Corporate Relations

M E D I A   M O N I T O R   January 20, 1983

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

Railway Age January, 1983

GT's Nighthawk flies off with the business

Even in a deepening recession, there's new business available for the company with a demonstrably better product—and Grand Trunk Western has proved it.

Grand Trunk's product is service—and vastly improved service is what GT promised when it introduced its new Nighthawk expedited freight trains between Chicago and Detroit in mid-'82. "Purpose of the Nighthawk," said Michael J. Barron, GT assistant vice president-marketing, "is to sharply reduce the time cycle between Chicago and Detroit markets. We expect to slash individual rail car transit time to less than 24 hours." At that time, normal transit time was 36 hours.

GT did what it promised to do, and in December the railroad's president, John H. Burdakin, proudly announced the results: Since inception of the new service, GT has added new customers and new business worth more than $3.6 million. Burdakin credited a 50% transit-time reduction—plus cooperative labor-union agreements—for the success.

Grand Trunk President Burdakin goes before the cameras to tell a success story.

Milwaukee Sentinel 1-11-83

Railroad to offer 90% on tax

The trustee of the bankrupt Milwaukee Road announced Tuesday he will seek court approval of a plan to pay 90% of certain taxes owed to state and local governments in Wisconsin and other states.

If approved by the court, the settlement could mean about $50,400 for the City of Milwukee and a total of $30,600 for the other municipalities in the County of Milwaukee.

City Treasurer Wayne F. Whittow said the railroad owes the City of Milwaukee about $56,000 in property taxes, interest and penalties. County Treasurer Paul J. McCormack said Milwaukee County's claim against the railroad is for about $34,000. Besides its own back taxes, the county collects overdue taxes for all other municipalities in the county except the city.

Richard B. Ogilvie, the trustee, said the payments could total about $22 million.

He said he will seek federal Bankruptcy Court authority for "payment of 90% of undisputed past due state and local tax claims" to be made between April 1 and June 30 of this year.

"Taxing authorities accepting such payments would be required to waive any further claim arising out of past due taxes but would begin to receive future tax payments on a current basis," Ogilvie explained.

The payments would be for property, sales, use, special assessment and other taxes owed since 1977 when the the railroad filed for reorganization under Chapter 11 of federal bankruptcy laws, according to a Milwaukee Road spokesman.

There are claims by taxing units in 13 states, he said.

Ogilvie's request for court approval of the proposed settlement of the claims is scheduled to be heard at 3 p.m. Jan. 24 in Chicago.

Des Moines Register
January 13, 1983

Milwaukee Road offers back-tax settlement

1-13-83

By RANDY EVANS Des Moines
Register Staff Writer

A second bankrupt railroad has come forward with a proposal to pay its past-due Iowa property taxes — a $3 million debt that has been run up since 1977.

Terms of the proposal by the Milwaukee Road are virtually identical to those proposed two months ago by officials overseeing the dismantlement of the defunct Rock Island Lines.

Milwaukee trustee Richard Ogilvie said the railroad is offering to pay 90 cents of every $1 in taxes the line owes in Iowa and 12 other states. The railroad's offer does not include payment of any penalties or interest on the overdue taxes, but Ogilvie said the company intends to pay its future tax bills on time in those states or counties that accept his settlement offer.

The railroad's $22 million offer still must be approved by the company's bankruptcy judge. But a Milwaukee spokesman said that is expected to come at a hearing in Chicago on Jan. 24.

Since 1977, when the railroad went into U.S. Bankruptcy Court to sort out its financial problems, the Milwaukee has not paid the property taxes it owes to cities, counties, schools and public hospitals in 56 of Iowa's 99 counties. The amounts range from a few thousand dollars in some counties to more than $100,000 in others.

Unlike the Rock Island, the Milwaukee has continued to operate.

Iowa officials expressed interest in Ogilvie's settlement proposal, but the question of where the Iowa taxes will wind up is still open. The Iowa State Association of Counties has challenged the legality of a little-known 1981 law that directed that past-due railroad taxes be paid to the Iowa Railway Finance Authority to be used to finance rail improvements. The association's case now is pending before the Iowa Supreme Court.

Journal of Commerce
1-14-83

Railroad Has Plan For Claim Settlement

Journal of Commerce Staff

The Milwaukee Road railroad is seeking authority to settle outstanding tax claims against the bankrupt carrier at 90 percent of the principal.

Richard B. Ogilvie, trustee of the Chicago, Milwaukee, St. Paul and Pacific Railroad Co., has announced that he will seek permission from U.S. District Court Judge Thomas McMillan to settle claims filed by governmental units. The railroad served 13 states before a rationalization program that reduced its size by about two-thirds.

Tax payments made as part of the offer could exceed $22 million, Mr. Ogilvie said.

Mr. Ogilvie also announced that taxing authorities which accept the offer will begin receiving current tax payments July 1 as they become due.

The plan being presented requires that the units waive future tax claims

Wall Street Journal
January 11, 1983

Milwaukee Road Plan On Paying Tax Claims Proposed by Trustee

By a WALL STREET JOURNAL *Staff Reporter*

CHICAGO—The bankruptcy trustee for Chicago, Milwaukee, St. Paul & Pacific Railroad said he will seek court approval to settle as much as $22 million in state and local tax claims by paying 90 cents on the dollar.

The trustee, Richard B. Ogilvie, will propose the tax settlement program to federal Judge Thomas R. McMillen by the end of the month, said a spokesman for the carrier, known informally as the Milwaukee Road.

Under the plan, the Milwaukee Road will offer to pay 90% of undisputed back taxes between next April 1 and June 30. The states and localities would waive further claims, but would receive tax payments on time in the future, Mr. Ogilvie said.

The railroad filed under the U.S. Bankruptcy Code in 1977 and has said it expects to be out of reorganization by the beginning of 1985.

Wall St. Journal
January 20,1983

Rock Island Road Files Plan to Pay All Claims, Interest

By a WALL STREET JOURNAL *Staff Reporter*

CHICAGO—The bankruptcy trustee for Rock Island Railroad filed a reorganization plan in federal court here that provides for full payment of all $302.8 million in claims against the road, plus interest.

William M. Gibbons, the trustee, said he hopes the plan, which requires court approval, can be implemented by the end of this year. The court will decide whether the plan also must be approved by creditors and shareholders.

Under the plan, claimants would receive their principal amount, plus interest, in cash. But bondholders would receive certain interest payments due to them in notes totaling about $63.3 million.

The plan calls for existing holders to retain their stock and take over the reorganized company. They then would continue the trustee's effort to lease and sell the railroad's properties, and could conduct other business.

The carrier, formally known as Chicago, Rock Island & Pacific Railroad Co., entered bankruptcy proceedings in 1975. It was the nation's No. 12 railroad with more than 7,000 miles of track in 13 states. It attempted to remain in business, but following a series of reversals a federal court in 1980 ordered it to end operations and sell properties.

Since then, Mr. Gibbons said, asset sales have exceeded $280 million, leaving about $150 million of properties available for sale. The plan estimates that selling the remaining properties can substantially be concluded by the end of 1985.

According to the plan, the railroad had total assets as of Dec. 31 of $388.2 million, including some $240 million of cash held in escrow, most of it resulting from asset sales. The road's liabilities totaled $306.9 million, leaving $81.3 million of holder equity.

Last week, President Reagan signed into law a bill providing a $35 million federal grant to the road's former employees to cover such things as severance pay. That move followed a Supreme Court ruling that the road wasn't liable for such payments.

J ournal of Commerce Two articles January 19, 1983

Southern Pacific Expands Portland Intermodal Facility

By MAUREEN ROBB
Journal of Commerce Staff

PORTLAND, Ore. — Southern Pacific said it opened a new intermodal rail yard at the Port of Portland, noting that its intermodal cargo at the port increased 8 percent last year.

That rate of growth "was tremendous, considering the recession," Southern Pacific spokesman George Kraus said in a telephone interview.

The railroad's new facility, which handles ocean containers and highway trailers, has been designed to faster process intermodal traffic. In the first phase of its expansion program, Southern Pacific spent $750,000 to install new tracks and a crane.

A major feature of the yard is the Drott Travel-Lift crane, which operates on reinforced concrete running lanes and straddles two 1,200-foot tracks. Each can hold 13 flatcars.

The crane can lift containers and trailers that weigh up to 40 tons, according to Southern Pacific.

The railroad's 15-acre facility is also expected to be expanded to cover 35 acres by 1984, said Mr. Kraus.

In a statement, Southern Pacific said its new equipment considerably speeds up cargo handling. One crane operator and a one-man tie-down and trailer-release crew can unload a container or trailer in 90 seconds, the company said.

