Corporate Relations

M E D I A   M O N I T O R   November 16, 1982

Dissemination of these news items to all interested people is encouraged. Content may differ from Milwaukee Road viewpoint. You may wish to retain for reference.

Shopper - News, Merrill, WI
November 3, 1982

Milwaukee Road Employes Improve Line, Boost Economy

Most of us go home at the end of a hard day's work, eat a home cooked meal and settle comfortably into family life. But the kind of worker Merrill has brushed acquitance with recently is the kind who sits down to eat beside strangers nearly every meal and only sees home on weekends.

They are Milwaukee Road employes who have been in the area since mid-June working on the $6 million dollar rehabilitation of 42 miles of track from Brokaw to Tomahawk.

Coming and going at different intervals there's been about 235 workers in all, working on the project, including one woman. They have come from all over the state of Wisconsin and a few from surrounding states. Maybe to them it's just another job, but for us they're here to help save a railroad.

"It's a hectic job," admits manager Larry Carroll, "but it pays good." That, even many of the employes admit, is why the turnover rate of employment is low. The majority of employes have been with the company three or more years.

The Milwaukee Road developed its track rehabilitation crew in 1977 when railroads all over the country began to realize the seriousness of their situation. If they were going to survive they were going to have to start ripping up old tracks and ties and start over.

A lot of today's crew were there from the beginning. "They're still with Milwaukee Road," Carrol says. "They're pretty well trained and have become accustomed to the work."

Because of the job demands, many of the workers are single. Those who live out-of-state in one of the 11 Milwaukee Road states go home only occasionally. Most of those working locally, however, are from Wisconsin and go home on weekends.

While here they pack the local motels, or stay in campers at local campgrounds, visiting local restaurants for meals and local taverns for entertainment. Only the Steel Gang are supplied bunk cars for housing and are staying on Wausau's West Side for the duration of the project.

Right now the project is speeding up to meet a tentative Nov. 19 deadline. The Steel Gang, the largest of the 10 gangs on the local project, arrived in mid-October to begin the final job of laying track. Just ahead of them, peddling steal along the route for them, is the Distribution Gang. The one woman employe, 22 year old Ann Weymiller of Albin, Iowa is an employe of the latter. There are a couple of other female Milwaukee Road crew members, but Ann is the sole woman assigned to this project.

She came to the railroad five years ago fresh out of school. She had thought about getting a highway construction job, "I wanted to be outside and to make good money," she candidly explains, but Job Service called with the railroad offer first and she took it.

As her fellow workers, Ralph Jones of Columbus, WI describes, "it's hard, dirty work" and very tiring. Yet, come the end of November when the snow flies, they'll all be heading for home for winter lay-off. Though she likes her work, Ann doesn't mind the four month rest. As a carefree single gal she'll slip back to Iowa and make the most of her winter freedom inwait for April and the return of work.

Those with families are less inclined to share Ann's enthusiasm for the impending break, of course, but with track rehabilitation needed in every state you can be sure work will still be there someplace for most of them next spring.

Here in Lincoln County a few workers will doubtlessly return here to clean-up scrap expected to be left buried by snow.

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Chicago Tribune

November 16, 1982

Engineer 'drunk' in rail mishap

BATON ROUGE, La. (AP)—A railroad clerk refused to answer questions Monday about the fiery train derailment, but a federal report quoted her as saying that she took over the throttle when the engineer got too drunk to sit up.

Janet Hoyt Byrd, an office clerk for the Illinois Central-Gulf railroad, from Gonzales, La., was one of the first witnesses called by the National Transportation Safety Board [NTSB] at a hearing into the Sept. 28 derailment at Livingston, La.

The train, more than a mile long, included 35 carloads of hazardous chemicals, some of which were among the 43 cars that derailed and caught fire. Explosions and lingering fires kept 2,500 people away from their homes in Livingston for two weeks.

One of the reports made public estimated that the wreck caused $12 million in damage.

After Byrd told the panel her name and address, she refused to answer any questions, citing the 1st, 5th, 10th and 14th Amendments.

HOWEVER, reports made public at the hearing included her answers to questions about the wreck. The reports were put together by NTSB investigators.

One report quoted her as saying she was with engineer Edward Payton Robertson Jr. and brakeman James R. Reeves at a hotel bar in Baton Rouge and then drove them to a convenience store to buy a fifth of bourbon.

All three face state felony charges of reckless handling of hazardous materials. Robertson and Reeves are to testify later.

The report said the three went to the brakeman's hotel room, where the two men had at least two more drinks.

"Ms. Byrd, an alcoholic in the AA program, had nothing to drink then or later," the report said.

"They prevailed on Ms. Byrd to drive them to the diesel shop and to ride with them on the locomotive to McComb, Miss. She agreed, she said, because she wanted to visit her mother there."

THE REPORT said: "According to Ms. Byrd, she stayed out of sight until after the train left Baton Rouge. She said the men continued to drink from the bottle on the train.

"At Lockhart, La., she was forced to take over for the engineer as he had become so inebriated that he could no longer sit up in his seat.

"She operated the locomotive to the point of the accident, about 10 miles. During this time, the locomotive was in full throttle.

"The only thing she did to control the train was to make a 10-pound reduction of the automatic brake at a bridge west of Livingston."

U.S. RAIL NEWS

November 10, 1982

AMTRAK, BLE SIGN 'BREAKTHROUGH' LABOR CONTRACT

In a labor contract being hailed as "a breakthrough in the industry," the Brotherhood of Locomotive Engineers has agreed to allow Amtrak to hire its own engineers and beginning Jan. 1, pay them by the hour rather than according to a mileage-based formula followed by the industry since 1919.

