Corporate Relations 1583

M E D I A M O N I T O R June 6, 1983

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New York Times, May 16, 1983

Grand Trunk Expansion Plan

Special to The New York Times

CHICAGO, May 13 — If the Interstate Commerce Commission approves the reorganization plans of the bankrupt Milwaukee Road, the Grand Trunk Corporation, a subsidiary of the Canadian National Railway Company, will accomplish a westward push from here into the heartland of the United States that it first began contemplating more than a century ago.

The commission is scheduled to begin hearings in a few weeks, and if things go as Grand Trunk hopes and the industry expects, the giant Canadian carrier will acquire the small but strategically placed Midwestern line sometime in early 1984. A purchase price of $250 million for the 3,100-mile system has been agreed to, with Grand Trunk assuming certain debts and obligations of the Milwaukee Road's other holdings.

Grand Trunk's goal has always been to take advantage of Chicago's central location in the Middle West, and the proposed purchase would link Grand Trunk's network of lines east of Chicago with the Milwaukee Road's lines in the Plains states to the north and west. As John H. Burdakin, Grand Trunk's president, put it: "The beauty of this transaction is the natural end-to-end fit. This configuration will open new gateways and markets."

It was in 1858, when the Chicago, Detroit & Canada Grand Trunk Junction Railroad steamed down the 60 miles of freshly laid track from Port Huron, Mich., to Detroit, that Canada first won access to America's flourishing Midwestern machinery makers and farmers.

Later, Grand Trunk extended its reach to Chicago, carrying such Canadian exports as wheat and potash there. And today, the railroad's royal blue cars end their runs from Michigan and Indiana at a station on the city's southwest side. The Milwaukee Road's lines fan out from Chicago, reaching up to Green Bay, Wis., over through Minneapolis to Ortonville, Minn., and then down through Iowa to Kansas City.

The Milwaukee Road, after filing for bankruptcy in 1977 after three years of losses, continued to lose money, and later won approval to suspend service on all but 3,900 miles of tracks. The current reorganization plan would reduce that to a 3,100-mile "core system."

Grand Trunk's Plans

A spokesman for Grand Trunk said that if the acquisition goes through, it can begin paying creditors by the end of 1984. Under the plan, Grand Trunk would assume debts to the Federal Government for $140.3 million of the $194.6 million that the Milwaukee Road has borrowed since 1977. The trustees have proposed paying creditors almost $328 million in cash by the end of 1984. A total of $54.3 million in Federal loans has already been repaid by the Milwaukee Road, according to Bill Bickley, a spokesman for the railroad.

The Federal Government has also forgiven $50 million plus interest in loans during the years the I.C.C. required the railroad to continue all services. Former Gov. Richard B. Ogilvie of Illinois, a trustee of the Milwaukee Road, said the reorganization plan "satisfies virtually all of the goals we set for ourselves." Mr. Ogilvie said the Milwaukee Road is currently preparing to pay off $22 million in state and local taxes.

The Grand Trunk Corporation is the holding company for the American railroad subsidiaries of Canadian National. Those subsidiaries are the Midwestern lines of Grand Trunk, the Detroit, Toledo & Ironton Railroad Company and the Duluth, Winnipeg & Pacific Railroad Company., and its eastern line, Central Vermont Railroad Inc.

As this country's system of privately owned railroads has shrunk

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Grand Trunk Expansion Plan - Concluded

over the years because of financial problems and competition from the trucking and airline industries, Canadian National has been expanding. From the 60-mile route to Detroit from Port Huron, it has acquired more than 2,000 miles of track in this country, which meshes with the 22,158 miles it owns in 10 Canadian provinces.

Vermont Line Acquired

The expansion has been painstaking. The company, chartered in 1852, was within a few years running from Portland, Me., through Montreal and Toronto to Detroit. In the 1870's, when most of its stockholders were British, the Grand Trunk Railway of Canada acquired the Vermont Central and, as a gesture toward putting its own stamp on the 300-mile line, changed its name to Central Vermont. This gave Canada access to the New England and New York markets.

Next, Grand Trunk turned its attention to the 300-mile Michigan Central line from Detroit to Chicago, which was owned by William H. Vanderbilt. Because he knew how valuable the line was to Grand Trunk, Mr. Vanderbilt raised prices for shipments from Detroit to Chicago, and that persuaded Sir Henry Tyler, Grand Trunk's president, that Grand Trunk had to buy Michigan Central. After considerable wrangling, the sale was completed, and that line has ever since been Grand Trunk's most important one.

During World War I, the Canadian railroads were nationalized, and afterward two systems emerged: The Canadian National Railway, which remained Government-owned, and the Canadian Pacific Ltd., a 15,316-mile system with private owners.

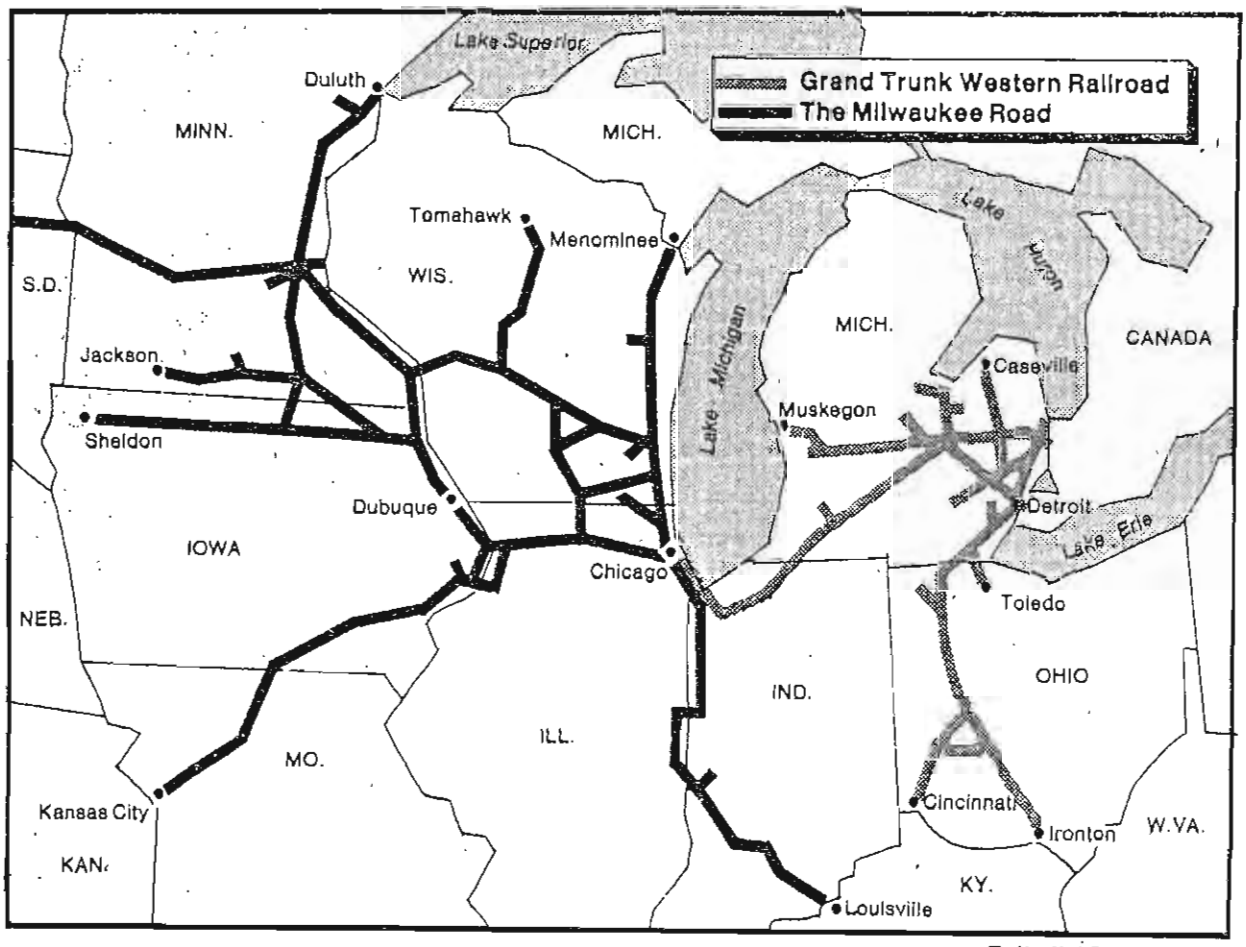
Acquisition in 1980

Robert Angus Bandeen became president of Grand Trunk in 1971, and turned it into a profit-maker. And in 1980, Grand Trunk bought the Detroit, Toledo & Ironton, thereby gaining access to Cincinnati, and revenues jumped the next year from $289.9 million to $390.7 million.

Grand Trunk lost $22 million last year, mainly because of the recession and the slump in the auto industry. But the railroad expects to make a profit this year, according to Robert Walker, a vice president.

Why does Grand Trunk think it can do better than the present ownership with the bankrupt Milwaukee Road? Mr. Walker cited the Milwaukee Road's "very important strategic value." He said a large railroad with good markets like Grand Trunk is likely to be more financially successful than a smaller one, especially given the mergers that have resulted from Federal deregulation legislation passed in 1981.

"Joining the two systems will give us access to Western gateways, helping us compete with larger, newly merged systems," he said. "We can generate significantly more traffic, as much as 10 percent more.



The New York Times/May 16, 1983

Grand Trunk is seeking to buy the Milwaukee Road and accomplish a goal of expanding westward from Chicago.

Sidetracked

Plan cuts some ties between city and the railroad named for it

By Lawrence Sussman
of The Journal Staff

Plans to get the Milwaukee Road on track again with a new engineer at the throttle don't envision a big role for the railroad's namesake city.

The bankrupt company's reorganization plan reflects the erosion of its business in the Milwaukee area and a shifting away from the route structure that made Milwaukee a logical site for some of its operations.

As proposed, the Milwaukee Road would be acquired by the Grand Trunk Corp., resulting in a new 5,100-mile railroad that would increasingly concentrate on rail service in and out of Duluth and Chicago, two cities where the Milwaukee has rail connections with the Grand Trunk system. Greater emphasis on the Twin Cities and Kansas City also is projected.

Plans call for less work here servicing locomotives and boxcars. And fewer trains will be switched here. Fewer trains also are stopping here now since the railroad no longer goes into Michigan's Upper Peninsula, and therefore has fewer trains destined for the UP stopping here.

The railroad's Milwaukee operations have been cut back over the past several years as two bankruptcy trustees sought to streamline the system, which until this year had not shown a profit since 1974.

During the late 1970s, more than 900 persons were employed doing repair work at the railroad's yards at 3301 W. Canal St. in the Menomonee River Valley.

Employment to drop

The railroad now employs about 225 at the yards, and that number is scheduled to shrink by another 60 by the end of July, when the railroad's diesel house is closed permanently and the work is transferred to St. Paul and the Bensenville yards, located near Chicago.

Its repair shop here has been shut down since last September.

Much of the Canal facility is barren and shows the effects of age.

The railroad's Sprint trains, which take about 10 hours transporting freight between Chicago and St. Paul, don't even stop here.

The railroad has been trying to get its reorganization plans through a phalanx of its creditors' lawyers since December 1977. Once a transcontinental carrier with almost 10,000 miles of track, the railroad, controlled by federal bankrutpcy laws, now encompasses about 3,100 miles, mostly in the the Upper Midwest.

The Grand Trunk Corp. is based mainly in Michigan, Ohio, northern Minnesota and Indiana. It is the holding company for the wholly owned American railroad subsidiaries of the Canadian National Railway Co., owned by the Canadian government.

The railroads hope that the Milwaukee sale is approved by January 1985. The reconstituted system would have about 5,200 miles of traffic in Wisconsin, Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Ohio and a tiny portion of South Dakota.

Hearings scheduled

The Interstate Commerce Commission has scheduled a series of hearings for this summer on the sale and reorganization plan. A federal judge in Chicago also has to approve the plan.

The North Western Railway and the Soo Line, which is owned by the privately held Canadian Pacific, opposes the plans for the reconstituted system. Assuming that the plans are approved, the two railroads would compete strongly with the new entity.

Worthington L. Smith, the Milwaukee's president, outlined the troubled railroad's plans in an interview in Chicago last week.

A six-foot-three, lean, gray and seemingly patient man, he argued that the long-troubled railroad, operating under a new owner, could make a go of it, primarily in the Upper Midwest.

The Milwaukee Road will gain volume, and the Grand Trunk will gain extension of haul, he noted.

