Corporate Relations 1283

M E D I A M O N I T O R April 25, 1983

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.

Minneapolis Star/Tribune, April 14, 1983

Milwaukee Road confirms sale of depot

By Jacqui Banaszynski and Martha S. Allen
Staff Writers

Railroad officials confirmed Wednesday that Harry Wirth has bought the old Milwaukee Road depot.

The railroad received a cashier's check for $7,075,000 from Wirth during a sale closing Tuesday in Minneapolis, according to Larry Adelson, an attorney for the trustee handling the financial affairs of the bankrupt railroad.

The payment included $6.8 million in principal, or the balance of the $9.5 million purchase price Wirth had offered for the land in November 1981, and $275,000 in interest accrued since February 1982 when he was originally scheduled to complete the purchase, Adelson said from Chicago. Wirth already had paid the railroad $2.2 million in earnest money plus about $250,000 in interest.

At the same time, Wirth gave the railroad a separate check for $500,000 to be held in escrow pending the removal of railroad tracks that run through part of the 15.5-acre property, which stretches along Washington Av. between 3rd Av. S. and Chicago Av. If the tracks aren't removed in two years, the money will be returned to Wirth, Adelson said.

A decision about removal of those tracks and the adjoining Washington Av. viaduct had been delayed until sale of the property was final. Adelson said the railroad will again seek approval to abandon the tracks, in proceedings before U.S. District Court Judge Thomas McMillen, the Chicago judge overseeing the railroad's bankruptcy proceedings.

Meanwhile, Minneapolis city officials said yesterday that they will travel to Chicago Monday to make the same request of McMillen.

The city considers the Washington Av. viaduct a traffic hazard and considers the connected tracks a hindrance to residential development in the depot area, according to James

cont'd....

Mr. R. Milton Clark
Manager - Customer Service
Room 319, Depot
Milwaukee, Wisconsin

APR 27 1983

Milwaukee Road confirms sale of depot - cont'd.

Heitzer, director of the Minneapolis Community Development Agency.

Heitzer said city officials are concerned that Wirth might sell a portion of the depot property to the Soo Line Railroad Co. and the Cowles Media Company, parent company of the Minneapolis Star and Tribune Company. The Soo Line and Cowles Media have said they will try to block removal of the tracks, which are used by the Soo Line to haul newsprint to the newspaper's warehouse at Chicago Av. and 4th St.

The Soo Line and Cowles Media last Monday offered to pay the Milwaukee Road $6 million for the land. Wirth said Tuesday that he now is talking with the Soo Line about a possible sale.

"It would be a real travesty if the lines were sold to the Soo Line or the Star and Tribune," Heitzer said, noting that the property would be more valuable without the tracks.

Heitzer said the city would be interested in buying the property to prevent a sale to the Soo Line. He also said the city would be reluctant to provide public funding for a development at the depot site if part of the property were sold to the Soo Line.

"Any developer who wants city assistance might want to be cautious about taking any action to keep the tracks and the viaduct," he said. "This is a promise, a fact. The city already has told Wirth we wouldn't be too anxious to help a developer who does something harmful to the city."

Wirth said Tuesday he might seek public funding in the form of revenue bonds or tax increment financing to help cover the costs of renewing the site. He said he plans a $275 million development of offices, condominiums, restaurants and shops.

Wirth already is using the main floor of the old depot for headquarters of his development firm, Waterfront Companies, Inc. The 50 Milwaukee Road employees still working in another part of the building will be moved to other offices in the Twin Cities area within nine months, according to Larry Long, assistant vice president of corporate relations with the Milwaukee Road.

After 16 months of searching for financing to complete his purchase of the depot site, Wirth arranged a $13 million loan from lending institutions in California and Texas.

Minneapolis Star/Tribune, April 12, 1983

Wirth must have cash Wednesday

By Jacqui Banaszynski
Staff Writer

If would-be developer Harry Wirth does not find $7.3 million to buy the old Milwaukee Road depot by Wednesday, he will forfeit his right to buy the land and more than $2.2 million in earnest money, a federal judge said Monday in Chicago.

Judge Thomas McMillen, who is overseeing the financial affairs of the bankrupt railroad, also said that if Wirth does not meet that deadline, the land may be sold to the next-highest bidder: the Soo Line Railroad Co.

Yesterday's ruling came after Wirth requested a 10-day reprieve on his latest promise to buy the depot site by the end of last week. He could not be reached for comment. He reportedly worked through the weekend to try to arrange a $13 million loan.

"The judge only gave him two days. Mr. Wirth must come up with the (money) by then or the deal is off," said Robert Stone, a spokesman for McMillen. "And I mean really off this time. This is the last straw. This is really it."

Stone was referring to the many delays in Wirth's attempts to buy the 15.5-acre depot site since he offered $9.5 million cash for it in November 1981. Wirth, a San Francisco real estate investor, has said he wants to transform the railroad property into a $220 million commercial development.

Wirth — who has filed for protection under federal bankruptcy laws on behalf of his development firm, Waterfront Companies, Inc. — had gained approval from a St. Paul bankruptcy court judge last week to accept a $13 million loan from a savings and loan association in Lubbock, Texas. That deal, which was to have been completed by Thursday, apparently hit a snag.

Lawyers for the Soo Line were in court yesterday in Chicago with a check for $6 million, Stone said. They told the judge that they were prepared to buy the land immediately if Wirth does not complete his deal, Stone said.

The Soo Line has been interested in the depot property since it went up for sale, primarily because the railroad wants control of the Washington Av. railroad viaduct and tracks that run through a portion of the site.

The Milwaukee Road is seeking permission from the Interstate Commerce Commission to abandon those tracks, but the Soo Lines wants to keep using them to carry newsprint to the Minneapolis Star and Tribune.

The Cowles Media Company, parent company of the Minneapolis newspaper, had been working with the Soo Line to try to buy the depot property.

Thomas Thompson, a Cowles Media vice president, said the company joined the railroad in making its bid yesterday.

"Our interest is in maintaining the railroad right of way," he said. He said the company's idea is "eventually to make the property available for development in a way that would best benefit the city."

Minneapolis Star/Tribune, April 13, 1983

Wirth says depot site is his after paying $7.3 million

By Jacqui Banaszynski
and Martha S. Allen
Staff Writers

Harry Wirth, who has been trying to buy the old Milwaukee Road depot for more than a year, said Tuesday that he now owns the property and will soon turn it into a multimillion-dollar commercial development.

Wirth said his development firm, Waterfront Companies, Inc., paid the Milwaukee Road $7.3 million in cash yesterday, adding it to the $2.2 million in deposits he already has paid the railroad. He also said he is arranging to pay debts of several million dollars incurred trying to buy the site.

The purchase was made with $13 million borrowed from lending institutions in California and Texas, Wirth said at a press conference late yesterday. He said he filed a record of his deed at Minneapolis City Hall at 4 p.m.

However, Milwaukee Road officials declined yesterday to confirm that the sale had been completed. A statement will be issued later today, according to Larry Adelson, an attorney for the trustee for the bankrupt railroad.

The 15.5-acre depot site, at Washington Av. and 3rd Av. S., will be the cornerstone of a "new neighborhood" of housing, offices, hotels, restaurants and shops to be built in the next decade, Wirth said.

"Everyone will think it's so gorgeous they'll say, 'Have you seen the riverfront in Minneapolis?' " he said.

Wirth said he also bought an acre of adjacent land from the Chicago and North Western Transportation Co. The property, dominated for several years by parking lots and vacant warehouses, recently has attracted developers because it is near the Mississippi River and the Metrodome.

Wirth said he envisions a $276-million development on the site. Renewal plans will be announced within two months and work could start in October, he said. He repeated his desire to eventually spend more than $1 billion developing 100 acres of riverfront property.

Wirth was joined at yesterday's press conference by Paul Feldman and Dan Christensen of Commercial Lending Corp., a mortgage banking firm from Redwood City, Calif. Wirth said that Commercial Lending is a six-month-old business but that Feldman, the chief executive officer, and Christensen, the president, have been in the financial and banking business for about nine years.

Feldman and Christensen said they worked as a conduit in arranging the loan for Wirth from State Savings and Loan Association in Lubbock, Texas, and Gibralter Savings and Loan Association in Beverly Hills, Calif. They said their firm would continue to work with Wirth to arrange additional financing and might seek a local bank to service development loans.

The loan agreement, which Wirth said was put together in the last 27 days, carries a floating interest rate above the prime rate. Lawyers for Wirth said last week that the interest rate was 3 percentage points above the prime.

Wirth said he signed loan papers last weekend and did not join the Milwaukee Road on Monday when it asked a Chicago court for 10 more days to complete the deal. However, court clerk Robert Stone said the delay was requested by railroad officials on behalf of Wirth. Railroad officials declined comment.

Wirth said Waterfront Companies will retain control of the overall project design but will seek joint ventures with other developers. He said he may sell some parcels and did not rule out the possibility of using some public funding in the form of revenue bonds or tax increment financing.

"This project won't be done by Harry Wirth alone," he said. "Lots of leaders in this town will see it happen. I'm just a small catalyst."

He said he envisions a design "aura" similar to that of First Street Station, a railroad-station-turned-restaurant adjacent to the depot property on 1st Av.

Wirth said yesterday he has "kept the lines of communication open" with the Soo Line Railroad Co., which has expressed keen interest in gaining control of the Washington Av. viaduct and connecting railroad tracks.

The Soo Line has been joined by the Cowles Media Company, parent firm of the Minneapolis Star and Tribune, in offering $6 million cash for the depot site as recently as Monday. The Soo Line hauls newsprint to the newspaper over those tracks and doesn't want the Milwaukee Road to abandon the line.

City officials have said the tracks must be removed so housing can be built.

Wirth, a San Francisco real estate investor, won the right to buy the depot property in November 1981 after outbidding four other bidders. He missed nine earlier deadlines to buy the property before yesterday's announcement.

Wirth's development firm filed for bankruptcy in December in an attempt to prevent the Milwaukee Road from selling the land to anyone else. Wirth said yesterday he would ask the bankruptcy court to stop those proceedings after he has paid his creditors.

Wirth orders reporter Banaszynski to leave his press conference

Harry Wirth ordered Star and Tribune reporter Jacqui Banaszynski to leave his press conference Tuesday, saying that her reporting for the past 16 months on his plans to buy the Milwaukee Road depot property was slanted and inaccurate.

Banaszynski left after a brief talk with Wirth, who had a policeman waiting outside his office to arrest the reporter for trespassing if she refused to go.

"Jacqui Banaszynski is an able reporter," said Frank Wright, the paper's managing editor for news. "She has covered this story diligently and fairly in the past and will continue to do so."

Traffic World
April 18, 1983

Milwaukee Completes Sale Of Minneapolis Depot

Milwaukee Road Trustee Richard B. Ogilvie has announced he has completed the $9.5 million sale of a 15.4-acre Milwaukee Road depot site in downtown Minneapolis to Waterfront Companies, Inc.

The sale had been approved by the railroad's reorganization court in November, 1981, but closing was delayed until yesterday pending the buyer's efforts to obtain financing.

