Corporate Relations 2483

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M E D I A M O N I T O R

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

Journal of Commerce, August 29, 1983

ICC Considers Rail Purchase Plan

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — The Interstate Commerce Commission announced that it will consider an application by the Chicago & North Western Railroad to purchase the bankrupt Chicago, Milwaukee St. Paul & Pacific Railroad.

The action means that the Milwaukee now has two suitors with a third possibly waiting in the wings.

Specifically, the ICC accepted C&NW's application asking that Mid America Rail Properties, a wholly-owned subsidiary, be permitted to purchase the railroad.

Under terms of the transaction the railroad properties in turn would be leased to the C&NW.

The railroad also wants to abandon 643 miles of Milwaukee lines in Illinois, Iowa, Missouri, Minnesota and Wisconsin as well as 512 miles of its own track in the same five states.

An application by the Grand Trunk Railroad to purchase the Milwaukee also is pending at the commission and at the court overseeing the railroad's reorganization.

Grand Trunk is owned by the Canadian National Railway Co. which in turn is owned by the Canadian government. This relationship has generated a good deal of comment by other U.S. railroads.

There also is growing speculation within the industry that the Soo Line also might make an offer for the Milwaukee.

Soo officials do not rule out the possibility and said only that there were no specific plans to do so yet.

The major difference between the C&NW and Grand Trunk proposals is in the treatment of the Milwaukee's stockholders.

Under the C&NW's proposal, the Milwaukee would still be owned and controlled by its current stockholders which will permit them to use the railroad's substantial net operating loss and investment tax credits as tax write-offs.

The Grand Trunk proposal does not permit this.

Provisions of the commission's decision call for persons wishing to receive protective conditions to submit them by Oct. 7. Responses are due Nov. 7.

Hearings on the competing application will be held Dec. 12 while opening briefs on the C&NW's proposal are due Jan 20. 1984.

An oral arguement on the competing proposals has been tenatively set for Feb. 15 and the agency intends to issue a final ruling around March 30.

SEP - 8 1983

Wisconsin State Journal, August 24, 1983

Dane County asks railroad to delay land sales

By Doug Mell
Of The State Journal

Dane County Executive Jonathan Barry has taken the first formal step to have the Milwaukee Road delay selling more excess land until the county can study whether it can afford a large land purchase.

Barry and Supervisor Roberta Leidner, 10th District, Madison, met Aug. 11 with Richard Oglivie, former Illinois governor and trustee of the bankrupt railroad, to ask for a moratorium on the sale of Milwaukee Road land in Dane County.

Barry said he realized the railroad would go ahead with the already announced sale of the Milwaukee Road depot on West Washington Avenue and about 4 adjacent acres.

"We requested they (railroad officials) delay further land sales," Barry said.

Both Barry and Ms. Leidner said they were pleased at the reception the request got from Oglivie, although neither said Oglivie indicated he would support the idea. Oglivie could not be reached for comment Tuesday.

"I have reason to believe they will slow down real estate sales in the next few months," Barry said.

"My feeling is he (Oglivie) is certainly open to this option," Ms. Leidner said. "We got a very warm reception. There is a great deal of interest there."

The state Department of Transportation currently is studying a request by the county Regional Planning Commission for an $18,000 grant to determine whether the county could buy the land — which could cost as much as $21 million — and then recoup the investment by leasing the land either to railroads or investors.

Barry's plan for the excess land — the amount of which has not been determined — would resemble the current situation at the Dane County Regional Airport. The county owns large tracts of land near the airport and has long-term leases with manufacturing and commercial companies that help support the airport operation.

Barry said that while no formal announcement has been made, he believes the state will approve $14,000 for the corridor study.

Barry himself has conceded that his plan to have the county buy excess railroad land may be considered by some as a "crackpot scheme." However, observers say that Barry's recent actions in pushing for the corridor study and in meeting with Oglivie indicate he is intent on pursuing the plan.

Ms. Leidner said her optimism about Oglivie imposing a land-sale moratorium on the railroad is based in part on Oglivie following through on some initial county requests. Oglivie directed that senior railroad officials work with the county on the plan, she said, and ordered the railroad to send the county detailed maps about where its land is located in Dane County. These maps traditionally have been hard to come by, she said.

Barry said the amount of excess railroad land in the city of Madison is 25 to 26 acres, while the amount of rural excess land is undetermined. The total amount of excess land probably is less than 75 acres, he said.

Any development of the railroad land, should the county acquire it, would be done "in close cooperation of the city of Madison's planning process," Barry said.

Mayor Joseph Sensenbrenner, who has met with railroad officials about the plan to sell the depot, said he is pleased with Barry's plan, "if he can pull it off."

Chicago Sun-Times, September 1, 1983

OGILVIE TRACKS BACK PAY: Ex-Gov. Dick Ogilvie encountered a different kind of money problem as Milwaukee Road trustee. He has about $150,000 in back pay waiting for 880 of the railroad's former employees whom he's unable to locate. The cash is for railroaders who worked in '78-'79 or from April through November, '82, and haven't received back paychecks for those periods. They should contact the Milwaukee Road treasurer's office, 516 W. Jackson, Chicago 60606, and include their address, Social Security number, a brief description of the time they worked and their legal signature. All aboard!

Ottumwa Courier, August 24, 1983

Action on rail spur tabled

By TOM O'DONNELL
Courier staff writer

All but about 200 feet of a railroad spur that planners say is important to attracting industry to the Ottumwa Industrial Airport is already owned by the city, the airport manager said today.

The Milwaukee Road has asked to abandon the track because there isn't enough traffic on the line. Loss of the four-mile spur would damage the chances of getting more industry at the airport, Airport Manager Virgil Johnson said.

The Ottumwa City Council voted to table action Tuesday night on the request for termination after City Attorney Bill Dew said the airport commission is trying to work out a deal with the railroad.

All but about 200 feet is owned by the city, Johnson said. The rest was owned by the federal government and was deeded to the city as part of the package when it abandoned the air base at the airport.

Johnson said he has been in touch with Milwaukee Road officials in Chicago, and the airport commission's attorney is looking into the matter. He said he hoped something could be worked out with the company to continue providing service.

"I can't see the advantage of taking out such a short piece of track," Johnson said. "We may be using it in the future for industrial development, even if there isn't much traffic on it now.

"It's one of the attractions we have in getting industry here. It may be the difference between getting it and not getting it," Johnson said. The track "needs some maintenance work, but it could be traveled over."

Dew told the council that if the track is abandoned, it would be deeded back to adjoining landowners, making reinstallation of the track difficult. In other cities, engines are hired to regularly run over tracks so that a minimum amount of traffic can be proved to prevent abandonment.

"If it is ours, just let it sit there," Dew said.

Des Moines Register, August 30, 1983

North Western says it would drop Iowa line

By RANDY EVANS
Register Staff Writer

The North Western Railway intends to abandon a major eastern Iowa rail line if the company succeeds in acquiring the Milwaukee Road, North Western officials said in documents filed recently in Washington, D.C.

The North Western and a subsidiary of the Canadian National Railway are competing for the Interstate Commerce Commission's permission to acquire the Milwaukee, which has been reorganizing itself in U.S. Bankruptcy Court in Chicago, Ill., since 1977.

If the North Western prevails, the deal would increase the size of the railroad by 3,100 miles — to an 11,000-mile network that stretches throughout the Midwest.

The railroad already is Iowa's largest; the Milwaukee is the state's second biggest.

In Iowa, the transaction would give the North Western an important line across the rich grain territory of northern Iowa, a mainline that parallels the Mississippi River, and another line that slices across the southeastern quarter of the state.

The lines pass through a number of cities, including Spencer, Algona, Mason City, New Hampton, Ottumwa, Washington, Muscatine, Davenport, Clinton, and Dubuque.

The North Western recently informed the ICC that the company wants to abandon the Milwaukee line between Clinton and La Crescent, Minn., if the acquisition is completed. The North Western also said it wants to drop lines between Sabula and Elgin, Ill.; Mason City and Austin, Minn.; and Seymour, Ia., and Polo, Mo.

In all, the North Western said, it would seek ICC permission to abandon 1,155 miles of track in Iowa, Illinois, Minnesota, Missouri and Wisconsin.

(But the company also said it wants to build 13 miles of track to connect the Milwaukee's line at Seymour with its existing north-south line at Allerton.)

The abandonments are necessary, the North Western said in a position paper, to make the most efficient use of the two companies' rail lines.

"While the consolidation will result in some abandonment of duplicating rail lines and redundant facilities, the impact of these will be insubstantial when compared with the anticipated cost savings, increased operating efficiency, and greater traffic density over the remaining lines," the North Western's statement said.

The abandonments would represent an important step in continuing to streamline the Midwest's overbuilt railroad maze, the company said.

"Simply stated, there were too many railroad companies with too much track chasing too little business," the North Western said. "This situation culminated in the 1970s with the bankruptcy of two major midwestern railroads: the Rock Island and the Milwaukee Road."

But the picture is improving, the North Western said, because the Rock Island has been forced to dispose of

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North Western Says It Would Drop Iowa Line - Concluded

its lines and the Milwaukee has abandoned large portions of its system.

Ownership of the Milwaukee by the North Western would permit this restructuring to continue, the company said. The process would make the North Western stronger, and that would benefit the company, shippers and the public, the position paper also said.

But Iowa Department of Transportation officials have been concerned about the North Western's growing dominance over rail freight business in the state.

The North Western bought 720 miles of Rock Island track, much of it in Iowa, earlier this summer — a move the DOT did not support.