The railroad is now more a regional north-south creature rather than an east-west behemoth. And shifting currents among the smokestack industries it serves have forced it to rearrange its priorities.

For example, since 1978 the railroad has shown a healthy increase in the percentage of its freight revenues derived from handling paper and pulp products plus the chemicals needed for the paper industry. Paper and pulp products constituted 8.6% of the railroad's freight revenues in 1978 and 11.6% of the revenues last year.

Further, food and food products coming mainly from the Southwest and California made up 18.4% of freight revenue last year, an increase from 11.9% in 1978. The products flow through Kansas City, and that's one reason the Milwaukee wants to put more emphasis on that area.

Loss of traffic

On the other hand, the percentage of the railroad's freight revenue coming from transport equipment, often made in Milwaukee, has declined, dropping from 12% in 1978 to 9.6% last year.

The railroad is doing less business in Milwaukee as a result of this area's shrinking industrial base. The loss of rail traffic from the Jos. Schlitz Brewing Co. and reduced freight from companies such as Harnischfeger and Allis-Chalmers, for example, seemingly have made Milwaukee less important to the rail system.

There are, of course, exceptions to that trend, Smith noted. Recently the A.O. Smith Corp. has generated increased traffic because sales of larger cars, which use the company's frames, have picked up considerably.

Still, the streamlined railroad is going to be less evident in Milwaukee.

Sidetracked - Concluded

It used to have about 700 locomotives and now has about 300.

"Those 300 have either gone through the rebuilding program or are relatively new," Smith said. "We simply don't need that big of a rebuilding operation [in Milwaukee]."

Further, he said, it doesn't make sense to have locomotives repaired here when the same work could be done closer to the routes where the freight trains normally run.

Green Bay Press Gazette
May 25, 1983

Mayor Maier angry

MILWAUKEE (AP) — The city's voters were urged Tuesday by Mayor Henry Maier to retaliate against legislators who have gone along with Gov. Anthony S. Earl's wish to build a second penitentiary in Milwaukee.

The mayor, who says a recent telephone survey indicates his constituents do not care to be prison hosts, made his remark after the state Assembly voted 85-9 to authorize a site sought by the Earl administration.

"The Milwaukee representatives voting for this monstrosity ought to be clearly identified so the vast majority of our citizens know who is voting against them," the mayor said.

Mason City Globe-Gazette, May 12, 1983

Milwaukee to reopen North Iowa rail line

By Paul Holley
Staff Writer

MASON CITY — The Milwaukee Road plans to reopen its 40-mile branch line between Mason City and Austin, Minn., by July 1, a railroad spokesman said Wednesday.

The line, which runs northeast through Plymouth, Grafton, Carpenter and Otranto, and Lyle, Minn., hasn't been used in about three years. The Milwaukee Road originally planned to abandon it.

Larry Long, the Milwaukee Road's assistant vice president for corporate relations in Chicago, said those plans were changed because the railroad needs a connection between a Milwaukee Road-owned grain gathering line in Minnesota and its east-west line that passes through Mason City.

However, North Iowa's gain is another area's loss. Long said because of the Mason City line's reopening, another feeder line between Austin, Minn., and Calmar will probably be abandoned.

"Our decision was mainly based on costs," said Long. "The Mason City-Austin line requires 30 fewer miles to be rehabilitated than the Calmar line, and at $100,000 to $300,000 per mile it adds up fast."

The railroad may ask the Iowa Department of Transportation for money to help rehabilitate the line, Long said.

Work crews already have started cutting brush and replacing ties on the line, he added.

The tracks will be able to accommodate jumbo grain hopper cars, but speeds will be restricted to 10 mph at first.

The remainder of the rahabilitation is expected to take another two years, and freight trains eventually will be able to operate 25 to 30 mph.

Long expects the branch line could carry a fair amount of traffic from Austin, Minn., industries like Hormel Foods and Weyerhauser Corp. plus southern Minnesota grain traffic.

Milwaukee officials have already met with shippers along the line, and Long said some North Iowa grain elevator expansions are possible with the reinstatement of rail service.

Quad Cities Times, May 19, 1983

Counties to get rail taxes

By Mike Owen
QUAD-CITY TIMES

DES MOINES — With millions of dollars in back taxes up for grabs from bankrupt railroads, the Iowa Supreme Court said Wednesday that both the state and Iowa counties should get a share.

But if one official is right, counties will receive the biggest share of the more than $6 million available.

The money comes from unpaid property taxes by the Milwaukee Road and Rock Island Lines — money that would have gone toward county and city services and local schools had it been paid on time.

The Iowa Railway Finance Authority also wants the money, and a U.S. District Court judge from Illinois' Northern District asked the Iowa Supreme Court to tell him who, under Iowa law, is entitled to it.

THE COURT ruled that a 1980 law granted such delinquent tax money to the Railway Finance Authority — but ruled that since the law didn't take effect until June 2, 1980, it only applied to taxes delinquent after that date.

As a result, counties will be entitled to tax money that was delinquent before that, if the federal court goes along with the state court's decision.

The question settled by the Iowa court dealt only with the money owed by the Milwaukee, but John Torbert, director of the Iowa State Association of Counties, said both sides have agreed that this case will settle the outcome of both.

Torbert said he couldn't give exact figures, but said counties should get about 70 to 80 percent of the money, which would be distributed among taxing bodies in a county.

TORBERT said under settlement plans with both railroads — which would bring 90 percent of the back taxes owed by each — the total would be about $6.5 million.

He said the Rock already has settled its share — $4.5 million of it — and that its portion is just waiting to be distributed. But he said the Milwaukee's negotiators "are making noises about backing out on" their 90 percent offer, although he said he hopes that will be settled.

ISAC officials in December had estimated the two railroads owed $7.3 million, but that was before any settlements. They said then that if the state won all of the money, Quad-City area counties would lose the following in back taxes:

Scott and Muscatine counties, about $200,000 each; Cedar County, $161,700; Clinton County, $64,000; Louisa County, $124,000; Jackson County, $110,000; and Jones County, $67,000.

Journal of Commerce, May 10, 1983

ICC Sets Track Use Pay Terms

Journal of Commerce Staff

WASHINGTON — The terms of compensation to be paid by the Chicago and North Western Transportation Co. for the use of tracks abandoned in the Chicago, Milwaukee, St. Paul and Pacific Railroad Co. bankruptcy proceeding, have been set by the Interstate Commerce Commission.

The decision calls for a compensation range of between 12 percent and 6 percent of the property's value over the life of the service. Payments above 6 percent will be tied to profits earned on the Milwaukee track by Chicago and North Western.

The squabble arose out of a Chicago and North Western proposal to reimburse Milwaukee using the ICC developed "Frisco Formula." But, Milwaukee demanded 1 percent per month of the value of their Chicago and North Western operated properties.

Because a compensation agreement was not reached between the two parties, Milwaukee withheld from current accounts payable money it claimed due from Chicago and North Western.

Chicago and North Western pursued their claims by asking the ICC to set the new terms because the money Milwaukee refused to pay "substantially exceeded reasonable compensation."

In setting the new formula, the commission said it would "require the payment of interest by the party who is eventually found to be liable to the other. Interest will be at the average annual prime rates and will accrue from the date the payments should have been made or sums were unlawfully withheld."

Mt. Prospect Herald, May 18, 1983

Bus, train collide in Elgin; 30 hurt

ELGIN, Ill. — Malfunctioning crossing gates touched off the collision of a freight train and a city bus at 2:38 p.m. Tuesday, injuring 30 people. Most of the injured were school children returning home. Larissa Niec, 14, was trapped for more than an hour in the wrecked vehicle and had to be extricated by firefighters. She was admitted to St. Joseph Hospital with a broken leg, underwent surgery and was listed in fair condition. Mari Jayn Renwick, 16, was receiving treatment for abdominal injuries and was listed in fair condition, hospital officials said. Heine said the bus knocked down two telephone poles, cutting power for about an hour to much of the immediate area.

Elgin Daily Courier-News, May 21, 1983

No mechanical failure seen in Elgin train-bus collision

By Mike Castelvecchi

Mechanical failure of equipment has tentatively been ruled out as the cause of the collision Tuesday of an Elgin city bus and freight train that injured 30 people.

Also, a spokesman for the Milwaukee Road Railway said Friday that a preliminary investigation has revealed that there were no rule violations by switching crew members.

"They followed the book and they exercised caution," said Milwaukee Road spokesman William Bickley.

Bickley said all mechanical equipment was found in operating order after the crash.

The crash occurred Tuesday afternoon as the bus, carrying 59 passengers, mostly St. Edward High School students, was trying to cross the rail tracks on Chicago Street in downtown Elgin. Witnesses at the scene and passengers on the bus reported that the warning gates were not down at the time of the accident.

The freight train was backing up on a switching track when the accident occurred. A brakeman riding in the caboose told police he pulled the train's air brake when he noticed the gates were not down.

A SWITCH ON THE track is supposed to be tripped, sounding an alarm in the control tower, railroad officials have explained. Once alerted, the tower operator is to lower the gates and flash the warning lights.

Bickley said the switches on the tracks that alert the tower that a train is coming were found to be in working order. Bickley said the bell in the tower was also found to be in good working condition.

"There was not any malfunction of gates or lights," Bickley said.

Donald King of Elgin was the control tower operator at the time of the accident. He is an employee of the Northeast Illinois Railroad Corp., a subsidiary operating the commuter service for the Regional Transportation Authority.

The Milwaukee Road's preliminary investigation did not cover his actions during the accident since he is not an employee of their company, Bickley said.

POLICE ARE STILL awaiting a written medical report on King. King voluntarily submitted to blood and urine tests after the accident.

King told police that radio communication equipment had been removed from the tower a few days before the crash.

A meeting between representatives of the Elgin Police Department and the Kane County state's attorney's office is expected to be held early next week to review all reports on the accident, said Deputy Police Chief Warren Danielson.

Danielson said that a determination will be made after the meeting whether any charges will be filed as a result of the accident.

Elgin Daily Courier-News, May 27, 1983

Tower worker faces charge in collision

By Mike Castelvecchi

The railroad tower operator was charged today in connection with the May 17 collision between an Elgin city bus and a freight train in which 30 persons were injured.

The tower operator, Donley King, 69, of Elgin, was charged with reckless conduct, said Thomas Sullivan, first assistant Kane County state's attorney.

King was working in the railroad tower at Chicago Avenue the afternoon of May 17 when the accident occurred.

King was suspended after the accident pending the results of a company investigation, said Joan Pearlman, a Northeast Illinois Railroad Corp. spokeswoman. She said today the agency is continuing its investigation and would not comment further.

The state's attorney's office authorized the charges Thursday afternoon after a meeti..g with Elgin police. Reckless conduct is a misdemeanor charge.

WITNESSES TO the accident reported that the warning gates and lights were not activated when the accident occurred. A Milwaukee Road investigation revealed that the warning signals were in mechanical working order at the time.

King voluntarily submitted to blood and alcohol tests immediately after the accident. He first told police he had a beer before he started work, but later said it was a Coke.

Sullivan did not reveal the levels found in the tests or whether King was legally intoxicated.

"There is an indication he was drinking, and it wasn't Dr. Pepper. It was alcohol," Sullivan said.

The freight train was backing up on a switching track in which the warning signals are controlled from the tower.

THE BUS driver swerved the bus at the last second but was hit by the slow moving train, knocking the bus and its 59 passengers into an electrical power pole. The bus was carrying mostly students from St. Edward High School in Elgin.

King is an employee of the Northeast Illinois Railroad Corp., a subsidiary of the Regional Transportation Authority, which operates the Milwaukee Road and Rock Island commuter lines.

Crain's Chicago Business, May 16, 1983

Chi. Milw. food service stars as nuclear supply unit fizzles

By ANN HELMING

Food service is in and nukes are out at Chicago Milwaukee Corp., the Chicago-based holding company.

The company, whose subsidiaries include the bankrupt Milwaukee Road, reports strong gains by Vulcan-Hart Corp., a company the parent bills as a leading provider to the commercial food-service market.

In contrast, Chicago Milwaukee's Southern Boiler & Tank Works Inc., a metal fabricator that did significant business in equipment for nuclear power plants before 1981, saw its order backlog fall to $2.9 million last December from $6.3 million a year earlier.

In fact, Chicago Milwaukee blames a 4% decline in first-quarter sales, to $29.0 million, to weakness in the nuclear and petrochemical industries.

