Corporate Relations

MEDIA MONITOR

November 24, 1982

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Janesville Gazette
November 16, 1982

# Rail Decision 2 Weeks Away

Gazette Madison Bureau

MADISON—A decision will not be made for at least two weeks on whether to allow the Milwaukee Road to abandon its rail line from Madison to Janesville, a lawyer for the state Department of Transportation said Monday.

The delay was granted in Chicago Monday by U.S. District Judge Thomas R. McMillen, who is supervising the railroad's reorganization, after the DOT filed a new brief in federal court.

James Thiel, chief counsel for the DOT, said the brief objected to preliminary findings by the court that would allow the railroad to abandon the 36-mile line no later than Jan. 16, 1983.

Thiel said McMillen will use the two weeks to consider the state's objections before making a final ruling.

The state would like the railroad to continue operation for at least one month beyond that to allow DOT to appraise the line and negotiate a purchase for continued operation by a shortline operator.

The preliminary findings, which were to have been made final on Wednesday, also would allow immediate abandonment of a 38-mile line between Beloit and Burlington.

If no buyer for the Madison-Janesville line is found by Feb. 16, the state intends to acquire the property through condemnation proceedings and allow the shortline operator to take over service for shippers and communities along the line.

Milwaukee Journal
November 16, 1982

# State grain haulers allowed heavier loads

By Don Behm

Special to The Journal

Madison, Wis. — Wet fields and a shortage of warehouse space have contributed to an "agricultural transportation emergency" throughout most of Wisconsin, according to the State Department of Agriculture, Trade and Consumer Protection.

"About 60% of the corn and soybean crops remain to be harvested," said Edgar Parminter of the agency.

The harvest of lima beans and navy beans also has been affected by the adverse weather conditions, he said. This is the first year there has been a significant navy bean harvest in northwestern Wisconsin, according to Parminter.

The emergency declaration will allow grain haulers to overload their trucks by as much as 15% of the statutory weight limits for state highways, said Harry Price, a state traffic engineer.

"This will allow a quick harvest of the bumper corn crop waiting in the fields," Price said.

Snow and rain have contributed to a late harvest, said Parminter, so the agriculture agency urged the State Department of Transportation to declare a 90-day emergency.

The current weight limit for state highways is 20,000 pounds per axle, or a maximum gross weight of 80,000 pounds, according to Price.

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Milwaukee Journal
November 12, 1982

# On, Wisconsin

*An Editorial*

## Earl's splendid start on a cabinet

Anthony Earl got off to a corking good start in shaping his new administration when he appointed a prominent Republican and a woman to key cabinet jobs. That signals a welcome unorthodoxy that we believe is consistent with the governor-elect's apparent mandate from the voters.

In Lowell Jackson, who was defeated in the primary for the GOP gubernatorial nomination, Earl has selected a philosophically conservative but operationally pragmatic secretary of transportation. Jackson did a fine job in that position during most of Republican Gov. Dreyfus' administration.

Because we simply do no know her, we have less to say about Earl's choice of Doris Hanson as administration secretary. But beyond her apparent qualifications for the job is the very important message that appointment of a woman to such a crucial position sends to a still largely sexist society.

In praising unorthodoxy, we do not mean there is anything inherently wrong with partisan appointments, for they can build party strength and enhance our competitive democracy. Presumably Earl will also give top jobs to Democratic partisans, among whom are some superbly qualified for cabinet positions.

Nor is there anything wrong with purely nonpartisan appointments. A prime example is Donald Percy, who has served so creatively under both GOP and Democratic governors — and, if appointed, probably could serve Earl well, too.

In discussing his cabinet plans, Earl has said: "This will not be an administration of Democratic ideologues." His broad election support makes that view thoroughly appropriate. So far, he's redeeming his vow.

Milwaukee Journal
November 16, 1982

## *Heat on appointment*

United Press International

Earl, a Democrat, is getting heat for appointing Republican Lowell Jackson as secretary of the Wisconsin Department of Transportation.

Some Democrats have complained that a Democrat should have been chosen. And two environmental groups are worried about Jackson's views on mass transportation.

"Spencer Black (of Wisconsin's Environmental Decade) expressed concern about mass transit and rail, and he wondered whether Jackson was really committed to them or to concrete," Daniel Wisniewski, the chief of Earl's transition office, said Monday.

State Rep. John Norquist (D-Milwaukee), who will be a state senator in January, "raised some of the same concerns," Wisniewski said, as did Rep. Sharon Metz (D-Green Bay).

The Sierra Club, a major environmental group, also had questions.

Earl's appointment of a member of an opposing political party to such an important cabinet position was considered unusual, especially since Jackson has a reputation as a conservative. Jackson, who lost the Republican nomination for governor to Terry Kohler, helped run Ronald Reagan's campaign in Wisconsin. He also was Republican Gov. Dreyfus' secretary of the Transportation Department.

Earl is a liberal Democrat, but he and Jackson became friends during the gubernatorial campaign. They met each other several times in debates.

Wisniewski said Earl would have the final say on any legislation that affects transportation in Wisconsin.

Earl and Jackson, Wisniewski said, have "talked about mass transit and Tony's commitment to mass transit, and Lowell had no trouble with that."

Chicago Tribune
November 24, 1982

## Trailer Train taps president

Trailer Train Co. said Raymond C. Burton Jr., formerly vice president of corporate planning for International Harvester Co., was named president of Trailer Train. Burton succeeds Curtis D. Buford, who was elected chairman of the Chicago-based firm that leases a fleet of railroad flatcars for moving truck trailers and containers. Buford had been president since 1969. Burton, who left Harvester last July, joins a list of more than a half dozen executives who have left the troubled farm machinery and truck firm this year.

Chicago Tribune, Wednesday, November 17, 1982

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# Train warning lights bid stalls

## Rep. Simon in 7-year campaign to offset 'bureaucratic inaction'

By James O'Shea
Chicago Tribune

WASHINGTON—More than six years ago, on a Saturday night, a speeding Baltimore & Ohio freight train slammed into Henry Lowe's camper at an unmarked railroad crossing near Beckemeyer, Ill., killing the 60-year-old Clinton County grandfather and 11 children he was taking to a skating party at the local roller rink.