Under terms of the contract, the Milwaukee Road will vacate the depot in 270 days. The purchase price includes $500,000 held in escrow until a court decision is reached on use of a portion of the property for railroad interchange operations.

Proceeds of the sale will be held in a special account, and except under order of the reorganization court, are not available to the trustee for railroad operations.

Journal of Commerce
April 15, 1983

ICC Rejects Attempt For Joint Rail Rate

Journal of Commerce Staff

WASHINGTON — An attempt by the Chicago, Milwaukee, St. Paul and Pacific Railroad Co. to re-establish a joint rate with the Louisville and Nashville Railroad and the Seaboard Coastline Railroad has been stopped by the Interstate Commerce Commission.

Neither L&N or SCL has agreed to the Milwaukee rate and protested its filing with the commission.

The Milwaukee railroad offered no defense of its action except to state that it reguarded an October 1982 cancellations of the rate by L&N and SCL as unlawful. The railroad said the cancellation came to its attention too late for protest.

The Daily Jefferson County Union, April 12, 1983

Cutback of State's Railroad Services Will Be Continued

MILWAUKEE (AP) — Railroads serving Wisconsin have improved their financial positions by eliminating unprofitable routes and concentrating on the moneymakers, a trend railroad executives and state officials say will continue.

"The railroad industry is living in the 1900s and is about to live in the year 2000," said Worthington Smith, president of the Milwaukee Road. "I don't see the value in perpetuating the past."

Decades ago, railroad lines reached into virtually every hamlet of the state. The passenger lines that crisscrossed Wisconsin have all but vanished save for Amtrak, and the freight that used to be moved on spur rail lines is now often moved by truck.

In interviews with The Milwaukee Journal, executives with the Milwaukee Road, the Soo Line and the Chicago & North Western supported the idea of total transportation systems, in which railroads, trucking companies, barge lines and airlines cooperate to move goods as quickly and cheaply as possible.

The Interstate Commerce Commission in January removed one long-standing obstacle to the railroads' ability to enter into a total transportation arrangement by allowing cross-ownership of railroads and trucking companies.

"I don't see anything wrong with it," the Milwaukee Road's Smith said from Chicago. "Look at the Canadian systems. They own steamships, truck lines, airlines, railroads.

"The object is offering service to the customer," he said. "Why not go to one salesman? You as a shipper don't care how it's shipped as long as you get fair service at a fair price."

State officials said many of the railroads are cutting hundreds of miles off their routes, paring passenger service, closing depots and laying off hundreds of employees no longer needed in their leaner operations.

"This has provided them with a better revenue picture than they've had for many years," said Paul C. Heitmann, director of the State Transportation Department's Bureau of Railroads and Harbors. "A lot of them are better off now than they were before . . . because they've been lopping off the really bad physical condition plants."

State Transportation Secretary Lowell Jackson said he believes railroads serving Wisconsin will continue to scale back their operations.

"By and large the state's program is beginning to be honed down to something that makes more sense."

All the railroad officials interviewed by The Milwaukee Journal said they foresee no expansion in passenger service in the state.

Jackson said the only reason passenger service continues in Wisconsin is that the federal government subsidizes Amtrak.

Wall Street Journal, April 22, 1983

Canada Railway to Sell Central Vermont, Cites Threat of New England Rail Merger

By ALAN FREEMAN
Staff Reporter of THE WALL STREET JOURNAL

MONTREAL—Central Vermont Railway is for sale.

Canadian National Railways, which has owned the 377-mile line for 60 years, says Central Vermont's long-term viability is threatened by consolidation of the New England rail system.

"If a suitable buyer can be found, we would be willing to sell," says J.H. Burdakin, president of Central Vermont and Grand Trunk Corp., the U.S. unit of Canadian National.

Government-owned Canadian National says deregulation of pricing in the U.S. rail industry and development of an integrated New England rail system by Guilford Transportation Industries Inc. "have drastically reduced Central Vermont's ability to compete on a profitable basis in the future."

To reflect the lower value of its investment in Central Vermont, Canadian National wrote down $35.9 million (Canadian) or most of the line's value, in its 1982 financial statements. The statements didn't give the investment's current value but Mr. Burdakin says it is about $6 million, which he called "more realistic" in today's environment.

Guilford Transportation, a Connecticut-based concern owned by Timothy Mellon of the Mellon family, already owns Maine Central Railroad and has received approval from the Interstate Commerce Commission to buy Boston & Maine Railroad and Delaware & Hudson Railway, although those decisions have been appealed by the merger's opponents.

Guilford's aim is to forge the fragmented, money-losing lines into a profitable, integrated New England rail network.

Central Vermont runs a main line from the northwestern corner of Vermont south of Montreal across Vermont and through New Hampshire and Massachussetts to New London, Conn. It also has several branch lines. Much of its traffic consists of Canadian newsprint and lumber heading south, although it is also used by local industry and by an Amtrak passenger train linking Montreal and New York.

Mr. Burdakin says Central Vermont simply doesn't fall into Grand Trunk's plans. "Our attentions are turning to the West," he says. "Central Vermont is stuck out on its own." Grand Trunk last year agreed to acquire Chicago, Milwaukee, St. Paul & Pacific Railroad, a big midwestern line in bankruptcy-law proceedings since 1977.

A number of groups have expressed interest in buying Central Vermont but talks aren't yet at a formal stage, says Mr. Burdakin. And he indicated Canadian National would continue to operate the line until a suitable buyer is found. "This isn't a fire sale situation," he said.

Mr. Burdakin declined to identify potential buyers but said that Guilford and Consolidated Rail Corp. haven't made any overtures.

David Fink, president of Guilford's Maine Central, says the parent isn't interested in buying Central Vermont, pointing out that the line is basically "an appendage of the Canadian National system" and indicating that without Canadian National's support, it may have trouble attracting traffic.

Other rail officials also note that Delaware & Hudson runs almost parallel to parts of Vermont Central and Guilford wouldn't have any advantage in owning both lines.

Watching the situation closely is Patrick Garahan, secretary of transportation for the state of Vermont. He says the line provides "an important link" for the state and notes that about half of its 300 employees are Vermonters.

Vermont has expressed concern that Guilford's consolidation plans could route traffic around the state in either direction, thus isolating Vermont industry.

The state is also directly implicated because it owns three smaller Vermont rail lines that depend on links with Central Vermont. But Mr. Garahan says the state isn't a potential buyer of Central Vermont. "We own enough railroads," he says.

Despite his concern, Mr. Garahan says he is optimistic a potential buyer could operate Central Vermont successfully.

The Chicago Sun-Times, April 15, 1983

Raise trucking fees

Last year Gov. Thompson asked the Legislature to increase truck load limits from 73,280 to 80,000 pounds and at the same time to increase trucking fees by $50 million to help pay for the greater wear and tear on the state's highways.

It was a fair deal, but the legislators did nothing, even though it was a foregone conclusion that the federal government eventually would force Illinois—now the only non-conforming state—to adopt the 80,000-pound limit that was fast becoming the national standard.

The anticipated is now happening. State Transportation Secretary John D. Kramer said that $2.7 billion in federal highway assistance to Illinois over the next four years will be jeopardized if the Legislature does not move the state into conformity.

Obviously, the lawmakers have no choice. But they should also extract the extra dues Kramer wants from the truckers for the extra privilege—an additional 2.5-cent-a-gallon tax on diesel fuel, which would generate $15 million a year, and stiff license fees for the heavier trucks, which would raise $12 million more.

The total is substantially smaller than the $50 million originally sought, and the truckers ought to take it and run. A Transportation Department spokesman said two major trucking associations have agreed to go along, reluctantly, but discussions are continuing.

We assume that if the powerful trucking lobby falls into line, Illinois legislators will acquire the essential gumption and do what must be done. The road crushers are coming; they ought to help pay for the damage they cause.

The Des Moines Register
Letters to the Editor
April 12, 1983

Rail decisions

I read your editorial of March 31 with the same amazement that I have had in reading all of your persistence of resistance to railroad mergers. Luckily, some in our contemporary wisdom seem to know something you don't. Perhaps there is strength for American railroads after all, when they are making decisions not influenced by economic pressure groups.

The implication that in 10 years we may have only a few major lines seems to be negative in the editorial. I would suggest that this happening may be a positive trend for those who want strong railroads. However, The Register (for whatever reasons) seems committed to a last-ditch effort to use any means available, including tax funds, to oppose strong railroads. — **F. Paul Goodland, mayor, Ames.**

•

In regard to the disposal of the former Rock Island Railroad:

The executive of the North Western Railroad isn't the only one who is "appalled." I'm appalled to think anyone would let the North Western have any Rock Island trackage. Who worked for years to bankrupt the Rock Island and Milwaukee roads to eliminate competition?

Giving any of the Rock Island track to them is like putting a fox to guard the hen house or putting a bordello madam in charge of a young girls' school.

Just wait until some of this track isn't making enough money to suit them, and then see how quickly they'll want to abandon it. It's just another case of making the big bigger, and the public be damned. — **Leslie J. Carlsen, Box 369, Brooklyn.**

Traffic World, April 18, 1983

Six Conrail Directors Reappointed; Marshall Takes Marketing Post

U.S. Railway Association Chairman Stephen Berger has announced the reappointment of six persons to new one-year terms on the board of directors of Conrail. The action was taken at the April 8 meeting of the association's board of directors.

At the same time, James A. Hagen, senior vice-president—marketing and sales of Conrail, announced the appointment of Charles N. Marshall as vice-president—marketing, effective April 15, succeeding Richard H. Steiner, who accepted a position as senior vice—president—marketing of Emery Air Freight.

Mr. Marshall, previously general counsel—commerce in Conrail's law department, joined the railroad in 1978, after serving as general attorney for the Southern Railway for four years.

Named to serve his eighth year on the Conrail board: L. Chester May, of Tequesta, Fla., retired chairman and chief executive officer, Chicago Bank of Commerce. He formerly served in top executive posts with Standard Oil Co. of Indiana and with AT&T.

Named to serve a fifth term on the Conrail board: Wiley A. Branton, of Washington, D.C., Dean of the School of Law at Howard University. He has been in private practice in Washington and in Little Rock, Ark., and has held various government jobs, including special assistant to the Attorney General, 1965-67, and executive director of the President's Council on Equal Opportunity.

Named to serve a fourth term: Sam Hall Flint, of St. Simons Island, Ga., retired Quaker Oats Co. executive. He has been active in the National Industrial Transportation League and other transportation organizations; Stanley Eric Gordon Hillman, of Lake Forest, Ill., retired corporate executive. He formerly served in top executive positions with General Dynamics, Illinois Central Gulf Railroad, IC Industries. He was formerly a trustee for the Milwaukee Road.

Named to serve a third term: Raymond T. Schuler, of Albany, N.Y., president of the Business Council of New York State, Inc. A longtime state official, he served for five years as Commissioner of the New York State Department of Transportation.

Named to serve a second term: John E. Robson, of Skokie, Ill., executive vice-president and chief operating officer, G. D. Searle & Company, Chicago. He was the chairman of the Civil Aeronautics Board (1975-77) and, prior to that, was the first general counsel of the newly-established U.S. Department of Transportation. He also served as transportation counsel to former Illinois Governor Richard B. Ogilvie.