At the firm's annual meeting, Chief Executive Charles W. Metter noted that Vulcan, which makes food-preparation and storage equipment, has become a top performer. Vulcan is building marketshare by targeting fast-food chains with an image as an "innovator"—primarily by crafting energy-efficient equipment.

Chicago Milwaukee's other food operation, a food distributor called Aslesen, reported a flat first quarter. Nevertheless, things may be looking up. The unit saw a 30% attendance increase and a record number of orders written at its spring sales show in April.

Overall, Chicago Milwaukee's 1982 profits rose 22% to $6.8 million. Sales increased 9% to $132.3 million.

However, the debt-restructuring performed for the company in 1981, which enabled faster repayment of long-term debt, brightened the picture quite a bit. The restructuring reduced interest expense and boosted the firm's bottom line.

Meanwhile, Chicago Milwaukee's wayward child, the Milwaukee Road, is still kicking up a fuss. The company wants to liquidate or sell the line; bankruptcy Trustee Richard Ogilvie wants to merge the railroad with Grand Trunk Corp.

Early this month, Mr. Ogilvie appeared to have won a round when the Interstate Commerce Commission accepted his amended reorganization plan. The railroad reported a first-quarter profit of $3.2 million, which Mr. Ogilvie traced to new business from Grand Trunk.

Nevertheless, Chicago Milwaukee management refuses to adopt the merger, and at the annual meeting renewed its pledge to "take the legal steps necessary" to "defend" shareholders' interests. H

Des Moines Register, May 11, 1983

DOT will remain neutral in bidding for Rock track

By RANDY EVANS
Register Staff Writer

AMES, IA. — Supporters of two railroads that are competing to buy an important rail line through Iowa took their cases to the Iowa Transportation Commission Tuesday.

But the commission declined to allow the Iowa Department of Transportation to choose sides between the North Western Railway and Soo Line Railroad. Those companies are trying to acquire more than 700 miles of tracks in Iowa, Minnesota and Missouri that belong to the bankrupt Rock Island Lines.

Instead, the DOT's governing board decided that the department will remain neutral in the matter, which is before the Interstate Commerce Commission. The DOT merely will press the ICC to require the successful bidder to allow other railroads to run over the tracks.

Some DOT administrators have expressed a preference in the past for Soo Line ownership of the tracks. But DOT Commission Chairman Robert Rigler of New Hampton said he did not think the DOT would have any influence with the ICC by choosing sides in what has become a controversial bidding war.

Rigler told 75 people who crowded into the DOT headquarters here that the department's concern is that the tracks be operated and maintained by one company or the other. But most in the audience were not so neutral.

Backers of the North Western warned the commission that the Soo Line would cut into the North Western's business and could push Iowa's biggest railraod toward bankruptcy.

"I think we are talking today about the viability of the North Western long-term to serve the farmers of Iowa," said Bruce Anderson, manager of the Albert City Elevator Co.

Iowa has had too many railroads competing for too little business, said Wayne Seaman, manager of the West Central Cooperative Elevator at Ralston and another North Western supporter. "Bringing in another railroad perpetuates the problems we had when we were trying to divide the pie into too many pieces," he said.

Seaman said the North Western has come across in the controversy as the "black sheep." But he said the company is an important part of Iowa, providing jobs for 5,000 people and an annual payroll of $100 million.

"The Soo Line is like the new girl on the block who always looks prettier than the girl we grew up with," Seaman said.

Supporters of the Soo Line contended, however, that the North Western would be too dominant in Iowa, having most of the state's rail business.

"The whole picture is boiling down to the future of rail transportation in Iowa," said Ivan Summa, manager of the Superior Cooperative Elevator in that northwestern Iowa town. "Are we going to be dominated over by one railroad?"

A Maytag Company executive, Lee Hays, said the North Western purchase would jeopardize the chances that another company would want to buy the Rock Island's east-west main line across Iowa because the North Western wants sole rights to the rail business on a 13-mile piece of east-west track in Des Moines.

"If we lose the east-west line, Maytag would immediately dump 6,000 to 8,000 trucks a year on the highways of Iowa," said Hays, who is president of a group of community leaders trying to buy the east-west tracks.

In other action Tuesday:

- The Transportation Commission learned that the Siouxland Veterans Memorial Bridge at Sioux City could be reopened to four-lane traffic this week. The bridge was closed a year ago when a dangerous crack was discovered; two lanes of traffic have been permitted since December.
- A DOT official reported that the department underspent its winter snow-plowing budget by nearly $3 million due to the relatively mild weather.
- A long-sought bridge on U.S. Highway 30 over the North Western Railway tracks at Missouri Valley moved a step closer to reality when the commission gave the go-ahead for plans to be drawn for the $2 million project. Freight trains create significant traffic bottlenecks in the town.
- DOT planners said they will restudy possible environmental effects of a planned U.S. Highway 18 bypass of Marquette and McGregor at the urging of a group of residents there. But Rigler said the opponents of the project are "grasping at straws" in an attempt to kill the bypass.

Des Moines Register, May 12, 1983

North Western defends plan to buy Rock track

By RANDY EVANS
Register Staff Writer

The North Western Railway has discounted concerns by state and federal officials that the company's pending acquisition of Rock Island Lines tracks in Iowa and two other states will substantially lessen railroad competition in the Midwest.

In a lengthy rebuttal filed with the Interstate Commerce Commission, North Western officials called the concerns "baseless" and said they resulted from "gross generalizations and superficial analyses."

The North Western and the Soo Line Railroad both are vying to acquire more than 700 miles of track, located primarily in Iowa, that are owned by the bankrupt Rock Island.

The U.S. Justice Department has recommended to the ICC that the Soo Line get the commission's clearance to buy the lines. The Iowa Department of Transportation has asked the ICC to require the purchaser to share its use of the line between Minneapolis, Minn., and Kansas City, Mo., with other railroads — a provision the DOT believes is necessary to ensure continued rail competition.

The North Western has been operating the so-called "spine line" and several hundred miles of grain-gathering branch lines in northern Iowa for the past three years under a lease from the Rock Island's bankruptcy trustee.

"During this entire three-year period, except for very recently ... not a whimper or complaint was heard from Soo or from any agency of the government regarding North Western's operation and intention to acquire the Rock Island properties," a North Western vice president, Edward Harney, said in the company's rebuttal statement.

"Rather, it was my distinct impression that the certain agencies of the government ... were somewhat relieved and pleased by the efforts of the North Western."

Harney said the concerns of the Justice Department "are based on ignorance of the realities of competition between [the North Western] and other railroads, trucks and barges."

He added: "The principal competition of any carrier operating in central Iowa is the rubber-wheeled vehicle hauling grain to the Mississippi on one hand or to the Missouri on the other."

Harney and other North Western executives emphasized to the ICC that there is not enough rail business between Minneapolis and Kansas City to make it economical for another railroad to operate between those cities.

The Burlington Northern Railroad and Milwaukee Road already compete directly for that business with the North Western, which has a north-south line that parallels the Rock Island's "spine line," North Western officials said.

"The competition ... did not save the Rock Island and the Milwaukee Road from going into bankruptcy, leading one to the conclusion that there was too much rail track chasing too little business," Harney said.

Another North Western executive, Donald Bergquist, an assistant vice president for grain marketing, said the company would face stiff competition for grain business in Iowa even if it owned the Rock Island's branch lines.

He cited an Iowa State University study that found that every farmer served by the Rock Island tracks in northern Iowa is within 20 miles of a railroad other than the North Western.

"The threat that farmers can and will haul to a competing rail line is a major constraint on railroad pricing power," he told the ICC. "The Iowa State study concluded the principal beneficiaries of any [North Western] rate increase would be the other competing railroads. The principal losers would be the [North Western] and elevators located on its track.

"It would be illogical for [the North Western] to spend $93 million to acquire the [Rock Island] lines only to raise its rates to artificially high levels and give away business to its rail, barge and truck competitors," Bergquist said.

Concerning two other objections that have been raised to the North Western deal, the company replied:

- DOT officials who fear the purchase would jeopardize the company's solvency are "prophets of doom" who do not have the same faith in the railroad's employees and management that the eight banks lending the $93 million do.
- There is no "diabolic plan" by the company to disrupt east-west rail service through Des Moines.

Chicago Sun-Times, May 18, 1983

Kan. firm to build C&NW coal line

The Chicago & North Western Transportation Co. has awarded a major construction contract for its Wyoming coal line project to a Kansas company, the railroad told shareholders at the annual meeting Tuesday.

Neosho Construction Co. of Council Grove, Kansas, will start work no later than July 1, "and probably earlier," the rail company announced.

A firm completion date of Nov. 9, 1984, is required in the contract, but the North Western said service might start earlier than that date.

The North Western said the cost of the project now is estimated to be substantially less than the previously announced $460 million.

However, the Burlington Northern, which has been opposing the project before government agencies and in the courts, still has options available to prolong the litigation.

Neosho will be responsible for two major phases of the line to the rich Powder River Basin coal fields.

It will rebuild a 45-mile segment of the North Western's east-west main line in Eastern Wyoming, and will construct a new 56-mile line south from Crandall, Wyo., to Joyce, Neb., to connect there with the existing line of the Union Pacific.

The UP will move the coal shipments along its line under an agreement between the two companies.

The third phase of the project, a 103-mile line from Shawnee, Wyo., at the western end of the rebuilt North Western line, runs north to Coal Creek Junction, tapping the Powder River Basin coal fields.

That line has been completed by the Burlington Northern, and a half interest will be purchased by the North Western under a previous agreement, which the BN has been trying to renounce.

Traffic World, May 23, 1983

Illinois Solons Back C & NW Purchase Bid

The entire Illinois delegation to Congress is supporting an application by the Chicago & North Western Transportation Co. to purchase about 720 miles of track from the bankrupt Chicago, Rock Island & Pacific Railroad Co. for $93 million.

C & NW and the Soo Line Railroad Co. are now engaged in a bidding war for essentially the same Rock Island tracks. Although the Rock Island bankruptcy court approved C & NW's $93 million application in March, Soo Line filed an inconsistent application with the ICC to purchase 770 miles of tracks for $100 million (T.W., May 2, p. 54).

Supporting the Soo Line bid are the U.S. Department of Justice and the North Dakota Public Service Commission, among others (T.W., May 9, p. 73).

But the Illinois delegation says that the Commission should grant C & NW's application.

In a letter to ICC Chairman Reese H. Taylor, Jr., the Illinois legislators said the issues at stake in the Rock Island track purchase "go far beyond" their parochial interests.

"In 1980, the Rock Island lines in question were scheduled for liquidation and were being operated under federal subsidy," they said.

"At the request of the Federal Railroad Administration, the C & NW voluntarily leased the lines and continued service to farmers and shippers. During these three years, the C & NW has demonstrated a commitment to providing the best service possible."

They suggested that the battle over the Rock Island tracks is part of a larger strategic fight between two Canadian railroads, the Canadian Pacific, which owns Soo Line, and the Canadian National Railways, whose Grand Trunk Railroad Co. subsidiary is proposing to purchase the Chicago, Milwaukee, St. Paul & Pacific Railroad Co.

"This Soo Line bid is seen by many as a defensive move by one Canadian railroad competing against another, and not primarily as an effort to improve the U.S. rail system," the congressmen said.

In a separate letter, Representatives Tom Tauke (R-Ind.) and Cooper Evans (D-Ind.), also urged the Commission to grant C & NW's application.

At the ICC, the proceedings are docketed as Finance 29518, and related cases.

C&NW and ICG push law change

By David Young
Transportation writer

TWO MAJOR commuter railroads are pushing for a change in state law that would force the Regional Transportation Authority to buy their commuter lines, a move that could cost taxpayers at least $300 million as well as remove millions of dollars worth of local property from the tax rolls.

Proposed amendments to transit bills now being considered by the state legislature would, in effect, force the RTA to buy the commuter operations of the Chicago & North Western Transportation Co. and Illinois Central Gulf railroad, the two largest commuter operators in the Chicago area.

The Burlington Northern railroad, the third largest commuter carrier, opposes having the RTA buy any line, including its own.

"I'M THE ONE who came up with the concept," said James Wolfe, C&NW president.

"We don't want to go through the hemorrhage we did two years ago," he said, referring to the RTA financial crisis of 1981 that almost resulted in a shutdown of the region's transit system.

"We can't afford to have $13 million to $20 million tied up in financing to the RTA as we did two years ago." That was the amount in back subsidies the RTA owed C&NW for operating its lines as well as those of the Rock Island.