The railroad has also received the first of 30 IMPACK intermodal cars ordered from Itel Corp. Ten four-unit and 20 eight-unit cars have been ordered and will be built by FMC Corp. in Portland.

According to Southern Pacific, the lightweight skeletal design of these articulated cars makes them about 12 percent more fuel efficient than conventional intermodal units.

The Portland facility, meanwhile, will handle cargo from northern Oregon and Washington destined for the San Francisco and Los Angeles metropolitan areas and points east.

And while the firm's rail tonnage decreased last year in the Pacific Northwest, Southern Pacific said it is enjoying substantial intermodal cargo growth in Portland and elsewhere.

Nationwide, its loadings of intermodal trailers and containers grew by 23.8 percent in 1982, more than three times the industry average increase of 7.6 percent, the railroad said. The company did not release its actual intermodal tonnage figures, however.

Other railroads, including the Burlington Northern, have also expanded their Portland intermodal facilities recently, according to the port. And while the traffic outlook for this year is unclear, Mr. Kraus said Portland-area transportation observers are getting more optimistic about the local economy due to lower interest rates and an increase in local job openings.

Last year Southern Pacific added 300 45-foot trailers to its fleet, and it has taken delivery of 330 semi-insulated trailers to carry wine and canned goods.

The railroad is also converting 450 obsolete, open-style multilevel automobile transport cars to piggyback flatcars. Each flatcar will carry two 40-foot or two 45-foot trailers.

The carrier said it has put into service 42 railcars that carry containers, two high, and do the work of 210 conventional flatcars. These cars, made up of five articulated units, operate between West Coast and Gulf ports.

Chgo Sun/Times
Jan. 16, 1983

Railroad clearing debt. One big item of debt may be cleared up by the bankrupt Milwaukee Road if it can pay off $22 million in taxes due to state and local governments for 90 cents on the dollar. Trustee Richard B. Ogilvie has asked the bankruptcy court to permit the company to use dividends from its wholly owned Milwaukee Land Company to become current with the tax authorities. About $3.5 million is owed to the state of Illinois.

The state and local governments are expected to go along in order to get 90 percent of their $22 million oustanding debt without waiting up to two years until the Milwaukee Road hopes to be out of bankruptcy. The railroad promised to keep tax payments current from now on.

ICC Maps Rail Pact Rule Change

Journal of Commerce Staff

WASHINGTON — New rules aimed at permitting railroads to begin hauling freight under contracts negotiated with shippers the day a contract is filed with the Interstate Commerce Commission has been proposed by the agency.

The proposal is an attempt by the commission to clear up some confusion over whether the ICC has the power to permit contracts to go into effect on less than 30 days' notice.

Under terms of the plan the contract and contract summary filed with the agency must state that the shipment may be hauled on the filing date, though the proposal must be reviewed by the agency.

But the short notice provision will not apply if the amount of equipment needed to provide the service exceeds the 40 percent capacity contained in the law.

If the carrier does not have to observe this requirment it must say so and identify when the relief was granted.

Rates contained in tariffs that would cover the traffic will apply if the contract is disapproved or rejected by the commission.

But carriers are free to seek reparations or a waiver of undercharges in these circumstances, the commission said.

Comments are Due by Feb. 18.

The case is docketed at the agency as Ex Parte 387, Sub 200, Contract Implementation Date.

'82 WAS TOUGH ON RAILROADS

By Gary Grimmond
Staff Writer

MASON CITY — All but two of the half-dozen or so railroads that once served North Iowa are gone and even those two were hard pressed to survive 1982.

To say it wasn't a very good year is an understatement, said Jeff Koch, manager of the Chicago and North Western Transportation Co.'s central division which is based in Mason City.

"It was very poor; weak in grain shipment, weak in revenues."

3,000 miles of track

There were some promising indicators but nothing ever developed, said Koch whose division takes in about 3,000 miles of track and runs from Minneapolis to Kansas City, Mo., and includes most of Iowa.

"Being located in Iowa, grain is a large part of our revenue," said Koch who added that of all the commodities grain showed the largest decline.

Normally the North Western's central division ships about 10,000 carloads of grain a month with one month hitting 13,000. But this has fallen way off and last month amounted to only about 3,500 cars, Koch said.

The lack of grain shipment has been the main reason for about 30 percent to 35 percent of the railroad's employees in the Central Division being laid off. In the Mason City area that figures out to 75 to 90 employees. (Early in December the Chicago headquarter-based railroad announced that it was laying off about 1,000 of the 10,000 workers in the system because of a sluggish economy.)

North Western oversupplied

Koch said North Western is oversupplied with equipment it had expected to be using. He cited about 5,000 grain cars in storage in Iowa because that's the main grain state. There are about 10,000 cars of all kinds in storage throughout the system, he said.

There may be some improvement in business in other commodities but probably not in grain, says Koch.

"They say grain shipments will be up in 1983 and we hope it will be but looking at prices and talking to our customers it doesn't look like it," Koch said.

Added James R. MacDonald, director of public relations in the North Western's Chicago headquarters: "It's been a tough year. This is a very tough recession."

"Grain is simply not moving in any quantity at all," said MacDonald who noted that there is talk of sales to Russia and Mexico but for railroad shipping it "sure hasn't shown up."

$13 million loss

MacDonald said that the C&NW lost about $13 million in the first nine months of 1982 compared to an income of $41 million for that period in 1981 and a total income of $54.3 million for the year.

"We're hoping 1983 will be better but no one is predicting a dramatic improvement in the economy," MacDonald said. "It looks like a slow recovery."

An office worker for the Milwaukee Road in Mason City said they had some layoffs in 1982. He estimated business was down 10 percent to 15 percent.

"We're not doing too bad in light of the grain market," he said. "We're not doing what we'd like to do nor are we doing what we'd be doing if we had a good export market.

"But we're moving some grain for the domestic markets."

At Milwaukee Road headquarters in Chicago, Bill Bickley, director of corporate relations, said the company has been storing hopper grain cars because of lack of demand.

"Grain hasn't been moving like we'd like it to," Bickley said.

Reorganization continues

Bickley blamed the lagging farm economy and the economy in general for the lack of business for the Milwaukee Road which is still going through the pangs of reorganization following bankruptcy.

He said the company expects to file an amended reorganization plan with the court asking that the Milwaukee be part of the Grand Trunk Corp. railroad which takes in a network of other railroads.

In that revised plan of reorganization it was noted that the Milwaukee Road operating deficit was expected to be $30 million in 1982 which should be compared to almost a $90 million loss in 1981.

Bickley said the Milwaukee has been "making some adjustments" and noted that where it once had 10,000 miles of track systemwide it now has about 2,900 miles. Still intact is the east-west line through Mason City to the Mississippi River which Bickley said will continue to be an "important part of the Milwaukee operation."

Where the Milwaukee Road was liquidating part of it's trackage because of bankruptcy, the Rock Island railroad which once served the Mason City area is in total liquidation and is no longer operating. (The other major railroads operating in Mason City as late as 25 years ago were the Chicago Great Western and the Minneapolis and St. Louis.)

Old lines being purchased

The Milwaukee Road has purchased a portion of the old Rock Island line from Clinton to Washington, Iowa, and the North Western is trying to buy the Rock Island line from the Twin Cities to Kansas City.

The North Western is operating over tracks of the defunct Rock Island and MacDonald says his company "still has hopes of getting" the Twin Cities-to-Kansas City "spine line." He called this the "principle grain-gathering" line in Iowa and it could do a lot to beef up the North Western, the railroad MacDonald calls the "principal survivor" of the several that once served Iowa.

MacDonald said the North Western is in "excellent physical shape" because of the time and money spent the last five years upgrading track and equipment.

From that standpoint the North Western is in much better shape than it has been in the past, he said.

Will the North Western survive?

"Oh sure," said MacDonald. "We're strong enough to tunnel through this recession."

Wall Street Journal
January 14, 1983

Canadian Pacific Chief Sees 'Pretty Slow' Rise In Economy This Year

By a WALL STREET JOURNAL Staff Reporter

TORONTO—The chief executive officer of Canada's largest company predicted "pretty slow" growth in the Canadian economy this year and probably next year.

Frederick Burbidge, also chairman of Canadian Pacific Ltd., added that the company's fortunes won't improve until the economy does.

Canadian Pacific, based in Montreal, has interests in railroads, an airline, shipping, trucking, telecommunications, mining, steel, oil and gas, and real estate. In the nine months ended Sept. 30, the company earned $153.5 million (Canadian), or $2.12 a share, down 61% from the 1981 period. For all of 1981, net income was $485 million, or $6.75 a share.

The executive told a meeting of analysts that once a recovery begins, the medium-term outlook for Canada's economy is favorable. He cited declining inflation rates, slowing oil-price increases in Canada and moderating wage costs that would result from a Canadian government program to limit wage increases.