The agreement ends the arrangement under which Conrail hired Amtrak engineers and negotiated their labor contracts. Amtrak will no longer pay engineers a full day's wages for each 100 miles their trains travel, a practice that has often lead to engineers working half a week for a full week's pay, according to Amtrak President Graham Claytor.

He continued that Amtrak will need fewer engineers, and those that do work will make the same wages for longer hours. The railroad sugar-coated the concession by eliminating most engineers' need to be away from home overnight, and increasing their job security. Amtrak has also agreed to gradually increase work hours over three years.

BLE did, however, concede to eliminating "arbitraries," those rules requiring engineers to be paid extra for performing such tasks as running a train through washing equipment. Amtrak is looking to strike similar agreements with the United Transportation Union, which represents brakemen, flagmen and conductors.

The railroad has also announced its "Express" New York-Washington Metroliners, which will make the Northeast Corridor trip in two hours and 49 minutes, a schedule that shaves ten minutes off the previous run time. Amtrak will also add new trains — the "Silver Palm" between Tampa and Miami, starting Nov. 21, and the Chicago-Toronto through train, the "International."

Food service will be improved by such measures as restoring full dining-car service on some trains, adding some dinner menus and expanding lunch choices. Claytor also announced that the railroad has achieved the Congressionally-mandated goal of paying for half the cost of its service with fare revenues.

Milwaukee Journal
November 13,1982

Rail service on 2 lines may cease

Chicago, Ill. —AP— A special master has recommended that the Milwaukee Road be allowed to abandon two freight lines in Wisconsin, one immediately, and the other no later than next Jan. 16, a court official said Friday.

Milton Gray, the special master, made the recommendations this week to Federal Judge Thomas R. McMillen, who is overseeing reorganization of the railroad.

McMillen is tentatively scheduled to rule on the recommendations Wednesday, according to Robert Stone, McMillen's law clerk.

The rail lines recommended for abandonment are from Beloit to Burlington, 37.9 miles, and from Janesville to Madison, 36.4 miles.

Stone said Gray recommended that the Milwaukee Road be allowed to abandon the Beloit line immediately and the line to Madison "at such time as the line is sold for continued rail service or on Jan. 16, 1983."

The Milwaukee Road filed for the abandonment with the Interstate Commerce Commission in June, according to a railroad spokesman.

Communities that would be cut off from freight service between Beloit and Burlington are Lyons, Springfield, Elkhorn, Delavan, Darien, Bardwell and Clinton Junction.

Those affected between Janesville and Madison are Milton Junction, Edgerton, Stoughton, McFarland, Nine Springs and Monona Tower.

Chicago Tribune
November 9, 1982

Burlington contests ICC order

The Burlington Northern Railroad Monday filed with the U.S. Circuit Court of Appeals in Washington a challenge to the decision of the Interstate Commerce Commission last month requiring it to sell half interest in its 94-mile coal line in the Powder River Basin of Wyoming to the Chicago & North Western Transportation Co. for $76.2 million, a spokesman for the railroad said. The North Western Friday gave the Burlington a letter of credit from a group of banks as proof it had the financing available for its share. The Burlington suit challenged the ICC's authority to set the terms, the sufficiency of the ICC-set price, and the sufficiency of the labor protection provisions, the spokesman said. The dispute between the railroads has been before the ICC since 1973.

Chicago Tribune
November 6, 1982

C&NW complies with credit order

The Chicago & North Western Transportation Co. Friday complied with an Interstate Commerce Commission order to give the Burlington Northern Railroad a bank letter stating that financing for the North Western's share of a joint coal line in Wyoming has been arranged. The ICC on Oct. 22 ordered the North Western to "demonstrate" with a line of credit that it could pay its $76.2 million share of a 94-mile coal line between Orin Junction and Gillette, Wyo. The railroads have been involved in a dispute over joint operation of the line since 1973. The North Western gave to the Burlington a letter from Manufacturers Hanover Trust Co. of New York, as agent for a group of lenders, stating that financing for the line has been arranged, a North Western spokesman said. The ICC ruled that the North Western has 15 days to make the payment if the Burlington accepts the arrangement.

Journal of Commerce
November 12, 1982

Rails Ask Permission To Pool Box Cars

Journal of Commerce Staff

WASHINGTON — Nine railroads have asked Interstate Commerce Commission permission to pool insulated box cars they own.

Carriers seeking authority to do this include the Burlington Northern, Conrail, the Denver & Rio Grande Western, the Detroit, Toledo & Ironton, the Grand Trunk Western, the Illinois Central Gulf, the Missouri Pacific, the Southern Pacific and the Western Pacific.

Under terms of the agreement the pool will be managed by Fleet Management Inc., a wholly-owned subsidiary of Fruit Growers Express Co.

The purpose of the pool is to reduce the number of empty car miles incurred by these cars.

Under the new approach FMI will obtain loading forecasts from railroads and direct empty freight cars to the nearest shipping location for loading.

Individual lines will pay FMI on a formula tied to the reduction in empty car miles.

Operations are expected to begin in the spring of 1983 and membership will be open to all railroads in the continental U.S.

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Harvester to Unveil Truck That May Set New Industry Gauge for Fuel Efficiency

NOV. 12 '82

By Norman Peagam

Staff Reporter of The Wall Street Journal

CHICAGO—International Harvester Co. may be strapped for cash, but it's about to unveil a truck that could set new fuel-efficiency standards for the trucking industry.

The new product is a legacy of Archie R. McCardell, Harvester's former chairman and chief executive officer who was ousted by the board in May. Mr. McCardell has been blamed for many things, but he did earn a reputation for plowing money into research and development.

Harvester officials are reluctant to discuss the new truck, except to say that it has been in development for about two years. The company has scheduled a news conference next Friday in Dayton, Ohio, to disclose further details.