Since its creation in 1974, the RTA has paid the railroads subsidies to operate their commuter trains. The subsidies are paid under provisions of purchase-of-service contracts and are intended to reimburse the railroads for any deficits and enable them to earn a modest profit.

But in 1982, the RTA was forced to buy the Chicago, Rock Island & Pacific Railroad's commuter lines after that bankrupt railroad was ordered liquidated by U.S. Judge Frank McGarr.

THE AGENCY NOW is negotiating with the bankrupt Chicago, Milwaukee, St. Paul & Pacific Railroad to buy its two commuter lines. Sales of those lines to the RTA are a condition of the sale of the rest of the railroad to the Grand Trunk Corp., which has headquarters in Detroit.

ICG officials are watching the transit bills but have taken no stand, although they expect amendments to be added, according to a spokesman.

An RTA official said that agency has taken no stand on the proposed amendments either, but the RTA favors the purchase of both the ICG and the C&NW.

"If we had the money, we'd do it," the official said. "We have considered it for years."

Executives of the Burlington oppose the idea.

"You will be paying $300 million just to transfer titles," said Richard Schreiber, general counsel for the Burlington's Chicago region.

"It is an unwise use of the scarce capital resources available," said D.J. Mitchell, head of the Burlington commuter operation and former federal official in charge of grants to the Chicago area.

"The region is facing major cuts in federal funding anyway. If the RTA buys the railroads, it will have to defer all kinds of maintenance and necessary capital improvements."

THE BURLINGTON opposes the amendments because its commuter service shares the same three-track main line with the heaviest freight service on that railroad. The Burlington operates 68 commuter, 4 Amtrak and 60 freight trains daily over its line to Aurora, railroad officials said.

Wolfe said the proposed sale to the RTA includes both the C&NW's north line to Kenosha and northwest line to Harvard, but not its west line to Geneva. That line carries the bulk of the railroad's freight traffic and is its principal freight connection to Eastern railroads.

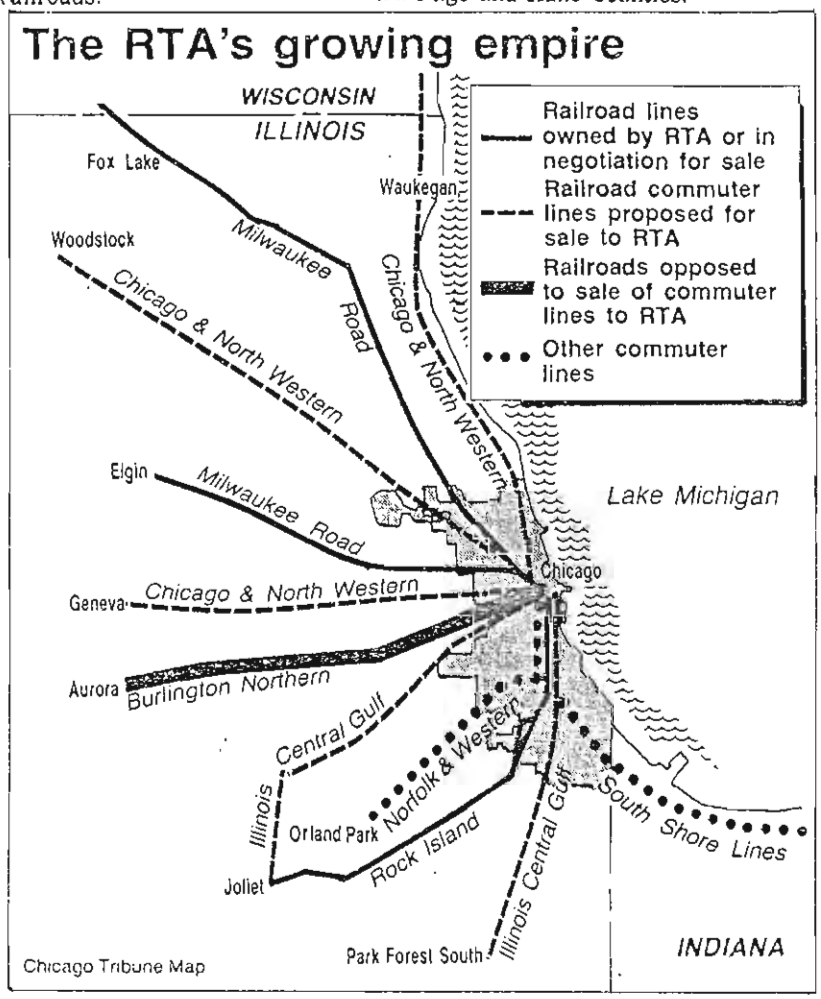
The commuter railroads generally have been losing riders as a result of recent RTA fare increases and competition from lower-priced Chicago Transit Authority service.

The railroad amendments are proposed for what essentially are shell bills introduced in the Illinois General Assembly. The bills are vehicles for what legislators hope is an eventual political compromise that will result in a bailout for the RTA. They include:

- An addition to the proposed transportation bonding act to earmark $75 million to $100 million for acquisition of commuter rail facilities. That money would be matched by $300 million to $400 million in federal transit grants.
- An amendment, which would be attached to the shell bill designed to host an eventual settlement on an RTA bailout, that would require the RTA to buy any commuter line offered for sale.

CRITICS CLAIM the proposal would remove millions of dollars from Chicago-area property tax rolls, cutting revenues to municipalities and school districts.

For example, the Burlington pays $718,000 in property taxes each year, $412,000 of which goes to school districts, on its 38-mile commuter line between Union Station and suburban Aurora, railroad officials said. That includes money paid to taxing districts in Chicago and suburban Cook, Du Page and Kane Counties.



Journal of Commerce, May 25, 1983

Lawmakers Back C&NW Bid for Lines

Journal of Commerce Staff

Chicago and North Western Transportation Co. has received some congressional support before the Interstate Commerce Commission in its bid to buy railroad lines from the Chicago, Rock Island and Pacific Railroad's trustee.

Twenty-four members of the Illinois congressional delegation told the ICC the North Western, which has operated the lines since April 1980 on a lease basis, "has demonstrated a commitment to providing the best service possible."

The North Western and the Soo Line Railroad Co. are competing for more than 700 miles of track owned by the Rock Island, which ceased operations four years ago. The ICC is in the process of determining which bidder's offer is more in the public interest.

Bids for the line are $100 million by Soo Line for 770 miles and $93.5 million by C&NW which wants 720 miles of line in Iowa, Minnesota and Missouri between Minneapolis-St. Paul and Kansas City.

The other letter from James J. Florio, D-N.J., chairman of the House Subcommittee on Commerce, Transportation and Tourism, expresses concern about the fairness of the Soo Line's latest bid, which was submitted after U.S. Bankruptcy Court gave preliminary approval of the sale to the Chicago & North Western.

"After having lost the open bidding contest in court," the Illinois delegation's letter says, "the Soo Line has appeared in another form with an 11th hour revised bid."

The letter also calls one of the CP Rail-owned Soo Line's unstated interests in the trackage to compete with Canadian National Railways, which is trying to forge a 5,000-mile system in the northern United States.

The delegation adds the commission's "primary concern" should be strengthening the Midwest rail system by maintaining "a healthy U.S.-owned rail industry."

C&NW has support from area shippers as has the Soo Line, which also has the backing of other congressmen.

Soo Line officials say they want the lines as a southern outlet for traffic from the upper Midwest.

C&NW wants the lines to promote what it calls "density" in Midwestern grain lines which it believes will make them profitable.

Some critics claim "density" creates captive shippers.

Rep. Florio's letter says that "I am concerned that this action is not in accord with the intent of the (bidding) process. CNW should not suffer because it has chosen to play by the rules," he said.

Wall Street Journal, May 18, 1983

Newfangled French Trains Hope To Make It in Texas by Moving Fast

By Robert Johnson
Staff Reporter of The Wall Street Journal

Faster than a speeding car. Faster, even, than a speeding Texas car. It's a bullet train. And if all goes according to plan, it will soon give Texas yet another distinction—the nation's swiftest train rides.

A new railroad company promises to sweep passengers across the 240 miles between Dallas and Houston in only one hour and 45 minutes, sometimes hitting speeds of over 200 miles an hour. The cars and locomotives will all be French. But Texas coal will produce the electricity to run them.

The train will be so fast that the railroad will have to construct a fence around its track just to protect innocent cows. "At 200 miles an hour, the bullet train would make hamburger out of cows, people or anything," says William M. Gibbons, bankruptcy trustee for the Chicago, Rock Island & Pacific Railroad.

The Original Rocket

The Rock Island operated the original Texas Rocket until 1966. Then super highways and commercial air travel killed passenger interest in the train ride, which took four hours. In 1975, the Rock Island entered bankruptcy proceedings. Five years later, a federal court ordered it to end operations and sell its property.

Enter another private railroad company so new it has yet to lose its first dollar. Texas Railroad Transportation Co., formed last July, recently offered $17.5 million for the old Rocket's right of way. Both Mr. Gibbons and a federal judge supervising the bankruptcy proceedings have approved the project. But the plan still needs approval of the Burlington Northern Railroad Co., which owns a half-interest in the existing track and still operates freight trains there.

Texas Railroad says its plans won't interfere with the freight trains. "We hope to have two sets of track beside the existing rail," says Hal Cooper, a railroad expert and former engineering professor who is president of Texas Railroad. He says the efficient electric-powered French locomotives are economical enough to make the project viable and draw Texans to trains once again.

'Romantic Notions'

Mr. Gibbons isn't sure of Mr. Cooper's technical assertions, but says he is "delighted" by the offer. "Obviously, the nation still has romantic notions about passenger service, and if someone can bring 'em back, I'm all for it," he says.

Should other entrepreneurs have romantic notions about bullet trains, the Rock Island has plenty of right of way to sell, such as the 800 miles between Amarillo, Texas, and Memphis, Tenn. But Mr. Gibbons concedes that some of the stops on the routes are "sweatsock junctions that might not have much romance."

Des Moines Register, May 26, 1983

Federal aid possible in Rock Island track purchase

By RANDY EVANS
Register Staff Writer

A key official of the Federal Railroad Administration said Wednesday that the agency may help finance Iowa business leaders' acquisition of an important east-west rail line, representatives of the group said.

William Loftus, the railroad agency's executive director, met in Des Moines with the board of TRAIN, the group that has been dickering with the Rock Island Line's bankruptcy trustee for two months to buy the 500 miles of track between Council Bluffs and Peoria, Ill.

TRAIN members have been working to put together a $40 million to $45 million package of financing that they believe will be necessary to acquire the tracks. Shippers along the lines are expected to pledge about one-third of the purchase price, the Iowa Legislature recently appropriated $15 million in loans for the project, and TRAIN officials are hoping that Loftus' agency will pay the remainder.

Scott Bannister of Des Moines, TRAIN's lawyer, said after the meeting with Loftus that, "he basically left us with the thought that they are very much interested in being involved with us."

"This tells me there is a real interest in this project, at not only the state level, but the federal level, too," Bannister said of Loftus' trip to Des Moines.

TRAIN officials decided to hire a traffic consultant to analyze the anticipated freight traffic and the profit potential on the line. Loftus said those studies would have to be made before his agency would consider an application from TRAIN.

Bannister said representatives of TRAIN — an acronym for This Rail Across Iowa is Necessary — are scheduled to meet on June 8 in Chicago with Rock Island trustee William Gibbons.

Bannister expressed confidence that a deal could be worked out this summer. The business group is under pressure to wrap up the negotiations because the Milwaukee Road is interested in a key part of the Rock Island tracks, the line between Davenport and Iowa City.

TRAIN officials lobbied intensively for the Legislature to appropriate the $15 million in loan money from revenues that would have gone into the state road fund. They have been waiting anxiously to see whether Gov. Terry Branstad vetoes the bill.

Bannister said Wednesday, "We've had some discussions with the governor, and he has indicated that he will go ahead and sign the bill."

Also on hand for Wednesday's meeting were Daniel Krumm, president of The Maytag Company, the largest shipper on the east-west line; Hilliard Keeney, vice president for manufacturing of the Rolscreen Co. at Pella; Thomas Urban, president of Pioneer Hi-Bred International Inc.; Fred Weitz, president of Weitz Construction Co.; and Gene Schwab, president of the Iowa Railroad.

Journal of Commerce, May 24, 1983

Soo Files Complaint On C&NW

Journal of Commerce Staff

WASHINGTON — The Soo Line Railroad Co. has filed a complaint with the Interstate Commerce Commission over rates charged by Chicago and North Western Transportation Co. for reciprocal switching in Wisconsin.

