halt service because of disputes with the transportation authority. Always a way was found to patch up differences.

As Conrail begins posting the stations again, officials say this time is different. If all goes as Congress intended under the Northeast Rail Service Act of 1981, Conrail won't be around to absorb part of the commuter-rail deficit. The authority once thought about hiring all its own commuter-rail employees, and in fact has managed one lightly used rail line. But legal obstacles and the tight Jan. 1 deadline seem to rule out much more hiring for now.

Federal support of the authority's operating budget, now 10% of the total, would end in 1985 under a proposal by the Reagan administration before Congress. Local and state authorities, whose contribution approaches 40% of the budget, haven't shown any inclination to offer a huge, emergency infusion. Says Alan Davis, the chief labor negotiator for the authority: "One-third of our system went out of business, and there wasn't a murmur."

If the commuter trains do stop running here, a lot of passengers would add their cars to traffic pouring into the city. A study done for an authority advisory committee estimates that average commuting time by car would increase by 25%. At midday, the study says, there would be a shortage of as many as 12,000 center-city parking spaces. The confusion could be aggravated by repair work scheduled over the next several years on a vital and already congested highway, the Schuylkill Expressway.

It's not clear what would become of another construction project, a rail tunnel now being cut under center city at a cost of $400 million. Scheduled to open in 1984, the tunnel is meant to link commuter lines. If there are no commuter lines, Mr. Gunn suggests, "it would make a pretty big mushroom farm, wouldn't it?"