Mr. Burbidge predicted an "imminent" resolution for the longstanding dispute between Canada's railroads and the government over the rate the railroads receive for hauling grain. The rate hasn't changed since the turn of the century. If the issue is resolved and the rate increased, "for the first time CP Rail will be financially viable," he said.

Turning to the company's CP Air airline unit, Mr. Burbidge said it is losing money on domestic operations and breaking even internationally. He predicted a general drop in air travel within Canada this year, while international air travel would hold steady. "I would be looking for CP Air to improve significantly probably beginning in 1984."

Mr. Burbidge estimated that structural-steel markets "probably are going to be pretty slow right through to the middle of the decade," while markets for steel tubular goods probably won't turn up before 1984 or 1985 because of "immense oversupply in the industry." Algoma Steel Corp., Sault Ste. Marie, Ontario, is owned 58% by Canadian Pacific Enterprises Ltd., itself about 70%-owned by Canadian Pacific.

Analysts queried Mr. Burbidge about CP Enterprises' 1981 purchase of what now is CIP Inc. for $1.1 billion. The executive conceded that the forest-products concern's financial performance "will reflect its very serious level of debt," but he said it was too early to say how good a purchase CIP was.

Journal of Commerce
January 12, 1983

Truck Tax, Decontrol Intertwined

Presidential Ploy May Result in Merger Of Three Agencies

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Almost total elimination of government rate and entry controls over the nation's trucking industry is the price the industry might have to pay in exchange for any reduction in heavy-duty truck tax hikes that cleared the lame-duck session of Congress.

If the ploy proves successful there may be a push to combine the Interstate Commerce Commission, the Federal Maritime Commission and what's left of the Civil Aeronautics Board into a single transportation regulatory agency.

But several factors will have to fall in place if the strategy is to prove successful, and it would probably take about a year for it to work.

Provisions of the law call for the present $240 per vehicle fee to increase to $1,600 on July 1, 1984, and eventually to reach $1,900 by July 1, 1988.

The increase was strongly opposed by the American Trucking Associations and other interests on grounds it is confiscatory, and getting a reduction is the ATA's top priority in this Congress.

But indications are that total deregulation of the trucking industry may be the price the truckers will have to pay for the tax relief.

Specifically, there is talk about lopping off $300 or $400 per vehicle from the tax increase if the industry is willing to accept elimination of virtually all ICC controls over the industry.

Presumably this will include the industry's ability to meet and set freight rates on shipments without fear of antitrust prosecution.

A special commission to study the industry's need for continued antitrust immunity is scheduled to meet later this month, and a vote to recommend termination is expected.

The industry's immunity to meet and set freight rates on single-line shipments — goods hauled by a single company — is set to expire July 1, 1984.

ATA officials have not been formally contacted about trading off part of the tax increase for total deregulation.

But the proposal has been discussed with representatives of some of the nation's larger carriers, persons familiar with the situation told this newspaper.

It is unclear whether any of them were receptive to the proposal, and their support is essential to gain industry acquiesence.

But several factors make them relatively optimistic that the proposal could fly.

For example, a proposal that the ATA reexamine its traditional opposition to abolishing ICC controls over the industry generated a good deal of support at last summer's meeting of the group's executive committee.

The plan might prove even more attractive if a $200 to $400 reduction in heavy-duty truck taxes were made part of the deal.

Department of Transportation officials said they are unaware of any plans for possible tradeoff.

If such a move proves successful Senate Commerce Committee Chairman Robert Packwood, R-Ore., is expected to push for a merger of the ICC, the FMC and the CAB.

But about the only ICC functions left would be in the rail area since legislation eliminating barge and freight forwarder regulation also is expected.

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Journal of Commerce January 19, 1983

CONRAIL ENTICES SHIPPERS WITH BOXCAR REFUND PLAN

By RIPLEY WATSON 3rd
Journal of Commerce Staff

Conrail is initiating a $100 per carload refund program Feb. 1 enticing shippers to fill boxcars in an effort to reduce empty movements on its system.

The program, known as Match the Mark, could mean as much as $5 million savings to shippers. Conrail estimates that 50,000 movements through its system would qualify for the refund program.

The program permits the shipper to gain the refund by ordering one of the 50,000 cars currently moving empty while returning to their owners in other regions.

"We hope that anyone who can qualify will make an attempt to collect on this refund," said Dean Wise, Conrail's manager of asset marketing for its boxcar group.

What would be happening in effect is that the car for which a refund will be paid would substitute for another car which would have operated with the same load.

The refund program was seen as another step in Conrail's efforts to improve boxcar utilization. The carrier has filed a petition with the Interstate Commerce Commission to deregulate boxcar traffic.

A number of areas and railroads were targeted for the program.

Cars carrying marks from New England railroads, many southeastern lines, Conrail, Canadian and Railbox cars are among those which would be eligible for refunds on traffic from west of the Mississippi River to the northeast and Canada.

Another area targeted for the program are loads from the southeast to the northeast in Canadian, New England and Conrail marked cars.

Non-Conrail origins from New England and eastern Canada to the southeast in southeastern railroad owned equipment would be included.

Also covered are Conrail owned cars on loads from western Canada to the northeast.

Mr. Wise estimated that as many as 12,000 shippers could take advantage of the program.

James A. Hagen, Conrail's senior vice president-marketing and sales, said that Conrail annually receives or moves as a bridge carrier 300,000 cars from the targeted areas.

Mr. Wise would not estimate the total savings Conrail hopes to realize from the program, but he said that savings would at least equal the amount of the refund paid and that savings would be much greater in other cases.

He anticipated that an average of 500 miles of empty handling would be saved on each car that is loaded under the program.

Conrail would be happy to reach 15,000 loads as part of the new program, Mr. Wise said, but he added "if we can pay out $5 million in refunds, we'd be very pleased."

"We are trying to provide the shipper with an incentive to catch that car," Mr. Wise said.

"We're hoping that incentives to shippers can help improve utilization and make boxcars that much more competitive, by encouraging cars to be loaded which would otherwise return to their owners empty," Mr. Hagen explained.

One potential stumbling block to the program are railroads which might be reluctant to position other railroads' reloaded cars for shippers instead of their own.

Mr. Wise said Conrail didn't want to antagonize other carriers. "We hope other railroads will join us," he said.

"Others will benefit, too. There is a real transportation savings here," he added.

One example of the program's application which he gave was a Boston & Maine or Maine Central Railroad cars which are loaded on western railroads and destined to the Northeast.

Mr. Wise acknowledged that the cars covered by the refund program currently are the subject of $25 to $250 surcharges. He said, however, that Conrail chose not to repeal the surcharges because they don't apply only to the Match the Mark cars. An additional factor was the complexity of Conrail's surcharge tariff, he said, which runs to over 600 pages.

The new Match the Mark tariff is CR 9038 and will be sent to any shippers that receive Conrail tariff filings, Mr. Wise said.

He added that a comprehensive mailing will be sent to Conrail's mailing list outlining the program.

Interested shippers can obtain further information by contacting their sales representatives, he said.

The refunds apply to all traffic which moves in boxcars except auto parts, Mr. Wise said. Auto parts were exempted because of the specialized equipment which must be used on the moves, he said.

Business Week 1-17-83

A boxcar investment that has derailed

The woes of a little-known entity called Railbox Co. could end the gilt-edged status long-enjoyed by equipment trust certificates for railroad rolling stock. Chicago-based Railbox was created by 10 large railroads in 1974 to build and manage a boxcar fleet. Now, because of the recession and changing shipping patterns, there is a glut of boxcars. Some 75% of Railbox's 25,000-car fleet is idle, and it cannot meet payments on debts exceeding $500 million.

Railbox paid its bills in 1982 only with the help of $43 million from its parent, Trailer Train Co., which manages a fleet of railway flatcars and is owned by 26 railroads. But in December, Trailer Train's board changed its mind. "It elected, undoubtedly with good reason, not to advance any more money," says Raymond C. Burton Jr., Trailer Train's president and chief executive.

Railbox's crisis will likely make it tougher for lines to finance new equipment. The railroads, believing the last thing creditors want is a fleet of idle boxcars, feel lenders will be lenient. But a meeting of all sides scheduled for Jan. 6 did not hold the promise of a quick solution. The manager of at least one big pension fund with a stake in Railbox is adamant that all railroads, not just the company's owners, have a duty to support Railbox. "They have a continuing obligation to make Railbox whole," he says. "Until the railroads do step forward, there won't be any more financing done. This is not a short-term problem."

More likely is that railroads will have to pay more for future financings and that the market will discriminate among them—making decisions based on their individual financial health. Says Isabel Benham, president of Printon, Kane Research Inc.: "There is a general move away from depending on collateral. The emphasis is now on the earning power of the company."