The complaint asked the commission to find C&NW's rates in violation of the Interstate Commerce Act, prescribe new rates to be used by C&NW, and to award damages to the Soo Line resulting from the C&NW rates.

The Soo Line told the commission C&NW had raised charges for reciprocal switching at most of its competitive stations in Wisconsin. Both railroads compete heavily for Wisconsin rail traffic.

On a chart provided to the commission by the Soo Line, the C&NW was shown to have tripled and doubled some switching rates in a tariff effective March 14, 1983.

The Soo Line said the rate hikes would increase Soo Line annual payments to C&NW by $400,000 based on last year's traffic, and that no Soo Line tariffs prevented payment to C&NW of the full amount.

The railroad said it was studying its own reciprocal switching cost, and that it possibly would reduce charges to C&NW if the commission forced the C&NW charges down.

Crain's Chicago Business, May 23, 1983

Lean C&NW sees smooth ride in '83

By JOANNE CLEAVER

James Wolfe really likes to ride on trains. That's convenient, as he's chief executive of Chicago & North Western Transportation Co., but even as he talks finance and market-share, he drifts back to, "When I was riding down to our facility at Kansas City . . ."

And as someone who's been jolted over a lot of rough and disintegrating track, Mr. Wolfe knows how good it feels to shift onto smooth, well-maintained track.

At last week's annual meeting, he told shareholders that Chicago & North Western (C&NW) expects a smoother ride for the rest of the year, following last year's big loss—an 18% drop in operating revenues to $804 million that precipitated a net loss of $19 million compared with earnings of $54 million in 1981.

Though the company lost $2.2 million in 1983's first quarter, the outlook is brighter in the second quarter, with $1 million net income in both March and April, Mr. Wolfe said.

"You're not happy, I'm not happy, we're not happy until we're profitable," he said.

He might not be unhappy for too long. As the economy picks up, C&NW will, too, with increased carloadings of autos, lumber and building materials.

Rail industry analyst John Kawa of Dean Witter Reynolds estimated that C&NW's earnings will be about $1 per share this year compared with $3.23 per share in 1981 excluding an extraordinary gain.

"The key is that C&NW has done an extremely good job of cutting expenses," he said. "They've cut to a level that surprised me and even themselves."

Despite the cuts, the company has kept its physical assets—railbeds, locomotives and cars—in prime condition.

And C&NW is grooming several new markets for its fleet. Though grain shipments are expected to be weak, exports could pick up the slack.

New legislation also allows intermodal acquisitions. Thus, said Mr. Wolfe, the railway could acquire a truck or barge company with part of its accumulated $81 million in cash.

"We could offer a single rate for combined services. We'd be in markets we've never been in before. Barges would allow us to compete in industrial chemicals, bringing them from ports in the South to the Midwest," he said.

In the meantime, an improved economy will mean that service, instead of price, will become the prime competitive factor between railways and trucking companies.

"We expect to be extremely aggressive in attacking truck competition," Mr. Wolfe said. "From the standpoint of having a better, physically better, railroad, we can give better service."

With the final papers on the C&NW's takeover of the bankrupt Rock Island railway expected to be signed in June, the company will heft even more competitive weight.

Another long-term project, the C&NW's plans to build a line to the coal-rich Powder River Basin in eastern Wyoming, took a big step forward recently when the company contracted out the construction.

The basin contains an estimated one-half of all U.S. coal deposits—45 billion tons. Currently, the Burlington Northern (BN) has a near-monopoly on service to the area, and Mr. Wolfe said BN has grossed $1.2 billion over the last 10 years just from that line.

"What we're seeking to do is share," he said with a grin.

The C&NW's line, which will be shared with the Union Pacific Railroad, is expected to net, pre-tax, $150 million in 1990, its first year of operations, icing on the cake is that construction costs are now expected to be lower than the $400 million projected several years ago, and subsequently budgeted.

Powder Basin coal would be hauled to utility companies in the Central Southern states.#

Journal of Commerce, May 27, 1983

C&NW, Soo Continue Line Battle

Journal of Commerce Staff

WASHINGTON — Chicago and North Western Transportation company told the Interstate Commerce Commission a Soo Line Railroad Co plan to purchase and operate valuable portions of the bankrupt Chicago, Rock Island and Pacific Railroad Co. was "unorthodox, disruptive and poorly conceived."

The two railroads have been waging an ever more vocal battle over the Rock Island system, with the Soo Line seeking access to the Kansas City Terminal and the C&NW hoping to keep them out. Both lines would like to control Rock Island's grain routes.

The Chicago and North Western told the agency it had operated the Rock Island track that the Soo Line wants for three years under an agreement with the bankruptcy court and that C&NW money had maintained and improved the line.

The railroad also said it had intergrated its own system into the Rock Island network and that it now controlled rate and service options on the line.

The railraod said the Soo Line was part of a Canadian controlled carrier primarily interested in reaching Kansas City properties so it could service grain gathering lines in Iowa and southern Minnesota.

But C&NW maintains that the Soo Line could not win access to the Kansas City Terminal because of congestion problems and that the ICC would have to force terminal access by a special ruling to make the Soo Line plan feasible.

C&NW said its own economic analysis showed the Soo Line losing a quarter of a billion dollars in two years if it goes through with its plan. The railroad said the only possible reason for the Soo Line expansion was a share interest with Canadian Pacific in reaching the Kansas City gateway. This is necessary to offset diversions they forsee if the Canadian National, Grand Trunk Western, and Milwaukee road consolidate, C&NW said.

Journal of Commerce, May 16, 1983

CN May End Investment In Cast Unit

Rail Chief Says Talks Now Have Reached A 'Very Final Stage'

By LEO RYAN
Journal of Commerce Staff

MONTREAL — Unless negotiations produce an agreement within the next few weeks, Canadian National Railways is prepared to walk away from its investment in the Cast shipping group, CN President Maurice LeClair has indicated.

Speaking to the Transport Committee of the Canadian Parliament in Ottawa late last week, Mr. LeClair also reiterated that the state-owned railway would not put any money into Cast.

Earlier this year, CN wrote down its $62 million, 18 percent interest in Eurocanadian Shipholdings Ltd., the Swiss-based parent of the North Atlantic non-conference container operator.

Multi-dimensional discussions have been taking place for several months on the future contours of the markedly overtonnaged North Atlantic services centered on the Port of Montreal.

According to Mr. LeClair, talks with the federal Canadian government, Cast and leading Canadian banks have reached a "very final stage."

Talks on the possible purchase by CN of Sofati Container Line from its owners, notably Quebec businessman Michel Gaucher, are reported to have terminated, though a resumption in the future cannot be excluded.

In this regard, Kurien Jacob, chief executive officer of Sofati Container Line, issued a statement stressing that the management of the carrier intended to proceed with plans for a weekly service "independent of any discussions with CN."

"We formed SCL," Mr. Jacob said, "to ensure that we had a truly independent service and management will resist any moves to take SCL towards cartels of any kind."

Sofati, established last fall by defecting Cast executives and sales staff, affirms that for the past two months it has been filling two vessels of 800 TEU (20-foot equivalent units) capacity chartered from CP Ships.

As of June 14, a third vessel is to be introduced by Sofati to enable the carrier to advance to a weekly service on its sailings between Montreal, Felixstowe and Antwerp.

A year ago, CN contributed $10 million to a $200 million refinancing package in return for the assets of Cast's container terminal in Montreal and an option to acquire control of Cast Containers Ltd. of Bermuda, the North Atlantic container arm of the Cast group.

Mr. LeClair said that CN remains interested in Cast because the railway wants to preserve its share of the container market. Its chief competitor is CP Rail, part of the giant publicly-owned transportation conflomerate that includes CP Ships, one of the three conference partners in the St. Lawrence Coordinated Service.

Despite reiterating that the initial CP investment in Cast was a mistake, Mr. LeClair suggested there might be a means of gaining control of Cast without injecting more money. But he did not specify how this might transpire.

By way of defending the repeated postponement of a Canadian Transport Commission hearing on CN's investment in Cast (recently rescheduled for September in Halifax and Montreal), Mr. LeClair declared that CN wanted everything to be put on the table, something which could not be done while negotiations were still in progress on the future of Cast.

Other Canadian shipowners, the Nova Scotia government and the Port of Halifax argue there is a conflict of interest in the CN-Cast link. CN holds a monopoly on rail service to the Port of Halifax.

The Canadian Transport Commission has, in a new development, decided to hold a special hearing in Halifax on July 19 on allegations that CN gave Cast rebates between 1979 and 1981 on westward rail traffic between Montreal and Chicago.

Chicago Tribune, May 26, 1983

C&NW cites losses if Soo buys tracks

THE CHICAGO & North Western Railway says it would lose $58.1 million in annual shipments and leave the St. Paul-Kansas City, Mo., market if the Soo Line acquires trackage between the cities from the bankrupt Rock Island railroad.

In a statement filed with the Interstate Commerce Commission, the C&NW said its "most prudent course would be to withdraw" from the market if the ICC approves the $90 million sale of the trackage to the Soo because there isn't enough business for both railroads in the area. The Soo and C&NW have made competitive bids for the 720-mile trackage, which the C&NW has been leasing for several years.

The CN&W contends the Soo, if it buys the track, would incur a $330 million cash loss over 10 years and end competition on the route.

Journal of Commerce, May 23, 1983

Pricing Probe Of CN, Sofati, Cast Widened

By LEO RYAN
Journal of Commerce Staff

MONTREAL — Federal anti-combines officials widened, at week's end, their sudden, dramatic investigations into the pricing practices of Canadian National Railways and of two independent North Atlantic carriers, Sofati Container Line and the Cast Shipping Group.

After entering on Thursday, without previous warning, the offices of Canadian National Railways, Cast North American Ltd. and Sofati Container Line in Montreal, anti-combines officials, armed with a warrant, Friday visited the Toronto headquarters of Helix Investments Ltd. Files of all the companies concerned were inspected.

Helix Investments, a private firm headed by Canadian financier Donald Webster, is one of the founding partners of Swiss-based Eurocanadian Shipholdings Ltd., the Cast parent company.

Helix Investments holds a 21 percent interest in Eurocanadian Shipholdings, whereas state-owned Canadian National Railways has an 18 percent stake in the shippng empire founded by Frank Narby.

A CN spokesman said that when anti-combines officials entered the CN offices and asked to look at documents, they produced a warrant which referred to an inquiry on "the supply and sale of container shipping and related services through the Port of Montreal." The documents were handed over.

"I am sure it's connected to the current rate war," commented Kurien Jacob, chief executive officer of Sofati Container Line.

For a number of months, Cast and Sofati have been embroiled in a feverish rate war, which has also compelled conference carriers to adjust their rates accordingly. At the same time, Cast, CN, leading Canadian banks as well as Sofati have recently been involved in negotiations on the future structure of the overtonnaged North Atlantic container trade in Canada.

These discussions may be reaching some sort of conclusion this week, an informed source indicated.

Recent statements by Federal Transport Minister Jean-Luc Pepin, in particular, have suggested that the Canadian government, or at least the Transport Department, favors CN acquiring control of Cast's container business in the near future.

A senior official of the federal Department of Consumer and Corporate Affairs said the investigations fell under the Combines Investigation Act of 1978, one section of which "relates to predatory pricing."

The official disclosed that Helix Investments immediately initiated court action to block the search of the company's premises, on the grounds that such action violates a human rights provision in the Canadian Constitution.

Helix Investments refused to comment on the affair beyond saying "the matter is entirely private."

Spokesmen for conference carriers, whose offices were not similarly invaded, were caught by surprise by the action which swept the Montreal shipping community like a brush fire.

The search warrants pointed out that the federal officials were entitled to inspect, duplicate or take away whatever files or documents could be regarded as pertinent to the investigation.

According to a key clause of the act, any party deemed to be selling products at "unreasonably low" prices and thereby tending to eliminate competition can be found guilty of an indictable offense and be liable to imprisonment for two years.

Just prior to the visit of anti-combines officials to CN and the shipping companies, other representatives of the same department reportedly made direct inquiries at some of the major customers of the container carriers.

A spokesman for the federal Transport Department said the inquiry was "independent of our consideration of the Cast-CN relationship," adding that Mr. Pepin's approval was "neither sought nor volunteered."

In the light of the competitive implications of the CN-Cast relationship for other transportation companies and users, the federal Department of Consumer and Corporate Affairs is among the intervenors slated to testify during public hearings staged by the Canadian Transport Commission in September in Halifax and Montreal.