The tragedy occurred in Rep. Paul Simon's congressional district, and two months later the Illinois Democrat wrote the Federal Railroad Administration [FRA] asking that it require that locomotives be outfitted with strobe or flashing warning lights to prevent similar tragedies in the future.

Today, almost seven years later, Simon is still at it.

"Given the time and energy it has taken to get this far, you would think I am requesting a regulation that would bring about one of the most cataclysmic changes in the structure of American society," Simon told an FRA hearing on the proposal Tuesday.

Simon says that the FRA's own studies suggest that the proposed regulation would not only save lives but also would save the industry money. Quoting FRA estimates, Simon said the lights would cost $45 million over the next five years but save about $104 million.

NEVERTHELESS, the industry has opposed the regulation, saying the cost of equipping the locomotives with the warning lights would exceed the gains.

Simon says his fight is only partly with the railroads. During the last several years, several railroads and Amtrak have installed warning lights. Simon praised the "aggressive rail safety programs" of the Southern Railway Co., which is rehabilitating an old Conrail line in Simon's district.

However, he says, there is no excuse for the "bureaucratic indecision, inaction and delays" by the FRA officials.

"The fundamental question this regulation poses is not about warning lights," Simon said. "It is: Can the FRA stand up on its own feet or will it simply be a mouthpiece for the less enlightened portion of the railroad industry?"

Simon said the past makes him skeptical about the answer to that question.

"These seven years have been full of long periods of inaction, followed by short bursts of activity usually followed by threats on my part to turn to Congress for a solution," Simon told FRA officials at Tuesday's hearing.

"I have never witnessed such reluctance on the part of an administrative agency to go up against the very industry it is regulating."

WHILE THE FRA was developing a "much too cozy relationship with railroads," Simon said, several thousand lives have been lost in similar accidents and more than 10,000 people have sustained serious injuries.

Yet there is no regulation on the books; and the one now under consideration by FRA officials would give the industry five more years to act.

John Winston, FRA director of public affairs, angrily disputed Simon's allegations.

"He says we are getting in bed with the industry," Winston said. "Well, I can tell you this: No one over here is getting in bed with anyone."

He said the FRA again is holding hearings on the proposed regulation because new hearings are required by federal administrative procedures. FRA Administrator Robert Blanchette "is just following the law," Winston said.

WINSTON SAID administrative rules also prohibit the agency, part of the U.S. Department of Transportation, from picking up where past administrations left off. Moreover, he said, he could not speak for past administrations.

"We can't just listen to him; we can't just take his testimony," he said of Simon. "We have to hear from the railroads, the staff and others. That's the reason for the public hearing," he said. "When we have all of the comments in, we'll issue a rule."

And when can anyone expect a rule, Winston was asked?

"I can't say," he replied.

Wall Street Journal November 17, 1982

# *Seaboard Coast Unit Pleads Guilty to Charge Of Dumping Pollutants*

*By a* WALL STREET JOURNAL *Staff Reporter*

WASHINGTON—Louisville & Nashville Railroad, a unit of Seaboard Coast Line Railroad Co., pleaded guilty to federal charges that it illegally spilled fuel and other pollutants into the Louisville sewer system, the Justice Department said.

A federal judge in Louisville fined the railroad $19,000 on each of two counts of the criminal charges, the department said.

The department charged that the L&N discharged pollutants through the sewer system into the Ohio River without a permit and that the railroad spilled flammable material into the sewer system. The dumping of diesel fuel and other pollutants occurred Jan. 17, the Justice Department said.

The court decision follows the third criminal prosecution by the U.S. for violations of federal environmental laws involving the Louisville sewer system, the Justice Department said. An individual was fined and sentenced to jail in 1978 and Ralston Purina Co. was fined for discharging pollutants in 1978.

THE JOURNAL OF COMMERCE, Friday, November 19, 1982

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# US Transport Sector 'Needs $300 Billion'

By RIPLEY WATSON JR.
Journal of Commerce Staff

The United States needs to spend $300 billion per year for the next 10 years to repair its infrastructure — ports, railroads, highways and bridges — according to an expert in the field.

Amitai Etzioni, a George Washington University professor who was a senior adviser to the Carter administration, said that a Republican plan to spend $5.5 billion this year would do one of every 54 jobs that need to be done and that the $7 billion Democratic program one of every 43.

Mr. Etzioni, who also was an adviser to Vice President Nelson Rockefeller in the Ford administration, outlined his views at the fall conference of the Issues Management Association. The group was formed last December to study management techniques in formulating approaches to public policy issues affecting business, government, academia and private institutions.

The critical question in either the Republican or Democratic proposal is which element of infrastructure you fix first, Mr. Etzioni said. He conceded Congressional "pork-barreling" can never be eliminated, but said establishment of a national commission to decide on criteria at least will reduce Congressional fighting over necessary projects.

He cited four elements of the overall infrastructure problem in the following order of priority:

1. National security — "Railroads that carry coal and grain at 30 miles per hour can only transport troops at the same speed and ports with a 33-day waiting period to ship coal would need 33 days to transport troops."

2. The degree of poor repair — "We need not only to paint bridges but replace steel beams and we need to dredge ports to improve their operations."

3. Export needs — "Ships that carry coal need 10 more feet of draft than the 40 to 45 feet in most ports currently and work must also be done on loading facilities and roads that lead to export ports."

4. Concentration of unemployment — "The poor do better when the economy is growing rather than when transfer payment pieces are smaller because the pie is shrinking."

Mr. Etzioni suggested that the Army Corps of Engineers be used to carry out infrastructure repairs since they have the national organization in place and the expertise to handle the various problems.

"The administration could charge off the engineering expenses to defense and the president could save face," he commented.

*The critical question in either the Republican or Democratic proposal is which element of infrastructure you fix first.*

One key problem is that "we need to fill tomorrow's needs and not just repair yesterday's problems," he pointed out. He noted the 19th century changes in infrastructure from roads to canals, to railroads and the subsequent 20th century development of automobile transportation.