But, perhaps through a mixup in communications, Cummins Engine Co. already has given securities analysts some idea of the truck's potential. According to James A. Henderson, Cummins's president and chief operating officer, Harvester and Cummins completed a trial run late last month from Los Angeles to New York with a pilot model.

The 18-wheeler truck, essentially an adaption of an existing model and known as the F2375, was powered by Cummins's new L10 diesel engine and carried a 65,000 pound gross load. Mr. Henderson said the truck completed the 2,792-mile trip at an average of 8.26 miles a gallon, compared with the optimum six miles a gallon that current heavy truck models achieve. Harvester officials confirmed the test results.

That's "well over the average available today, and Harvester would definitely have a competitive edge," said a trucking industry official who didn't want to be identified. He noted that Harvester traditionally has been a leader in the heavy-trucking industry, where it holds a dominant market share.

But a Harvester truck dealer noted that fuel-efficiency also depends heavily on driving skills and that many drivers mightn't be able to realize the full potential savings. There also is some question about the durability of the smaller, lighter engine.

Harvester's dealers said they haven't yet been given details of the new model. But some said they had heard that, in addition to the new Cummins engine, it achieves greater fuel-efficiency partly through improved aerodynamics, as well as through a better cooling system and use of the most efficient radial tires.

The recession has severely cut demand for Harvester's trucks, although the company has said it saw "early indications" of a pickup in demand last month. The market for its farm machinery has been more depressed. As a result, Harvester has said it will post a loss of about $1.6 billion for the year ended Oct. 31.

THE WALL STREET JOURNAL
Friday, November 12, 1982

Corn Rises on Rumors Of More Purchases Of Grain by Soviets

A Wall Street Journal News Roundup

Futures Markets

Corn prices rallied on rumors of fresh Soviet grain purchases, despite uncertainty about the implications of Soviet President Leonid Brezhnev's death for U.S.-Soviet trade.

Many traders liquidated their holdings early in the trading session, awaiting a clearer signal of the market's reaction to Mr. Brezhnev's death. Some reasoned that a new Soviet leader might pave the way for fresh trade policies; other traders foresee little change in U.S.-Soviet relations, analysts said.

Unconfirmed reports of Soviet purchases of as much as two million metric tons of corn apparently eased the nervous speculation. Traders have sought news of Soviet movement in the grain market since the recent U.S. offer to the Soviet Union of 15 million metric tons of corn and wheat beyond amounts already specified in the current Soviet grain agreement. A metric ton is 2,204.6 pounds.

The agreement, a one-year extension of a previous accord, calls for the Soviets to buy a total of at least six million tons of corn and wheat, with the option of buying as much as eight million tons.

Corn prices also rose as the winter's first major storm moved into Midwest farm regions. Traders reason the snow will delay the harvesting of more than 20% of the corn crop still in the fields. High winds could also damage part of the crop. That may tighten available supplies as farmers continue to hold their corn off the market, awaiting higher prices.

Wheat and soybean futures fell. Analysts said bean traders were disappointed by a government report that forecast a record 2.3 billion-bushel harvest. The market had expected a smaller—although still record—amount.

Aberdeen American News October 29, 1982

Grains and rails come together again

By MIKE GAST
American News Staff Writer

WITH the arrival of the Burlington Northern Railroad in April, 1982, Aberdeen is once again the hub of grain transportation for South Dakota.

But depressed grain prices and an overall slowdown in the farm economy has slowed down rail shipping.

"This area of South Dakota was such virgin territory we really didn't know what to expect," says Burlington Northern spokesman James Verstraete, Minneapolis, Minn. "Since we took it over, I don't think anyone is pleased with the overall farm economy."

Verstraete says since the BN takeover of the main line through Aberdeen in April the railroad has shipped about 2,843 carloads of grain.

"Most of that was small grains going to Duluth and Minneapolis," he says.

Low farm prices have farmers holding on to their grains in overloaded storage facilities.

"I won't say we are disappointed with the business coming off of the main line," Verstraete says, "but not much is selling and therefore not much is moving."

Verstraete says the BN is still optimistic about the role it has to play in the future of South Dakota.

"It can only get better as the farm economy improves. You have to remember this is a hell of a grain producing area and it always will be. Sooner or later it will all have to be moved and then we will be there."

In the meantime, the BN and the state of South Dakota are working to upgrade the main line and other lines in the state to enable trains to travel at higher speeds.

The BN began a two-year rehabilitation project for the main line in July after securing a $30 million grant from the Federal Rail Administration.

Verstraete says the repairs are on schedule, despite this summer's engineer's strike which suspended all traffic and all work on the main line.

"We have put new ties down from Milbank to Mobridge," he says. "Ballasting will be finished by next year. They are about to Aberdeen with that now."

Verstraete says some rehabilitation work will go into November before being suspended for the winter months.

The arrival of the BN to South Dakota gave the state a healthy rail carrier after suffering many years with the floundering Milwaukee Road.

Terry Walsh, salesmanager for the BN out of Sioux Falls, says the BN now has about 30,000 miles of tracks, 115,000 rail cars, 3,400 locomotives, 50,000 employees and will operate in 25 states and two Canadian provinces.

"This company is changing so much it is hard to keep up," Walsh says. "In 1980, we handled about one billion bushels of grain. That is enough rail cars to stretch from Vancouver, British Columbia, to Florida and would make enough bread to give 25 loaves to each man, woman and child in the United States."

"I think what we have here is a good marriage between Aberdeen and the Burlington Northern," says Walsh. "I think it can only get better."

The trucking industry in South Dakota is also going through some changes, according to C.E. Lamberton, associate professor of economics at South Dakota State University in Brookings in a study entitled "South Dakota Agricultural Transportation Outlook for the 1980s."