Journal of Commerce, June 1, 1983

XTRA Corp. to Buy 3,000 New Trailers

Journal of Commerce Staff

XTRA Corp. has announced that it will buy 3,000 new trailers for $36 million during the balance of 1983.

The firm didn't release the name of the builder or the dimensions of the trailers being acquired.

About 2,000 of the trailers will be delivered before Oct. 1, with the balance before the end of the year.

An additional purchase of 1,000 under an option clause is expected, a company spokesman said.

The acquisition, announced Tuesday, brings the firm's 1982 capital program to $52 million, including 1,500 trailers the company has committed to lease for a 35-month period.

Journal of Commerce, May 26, 1983

Canadian Officials Sift Files of Cast, Sofati, CN

By LEO RYAN
Journal of Commerce Staff

MONTREAL — Federal anti-combines officials were continuing their inspections here Wednesday of the files of Cast North America Ltd., Sofati Container Line and Canadian National Railways as part of an investigation of container shipping services through the port of Montreal.

The investigation, which began suddenly last Thursday, appears to be centered on allegations of predatory pricing practices.

The searching procedure has, however, thus far not involved the conference lines engaged in Canada's North Atlantic trade. Among the carriers, only the two independents, Cast ane Sofati, have been affected.

In this regard, observers note that the Shipping Conferences Exemption Act, presently being reviewed prior to renewal in March 1984, largely shields conference lines form anti-combines regulations.

A senior official in Ottawa of the Department of Consumer and Corporate Affairs has confirmed the investigations fall under the Combines Investigation Act. Anti-combines officials have produced a warrant referring to an inquiry on "the supply and sale of container shipping and related services through the port of Montreal."

As speculation remained very much alive in Montreal shipping circles on what may have precisely triggered the unusual investigation, Kurien Jacob, chief executive officer of Sofati Container Line, declared: "I'm pretty confident that the investigation will eventually lead to more compensatory pricing for carriers in Canada's North Atlantic trade."

Mr. Jacob commented last week that he was sure the investigation was connected to the present rate war. The rate war between North Atlantic carriers serving eastern Canada ports escalated last fall after breakaway Cast executives and sales staff established Sofati Container Line.

It remains to be seen whether, folowing the completion of investigations, any charges will be laid.

But observers agree that the matter has probably further complicated the ongoing negotiations between Cast, Canadian National Railways and leading Canadian banks on the possibility of CN assuming control of Cast's container business. CN currently holds an 18 percent interest in the Cast parent company, Eurocanadian Shipholdings Ltd. of Fribourg, Switzerland.

There is growing speculation that unanimity does not reign in the federal Cabinet on the feasibility of CN, a state-owned transportation giant, asserting a greater marine presence by taking over Cast's container operations, especially if it means shouldering part of Cast's long-term debt.

Recent statements by Transport Minister Jean-Luc Pepin have suggested strong support in his department for CN obtaining outright control as a means of better competing against the publicly owned Canadian Pacific transportation group for container traffic.

Journal of Commerce, June 1, 1983

BN Told to Pay For ICG Service

Journal of Commerce Staff

WASHINGTON — The Illinois Central Gulf Railroad Co. has been given the nod to collect charges against Burlington Northern for the movement of empty private railroad cars to and from a private repair shop located on an ICG line.

BN had contended that the empty cars, after having been in revenue producing service, were "instrumentalities of transportation" entitled to empty movement without charge.

ICG said the cars were carrying bi-or tri-level automobile racks which were leased by the car owner and were being transported to the car shop for removal. ICG said this service was of absolutely no benefit to ICG operations.

The ICC responded with a declaratory order calling on BN to pay for the ICG service.

Journal of Commerce, June 2, 1983

Canadian Cabinet Mulls CN Takeover of Cast

By LEO RYAN
Journal of Commerce Staff

MONTREAL — A proposal for state-owned Canadian National Railways to acquire a 75 percent controlling interest in the Cast shipping group's North Atlantic container business is under "active consideration" by Canada's federal Cabinet, an informed source revealed.

"A proposal is before the Cabinet, but it may not be discussed until next week," a spokesman for the Ministry of Transport in Ottawa commented, without further elaboration, Wednesday.

How quickly the matter is dealt with by the federal authorities may hinge largely, however, on the outcome of apparently increasingly tense negotiations between CN, leading Canadian banks and Frank Narby, founder of Swiss-based Eurocanadian Shipholdings Ltd., the Cast parent company. The talks have been in progress for several months.

While the negotiating parties are reported to be close to striking a deal, which would include the buying out of Mr. Narby's interest in Cast's container operations and CN's assuming the debts presently carried by Eurocanadian's container sector, it is understood that there is a major deadlock revolving around the debt calculation.

Cast's debts from its container activities reportedly exceed $30 million.

In return for assuming Cast's debts in the container shipping sphere, CN would acquire various Cast assets in North America and Europe if the negotiations culminated in an agreement.

At the present time, CN has an 18 percent interest in Eurocanadian Shipholdings. The giant transportation concern earlier this year wrote off its $62 million investment in the Cast group.

Under a $200 million refinancing package last spring, CN was accorded an option to obtain a 75 percent interest in Cast's container business, though in principle this option could not be exercised before 1985. On the same occasion, CN acquired, for $10 million, the assets of Cast's container terminal in Montreal.

Under the package being negotiated, the main Canadian bank involved, the Royal Bank of Canada, reportedly would become a minority shareholder in the proposed new North Atlantic container enterprise that would compete head-on with the publicly owned Canadian Pacific group. Three of Cast's five container/bulk carriers already are owned by the Royal Bank, which leases them back to Cast.

Speaking to the Transport Committee of the Canadian parliament in mid-May, CN President Maurice LeClair, in reiterating CN's determination "toward strengthening its role as a multi-modal transportation company," stressed that CN has "no interest whatsoever in the deep-sea bulk side" of the Cast operation.

Mr. LeClair also indicated on that occasion that CN was prepared to walk away from its investment in Cast if negotiations did not produce an agreement "within the next few weeks."

He further stated that CN was sticking to its policy of not injecting new money into Cast, and he suggested there might be a way of gaining control of Cast without a direct cash outlay.

With opinion in the federal Cabinet seemingly divided on the possible CN control of Cast's container division, the Halifax-Dartmouth Port Commission entered the fray by sending a letter to all Cabinet ministers urging them to halt the proposed acquisition.

"At the present time, the North Atlantic container trade is extremely overtonnaged due to expansion by Cast and Sofati," wrote Raymond Ferguson, the port commission's interim chairman. "Government support of either will result in the demise of one or more of their competitors."

Halifax port interests have been outspoken critics of the CN-Cast link because CN is the only railway serving the port on Canada's Atlantic seaboard whereas Cast calls at Montreal. The Canadian Transport Commission has scheduled hearings for September in Halifax and Montreal on the CN-Cast relationship.

Meanwhile, federal antitrust officials are continuing to inspect files at the offices of CN, Cast North America Ltd. and Sofati Container Line as part of an investigation launched on May 19 into allegations of "predatory pricing" on the North Atlantic by certain container shipping services through the Port of Montreal.

Journal of Commerce, May 17, 1983

B&M Service Hopes to Tap New Markets

By RIPLEY WATSON 3rd
Journal of Commerce Staff

The Boston and Maine Railroad is participating in two new multi-railroad movements which officials hope will tap new markets with revised operations.

One of the trains is known as "The East Wind" and carries intermodal traffic between Bangor, Maine and New Haven, Conn. The other is a general merchandise train run with the Delaware and Hudson Railroad and the Norfolk and Western Railway between two Massachusetts yards and Bellevue, Ohio.

Michael V. Smith, vice president of Boston and Maine's marketing department, said the intermodal train is serving the overnight market between Maine points and the Connectivut terminal.

A second market the railroad hopes to pursue is second-morning service to Chicago provided by Conrail Trailvan trains which connect with B&M at Springfield, Mass.

Average "East Wind" operations include about 25 cars per night, Mr. Smith said.

"We're going after the truck market with the very good Conrail connections," he said. Truck operations are being performed by St. Johnsbury Trucking Co.

Although he noted that operations with St. Johnsbury got off to a rough start, "they've worked with us very successfully," Mr. Smith said. The train started operating in March.

One problem the intermodal train has is a traffic imbalance.

Operations out of Bangor and Portland, Maine, inlcude a variety of products, including paper, food products and beer.

However, traffic into that area is lacking. "Anyone who contacts us can get a good deal there," Mr. Smith said.

One advantage cited for the operation is the smaller crew requirements which were part of labor negotiations with B&M employees.

A two-member crew, instead of the usual four, operates the trains on Boston and Maine rails south of Portland. Maine Central trains have between two and four crew members, based on the size of the train.

Both Maine Central and Boston and Maine are components of the proposed Guilford Transportation system which also includes the Delaware and Hudson Railway.

The second operation will run between Bellevue, Ohio on the Norfolk & Western and two classification yards the Boston and Maine uses in Massachusetts.

The general merchandise train began operating two weeks ago.

"We are trying to speed up the traffic flow which will have a positive effect on the D&H's per diem," Mr. Smith said.

The intention is to funnel traffic through the N&W facility where other trains will carry it to and from Chicago, St. Louis and Kansas City. Officials said efforts are being made to have convenient connections at Bellevue.

"It definitely has improved the level of service. We believe it will substantially improve reliability," Mr. Smith said. By running the train through with fewer yard stops, delays normally are reduced.

The train operates via Buffalo, where the Delaware and Hudson and Norfolk and Western interchange traffic.

Journal of Commerce, May 13, 1983

Truckers Hit DOT Policy As 'Insane'

Journal of Commerce Staff

WASHINGTON — The Department of Transportation is "insane" to think that deregulation is working and that it has helped the (trucking) industry or, ultimately, the consumer," the Independent Truck Owner-Operators Association has told Transportation Secretary Elizabeth Hanford Dole.

"The critical diagnosis was delivered to the department in reponse to government inquiries concerning the owner-operator and deregulation.

Marshall Siegel, Executive Director of the owner-operators' group told the new Transportation Secretary, "the previous Secretary of Transportation was a former chief executive officer of a railroad undergoing bankruptcy reorganization, and it is obvious that he had no real regard for the problems of the trucking industry, including those of owner operators."

He went on to say the Motor Carrier Act of 1980 had "devestated" independent owner-operations and the Interstate Commerce Commission was "totally irresponsible in the way it has implemented the motor carrier act.

"It has essentially scuttled entry controls, and has performed little or no meaningful rate regulation. People have been appointed to the Interstate Commerce Commission who are sworn enemies of regulation, and have attempted to gut the system from the inside."

Mr. Siegel also said owner-operators could not support marketing and sales orgainzations required to win freight in the new decontrolled environment and that more deregulation would result in more bankrupteics by owner-operators.

The Independent Truck Owner-Operators Association "supports regulatory appointments and legislation that would restore some semblance of sanity to federal regulation of the trucking industry." Mr. Siegel also said it suports entry controls, rate regulation, and a strong ICC enforcement program.

"Deregulation may be good for the fat cats and big mules, but for our membership it has been an unmitigated catastrophe," he said.

Wall Street Journal, May 23, 1983

U.S. Plan to Sell Conrail Likely to Benefit From Forecast of Long-Term Profitability

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

WASHINGTON—The Reagan administration's plan to sell Consolidated Rail Corp. will get a boost next week, when the road's federal watchdog officially predicts Conrail's return to long-term profitability.

On June 1, the U.S. Railway Association, which was set up to monitor Conrail's performance, will issue a report to Congress saying the big Northeast line will be profitable over the 1983-1987 period, according to an official of the association.

Conrail posted net income for 1982 and the first quarter of 1983, but the road doesn't yet quite meet the standard for its profitability that Congress set in 1981, when it established the guidelines for the sale of Conrail. But the report predicts that Conrail will meet the standard by 1985, the USRA official said.

However, the predicted five-year profit won't be large and won't make Conrail a gold mine for any buyer. The return on investment won't be "very high, or even very adequate," the official warns.

Nevertheless, the report will bolster the administration's plan to unload the line, which Congress formed in 1976 out of the Penn Central and other bankrupt Northeast railroads. Until recently, Conrail was a constant drain on the Treasury, which had poured billions of dollars into the system.

'Blueprint' for Sale

The USRA report will put an official federal stamp of profitability on Conrail, giving a "blueprint" for its purchase by private investors and "setting the stage for the bids to come in," according to Stanley Sender, transportation counsel for Sears, Roebuck & Co. and a member of a USRA advisory board.