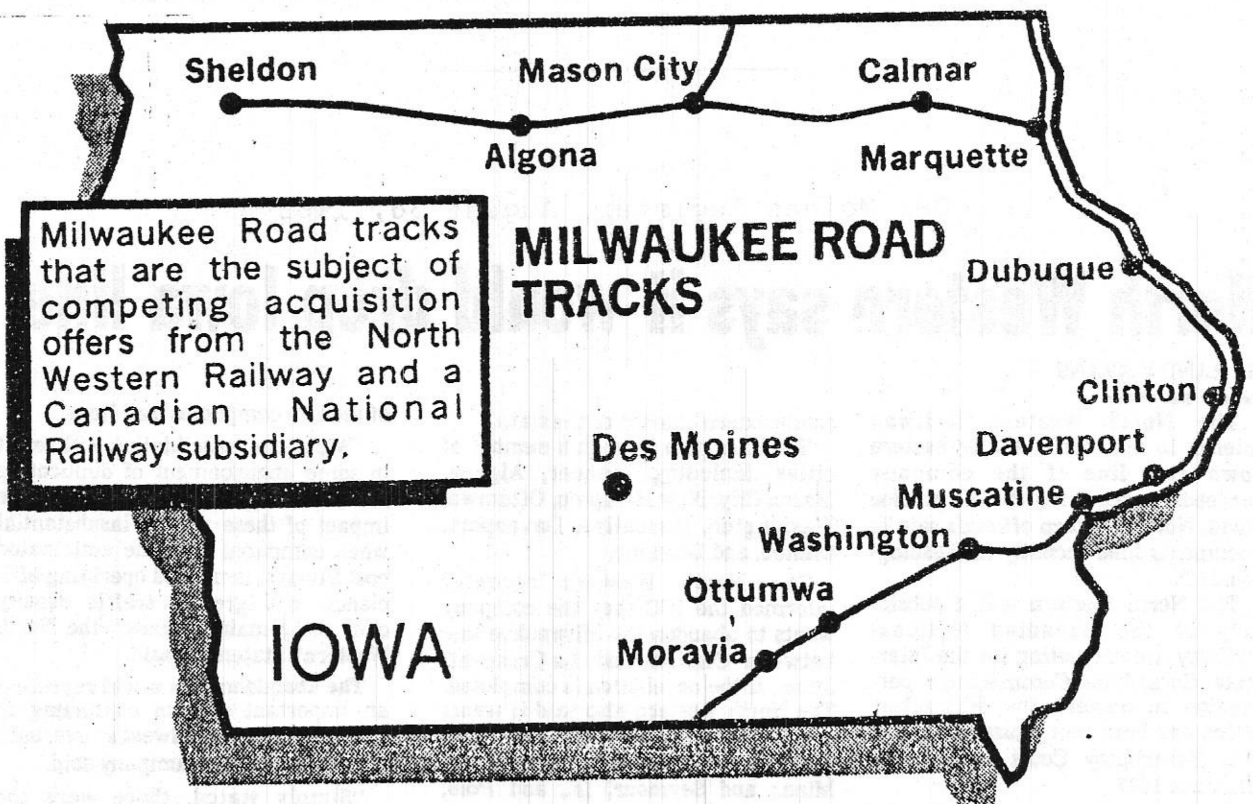
DOT officials have not commented on the North Western's offer for the Milwaukee, but they are not expected to favor it.

The Canadian National subsidiary is not expected to abandon significant amounts of Milwaukee track if it gains control of the bankrupt company, since the deal would represent an extension of the Canadians' U.S. operations.

The North Western offer calls for the company to acquire the Milwaukee in exchange for assuming $250 million in Milwaukee debts.

The Grand Trunk Corp., the Canadian National subsidiary, has made a similar offer. But the Grand Trunk proposes to retain $345 million in Milwaukee tax benefits, while the North Western proposes to leave those with the Milwaukee's stockholders.

The Interstate Commerce Commission is not expected to rule on the competing offers for several months.



Milwaukee Road tracks that are the subject of competing acquisition offers from the North Western Railway and a Canadian National Railway subsidiary.

Wall Street Journal, September 1, 1983

New Chairman at Santa Fe Industries Using Risky Style of Leadership to Push Company

By Harlan S. Byrne
Staff Reporter of The Wall Street Journal

CHICAGO—John J. Schmidt seems in a hurry to get Santa Fe Industries Inc. on a faster track.

Barely four months after becoming the company's chairman and chief executive officer, Mr. Schmidt is searching for a merger partner for its biggest unit, the Santa Fe Railway. In July, he said the company would consider buying Consolidated Rail Corp., known as Conrail, the federally owned successor to the Penn Central and other bankrupt Northeastern railroads. And he said he intended to keep pursuing other railroads. He feels time is getting short for the Santa Fe.

"Our choice of merger partners has been cut down" by the merger of several major railroads in the past few years, he says. Now several systems are larger than the Santa Fe, which has 12,000 miles of track stretching from Chicago to the Gulf of Mexico and the West Coast.

The search for an acquisition is only one part of Mr. Schmidt's efforts to run the holding company in a different fashion from that of his predecessor, John S. Reed. Mr. Reed kept a tight grip on the day-to-day operations of the railroad; Mr. Schmidt has given much of the responsibility to others. Mr. Reed took a conservative approach to company matters, some rail executives say. The 55-year-old Mr. Schmidt seems determined to take some chances and make some changes.

"Schmidt's obviously going to stir up things at the Santa Fe," says a Western railroad executive. "Schmidt knows he has a job to do, and he's more of a risk-taker than Reed."

Studying Conrail Bid

Merger work is taking much of Mr. Schmidt's time. In his first month on the job, he dropped a lot of duties to begin studies on a Conrail bid. He visited Transportation Secretary Elizabeth Dole; Conrail's chairman and chief executive officer, L. Stanley Crane; and Conrail's investment banker, Goldman, Sachs & Co. Teams of Santa Fe officials and other experts began on-premises studies of Conrail in mid-August, and Mr. Schmidt says Santa Fe expects to decide by the end of the year whether to make a bid.

Some industry executives wonder whether the Conrail bid is a smoke screen. They speculate that Mr. Schmidt might be trying to keep the prices of Western railroad stocks from climbing any further than they already have this year. These prices could climb if speculators thought Santa Fe was interested in an acquisition. Further price increases might make it impractical for Santa Fe to buy another Western carrier, such as Southern Pacific Co. Santa Fe nearly took over Southern Pacific in 1980. The companies agreed on a price, but negotiations fell through over differences on how the merged company would be managed.

Mr. Schmidt may also be trying to shake off Norfolk Southern Corp., outsiders speculate. Norfolk Southern, a large Eastern railroad holding company, announced in March that it had bought 5% of Santa Fe's stock and had talked with Mr. Reed a year ago about a merger. But if Santa Fe bought Conrail, it probably would be too big for Norfolk Southern or any other railroad to take over. If it doesn't buy Conrail, Southern Pacific or Burlington Northern Inc. might also be interested in the Santa Fe.

Mr. Schmidt says the changes and the new style shouldn't be taken as criticisms of Mr. Reed, who had a solid record as head of the railroad and the holding company. Nonetheless, Mr. Schmidt sometimes takes pains to emphasize the differences. In a speech to analysts recently, he recounted his modest background.

"He was trying very much to make clear he was from a different environment than Reed, whose background is more white shoe, compared to the street-kid image Schmidt conveys," says an analyst for a major New York investment banking firm.

Mr. Schmidt takes pride in recalling his first job, at age 12, washing dishes in a hamburger joint in the tough Chicago neighborhood where he was raised. He says he dropped out of medical school because he ran out of money; he later got a law degree from Loyola University in Chicago. Mr. Reed, on the other hand, is a 1939 graduate of Yale University.

"I still have a poor-boy mentality," Mr. Schmidt says, although his pay is now about $500,000 a year. "I'm very tough on costs." He eschews many of the perquisites accorded chief executives of companies, such as chauffeured limousines and private jets. He commutes to work on the Burlington Northern Railroad (Santa Fe has no commuter trains). And he says he rarely eats lunch, often jogging along Chicago's lakefront instead.

"I find sometimes that answers to complex problems come to me when I'm jogging," he says. "I think time spent that way may make me more valuable than my accepting numerous luncheon invitations to get fat."

Mr. Schmidt is, in fact, tall and trim. He seems relaxed, but he says, "I've been known to pound the desk."

Apart from merger planning, Mr. Schmidt is changing Santa Fe's management structure. In his view, the parent company has never been operated as a true holding company. Since its formation in 1967, it has been more an offshoot of Santa Fe Railway, he says. The railroad still accounts for two-thirds of the company's revenue, which totaled $3.2 billion last year.

Mr. Reed was chief executive officer of both the holding company and the railroad. In effect, the holding company was operated from the executive offices of the railroad, Mr. Schmidt says, with Mr. Reed taking a day-to-day interest in the railroad and responsibility for the railroad's profitability. Mr. Schmidt, in his previous role as president of the holding company, was responsible for the profitability of non-rail units such as petroleum, forest products, construction and real estate.

'Organization Is Everything'

But the relationship between the holding company and the railroad is changing as Mr. Schmidt restructures management. "Organization is everything, or close to everything," he says. "It frees me to do the things I should do as chief executive such as figuring where we should be 10 years from now, where we should put our money and making sure we have the right people to get the job done. And I should be out telling the story of Santa Fe to the public."

The new president, W. John Swartz, 48, has been given responsibility for the profitability of all subsidiaries, including the railroad.

"I think I would be remiss in worrying every day about such things as carloadings," Mr. Schmidt says. "There are people around here to keep me informed of anything I need to know."

The Santa Fe Railway has been left in the hands of its 61-year-old president, Lawrence Cena. Hit hard by recession, the railroad has cut employment and other costs. It's trimming spending for track maintenance on lightly used branch lines while continuing to spend more than the industry average on its high-speed freight lines.

Mr. Schmidt doesn't accept the view that Santa Fe is a sleeping giant. "I'd like to think of us always being in a race to succeed," he says, "and we're now trying to go faster."

Cedar Rapids Gazette, August 8, 1983

Why not a coast-to-coast rail line?

As any copy desk man can testify, "transcontinental" will fit few headlines. But it may be about to have an impact on American transportation.

In the last week of July, John J. Schmidt, chairman of the Santa Fe Railway Co., said that his board is taking an "in depth" look at the possibility of purchasing Conrail, the 15,000-mile government-owned combination of the old Penn Central and a dozen other busted Eastern lines. If consummated, this would produce this country's first West Coast to East Coast railroad.