"The motor Carrier Act of 1980 goes a long way toward deregulation of the trucking industry and makes entry into the regulated trucking sector easier by requiring a potential trucker to show only he is fit and willing to provide service," Lamberton says.

"Other changes resulting from the act are intended to reduce circuitous routings and empty backhauls by expanding the list of exempt commodities — those from which the movement by truck is not subject to economic regulation."

Lamberton says elimination of empty backhauls will increase truck revenues and possibly reduce the cost to shippers on both the front and backhaul.

But, like the railroad tracks, the S.D. highway system is in desperate need of repair.

The S.D. Legislature is expected to address the issue of highway repair funding in the 1983 session. Most legislators expect some type of user tax, possibly an increase in the gasoline tax, will be enacted to fund repairs and construction.

Rumors spur K.C. Southern stock

THE STOCK of Kansas City Southern Industries Inc., parent of the Kansas City Southern Railway Co., was pushed higher on the New York Stock Exchange Wednesday by rumors of a possible railroad merger or spinoff of assets.

Analysts attributed the higher price for the stock, which has jumped more than $13 a share in the last two weeks, in part to merger reports that would match Kansas City Southern with another railroad holding company such as Burlington Northern Inc., Santa Fe Industries Inc. or Norfolk Southern Corp.

Kansas City Southern closed on Wednesday at $52.25, up $1.75. The stock has traded as high as $53.

Donald Graf, a spokesman for Kansas City Southern, denied the rumors, saying, "All things are possible but we have made no specific plans to do either (a merger or spinoff)."

MARY DESAPIO, a rail analyst with Lehman Brothers Kuhn Loeb, said St. Paul-based Burlington Northern would be the most likely candidate for a merger with the Kansas City Southern.

However, an industry observer suggested that a union with the Kansas City Southern would be "a nice tie-up for the Santa Fe."

A Burlington Northern official said his company isn't interested in taking over the Kansas City Southern, and a spokesman for Santa Fe, the Chicago-based parent of the Atchison, Topeka & Santa Fe Railway Co., wouldn't comment on the reports.

Norman Rosenthal, a railroad analyst with Morgan Stanley & Co., suggested that the Kansas City Southern may decide to spin off its successful DST Inc. division, a computerized record-keeping and securities transfer service, after merging with another railroad.

THE RECENTLY approved merger of Union Pacific Corp. with the Missouri Pacific and Western Pacific is expected to prompt other mergers among smaller western railroads.

Pullman may resume production of piggyback cars

Chicago Tribune November 13, 1982

PULLMAN TRANSPORTATION Co., which has been out of the business of making railroad freight cars for nearly a year, may resume production sometime next year, Jack R. Kruizenga, president and chief executive officer, said Friday.

The company has built two prototype, lightweight intermodal [piggyback] cars for testing and could put them into production at its now closed Bessemer, Ala., plant "by the fourth quarter of 1983," he said.

Pullman also has plans to reacquire "at book value" its former Trailmobile subsidiary that manufactures truck trailers.

However, the likelihood of resuming production of hopper [coal] and covered hopper [grain] cars in which the corporation's Pullman-Standard division specialized in the 1970s is now slim because of a glut of such cars in the United States, Kruizenga added. Eighty thousand grain and 25,000 coal cars are now in storage because of a drop in traffic and overproduction of the cars during the 1970s.

PULLMAN, ONCE the giant of the railroad car industry and which as recently as three years ago employed 12,000 persons in plants in three states, currently has about 125 employees at its Chicago headquarters and a parts facility in Asheville, N.C. Its sales this year will be about $15 million.

In 1980 the firm abandoned the passenger car business in which it had been involved since the Civil War.

Wheelabrator-Frye Inc., a New Hampshire-based engineering and chemicals firm, acquired Pullman in 1980 but spun it off as a separate corporation in February. Wheelabrator kept Pullman's Trailmobile and Kellogg [chemical plant and refinery building] divisions but gave Pullman an option to reacquire Trailmobile.

Chicago Tribune
November 13, 1982

IC to cut back 1983 spending

Chicago-based IC Industries Inc. said its capital spending budget next year will be at least one-third below its 1982 budget. William B. Johnson, chairman and chief executive officer of the diversified holding company that is the parent of the Illinois Central Gulf Railroad, said the firm can afford the reductions because only "a minimum of capital improvements" are needed for the railroad next year. IC originally had budgeted about $450 million for capital expenditures this year, but reduced the amount to $350 million as part of a company-wide cost cutting program. The further reductions in 1983 will drop IC's capital spending in 1983 to about $300 million. Johnson, who is now on a swing through Europe to meet with investment groups, also reported in prepared remarks that the company has cut employment by about 12 percent. IC, whose businesses also include consumer and commercial products, has said it plans to sell the railroad after 1983 to take advantage of tax benefits generated by the railroad.

The Cedar Rapids Gazette: Sun., Oct. 31, 1982

Iowa Railroad mentioned in rail line merger proposal

LINCOLN, Neb. (AP) — The fledgling Colorado and Eastern Railway, to be operated from Hallam to Council Bluffs, Iowa, wouldn't turn a profit on its own, according to the railroad owner.

But Gary Flanders said it should make money by shipping goods from Chicago to Denver in combination with three other short lines — including Iowa Railroad — on the old Rock Island Railroad tracks.

Flanders, 40, of Colorado Springs, Colo., has leased four miles of abandoned Rock Island track in Lincoln and plans to lease and rehabilitate the remainder of the track from Hallam to Council Bluffs, Iowa. He also is leasing the line from Colorado Springs to Colby, Kan.