The report will also forestall any move to break up Conrail and sell it in pieces. In 1981, Congress said that if the USRA concludes Conrail will be profitable, the line can't be sold piecemeal before June 1, 1984, and even then, some USRA concurrence is needed for such a sale. Selling Conrail is a "high priority" with Transportation Secretary Elizabeth Dole, as it was with her predecessor, Drew Lewis.

Thomas Till, the department's acting federal railroad administrator, says the department wants to sell Conrail as early as possible, and still get a "decent return to the government." It also wants a "responsible buyer" that could keep the railroad running through lean times without seeking a federal bailout, Mr. Till said.

Apparently, the only serious potential buyer so far is a group of rail unions that said six months ago they wanted to purchase Conrail to keep it intact, preserve its service, and—most importantly—save their jobs. Some railroads, including Norfolk Southern, Santa Fe, CSX, Burlington Northern, Southern Pacific and Union Pacific, are understood to be looking at Conrail, analyzing a financial study by Goldman, Sachs & Co., the investment banker handling the sale. But one USRA official says, "I am hard-pressed to find a railroad buyer who isn't better off with the status quo."

Mid-June Offer

For its part, the Railroad Labor Executives' Association, the unions' umbrella group, will make a firm offer in mid-June, Brian Freeman, the group's adviser and lawyer, said. That offer will include "at least several hundred million dollars" in cash, he said, along with a "leveraged buyout" plan to borrow remaining purchase funds and secure the debt with Conrail's assets and cash flow.

The unions later plan to offer 20% to 30% of Conrail's stock to the public, Mr. Freeman also disclosed, to provide more financial "resources" for Conrail and help cover payments on the debt. The unions will also sweeten the offer for the government by saying they'll give up about $2.5 billion in tax credits that Conrail enjoys.

And they would help ensure Conrail's financial health by continuing the wage concessions the workers have been giving Conrail under a three-year pay freeze scheduled to expire in mid-1984. However, Mr. Freeman suggested that the union will continue those concessions, which so far have left the wages of Conrail workers 12% behind the rail-industry average, only if the unions buy the railroad.

Those wage concessions are a critical element in the USRA profitability prediction. The pay freeze has saved Conrail about $200 million a year. The USRA report will say continued labor-cost savings of at least that amount are necessary for Conrail to be profitable, according to the association official.

Freight Traffic

Also critical, the report will say, will be an expected rise in Conrail's freight traffic to 190 million tons in 1987 from around 175 million tons this year. A prolonged recession and the effects of new methods of distribution by major auto and steel customers have caused Conrail's traffic to plunge about 35% from 270 million tons in 1979.

So Conrail had moved into black-ink figures only by severe cost-cutting. The number of employees has been slashed to 40,000 from 100,000 in 1976. Conrail had net income of $174 million in 1982, mostly from selling tax benefits and passenger business, up from $39 million in 1981, on a sharp revenue decline. Conrail posted net of $13 million for the first quarter of 1983. Stanley Crane, Conrail chairman, predicts $200 million in net for all of 1983.

But Conrail must do better than that to be "profitable" under the 1981 law, as the USRA interprets it. The association defines profitability as having "positive cash flow," excluding any nonrecurring items and while covering operating expenses and any capital outlays needed to replace track and equipment. On that basis, Conrail was still about $50 million short of profitability in 1982, the USRA report will say. But the report will forecast positive cash flows in 1985 and the accumulation of a combined, but modest, $250 million in cash flow through 1987, the USRA official said.

Rail cars roll steadily toward standardization

The railroad industry has been a major factor in Chicago's economy since the industry's birth here in 1848. Although the city's unofficial title of national rail capital may no longer be accurate, Chicago still is the center of the railroad equipment and car-building industries. This is another in a series of articles that appear periodically on how these industries are adapting technology to survive.

By David Young
Transportation writer

SAN BERNARDINO, Calif.—The red sun appeared over the desert floor as the Santa Fe Railroad's train No. 881—four locomotives pulling 4,653 feet of loaded freight cars—lumbered over El Cajon Pass near here and began its dash east. The date was Oct. 10, 1980.

It would be 44 hours before the train, traveling at 70 miles an hour most of the way, pulled into the Corwith Yard on Chicago's Southwest Side. Larry Cena leaned back in his chair in the business car at the end of the train and dreamed a little.

Cena has been one of the railroad industry's biggest dreamers in recent years. Unlike many others, Cena, as Santa Fe president, has been able to translate his dreams into action.

The train he was riding behind began as a dream in 1968. He made it a reality in 1977, and it's known today in the railroad industry as the "Ten Packer."

THE SIGNIFICANCE of the Ten Packer, which consists of articulated flatcars carrying truck trailers, is not only that it's 30 percent lighter than conventional railroad piggyback trains and saves the Santa Fe 6,000 gallons of fuel on the long trip between Los Angeles and Chicago, but it was the first of a succession of newly designed freight cars that by the end of this century may revolutionize American railroading.

It also could be the first step toward a universal railroad freight car.

It's possible, using what was learned from the Ten Packer, to develop a car on which railroads can put different types of containers for all sorts of cargo. That would eliminate the need for boxcars, the most numerous type of car on U.S. railroads, with more than 453,000 in service.

It would also enable the railroads to compete more effectively with the trucking industry by offering better service to small industries that find existing railroad cars too big for their needs, and it would end the problem of seasonal storage of thousands of freight cars, such as those designed to haul grain.

A UNIVERSAL flatcar for hauling truck trailers or containers also would enable the railroads to follow industrial migrations to the Sun Belt or suburbs without having to build expensive spur lines to each new plant. Local truck services will provide the link between the plants and the nearest rail head.

It's possible to develop a removable container for grain, a refrigerated container for perishable produce and tanks for carrying chemicals. All could be put onto or removed from the universal flatcar of the future as needed.

"What about a grain container we can use on the branch lines where 100-ton covered hoppers are too big?" Cena asked. "I'm also intrigued about hauling bulk commodities, like coal. I don't see much chance of replacing the unit coal train that moves from the mine to the utility, but what about smaller movements? We could put coal in 20-ton containers and stack them three high on top of flatcars. When we get to downtown Chicago, each container could be transferred to bogies [flatbed trucks] to finish the trip to the customer."

IN LESS THAN two years after that dreamy inspection trip behind the Ten Packer, Cena unveiled the prototype of the first of those ideas, a removable flatcar container capable of carrying either grain or general merchandise. The container will fit atop the existing Ten Packer cars.

Although there isn't unanimous agreement that it's possible to develop a universal car with removable containers to replace many of the freight cars on American railroads, other industry officials are beginning to think like Cena.

"The idea isn't so pie-in-the-sky with deregulation of the industry," said Hugh Foster, former president of Pullman Leasing, who now heads his own firm.

"In the future, there'll be less variety of cars on the railroads," added Ted E. Dancu, vice president of design and development for Thrall Car Manufacturing Co. "All freight will be channeled onto certain types of cars."

PORTEC INC., a suburban Oak Brook-based rail car builder, is planning to introduce later this year a flatcar that its executives say could become the basis for a universal car. The 48-foot car will have only two sets of wheels, similar to European railroad cars, but will be capable of carrying a truck trailer or shipping containers. The prototype is being built in the company's Winder, Ga., plant.

"It's the beginning of what we call the universal platform," said Stephen A. Kovach, senior vice president of Portec's rail group.

"It'll be a car capable of handling either trailers or containers or any variation of them," added Howard C. Woodman, vice president of manufacturing and engineering. "You can add or delete as your needs dictate."

Thrall considered the possibility of a universal car but decided to build a five-unit articulated car [dubbed ARC 5] similar in design and theory to the Santa Fe's Ten Packer.

"The universal car can be built," Thrall's Dancu said, "but will it be economical?"

RAILROAD INDUSTRY officials have been talking about the replacement of boxcars with flatcars carrying containers for more than 20 years. In 1963, Norman E. Bateson, then research chief for Pullman Standard, the nation's largest freight-car builder at the time, said boxcars "had seen their best days" and would be replaced by containers on flatcars, "but full-fledged containerization is some way off."

Why hasn't the container revolution that Bateson predicted two decades ago occurred? For one thing, the railroad industry is inherently conservative. For another, the industry has more than 1.7 million freight cars, each with a life span of 30 years.

"The boxcar will be here for a long time because we own a lot of them, but railroads won't buy many new ones," Cena said. The recession that has severely depressed railroad traffic has also resulted in a cutback in car procurement programs. The U.S. rail car-building industry is in a depression, operating at 10 percent of capacity.

THE IMPETUS for the flurry of activity in new-car design was the succession of fuel shortages in the 1970s that drove the price of diesel from 10.7 cents per gallon to its current level of 86 cents.

That escalation gave Santa Fe executives the incentive to quit talking about the Ten Packer and build one. The 6,000 gallons of fuel saved on each Ten Packer trip translates at current prices to $600,000 a year in operating savings if the train is run on a heavy schedule.

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Rail Cars Roll Steadily Toward Standardization - Concluded

As a result, the Santa Fe could recover the $2 million cost of building the train in about three years. The principal savings on fuel come because the cars are lighter and are designed to reduce aerodynamic drag on trains.

"Nobody in this industry gave a damn about aerodynamics until diesel fuel got to 98 cents a gallon," Cena said. "Of course, trains don't lend themselves to wind tunnels."

HOWEVER, the Santa Fe has been working on computer simulations of freight-car aerodynamics using a program that was developed for autos and later adapted to truck trailers.

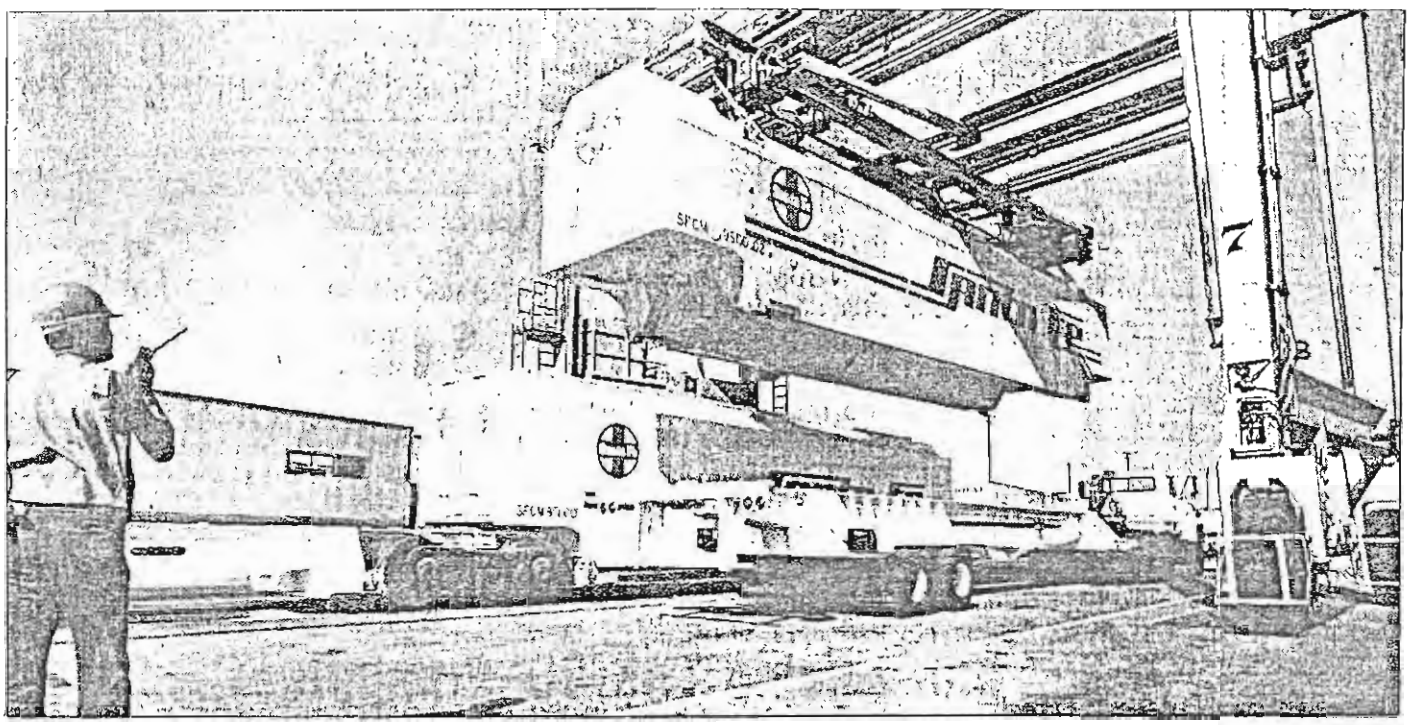
"The shape of cars and locomotives may change considerably in the next few years," he said.