He also suggested the need for a tariff on imported oil and argued that the cost would be absorbed by exporting countries rather than consumers. The exporters cannot pass the cost on to consumers because of the current glut of oil, he said, and therefore the program would be better than proposals for a five-cents-a-gallon tax on gasoline.

Mr. Etzioni also argued that the nation had "overindulged" consumer construction in recent decades. In the 19th century, $1 of every $8 in construction went into residential housing, he said, but in the past 30 years $1 of every $3 has gone to the same area.

The professor said he approved of legislation proposed by Sen. Patrick Moynihan, D-N.Y., to establish a commission to study the infrastructure problem, but he felt a similar proposal by Rep. Henry Reuss, D-Wis., concentrated too heavily on resolving problems from the past.

Journal of Commerce
November 13, 1982

# Prosecutors Probe Actions At Southern

Federal prosecutors are studying "allegations of criminal wrongdoing" by some employes of the Washington-based Southern Railroad before it merged with the Norfolk & Western Railway in June, an assistant U.S. attorney said here yesterday.

Joseph Valder, of the U.S. Attorney's fraud division, declined to release any specific information on the persons who are the subject of the inquiry or the nature of the alleged illegal actions.

The railroad, known since the merger as the Norfolk Southern, apparently initiated the inquiry. In a terse press release, the railroad said it had reported to the prosecutor's office "certain facts concerning possible employe financial irregularities" that occurred at the Southern before the merger.

The statement said the suspected "irregularities" were "not material" to the Norfolk Southern's balance sheet, and that "internal administrative action" had been taken to correct them. A company spokesman said no report had been filed with the Securities and Exchange Commission.

There have been unconfirmed reports of an internal investigation at the railroad of possible illegal actions by some employes.

It is not known whether yesterday's announcement is related to those reports.

Journal of Commerce November 19, 1982

# Chamber Makes Transport Proposals

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Proposals aimed at significantly improving the operations of the nation's transportation system have been made by an arm of the U.S. Chamber of Commerce.

But the recommendations, issued by the National Chamber Foundation, indicate some problems the administration might face if it decides to push for an increase in fuel taxes to finance highway and construction and maintenance projects.

The conclusions were the result of a three-year study of the nation's transportation system created by the group.

Major recommendations focused on establishing user fee levels to finance transportation construction and maintenance projects, the speed of the transition to a more free market oriented industry, and how regulations in other areas affect movements of freight.

In the user fee area, the study recommended that the money be dedicated to projects that will directly benefit the users.

One NCF official described the concept as a compact between government and the industry.

Users must have a say in the size and cost of the projects, the foundation said, and provide significant input into setting the charges that must be levied to finance them.

These recommendations indicate that any administration proposal to divert part of a possible gasoline and diesel fuel tax increase to finance mass transit projects could create some problems within the business community.

Other ways to cover mass transit deficits could be local sales or employment taxes, a chamber official said.

But the federal government must bear a portion of the responsibility for the funding levels for these projects, he added.

Moves aimed at deregulating segments of the industry also should be slowed until the impact of recent legislation reducing government controls over the bus, railroad, and trucking industries is evaluated.

This monitoring should focus on price and service consequences resulting from the new regulatory environment, service to small communities, and the impact of deregulation on the health of the industries involved.

In any event, alliances between local governments and businesses in the area must be upgraded as the federal government takes a more passive role in this area, officials told reporters.

For example, a host of federal information and research programs are being terminated, they said, a move that could make it almost impossible to assess the impacts of regulatory changes.

Mechanisms that could be substituted for direct oversite include ombundsmen, private studies, and reports by local business groups and government.

But the chamber said the decline of economic regulation of the industry could bring rules issued by other agencies to the fore.

These areas include energy, environmental protection, labor, health and safety regulations, especially at the state level.

The impact such rules will have on mobility and the transportation network should be looked at before they are adopted, the chamber said.

Des Moines Register
November 19, 1982

# 'Rock' offers 90¢ on each tax dollar

By RANDY EVANS
Register Staff Writer

The bankruptcy trustee overseeing the defunct Rock Island Lines has proposed a plan for paying the railroad's millions of dollars in back property tax bills, some of which date to the early 1970s.

Under the terms of the plan, which was unveiled Wednesday in Chicago, the railroad is offering to pay 90 cents for every dollar of taxes the company owes in Iowa and 12 other states. The railroad is not willing, however, to pay any interest or penalties on the past-due amounts, but trustee William Gibbons said the railroad intends to begin paying its future tax bills, as they come due, in any state or county that accepts this week's offer.

In Iowa, the railroad's property tax bills total about $5 million. That money is owed in 55 counties to various government units, including the counties, cities, school districts, and public hospitals.

Gibbons' proposal came as a surprise to state and local officials, who did not expect the bankrupt railroad to offer to pay its taxes this soon nor at such a large percentage of the amounts owed.

"The counties will be quite pleased with 90 cents on the dollar," said John Torbert, executive director of the Iowa State Association of Counties. "That certainly would be more than they have seen, and they had been expecting to get about 50 to 60 cents on the dollar."

But the question of where the Iowa taxes will wind up is far from settled.

The counties are challenging a 1981 state law that turns over past-due railroad taxes to a new state fund under the control of the Iowa Railway Finance Authority. The fund and a new tax on railroad locomotives' diesel fuel plus authority for the state to issue up to $200 million in bonds are part of a landmark package of laws that are intended to ensure the continuation of rail service on lines considered vital to Iowa's economy.

The controversy over the back-tax statute first arose last summer in the bankruptcy proceedings of the Milwaukee Road, which owes about $2.5 million in taxes in Iowa. The Iowa Supreme Court has been asked to resolve the dispute over whether the counties or the state are entitled to the money.

The money to meet the Rock Island's tax obligations will come from revenue the trustee has received from the sale of Rock Island locomotives and cars and from the sale or lease of its tracks. The payments would be made by Dec. 31.

# Council refuses offer to join Wirth

By Jacqui Banaszynski
Staff Writer

The Minneapolis City Council rejected a chance Monday to join hands with Milwaukee Road depot developer Harry Wirth, refusing an informal offer from him that one alderman called "blackmail."