Under the plan envisioned by Flanders, Colorado and Eastern; Iowa Railroad, operating from Chicago to Council Bluffs; Union Pacific line from Hallam to Fairbury; and Kyle Railroad, operating from Hallam to Colby, will offer joint rates to move traffic on the Rock Island line. He said negotiations between the rail lines about those rates and future plans have taken place.

"What this (combining the service) has the effect of doing is improving the viability of four short lines," Flanders said. "Each one of those properties by itself is only marginally viable, but when you hook the four together, it improves the viability of all four."

It will probably be some time before service resumes on the entire line, Flanders said. But he said operations within Lincoln could resume shortly, if Lincoln businesses need the service.

Des Moines Register
November 13, 1982

1982 a bad year for trucking industry

A recent survey of trucking-company profits shows that 1982 may be the trucking industry's worst year in decades.

Thomas Fugee, executive director of the American Trucking Association's National Accounting and Finance Council, said profits of 63 major motor carriers in the survey plunged 90.9 percent in the first nine months of 1982 to $14.4 million, from $158.1 million in the same period last year.

If the profit pattern for the nine-month period holds for the rest of the year, motor carriers are facing their fourth straight year of lower earnings, Fugee said.

The survey said revenues for the 63 companies declined 6.9 percent in the first nine months to $4.92 billion, down from $5.28 billion a year ago. Tonnage for the carriers was off 14.7 percent to 49.6 million tons, from 58.2 million tons last year.

Journal of Commerce
November 10, 1982

N&W Wins Antitrust Suit

Journal of Commerce Staff

WASHINGTON — In a major victory for the railroad industry, a federal judge here dismissed a government suit charging that the Norfolk & Western violated antitrust laws in setting some railroad rates.

The suit was thrown out Tuesday after the N&W made a motion to dismiss on grounds the government did not make a case that antitrust laws were violated.

At issue were allegations that the N&W — along with the Baltimore & Ohio, the Bessemer & Lake Erie, the Chesapeake & Ohio and Conrail — conspired to eliminate competition from motor carriers and between themselves in handling iron ore shipments moving over private docks located on Lake Erie.

For example, the government accused the carriers of publishing unduly high class rates on shipments moving over private docks while iron ore moving over railroad-owned docks was charged a lower rate.

This resulted in freight rates being "fixed, maintained and stabilized" at unduly high levels, the Justice Department argued.

The B&O, the C&O, the Bessemer & Lake Erie, and Conrail already had pleaded nolo contendere and worked out agreements with Justice.

But the N&W refused to do so and forced the government to take it to court.

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The Washington Times NOV 12 1982

Fuel tax rise would hit big trucks

BY A WASHINGTON TIMES STAFF WRITER

A proposal to rebuild much of the nation's roads and bridges and pay for it with an increase in the fuel tax, now under consideration at the White House, would hit big trucks especially hard, it was learned yesterday.

Drew Lewis, the secretary of transportation, first made the suggestion that the nation's roads, bridges, dams and sewers should be rebuilt now, while much of it still call be repaired rather than replaced. The Department of Transportation estimated that the work eventually might create jobs for 325,000 workers.

This proposal, under review by President Reagan before the Republican leadership in the Congress draws up the legislation, calls for a 5 cent additional tax on each gallon of gasoline sold.

The money would be paid into the Highway Trust Fund and disbursed to the states through the established formulas to rebuild worn out roads and bridges.

According to sources who have access to the suggestions already forwarded to the White House, the legislation would be drawn to exact "a special levy" on the operators of heavy trucks, who are believed to pound the roads and bridges with a disproportionate share of wear and, so this reasoning goes, should carry more of the burden of rebuilding them.

THE NEW YORK TIMES, WEDNESDAY, NOVEMBER 10, 1982

Unions Bid To Acquire Conrail

By ERNEST HOLSENDOLPH

Special to The New York Times

WASHINGTON, Nov. 9 — Employees of Conrail have voted overwhelmingly to seek acquisition of the huge railroad system from the Government, a rail union task force informed Transportation Secretary Drew Lewis today.

The offered, contained in letter addressed to Mr. Lewis, said the unions propose to pay for the railroad with wages and other concessions. The Government's investment in Conrail totals more than $5 billion, but officials in the Department of Transportation say the sale price could be considerably less.

A Congressional mandate requires the Department of Transportation to seek private ownership, with preference given to offers to buy the system intact, but no purchaser is likely to be selected before late next year.

The bid by the unions and their members is an early gambit in what promises to be a long, drawn-out struggle for ownership of Conrail's freight operations, centered mostly in the Northeast, which lately has been inching toward a financial recovery.

Reasons Behind Interest

The reasons for the unions' interest in buying Conrail's freight operations were set out in the letter sent to Mr. Lewis today: "This approach can best keep Conrail together as an entity, maximize its long-term viability and service, and protect jobs and wages." The letter was signed by five union leaders and their financial adviser, Brian M. Freeman.

Signing the letter and heading the task force are Fred A. Hardin, president of the United Transportation Union; Richard I. Kilroy, president of the Brotherhood of Railway, Airline and Steamship Clerks; O.M. Berge, president of the Brotherhood of Maintenance of Way Employees; Andrew M. Ripp, vice president of the International Brotherhood of Electrical Workers, and Albert A. Terriego, director of the railroad division, Transport Workers Union of America.

The vote among their members — Conrail has 58,000 employees — took several weeks and was completed late last week. Union officials would not provide a breakdown of the results, but said more than 90 percent of the members voted in favor of the takeover.

Proposal Greeted Cooly

The notice from the unions that they are interested in full ownership or a controlling partnership of Conrail was greeted cooly by financial analysts and by the Department of Transportation, and staff sources in Congress said that the matter was very complicated and would need study by lawmakers.