Rails Urged to Retail Piggyback Service

By RIPLEY WATSON 3rd
Journal of Commerce Staff

PHILADELPHIA — If railroads don't move aggressively to retail their intermodal service, a handful of entrepreneurs will control 85 percent of the piggyback business, says the president of CSX's trucking subsidiary.

Leonard C. Schaffel, president of CMX, said the railroad industry's traditional approach of wholesaling its piggyback services has left a marketplace dominated by third party entrepreneurs.

Those firms have been able to gain control of the market by retailing while seeking wholesale rates from the industry, Mr. Schaffel told the annual meeting of the Atlantic States Shippers Advisory Board.

He saw other warning signs for TOFC traffic including substantial increases in costs compared to all-truck operations over the next three years which may cause cutbacks in schedules and equipment.

Railroads missed a chance to compete aggressively when they chose to keep rates intact after piggyback was deregulated, Mr. Schaffel said, cautioning that his views were his own and didn't necessarily reflect the Chessie System's opinion.

That approach mirrored the pre-deregulation piggyback attitude which he termed lackadaisical.

By approaching the market in timid fashion and providing sloppy service and operations based rates, railroads did little to encourage traffic, he said.

From that conservative position, Mr. Schaffel said, the railroads measured piggyback business by units moved, not bottom-line profit.

Some lines even published rates which penalized shippers for providing only one trailer, he explained.

The solution he proposed was an aggressive retailing approach such as the one CMX uses, he said. "Railroads must have their intermodal group," he suggested. Aggressive sales tactics could give railroads market dominance on shipments over 300 miles, he claimed.

"The key to success is flexible rates with superior service," he said.

However, he made it clear that aggressive sales didn't include predatory pricing.

One technique which he felt the industry must embrace is inter-railroad contracts for piggyback shipments. Chessie System has signed some agreements of that type, he said, in which Western railroads acted as subcontractors in intermodal movements.

Another opportunity which Mr. Schaffel called "fantastic" was the ICC decision which makes it easier for railroads to provide trucking services.

The decision which enables railroads to buy trucking companies or expand existing operations is an easy way to get into the retailing side of the intermodal business, Mr. Schaffel said.

When Chessie chose in 1980 to form CMX and seek out intermodal business itself, it was taking an entrepreneurial approach, Mr. Schaffel said.

He said CMX, which uses 200 owner-operators, was using the same entrepreneurial approach as a riverboat gambler.

Chessie's trucking operation has focused on developing a sales base and establishing good relationships with shippers.

The new operation enabled Chessie to take advantage of market conditions created when a rail competitor chose to surcharge rates for northbound traffic. Chessie moved in and created a competitive operation which provided door-to-door service to the Northeast by opening a warehouse which offloaded rail traffic and reloaded freight into trucks for local delivery.

One example of cooperation which he cited was the handling by CSX of the "Orange Blossom Special" perishables train which Seaboard System initiated a few weeks ago between Orlando, Fla. and Wilmington, Del.

Asked if the emphasis on retailing created a tendency to cut shippers agents out of the business, Mr. Schaffel said that "some small-minded shippers agents would think that way."

But, he asked, why would CSX want to take business away from itself. He saw no economic advantage to cutting out shippers' agents.

He told the group third parties such as agents were not enemies. "Some of our best friends are shippers' agents," he said.

Des Moines Register 1-12-83

Harvester, Rock Island sign bond issue agreement

Officials of International Harvester Co. and the City of Rock Island signed an agreement Tuesday to sell $5.9 million of a $6.9 million bond issue intended to help the struggling farm-equipment manufacturer.

The issue is intended to help finance the transfer of a Harvester production line from Louisville, Ky., to the Farmall plant at Rock Island.

The other $1 million issue is expected to be signed Jan. 26, officials said.

Completion of the deal had been held up because of a dispute over collateral Harvester would put up to secure the bond sale.

Rock Island officials were concerned that, should Harvester file for bankruptcy, the city would have to raise taxes to make the bond payments. Harvester, however, took a second mortgage on a warehouse and computerized equipment at the plant, satisfying city officials' concerns.

Des Moines Register
January 12,1983

Polk accepts Rock Island tax offer

By DICK BROWN
Register Staff Writer

Polk County supervisors agreed Tuesday to accept 90 cents for every dollar the defunct Rock Island Lines railroad owes the county in back property taxes.

The agreement could add nearly $300,000 to county coffers this year, and that would help ease a severe budget crunch.

However, the supervisors' vote doesn't necessarily mean Polk County will collect any of the money. The Iowa Supreme Court still must decide whether 56 of Iowa's counties should share $5 million in back taxes owed by the railroad or whether the money should go to the state.

The counties, working through the Iowa State Association of Counties, are challenging a 1981 state law that turns over past-due railroad taxes to a new state fund under the control of the Iowa Railway Finance Authority.

Court Battle

The controversy over the back-tax statute first came up last summer during the bankruptcy proceedings of the Milwaukee Road. The counties then asked the Iowa Supreme Court to resolve the dispute who is entitled to the money.

The resolution approved by supervisors Tuesday stipulates that the association of counties will represent Polk County in the matter and that any back taxes paid by the railroad will be put in an escrow account until court proceedings are completed.

The offer to pay 90 cents on the dollar was made in November by the bankruptcy trustee overseeing the Rock Island.

Records show that the Rock owes Polk County $325,825 in back taxes; the Milwaukee $113,150.

Traffic World
1-10-83

ICC Won't Bring Gov't Of Canada Into GT Case

The Commission has refused a request by the Chicago & North Western Transportation Co. that it include the Canadian Government and Canadian National Railways as parties in the proposed acquisition of the bankrupt Chicago, Milwaukee, St. Paul & Pacific Railroad Co. by the Grand Trunk Corporation.

In a decision served December 30, the Commission said that even if it could exert jurisdiction over a foreign government, inclusion of the Canadian government in the proceeding was not necessary.

The Commission also wrapped up five other procedural matters involved in the acquisition attempt. A petition by the applicants that certain filing requirements be waived was granted and the Commission refused to strike the C & NW's objections to the information waiver. Saying that C & NW's requests for admissions, interrogatories and production of documents from Milwaukee Road and Grand Trunk was premature the Commission sustained the applicant's objections to the C & NW's information request.

The Commission also found that C & NW's petition to intervene in the case was unnecessary. The case is docketed as Finance No. 28640, Sub. 9, *Chicago, Milwaukee, St. Paul & Pacific Railroad Co.—Reorganization—Acquisition by Grand Trunk Corporation.*

Cedar Rapids Gazette
January 9,1983

Grain business slack for new Iowa Railroad

By Al Swegle
Gazette farm editor

An Iowa namesake in the railroad business is alive and well after 13 months of profitable operation.

The Iowa Railroad Association rents 450 miles of track from trustees of the Rock Island from Council Bluffs to Bureau, Ill.

About the only disappointment for the new firm, headquartered in Des Moines, is that the grain business is down somewhat.

But the firm is picking up some business hauling grain to barges on the Mississippi River.

THE FIRM'S biggest customers are the Maytag firm at Newton, the Rollscreen firm at Pella, Eagle Foods at Milan, Ill., Spencer Foods division of Land O'Lakes at Oakland, and the Cargill soybean division plant at Des Moines.

The Iowa Railroad line even hauls some products for Cedar Rapids firms where the line intersects with the Cedar Rapids-Iowa City Railroad line at Iowa City.

"We're not hauling as much grain as we'd like, but we're still in business," Brian Whipple, a founder of the Iowa Railroad Association in Des Moines, said last week in a Gazette interview.

"Barge rates are down so low that we're hauling some grain to river points, but we're experiencing the same difficulties as all railroads in that grain business is certainly slack right now."

THE IOWA Railroad Association was born in November 1981, renting Rock Island track from Council Bluffs to Adair in western Iowa.

Then the Iowa Railroad expanded in May 1982 by renting 70 miles of track from Rock Island to Bureau in western Illinois. The following month the railroad filled in the gap by connecting western Iowa and western Illinois.

Des Moines Register 1/9/83

At last: Iowa railroad picture may come into a clear focus in 1983

By RANDY EVANS
Register Staff Writer

AMES, IA. — It was nearly three years ago that the Iowa Railway Finance Authority was born, delivered into the transportation turmoil that followed the death of the Rock Island Lines and the Milwaukee Road's brush with oblivion.

The agency, the first of its kind in the United States, was created to help railroads and shippers preserve segments of tracks that were considered vital to Iowa's transportation system.

The principal tool the agency was given to carry out its mandate was the power to sell up to $200 million in bonds to finance the acquisition and rehabilitation of lines, either by the state, shippers' groups, or other railroads. Court battles over that bonding authority and a new tax on the diesel fuel burned by railroad locomotives have stymied any meaningful work by the finance authority, however.