At the same time, the council warned Wirth that if he sells a portion of the depot site to the Soo Line Railroad Co. he will be forfeiting any future development help from the city.

Yesterday's special council meeting marked the end of a two-week flurry of rumors and closed-door negotiations prompted by concern that Wirth was prepared to strike a deal with the Soo Line and the Cowles Media Company, parent company of the Minneapolis Star and Tribune.

City officials fear that such a partnership would result in the continued use of the Washington Av. viaduct and connected railroad tracks running through the depot property. Removal of the viaduct and tracks is considered essential to the city's plans to redevelop the downtown riverfront district, anchored by the Milwaukee Road depot at Washington and 3rd Avs. S. The newspaper company receives its newsprint over a spur track reached from the viaduct and says it would have to spend more than $100,000 extra a year if it could not use the viaduct.

"It's blackmail, what he's doing to us," said Alderman Barbara Carlson, IR-Seventh Ward. "We're being held up."

Carlson was referring to Wirth's claim that he has reached an agreement in principle with the Soo Line and Cowles Media to sell his rights to two blocks of the five-block depot property for $3.5 million cash. The agreement is in the form of a "sell and buy-back," and essentially amounts to a cash loan from the Soo Line to Wirth, using the depot property as collateral.

According to a copy of the informal agreement, which Wirth gave to city officials last week, he would have the right to buy back the depot property, at 21 percent interest, within two years. In return, the Soo Line would receive a perpetual easement for the railroad tracks.

Officials from neither the Soo Line nor Cowles Media could be reached Monday for comment. Wirth also could not be reached for comment and did not attend yesterday's council meeting.

Wirth must come up with more than $7 million in cash by Dec. 21 to complete his $9.5 million purchase of the depot site. Although he has arranged for a $9 million loan from a California savings and loan association, he told city officials last week that he would like to find another source for some of the money to reduce his financing costs and to reduce the amount of collateral he must put up for the loan.

Council members talked yesterday about offering to buy the two-block parcel from Wirth for $2 million in an effort to keep him from forming a partnership with the Soo Line. The city's purchase of the land would guarantee removal of the viaduct and railroad tracks, and would enhance the renewal potential of the area, according to Alderman Sally Howard, IR-10th Ward.

But Walter Dziedzic, DFL-First Ward, warned the council not to get "sucked into a quagmire at the Milwaukee Road depot that we are not going to be able to get out of." He said Wirth should be held to his original promise to buy and develop the depot property without financial help from the city.

"We ought not to let a shortfall of money that Harry Wirth has force us into making a bad decision," he said.

On a motion from Alderman Walter Rockenstein, IR-11th Ward, the council voted 12-1 to stay out of any financial dealings with Wirth and to restate the city's desire that the viaduct and railroad track be removed.

"We will not be helpful to people who develop that land contrary to the city's plans for that area," Rockenstein said. "Harry Wirth cannot expect us to come falling all over ourselves to help him with streets, sewers, lights and other things that he's obviously going to need."

Only Alderman Tony Scallon, DFL-Ninth Ward, voted against the motion. He argued that the city should negotiate with Wirth to buy the property on the condition that the viaduct be removed.

Wirth won the right to buy the depot property a year ago with a cash offer of $9.5 million. Since then he has missed as many as eight purchase deadlines because of his failure to gather enough cash to complete the deal. He has paid the Milwaukee Road more than $2.2 million in nonrefundable deposits to keep his rights to the land.

# How the rails are staying on track

For the first half of this year railroads were doing better than expected. Earnings were not setting any records, but they were surprisingly healthy for most roads. Then the third quarter hit. Traffic and earnings took a dizzying fall as the recession caught up with the industry. Despite the bad news, the chief executives of the nation's major lines are unanimously sanguine about the future, declaring that the industry's basic health is better than it has been in years:

"In the short term we all have a real struggle on our hands. We have to make ends meet," says William J. Taylor, president of Illinois Central Gulf RR Co., a unit of IC Industries Inc. "But I am totally optimistic about the long-term future of this industry."

The roads seem prepared to take in stride the bloodbath of the third quarter, when operating income for Burlington Northern RR Co. plunged 62% from the same period a year ago. It fell 64.4% at Norfolk Southern Corp., 32% at the Union Pacific RR, and 72.4% at CSX Corp., although some of these percentages are inflated. In last year's third quarter the railroads enjoyed an extraordinary benefit from the aftereffects of an 80-day coal miners' strike.

**Depression levels.** "Old-timers tell me they haven't seen so few trains moving on our railroad since the Depression," says Robert B. Claytor, chairman of Norfolk Southern. "And I'm sure they're right. Certainly I've never seen traffic this bad." The difference is that in the Depression, there were wholesale railroad bankruptcies; today there are none and little likelihood of any. Even with Depression levels of traffic, most railroads are still showing a profit.

The reasons for the current low levels of traffic are clear. Grain is not moving at its normal rate because farmers can no longer afford to sell it at today's prices. "Steam coal for export is now off because there is no place left to put it in European stockpiles," says Claytor. Domestically, many utilities continued to receive coal through the first half of this year under long-term railroad contracts. But reduced need for electricity among industrial customers has caused the utilities' coal piles to turn into mountains. In some cases, regulators are disallowing the carrying costs of this huge inventory in rate bases, leading many utilities to reduce their stocks. This suggests that even when the economy turns up, railroad coal traffic will be slow to recover.

Meanwhile, the need for metallurgical coal is down sharply because the steel industry in both the U.S. and Europe is so depressed. All traffic related to homebuilding and to auto manufacturing and assembly is similarly down.

Still, the industry finds cause for optimism. For one thing, most railroads have never been in better physical shape. For another, many roads are sitting on huge cash reserves. Norfolk Southern, for example, has $769.5 million, and Missouri Pacific Corp. has $453 million. Most important, the rails have learned to cut costs and losses. "Railroads have taken a hard look over the past five or six years at what was not making money and have taken some brutal decisions," says James S. Heuer, manager for transportation planning at A. T. Kearney Inc. "They would rather take up their branches and sell them for scrap than carry traffic at a loss."