John Fowler, general counsel of the transportation department and a key figure in the sale effort, said today that he fully expects others to come forward "at the appropriate time" to make financial bids for the railroad. None has announced an interest yet.

If no buyer emerges to purchase the Conrail system, the Department of Transportation will try to sell it in parts to various other railroads — a prospect that unions fear because it could cost many jobs.

EXCERPT from Transportation Shifts Into Superdrive
by Brian S. Moskal, Industry Week November 1, 1982

With the easing of regulatory barriers, transportation companies are now expanding—and mixing—the services they offer. The forces of competition are prodding them to venture beyond their traditional fiefdoms. Railroads, looking for increased volume and a more-balanced traffic mix, are getting into the trucking business. Meanwhile, trucking companies—compelled to offer more competitive rates on non-rush shipments—are forging new agreements with the rails to enhance their trailer-on-a-flatcar ("piggyback") capabilities.

On the move. Seizing an opportunity granted by the Staggers Rail Act of 1980, CSX Corp., Richmond, Va., has formed a wholly owned trucking subsidiary—Chessie Motor Express (CMX)—which relies on independent owner-operators. The ICC granted "conditional" operating authority for the trucking unit, limiting its activity to hauling piggyback freight to and from railheads served by CSX's Chessie System. (Chessie is one of two CSX rail units; the other, Family Lines, is not served by CMX trucks.)

In a related move, the Chessie System recently signed agreements with three other railroads—the Southern Pacific, Santa Fe, and Burlington Northern—to subcontract rail lines for piggyback service, in effect creating the first "transcontinental" railroad for piggyback service.

"We now have one-stop shopping over most of the nation," says Hays T. Watkins, chairman and chief executive officer at CSX.

In Boston, for instance, CMX can pick up a truckload of freight and move it to a Chessie railhead. When it arrives at the end of the rail line, another CMX truck can pick it up and deliver it to the customer. In the first quarter of this year CMX handled nearly 27,000 truckloads for more than 200 customers.

"Its growth has been substantial," says Mr. Watkins. "We think this affiliation between motor and rail is bound to increase, especially as the rail industry evolves into a smaller number of roads with longer and longer hauls."

Long steel ribbons. That evolution is continuing. In June of this year Norfolk & Western Railway Co. merged with Southern Railway Co. to form Norfolk Southern Corp., based in Roanoke, Va. The latest merger, approved in September, coupled the Union Pacific, Western Pacific, and Missouri Pacific railroads. (That merger has been challenged in court by Southern Pacific, which claims it violates an 1862 measure signed into law by Abraham Lincoln.)

Norfolk Southern, whose merger partners reported $3.6 billion in combined rail revenues last year, is an 18,100-mile system serving 21 states and part of Canada. Both railroads are highly efficient, low-cost carriers; and the merger should create a powerful new rail system that will benefit shippers by increasing single-line traffic and offering expanded geographic coverage.

Its chief competition will come from CSX, which was born with the 1980 merger of Chessie System Inc. and Seaboard Coast Line Industries Inc. CSX, which serves a similar geographical area, reported 1981 rail revenues of $5.1 billion.

While CSX has established a trucking line to feed its rail business, Norfolk Southern has run afoul of ICC regulations in attempting to acquire an existing trucking business. (In petitioning for its ICC approval, CSX made a case for "special circumstances"—the need to control traffic at piggyback loading ramps.)

The latest merger—involving Union Pacific, Missouri Pacific, and Western Pacific—may touch off yet another round of rail marriages which "could produce the first [full-service] transcontinental rail system in the U. S.," suggests Sally H. Smith, a rail analyst at Alex. Brown & Sons, a Baltimore-based investment-banking firm. "It's conjecture on my part," she says, "but if one announcement is made, the competition might just force another transcontinental system."

Synergy. Another trucking firm heading for supertransportation status is Ryder System Inc., which posted revenues of nearly $2 billion in 1981. Ryder System is the parent of a group of service-oriented companies that operate in the U. S., Canada, the United Kingdom, and the Netherlands.

"As we move into the 1980s we'd like to develop more synergy between divisions, to become intermodal, and to fill gaps between our divisions," asserts M. Anthony Burns, president and chief operating officer. "We want to be able to contact a customer and allow that customer to select the products from our mix that best serve him."

"Dedicated piggyback service will be the wave of the future for [general] merchandise traffic," asserts Mr. Claytor. "The boxcar will go the way of the stagecoach, but perhaps not in my lifetime," adds the 60-year-old Norfolk Southern CEO. He believes that piggyback connections can give his railroad the leverage it needs to win traffic back from arch-rival CSX and from motor carriers. That leverage would be enhanced if Norfolk Southern does manage to acquire a trucking firm. The new corporation can easily afford such an investment—its cash and cash equivalents exceed $700 million, more than enough to purchase even one of the biggest of the trucking giants like Roadway Express.

Off the track?

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By Barbara Rudolph

FORBES, NOVEMBER 22, 1982

When the Dow Jones industrials were up 27% from their August low, the transportation index was up 43%. In this wild market, the rail stocks have been among the largest beneficiaries. But investors may yet find themselves taken for a ride.

Here's the problem: The drop in the operating earnings of the railroads—down some 30% in the last quarter—was only partly due to lower traffic. There is also the problem of profound and long-term effects of rail and truck deregulation—which has brought a surge of competition into freight transport stronger than any since the interstate highways first neared completion. Deflation, in short, is hitting transportation prices, and the effect on industry profit margins isn't going to be good.

Railroaders naturally are reluctant to use hard numbers to describe their predicament but they are not slow to complain about the price competition. Norfolk Southern Chairman Robert Claytor says: "There is very intense competition among rail carriers. A lot of rate-cutting is buying business." Burlington Northern's Senior Vice President Darius Gaskins, who is a former chairman of the ICC, likes to refer to "annual bidding wars for traffic. Some shippers," Gaskins adds, "are haggling over every last nickel."