The association appoints six members annually to serve on the 13-member Conrail board of directors under the terms of the Regional Rail Reorganization Act of 1973, as amended. The members are appointed by the association as the holder of Conrail debentures and Series A preferred stock, now representing a federal government investment of public funds of approximately $3.2 billion in the corporation.

The Department of Transportation, as holder of the carrier's Series B Preferred and common stock, appoints five members of the Conrail board. In addition, Chairman and Chief Executive Officer L. Stanley Crane and President and Chief Operating Officer Stuart M. Reed are elected annually by the board and serve as members.

The Des Moines Register, April 13, 1983

DOT won't oppose the purchase of 'Rock' track by North Western

By RANDY EVANS
Register Staff Writer

AMES, IA. -- The Iowa Department of Transportation will not oppose the North Western Railway's purchase of 720 miles of Rock Island Lines track in Iowa, Minnesota and Missouri, the DOT's governing board decided Tuesday.

But the Iowa Transportation Commission gave its permission for the department's staff to ask federal officials to disallow the North Western's acquisition of 13 miles of track in Des Moines and to place a number of other restrictions on the North Western deal to ensure that it does not harm railroad competition in the state.

Among the restrictions favored by the DOT is one to require the North Western to share the use of the Rock's north-south line between Minneapolis and Kansas City, Mo., with one or more other railroads.

Last month, the North Western outbid the Soo Line Railroad for the so-called "spine line" and several hundred miles of Rock branch lines in northern Iowa.

The Soo Line's efforts had the backing of key DOT officials who believed the North Western's purchase would reduce railroad competition in north-central and northwestern Iowa. But the DOT was criticized by some Iowans who felt the department was out of line in supporting one company over another.

Must Be Approved

The purchase must be approved by the Interstate Commerce Commission. And the DOT's stance before the ICC was worked out during a 30-minute closed-door meeting of the Transportation Commission Tuesday.

"This means we're not going to oppose the North Western, but it doesn't mean we are going to support them," Les Holland, the director of the DOT's rail division, said afterward. "We're still going to raise our concerns about the effects on competition."

DOT officials will be attempting to persuade the ICC that the east-west tracks in Des Moines must not be sold to the North Western because they are important to the future of the Rock line between Council Bluffs and Davenport. A group of Iowa business and civic leaders, known as TRAIN, has submitted a bid for the east-west tracks, but TRAIN officials have said their deal would be jeopardized if the Des Moines segment were sold to the North Western.

The DOT also will contend before the ICC that the federal agency should grant operating rights over the north-south line to a number of other railroads. The additional traffic between Minneapolis and Kansas City would help ensure that the line remains financially solvent, state officials said.

The DOT also will urge the ICC to disallow the North Western's purchase of 50 miles of branch line between Royal and Palmer in northwest Iowa. A group of shippers there had tried to buy the line prior to the North Western deal, and the DOT believes rail competition would be improved if the line remains in the shippers' hands and is operated by another railroad.

The commission refuses, however, to authorize the DOT staff to hire a financial consultant to analyze the financial health of the North Western. Holland and other DOT officials have expressed concerns that the $93-million Rock Island transaction might endanger the North Western's financial soundness.

But members of the commission cited the $20,000 cost of the consultant's work and a belief that the financial impact of the transaction on the North Western was of no concern to the DOT.

Chicago Association of Commerce and Industry
Transport Comments, April 8, 1983

TRUCK WIDTH CHANGE APPROVED: On March 24, the Senate and House approved S. 926, a bill which transfers truck width provisions contained in the Department of Transportation's fiscal year 1983 appropriations bill(PL 79-369)(1787-5) to Title IV of the Surface Transportation Assistance Act of 1982 (P.L. 97-424). Consequently, the width provisions became effective April 6. The enforcement penalty of withholding highway funds after October 1 is replaced by the right of the federal government or others to seek injunctive relief in the courts. S. 926 was introduced on March 24 by Senator Baker for Senator Bob Packwood, chairman of the Senate Commerce, Science and Transportation Committee. The measure passed the Senate by unanimous consent and in the House by voice vote.

The Des Moines Register, April 20, 1983

'Rock' trustee lowers asking price

By RANDY EVANS
Register Staff Writer

A $35 million offer for the Rock Island Lines' east-west tracks through Iowa is "in the ballpark," the railroad's bankruptcy trustee has indicated to a group of Iowa shippers, according to the group's lawyer.

"I'm very optimistic we can negotiate and reach an agreed-on price," the lawyer, Scott Bannister of Des Moines, said Tuesday.

Trustee William Gibbons made a counter-offer in a letter the shippers received Monday, and the board of directors of the the organization, known as TRAIN, met Tuesday morning in Newton to discuss the group's next offer.

Neither Bannister nor Lee Hays of Newton, TRAIN's president, would disclose details of the Rock Island's counter-proposal, but Hays said it was "considerably below" Gibbons' initial asking price.

The trustee originally had asked $83 million for the 500 miles of tracks between Council Bluffs and Peoria, Ill. But observers who have followed Gibbons' close-out sale of the defunct railroad's property have predicted that he probably would wind up accepting $40 million to $45 million for the east-west tracks and branch lines to Audubon, Pella and Oakland.

Representatives of TRAIN — an acronym for "This Rail Across Iowa is Necessary" — will be submitting a new bid soon, Bannister and Hays said. The organization also will begin trying to raise several million dollars in capital from shippers along the east-west line, which passes through Atlantic, Des Moines, Newton, Iowa City and Davenport. Among the largest shippers are the Maytag Co. of Newton, the Rolscreen Co. of Pella, Midwest Color Printing of Marengo, and a number of grain elevators.

TRAIN has pinned its hopes of buying the line on the Iowa Legislature's appropriating several million dollars this spring for a loan to the holding company the group is forming to manage rail operations on the tracks.

"We feel very strongly that without some help from the Legislature we are just whistling 'Dixie,'" said Hays, who is Maytag's traffic manager.

"The negotiations are progressing quite nicely," Bannister said. "I feel optimistic about it right now, but there are a tremendous number of hurdles still to be overcome. The financing, that's going to be the thing that makes or breaks the deal."

Modern Railroads, April 1983

Who's on first?

The New Big Four Rules Railroading

To an overwelming degree, for major rail systems now dominate U.S. railroading.

No other combination of roads still remaining independent can match the power of Burlington Northern, Union Pacific, CSX and Norfolk Southern.

Using 1981 statistics released in January by the AAR's Economics and Finance Dept. as a basis for the new Big Four, their power is plain:

- 49.75 percent of Class I employees,
- 51.09 percent of locomotives,
- 52.59 percent of track,
- 57.95 percent of investment,
- 58.41 percent of cars,
- 60.27 percent of ton miles,
- 82.85 percent of net income from railroad operations.

Conrail remains a formidable operation in the east, Santa Fe in the west. CR's problems are explained by its figures: second in employes and locomotives (to SBD), third in track, fourth in cars, fifth in average net investment and revenue ton miles.

Terrain, traffic and many other conditions govern profitably. Norfolk Southern and CSX are a case in point. CSX is first in operating revenue, track, cars, locomotives and net investment but only third in revenue tonmiles and net income from railroad operations.

Norfolk Southern, however, leads in only one category, the most important, net income from railroad operations. It has more than one-third (34.2 percent) of all Class I roads.

NS was second in cars, third in net investment, fourth in revenue tonmiles, and fifth in track, operating revenue, number of employes and locomotives.

Union Pacific has 13.5 percent of the Class I operating revenue, second only to CSX, and 29.6 percent of all net income from operations, second only to NS.

Burlington Northern's traffic mix generates 19.2 percent of the nation's tonmile total. But in translating that into net income from railroad operations, it slipped behind NS, UP and CSX. At that level, 13.4 percent, it was still sharply ahead of ATSF's 10.06 percent.

Last month's surprise announcement that Norfolk Southern had bought 5.01 percent of ATSF, could, if a merger takes place later, result in the nation's biggest system.

NS-ATSF would have 20 percent of all frieght revenue compared with 16 percent for CSX. It would garner 44 percent of all net revenue from railway operations compared with 29 percent for UP-MP-WP, 19 percent for CSX and 14 percent for BN.

CSX would lead the nation only in car fleet size.

The possible sale of Conrail to one of the Big Four would juggle the standings.

An unanswered question is what Southern Pacific will do with the $700 million it is to receive from the sale of its Sprint communications subsidiary. Will it use those funds for acquisition of D&RGW?

"I am not necessarily enamoured with end-to-end mergers," said Henry Livingston, rail securities analyst for Kidder Peabody, New York. "One question is whether or not this move was to block a Santa Fe deal with Conrail or Chessie System."

Mary DeSaplo, of Lehman Brothers, Kuhn, Loeb & Co. believes Santa Fe has an attractive potential for growth and that Norfolk Southern must get new markets.

In the Norfolk Southern announcement, the ATSF purchase was termed an "investment." NS also owns 20 percent of Piedmont Airlines.

Journal of Commerce, April 15, 1983

Conrail's Crane Calls for Railroad Innovation

Journal of Commerce Staff

Railroads need to innovate to provide highly reliable service, faster transit times and lower costs, according to L. Stanley Crane, chairman and chief executive officer of Conrail.

Mr. Crane gave that message as he delivered the Salzberg Memorial Lecture at Syracuse University last week following his selection to receive the university'sSalzberg Medallion.

"Railroads now have the freedom, and indeed have no choice, but to adapt our product to a changing world, a world characterized by the decline of the basic manufacturing industries, which are industries we can serve most successfully," Mr. Crane said.

The Conrail chief said he believes his railroad is in the forefront of that change by developing new service proposals and signing contract agreements with shippers.

Conrail has made a series of marketing moves including changing decades-old joint rates, initiating backhaul programs to reduce empty miles, emphasizing piggyback operations and promoting boxcar deregulation.

Mr. Crane noted that "shippers too are being asked to adapt rapidly to an accelerated pace of change in transportation."

He contended that recent filings with the ICC cancelling joint rates and changing reciprocal switching agreements "have caused misunderstanding about Conrail's intent to compete and provide low cost service to its customers."

Those filings by Conrail and the Chessie System Railroads peaked earlier this year when Conrail attempted to stop rates which involved multi-line hauls which it contended were circuitous and inefficient.

Chessie System, which stood to lose substantially from the action, responded by cancelling agreements to switch Conrail cars under an arrangement called reciprocal switching which nearly all railroads maintain in some markets.

Shippers reacted angrily, charging that the actions would turn them into captives of one railroad.

Mr. Crane told the Syracuse group that those joint rates were set so that the cost covered the least efficient route between two places, thereby making rates unneccessarily high.

History, Mr. Crane contended, shows that large operating savings are generated and that "these route closings do not diminish competition because they do no more than require shippers to deal with a carrier that they were compelled to deal with anyway."

Mr. Crane said he welcomed the effects of the Staggers Act of 1980, which he said meant that the marketplace, not regulators, determined prices.

He contended that in Conrail's early years, its profit goals were confused with social goals leading to inflated losses as Conrail maintained non cost-effective service.