What has happened is that, in spite of being generally short-haul, up against heavy truck competition, and labor-intensive, with the help of $3.3 billion in repair funds from Uncle Sam and under prodigious efforts by Conrail Chairman L. Stanley Crane, this gigantic turkey has begun to lay a few eggs. Congress has decreed that if Conrail becomes profitable it must be sold in toto, rather than being parceled out to competing lines. Modest profits have now appeared.

The only semi-bidder so far is the Railway Labor Executives Association, made up of nine out of 10 present or recently laid-off Conrail workers. RLEA has retained the Chase Manhattan Bank to draw up a employee-purchase plan.

One of the chief reasons why Conrail is now marginally in the black is because Crane succeeded in getting the brotherhoods to agree to a wage freeze. If the workers bid for it and a railway company tops their bid, presumably they could again demand pay increases that would ensure new deficits and cool off the competition. This situation, as high school English essayists say, is "fraught with interest."

But, as Santa Fe's Schmidt says, he must do something about "increasing the size and market power of the Santa Fe."

At the end of World War II, the Official Railway Guide listed more than 900 American railway companies, 30 of which could be considered major systems. The latest guide lists fewer than 500 companies, dominated by seven giants — Conrail, CSX, Norfolk Southern, Union Pacific-Missouri Pacific, Burlington Northern, Southern Pacific and Santa Fe. Santa Fe with 12,000 miles is the baby.

Side-by-side rail mergers, such as those that resulted in the Chessie System and the Family Lines (now both part of CSX), tend to diminish competition in a region. But they do permit the abandonment of parallel track, consolidation of yards, and new shortcuts, thus reducing costs.

End-to-end mergers, which the Interstate Commerce Commission prefers, do not offer similar savings, but they encourage long-run freight trains, fewer transfers, less yard time and thus faster speeds to compete with trucks.

There is no legal impediment to run-through trains exchanged by independent lines and there are now many. Great railway hubs like Chicago and St. Louis are being increasingly bypassed by trains made up in places like Effingham, Streator, Fort Wayne, Elkhart and Pine Bluff. But end-to-end mergers boost marketing clout and put long-haul revenues into a single treasury.

So, to the transcontinental railroad. Strange that we have never had one. Canada has two. But a psychological barrier has divided railroads at Chicago and the Mississippi River. If the barrier is broken, change may come swiftly.

Americans do not think of railways as they did in the days when people drifted down to the station to see the 5:15 go through. The railroads now account for only about 40 percent of the total intercity freight.

But we meet them at every checkout counter, when we buy a house or a car, and, generally, when we flip a light switch. Rail rates are in everyone's cost of living and keeping them down should be of universal interest.

Included in the costs are inefficient car utilization (the average freight car still moves about 50 miles a day), featherbedding and overly restrictive work rules, derailments due to neglected track, and maintenance deferred to the point where that which could have been kept in repair must be junked. These affect all of us.

American travelers, returning from Europe or Japan, compare American lines with these well-maintained government-owned systems where even passenger trains are very much alive. What they don't see are the enormous deficits which are charged to the taxpayers.

Our trick is to encourage rails to serve us better and cheaper and stay off our backs, financially. Some true transcontinentals might help.

Cedar Rapids Gazette, August 18, 1983

Abandoned rail ties just keep piling up

By Judy Daubenmier
Gazette Des Moines Bureau

DES MOINES — As mile after mile of railroad track is abandoned and torn up in Iowa, a problem is piling higher and higher — what to do with the railroad ties that are left behind.

The Iowa Water, Air and Waste Management Commission was told earlier this week that rules prohibit either burning the ties or simply letting them pile up.

But commissioners indicated the problem is getting so large that a state policy on railroad tie disposal may be necessary.

Peter Hamlin, director of the field service division of the agency, said it's illegal for railroads to just pile the ties alongside the abandoned railroad right of way because it constitutes open dumping. Burning them is also prohibited under state rules, he said.

"We do have a rule that would prohibit open burning of materials such as this anywhere in the state, but beyond that we are concerned about the preservatives used in railroad ties," he said.

The preservatives sometimes include arsenic, which could produce a toxic emission when burned. Other preservatives could give off such toxic substances as hydrogen chloride gas.

The creosote in the ties is also considered to be hazardous and toxic because it irritates eyes and skin.

Burning the ties would also release 12 to 15 pounds of particles into the air for each ton of ties burned, Hamlin said.

Railroads or farmers who have purchased abandoned railroad right of way sometimes call the department wanting permission to burn the leftover ties.

"We don't get many actual requests, just two or three, but when we get them it's for a large number of ties — 20 or 30 miles. The number (of requests) is not large, but the impact (of burning) would be," Hamlin said.

He said the options are either to reuse the ties or dispose of them in a landfill.

But Commissioner Allan Thoms of Dubuque noted that forecasts say several thousand miles of railroad track may eventually be abandoned in Iowa, meaning thousands and thousands of ties will have to be disposed of.

"It's going to be a continuing and growing problem and not one that is going to go away," he said.

"I don't think landfill disposal is going to be an answer.'

The problem is complicated by the fact that some of the railroads involved are bankrupt and couldn't pay to truck the ties to a landfill, he said.

Other commissioners said some of the ties can be recycled as fence posts if the railroads would let the public come in and take them. The ties are often used in landscaping, but apparently the supply far exceeds the demand.

Some said the problem may be resolved by farmers simply going ahead and burning the ties without the state being aware of it.

Hamlin agreed to work with the Iowa Department of Transportation on a policy for railroad tie disposal.

Rows of used railroad ties — 100 yards long and as high as the building behind them — are stacked along the abandoned Milwaukee Road right-of-way in Morley.

Cedar Rapids Gazette, August 19, 1983

Tourist railroad in Eastern Iowa dealt setback

IOWA CITY (AP) — A group of railroad enthusiasts who want to establish a tourist line on Rock Island track between West Branch and West Liberty have encountered a new obstacle: The Rock Island trustees want to dismantle the track.

Sometime in the next three weeks, a trustee for the Rock Island Railroad will appear before a bankruptcy judge, who will determine whether the Rock can dismantle 11 lines in Iowa, said Les Holland, director of the Iowa Department of Transportation's railroad division.

The trustees want to dismantle 248 miles of track in all, including a segment from West Liberty northwest to Cedar Rapids. That segment has attracted the interest of the East Iowa Railroad and Museum, which wants to buy a portion of the line.

The group was formed in 1981 for the purpose of starting a tourist train that would run from the historic depot in West Liberty — currently unrestored and boarded up — to the Herber Hoover National Historic Site in West Branch.

However, the dismantling of the track "would pretty well crimp our plans," said Conrad Griggs, vice president of the museum.

"The only thing we might do is purchase the land and the ballast (the gravel underneath the track and ties) and try to build our own track," Griggs said.

Holland said the bankruptcy judge probably will approve the dismantling. After that, he said, the trustees will make up a schedule for dismantling the track and the IDOT will tell interested parties how long they have to try to buy pieces of the line.

"They don't look on us as a very viable purchaser," Griggs said.

Rock Island trustee William Gibbons said sale negotiations frequently continue on track that is scheduled to be dismantled. He said the line probably would be scheduled for dismantling in about mid-1984.

Wausau-Merrill, Wisconsin Daily Herald, September 1, 1983

Reorganization plan pays off

Healthy Milwaukee Road sought by 2 others

By DEWEY PFISTER
Herald Staff

MERRILL — The old lady in a smaller, restyled dress has attracted two suitors.

"As we made progress, we've attracted the attention of other people," M.L. Smith, Milwaukee Road president, said Wednesday of the railroad's reorganization efforts during the last six years.

The Grand Trunk Corp.'s offer a year ago to acquire the Milwaukee Road was followed in July by a similar offer from the Chicago & North Western Transportation Co.

A federal bankruptcy court judge will decide next year who will acquire the Milwaukee Road.

Meanwhile, the Interstate Commerce Commission will decide March 30, 1984, whether one, both or neither of the offers is in the public interest. Public comment is invited.

"Wausau, I presume, will express itself on whether it wants to be a one-railroad or two-railroad town," Smith said in an interview aboard a special passenger train running between Wausau and Tomahawk. The trip was made to observe completion of a $6 million improvement project on the line.

The Milwaukee Road has been handling shipments for the Grand Trunk Corp. between its Duluth, Winnipeg and Pacific Railroad north of Duluth, and the Grand Trunk Western Railroad east of Chicago.

"We will be able to pay the creditors and, through consolidation with the Grand Trunk Corp. and affiliation with the Canadian National, we will preserve service on the Milwaukee and assure financial stability to benefit shippers and employees," Trustee Richard Ogilvie said when filing Grand Trunk's acquisition plan in March.

"The creditors have filed in support of our plan. I don't think they're going to change," Smith said Wednesday.

He was unable to comment on the C&NW acquisition proposal because it was offered without any prior discussions between the two railroads.

Smith is proud of the accomplishments since 1978.

Reorganization has included disposal of about 7,000 miles to create a 3,100-mile rail core in seven midwestern states and improvement of remaining lines and equipment.

"Of 44 class one railroads, the Milwaukee Road was the only one to show a revenue increase from received shipments (from other railroads) in 1982," Smith said.

Earlier this year, the railroad reported a first quarter operating profit for the first time since 1974.

Minneapolis Star/Tribune, September 2, 1983

Milwaukee Road put checks in the mail but no one was there to accept them

The Milwaukee Road railroad, which had so much trouble making money that it had to file for bankruptcy, now has $150,000 that won't go away.

The money is back pay owed to 880 former railroad workers, including 185 who at some time lived in Minnesota. The problem is, the railroad can't find them.

Bill Bickley, a spokesman for the railroad in Chicago, said Thursday that the money arose out of various contract settlements reached with unions since the railroad filed for reorganization under Chapter 11 of the federal bankruptcy law in 1977.

"Until settlements were reached on certain issues, the back pay was held," Bickley said. "That's why they didn't get it." The money is owed to people who worked for the railroad in 1978, 1979, or from April 1, 1982, to Nov. 30, 1982.