**Sharper marketing.** Moreover, as a result of the Staggers Rail Act of 1980, which went a long way toward deregulating the industry, railroads can adjust rates more rapidly and selectively. They can tie up traffic for long terms under contracts with shippers, a practice that used to be illegal, and, in general, be sharper at marketing.

"We have put $1.2 billion into our road and equipment since 1972, the result of which is a completely different and much more efficient route structure and fleet composition," says James R. Wolfe, president of Chicago & North Western Transportation Co. The C&NW has also reduced its plant to 6,800 mi. from 12,000 mi. after finding that 40% of its trackage was producing just 4% of its revenue. And the road was able to cut capital spending this year, Wolfe adds, "because of what we spent in the past and the fact that we don't have so much unproductive track to maintain." The Union Pacific, meanwhile, is spending $30 million to straighten and strengthen track, in addition to its normal maintenance, in anticipation of recovery.

Southern Pacific Transportation Co. is trying a novel approach. In previous business downturns, it stored as excess the locomotives in its fleet that were in the worst repair. It also laid off machinists and electricians, who very often found jobs in other industries. When business came back, the SP was unable to handle the upsurge until it had retrained new shop forces. In this recession, however, the road has chosen to store locomotives straight from the factory so that when the upturn does come, it will be able to handle it instantly.

Like the North Western, the Burlington Northern has embarked on a huge branch-line abandonment program. Collecting grain in single carloads over branches with light-duty rail is no longer economical, so the BN has gone to a pricing strategy that favors shipping grain in unit trains of at least 50 cars. This reduces transportation costs for big shippers while dramatically cutting switching costs for the railroads and sharply increasing car utilization. Unlike single-car shipments where the cars spend an inordinate amount of time standing still in classification yards, unit-train cars are usually in motion. Consequently, the BN and other railroads that also are trending toward unit trains need fewer cars to carry the same amount of traffic. This means that when the economy does come back, these railroads need not buy new cars. Most major roads have up to 30% of their fleets in storage now, giving them an enormous potential for upside leverage.

**Deregulation's impact.** As part of its cost-reduction program, the BN has laid off some 14,000 of the 60,000 employees it had at the end of 1980. It estimates that if those people were still on the payroll, labor costs would be $420 million higher.

According to Darius W. Gaskins Jr., former chairman of the Interstate Commerce Commission and now senior vice-president for marketing and sales at the BN, the road's relative health is directly attributable to "the dramatic reduction in our costs. If we hadn't done these things, we would be in the red now."

Although a number of factors have gone into the change in the railroad industry, the single most important was the passage of the Staggers Act. "It used to be government policy to prevent railroads from withdrawing from nonproductive plant," says the Illinois Central's Taylor. "The attitude now is that the public has to prove that a given piece of plant can support itself." He adds: "On the rate side, it was an unspoken policy that the ICC and state commissions were supposed to delay rate increases as long as possible. Now, with indexing of rates, the time lag will not occur. This is a 180° change."

**'Short term, we all have a real struggle,' says a railroader. 'But I am optimistic'**

The Illinois Central is in the forefront of another major trend in the industry: establishing contract rates, which now number in the thousands. Contract rates allow railroads to know in advance how much traffic they will handle from a certain shipper and to tailor service to that shipper's needs. To Harry J. Bruce, the ICG's senior vice-president for marketing, the importance of contract rates cannot be overstated. "The whole method of marketing railroad service is changing as we speak," he says. "The coming mega-railroads growing out of the merger movement will have to have

Continued

mega-distribution departments doing very sophisticated analysis of potential traffic that can be hauled under contract. More than ever we must have thoroughly trained salesmen. We can no longer tolerate mere traffic solicitors."

**Auto makers' demands.** Other railroad officials, however, are less enthusiastic about the way contracts have worked out, at least so far. Lawrence Cena, president of Atchison, Topeka & Santa Fe Ry. Co., for one, laments that railroads are resorting to vicious price-cutting to get contracts. "In my opinion, the jury is still out as to whether contract rates will be beneficial or harmful in the long term," he says.

Another looming change is brought about by new demands from one of the roads' largest customers, the auto industry. U. S. carmakers have studied Japanese techniques and are trying to emulate what Richard H. Steiner, vice-president for marketing at Conrail, calls the "just-in-time logistics approach." He says: "The auto makers want to be able to call the day before and order different-color seats loaded in the right sequence so they can be put in autos as they go down the assembly line, rather than working off an inventory of seats at the plant. Well, that's just about the direct antithesis of rail service. We pride ourselves on doing very well if we can have 85% of our cars arrive within 24 hours of schedule.

"Today the railroad industry is fundamentally rethinking the way merchandise traffic should flow across its systems," Steiner adds. Up to now railroads have always run cars through a classification yard where they are batched into long blocks to offset labor costs. They are then sent to the next yard, where they and others are rebatched into more trains, and they may be rebatched yet again at a succeeding yard, depending on destination. Finally, they are distributed through costly and time-consuming local switching moves. "What the railroads are going to have to learn to do profitably is to run many more short, specific, dedicated trains on very tight, disciplined schedules," Steiner says.

This is behind the railroad management drive recently to reduce the number of crew members on trains and to eliminate cabooses. This is also behind the extraordinary growth in "piggybacking," or putting containers and highway trailers on flatcars. Piggyback trains rarely need to go through a yard. And the need to pick up and deliver cars by switch engine—which, according to an A. T. Kearney study for Conrail in 1977, cost more than $200 an hour to run then—is eliminated. "Local switching" is done on the highway. Piggybacking now accounts for 25% of the Santa Fe's revenue—a total of almost $2.3 billion last year—and is expected to grow to 50% by the end of the century.