"Shippers must also realize that when there is insufficient traffic, you cannot have competition and lower rates," Mr. Crane noted.

"In the present environment," Mr. Crane asserted, "customers are the real winners because the railroad industry is now subject to pervasive competition from trucks, barges and possibly slurry pipelines in the future."

Railroads face the greatest competitive challenges, he said, because "our product — transportation service — is extremely perishable."

That fact, Mr. Crane suggested, is especially important to railroads, due to overinvestment which plagued the industry in the last decade.

Chicago Association of Commerce and Industry
Transport Comments, April 8, 1983

ATA SUPPORTS HOUSE BILL TO REPLACE HEAVY TRUCK TAX: The American Trucking Associations endorsed one of the 17 bills currently pending in the Congress which would either modify or eliminate the heavy truck use tax contained in the Surface Transportation Assistance Act of 1982. The measure, H.R. 2124, would replace the levy with an additional 3¢ a gallon tax on diesel fuel, raising the tax to 12¢ a gallon; another 2¢ would be imposed on April 1, 1984 boosting the federal tax on diesel fuel to 14¢ a gallon. The bill was introduced March 16 by Representatives Bill Frenzel (R-Minn), Carroll A. Campbell, Jr. (R-SC) and Ed Jenkins (D-Ga) and referred to the Committee on Ways and Means. The Private Truck Council of America, expressing its concern about the proposal, said, "A diesel differential, while relieving the burden on the heavy truck, may significantly and unfairly shift the burden to a much larger number of medium and lighter weight trucks."

Journal of Commerce, April 22, 1983

Chase 'Leads' Conrail Purchase Plan

By RIPLEY WATSON 3rd
Journal of Commerce Staff 4/22

The Chase Manhattan Bank will be the lead bank in setting up a financial package for Conrail employees who are trying to buy the giant carrier from the U.S. government.

Announcement of the bank's participation Thursday in the effort to bankroll the employee purchase was seen by Brian Freeman, adviser to the employee group, as a major step toward building a viable package.

Fred A. Hardin, president of the United Transportation Union, has been leading the task force that is developing the plan.

Mr. Freeman said a complete package is expected to be offered to the Department of Transportation early in June, shortly after the U.S. Railway Association, which is the overseer of Conrail, determines whether the railroad is profitable and salable as an entity.

No purchase price has been named by the group, but figures in the $500 million range have been mentioned within the railroad industry.

Mr. Freeman, while declining to name a purchase price, acknowledged that "we would have to offer a substantial amount to buy the railroad."

He hailed the decision by Chase Manhattan to participate. If the employee program "wasn't reasonable, the bank wouldn't be willing to work on it," he said.

The plan is expected to include some public offering of stock.

Previous indications were that about 10 percent of the funds would be raised from stock purchase, but Mr. Freeman said that is expected to be increased somewhat.

Employees have contended that their willingness to give up tax benefits would be a positive selling point for the plan. The railroad has $250 million in investment tax credits to a decision by USRA that the railroad is profitable, including net profits for 1981 and 1982, receipt of a $100 million line of credit earlier this week and favorable reports about the carrier by its overseer and other agencies.

About 50,000 employees work for Conrail. Reports have indicated that almost 90 percent of them favor the task force's plan.

Task force officials have said they would be willing to continue — in an employee ownership situation — wage concessions that have been valued at $600 million over the course of a three-year contract.

They also suggested they might not be so willing to continue those givebacks if another buyer took over Conrail.

One potential conflict connected with the plan appeared to have been removed yesterday when a settlement subject to ratification was announced between Conrail and the Brotherhood of Locomotive Engineers.

The union had been threatening to strike April 29 in an effort to gain parity with other engineers whose salaries went up in September 1982.

and posted a net loss of $1.7 billion between 1976 and 1980 before turning a profit for the first time in 1981.

Private investors, the employees contend, would be able to use the benefits accruing from Conrail's situation to shelter other operations.

However, no other private investors have come forward to make an offer for Conmrail, the 15,000-plus-mile railroad which operates in the East, Midwest and New England.

The railroad had revenues of $3.6 billion last year despite a 20 percent erosion in traffic levels.

Although no other bidders have come forward, there have been rumors circulating that almost every large Eastern and Western railroad has been a potential buyer of all or part of the system.

Employee interests have been concerned that the railroad might be sold piecemeal causing substantial job losses, although it appears unlikely that will happen since Conrail must be declared unprofitable for a piecemeal sale to be permitted.

A number of factors have pointed

Wall Street Journal, April 15, 1983

Coal Slurry Lines Get 13-6 Backing Of Senate Panel

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON — The Senate Energy Committee voted 13-6 in favor of a bill that would clear the way for construction of coal-slurry pipelines.

The action gave another boost to the legislation, which is similar to bills approved by three congressional committees last year. Those bills ran into railroad opposition, failing to come to a vote on either the House or Senate floors. The new measure would give pipeline builders the use of federal eminent domain to gain rights of way through property owned by railroads and others. Eminent domain is the power of a government to take private property for public use.

The House Interior Committee approved one version of the bill last week, and the House public works panel is expected to vote on the measure soon. Those two committees and the Senate energy panel approved the 1982 version.

The bills have gained new support recently as the legislation has been modified to meet states' worries that they might lose control over water for the slurry lines. Coal slurry is ground-up coal mixed with water for transportation through large pipelines.

Growing concern over higher railroad freight rates for carrying coal also is said to be a benefit to the slurry bills.

Wall Street Journal, April 20, 1983

Pork-Barrel Politics

Some Congressmen Treat Military Budget As Source for Patronage

To Benefit Constituents, They Saddle the Pentagon With Extra Expenditures

Milk for the Growing Soldier

By WALTER S. MOSSBERG
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON—It is no secret that Congress spent much of last year debating such weighty military matters as the fate of the MX missile. It is also generally known that Capitol Hill lawmakers voted billions to build a pair of new aircraft carriers wanted by the Navy.

Few taxpayers, however, are aware of the House debate over the plan of a Nevada congressman to have the Pentagon reverse its decision to cut spending on Nevada-made lithium batteries. Nor do many know about the Senate squabble over a Montana senator's proposal to help his state's Big Bud Tractor Co. sell three-axle earth-moving scrapers to the Army. And it is hardly common knowledge that Congress required the Pentagon to spend more than $100 million buying or leasing used commercial airliners it didn't want and to spend hundreds of millions of dollars on the construction of buildings it didn't plan.

Last year, as every year, Congress saddled the Pentagon with a long list of unrequested things to buy or build, plus others to avoid: The Army must buy milk and U.S.-mined coal but mustn't recycle certain types of aluminum; an armory must be rebuilt in Buffalo, and a new parking apron built at a Michigan air base, but the Defense Department mustn't open any new military laundries or bakeries to compete with private operations.

Railing Against Waste

Members of Congress like to rail against waste in the Pentagon's $240 billion annual budget, but billions are wasted because Congress itself builds in spending requirements aimed at aiding particular localities or industries. In effect, Congress treats the military budget as a giant pork barrel.

The practice has gone on almost unnoticed for years, but it is becoming more visible now as pressure to cut military waste grows stronger.

Defense Secretary Caspar Weinberger, incensed by the requirements imposed by Congress, is planning to open fire soon on military pork-barrel spending; he will formally challenge Congress to rescind about $600 million in spending authority it added to the current year's defense bill. The money would go instead for other programs, including the MX missile and North Atlantic Treaty Organization assistance, which Congress has rejected so far.

Pentagon allies in Congress, irritated by other lawmakers' attacks on military spending as wasteful, have been taking a similar tack.

In February, in a highly unusual move designed to help puncture heavy congressional criticism of the new defense budget, Senate Armed Services Committee Chairman John Tower wrote each of his 99 colleagues a letter about Pentagon pork. The Texas Republican invited those who favor Pentagon economies to propose cuts in military projects that benefit their own states. (By the March 1 deadline he set, Sen. Tower had received just six letters, proposing cuts that would total much less than 1% of planned defense spending.)

The Senator Is Amazed

"It has never ceased to amaze me," Sen. Tower says, "that the same senators who stand on the floor and argue against increases for defense are just as likely to call me aside and ask my personal support for (defense) projects or programs of interest in their states. Never in my 22 years in the Senate have I received a recommendation from any member for a reduction in defense spending from a program or facility located in his own state."

Sen. Barry Goldwater complains: "Congress votes itself regional or local defense programs instead of a national defense structure." The Arizona Republican took the Senate floor last spring to chide his colleagues for backing unjustified weapons projects just because "vested interests" promise jobs and money for their constituents.

"The list of projects which should never have seen the light of day," the conservative Arizonan told the Senate, "would engulf this room."

It isn't possible to put a precise dollar total on the many extra projects, needless bases, restrictive buying rules and other special-interest features Congress adds to the defense budget—but the Pentagon estimates the current year's sum at a minimum of $2.5 billion.

In most instances, Congress's clubby rules make it difficult to pin down the individuals responsible. Deals are made in private; defense items are traded for favors elsewhere in the legislative agenda; and members push projects as favors for others, obscuring the true origins of an idea.

'Parochial Interest'

Occasionally, though, the pursuit of Pentagon pork breaks out into the open. That happened on the House floor last July when then-Rep. James Santini, a Nevada Democrat, fought successfully to have $35 million restored to the defense budget for production of lithium batteries used in missile silos. Mr. Santini made no bones that the issue was "a matter of parochial interest to me," because the batteries were made in Henderson, Nev.

Democratic Rep. Samuel Stratton of New York, complimenting his colleagues' doggedness, said, "I would go as far as to say there would probably not be a lithium-battery program today if it had not been for the gentleman from Nevada."

Last December, in a somewhat similar performance, Hawaii Democrat Daniel Akaka took to the House floor to kill a cost-saving provision that would have limited cost-of-living allowances for Pentagon employees in his state and Alaska.

Less successful, but possibly more notable, was a defense-bill amendment offered last summer by Oregon Democrat Jim Weaver, chairman of a House agriculture subcommittee, to have the Pentagon spend $2 billion buying grain that was being sold to the Soviet Union. "Far more wars have been won by those who controlled the food supply than those who had the weapons," he declared. But the Weaver amendment lost.

Last December, Illinois Republican Sen. Charles Percy, the august chairman of the Foreign Relations Committee, came within two votes of winning a provision that would have forced the Navy to hold up plans to buy a German-made reconnaissance camera. An Illinois company that hadn't even bid on the project says it can make a better one.

A Montana company was the intended beneficiary of an amendment proposed last December by that state's Democratic Sen. Max Baucus. The amendment would have invalidated an Army plan to buy earth-moving scrapers; the change would have helped three-axle scrapers, made by Big Bud Tractor Co. of Havre, Mont., to compete with two-axle gear made by Caterpillar Tractor Co. of Peoria, Ill. Sen. Baucus withdrew the proposal after he was promised hearings on the subject would be held.