The railroad tried to mail the checks, which average about $170, to home addresses, but post offices returned them as undeliverable, Bickley said.

Originally the railroad had about 1,400 former workers who were owed back pay, but it published their names in company publications and contacted railroad retirement officials and union leaders. Those efforts helped find about 500, Bickley said, but locations for the rest are a mystery.

The railroad already has paid out about $22 million in back pay from the union settlements, he said. He theorized that many of the unpaid workers were seasonal employees who were hired to do railroad repair during the warmer months.

Anyone who believes they are entitled to their back pay should contact the Milwaukee Road treasurer's office (516 W. Jackson Blvd., Chicago 60606). They should include address, Social Security number, a brief description of the time they worked and their legal signature.

Wausau-Merrill, Wisconsin, Daily Herald, September 1, 1983

Project smooths the way for future rail service

By DEWEY PFISTER
Herald Staff

MERRILL — Like a phoenix, the re-created North Woods Hiawatha rolled through central Wisconsin Wednesday.

A two-car passenger train made a smooth trip from Wausau to Tomahawk and back to commemorate completion of a $6 million improvement project.

It was the first time passengers rode the 41-mile Milwaukee Road route since regular service was eliminated north of Wausau on April 21, 1956. Service south of Wausau was eliminated on Oct. 26, 1970.

W.L. Smith, Milwaukee Road president, said the cooperative project assures competitive, dependable rail freight service for a long time.

Project funding included $1,699,900 from the Milwaukee Road in labor and materials, a state Department of Transportation grant of $2,140,500, a $1,640,500 loan from the Lincoln County Shippers Association, and a $500,000 loan from Lincoln County.

Loan payments are being made on the basis of rail usage. More than 40 percent of the shippers' loan has been repaid, Smith said. Lincoln County's loan was repaid in 5½ months.

Department of Transportation Secretary Lowell Jackson said the state's grant is the best it could do to maintain service and and make a rail line profitable.

"The (Merrill Go Round) bus ride (from a rail siding to a local restaurant) was somewhat rougher," Jackson said in commending the rail ride from Wausau.

The shippers also commended the project.

"The shippers are pleased with the performance of all the people who make the project go," said Bruce Skofronick, president of Ward Paper Co., representing the shippers' association.

Freight trains now operate between Wausau and Tomahawk at 25 to 30 mph. Nearly 29 miles of rail with 12 switches were installed. It took nearly 46,000 ties and more than 43,000 cubic yards of crushed rock or gravel to complete the project.

Some improvement work was also done on the New Wood line which extends into Merrill's west side.

The tour included a stop at the Marinette, Tomahawk & Western railroad shop in Tomahawk. Owens-Illinois Inc. owns the railroad. The parent company's mill at Tomahawk is the biggest user of the line.

The MT&W has 700 boxcars for shipments to and from the O-I mill.

Cedar Rapids Gazette, August 25, 1983

Could be the end of the line for cabooses

By Paul Dean
Los Angeles Times Service

Clicketyclacking cabooses, those romantic tail ends of railroading since before Casey Jones and cowcatchers, are facing the end of the line.

The fleet will not vanish from the American scene overnight. But, railroad executives generally agree, a minimum 25 percent of the nation's 13,000 cabooses probably will be scuttled in the next five years and recycled as scrap, chamber of commerce offices, railroad museums or playhouses dotting public parks from Bakersfield, Calif., to Bangor, Maine.

"Quite simply, they've outgrown their usefulness," explained John Bromley, a spokesman for Union Pacific in Omaha. "The caboose used to be for sleeping, eating, a home-away-from-home and a place for the conductor to work on waybills and bills of lading. Now that's all done by computer. Crews are given motel accommodations. So the office function and living function (of a caboose) are no longer needed.

"But they're not going to vanish like the buffalo herd."

Added a representative of Southern Pacific: "It (the caboose) may be very beautiful from a sentimental point of view. But it has become simply a position to ride on a train."

SOME ARGUE THAT it still is the best position from which brakemen can see safety hazards, but not everyone agrees. In fact, the trend toward eliminating the caboose has been taking place for several decades.

In Europe, cabooses began disappearing at the end of World War II. More than a year ago, the International Car division of Paccar Inc., the nation's largest caboose manufacturer (with some models sticker-priced at $100,000), ceased

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Could Be The End Of The Line For The Cabooses - Concluded

production at its Kenton, Ohio, plant. Virtually zero business (from a 1969 peak when 300 cabooses were manufactured) was the stated reason for the closure.

And some railroads believe they have demonstrated that they can get along very nicely without cabooses as anchor cars.

Until last year's expiration of an experimental contract with the United Transportation Union, Illinois Central Gulf Railway Co., based in Chicago, had been running short trains without cabooses since 1974.

When hit, but not halted, by a 14-year series of strikes, the one-line (Miami to Jacksonville) Florida East Coast Railroad ditched its 50 cabooses in 1967, has not used one since, and, said a company official, "we have one of the best safety records in the industry."

THE WRITING ON the wall for the caboose (an attachment on American trains since 1850) came last October with the writing of an agreement signed in Washington between the 190,000-member UTU and the National Railway Labor Conference, bargaining body for the nation's 117 railroads.

It was by no means a quick, painless ratification — and although only one topic on a full agenda of sporadic labor-management bargaining spread over two years, the caboose issue produced total deadlock.

Lookout cars, claimed the railroads, are little more than costly excess baggage. Wholesale removal would assist fiscal and operational streamlining. According to one official of the Association of American Railroads, the hypothetical sidelining of all 13,000 cabooses would save the industry an estimated $381 million annually.

The UTU argued that cabooses and the eyes and experience of conductors and brakemen who traditionally man the cars are vital to the safety of trains — especially when today's freights average 70 cars stretching almost a mile. John Morgan, a UTU official, was reported as saying: "If you see something from the caboose that averts just one accident, it has paid for itself."

With last year's stalemate, the question of retaining or removing cabooses was passed to a president's emergency board. It ruled that the nation's railroads can unhitch all cabooses from their local freight and yard operations. Further, the carriers could dump up to 25 percent of cabooses used on through freight runs; long and often high-speed hauls between terminals with en-route pickups and offloading of cars.

Yet, said the board, no non-caboose operation will be initiated without local agreement between individual railroads and their UTU representatives. In the absence of agreement (after a 60-day negotiation period) the issue will be decided by a federal arbitrator.

"It's going to take some time to iron out all the problems," said Larry Wataszak, a vice president of the Cleveland, Ohio-based UTU. "I don't expect any real fast moves. The overall intent is for an ongoing program to mutually work out a system to safely remove cabooses at a cost saving to the carrier which, it is hoped, will be passed on (to employees) through profit sharing. But it can't be done very quickly."

Although one UTU official said cabooses in modern railroading have about as much purpose as "a fly on a horse . . . but don't put my name on that opinion," Wataszak isn't so quick to condemn.

"In my opinion, it (removal of cabooses) is questionable, depending on technological advances," he commented. "Consider public crossings. A train without a caboose could drag a busload of school kids down the line without even knowing about it. What the hell do you think the states will say then?"

ON THE OTHER hand, railroads believe that technology already has reduced the caboose to a relic. Finding hotboxes (overheated axles) and dragging equipment, once the responsibility of the brakeman, is now done by electronic detectors located at regular intervals alongside tracks.

Signaling and separation of trains is handled by control centers. Brake failures can be monitored in the cab. Radio signals beamed from the rear of a train (an adaptation of terrain avoidance systems aboard modern aircraft) provide advance warning of possible nose-to-tail collisions between oncoming and stationary trains.

There also are industry observers, even some brakemen, who believe that non-caboose operations will even improve employee safety and comfort.

"On a 100-car train, the locomotive will have rolled 400 feet down the track before the caboose has started moving," said Chris Knapton, an assistant vice president of the Association of American Railroads. "So he (brakeman or conductor) goes from zero to 15 mph in a split second. And when a train starts braking, he'll go from 50 mph to 30 in a split second."

Journal of Commerce, August 25, 1983

Piggyback Shipments Of Perishables Soar

By KEITH M. ROCKWELL
Journal of Commerce Staff

Piggyback shipments of perishable produce have reached record levels this year, spurred by good service and competitive rates.

Shippers and railroad officials expect this trend to continue as piggyback carriage draws produce traffic from boxcars and motor carriers.

According to Department of Agriculture figures, containers and trailers of produce moved over long distances on railroad flatcars accounted for 11.3 percent of total produce shipments coming eastbound from California and Arizona in the first five months of 1983. That compared with 8.2 percent the previous year.

Nationally, trailer-on-flatcar cargo represented 6 percent of total produce shipments in the week that ended June 25, compared with 4.4 percent during the same period in 1982, according to the most recent USDA figures.

Shippers say the primary reasons for the big produce shift to piggyback are the good service and competitive pricing offered by the rail companies.

"Principally there are three modes by which produce can move: rail, piggyback and over-the-road truckers," said Bob Allen, president of Salinas, Calif.-based Cornucopia Inc., a produce shippers cooperative.

"With rails, the equipment is antiquated and the service is rotten. Truck cargo is hauled by owner-operator types which can give good service but quite frequently don't. They are smaller outfits that don't have the financial stability. Piggyback offers produce guys more stability while providing comparable service," he added.

While the national piggyback shipments seem fairly insignificant compared to the truck and boxcar figures, they do not accurately reflect the growing shift toward piggyback.

The California and Arizona statistics are more telling because piggyback carriage is viable only on long hauls such as those from the West Coast and Florida.

It is in these regions that shippers report significant increases in the number of their piggyback shipments.

"Our piggyback shipments are up substanially. They now account for about 15 percent of total shipments compared with approximately 4 to 5 percent the year before," said Laurie Stern, transportation manager for Sunkist Growers Inc.

In the last year Cornucopia has increased the number of refrigerated containers it operates from 400 to 1,000, said Mr. Allen.