But 1983 could be different, state transportation officials believe, and it could be the year when the future of Iowa's railroad network starts being sorted out in an organized fashion.

A ruling is expected sometime this year from the Iowa Supreme Court on the legality of the diesel fuel tax, which would be used to pay off the bonds the Railway Finance Authority issues. The major railroads operating in Iowa have challenged the tax — and lost at the district court level, thus far.

But they have vowed to take their case to the U.S. Supreme Court if the Iowa high court rules against them. State officials said it is quite possible the nation's highest court might routinely decide not to hear such an appeal — as it does more often than not.

If the state wins the case, the Railway Finance Authority would be ready to sell $60 million to $80 million in bonds soon afterward, said Les Holland, the director of the Iowa Department of Transportation's rail division. And the railway agency then would set about deciding which lines the state would make loans for acquisition or upgrading.

"We can see the light at the end of the tunnel," Holland said. "If everything works out well, we could have the money in hand by December."

But 1983 shapes up as an important year because of private initiatves, too, Holland said.

The DOT official is confident that the Rock Island's bankruptcy trustee will consummate the sale of the railroad's main north-south line — one that passes through Des Moines, linking Minneapolis, Minn., and Kansas City, Mo. — sometime this year. The North Western Railway and the Soo Line Railroad have been bidding against each other to buy the line, which has a branch line that stretches into the grain-rich countryside of northern Iowa.

But Holland is not as confident that a buyer can be found for the Rock Island's east-west main line through the middle of Iowa without Railway Finance Authority loans. The line now is being operated under a lease from the Rock Island by the Iowa Railroad, a small Des Moines-based line that has struggled to rebuild the freight traffic that switched to trucks after the Rock Island ceased operations in 1980.

The Iowa Railroad and the Iowa Northern Railroad, which runs between Manly and Cedar Rapids, are the principal feeder railroads in Iowa. Both are now in their second year of operations, and DOT officials believe both serve important functions.

They have done "quite well" considering the serious recession Iowa has been in, Holland said. "But if grain prices continue to lag and business doesn't pick up, they are going to face tough times in '83 making ends meet."

Wall St. Journal
January 11, 1983

"Supreme Court Denies RR Petition to Postpone MOPUP Merger

By HELEN ERICSON
Journal of Commerce Staff

WASHINGTON — The Supreme Court has denied a railroad petition for postponement of Interstate Commerce Commission approval of the 22,000-mile Union Pacific railroad merger.

This marks the second and last high court action on the railroad petition. Chief Justice Warren E. Burger earlier denied the petition. The railroads tried again with Justice John P. Stevens who referred the case to the full court.

The railroad petitions were filed by Southern Pacific Transportation Co., Atchison, Topeka and Santa Fe Railway Co., and Kansas City Southern Railway Co. They claimed the merger of Union Pacific, Western Pacific and Missouri Pacific will cause them irreparable economic injury.

Southern Pacific objected to the fact that the commission failed to set annual rental fees for railroads given trackage rights over the newly merged system. The railroads will have to negotiate to determine the level of charges.

If the carriers do not know ahead of the merger how much trackage rights will cost, there is no way of knowing if the rights fulfill their purpose — providing effective competition, SP maintained.

Santa Fe told the court the merger would divert revenues of more than $50 million annually. Additional losses will be suffered as a result of UP's "predatory route-closing and contraction actions," Santa Fe said.

The merger would "alter fundamentally and irrevocably the present balance of competition among major railroads in the western U.S." Santa Fe claimed.

Wall Street Journal
January 20, 1983

Burlington Northern's Offer for El Paso Co. Contested in Second Suit

By a WALL STREET JOURNAL *Staff Reporter*

SEATTLE – Burlington Northern Inc. said a second shareholder class-action suit has been filed contesting a substitute tender offer by Burlington Northern and its subsidiary, R-H Holdings Corp., to acquire El Paso Co. common shares at $24 each.

On Dec. 21, Burlington Northern made an offer through R-H Holdings to El Paso holders for 25.1 million El Paso shares or about 50.7% of shares outstanding at $24 each. El Paso initially resisted the offer, but when that opposition appeared likely to fail, it negotiated a merger. Under an agreement announced Jan. 10, Burlington Northern and R-H Holdings canceled the December offer and made a new offer to acquire 21 million shares, at the same price. The agreement also provided that Burlington Northern would buy 4,166,667 shares directly from El Paso at $24 each and would have the option of buying 4.9 million more shares at $24 each.

Burlington Northern said a suit filed in New Castle County Chancery Court in Wilmington, Del. by El Paso holder Peter Gilbert, New York, names Burlington Northern, R-H Holdings, El Paso and El Paso directors as defendants. The suit charges, among others, that terminating the December offer and substituting it with the January agreement constituted breaches of the defendants' alleged fiduciary duties to El Paso holders who had tendered shares in the December offer, Burlington Northern said.

The suit seeks, among others, preliminary and permanent injunctions against the January offer and nullification of Burlington Northern's option to buy additional shares. It seeks to forbid the defendants from participating in the proration pools, and unspecified damages.

Burlington Northern and El Paso believe the suit to be without merit and will vigorously defend against it, Burlington Northern said. "We are confident the suits are not going to cause any delay or interference with the tender offer," said Stephen Fraiden, outside counsel for Burlington Northern.

As reported, an earlier class-action suit filed in federal court in Delaware also challenges the agreement.

Burlington Northern is a transportation and natural resources concern. Houston-based El Paso is an oil and gas production and exploration company.

Milwaukee Sentinel
January 17, 1983

Lawmakers will push for prison in city

The Milwaukee caucus of state legislators agreed unanimously Monday to focus renewed efforts to build a maximum-security prison on a new site in the Menomonee River Valley, according to Rep. Thomas Crawford (D-Milwaukee).

The caucus met with Dist. Atty. E. Michael McCann behind the closed doors of Gov. Earl's Milwaukee office to review possible local sites for such a prison and to discuss court action blocking construction of the prison at Portage.

Circuit Judge Patrick Sheedy has delayed work at the Portage site, saying that an environmental impact statement prepared by the State Department of Health and Social Services was inadequate. The Wisconsin Supreme Court has agreed to hear an appeal of Sheedy's decision, bypassing the Wisconsin Court of Appeals, to speed up court action.

The Supreme Court's decision to take jurisdiction — which was based on the overcrowded state of Wisconsin's prisons — makes it necessary for the Milwaukee caucus to move quickly to try to change the site of the prison.

"We have to remember that our main problem is immediate overcrowding in our prison system," Rep. Walter Kunicki said in an interview over the weekend.

Crawford and other legislators have said they want the prison in Milwaukee because it would provide easier access for families visiting inmates and would be the source of temporary and permanent jobs for Milwaukeeans.

Members of the caucus now will meet with Mayor Maier, city aldermen, county supervisors and County Executive O'Donnell to gain more local support for the Menomonee River Valley site, said Sen. Mordecai Lee (D-Milwaukee).

The site is on land owned by the Milwaukee Road east of County Stadium and is "almost invisible from houses" in the area, said Crawford. He said the general area being discussed could most clearly be seen from the 35th St. viaduct.

McCann has refused to release the exact boundaries of the site.

Journal of Commerce
January 19, 1983

Chessie Replies To Conrail Protest

Journal of Commerce Staff

WASHINGTON — Conrail allegations that the Chessie System is taking steps aimed at eliminating competition have been rejected by the railroad.

It is Conrail itself, Chessie told the Interstate Commerce Commission, that is attempting to eliminate joint line competition on traffic moving between points within Eastern Territory.

The charge was leveled in response to Conrail's protest of a Chessie plan to cancel reciprocal switching agreements permitting Conrail to serve some points on Chessie's lines.

Journal of Commerce
January 17, 1983

ICC Rejects Bids; Rail Merger Final

Journal of Commerce Staff

WASHINGTON — Three pleadings seeking to reverse the merger of Union Pacific Railroad, Missouri Pacific Railroad, and Western Pacific Railroad have been denied by the Interstate Commerce Commission.

The petitioners were shareholders of railroads who were dissatisfied with the new arrangement.

The ICC action make the railroad consolidation that won approval last October administratively final.

Journal of Commerce January 10, 1983 Three articles //

Sluggish Growth Seen for Rails

By SUSAN FASS
Journal of Commerce Special

This year's financial outlook for the railroad industry hinges on the timing and extent of the expected economic recovery, according to a number of securities analysts.

At the same time, most of the analysts interviewed in a telephone survey said they did not expect any significant improvement in railroad traffic volume during the first half of the year.

"When the recovery will come and to what degree is still very unclear," explained Sally H. Smith, who follows the industry for Alex. Brown & Sons.