The game is even played by some of the Pentagon's harshest critics. Take Rep. Joseph Addabbo, chairman of the House Defense Appropriations Subcommittee. The New York Democrat annually vows to slash billions from military spending, and last year he bagged the MX missile. But he also forced into the defense budget an extra $357 million for more Fairchild Republic A-10 antitank planes, made near his district on Long Island by a work force including some of his constituents. The Air Force says it has all the A-10s it needs.

Democratic Sen. Carl Levin of Michigan opposes many big-ticket weapons—but not the Army's $20 billion M-1 tank program. The senator backs the tank, which is made in Michigan, despite its huge cost overruns and poor test performance. Sen. Thomas Eagleton, the Missouri Democrat, is another leading critic of the Pentagon budget. But he was outraged when the Pentagon in 1981 scrapped the proposed C-17 long-range cargo plane, a project of St. Louis-based McDonnell Douglas Corp.

Even on defense matters of broad import, such as major weapons systems, congressional debate often degenerates into a tawdry appeal to parochial interests. And, despite Mr. Weinberger's disdain for congressional pork-barrel politics, Pentagon

cont'd....

Pork-Barrel Politics - cont'd.

lobbyists feed the lawmakers reams of data showing jobs produced locally by each weapon.

During last December's House debate over an amendment to delete funds for an aircraft carrier, Ohio Republican Delbert Latta rose to say: "Let me just direct my statement now particularly to the members from Ohio who might be thinking of voting for the. . . amendment. There are about 61,000 jobs involved in the state of Ohio, 61,000 jobs and $915 million."

Perhaps the most common congressionally imposed cost in the defense budget is the expense of operating bases that the generals no longer want but that senators and representatives won't allow to close. One example: Congress has explicitly barred the military from moving a maintenance unit from New Cumberland, Pa., to Corpus Christi, Texas. Pentagon officials believe the change would save millions, but Pennsylvania's representatives don't want to see the jobs move out.

At the same time, influential members of Congress routinely insist on construction of new buildings, not budgeted by the military, at bases in their home districts.

Last year, according to a survey by the respected legislative journal Congressional Quarterly, the House Armed Services Committee added about $300 million for military construction projects the Pentagon didn't seek, and about two-thirds of those projects were planned for bases in districts represented by the panel's members. To make room for the extras, other projects, mostly at overseas bases, were cut from the $7.8 billion in construction the Pentagon did want.

About $11 million of the added money was earmarked for new barracks, a clinic and a post office at Fort Benning, Ga., which lies in the district of Rep. Jack Brinkley, the Democrat who headed the committee's Military Installations Subcommittee.

Over the years, a flock of special interests have managed to write a variety of cost-boosting provisions into defense-budget legislation. Some examples:

—Commercial airlines, plagued by losses and stuck with more planes than they need, can unload wide-bodied jetliners, Boeing 707s and McDonnell Douglas DC-9s, on the Pentagon because Congress has required the military to spend over $100 million to buy or lease those planes.

—Coal companies, particularly Pennsylvania anthracite producers, benefit from provisions that make it nearly impossible for German coal to be sold to U.S. bases in Germany. As a result, the Army and Air Force ship U.S. coal to the German bases, at an extra cost the Pentagon estimates at $6 million a year.

—The aluminum industry benefits from a provision barring the Pentagon, in most instances, from recycling aluminum scrap.

—The dairy industry gains from a clause requiring inclusion of milk in standard military rations.

—Government-workers' unions benefit from new legal language barring the contracting-out to private firms of security and

---

Green Bay Press/Gazette, April 14, 1983

Rail spur urged along Bylsby

By HARRY MAIER
Of the Press-Gazette

A new effort to develop a rail line serving the Bay Port Industrial Park was supported by Green Bay's Economic Development Authority Wednesday.

The authority proposes a new route along Bylsby Avenue to a point approximately 1,000 feet north of Hurlbut Street, where the track would extend in a westerly direction.

Robert Houle, economic developoment coordinator for the city, said the plan proposes an 8,000-foot extension of the existing spur track.

The present track takes off from the Chicago & North Western switchyard and now serves industry along either side of Bylsby.

Last year, the authority sought a permit from the Army Corps of Engineers to construct a spur track that would have cut through a 32-acre wetland to serve the same 600-acre industrial area.

However, strong objections were filed by environmental groups at a public hearing held by the Corps. In August, the Corps denied the city's application.

At the time the Corps made the decision, a spokesman said the choice came down to either the one supported by the city or what was called the Ridley alternative.

That was a proposal of Robert Ridley of Denmark, a 79-year-old retired engineer who had argued in favor of the Bylsby Avenue route. At the time, he estimated the savings to the city would be $100,000, providing the existing tracks were used.

Houle said the action of the authority allows staff personnel to begin developing plans that would be required as part of the application. No decision has been made when the formal application would be filed with the corps.

In other action, the authority approved an initial resolution for an $800,000 industrial revenue bond for Northland Cold Storage.

The company proposes to construct a 20,000-square-foot addition to its existing warehouses along North Broadway, fronting on Alexander Street.

Jerry Pokel of Northland said this is the third project the company has undertaken with the use of city-backed revenue bonds. The first two projects were constructed in 1981 and 1982 at an estimated cost of $3 million.

Journal of Commerce, April 18, 1983

Impact of Canadian Rail Improvements Seen Minimal on Grain Movements

Journal of Commerce Staff

MONTREAL — Planned massive improvements in the rail transportation system throughout western Canada in the next ten years should not have an adverse effect on grain movements through the Great Lakes and the St. Lawrence Seaway.

This, at least, has been initial reaction from Seaway officials and users of the waterway.

While some Great Lakes operators feel there is cause for vigilance, there appears to be wide agreement that a dramatic expansion of rail capacity across the Rocky Mountains to the Pacific Coast will in fact benefit eastward and westward grain traffic.

"If the projections of the Wheat Board are met, we will see an increase through Thunder Bay as well as the West Coast," comments William O'Neil, president of the Ottawa-based St. Lawrence Seaway Authority.

The Canadian Wheat Board has set an export target of 30 million metric tons of grain by 1985, compared with the target of 26 million tons in the 1982 crop year.

In what was described as "the largest capital project in Canadian history," the Canadian federal government announced last February that it would spend C$3.7 billion over four years and this would result in $16.5 billion in direct railway investment during the next decade.

Simultaneously, the government announced plans to overhaul the artificially-low grain transportation rates that have been in existence for 86 years under the Crow's Nest Pass Agreement. The main objective is to strengthen Canada's position as a world exporter of grain and other commodities as well as to encourage specialty group production and food processing in western Canada.

Canadian grain exports to the Middle East, Africa, Europe, and the Soviet Union will continue to be shipped through the Great Lakes, while those to Japan, China and other Asian countries will continue to move via ports on the West Coast, says Mr. O'Neil.

"There are natural markets for certain geographical areas," he adds.

Mr. O'Neil considers that, though one can expect a rapid increase in movements of grain through Pacific gateways, movements of grain through the Great Lakes - St. Lawrence Seaway system should also progress at a healthy level.

Rear Admiral Robert Timbrell, president of the Dominion Marine Assoc., is similarly serene. After recalling that Thunder Bay handled a record 17 million tons of grain in 1982, he expressed confidence that the water route from the tip of Lake Superior to such ports as Montreal would remain cheaper than the rail mode.

In announcing its multi-billion dollar transportation program, the Ottawa government said it will subsidize western grain transportation in the order of $650 million a year, pay the railways an immediate lump sum of $313 million and provide large benefits to the oil-crushing industry.

Total railway losses on grain shipments exceeded $400 million last year. Originally granted "in perpetuity," the Crow rate, allowing western farmers to ship grain at one-fifth the actual cost (half a cent per ton mile) has severely inhibited rail capacity growth up till now.

Without a breakthrough on the Crow issue (due to be approved in Parliament later this year), it was feared that an anticipated bottleneck in the mid-80s would necessitate traffic rationing.

For state-owned CN rail, the most pressing need is for double-tracking its line west of Edmonton. For CP Rail, the most serious bottleneck is at Rogers Pass in the Selkirk Mountains of British Columbia.

"We intend to go to tender for the main tunnelling work at Rogers Pass toward the end of 1983, assuming Crow legislation is in place and economic conditions improve," declared W. W. Stinson, president of Canadian Pacific Ltd., of Montreal.

By 1990, up to 60 percent of the Edmonton to Vancouver route could be double-tracked, thereby increasing capacity by up to 100 percent, says, for his part, Ross Walker, vice president of Canadian National Railways.

In tandem, meanwhile, with the thrust to expand western rail capacity, the Canadian railways are continuing to improve their networks in the Great Lakes region.

CP Rail, for instance, recently announced it will spend about $51 million on building and reconstruction projects in Ontario in 1983.

"Over the last seven years, CP Rail has spent almost $300 million streamlining, upgrading and maintaining its track facilities in Ontario," stresses D'Alton Coleman, vice president, CP Rail, Eastern Region.

Included in the 1983 program are the laying of 70 miles of rail, rebuilding of 18 bridges, purchase of new maintenance equipment, construction of two new rail sidings and several new buildings and the installation of 18 new hot box detectors. CP Rail will be spending nearly $13 million replacing rail in the Toronto region, along the north shore of Lake Superior and near Sault Ste. Marie. It will also install some 370,000 railway ties along 3,100 miles of track this summer and replace nearly 400,000 tons of crushed slag or ballast.

Journal of Commerce, April 14, 1983

Railroad Pensions in Jeopardy

Chicago Tribune

Pensions for nearly a million retired railroad workers are in jeopardy unless Congress acts soon to avert a threatened collapse of the railroad retirement system.

The recurring problem of the U.S. Railroad Retirement Board parallels similar crises in the Social Security System and other shaky pensions plans: More people are collecting benefits than are contributing to the program.

Industry and rail unions, seeking support for a bailout of the troubled system, warned Congress: "Every day counts if we are to avert the threatened collapse of the railroad retirement system and restore the confidence of the present retirees and active employees."

Unless action is taken, certain benefits will be cut by 40 percent Oct. 1 and 80 percent on Oct. 1, 1984, the retirement board reported to White House and congressional leaders.

Without congressional action two years ago, the retirement system would have gone bankrupt this year. In 1980, the system paid $5.2 billion in benefits and collected $4.8 billion. Cash reserves had plunged to $2.2 billion from $5 billion a decade earlier.

Although Congress reached an agreement in 1981 to bail out the troubled fund with higher payroll taxes for the railroads and employees, the hope that that would provide a lasting cure for the system's chronic illness faded as the recession worsened that year, causing a slackening of railroad business and soaring jobless rolls.

The layoffs and sluggish business renewed the board's problems. In 1981, when Congress last acted, 515,000 workers were employed and contributing along with employers to support the fund. Today, there are only 338,000 active workers compared with 993,000 retirees receiving benefits, according to estimates.

The 3 to 1 ratio of beneficiaries to contributors led to benefit outlays of $6.3 billion and receipts of only $5.6 billion in fiscal 1982, which ended last Sept. 30. Cash reserves had plunged to $770 million, and another $280 million was owed from the railroad unemployment system as a result of increased layoffs. The unemployment debt to the pension fund is now pegged at $400 million.