Strangely enough, piggybacking is the one area where traffic is actually growing despite the dreadful economy. Intermodal carloadings for the week ended Oct. 23 were up 13.2% over the similar week a year ago and up 9.4% for the year to date. The problem with piggybacking, though, is that it is just barely profitable, and many railroaders are thus hesitant to invest big money in it. Not so the Santa Fe's Cena. The Santa Fe is in the forefront of the industry when it comes to experimenting with lower-cost and more versatile hardware. "Those who move to new equipment will prosper," Cena says. "I've been saying for 10 years that piggybacking is the wave of the future. The future is now." ■

Minneapolis Star/Tribune November 16, 1982

# Five cents more for a gallon of gasoline?

Increasing the federal tax on gasoline has been a good idea for at least three years. It made sense as a spur to conservation when Americans recognized their overdependence on imported oil. It made sense as a partial substitute for income taxes when economists recognized that inflation was driving tax rates too high. It made sense as a source of new revenue when federal deficits climbed toward triple-digit billions. And it makes sense now as one tactic to deal with crumbling highways and high unemployment.

Much of the current interest in a 5-cent-per-gallon gas-tax increase, long proposed by Secretary of Transportation Drew Lewis, comes from its promise of some 320,000 new jobs. The tax would bring in more than $5 billion per year, earmarked for rebuilding roads, repairing bridges and overhauling buses or subway lines. Those are long-term public capital needs that private markets cannot meet. They are key ingredients of a pay-as-you-go transportation policy, and they promise a better investment of national tax dollars than the costly mortgage subsidies or ill-defined public-service employment proposed in other jobs legislation. So at a minimum the president should support and Congress should enact the Lewis gas-tax program.

But the earlier arguments for a higher gas tax are still forceful too. America still depends too heavily on oil imported from unstable or unreliable foreign regions. Higher prices at the pump would help maintain momentum for conservation and would counter complacency caused by the present oil glut. Congress already has cut income-tax rates, but has not got control of federal spending and is piling up deficits that threaten the nation's financial health. There is still need to ask whether income-tax cuts should be partially balanced by higher consumption taxes and whether rising deficits should be partially covered from new revenue sources. The gasoline tax — which has not been increased since 1959 — is a reasonable place to look.

Five cents per gallon is too little to meet these wider concerns. But it is enough to reopen the debate. In thinking about taxes on gasoline, Congress and the public should have more in mind than patching potholes and providing quick jobs.

Chemical and Engineering News
Washington, DC EXCERPTS
November 1, 1982

# Handling of rail chemical spill praised

**Thanks to safety devices, insulation, and preparedness by authorities, recent train derailment of chemical tank cars caused no injury, death**

Rebecca L. Rawls
C&EN, Washington

Although the public at large may view things differently, the rail and chemical industries are quietly proud of what happened in Livingston, La., in the last days of September and the beginning of October.

But, as the industry is quick to point out, train derailments involving hazardous materials are very rare—99.99% of rail shipments of hazardous materials are delivered without incident, which is one of the best records in transportation. And the record is getting better. The number of releases of hazardous materials from rail cars has fallen by some 40% since 1978 to just over 200 in 1981. Injuries from such incidents have dropped more than 50% over the same period.

"We can never totally prevent all accidents," says Geraldine V. Cox, vice president and technical director of the Chemical Manufacturers Association, and her words echo the feelings of almost everyone involved in hazardous materials transport. "Our job is to minimize the number of accidents and to give as large a margin of safety as is possible each time an accident occurs," she says.

It is in this area of safety margins that the industry feels proud about the Livingston derailment. Safety devices retrofitted onto the cars of the derailed train worked as they were designed to do. Thermal insulation, designed to keep tank cars from exploding for several hours in even the most dramatic accident, lasted not just for hours, but for days. True, two cars did explode—or thermally rupture as the jargon of the trade calls it—but not before area residents had been evacuated and police and firefighters had had a chance to get ready for such an explosion.

Two aspects of the Livingston incident in particular are drawing praise from industry observers. These are the effectiveness of safety devices now required on tank cars that carry hazardous materials, and the preparedness of Louisiana authorities who took charge of the accident. ~~"I've been to too many derailments," says Thomas Phemister, head of the Association of American Railroads' bureau of explosives, "and this one was the best coordinated that I've ever been to."~~

"Frankly, I was impressed with the way the incident was handled," says John C. Zercher, director of the Chemical Transportation Emergency Center (CHEMTREC) run by CMA.

According to the railroad, the derailment was caused by a complete break in the center pin that held the wheel assembly onto an empty, open-topped gondola car. The break was an old one—it already was rusty—but located in a spot that would not be noticed except in an inspection of internal body parts. Because the pin was broken, the wheels were able to work out from under the body of the car.

Further investigation unearthed several irregularities surrounding the run. The train probably was speeding, traveling at about 40 mph in a zone with a speed limit of 25 mph. The engineer and brakeman were seen drinking earlier in the evening, although whether they actually were intoxicated at the time of the derailment is not known. In any case, the train probably was being driven not by the engineer, but by a clerical worker with the railroad who was not even authorized to be in the engine's cab. Louisiana state police arrested the clerical worker, along with the engineer and the brakeman. They are charged with reckless handling of hazardous materials, a felony offense that carries a sentence of a $5000 to $10,000 fine or five to 10 years imprisonment, with or without hard labor, or both.

It's quite likely that neither the drinking nor the clerical worker's possible operation of the train had any effect on the derailment. The crew "did exactly what they were supposed to do when the emergency occurred," according to a police spokesman, and they didn't give people they dealt with the impression they were intoxicated.

In fact, once the train left the tracks, no one seems to have anything but praise for the behavior of everyone involved in the incident. "I've never seen an incident where everyone cooperated so thoroughly," says AAR's Phemister, who arrived on the scene on the day of the derailment to provide expert assistance and stayed on for the first two weeks of the cleanup. "The big difference here was that the police officers [who were in charge of the operation] had had hazardous materials training. They knew what was being talked about by the chemicals and hazards specialists, so they could participate fully in all of these discussions," Phemister says.

Another key factor, according to Cox and other observers, is that the police were able to take charge quickly of the overall emergency response effort. "In some states, a lot of time is lost at the very beginning of an incident fighting over who's in charge," Cox says. Louisiana state law gives this responsibility to the state police, who, under the direction of Capt. Billy Poe, responded rapidly and appropriately.