Despite this increase in fleet size, the demand for the trailers remains so high that Cornucopia plans to purchase more vans again next year, he said.

Transamerica Distribution Services of Chicago has expanded its fleet of refrigerated trailers by anywhere from 70 to 150 percent, said Dave Wright, vice president and general manager, and the company plans further expansion next year.

It is the lack of equipment that has prevented shippers from sending more of their produce over the rails, according to some shippers.

"I don't think there is any question that we'd ship more piggyback if the equipment was available," said Fred Tolan, traffic counsel for the Pacific Northwest Shippers Association, Seattle.

Mr. Tolan said the refrigerated trailers do not offer enough cubic space for the westbound return leg, and consequently railroads and trailer leasing firms can be reluctant to use them.

"For the return leg, you want high cube cars of about 3,000 feet cubic capacity. Most reefer trailers are only about 2,400 to 2,600 cubic feet," he said.

While shippers have posted sizable shifts to piggyback, the railroads reported even more substantial gains in their TOFC shipment figures:

— Burlington Northern Railroad Co. posted a whopping 62 percent increase in TOFC produce shipments through July compared to seven-month shipment totals in 1982.

— Piggyback produce shipments for Atchison, Topeka and Santa Fe Railway Co. jumped 33 percent during the first seven months of this year vs. the total for the same period last year.

— The number of trailers moved by Conrail in the first six months of 1983 rose 15.5 percent from shipment levels for the first half of 1982.

This year, for the first time, Seaboard Coast Line Railroad offered TOFC service for northbound produce from Florida. Officials at Seaboard said traffic levels for the season exceeded all projections.

"We carried approximately 5,000 units and that was ahead of what we anticipated," said Bill Pierce, director of perishable sales at Seaboard.

Although Seaboard hauled containers strictly on a spot basis last year, the railroad will offer contracts for next year, and the response so far has been good, said Mr. Pierce.

The increase in piggyback produce shipments is particularly impressive in light of the poor crop conditions experienced so far this year by farmers around the United States.

Bill Geach, traffic manager at Blue Anchor Inc., Sacramento, Calif., said attractive pricing was the reason his company's piggyback shipments jumped despite poor crop conditions that caused output to drop significantly.

Mr. Tolan of the Pacific Northwest Shippers Association agreed, but it has been the good service offered by piggyback that has impressed him most.

"The service has been excellent, and it's improving. The price has been very steady and hasn't gone up much in the past three years," he said.

The competitive rates offered by TOFC also have kept motor carrier rates down, he added.

Another reason for the boom in piggyback traffic is that shippers are seeking to protect themselves by using more than one mode to haul their goods.

"Shippers do not want to be at the mercy of one mode of transport," said Mr. Wright of Transamerica.

An official at Santa Fe said his railroad has picked up TOFC traffic because shippers could not depend on the trucks for reliable service.

"We offer contracts on a yearly basis, and shippers like that security. Truckers have been known to triple their rates overnight when demand is high," said Robert E. Gehrt of Santa Fe.

Mr. Gehrt said the nine-day work stoppage by independent truckers in February did not lead to a significant shift of traffic to piggyback, but in the long term it may have helped.

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Journal of Commerce, August 25, 1983

Piggyback Shipments Of Perishables Soar - Concluded

"In the long run it helps us because shippers say they just won't put up with this kind of thing anymore."

While most produce shippers now hail the advent of piggyback service, initially it was difficult to sell them on the concept of TOFC.

"In the beginning, a lot of shippers were extremely reluctant to use piggyback. Shippers and receivers had a bad taste in their mouths from previous dealings with the railroads," said Mr. Wright.

The service provided by railroads prior to TOFC was "terrible," but he said the railroads were not totally to blame for the unreliable performance.

"It was not just the railroads' fault. The regulated environment was also to blame," he said.

ICC: Rails' Revenue Inadequate

Journal of Commerce Staff

WASHINGTON — The Interstate Commerce Commission has found that none of the 35 Class I railroad companies are revenue-adequate.

Regulations require that the ICC periodically adopt revenue adequacy standards and determine if railroads meet them.

The commission determines the adequacy of a railroad based on whether the railroad recieved a rate of return on its investment equal to the current cost of capital for the railroad industry as calculated by the commission.

If a railroad is found to be revenue inadequate it is allowed to use all of the pricing flexibilities of the Staggers Act.

In order to determine revenue adequacy, the ICC divides the net investment base (original cost of track plus track improvements, plus book value of assets, plus working capital) into the net railway operating income (income from railway operations, minus all taxes, rents and income for leased equipment).

Using the cost of capital standard based on 1982 figures, the ICC found a railroad to be revenue adequate of it had a 1982 return on investment of 17.7 percent or higher. Railroads with lower returns on investment were considered revenue inadequate.

Although no railroads were judged to be revenue adequate the railroads with the highest returns on investment for their regions were the Norfolk & Western with 8.03 percent in the Eastern District, the Clinchfield with 8.02 percent in the Southern District, and the Kansas City Southern with 7.25 percent in the Western District.

Wall Street Journal, September 2, 1983

Railroads, Unions, Government at Odds On How to Curb Crews' Alcohol, Drug Use

By ALBERT R. KARR
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON — The government, railroads and rail unions agree that alcohol and drug abuse by train crews poses a major problem, but they differ widely on what to do about it.

At public hearings yesterday by the Federal Railroad Administration, the National Transportation Safety Board advocated some tough moves it has urged before. They include federal rules that would ban train-crew use of alcohol or drugs, with "appropriate penalties," and would require more-extensive testing of crews after accidents.

But rail-labor unions called only for regulations designed to prod the industry to create or bolster programs for counseling workers with a drinking or drug problem. And the unions said workers shouldn't be fired for a first violation of company rules, as long as they enter a rehabilitation program.

Taking a third tack, the Association of American Railroads, the industry's trade group, mainly pushed for a rail-agency requirement that would force train crews to take breathalyzer or other tests during spot checks by the railroads. Union resistance has frustrated railroad attempts to impose such tests in the past on crew members in random checks. The roads also endorsed the safety board's recommendation for additional post-crash testing.

Basically, most railroads prefer to stick by their own Rule G, under which a crew member can be fired for using alcohol or drugs, and the unions want to lessen punishment under that rule.

Patricia Goldman, vice chairman of the safety board, testified that the agency is investigating seven train accidents involving alcohol or drugs that occurred between June 1982 and last May. The crashes caused six deaths and $17.2 million in property damage. "In each case, the potential was present for even greater death and destruction," she said. Trains carrying explosive materials could wreak havoc on a nearby town if a drunken engineer caused a derailment, safety board officials suggest.

Miss Goldman urged the rail agency to require toxicological tests of train crews after any accident involving a death or injury, a passenger train, release of hazardous cargo or substantial property damage, to help give an accurate picture of the problem and deter alcohol and drug use. Currently, such tests are performed only when crew members are killed, she said. She also recommended that the agency require fuller reporting of crashes involving alcohol or drugs, and that railroads bolster supervision of train crews to detect alcohol- or drug-impaired workers.

James Martin, senior vice president of the Illinois Central Gulf Railroad, was among the officials calling for such rules. One of the crashes cited by the safety board involved an Illinois Central freight train that derailed near Livingston, La., last Sept. 28. That crash resulted in a fire, the explosion of two tank cars, the evacuation of 3,000 people from their homes and $10 million damage. The board found that two crew members were drinking before and after reporting to work, that the engineers' ability to run the train was impaired and that the train was being operated by an off-duty clerk when the crash occurred.

Journal of Commerce, August 26, 1983

Shippers Divided on Rail Decontrol

By KIRBY V. FREEMAN
Journal of Commerce Staff

WASHINGTON — Shippers responding to a survey about their opinions of the Staggers Rail Act of 1980, which reduced regulation of the railroad industry, expressed mixed attitudes, the General Accounting Office reported.

The conclusions were contained in a study designed to assist Congress in monitoring the effects of the act on shippers and railroads.

The GAO surveyed 42 shippers the ICC determined were in traffic areas that lacked competitive shipping alternatives for transporting their goods before Staggers was passed, in order to study the views of shippers who were more likely to be adversely affected by the safeguards of the act.

About half of the shippers believed that rail service had improved since the Staggers Act passed, noting that shipment times had decreased and the reliability of service had improved.

Although the shippers acknowledged service improvements from the railroads, the shippers did not tend to attribute those improvements to the Staggers Act but rather to factors like the recession, which reduced traffic volume, and to competition that existed before the act.

About half of the shippers claimed to have benefited from provisions under the Staggers Act, which permit railroads to negotiate contracts with individual shippers that differ from the railroads' published rates.

According to the GAO report one company stated that it was able to negotiate a contract for 20 percent less than the general tariff rate, which permitted the sale of a product that would have been impossible otherwise.

The majority of the shippers said there were no rate increases, or decreases, since the Staggers Act. Twenty-eight of the 42 shippers reported rate increases since the act's passage, although only 21 percent of the increases were classified as great.

Overall, about half of the shippers said they were generally dissatisfied with the ICC's implementation of the act, citing such factors as the ICC's lack of protection for shippers who have access to only one railroad and changes in criteria for determining market dominance and revenue adequacy, which shippers think will help the railroads.

Changes in the market-dominance criteria are important to the shippers because they must show that effective competition to a rail carrier is unavailable before the shipper can protest rail rate increases to the ICC.

After the Staggers Act was passed, the ICC changed its market-dominance criteria by toughening the test shippers must meet to prove a rail carrier's ability to exercise monopoly pricing.

The GAO also found that shippers who had access to two or more rail carriers generally were more satisfied with the act's implementation than those shippers who had access to only one rail carrier.

The GAO was able to gauge the relationship between shipper satisfaction of implementation and number of access carriers by observing differences between the percentage of satisfied general commodity shippers and utilities.

None of the utilities, which tended to have access to only one carrier, were satisfied with the implementation of Staggers. Forty-two percent of the general commodity shippers, who are more likely to have access to more than one carrier, were satisfied with the act's implementation.

According to the GAO study, the shippers also have expressed some concern about what they perceive to be monopolistic tendencies of the act that will become apparent once the economy improves.