Although questions about Social Security's future abound, that system is relatively better off than the railroad trust funds because of its 1 to 3 ratio of beneficiaries to active workers.

Today, there are only 338,000 active workers compared with 993,000 retirees receiving benefits, according to estimates.

Railroad workers were severed from Social Security when it began in 1935 because railroad employees, who had paid into their fund, were entitled to retirement benefits at once. Social Security payments were not slated to begin until 1942.

Currently, the average monthly benefit to a retired railroad worker is $650. However, a worker who retired last year at age 60 with 30 years' service was entitled to roughly $900 a month.

Benefits are in two tiers. The first is the equivalent of Social Security benefits with contributions from payroll taxes of 6.7 percent for the first $35,700 of income. The second tier is supplemental benefits to make rail workers' pensions comparable to those paid in addition to Social Security by employers in heavy industry.

Unless some bailout program is adopted, the second tier of benefits would be slashed by 40 percent Oct. 1 and 80 percent Oct. 1, 1984. The added benefits are slightly less than half of the total monthly pension check, according to William Poulos, retirement board spokesman.

In an effort to avert internal disputes and appear united before Congress in their proposals to resolve the crisis, a joint labor-management committee was formed, headed by O.M. Berge, president of the Brotherhood of Maintenance of Way Employees, and Charles Hopkins Jr., chairman of the National Railway Labor Conference.

Messrs. Berge and Hopkins submitted proposals to both key House and Senate committees that they said would "assure the solvency of the system for the next decade and, we believe, indefinitely beyond."

In addition to trimming some benefits, the joint industry-labor proposal calls for adjusting cost-of-living payments, increasing payroll taxes for both management and employees, revising internal practices and allowing the railroad unemployment insurance fund to borrow from the federal government.

Although both industry and labor believe the problem must be dealt with urgently, several sources said last week that Congress might not be in the mood to tackle the issue with any rapidity so soon after being forced into dealing with similar thorny questions involving Social Security trust funds.

In the joint labor-management proposal submitted to Congress, it was agreed to postpone next July's cost-of-living adjustment until January and subsequently make any living-cost changes annually and follow Social Security reduction factors in benefits for those retiring before age 62.

The panel also approved significant increases in payroll taxes to support benefits above and beyond Social Security levels to make railroad workers' pensions roughly equivalent to those paid other industrial workers. Under the proposed plan, railroad employers would pay an additional 3.5 percent in payroll taxes in increments through 1986. Workers would pay an additional 2.5 percent during the period.

The two tax increases would bring employers' total tax to 25.5 percent of their total payroll. In addition to the payroll tax, which is equivalent to Social Security, workers would pay 4.5 percent to support the supplemental pension fund.

The plan also proposes patterning the railroad unemployment system more closely after the federal-state unemployment arrangement, which would allow the system to borrow from the federal government to met its obligations rather than borrowing from the troubled pension funds.

The plan also proposes changes in an intricate exchange of funds betweeen the railroad system and Social Security, which in the past created cash-flow problems for the railroad system.

Few would risk a guess on how long the railroad retirement system can stay afloat without renewed help from Congress. However, a board spokesman said unless action were taken in the months ahead, there would be a serious cash-flow problem and deep cuts in benefits early in 1984.

Congress Considers Rail Pension Plans

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Congress is considering two different plans aimed at ensuring the continuing viability of the railroad industry's retirement plan and at blocking a 40 percent cut in pension benefits for some 1 million retired railroad employees.

Something must be done quickly — probably by mid-May — or pensions will be cut by 40 percent on Oct. 1.

Unlike almost every other industry system in the country, railroad employees are exempt from Social Security and state unemployment insurance funds and make payments instead to the Railroad Retirement Plan that covers these two items.

Primarily because of the interstate nature of the railroad business, Congress has traditionally ratified agreements reached between labor and management and once signed into law they are administered by the Railroads Retirement Board.

But the current imbalance of employees to pensioners — now about one-to-three — is creating severe financial problems for the fund that must be worked out shortly to avert the cash problem destined to occur this October.

One proposal before the Hill essentially is the package negotiated by management and labor that increases employer and employee contributions by 1 percent and 0.75 percent, respectively, in 1984 and 1985 with a similar boost in 1986 if needed.

Both sides contend that such a move will ensure the retirement plan's viability until 1992 and probably far longer than that.

But the administration thinks their agreement calls for far too large a percentage of federal participation in financing the plan and is pushing for changes in the agreement.

Major changes besides making the 1986 contribution increase mandatory include increasing employer and employee pension contributions by 1 percent on July 1, tying cost-of-living-adjustments to trust fund solvency and transferring unemployment responsibilities from the funds to the states.

Transferring the unemployment program to the states definitely will get labor upset since the railroad program also has sickness and disability payments in it.

Several state governments, union officials said, have indicated they don't want to take over the railroad program.

Both labor and management contend that administration estimates of federal participation are far above reality primarily on grounds that unemployment insurance and general fund borrowing should not be considered as federal aid.

If these two borrowings are excluded the administration's estimated 56 percent subsidy payment would be reduced to 23 percent.

But both sides seemed even more upset about the administration claims that the cost projections used as a basis for negotiating the new program were far too optimistic.

Though projections used when legislation designed to solve the problems was drafted in 1981 proved too optimistic, they conceded, nobody, not even the administration, thought the recession would be so deep that industry employment would drop off by one-third.

They pointed out that several other cost projections used by the industry were characterized by OMB Director David Stockman as "high . . . intermediate . . . and low."

"They could more appropriately be labelled as 'pessimistic,' 'abyssmal,' and 'catastrophic'," Associations of American Railroads President William Dempsey commented.

Wall Street Journal, April 20, 1983

U.S. Moves to Cancel Big-Truck Road Order But Only in 4 States

By a WALL STREET JOURNAL *Staff Reporter*

WASHINGTON—The Transportation Department moved to formally cancel its requirement that bigger trucks be allowed on certain roads in four states, where court rulings have nullified the order.

Meanwhile, the department's Federal Highway Administration said it will formally propose certain highway segments that might be opened to larger rigs. This proposal will be open to comment by the states, and a final decision won't be made until Oct. 3. About a dozen states complained about the agency's April 6 selection of roads to accommodate the big trucks, and four—Georgia, Vermont, Alabama and Pennsylvania—obtained temporary court orders preventing that federal ruling from going into effect.

For the remaining 46 states, however, the agency's designation of large-truck roads remains in effect, on an "interim" basis, until the Oct. 3 decision is made. The federal ruling, under recently enacted legislation that also boosted the federal gasoline tax by five cents a gallon, would have forced states to allow double trailers as long as 28 feet each, on 139,000 miles of "primary" roads as well as 42,268 miles of interstate highways.

The four states that obtained court orders had proposed that a combined 543 miles of their primary roads be kept open for the big trucks, arguing that other segments, many of them mountainous, couldn't safely accommodate the tandem trailers. But the highway agency added another 7,035 miles of primary roads in those four states in its April 6 designation.

Wall Street Journal, April 21, 1983

Northern Tier Ends Plans for a Pipeline To Move Oil From West Coast to Midwest

By a WALL STREET JOURNAL *Staff Reporter*

SEATTLE—After a long, $50 million effort, Northern Tier Pipeline Co. said it was abandoning plans for a controversial 1,490-mile pipeline that would have moved Alaskan crude oil from Washington state to the Midwest.

The company said yesterday that it decided not to reapply to Washington state for a permit, denied in April 1982, to build the pipeline's first leg and a critical deep-water port at Port Angeles, Wash. Northern Tier also said it wouldn't seek another route for the $2 billion project.

"We had gotten about 1,400 permits for the project, but without the Washington state link we had nothing," Jim E. Shamus, Northern Tier's president, said.

"We could have spent another $8 million to $10 million to go through another permitting session and still come up with another zero at the end," Mr. Shamus added.

Significant Victory

The decision was considered a significant victory for a feisty coalition of Washington state environmentalists who mainly were opposed to the proposed supertanker port that would collect the Alaskan crude for shipment to the line's proposed end at Clearbrook, Minn. They said the hazards of oil spills, fire and explosion greatly outweighed the pipeline's economic advantages. State officials also complained that the pipeline, once completed, would create few jobs in the state but would expose it to numerous environmental dangers.

Though Northern Tier complained that the environmental hazards were "greatly overstated," a special Washington state commission—applying the same standards the state applies to the siting of nuclear power plants—last April recommended the denial of a construction permit.

Idaho, Montana, North Dakota, Minnesota and the federal government already had given approvals to the project.

Despite the April 1982 setback, Mr. Shamus said Northern Tier had been tempted to try again and spent about $5 million since then evaluating its chances for approval. He said the special siting commission, despite its initial negative decision, had become "very cooperative" in attempting to identify the remaining environmental hurdles.

'Aren't Pointing Any Fingers'

"We aren't pointing any fingers at Washington state, or the siting commission," Mr. Shamus said. "But when we looked at the process that by law we had to go through, we decided our chances for approval weren't better than 50-50."

The decision leaves the future of Northern Tier, formed in 1975 by a coalition of small independent oil companies, in doubt, since its sole purpose was to design and oversee construction of the proposed pipeline. Over the years, partners had come and gone but its most recent influential backers include Getty Oil Co., Los Angeles; U.S. Steel Corp. and Westinghouse Electric Corp., Pittsburgh; Burlington Northern Inc., based here; and Farmers Union Central Exchange of Grove Heights, Minn., a farm-supply cooperative.

All concurred in yesterday's decision, Mr. Shamus said.

Spokesmen for U.S. Steel and Westinghouse said the companies were minor investors in the project. The U.S. Steel spokesman said the company hadn't any comment, and Westinghouse declined immediate comment.

USA Today, April 15, 1983

Trucks overtake toy train industry

By Patricia M. Ryle
Special for USA TODAY

MOORESTOWN, N.J. — For most adults, growing up without electric trains would be like growing up without ice cream. But that is changing.

"The average American kid has never seen a train, let alone ridden in one," says Robert G. Lurie, vice president for advertising and communication at Tyco Industries Inc., headquartered here.

But trucks are another matter. Although USA children typically haven't ridden in a truck, they see them everywhere. "Trucks are the trains of the '80s," Lurie says.

That is why his company, the leading manufacturer of electric trains, has developed a new product line — electric truck sets, complete with roads, loading docks, buildings and other mainstays of electric train sets.

Tyco introduced its first electric trucks two years ago. They have drawn $35 million in revenues and account for 30 percent of the company's sales. Electric racing cars account for 50 percent of Tyco's sales and electric trains 20 percent. The company, founded in 1933, was sold to Consolidated Foods Corp. in 1970. It accounted for $70 million of Consolidated's $6.04 billion in sales for the year ended June 30, 1982.

All of Tyco's products are manufactured in Hong Kong, but all research and development is done in Moorestown.

In the model room of the research department, a visitor can load and unload a car-carrier, pile logs into a dump truck, move them to another location of US1 Motor City and unload them.

Across town (built in the HO scale of model trains), fire engines can be sent to meet landing planes (attached by wires) at the airport.

Electric truck sets that sell for about $40, depending upon the retailer, "represent a major purchase. It's something that goes under the (Christmas) tree, " Lurie says.