However, most of the analysts surveyed said they believed the economy would turn around sometime during the second half of 1983.

"We are optimistic that real gross national product could be up 3 to 4 percent this year over 1982," said Michael Lloyd of Woolcott Research Associates Inc.

But Mr. Lloyd and others were quick to point out that rail traffic tends to react last to a consumer-led recovery, mainly because much of its traffic is at the raw materials level.

Last year, freight traffic on the major roads totaled an estimated 798 billion ton-miles, a 12.3 percent drop from 1981, according to the Association of American Railroads.

"During the past 30 years, there were very few years — if any — where rail ton-miles improved at a better rate than real GNP unless coal or grain traffic, or both, did better than merchandise traffic," noted Michael Armellino, who follows railsand airlines for Goldman, Sachs & Co.

The outlook for coal at this time, however, does not seem bright. Most of the analyts interviewed agreed with Merrill Lynch, Pierce, Fenner & Smith's Richard Fischer who predicted that comparisons for coal traffic are going to be under pressure early in the year.

"The export outlook will be down 1983 versus 1982," he noted. "Toward the end of the year, there could be some domestic stockpiling with consumption up. On balance," Mr. Fischer said, "the industry could show some modest increase in coal tonnage this year."

Most of the analysts interviewed hedged on their grain forecasts, but they pointed out that because of very high world stockpiles of wheat and corn it was doubtful that prices would rise to a level to encourage farmers to sell their grain until at least the end of the year.

"The rate environment has been very poor and has been for the past year," said Alex. Brown's Ms. Smith. She predicted that "1983 will be another tough year," noting that "the operating environment has to improve in order for the rate situation to improve."

Ms. Smith expressed some concern over the possibility that "although export coal rates have held so far, there is some danger that those rates will be cut back" as a number of long-term contracts come up for renewal.

During the past year there has been severe rate-cutting in piggyback traffic. "We may see rates stabilizing somewhat in that area," Ms. Smith indicated.

Goldman, Sach's Mr. Armellino predicted that "by the middle of the year there should be a positive traffic comparison, and at that time rates will firm."

As for contract rates — which were very competitive last year — Ms. Smith said they were likely to continue in that vein.

But she and a number of others voiced concern that if the economic recovery is pushed beyond the third quarter of this year, there is a chance that a "general rate-cutting situation" could develop.

BN Willing to Make Coal Concessions

Journal of Commerce Staff

Burlington Northern Inc. has agreed to sell off El Paso Co.'s coal reserves in four states, if the Justice Department decides that Burlington Northern's acquisition of El Paso would weaken competition in the western coal industry.

According to the Justice Department antitrust chief, William Baxter, Burlington Northern's agreement to sell coal reserves in Wyoming, Montana, North Dakota and South Dakota would alleviate any potential concerns the department has about the merger.

ICC Allows Routing Plan By Conrail

Journal of Commerce Staff

WASHINGTON — A controversial routing plan proposed by Conrail has received Interstate Commerce Commission approval.

But the agency's action could precipitate a wave of carrier responses to the move that could cut off some reciprocal switching agreements among the carriers.

At issue is a Conrail proposal to cancel joint rates involving traffic the railroad interchanges with other carriers even if the origin and destination points are both on Conrail.

Though the traffic theoretically can move under combination rates charged by each carrier participating in the haul, the effect of the proposal will encourage shippers to route their freight only via Conrail.

Strong opposition was registered by competing carriers and other shipper interests.

But the ICC vacated an earlier decision to suspend tariffs containing the change on grounds that since the combination rate alternative exists the routes have not been closed.

In a related development, the Chessie System and other Midwestern roads have published tariffs cancelling reciprocal switching agreements with Conrail.

These changes are expected to go into effect when the Conrail tariffs go into effect and a similar retaliatory move is expected by Conrail.

New Truck Laws May Cut Rail Trade 5%

By RIPLEY WATSON 3RD
Journal of Commerce Staff

As much as 5 percent of traffic will switch from rail to truck as a result of new legislation on gas taxes and heavy trucks.

That is the conclusion reached by Booz Allen Hamilton analysts who studied the issue and found that most of the traffic being diverted would be low margin merchandise traffic.

Hugh Randall, vice president of the firm, and Dr. Paul Roberts, a principal, said in an interview that they felt there would be some net effect on railroads, but that the reduction in profits would not be large.

Six railroads recently requested a study of the effect of the heavy truck tax increases and the nickel-a-gallon hike in fuel taxes.

While that study was not made public, Dr. Roberts and Mr. Randall did discuss some of the issues which relate to the question.

They declined to release more specific statistical material, though they said that as much as 50 percent of the traffic currently moving by rail is susceptible to diversion to trucking. They noted that "a substantial portion" of truck traffic also could be attracted to rails, though they declined to cite a specific percentage saying that there is wide disagreement about the precise amount.

They said that competition was stiffest for merchandise traffic such as manufactured goods moving in trailerload sizes by piggyback or truck.

The stiff competition has forced prices down to a paper-thin margin, Mr. Randall noted.

The new regulations will affect that type of traffic substantially, said Mr. Randall. As much as 20 percent of the merchandise traffic could use the higher cubic foot capacity granted by the new laws before reaching the weight limit, he said.

But Mr. Randall said that there was almost an anomaly now because carriers might actually benefit by losing some traffic being carried at little or no profit.

The analysts pointed out that a number of factors are affecting the marketplace, changing the nature of shipments and forcing a change in the traffic patterns.

Among the new factors cited were changing regulatory responsibility, overcapacity, state of the infrastructure and new philosophies on inventory management.

Dr. Roberts said that one little noted aspect of the new climate was the fact that Congress has taken the powers to regulate sizes and weights for itself, leaving other agencies out of the picture.

He suggested that this could lead to faster and less publicized changes in regulations, noting that the 1974 legislation which increased allowable weights in response to the Arab oil embargo was done as a rider to another bill.

Mr. Randall termed the new arrangement a sort of "anti-New Federalism."

Other impacts were seen in possible increases in state taxes and levels of enforcement of the new weights by financially pressed states.

Dr. Roberts suggested that the movement toward heavier trucks has not ended and that the possible outcome of that issue could be adoption of the federal bridge formula to determine the permissible maximum weights.

This would increase the weight currently set at 80,000 pounds to at least 107,000 pounds.

"There's a real possibility that the weights will be jacked up again," Dr. Roberts said.

At those levels, Booz officials feel that railroads would be especially vulnerable because much of their traffic base traditionally has been bulk commodities which cannot be carried on highways.

One problem the truckers face in taking advantage of any higher weight limits is the lack of capital to replenish their fleets, Mr. Randall noted.

Dr. Roberts predicted fleets wouldn't be replenished until new capacity was needed. "Overcapacity is rampant," he said.

That would work in favor of the railroads since the truckers couldn't take advantage of the new limits they have advocated for years.

For that reason, he said, the trucking industry would benefit more from a slower economic upturn which would give them more time to accumulate captial to use for new trucks.

On the other hand, a fast economic upturn will benefit the railroads because truckers wouldn't have enough time to re-equip their fleets.

Another factor which the railroads have on their side is the nature of the condition of the highways and rail facilities.

"The infrastructure is falling apart," Mr. Randall said.

Both men noted that the $4.4 billion program to rebuild the roads wouldn't be sufficient to restore the roads to top condition. Mr. Randall called it a "finger in the dike."

In contrast, all but one major railroad has tracks which are in better condition than they have been in years.

Railroads have parked vehicles in good condition while trucks have been wearing out slowly competing for available loads, Mr. Randall said.

The Booz officials agreed with railroad marketing officials who saw the long-range dangers to piggyback traffic in the building of larger trucks that won't fit on the current generation of flatcars.

Dr. Roberts said one major result of the economic depression while interest rates were high was the seemingly permanent drop in inventory levels. Those levels, he said, were first drawn down in response to high interest rates, but inventory levels haven't risen as carrying costs dropped.

One reason for that situation is the increasing acceptance of the "Kanban" theory which calls for inventory levels to be dropped drastically and tied closely to production.

The low levels of inventory have changed the marketplace because traffic managers are choosing to make smaller shipments rather than larger ones which tend to increase inventory, Dr. Roberts said.

That has favored truckers who are more adept at the less than trailerload movements, he said.

Plan boosts incentive to cut plantings

Farmers would be given grain for idling land

By DON MUHM
Register Farm Editor

DALLAS, TEXAS — President Reagan, saying the farm problem is so critical "we don't have time to stand around chewing our cud," unveiled on Tuesday the administration's program to cut production by paying farmers in grain for dramatically reducing the number of acres they plant this year.

The idea, Reagan said, is to use "our problem" — a growing mountain of surplus farm commodities — to fashion "the solution" to price-depressing surpluses that the United States can neither use nor sell abroad.