What deregulation has done, of course, is to allow the rails to sign long-term contracts with shippers and also—within a fairly wide range—to set rates where they choose. Combine those new freedoms and add a recession that has brought car loadings down some 20% over the past two years, and you have a formula for vicious competition.

The shipper, compelled by his own pressure to cut costs, is aware of his leverage over the rails. No one is more cognizant of this new reality than the shipping agent—the middleman who negotiates deals between the railroads and the shippers. Says Phil Yeager, president of Hub City, Inc., the largest shipping agent in the country: "It used to be that the shipper didn't care so much about price—$200 more or less wouldn't make a difference. Now shippers are so cost-conscious that for $25 they'll decide to switch modes of transportation."

The shipper is hardly naive. After all, the antagonism between shipper and railroad is as old as the industry. Now he can both play the rails against one another and pit rail against truck. Frank Yanacek, transportation and distribution director of SCM, gleefully explains: "As shipper we have a wedge. A trucker might come in proposing a deal that was 25% below what we had thought was an attractive rate. Sometimes, then, the rail will come back and ratchet it down further. We'd be foolish not to respond to that. We have our own profits to watch out for."

There is another ploy that shippers use even when the traffic they offer is captive to the rail: A shipper can say to a railroad, "Okay, my traffic on this route is captive to you. But you'd better give me a good price on it or I'll decide to move my traffic on this other route—which is not captive to you—onto another railroad." Not surprisingly, some railroads are crying foul. Shippers are reneging on deals, some railroaders privately complain. Says Union Pacific Assistant Vice President Richard Hautzinger, "You think you have a firm deal and then it falls through."

No wonder, then, as Kidder Peabody's rail analyst Graeme Lidgerwood puts it, railroads are scrambling for market share by cutting rates and—note this well—by signing long-term contracts with shippers, sometimes at discounts, in order to lock up the traffic and keep it away from the competition.

That locks in today's depressed recession rates, for a year, two years, occasionally even four. There have been particularly striking rate decreases, most notably in the realm of piggybacking—transporting cargo on truck trailers that are placed on railroad flatcars. That's by far the most competitive and least profitable line of business for the rails. Union Pacific's Hautzinger admits that the UP has been forced to turn away some of its piggyback traffic because it would be a moneylosing proposition. And the outlook is for more of this sort of traffic: While the rails have been hauling 13% less revenue-ton miles, piggyback traffic so far is up 3% this year over last, despite the recession.

This new competitive environment has meant significant savings for shippers, taken largely out of the hide of the railroads. At SCM Corp., for example, transportation costs are lower than they have been for two years. At Union Camp, they are down 5% from last year. And at FMC transportation costs have held constant despite inflation. "Rails have been cutting into their bone and marrow on prices," concludes Hub City's Yeager. Some roads can offset with earnings from natural resource plays, but others can't. Nor are natural resources the sure thing they seemed a few years ago.

There does seem to be one safe ride left to the rails: their coal traffic. You can't pick up and move a coal mine, after all. With some exceptions, coal rates have on the whole been steadily rising.

But hold on. Approval of the coal slurry pipeline—and some say that the odds are good that it will happen in this lame duck Congress—would mean even fiercer pressure on the rails' profit margins. Nothing is safe anymore. ■

Journal of Commerce November 8, 1982

Appeals Court Drops Rio Grande Suit

Journal of Commerce Staff

WASHINGTON — The U.S. Court of Appeals for the Tenth Circuit had thrown out the Denver & Rio Grande Western Railroad's suit challenging the Interstate Commerce Commission's decision approving the Union Pacific Railroad's purchase of two other carriers.

But it still is unclear which circuit court finally will hear the various challenges to the agency's decision permitting the UP to purchase the Missouri Pacific and Western Pacific railroads.

The Rio Grande filed its suit shortly after the ICC held a press conference to announce its decision to approve the transaction with very few conditions attached.

But the commission succeeded in getting the suit thrown out on grounds it is premature.

Other suits challenging the decision were filed by the Atchison, Topeka & Santa Fe, the Kansas City Southern and the Southern Pacific railroads shortly after the ICC issued its decision formally approving the merger.

The Santa Fe suit was filed at the U.S. Court of Appeals for the Seventh Circuit while the Kansas City Southern challenge was filed in the U.S. Court of Appeals for the Fifth Circuit.

The SP's suit is pending at the U.S. Court of Appeals for the Fifth Circuit here.

One of these three courts — most likely the seventh of the D.C. circuit — eventually will become the tribunal to hear the case.

Des Moines Register
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Canada is in trouble, and blames Trudeau

By LES WHITTINGTON

Trudeau's rating in the polls currently stands at 30 percent, compared with 45 percent for Progressive Conservatives headed by Joe Clark, a former prime minister.

CANADIANS, battered by economic troubles, are saddled with a national leader most of them no longer want, but Prime Minister Pierre Elliott Trudeau shows no signs of quitting.

His popularity has plummeted to a record low. Newspapers are clamoring for his resignation. In three by-elections held the other day, members of his Liberal Party were badly beaten. Yet Trudeau, a complex man of bewildering and vexing moods, is enigmatic about his plans.

His mysterious and sometimes exasperating behavior underlines the ambiguities of the political structure in Canada, where the federal system is more sharply defined than in the United States.

Trudeau's party is virtually powerless in the provinces, whose governments are dominated by the opposition Progressive Conservatives. But his Liberals hold a clear majority of the seats in the national legislature in Ottawa, the federal capital.