The firm is a heavy advertiser, targeting prime-time and football audiences in the fall.

USDA Aims to Make Deregulation Work

By PAUL E. KEPLER,
Acting Chief
Domestic Transportation Services Branch
Office of Transportation, USDA

WASHINGTON — Grain transportation today, although readily available and favorably priced, is going through a period of frustrating change.

Some of the thoughts running through shippers' minds are concerns about the sluggish export market, the abundance of private equipment that railroads are reluctant to pull, what will happen to rates when equipment supply tightens and whether competitive positions can be maintained as contract ratemaking spreads. The potential benefit of harm caused by rail mergers also is a concern as are the extent to which user fees will impact on profitability, the long-range effect of the pro-competitive ICC interpretation of the Staggers and Motor Carrier Acts and the possibility of eventually losing most of the protections afforded by the ICC.

The main concern today would have to be the leveling out of export grain demand in the last two years, caused primarily by a world-wide recession. In 1977, grain exports totaled 3.367 billion bushels. In 1978, the total increased by 24.5 percent to 4.197 billion bushels followed by an 8.8 percent increase in 1979 to 4.565 billion and an 8.5 percent increase in 1980, when volume peaked at 4.95 billion.

Since then, exports of wheat, rye, corn, oats, barley, sorghum, soybeans and flaxseed have leveled out to 4.94 billion bushels in 1981 and preliminary data indicate 4.66 billion in 1982. After the 1980 grain embargo against the U.S.S.R., other countries took up some of the slack in sales and 1980 ended up being a record export year.

The situation has changed, however. Many countries today cannot afford large cash outlays or high interest rates. Meanwhile, the U.S.S.R. is free from embargo constraints and can afford to pay, but is buying only sparingly from the United States.

The leveling of export demand has had a substantial impact on transportation equipment supply. When exports soared in 1978, carriers were caught flat-footed. Severe, prolonged equipment shortages prevailed. Conversely, when export demand leveled out in 1980, the rapid equipment acquisitions, stimulated by three years of continuous export growth, resulted in equipment surpluses.

Of the 120,000 jumbo covered hopper cars — currently owned by the railroads, roughly 15 percent are sitting idle. Although an unknown percentage of the 112,000 privately-owned jumbo covered hoppers are idle, in many cases, they are given preference over rail-owned cars because of shipper-carriers' agreements. On the rivers, roughly 25 percent of the 12,000 covered barges are inactive.

It must be pointed out, however, that while grain movements have been disappointing to the carriers, this commodity is moving in higher relative volumes than most. During calendar year 1982, the nation's railroads registered carloading declines in all 18 major commodity categories. Only coal, down 1.8 percent from 1981, and farm products, down 2.5 percent, declined a lesser amount than grain which was down 6.3 percent.

Additionally, while approximately 15 percent of the jumbo covered hopper fleet is currently idle, roughly 20 percent of the entire rail fleet is idle. On the barge side, grain loadings in 1982 were actually 11 percent above 1981. Most of the barge excess and part of the rail surplus are due to overexpansion and traffic declines in other commodities.

cont'd....

USDA Aims to Make Deregulation Work - Cont'd.

A number of steps are being taken to adjust equipment supply. Logically, new equipment purchases have all but stopped and some equipment is being retired. However, in the case of rail equipment, the jumbo covered hopper did not come on the scene until the early 1960s and few are old enough to write off or scrap. Leased cars are being turned back as the contracted periods expire. Since a large number of 5-year leases were written in the heavy movement years of 1978, 1979 and 1980, many will be terminated starting this year.

Even if the shippers would want to retain the cars, the railroads are reluctant to renew the OT-5 agreements which provide for the use of private cars by the carriers. Several railroads have offered plans in which they would purchase or take control of private cars for certain considerations. These plans have met stiff shipper resistance.

The remedy for this dilemma, of course, is increased traffic levels. Since this may be slow in developing, all concerned may have to suffer for awhile, particularly equipment builders and leasing companies.

The impact of on-going transportation deregulation on the shipping public is another matter of concern. Thus far, regulatory changes have been substantial, but the impact has been modified by economic conditions.

Most service and rate adjustments recently made by the carriers have been favorable to the shipping public. This has been influenced strongly by equipment surpluses and sluggish demand, which have forced the carriers to make concessions to obtain traffic. The true test of deregulation will not take place until global economic conditions improve.

When demand picks up and the equipment surpluses disappear, it will be interesting to note the adjustments made by the carriers within the freedoms provided by the Motor Carrier Act, the Staggers Rail Act and the ICC's interpretation of these acts. Transportation rates will increase, as should commodity prices. Competitive forces should balance these increases to the degree that neither the carrier nor the shipper is seriously disadvantaged.

Compounding the current problems of the trade is an oversupply of grain. Although Australia has suffered major crop shortfalls, most major exporting countries, particularly the United States, have had abundant harvests. Total world production of grain (excluding oilseeds) in the 1982-83 marketing year is projected to be 1.532 billion metric tons, compared to 1.490 in the 1981-82 year.

World trade, of which the United States accounts for roughly 50 percent, is projected to be 210 million metric tons in 1982-83 versus 216 in the previous year. This imbalance will cause ending stocks to jump from 217 million metric tons in 1981-82 to 266 in 1982-83, despite a slight increase in world consumption.

The world-wide oversupply of grain is causing depressed price levels, and price is the ultimate mover of grain. The U.S. grain marketing system, through its grain exchange nerve centers, provides a daily market for grain, but the decision to sell is basically up to the producer.

When prices are high, the producer sells only when absolutely necessary.

In prolonged periods of depressed prices, support programs are necessary to sustain this all-important segment of our economy. Along with the regular loan program, which gives producers a 9-month option on marketing, the grain reserve program has played an important role for producers in recent years. At the beginning of calendar year 1982, wheat stocks in the reserve stood at 469 million bushels and corn at 652 million bushels. After growing steadily throughout the year, reserve wheat stocks were 1.0 billion bushels and corn stocks 1.8 billion bushels, as of Dec. 29, 1982.

With the tremendous volumes of grain under loan and the economic ills of the world not improving, another approach has become necessary.

The acreage set-aside program for 1982 crops was only moderately successful. Despite harvested acreage reductions of 2 percent for corn and 3 percent for wheat, record crops were harvested. Setaside programs are extremely difficult to sell to producers. The extra bushels are needed to pay bills, particularly during a period of depressed income. It's like taking medicine with a strong side-effect: it may cure the ill in the long run, but it slows you down while it's working.

The new Payment-in-Kind program holds more promise for success. Basically, it provides for paying the producer in bushels of like grain rather than in money for reducing harvested acreage. It will reduce production, reduce stocks and avoid huge outlays of tax dollars. It tackles a problem that all in the trade realize must be confronted and public support for the program has been strong.

While the short-term effect on transportation has not been fully analyzed, the long-term effects should include higher prices, more selling and increased transportaton demand.

In 1983, those with grain transportation interest can expect basically more of the same. U.S. grain exports are not expected to increase this year. Some forecasters predict that export volumes of wheat and coarse grains could even drop as much as 9 percent below last year's levels. The main reason for this poor, short-term outlook is the condition of the world economy.

To offset the impact of these economic woes on U.S. agricultural trade, USDA has introduced the blended credit program. This program combines one part interest-free money with four parts interest-bearing money to provide low interest loans to customers who would otherwise not purchase U.S. agricultural commodities.

It worked well in 1982 and, at this point, a total of $1.25 billion is available for the program in 1983. Other efforts to stimulate bi-lateral trade include negotiations to relax import restrictions on U.S. commodities and possible barter deals.

Barges can be expected to maintain their modal share of exports, which increased from 39 percent in 1981 to approximately 46 percent in 1982. During the past year, depressed rates allowed barges to divert certain traffic from West Coast, Texas Gulf and Great Lakes outlets to the Mississippi Gulf.

Although not directly related to grain, the trend of increasing rail piggyback movements should continue. Piggyback loadings amounted to 1.9 million cars in 1982. This was an increase of 9.9 percent over the previous year and represented the second highest category of car movements behind coal.

Since the ICC relaxed the restriction on railroads expanding their trucking authority this past Jan. 6, increased piggybacking can be expected, supported by increased truck-

cont'd....

ing activity by the rails. The boxcar may become obsolete much sooner than some have predicted.

Rail line abandonment activity will continue. In 1982, 5,151 miles of track were abandoned in 381 cases. As of Jan. 1, 1983, applications had been filed to abandon more than 2,000 additional miles and action was anticipated on another 4,000 or more miles.

One development that has spread like fire in recent months has been contract ratemaking. In July of 1982, just over 700 contract summaries were on file at the ICC. By Jan. 24, 1983, this number had grown to 4,800. The exact count on grain contracts is not available, but is estimated to be around 500.

A Jan. 4 ruling by the ICC established final rules for the filing of rail contract rates. These rules required that contracts involving agricultural commodities must allow more, but not all, of the specific terms to be published in a summary available to the public, including origin, destination and base rate.

A number of grain shippers have taken exception to the ICC ruling and have petitioned the civil courts to review it. Of primary interest to grain shippers is the actual rate that moves the traffic. Unlike most commodities, grain is shipped from thousands of origins and competition is keen. When sales are made on margins of a few cents per bushel, transportation costs become vitally important.

The most important aspect of transportation to observe in the future is the course of deregulation. The ICC is gradually phasing itself out through its interpretation of the various, so called, "deregulation acts." Certain individuals are even promoting the joining of the ICC, the FMC and the FAA into one agency. Others feel that the ICC should be phased out completely allowing shippers only the protection of the civil courts and the Justice Department.

Whatever develops, the laws of the land are not set in concrete. The nation will never again see regulation as it was 10 years and more ago, but current laws can be fine tuned to balance the needs of the shippers with those of the carriers.

Green Bay Press/Gazette, April 20, 1983

State will take truck fight to court if needed — Earl

By The Associated Press

Wisconsin will go to court if necessary to keep tandem-trailer trucks off two-lane highways and city streets, Gov. Anthony S. Earl said Tuesday.

The governor said, however, state Transportation Department officials advised him that court action may not be necessary because the government shows signs of modifying its attitude toward the big rigs.

In a concession to the trucking industry while Congress was increasing fuel taxes, the government has threatened to withhold federal highway aid from states which forbid double-trailer trucks.

That meant opening 4,107 miles of highway in Wisconsin to 75-foot rigs, whose size and weight are looked upon as an increased traffic hazard and an added cause of pavement wear.

Truckers say the bigger cargo space reduces shipping costs.

Pennsylvania, Vermont, Georgia and Alabama have obtained temporary injunctions against the new rule.

Federal highway administrator Ray Barnhart said Tuesday the government will retreat from enforcing the big-rig rule in those four states, and will work with other protesting states to revise route designations.

"If they are going to require us to go to court to get it done, we'll do it," Earl told a press conference.

James Thiel, chief counsel for the state Department of Transportation, said the agency has been in touch with federal officials who indicated a willingness to make changes.

The federal rule, for example, opened U.S. 151 from the Iowa border to Lake Michigan without banning the rigs on the streets of Madison or Fond du Lac, through which the route passes.