Shipper associations that the GAO contacted asserted that the detrimental effects of the act are not yet felt by the industry because the recession has forced railroads to actively compete for reduced amounts of rail traffic, but improvements in the economy along with less regulation by the ICC will allow for monopolistic abuses by the larger railroads.

Journal of Commerce, August 29, 1983

Chicago & North Western Files Offering of Common

CHICAGO — Chicago & North Western Transportation Co. said it filed with the Securities and Exchange Commission a proposed public offering of 1,250,000 shares of common stock.

William Blair & Co. and Salomon Brothers Inc. will manage the underwriting. Net proceeds will be used for general corporate purposes.

Traffic World Editorial, August 15, 1983

Rail Retirement and Pay for the Fiddler

Quoted so often that it has become one of the most hackneyed phrases in the English language is the old saw that those who dance must pay the fiddler. What do dancing and violin playing for compensation have to do with transportation? Well, the use of the fiddler adage isn't far out of line in a discussion of the problem of restoring fiscal integrity to the railroad retirement system. The problem has arisen and has become aggravated because of a lack of timely concern by federal legislators and by rail labor leaders about the necessity for adequate funding of the rail retirement system. Repeatedly, the lawmakers have chosen to sponsor legislation to increase the retirement benefits for rail workers without increasing sufficiently the funding of those benefits.

Realizing that they could no longer fail to develop a way to meet the fiscal crisis in the Railroad Retirement Fund and the Rail Unemployment Compensation Fund that they and their predecessors had created, the members of the House and Senate in Congress have now passed and sent to the White House a bill (H.R. 1646) designed to avoid the crisis. Prospectively to become known as the Railroad Retirement Solvency Act of 1983, the bill was passed by the House on August 1 by a roll call vote, with 398 voting "yea," only five voting "nay" and 30 not voting. On August 2 the bill was passed by the Senate, with 95 voting for it, two voting against it and three senators not voting.

The need for enactment of H.R. 1646 and the bipartisan nature of the support given it by the federal legislators was made impressive when Senator Robert Dole (R-Kan.), chairman of the Senate Finance Committee, by which the bill was reported to the Senate, made this statement:

". . . I know there are senators who would like to be recognized before I make a statement to explain the bill. I wish first to yield to the distinguished senator from Virginia (John W. Warner) who has been active in working out this program. I appreciate his assistance."

Senator Warner then stated the need for favorable Senate action on H.R. 1646 as follows:

"The legislation before us today, H.R. 1646, amends the Railroad Retirement Act of 1974 and the Railroad Retirement Tax Act of 1974 to assure sufficient funds to pay current and future benefits.

"If the Congress does not act on these amendments, present railroad retirees will be forced to take a 40 per cent reduction in their Tier II benefits. This cut would reduce all retirement checks by approximately 15 per cent. We cannot allow this to happen.

"This $4 billion, five-year package (H.R. 1646) is designed to save the railroad retirement system from insolvency. Under this legislation, employers and em-ployes will increase their contributions to the retirement system by $500 million over the next five years. During that same period the federal government will contribute about $2 billion to the system. The provisions will become effective October 1."

Without the changes made in the retirement legislation by H.R. 1646, said Senator Warner, the railroad retirement system will face a deficit of $12 billion by 1992.

Senator Howard M. Metzenbaum (D-O.), said that in [illegible] there were 1.2 million workers paying into the Railroad Retirement Fund and that nobody predicted a shortfall "back then." Today, however, he said, there are only about 400,000 U.S. railroad workers. That, he said, is a precipitous drop from 1980, "when we had over 700,000 workers."

Senator Bill Bradley (D-N.J.), speaking in the Senate the afternoon of August 2, said that in a hearing earlier that day on the rail retirement system, Director David Stockman, of the Office of Management and Budget, had indicated that the Administration was planning to conduct a study of the rail retirement and job insurance systems and their effect on the commuter rail lines established under the Northeast Rail Service Act of 1981 and that the making of a report of such a study to Congress by early 1984 was contemplated. Mr. Bradley recommended that such a study be made by the Treasury Department for the purposes, among others, of examining whether the freight railroads and the commuter agencies should be under the same tax rate structure of the railroad retirement and unemployment systems.

Senator Dole assured Senator Bradley that "we will direct the Treasury to make this study and have the report back (to Congress) by April 1, 1984." He then inserted in the *Congressional Record* of August 2 the texts of letters sent to him by rail management and labor leaders, advocating enactment of the proposed Railroad Retirement Solvency Act. The letters were signed by Charles Hopkins, chairman of the National Railway Labor Conference; William H. Dempsey, president of the Association of American Railroads; Ole Berge, president of the Brotherhood of Maintenance of Way Employes and chairman of the Railway Labor Executives Association Committee on Railroad Retirement, and Fred Hardin, chairman of the RLEA. Senator Dole also inserted in the *Congressional Record* a statement reviewing the background of H.R. 1646 and explaining its provisions.

Thousands of retired railroad workers should be grateful to the rail union, rail management and legislative leaders on "the Hill" for having taken sacrificial action to keep the railroad retirement act for insurance funds from becoming insolvent.

New York Times, August 22, 1983

Working Profile: Elizabeth H. Dole, Transportation Secretary

A Political and Bureaucratic Force

By ROBERT D. HERSHEY Jr.
Special to The New York Times

WASHINGTON, Aug. 21 — Whenever Elizabeth H. Dole makes a speech these days, it's a good bet the audience will be treated to her story of her very first day at Harvard Law School. A male classmate who demanded to know what right she had to take the place of a man who could be counted on to make good use of a high-powered legal education.

That was more than 20 years ago, but Mrs. Dole, not considered a vengeful person, has never forgotten. "It's the kind of thing that's sort of seared into your brain," she says now, barely disguising her glee at the prospect of someday confronting this man, whom she will identify only as a present-day Washingtonian.

When she does, it will be impossible for him not to be thoroughly embarrassed. Mrs. Dole now manages 102,000 employees and a $27 billion budget as the nation's eighth Secretary of Transportation. She is the seventh woman to serve in a Presidential Cabinet and delights in noting that she is the first woman to head a branch of the armed forces; the Coast Guard is under the department's aegis.

But Liddy (a name she gave herself in childhood and has been unable to bury) Dole is more than that. She is also virtually a one-woman response to Ronald Reagan's relative unpopularity with female voters, she is an often-mentioned potential candidate for Vice President and, since 1975, she has been the wife of Senator Bob Dole of Kansas.

In short, six months into the transportation job, she has become a political and bureaucratic force in the Reagan Administration. Today, in recognition of the fact that she has passed her first testing period, Mrs. Dole departs for a long-deferred vacation in Hawaii.

It is said that Mrs. Dole, who had been working in the White House as the President's assistant for public liaison, had lobbied hard for the transportation job, but she insists it isn't so.

"That is absolutely inaccurate," she said as she tackled the shrimp lunch that had been brought to the office dining table. "I was not seeking a Cabinet post. I was enjoying what I was doing."

When the offer came, Mrs. Dole mulled it over for a few days before accepting, but it is now clear that she relished the challenge.

Part of her hesitation was due to the fact that she would be succeeding Drew Lewis, widely thought one of the most effective members of the Administration. "She had a tough act to follow," said Donald P. Hodel, the Secretary of Energy.

Mrs. Dole, who in the 1970's worked at the Department of Health, Education and Welfare and was a member of the Federal Trade Commission, was also well aware of the special problems of taking over in midstream.

Starting in the Middle

"When you come in the middle of an Administration it's a very different picture from starting out on day one," she said. "To come in two years later, especially just after a milestone piece of legislation has passed, you're mainly going to implement it. You were not a part of all the debates, discussions and trade-offs that occurred in the passage, and that makes it a challenging and interesting assignment."

The legislation she referred to was the Surface Transportation Assistance Act, which provides some $5 billion in additional funds a year for road and bridge repairs. The money comes from higher gasoline taxes and other taxes that were strongly opposed by the trucking industry.

The first thing Mrs. Dole faced upon taking office in early February, in fact, was a strike by independent truckers, an experience seen as a test of her resolve. The strike soon collapsed.

She has also won early praise — one editorial writer called it "a minor miracle" — for fashioning an agreement to restore Washington's Union Station, which over the past decade has become a monument to bureaucratic ineptitude. Her campaign to establish a ceiling on passenger traffic at Government-owned National Airport, a cause wildly unpopular on Capitol Hill, has won similar plaudits.

Safety Effort Planned

But although there is much to "implement," including an ambitious $9 billion plan to modernize the nation's air-traffic control system and double its capacity, Mrs. Dole is not short of her own ideas to deal with such wide-ranging issues as drunken driving, possible further deregulating of the trucking industry, the sale of Conrail, airline hijacking and alcohol and drug use among railroad employees.

Shortly, for example, she expects to announce a proposal to form a Surface Transportation Safety Administration that would consolidate and expand present efforts.

To such tasks Mrs. Dole, who is 47 years old, brings vast experience in the ways things are done in a town where strong forces are marshalled against almost any initiative.

"What you always do before you make a decision is consult," she said in her no-nonsense North Carolina drawl. "The best public policy is made when you are listening to people who are going to be impacted. Then, once a policy is determined, you call on them to help you sell it."

Some think this formula will be tested to the fullest when the time comes to formally propose wholesale closings of some flight navigation facilities. Mrs. Dole is also a strong advocate of air bags in cars, another of the knotty safety issues that, as a group, she ranks as her highest priority.

Interest in Women's Rights

Fielding 20 to 40 Congressional phone calls a day herself, many of them involving the considerable "pork" the Transportation Department dispenses, and immersing herself in the issues she says "come fairly quickly," does not prevent Mrs. Dole from continuing to pursue her strong interest in women's rights.

Many in the Administration, in fact, have been surprised at this, according to one of her aides, but few are complaining, given the President's problems with women as demonstrated in the polls.

"I was really on the frontier, the cutting edge, of what I call this quiet revolution and I didn't realize it at the time," Mrs. Dole said of her own career.