Another important factor at Livingston was the recently implemented changes in the specifications for tank cars that carry hazardous materials. These changes arose from a series of recommendations made by a 1978 interindustry working group on rail transport of hazardous materials.

The changes demonstrated their value at Livingston, says CMA's Cox, who served on the 1978 task force and presently is on the task force that succeeded it. Besides CMA, the task force has members representing AAR and the Railway Progress Institute, an association of tank car owners.

Another recommendation that addressed the same problem called for tank cars to be fitted with head shields, which are half-inch steel plates that fit to the lower half of the ends (or heads) of tank cars, to make it much more difficult for couplings to punch through the ends of the cars. Cox says there were no head punctures in the Livingston derailment, evidence that these two devices did their job.

Continued

Cars carrying flammable materials also have been retrofitted with extra insulation designed to delay their blowing up long enough for emergency workers to prepare for it. All of the cars containing flammable gases on the Livingston train had this extra insulation. Although two cars did thermally rupture, the first one (containing tetraethyllead) did not blow up with the tremendous explosive power that can accompany such an occurrence, and the second (containing vinyl chloride) did not explode until two days after the fire started. "In the same situation 10 years ago [before the cars were retrofitted]," Zercher says, "the seven cars that contained vinyl chloride almost certainly would have gone up in the first four and a half hours of the [fire's duration]." As it was, only one of these cars blew up at all and that was well after people had been evacuated from the area.

The railroad is continuing its investigation of the incident, focusing particularly on the conduct of its employees. The National Transportation Safety Board, too, is continuing its investigation of the causes of the incident. And the state of Louisiana continues to develop its case against the people who have been arrested.

The question of whether alcohol was a contributing factor to the derailment is one of particular concern to the safety board. There currently are no federal regulations forbidding railway personnel from drinking while on the job or from driving a train while intoxicated—a situation that the safety board has been on record as wanting to change since 1974. "The record of alcohol misuse in the railroads is incredible," says Ira Furman, a spokesman for the board. He cites, among other data, a 1978 study conducted for the Federal Railroad Administration that found an average of 33 railway workers every day who considered themselves to be "very drunk" on the job. About 12% of the 234,000 railroad workers surveyed said they drank at least once while on duty in 1978.

Another issue that may have affected the Livingston incident that the safety board is concerned about is the arrangement of full and empty cars on a train. At present, the cars on a train are arranged according to the order in which they will be dropped off at their destination. Thus, it is quite likely that cars containing the same hazardous material will be scattered throughout a train with no regard to the contents of adjacent cars. (The only exception is a requirement that cars that contain railroad personnel be separated from those containing hazardous materials by at least five cars.)

None of the concerned parties—the chemical shippers, the railroads, and the safety board—is seriously considering trying to group chemical tank cars by their content on freight trains; the rearrangements that procedure would entail at each transfer point would be too formidable. But the safety board is concerned about the differences between full cars and empty ones in a derailment. It is investigating the effect of a car's weight on its crash dynamics to see if trains might be safer if the empty cars were grouped together and arranged so that loaded cars would not crash into them.

Milwaukee Journal November 17, 1982

# Engineer of ill-fated train was no stranger to trouble

UPI and AP

Baton Rouge, La. — The engineer of the 101-car train that derailed and exploded in Livingston, La., had been fired twice before for dereliction of duty — including drinking on the job, testimony at a hearing showed Tuesday.

Job records also showed that the brakeman aboard the Illinois Gulf Central train had been convicted of selling drugs, had also been dismissed twice and had such poor eyesight that a railroad medical official at one point termed his eye defect too severe for him to work as a brakeman.

The job records of two other men aboard the train at the time of the derailment also were spotty. National Transportation and Safety Board Chairman Jim Burnett questioned the records.

"It's disturbing to me that we have that kind of people with that kind of record handling a hazardous-material train," Burnett said.

Railroad officials said it was possible that all four men, fired along with a woman clerk after the derailment, could be rehired.

But railroad officials A.L. Phipps and Frank L. Elkins Jr. said they had noticed nothing out of the ordinary while conferring with the two men a few hours after the derailment.

"They appeared to be acting normally," said Elkins.

**Drank at hotel**

However, safety board official J.A. Rehor testified about a conversation he had with Byrd in which he was told "Robertson ... was so bad off he could no longer sit up in his seat."

"It was for this reason, she said, that she had to take over the controls," Rehor said.

Philadelphia Enquirer November 1, 1982

# Marketing moxie keeps Conrail alive

*Once in grave danger of being hacked into pieces and sold off by the Reagan administration, Conrail instead today is considered to be one of the more successful and competitive freight railroads in the country.*

*Last week, the Philadelphia-based company reported its fifth profitable quarter out of the last six, and said it had net income of $119 million in the first nine months of this year, compared with $12.8 million for same period last year. Before that, the railroad had consumed more than $3 billion in federal money in an effort to stay afloat.*

*In addition to sharply trimming its work force and upgrading its physical plant, Conrail has become known as an innovator in the field of marketing strategy, an endeavor that traditionally was not considered very important within the rail industry. Conrail won industry-wide awards in 1980 and 1981 for its creative marketing approaches, and is advertising heavily in business publications, trumpeting its competitive spirit.*

*Among those who have stayed largely out of the limelight in Conrail's turnabout, but who have been pressing from within to change its approach to marketing, is Richard H. Steiner, vice president for marketing.*

*Steiner, trained as an economist at the University of Washington, is unusual within the rail industry in that he came to Conrail from outside the rail industry. He arrived in 1977 from Flying Tiger Line, the cargo airline, where he was senior vice president-commercial. Most rail executives come out of the ranks of their companies. Before Flying Tiger, Steiner did have extensive rail experience, as a marketing executive with the New York Central and Penn Central railroads (among the bankrupt predecessors to Conrail) and as a transportation marketing consultant with Reebie Associates.*

*Recently, he discussed with Inquirer staff writer Tom Belden*

## Perspective

*how marketing has helped play a major role in Conrail's success.*

**Question** — In the years before you came to Conrail in 1977, what kind of marketing staff and expertise had been collected here? Marketing was not, from what I can gather, that important a function within many railroads.