The Liberals won their comfortable margin two years ago, and they can continue to control Parliament until the next elections in 1985. So Trudeau can remain entrenched, even though two-thirds of the country disapproves of him.

His fall from favor is largely a consequence of the recession, which Trudeau has aggravated by promoting nationalistic economic policies that have frightened away foreign investors.

The unemployment rate has risen to more than 12 percent, and both inflation and interest rates are in the double-digit bracket. Canada's economic growth, which was thriving a decade ago, now lags behind the average for the world's major industrial nations.

After ignoring the worsening problem for years, Trudeau unveiled a program last summer designed to put the economy back on its feet and improve his own image in the process. The program is built around voluntary wage and price restraints, and it is being supported begrudgingly by management and labor — business because it fears even more rigorous regulations and the unions because they hope it may generate jobs.

But the public is still unconvinced, and its doubts are mirrored in opinion surveys. Trudeau's rating in the polls currently stands at 30 percent, compared with 45 percent for the Progressive Conservatives headed by Joe Clark, a former prime minister. The left-leaning New Democratic Party has 22 percent.

These standings are all the more stunning when it is considered that Clark, a lackluster politician defeated by Trudeau in 1980, has never managed to rally a strong personal following. Clark's rating plainly represents a rejection of Trudeau.

The hostility to Trudeau is fiercest in Canada's rich western provinces, British Columbia, Alberta and Saskatchewan, which have resented his attempts to impose central-government restrictions over their natural resources. Nor is he popular in French-speaking Quebec, where the spirit of separatism is still alive despite a 1980 referendum that overwhelmingly rebuffed independence for the province.

Trudeau has even slipped in Ontario, the stronghold of his Liberal Party. Some observers reckon that the New Democratic Party would come out ahead in Ontario were an election to be held today.

Political experts believe that Clark could topple Trudeau in a national contest now, but they also estimate that, should Trudeau step down, almost any other Liberal candidate could upset Clark. Trudeau has become a liability to his party.

Apart from blaming him for the economic slump, many Canadians have grown weary of Trudeau's style, which can be imperious and abrasive. The portrayal of himself as a Canadian version of John F. Kennedy, which Trudeau cultivated when he first took office 14 years ago, no longer fits him at the age of 63.

On a vacation to western Canada not long ago, Trudeau drew eggs and vegetables thrown by angry demonstrators. He replied with a vulgar one-finger gesture that, broadcast on television, did nothing to enhance his reputation.

But Trudeau may choose to hang on, partly because he relishes a fight and also because he does not want to to be remembered in the history books for having plunged Canada into its worst economic mess in a generation. Unless he can pull the country out of its recession, however, he could well be remembered in the history books as the figure who divided Canada into warring factions.

Les Whittington writes for Southam News, a Canadian newspaper group. This article was distributed by the International Writers Service.

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Journal of Commerce November 12, 1982

Canada's FIRA Projecting Less Nationalistic Image

By LEO RYAN
Journal of Commerce Staff

OTTAWA — Canada's Foreign Investment Review Agency has recently been portraying a more steamlined and somewat less nationalistic image, and more may be in the works if reform-minded members of the ruling Liberal Party get their way.

Created eight years ago, the screening agency has been one of the most controversial irritants in relations between the United States and Canada.

Despite an approval rate for applications average about 90 percent, the agency has not been perceived by many investors as the "paper tiger" referred to by Canadian officials.

But there's little doubt that a new policy of appeasement by the government of Prime Minister Trudeau has been gathering momentum in the past 12 months or so.

In the November 1981 budget, the Ottawa government shelved previously announced plans to markedly enlarge the powers of FIRA, notably expanding its mandate to review the export and research and development performances of foreign-owned companies and to publicize major takeover bids by foreign firms and even help Canadian companies financially to make counteroffers.

Critics were still not satisfied, so seven months later, when another budget was produced, the government backpedaled further, introducing simplified and more rapid handling for all but the largest investment cases.

More recently, in late September, in a Cabinet shuffle, Herbert Gray, an economic nationalist who played a central role in the establishment of FIRA in 1974, lost his responsibility for the agency when he was moved from the industry portfolio to the Treasury Board.

Businessmen and officials in the United States were pleased by the appointment of Edward Lumley, the former minister of international trade, to the industry portfolio. In one of his first public statements on the subject, Mr. Lumley underlined he wanted the agency to be regarded as "a positive instrument of national policy, not a negative one."

Previously a businessman himself, Mr. Lumley shares the billing with new economic development minister Don Johnston as the government's leading allies of business. He is also a personal friend of President Reagan's main Canada troubleshooter, Trade Representative William Brock.

Fresh evidence, meanwhile, has just come out that FIRA is, indeed, responding more quickly and that one of the biggest complaints — cumbersome and costly delays — is being eliminated.

From July 1 to the end of October, the agency approved 357 applications and disallowed 24 others, while 175 cases were left pending a decision. This compared with 176 applications allowed, 25 disallowed, and 377 left pending during the corresponding period last year.

"The throughput has increased significantly and has also bitten deeply into the backlog we had last year," commented Charles Byron, director, policy and research, of FIRA.

In an interview, he indicated that about 85 percent of all investment proposals were now technically eligible for treatment under the abbreviated procedure.

Will FIRA move toward greater transparency, removing a lot of the mystery that surrounds particularly its definition of "significant benefit to Canada?"

This would be so if the government decides to act on a resolution passed during the Nov. 6-7 convention of the Liberal Party.

Among other things, the resolution called for the publishing of detailed reasons for disallowances, rather than the mere formula of "not of significant benefit to Canada," and the establishment of published standards of what constitutes "good Canadian corporate citizenship."

All these developments suggest that FIRA-watching has become more digestible for critics at home and abroad.