"There is a 'gender gap,'" she added, "I don't think we've articulated our message well."

But Mrs. Dole, who lives with her husband in what she calls "his bachelor's apartment" at the Watergate complex, says she harbors no ambitions about still higher office.

When asked how she would react if Ronald Reagan should ask her to join the national ticket in 1984, she said: "That's not in the realm of feasibility."

On the other hand, when her husband told the Gridiron Club dinner this spring that "Dole will not be a candidate for President in 1984," she leaped to her feet and shouted, "Speak for yourself, sweetheart."

Omaha World Herald, August 14, 1983

America's Railroads Avoid Junkyard, Regain Fast Track

The Los Angeles Times

America's railroads, the once-proud industry that linked East and West coasts and helped build the nation, seemed in 1970 a possible candidate to follow the Pony Express and the stagecoach into oblivion.

The nation's largest railroad, the Penn Central, that year became the largest American company ever to file for bankruptcy. The condition of many other lines, suffering from years of declining freight traffic, creaking locomotives and dilapidated track, fueled concern that the government would nationalize the entire industry.

Congress already had begun to nationalize money-losing passenger service, a victim of poor service and the growth of automobiles and airliners.

But a remarkable thing has happened on the railroads' way to the junkyard.

Sparked by Deregulation

Sparked by government deregulation, mergers, tax breaks and multimillion-dollar investments to modernize equipment and operating procedures, railroads these days are pulling off a remarkable comeback.

The $30 billion industry, many analysts say, is in its best shape in decades. As such, it is providing a valuable lesson on how other ailing "smokestack" industries, such as autos and steel, can survive and prosper by modernizing and becoming more efficient and innovative.

Today's railroads employ only about one-fourth the number of workers employed 35 years ago, yet carry more freight. Despite the recent recession, which produced the worst decline in rail freight since the Depression, the industry remained profitable and began to reverse years of declines in its share of U.S. intercity freight travel. No major railroad went bankrupt during the recession.

Consolidated Rail Corp. (Conrail), formed by the government from the old Penn Central and five other bankrupt carriers, recorded a record profit of $97.2 million in the second quarter, after posting similar black ink in all of 1982 and 1981. It is doing so well that the government is now planning to sell it back to the private sector; several parties, including other railroads and Conrail employees, have expressed interest in buying it.

Amtrak Reliability Improves

Even Amtrak, the government-owned system which provides all U.S. intercity passenger rail service, has improved its reliability, image and ridership. Once derided for being so elusive in its on-time performance that it could serve as a basing system for the MX missile, Amtrak has refurbished much of its equipment and now, for the first time in its 12-year history, is paying half its expenses through passenger fares.

Freight railroads still face potential roadblocks that could limit their future growth. The industry will continue to suffer from recessions and competition from trucks and barges.

While industry growth is expected to continue, few observers expect railroads to ever reclaim the pre-eminence they enjoyed during World War II and earlier, when trains carried more than 70 percent of all intercity freight.

Trucking officials concede that railroads will continue to dominate long-distance shipments of bulk commodities such as coal and grain, but they say their rivals will have a hard time competing for short-haul shipments as well as for shipments of products such as fresh produce or computers.

Faster Than Trucks

However, railroads claim that with improvements in track and service they have become as fast, and in some cases faster, than trucks on some routes.

Some rail companies, such as Seattle-based Burlington Northern Inc., the nation's largest rail system, are branching out into air cargo, trucking and other transportation modes.

The greatest single factor behind the industry's resurgence has been the Staggers Rail Act of 1980. It and an earlier congressional act in 1976 largely freed rails — once considered the most regulated of major American industries — from strict ICC controls on rates and operating procedures.

Under the old regulatory regime, railroads were treated as if they were public utilities and could not change rates, routes or service without government approval.

Merger Trend Significant

In addition, the ICC often took years to approve rail mergers. For example, says Diane Liebman of the Association of American Railroads, it took 11 years for the Union Pacific to win approval of its proposed merger with the Rock Island Railroad; by then, however, the Rock Island was in bankruptcy proceedings and, accordingly, the Union Pacific was no longer interested.

Because of the Staggers Act and the ICC's pro-deregulation implementation of it, railroading is a much different business today.

"Deregulation has been an unqualified success," says Wade German, director of economic analysis for the Union Pacific Railroad. "With the new flexibility we have, we can look forward to significant increases in market share in the future."

Mergers also have been a boon to the industry and have created several dominant regional lines.

In the West, the dominant lines are the Burlington Northern; the Atchison, Topeka & Santa Fe; Southern Pacific Transportation Co.; and the Union Pacific, which recently merged with the Missouri Pacific and the Western Pacific in one of the largest rail mergers in history.

In the East, the major lines are CSX Corp., created from the combination of the Chessie System and Seaboard Coast Line; Norfolk Southern Corp., created from the merger of the Norfolk & Western and the Southern Railway, and government-owned Conrail.

Industry analysts expect more mergers to follow, particularly now that Conrail is for sale and the merged Union Pacific has become a much more formidable competitor.

The Southern Pacific has said it is seeking a merger partner, while the Santa Fe recently said that it is seriously considering purchasing Conrail, which would create the first transcontinental line under one company.

Green Bay Press/Gazette, August 27, 1983

Michigan official says ferry subsidy doubtful

LANSING, Mich. (AP) — The state of Michigan cannot afford to subsidize resumption of rail ferry service across Lake Michigan from Frankfort, a top Department of Transportation official said Friday.

"Our cost analysis ... convinces me that subsidy requirements for resuming the service are beyond the department's present financial capability," said Carol Norris, department deputy for urban and public transportation. "Therefore, I cannot recommend to the Transportation Commission a resumption of service."

Although the final decision is up to the commission, a recent study indicated there was insufficient traffic to justify the cost of the service.

"The cost of resuming the service and subsidizing its operation is simply too high and well beyond the reach of the state's limited funds," Norris said.

She said the service would require a combined operating and track improvement subsidy of more than $5 million a year. But she said the department will continue trying to aid laid-off railroad workers.

"Our concern for the former employees of the Ann Arbor Railroad remains a top priority . . . we will continue to make every effort to do anything we can to help them," she said.

The independent study, by Transportation and Distribution Associates of Philadelphia, was commissioned by the department in June.

It projected rail car traffic on the Frankfort-to-Kewaunee, Wis., route at about 50 percent below the 1981 level and indicated only 650 carloads a month could be expected on the route.

The report said shippers' demand would support only a single ferry service. And a Ludington group has taken over operation of passenger and rail freight service between that city and Kewaunee.

Ann Arbor Railroad cross-lake traffic has been rerouted around Lake Michigan since ferry service was halted in April 1982 after a financial dispute between the railroad and the state.

About 200 railroad employees were put out of work, and staged a rally at the state Capitol in June.

Rail service has continued on the Ann Arbor track running from Frankfort to Ann Arbor and Toledo, Ohio, using three other railroad companies.

The state owns most of the Ann Arbor system, and contracted with Michigan Interstate Railway Co. of Owosso to operate rail service. Michigan Interstate still operates the Toledo-Ann Arbor route.

But the company and the state became embroiled in a financial dispute as the state cut its subsidies to the railroad. The state contracted with two non-union railroads to operate the north part of the line.

The Tuscola and Saginaw Bay Railroad operates the Ann Arbor-Alma section, and Michigan Northern Railroad operates the Alma-Frankfort section. The contract with the two railroads put the Ann Arbor employees out of work.

Wall Street Journal, August 29, 1983

S&P Adds 3 Firms To CreditWatch List, Drops Quaker Oats

By a WALL STREET JOURNAL *Staff Reporter*

NEW YORK—Standard & Poor's Corp. said it added Louisiana Land & Exploration Co. and Burlington Northern Inc. to its CreditWatch list of debt securities subject to possible rating changes.

Avnet Inc. was added with "positive" implications. Quaker Oats Co. was removed from the list.

S&P said Louisiana Land's debt ratings were placed on the list because even though earnings rose in the first half of 1983, "earnings and cash flow protection measures remain far below earlier years." Louisiana Land's senior debt is rated single-A, its commercial paper, single-A-1.

Louisiana Land's debt leverage has been increasing since 1980, while its earnings substantially declined between 1980 and 1982, S&P said. The ratings agency said earnings have declined because of declining oil and gas production.

John Phillips, Louisiana Land's chief executive officer, said a recent financing "is a level of debt we're comfortable with" and he added that the oil and gas exploration and production concern "won't have any trouble working our way out of it."

S&P said Burlington Northern's plan to acquire El Paso Co. could boost the Seattle railway transportation concern's debt leverage. Burlington Northern expects to finance the $676 million transaction through a combination of debt and preferred stock. Burlington Northern's senior debt is rated single-A; its commercial paper, A-1; and its preferred stock, single-A.

S&P said the transaction isn't expected to have a material effect on the ratings of El Paso Natural Gas Co., the principal subsidiary of the El Paso Co.

In Seattle, a Burlington Northern spokesman said the company didn't have any comment on being added to CreditWatch.

Des Moines Register, August 23, 1983

Rains cool state; 'too late' to save the crops

By RICK JOST
Register Staff Writer

Too late!

The weekend thunderstorms that finally watered Iowa's parched cornfields didn't arrive in time to save crops in many parts of the state, farm and weather officials said Monday.

Relief also may have been "too late for the soybean crop in the southeast third of the state," the Iowa Crop and Livestock Reporting Service said.

"This rain's going to help," said Gail Hanneman, agricultural statistician for the agency, "[but] we need some more."

Thunderstorms brought rain, hail and gusty winds to some parts of the state late Sunday. There were also unconfirmed reports of funnel clouds in northern Greene County and near Lake City in Calhoun County as a line of thunderstorms moved from northwest Iowa into central sections of the state.

The storms were hitched to a cool front that finally snapped Iowa's miserable heat wave. The high in Des Moines on Monday was 81 degrees, the coolest day in the city since July 5, according to the National Weather Service. Prior highs in Des Moines included five straight days of 100 plus readings through Saturday and 98 on Sunday.