Sen. Carl Otte, D-Sheboygan, has asked Attorney General Bronson C. La Lollette to intervene in the double-trailer controversy on behalf of Wisconsin.

Barnhart's agency had announced April 5 it was opening almost 140,000 miles of non-Interstate highway to the double-bottom rigs, 40 percent more miles than states had been told under the April 1 tax increase.

States which filed suit said many highways chosen by the Reagan administration, especially in New England where Connecticut became particularly hostile, are simply too narrow and have too many bends to accommodate the long rigs.

Under Barnhart's announcement, officials said, the 75-footers are again forbidden on roads in Vermont and Alabama except for Interstate paving, their use in Pennsylvania is reduced from 2,221 non-Interstate miles to 498, and in Georgia from 2,909 to 49.

Fourteen states originally prohibited tandem-trailers.

An Assembly subcommittee has scheduled a hearing April 27 on the truck matter to discuss how patrolmen can handle the increased traffic problems.

Congress legalized the twin-trailer trucks nationwide as part of legislation passed just before Christmas that increased the federal gasoline tax by 5 cents.

Minneapolis Star/Tribune, April 20, 1983

State fears U.S. truck policy may hurt roads

By Robert Whereatt
Staff Writer

Minnesota Transportation Commissioner Richard Braun is concerned that the federal government may want the state to double the miles of state highway on which 80,000-pound trucks can operate.

The heavy trucks now can travel on 2,000 miles of state roads that were built to handle the loads.

But Braun said the Federal Highway Administration has indicated it wants another 2,250 miles of the state system designated for the trucks.

"Some of those roads would break up, especially in the spring," the commissioner said.

Braun has asked federal highway officials to clarify of exactly how many miles—and on which roads—they want approved for heavy-truck use.

The confusion and the concern is a result of the 5-cent-per-gallon increase in the federal gasoline tax. To accommodate truckers who opposed the increase, the federal government is designating a nationwide system of routes on which longer, wider and heavier trucks can travel.

Each state is under pressure to approve roads on which bigger and heavier trucks can run. States that don't comply could lose federal highway dollars. That would amount to almost $3 million annually for Minnesota, Braun said.

Right now Minnesota has 4,500 miles of routes that double-bottom (twin-trailer) trucks can use. Braun said almost all of those miles can be used by wider and longer trucks—but not necessarily heavier ones—once the Legislature authorizes the bigger sizes. Those routes can accommodate trucks 6 inches wider (to 8½ feet) and about 10 feet longer (to about 75 feet) than the biggest allowed now.

But not all of those roads can handle 80,000-pound trucks, he said.

Federal highway officials have said they want 4,250 of the 4,500 miles designated for the wider and longer trucks. Braun said there is indication that the federal officials also want the heavier trucks to be able to use those routes, but the weight matter needs clarification.

If the federal officials say the entire 4,250 miles must be designated for 80,000-pound trucks, Braun said, he will not comply because of the highway damage that would occur.

The Des Moines Register, April 17, 1983

Mom, pop rail line succeeds

By RANDY EVANS
Register Staff Writer

GREENE, IA. — Jerry Deninger and Jake Schlotterback sat at their homes in Manly for a year and a half, hoping for the best but worried about the future, after they lost their jobs when the Rock Island Lines went belly-up.

At the same time, Packard elevator owner Harold Stark was "very fearful" that no railroad would step in to pick up the pieces of the Rock, one piece of which is beside his business. He was concerned because he knew his elevator might lose up to half of its grain business if replacement rail service could not be arranged.

All that was three years ago. Today, the future looks rosier for the three because of the Iowa Northern Railroad, a fledgling company headquartered in an eight-foot-wide office here in this Butler County town of 1,300 people.

The small railroad rose from part of the Rock's rubble, providing jobs for Deninger, Schlotterback and nine other Rock employees, and has become an important grain pipeline in northeastern Iowa.

Its supporters see it as nothing short of a godsend for farmers and elevator owners up and down its 125 miles of track because it has given

cont'd...

them lower freight rates and access to more grain markets than they had after the Rock's demise, when they were forced to rely solely on trucks.

The Iowa Northern is part of what transportation experts consider to be a new breed of railroads, called "shortlines," that have emerged in the United States in the 1970s and '80s in the wake of mergers and bankruptcies involving some of the nation's major railroads. Experts believe shortlines will play an increasingly important role in railroading as the trend continues toward giant, transcontinental rail companies.

The Iowa Northern is something of an oddity, however. Unlike many of the shortlines that have sprung up around the country, the Iowa Northern is still in business nearly two years after it was formed.

The company was begun by the Carus Corp. of La Salle, Ill. — a firm with interests in chemical production and shortlines in La Salle and Chicago — at the encouragement of shippers along the Rock Island line between Manly and Cedar Rapids.

Carus' new subsidiary leased the 125-mile line from the Rock's bankruptcy trustee at a cost of approximately $30,000 a year. And with three rented locomotives and 400 hopper cars, the railroad began shuttling cars into and out of the two dozen businesses — primarily grain elevators — that are along the line.

•

Jake Schlotterback, 49, was at the throttle of Iowa Northern's No. 609, a 30-year-old General Motors locomotive, as it chugged slowly toward Greene with a dozen grain hopper cars in tow. Jerry Deninger, also 49, the train's conductor, sat nearby, and the two boyhood pals were talking about life before and after the birth of the Iowa Northern.

"My grandfather started out on the Rock Island in 1894, and my dad hired on in 1918," Deninger said. "I had 28½ years with the Rock Island when she shut down.

"I sat home, waiting and listening to rumors that somebody was going to take over the 'spine line.' I would help farmers chop stalks or piddle around here and there for a little money, but you just couldn't buy a job."

Said Schlotterback: "Jerry and I've done everything together. We went to school together; we graduated together; Jerry stood up with me when I got married. And between us, we've got almost 56 years of railroading in. That's all we know.

"I tried to hire out a couple of different times with the North Western, but taking odd jobs was all you could do. I always hoped to get back on with a railroad."

"It was sure good to get back to work," Deninger agreed.

He and Schlotterback commute daily between their homes in Manly and Iowa Northern headquarters here in Greene. "It's 90 miles roundtrip, but it beats unemployment," Deninger said.

•

When the end came for the Rock on March 23, 1980, farmers and elevator operators along the Manly-Cedar Rapids line — those in places like Rockford and Marble Rock, Greene and Packard — wondered what the future held for them, too.

"If we were going to continue to remain competitive and do the best job for our farmer members, we knew we had to have railroad service," said Ronald Nelsen, manager of the Farmers Cooperative Exchange at Rockford.

"I think we would have become primarily a feed and fertilizer business," said Stark, co-owner of the elevator at Packard. "I was very fearful because I knew that unless we found someone like the Iowa Northern we probably would never have rail service again.

"We were very discouraged; things looked pretty bleak."

With no rail service, elevator managers like Stark and Nelsen found themselves with only two options for marketing the hundreds of thousands of bushels of grain that flow from the rich fields of north-central and northeast Iowa through their elevators each year: They could truck it to Mississippi River barge terminals on Iowa's eastern border for shipment to Gulf of Mexico ports or it could be trucked to grain processing plants in Cedar Rapids.

Both alternatives involved freight rates that were costlier than rail rates, they said, and they were forced to lower the prices they could pay farmers.

The arrival of the Iowa Northern changed that, however.

"What we've done is to reduce the farmer's transportation costs between 3 cents and 9 cents a bushel," said John Gohmann, the 35-year-old Cedar Rapids native who is president of Carus Corp.'s rail operations. "We've taken away the monopolistic gain from trucks."

Iowa Northern's rates were about one-third lower than truckers had been charging, Gohmann said.

"The farmer along the Iowa Northern will realize, over a period of years, much more for his grain than if the railroad did not exist," Gohmann said.

Farmers also have ready access again to markets throughout the United States, plus those in Iowa and overseas, even though Iowa Northern's trains operate in only eight Iowa counties. Through the railroad's interchange agreements, its cars are handed over to the Illinois Central Gulf, North Western, and Milwaukee railroads for movement to barge and shipping terminals, processing plants, or poultry feeding facilities.

•

cont'd....

Mom, pop rail line succeeds - Concluded

Shippers along the Rock line looked for more than a year for a railroad to take over the Rock's operations before settling on the Carus Corp. The big railroads were not interested; there was not enough business to make it worthwhile, the shippers were told. And most of the people who were interested in operating a shortline had little capital behind them.

In the end, shippers said, it was Carus' willingness to commit a substantial amount of its own money, plus their own willingness to basically guarantee that Carus did not lose money on the venture, that resulted in the birth of the Iowa Northern.

The businesses committed themselves to shipping specific numbers of carloads over the Iowa Northern. Because of the severe recession, however, not enough grain was moved last year, and the elevators were obligated to pay the railroad more than $400,000 to cover its operating deficits.

"We couldn't have picked a worse time to start a railroad than a year and a half ago," said Stark, the elevator operator at Packard. "The fact is, though, we've held on through these terribly tough times. And I really feel we're going to be able to pull this off; I think we're gaining momentum."

Stark and other shippers and rail officials believe rising prices for grain will increase the Iowa Northern's business this year, making the operating subsidies unnecessary.

The railroad is negotiating with the Rock's bankruptcy trustee to purchase the line — a deal that experts believe will cost between $5 million and $10 million. Shippers are expected to join with the Carus Corp. in the transaction, although specific terms are still being worked out.

Strong support from shippers is necessary if shortlines are to succeed, Gohmann said. But another important ingredient is reduced labor costs.

The Iowa Northern's employees are paid union-scale, hourly wages, Gohmann said, but its trains operate with a crew of two, instead of the five who normally man trains belonging to the major railroads.

"If we had to add one more man to the crew, the economies would be gone," Gohmann said.

The economies were not there for two other shortlines that were born — and died — in Iowa in recent years, according to rail experts.

The Keota-Washington Railroad struggled for a couple of years, first between the two eastern Iowa towns that gave it its name and later between Iowa Falls and Vinton before folding. The Raccoon River Railroad lasted only five months on 11 miles of track between Rockwell City and Lohrville.

Six other shortlines — ranging from the 375-mile-long Iowa Railroad to the four-mile-long Keokuk Junction Railway and Des Moines Union Railway — have survived, however. And state transportation officials believe shortlines will become more common in the years ahead as the major railroads shed themselves of their less-profitable branch lines and concentrate on long-distance, trunk-line traffic — much as the major airlines have done.

Big railroads have thousands of customers, each being a small part of their business. But a single elevator could mean the difference between a profit and a loss for the Iowa Northern, Gohmann said, and the company emphasizes its personalized service.

The railroad's efforts have won rave reviews, and some shippers now say they would not want a big railroad serving them again.

"There is no similarity between the service of the Iowa Northern and the Rock Island," said Stark. "You tell them what you need, and they tailor their work around your needs. Always before, we had to tailor our work around the Rock Island."

"We may not be as long as the mainline railroads, but we're just as wide," said Les Rowse of Marion, the Iowa Northern's general manager. "I like to say that we are small enough to know you and big enough to serve you."