**Answer** — Let me just give you a little general background to put it in perspective. A lot of this has to do with being a regulated industry. Traditionally railroad marketing ... has been a very technical area, because of the regulatory process and the requirements of the really rigid tariff structure, as well as the railroads' operating under an antitrust umbrella.

The basic marketing function was conducted by people with a great degree of technical skill and also knowledge of their customers, because they dealt with them, but it was in the context of this regulatory process.

Railroad management per se has tended to be either operating-oriented or, in the cases of those that have had problems, legally or financially [oriented]. So the marketing side, since it was in this never-never land of regulation, really never received top management attention because of its complexity. Secondly, you could never hold marketing management accountable since they operated through this [rate bureau] process. No matter what happened, they always had someone else they could blame.

**Q.** — When did this begin to change?

**A.** — In the early '60s there was a movement to bring marketing into the rail industry in several places. One was the Southern Railway ... and the other was the old New York Central [one of the predecessors to the Penn Central and Conrail]. The power struggle that's taken place in the industry has always been to keep ... [the marketing and pricing functions] separate so marketing [management] really never had the major arrow to put in its bow to do anything. And, you had this internal separation.

At Conrail in '77, the market or commodity managers also had pricing flexibility ... So at least you had a structure where the pricing was starting to be done by the guy who was also interested in other aspects of the consumer needs, as opposed to the technical rate guy.

**Q.** — And then railroads began to go out to the business schools to recruit?

**A.** — They've started in the last two years, but [not] when I got out of business school ... in 1960. With the exception of the New York Central, of the railroads that I've talked to, for employment you had to start in a clerical position if you wanted to be on the marketing side of the business. We're talking about major railroads like the Burlington, now the Burlington Northern. They wanted you to take shorthand because you would start out in an administrative-clerical function and work up through the ranks.

That was going on in many of the Western railroads in the '70s. That wasn't true in finance, and in operations they were hiring civil engineers and people with industrial engineering backgrounds, but in traffic that was the pattern they had. Again, because it had this little fiefdom over here that had this wall of regulation built up around it and mystique with it that you had to have 20 years of experience, the old argument about being a brain surgeon. It takes longer to be a locomotive engineer than it does a brain surgeon if you read the poop the unions put out.

**Q.** — Are the other railroads changing now in these same ways?

**A.** — Now you're seeing some significant changes in terms of what they're calling marketing organization, in breaking down the pricing. But the Staggers Act [of 1980, which largely deregulated railroad pricing] has had a big impact on that because many of the traditional rules that were used in concepts of pricing have just been blown away by the regulatory change. Therefore, you're seeing a faster pace of change coming to the other railroads in terms of their approach.

I think the advantage that Conrail had is that we started with the supposition that the only way we were going to make this thing work is run it like a business, and therefore we were at the leading edge of pushing for deregulation. We certainly have been at the leading edge of the demise of the rate bureaus. In fact, we are the only major railroad that has withdrawn our membership from all the rate bureaus.

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Wall Street Journal
November 17, 1982

## Canada Consumer Prices Rose Again Last Month

By a WALL STREET JOURNAL Staff Reporter

OTTAWA – Canadian consumer prices rose again last month despite declines in food and transportation charges.

The consumer price index in October was 269.2, up 0.6% from September and up 10% from October 1981, Statistics Canada, a federal agency, said. The index has a base of 100 for 1971.

The 10% rise was the smallest yearly increase in consumer prices since May 1980, when prices were up 9.4% from a year earlier. The government forecasts the annual rise in consumer prices will slow to about 6% by the end of next year.

Statistics Canada said food prices were off 0.3% in October from September and transportation charges were off 0.2%. However, charges for most other goods and services rose, including housing costs, which were up 1.3% from September.

Journal of Commerce
November 23, 1982

## CSX Undertakes Abandonment Study

Journal of Commerce Staff

The CSX Corp. has undertaken a study to determine whether to abandon or downgrade as much as 5,000 miles of the 27,000 mile rail system operated by Chessie System and Seaboard Rail System.

The study does not assure that any particular portion of the railroad might be abandoned or downgraded, according to Hays T. Watkins, chairman and chief executive officer of the railroads' parent company.

CSX railroads operate in the east, south and midwest.

Washington Post November 18, 1982

# Canada Lumber Loses Round Before ITC

By Stuart Auerbach
Washington Post Staff Writer

The International Trade Commission issued a preliminary finding yesterday that Canadian subsidies to its timber industry are hurting American lumber producers, opening the possibility of Canadians having to pay duties on lumber exports to the United States.

The ITC acted on a complaint by American softwood lumber producers, who charged that more than $1.8 million in subsidized Canadian imports are undercutting them in the U.S. market. They said that Canadian producers are able to buy standing timber, largely owned by the Canadian government, at one-sixth the price that American lumber companies have to pay.

The case adds one more irritant to America's relations with its northern neighbor, which are strained already over a prevailing belief in Canada that the United States tries to exercise economic imperialism over it.

The Canadians consider the low "stumpage" fees Canada charges private companies to cut timber on public lands a method of conserving natural resources, not a subsidy. But with 95 percent of Canadian timber owned by provincial and federal governments, American lumbermen argue those low fees allow Canadians an unfair advantage in the U.S. market.

The United States Coalition for Fair Canadian Lumber Imports, which filed the compaints, said Canadian producers pay $24.42 for 1,000 board feet of lumber because of the subsidies while the free market costs to Americans are $138.20. As a result, they argued, the Canadian share of the U.S. softwood lumber market jumped from 18.6 percent in 1975 to 30.5 percent last year.

With close to $2 billion in imports at stake, this is one of the largest cases ever handled by the ITC.

Yesterday's unanimous ITC decision is the second step to America imposing tariffs on Canadian lumber. Last month, the Commerce Department's International Trade Administration issued a preliminary ruling that there are grounds to believe Canada subsidizes its lumber industry. Commerce has until May to make a final determination on whether subsidies exist and how great they are. Then in July, the ITC will make the final determination on whether the subsidies injure U.S. producers