The Santa Fe containers are an effort by the railroad to transfer to other types of commodities the fuel economy it gets from hauling piggyback truck trailers.

The railroad can stack its new 45-foot-long fiberglass and aluminum containers two high atop the Ten Packer flatcars. The containers have doors on the top and bottom to permit them to haul grain, as well as at the ends to allow merchandise to be carried. Their lighter weight also means they can haul 105 tons of cargo, 5 more than a standard covered hopper.

NORTH AMERICAN Car Co. has been attempting for years to interest railroads in its Road Railer, a truck trailer that is fitted with tires for highway use and steel wheels for use on the railroads.

Illinois Central Gulf Railroad leased 80 of them in the fall of 1981 for its Louisville-to-Memphis route in an attempt to increase business.



A mobile crane lifts Santa Fe's "Fuel-Foiler" container from a rubber-tired chassis to load it. The containers can be adapted to handle various materials or packaged goods and can be placed atop Santa Fe's Ten Packer flatcars.

Journal of Commerce, May 13, 1983

Conrail Tailors Its Service to Suit Kellogg

By KEITH M. ROCKWELL
Journal of Commerce Staff

In an effort to stop an ever shrinking flow of traffic from a major customer, Consolidated Rail Corp. has tailored its service to fit the needs of Kellogg Co. of Battle Creek, Mich.

In the past, Norbert Leiberg, Kellogg's director of traffic, has complained that the railroads were not customizing and selling the services as competitively as many irregular route truckers and he was switching modes where appropriate.

Although the number of rail shipments per day has remained at about 75, in the past two years Kellogg has increased the percentage of truck shipments from about 10 percent to close to 20 percent of their total traffic.

Last year Kellogg went to Conrail and requested some changes in its service to improve the speed of delivery. Last fall, a trial system called Warehouse on Wheels was instituted and the benefits were realized almost immediately. A 48-hour improvement in the delivery speed to the East was reported on a large number of shipments.

"This was a measure to preclude wholesale shifting to trucks," said Mr. Leiberg. "We can run 600-800 miles economically with a truck but we felt we could make more effective deliveries with railroad shipping, because one railcar can haul the customer's requested freight rather than one and a half or two trucks."

In March, Conrail and Kellogg agreed to a year-long contract for the WOW service. The improved service has meant savings for Kellogg, and its customers are pleased because they can keep their inventories lower.

"The rail costs are very competitive at these distances. It's a good blend of service and costs. Our customers are concerned about higher inventory and we've tried to stay ahead of the industry to offer the best possible service," he explained.

Each Friday morning at 9:00 a.m. a 50-car train, loaded with cereal, leaves Kellogg's Battle Creek facility for Elkhart, Ind., where the cars are classified. Following classification, the cars move to one of four major Conrail terminals — Conway near Pittsburgh, Selkirk near Albany, N.Y., DeWitt in Syracuse and Oak Island in Newark, N.J. — where the freight is distributed to 60 cities in eastern states.

By Monday or Tuesday the shipments are ready to be received by the consignee. According to Mr. Leiberg, Conrail guarantees that customers within a certain radius of the terminal will receive their shipment in 12-24 hours. Conrail's service to date has been excellent, he added.

"They (Conrail) have been very consistent with their service. We've reduced the number of transit days from six or seven down to four. Quite a number of our customers really like the service because it's really dependable," said Mr. Leiberg.

Another advantage of rail car delivery is that customers can unload the railcars faster than trucks.

"The customer has an advantage in unloading railcars because he has automated equipment designed to unload cars faster. It's much faster than unloading a truck," Mr. Leiberg noted.

He said Kellogg has spoken with other railroads about setting up similar systems but so far nothing has come of it, because there is a lack of volume going to other regions of the country.

"We are looking at other areas but we don't have the volume going to the designated terminal areas, we need 50 cars for the short train service," he said.

Another problem with WOW delivery to other areas is that single line hauls are necessary to achieve more efficient service. Service involving line switching is ineffective, he said, because it means too many delays.

Other railroads, beside Conrail, are also beginning to offer more innovative service and programs to their customers, noted Mr. Leiberg.

"Some of the major carriers are really working at it," he said. "In the last year we've seen more interesting new methods and innovative service, including expanded piggyback and more contract committments to particular equipment and service."

Conrail has also offered similar service to other food manufacturers, said Steven Lubetkin, Conrail spokesman, and those customers are currently studying the proposal.

"While the rail rates on the WOW service are about the same, it's the speed and consistency of service that reduced Kellogg's overall costs," said Mr. Lubetkin.

Wall Street Journal, May 23, 1983

Kansas City Southern's Chief, Hockaday, Quits To Take Hallmark Post

By SUE SHELLENBARGER
Staff Reporter of THE WALL STREET JOURNAL

KANSAS CITY, Mo.—Irvine O. Hockaday Jr., president and chief executive officer of Kansas City Southern Industries Inc., resigned to become executive vice president of Hallmark Cards Inc.

Mr. Hockaday, 46 years old, is seen as the architect of the railroad's rapid profit growth and diversification during the past decade into financial services and insurance.

On July 1, W.N. Deramus III, will succeed him as chief executive, retaining the title of chairman. Landon H. Rowland, vice president, will succeed Mr. Hockaday as president and assume the added new titles of chief operating officer and director, filling a vacancy on the board after the death of Edward M. Douthat. Mr. Hockaday retains his seat on Kansas City Southern's board.

Mr. Hockaday, who also is a director of Hallmark, said he was drawn to the closely held greeting-card maker by an "exceptional career opportunity." At Hallmark, which had 1982 sales of more than $1.25 billion, he will be one of the three members of a new office of the chairman, and he seems a logical candidate to succeed its other members as Hallmark's chief.

He succeeds David H. Hughes, 54, as executive vice president. Mr. Hughes was named president and retains the title of chief operating officer. Donald J. Hall, 54, formerly president, becomes chairman, filling a vacancy after the 1982 death of his father, Joyce C. Hall. Mr. Hall retains the title of chief executive.

Was Approached for Job

Mr. Hockaday acknowledged in a telephone interview that Mr. Hall, a close friend, had approached him several months ago to ask his help in mapping Hallmark's future course, including possible diversification moves. Hallmark has "an array of options to consider, and I'll be involved with the office of the chairman in that dialogue," Mr. Hockaday said. He wouldn't comment on his long-term prospects at Hallmark, although he said: "If I didn't feel I'd remain there for the rest of my career, I wouldn't have gone."

The announcement startled Wall Street, where Mr. Hockaday was viewed as an articulate corporate spokesman who had won the respect of institutional investors. In composite trading Friday on the New York Stock Exchange, Kansas City Southern shares fell $3 from Thursday's close, then recovered to close at $53.25, up 25 cents.

The recovery apparently came as reports circulated that Mr. Hockaday wasn't leaving because of discord at Kansas City Southern. He denied any conflict with officers or directors, and said he's retaining his own stake in the company, which was more than 66,000 shares as of March 1982. Kansas City Southern has a bright future, he said, adding: "Our businesses are all very exciting and it's a very difficult thing to leave that."

In the first quarter, Kansas City Southern had profit of $6.6 million, or 65 cents a share, on revenue of $94.8 million.

Railroad's Prospects

The railroad also is seen as a prime takeover candidate, but Mr. Hockaday denied that he was concerned about a possible change in control. "Our railroad could be an attractive link in the chain of a larger railroad. That doesn't mean our railroad can't and won't remain profitable and independent," he said. He added that ownership by employees and officers of about 20% to 30% of Kansas City Southern's stock could impede a hostile takeover.

Nevertheless, Kansas City Southern's sale to the public earlier this year of about 14% of its DST Systems Inc. financial-services subsidiary was seen as a possible prelude to takeover. The sale could help a potential suitor estimate the market value of the unit, which some merger partners, such as another railroad, might want to sell, analysts suggest. A spokesman for the most frequently mentioned potential suitor, Burlington Northern Inc., declined comment Friday on its intentions.

Mr. Hockaday also denied that he was sought to solve budding problems at Hallmark. "I've been a director long enough to know it isn't a troubled situation. It's a remarkable success story," he said.

It would be "premature to comment" on steps Hallmark is considering, he said. A Hallmark spokesman said the addition of Mr. Hockaday will leave the company "most organized for strategic thinking." He added: "We don't have anyone quite like him inside." Although Hallmark is considering diversification and "business expansion," it doesn't plan to leave its current business lines, and "we aren't sitting on an announcement," the spokesman said.

In another personnel change at Kansas City Southern, Donald L. Graf, vice president and chief financial officer, becomes senior vice president, finance.

C&NW Granted Pre-Hearing Meeting

Journal of Commerce Staff

WASHINGTON — A pre-hearing conference before an Interstate Commerce Commission administrative law judge has been granted the Chicago and North Western Transportation Co. in relation to ICC hearings over Grand Trunk Corp.'s planned acquisition of a reorganized Chicago, Milwaukee, St. Paul and Pacific Railroad Co.

The conference will be held on June 9 at the offices of the Interstate Commerce Commission to discuss "significant discovery problems and related procedural matters."

Journal of Commerce
June 3, 1983

Des Moines Register, May 13, 1983

Money crunch dominates final assembly tasks

By DEWEY KNUDSON
Register Staff Writer

Iowa lawmakers convene this morning for what they hope will be the final time this year, still looking for solutions to problems they faced when the session began 123 days ago.

Most deal with money — the lack of it, how to raise more and how to spend less.

It's fitting that these questions remain, because the 1983 session was dominated by the search for ways to help the state and its people through the worst economic times since the 1930s.

Here are the decisions lawmakers need to make before calling a halt to the session:

• How to bail out the fund that pays benefits to out-of-work Iowans, which now is about $140 million in debt to the federal government.

The House and Senate have agreed on the outlines of a package that would blend a tax increase for Iowa employers and a cut in benefits. But the two chambers are at odds over the details of the bailout plan, including whether jobless people ought to have to wait one week before drawing the first benefits check.

Gov. Terry Branstad says the broad plan "does not have and will not have my support," arguing that it penalizes employers too heavily. The legislative plan would require employers to pay $4.50 to $5 in added state and federal taxes for every $1 sacrificed by the unemployed.

The governor's threat of a veto could mean lawmakers will go home without solving the jobless fund problem, unless they can pull together a last-minute compromise acceptable both to Branstad and to legislative Democrats.

• How to update Iowa's income tax laws so the tax brings in $23 million more next year.

Lawmakers first proposed to limit the deduction an Iowan can claim on a state tax return for federal taxes paid, but they backed off because of a threatened veto.

Although the final version is still being written, it probably will be more palatable to the governor. Key elements in the measure are expected to include a tougher minimum tax on Iowans with many deductions and reduced deductions for medical expenses.

• Whether to permit a new form of legal gambling in Iowa.

Senators approved pari-mutuel betting in February, but House members wanted some changes as they considered whether to add their approval. The representatives voted two weeks ago to set up a state lottery, after the Senate had rejected the idea.

The lottery remains alive in the final hours of the session, and senators and representatives will try to negotiate common ground on the racetrack wagering proposal.

• How to craft the final details of a $2.02 billion appropriations plan for 1983-84 so spending does not exceed revenues.

The budget package includes at least $30 million in "safety valves," appropriations that will be delayed and use tax revenues that will be diverted temporarily to the general fund, in case the money is needed to pay the state's bills on time.

House and Senate conferees also are tinkering with the details of the remaining appropriations bills.

Still up in the air are legislative plans to find $15 million for preservation of an east-west railroad line across the state and to increase state aid to local school districts by $55 million to $65 million in 1984-85.

• What steps the state can take to help create jobs.

The House and the Senate have passed different versions of legislation that would spend about $22 million for public works jobs, soil conservation loans, energy conservation projects and other jobs proposals. The legislation also would authorize $10 million in bonds for highway construction.

Now the two chambers must seek common ground on a proposal to fulfill the Democrats' top campaign promise from last fall's elections.

• Whether to permit modest competition in cigarette sales in Iowa.

The two chambers disagree on whether to keep intact the Unfair Cigarette Sales Act, which requires wholesalers and retailers to mark up their costs by a set percentage.

It's important that the dispute be settled, because it is tied to a measure making the state's 18-cent cigarette tax permanent. If the bill fails, the tax falls back to 13 cents a pack, and the treasury loses $17.5 million a year.