In a speech to the American Farm Bureau convention here, Reagan noted that Congress last month refused to endorse the program. He added, "Because these are unusual and critical times on American farms, we don't have time to stand around chewing our cud."

The "crop swap" plan announced by Reagan greatly enhances farmers' incentives to reduce their plantings this year. Earlier, the administration offered cash payments for farmers who would take 20 percent of their acres out of production in 1983.

The "crop swap" would let a farmer take another 30 percent of his land from production. For this, he'd be paid in surplus government grain for 80 percent of what he normally grows on the idled acres.

Reagan and Agriculture Secretary John Block outlined many expectations and details of "crop swap." They said it would:

- Reduce 1983 crop production by a billion bushels, or 10 percent of the corn, wheat and grain sorghum that would have been grown this year, and cut total carryovers of these crops by a billion bushels this fall.
- Reduce soaring farm program costs sustained by the government because of the accumulation of surplus stocks. Block estimated that the savings to taxpayers would be $3 billion to $5 billion over the next two to three years.
- Move about 70 percent of American grain growers to sign up for the 1983 cropland set-aside program now that the additional "crop swap" incentive is being offered. That compares with only 20 percent in a much more limited program last year.
- Give farmers four options: They can sign up for the earlier-announced set-aside and idle 20 percent of land normally planted to corn, as one example; take part in the regular set-aside and also idle from 10 to 30 percent more of the farm's base in return for payments in government grain; idle their entire farms in some situations under a "bid" arrangement; or not participate at all, which means no price support benefits.
- Provide participating farmers with a 6 to 10 percent discount rate from the Federal Crop Insurance Corp., because with reduced plantings there will be less crop risk involved.

Conservation

Reagan told the convention delegates the new program would also "enable sound conservation practices to be applied to more acres."

Reagan and Block both indicated the "crop swap" would bolster sagging grain prices, but neither predicted exactly how much farm income might be improved by the program, for which farmers may begin signing up on Jan. 24.

The payment-in-kind feature would base payments in grain upon 80 percent of what the farmer traditionally would harvest on his farm, using productivity indexes set by the local county Agricultural Stabilization and Conservation Service.

Block promised that no more than half of the base acres of any commodity would be idled in any county. He also said farmers will be given a chance to idle their entire base acreage of a crop using a "bidding" system. If, after the initial "crop swap" signup, half of a county's usual corn acreage still is not taken out of production, a farmer could offer to stop producing corn altogether this year. He'd bid on the percentage of his usual corn production he'd accept in government-surplus grain.

Block said he does not expect the new program to cause food prices to rise.

"I do not predict a wild run-up in [grain] prices as a result of this program," Block said in a meeting with reporters. "But I can see some strengthening of prices and the bringing of [grain] supply and demand into better balance and a basis for price recovery in the agricultural community."

Payment to corn farmers will be in No. 2 yellow corn, either from the farmer's own sealed grain on his farm or from his local elevator. The Agriculture Department will allow a farmer five months of free storage to give the farmer additional marketing flexibility and to avoid dumping at harvest time.

All grain payments will be made at the time the crop is normally harvested. Block explained that Texas wheat farmers would get their hands on payment-in-kind wheat earlier than wheat growers to the north.

Farmers will be able to get full details on the new program at county ASCS offices when the signup for the grain payment program begins Jan. 24. It ends March 11. A toll-free number at the USDA can be called for particular information during working hours. It is 800-368-5942.

Reagan drew loud applause from the 6,000 delegates at the American Farm Bureau Federation's 64th annual meeting here when he said his administration was going ahead with the grain payment plan even though it failed to be OK'd by the lame-duck Congress in December.

continued next page

Plan to cut plantings continued 1-12-83

"Let's face it, let's not fool anybody — until farm prices go up, you will be hurting," he said.

The "crop swap" program, which struck some observers as a departure from the "free market" philosophy the president often espouses, was described by Reagan as "a temporary program to help farm families through this difficult period of adjustment. ... A farmer who takes additional acres out of production is able to swap what he didn't grow for a certain amount of that commodity already in surplus. ... He can do with it as he wishes."

Reagan said the plan "would reduce production through a further cutback in planting, decrease surplus stocks and avoid increased budget outlays."

Reagan said that the program "is aimed at bringing supply more in line with demand and strengthening farm income in future years. ... It makes our problem the solution."

Good Reaction

"Crop swap" drew this reaction from Robert Skinner, executive secretary of the Iowa Seed Dealers Association and executive president of the Iowa Grain and Feed Association:

"This year farmers aren't going to buy as much farm equipment, as much fertilizer or as much seed. But in the long term we've got to get those surpluses down and prices back up, and that will be good for everybody."

Des Moines Register January 12, 1983

Lawmakers move to control length of trucks

By TOM WITOSKY
Register Staff Writer

Iowa will fight to put length limits on the longer semi-trailer trucks that will be allowed to cross the state under the new federal gas tax law, two legislators said Tuesday.

The congressional action invalidated Iowa's truck-length limits and will allow trucks of unlimited size unless state lawmakers move within 90 days.

But a spokesman for the Iowa trucking industry said it's time for lawmakers to begin listening to the truckers' side of the issue.

"We are paying up to 58 percent of the all highway transportation user fees nationwide, and we think that it is time for them to begin hearing our concerns," said Charles Ingersoll, president of the Iowa Motor Truck Association.

At issue is how lawmakers will set truck trailer lengths when they consider legislation bringing state law in line with changes made by Congress when it increased the gas tax.

Under the federal law, state legislatures may no longer set maximum overall length limits on trucks that travel interstate highways or certain two-way primary highways to be designated soon by the U.S. Department of Transportation.

But two state senators, C. Joseph Coleman (Dem., Clare), chairman of the Senate Transportation Committee, and Richard Drake (Rep., Muscatine) say there is nothing in the federal law that prevents the Legislature from setting limits on the lengths of trailers or the combination of trailers and semi-tractors.

Drake, who is considered one of the Senate's transportation experts, said the transportation committee is reviewing the federal law. He said he plans to propose that the state adopt the minimum length standards set by the federal government as the maximum allowable lengths in Iowa.

Under federal law, the minimum allowable length for trailers of a twin-trailer truck is 28 feet each. For a single-trailer truck, the minimum trailer length is 48 feet. In addition, the federal government has set 80,000 pounds as the maximum truck weight, the same as the maximum set in Iowa.

Drake said if the 28-foot length is adopted, most twin-trailer trucks would be about 72 feet long. State law now allows a twin-trailer truck to be a maximum of 65 feet long and 8 feet wide.

Drake said that lawmakers probably would approve a maximum truck width of 8½ feet.

Coleman said the state may also have to set 48 feet as the maximum length of a single trailer, but he suggested that length presents a safety hazard.

"A 48-foot trailer is still too large to be able to corner on most city streets. That is just asking for trouble," Coleman said. "It is easier for a twin-trailer truck to corner than a truck that large."

Coleman said the trucks with the larger lengths must be to limited to freeways and only certain designated highways for safety reasons.

Ingersoll said the trucking association has no objection to 28-foot limits on twin-trailer trucks, but he vowed opposition to setting the 48-foot length for single-trailer trucks. He said many truck operators have trailers that are over 48 feet long.

Iowa law limits single-trailer trucks to 60 feet.

"Let's not go backwards on this. We need to get the most efficient use out of our trucks and putting that kind of limit on lengths isn't going to help," Ingersoll said.

He said the trucking association would rather lawmakers would permit 51-foot single trailers, including three feet between the truck cab and the connecting pin to the trailer.

On Maglev, Chicago is just minutes away

By Geoffrey W. Blaesing
of The Journal Staff

Imagine boarding a floating capsule in Downtown Milwaukee and arriving at Chicago's O'Hare Airport a scant 29 minutes later.

Impossible? Not if Henry Reuss has his way.

The former congressman from Milwaukee is pushing a plan by the Budd Co. to construct a $1.2 billion dollar transit system that would carry passengers at 250 mph along a 79.3-mile elevated track from the Amtrak station in Downtown Milwaukee to the terminal at O'Hare.

The system, called Maglev, is not a conventional train. Maglev, which stands for magnetic levitation, is a system in which trains carrying 400 to 800 people float on an electromagnetic wave three-eighths of an inch above a T-shaped guideway at least 16 feet above ground.

The technology was developed and tested by Thyssen Henschel, a German firm that has granted American rights to Budd, a builder of railroad equipment. Similar technology has been developed and tested by the Japanese National Railway.

The idea of Maglev is appealing.

There is little maintenance because the system has no moving parts, no friction except air from the movement of the cars along the guideway.