But while the storms soaked some parts of Iowa, statewide the "showers were awfully uneven and spotty," State Climatologist Paul Waite said.

For example, the Burlington area was doused with a total of 3.15 inches Friday through Sunday, while the Des Moines area received only about half an inch late Sunday, the weather service said.

Waite said the statewide average rainfall over the weekend was half an inch, which means the storms brought about two days of moisture to parched corn and soybean fields.

And the storms mustered only enough rain to raise August's statewide rainfall average to .7 of an inch by Monday morning.

"If we don't get it any faster than that, it will still be the driest August on record," Waite said. The record low average rainfall total for August was 1.29 inches in 1901. The normal average for the month is 4.10 inches.

Forty-one percent of the state's corn crop is rated poor or very poor, the Crop and Livestock Reporting Service said.

Agricultural statistician Hanneman said the agency has received reports of some central Iowa farmers "green-chopping" their corn for cattle feed because the corn is so poor and the pasture so short.

In Donnellson, though, farmers were "pretty pleased" with the 1.52 inches that fell Sunday night and Monday morning, said Bob Dodds, Lee County extension service director for the Iowa State University Extension Service.

"We've pretty much given up on the corn," Dodds said, but the rain "really saved our soybean crop."

The rain also may improve grazing pastures and allow farmers a third cutting of hay crops, he said.

"We just wish we could have got it a month ago," he added.

Near Fort Dodge, it was a "beautiful rain" that dropped an inch to 1½ inches of moisture on area fields, said Craig Van Waardhuizen, Calhoun County extension director in Rockwell City.

"It's going to help our beans. It was getting to be a critical point for beans," he said.

Van Waardhuizen also said there is still some good-looking corn in his area, compared to the brown crops in southern Iowa.

"I think that in this area, we're counting our blessings," he said.

Some thunderstorms and showers continued to move across southern Iowa on Monday afternoon. Highs generally were in the 80s, with Audubon reporting a state high of 92. Elsewhere, the mercury peaked at 85 in Burlington, 84 in Cedar Rapids, Clinton and Iowa City and 83 at Ottumwa and Council Bluffs.

The forecast called for warmer, humid and partly cloudy conditions today, with a chance of more showers and thunderstorms. Highs are expected to be in the 80s.

Wallaces Farmer, August 31, 1983

Who is your corn export competition?

by John Otte
Economics editor

THE US is by far the world's largest corn exporter with approximately 75% of the market. Argentina, South Africa, and Thailand together supply only about 17% of the total world exports. All other corn exporting countries account for less than 10% of all shipments.

"Unfortunately, over the last 3 years, the total corn export pie has been shrinking and the US slice of the pie has gotten thinner," says USDA economist Steve Milmoe.

Total world corn exports grew from about 2.9 billion bushels in 1979-80 to almost 3.1 billion bushels in 1980-81. Total volume of corn moving in world trade then began declining. Total 1982-83 corn exports are now projected at slightly more than 2.4 billion bushels — 17% less than in 1979-80.

During this same period, US corn exports fell 25%, while Argentina and South Africa hiked exports almost 25%. Some of the hefty growth in Argentina was due to Soviet substitution of Argentine grain for US corn after the 1980 embargo.

Argentina may again provide strong export competition this year. However, drouth reduced South Africa's spring 1983 crop. That puts South Africa out of the corn export business for a while. In fact, South Africa has already imported almost 10 million bushels of US corn since this spring's drouth.

The worldwide recession has crimped the ability of most importing nations to buy corn. The rising value of the US dollar has had a double-barreled impact on slowing US exports.

"Between 1969-71 and 1979-81, US exports accounted for 92% of the growth in world corn trade," says Milmoe.

Currency problems

During most of the 1970s, the value of the dollar weakened relative to most foreign currencies. Thus, US corn kept getting cheaper and cheaper to foreign buyers in terms of their own currencies. That helped US corn exports grow faster than would have occurred without the weaker dollar.

In late 1979, the value of the dollar began to rise relative to most foreign currencies. That made US corn relatively more expensive to foreign buyers, and US corn exports slowed more than would have occurred without the stronger dollar.

"Improvement in the world economy would help boost export demand for corn," says Milmoe. "Some devaluation of our dollar relative to foreign currencies would also help. Devaluing the dollar too much could rekindle inflation. Unfortunately, we don't know where the proper balance is.

"Still, US corn is an attractive buy to the world's pork and poultry producers," says Milmoe. "That's partly why we expect corn exports to grow at a faster pace than wheat and rice out into the early 1990s."

Leading world corn exporters

Country	1979-80	1980-81	1981-82	1981-82[1]	Change from 79-80
	Millions bushels sold				
US	2444.8	2507.7	2051.1	1818.8	−25%
Argentina	161.4	232.3	322.8	200.8	+24
S. Africa	106.3	133.9	192.9	129.9	+22
Thailand	82.7	82.7	129.9	82.7	0
Others	126.0	133.9	189.0	200.8	+59
Total	2921.2	3090.5	2885.7	2433.0	−17

[1]June, 1983 projections

Wallaces Farmer, August 31, 1983

Who buys your corn?

by John Otte
Economics editor

DESPITE a strong will to buy most of their corn "any place other than here", the Soviets have remained our second largest corn export customer. Japan has been our leading corn buyer, and Spain has been our third largest market over the past 3 years.

"Still, total US corn exports have fallen from around 2.4 billion bushels in 1979-80 and 1980-81 to around 1.95 billion bushels in the 1981-82 crop year," says USDA economist Steve Milmoe.

"Corn exports for the current marketing year that will end Sept. 30 are forecast at just under 1.9 billion bushels," he adds. Export forecast for the 1983-84 marketing year is a shade over 2 billion bushels. So there's little hope we'll return to the high export levels of 2 or 3 years ago any time soon.

Exports to the USSR hinge heavily on their crops and what trade agreement gets hashed out with Moscow. Financial problems are restricting purchases by many Eastern European countries.

"The European Community (EC) supports Western European corn prices well above world market prices," says Milmoe. "An import duty is levied on any corn coming into the EC to bring its price up to the EC support price. This makes $3 corn worth $6 to $7 per bushel when it enters Western European ports.

"The EC has also been producing excess wheat. They have been substituting wheat for corn in livestock rations," he adds. Some evidence shows the EC has cut its livestock and poultry herds, and has accepted a long-term decline in meat production. That means they need less feed. So there is some concern exports to Western Europe may never return to the 1979-80 levels.

Bright spots

"Mexico and the Far East are our fastest growing corn markets," points out Milmoe.

Mexico bought about 150 million bushels of US corn in 1979-80 and 1980-81. In 1981-82, Mexican corn imports dropped to about 22 million bushels. That decline was due to: (1) A good 1981 crop, (2) financial problems, and (3) severe import restrictions.

"This year, exports to Mexico and the Far East are really booming," he says. "Mexican imports are running about 120 million bushels above 1981-82. US corn exports to Japan, Korea, Taiwan, and China are all running about 40 million bushels above 1981-82 levels.

"Korea will buy 150 million bushels of corn this year," he says. "Korea and China could both be among our top two or three corn customers within the next 5 years."

Top 20 US corn customers

Country	1981-82	1979-80	Rank
	Million bushels bought		
Japan	417	441	1
USSR	301	224	2
Spain	224	160	3
Korea	106	84	10
Portugal	87	99	8
Belgium	78	65	16
Taiwan	67	83	11
E. Germany	61	113	5
Netherlands	56	84	9
Egypt	53	34	20
W. Germany	46	67	15
China	44	70	13
UK	43	73	12
Greece	28	44	17
Italy	25	110	6
Mexico	22	152	4
Bulgaria	22	*	
Canada	21	36	19
Peru	19	*	
Romania	17	41	18
Others	215	265	
Total	1953	2418	

*Bulgaria and Peru were not among our top 20 customers in 1979-80.

Private Carrier, August 1983

Jack Rosenbaum, publisher and editor

You would assume that groups with high-sounding names such as People Associated for Tomorrow's Highways (PATH), Motorists of Ohio for Vehicular Equity (MOVE) and Share Highways and Roads Equally (SHARE) would be run by your ordinary consumer-activist types and would be funded by the small checkbook dollars of John Q. Citizen. Right? Wrong!

On page seven of this issue we carry an advertisement developed by the American Trucking Associations which duplicates a newspaper headline that states "Railroads Seek Rise in Truck Taxes" and asks "Why?"

As the advertisement notes, it's not really such a great secret why railroads want to increase truck taxes. Railroads are seeking a legislated competitive rate advantage. If the rails can heap more taxes on trucks—both private and for-hire—truckers will be forced to raise their rates to offset the state levies. Then the rails can raise their rates. The more the rails charge, the more they can make. Meanwhile, truckers send more dollars to the state house and less to the bank.

Why railroads want to increase truck taxes is easy to understand, even if you don't agree with them, and even if your transportation bottom line will be hurt by their rate-hiking tactics.

How the railroads are going about raising truck taxes is bothersome—and even a bit sleazy.

PATH, MOVE, SHARE and other four-letter words for improved highways are being funded, overtly and covertly, by the railroads—the people who have the most to gain by increased truck taxes, but who have the least at stake in the serious problem of deteriorating highways.

PATH, which supports a truck ton-mile tax, admittedly is a railroad-backed organization. MOVE and SHARE, who also are urging tax-the-trucks bills, get big dollars from the Chessie System and the Norfolk-Southern Railroad. And there are others.

"Don't be railroaded by these fronts," the advertisement states. If radio commercials and newspaper advertisements are cropping up in your state urging increased truck taxes, find out who is sponsoring those ads, and, more importantly, find out who is financing that group.

As private carriers ship by various modes, including the rails, the next time a railroad representative shows up at your door, it might be interesting to ask, "Railroads are seeking a raise in truck taxes. Why?"

If they are successful in raising truck taxes, they will also be successful in raising your costs and the cost of your product to consumers. Railroads on the other hand will be laughing all the way to the bank, and, the laugh will be at your expense.