From Page 1

The system would cost an average $2.76 per kilowatt-hour of electricity. Engineers at the Budd Technical Center at Fort Washington, Pa., estimate that a one-way trip with a 400-passenger Maglev train would use $82.80 worth of electricity.

But, yes, there seems to be a hitch.

That is the $1.2 billion construction cost estimate made as a result of a $40,000 feasibility study conducted last summer by Budd at the request of Reuss, former Gov. Lee S. Dreyfus, Milwaukee County Executive O'Donnell and the Wisconsin Electric Power Co.

No problem, says Reuss

Reuss, however, feels there are several reasons why this is not a problem.

He said a joint Wisconsin-Illinois high-speed transit system would be formed to operate the Maglev. It would have the authority, Reuss says, to sell revenue bonds at 9% interest to finance construction. The debt would be repaid by revenue generated by the estimated $40 fare that would be charged for a one-way trip between Milwaukee and Chicago.

Reuss also indicated last week that several investment bankers were interested in backing the project.

Thousands of jobs would be created by the construction of the concrete and steel Maglev guideway, Budd says, and other people could find jobs operating and maintaining the system.

Reuss said the $1.2 billion cost would be a small price to pay for these and other benefits.

"Salvation of Milwaukee"

"Maglev will be the economic salvation of Milwaukee, which suffers greatly from a transportation deficiency," Reuss said.

Businesses would be more willing to locate in the Milwaukee area if they knew they would not have transportation problems, Reuss said.

"Maglev would make Milwaukee part of the vast Chicago complex and would make Mitchell Field and O'Hare equal Chicagoland airports."

Reuss said Chicago was embarking on a $4 billion expansion project to increase the capacity of O'Hare, which already handles nearly 38 million passengers a year. He said that Mitchell could handle five million passengers without expansion and as many as 10 million passengers a year with a minimal expansion.

Thus, Reuss says, the $1.2 billion could be spent to transfer potential air passengers quickly between the two airports, enhancing Milwaukee and saving Chicago a lot of money.

"This makes sense in theory," said C. Barry Bateman, county airport director. "But I don't think that can be assumed."

Air traffic loss cited

"We already lose 30% to 40% of our traffic to O'Hare, and with the train we could lose 60% to 70% of our traffic to O'Hare," Bateman said. "It's all because we're next to the world's busiest airport with its bargain fares and better departure times."

Reuss counters with the assumption that airlines could, or would, schedule more flights into and out of Milwaukee if Chicago-area passengers could transfer easily to Milwaukee.

Bateman believes it's too early to tell what might happen.

"I'm not skeptical — just wary," he says.

One can fly to Chicago now for as much as $121 or as little as $48, and sometimes, with joint fares, one can fly out of Milwaukee through Chicago for the same fare as a direct flight out of Chicago.

Also wary are spokesmen for two railroads that run between Milwaukee and Chicago — the Milwaukee Road and the Chicago & North Western. They said they doubted whether people would pay the $40 fare and that perhaps the money would be better spent upgrading railroad rights of way between the two cities.

Maglev cost estimates (1982 dollars)

Item	Cost in millions
Elevated guideway structure — 79.3 route miles (15.3 miles single track plus 64 miles double track)	$ 493
Guideway electrification, signals and communication and power distribution	285
Vehicles (seven 400-passenger trains)	87
Two terminals, three stations, maintenance facilities and administration building	28
Engineering and fees	107
20% contingency	200
Total system cost	**$1,200**

continued

Milwaukee Journal 1-16-83 Maglev continued

Train's cheaper

You can ride Amtrak between Downtown Milwaukee and central Chicago for $11.15 each way. The trip takes about an hour and a half.

About 1,400 persons rode Amtrak between the two cities on a typical day in 1980, according to Wisconsin Department of Transportation figures. In that same year (the last for which such figures are available), 900 people took the bus between the two cities, 2,400 flew and 75,000 people took their cars.

Budd spokesman Paul Sichert said his firm figured that a Maglev between the two cities would be a success if 2.5 million round-trips were made each year. This would mean that approximately 13,700 people would have to ride Maglev on a typical day for the project to break even.

Can the Maglev attract this many riders? Sichert says he doesn't know and that Budd is waiting for the Wisconsin and Illinois transportation departments to complete ridership studies.

No study

Roger Schrantz, the administrator for planning and budgets for the Wisconsin Department of Transportation, said no such study was under way and that he was awaiting additional information from Budd. In fact, he said, nobody from Budd sent them a copy of the feasibility study, which was released to the press and others last Dec. 10.

"Any estimate on Maglev ridership would be extremely conjectural," Schrantz said. "It would be really difficult to prepare figures. We have no experience with a Maglev of any kind anywhere."

He said there had been no serious talk between the Illinois and Wisconsin departments about Budd's proposal to form a joint operating commission.

John Hartz, director of Wisconsin Bureau of Transit said a study of transportation problems from the Northwest Side of Milwaukee into Downtown had a much higher priorty than Maglev.

Reuss said last week that the Wisconsin department was lethargic on Maglev, even though Gov. Earl and Illinois Gov. James Thompson accepted in principle the idea of a joint study.

Earl's press secretary, Ron McCrea, said last week that Earl "was very interested in the project and says that work on developing the idea should go foreward."

How Maglev would operate

The proposed Maglev high-speed transit system between Milwaukee and Chicago is based on a design by a German firm, Thyssen Henschel.

The concept of a vehicle floating on a magnetic field about three-eighths of an inch above a guideway has many advantages, its promoters say.

Budd Co. spokesman Paul Sichert explains the technology:

"Instead of wheels, axles, gears, driveshafts and a host of other moving parts, the lifting, guiding and propulsion system for Maglev is all electromagnetic, with no moving parts and therefore no metal-to-metal friction or wear.

"The only time a Maglev train makes direct contact with the guideway is when it is standing still. Magnetic levitation and propulsion is based on the principle that opposite magnetic poles attract and like poles repel. This is the basis for any electric motor in which a magnetized rotor surrounded by stationary electric coils is set in motion by changing the magnetic fields of the coils.

"In Maglevs, a series of magnets mounted on the cars serve as the rotor, and the coils have been unwound and laid out in two parallel rows along the guideway. This arrangement creates what is known as a long stator linear synchronous motor.

"Collisions between Maglev trains are virtually impossible. Only the section of the guideway on which trains are operating are energized. This conserves energy but also prevents two trains from getting anywhere near each other on the same guideway."

Would slide to stop

Sichert said the train was braked electronically. In the event of a power failure, the train would come to rest, using built-in skids, on the guideway.

Budd, in its feasibility study, studied several routes between Milwaukee and Chicago.

The one recommended would leave the Amtrak station Downtown and proceed south along the Milwaukee Road right-of-way. It then would head east along a tributary of the Kinnickinnic River, crossing Layton Ave. and Howell Ave. before turning south toward a depot at Mitchell Field at the rear of the parking garage.

The Maglev would then head west toward 6th St., where it would turn south along the abandoned Chicago & North Shore right-of-way. Farther south, it would cross College Ave., making a gentle sweep around the Milwaukee Area Technical College campus. It would then follow the North Shore route to Ryan Rd., where it would join the Chicago & North Western right-of-way.

A double track elevated guideway would run along the C&NW route to east of Sturtevant, where a station would be built near Durand Ave. to serve the Racine and Kenosha areas.

Stop in Gurnee

The Maglev would continue south along the C&NW to Gurnee, where another station would be built near Washington St. to serve Waukegan, the local university and the Great America theme park.

Farther south, the Maglev would turn west to Des Plaines, where it would meet the Soo Line and cross access roads to O'Hare. There it would turn toward the airport on a gentle curve under an airport taxiway that would emerge at the rear of a parking garage. The O'Hare station would be built directly over the Chicago Transit Authority's new rapid transit line, which is under construction.

At 250 mph, the express trip between Milwaukee and Chicago would take about 26 minutes. The local, which would make all stops, would take about 32 minutes.

THE WASHINGTON POST Tuesday, January 11, 1983

El Paso Accepts Burlington Bid

SEATTLE, Jan. 10 (AP)—El Paso Co. has ended its resistance to a takeover by Burlington Northern Inc. and agreed to let the transportation and natural-resources concern acquire control, the companies announced today.

El Paso, a Houston-based energy company, agreed to a Burlington Northern tender offer of $24 a share for 21 million of El Paso's approximately 51.2 million total common shares outstanding.

Earlier, Burlington Northern had offered $24 a share for 25.1 million shares, or about 50.1 percent of the total.

The new agreement calls for Burlington Northern to buy an additional 4.17 million shares for $24 apiece directly from El Paso, which would give Burlington Northern more than 50 percent of the stock and provide El Paso with an immediate cash infusion of $100 million.

In addition, Burlington Northern was given the option to buy 4.95 million additional shares at $24 each, the companies said.