Corporate Relations 783

M E D I A M O N I T O R March 16, 1983

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Rock Island Argus, March 3, 1983

Future of Milwaukee Road in intermodal shipping and merger

By Tim Moran
Argus business writer

The Milwaukee Road has been one of the least profitable railroads in the country over the past 52 years; it is five years into its third bankruptcy reorganization during that period.

Despite those facts, Milwaukee president Worthington Smith is optimistic about the line's future, and he says the Quad-Cities is an important part of that future.

Smith spoke yesterday at a luncheon in Moline sponsored by the Chambers of Commerce of Rock Island and Upper Rock Island County.

One of the factors in Smith's optimism is the nature of the latest reorganization: rather than just rearranging the company's debt, the entire railroad has been physically reshaped and transformed from a large railroad to a regional one, he said.

"It was self-evident that the 10,000-mile system couldn't maintain and renew itself. We identified our strengths and weaknesses and chose our areas of profits," Smith said.

IRONICALLY, THE REDUCED route structure that emerged was very similar to the railroad's route map from 1887 — when the Milwaukee was one of the nation's most profitable railroads.

Rock Island County was and is a part of the Milwaukee's plans, Smith said. The railroad has attempted to pick up the slack left by the failure of the Rock Island Lines three years ago.

In the five years since the Milwaukee Road declared bankruptcy, it has worked to rehabilitate and renovate its rolling stock and trackage, Smith said. "There are three more heavy work seasons before our primary track system is in the condition we want it."

The railroad is current on repayment of its loans, and the employees of the line continue to make wage sacrifices to help the line stay afloat.

By moving itself from a large and bankrupt railroad to a viable regional railroad, the Milwaukee left itself vulnerable to being surrounded by larger railroads, Smith said. A larger system can surround a smaller one and shut off its gateways and interchanges, he said.

THE MILWAUKEE ROAD'S pending merger with the Grand Trunk Corp., a holding company for four railroads, is a solution to that problem, he said. Announced last May, the merger should be complete by mid-1984, Smith said, although Milwaukee's competitors, including the Chicago and Northwestern and the Soo Line, are expected to fight the marriage.

Under the merger, the Milwaukee's rail operations would become a subsidiary of Grand Trunk, while the remaining property and offices of the company will remain under the jurisdiction of the bankruptcy court and trustee Richard Ogilvie.

The future of the rail system is in a diversified transportation strategy, according to Smith. The Milwaukee Road has its own trucking system, he said. Intermodal service — the piggybacking of truck trailers on railcars — will become increasingly important as rail customers move farther from existing rail lines.

Mr. R. Milton Clark
Manager-Customer Service
Room 319, Depot
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Janesville Gazette
February 22, 1983

Elkhorn Hurt by Rail Loss

By LEAH JANSEN
of The Gazette Staff

ELKHORN—"This city is now without rail service, and some of our companies are being economically impacted," City Administrator Michael Copp told the council here Monday night.

While the Interstate Commerce Commission (ICC) has granted permission for a short-line operator to operate the rail line from Elkhorn to Bardwell Junction until June 30 while the state Department of Transportation (DOT) is negotiating for its purchase from the Milwaukee Road, the line from Bardwell to Janesville is already owned by the state, Copp explained.

Until state approval to operate with a short-line firm on that section is received, this city remains without rail service, Copp said.

Companies that will suffer the most because of the discontinuation of service by the Milwaukee Road, which began a week ago, are chemical and fertilizer dealers, Copp said. He said the Web Press Co. on East Centralia Street also is dependent upon some rail service.

The picture is not all bleak, however, Copp indicated. State Sen. Tim Cullen, D-Janesville, has been working closely with a local transit group, and is currently in contact with Lowell Jackson, head of the Department of Transportation, in hopes of avoiding "bureaucratic tangle" that could lengthen the time this area is without rail service.

There is hope that Jackson will allow Elkhorn to become the grantee agency on the Bardwell-to-Janesville line until a decision is reached on Walworth County's petition to join the Wisconsin River Rail Transit Commission. Action on that petition is expected at a March 5 meeting of the transit group.

The Walworth County Board of Supervisors voted last week to petition for membership into that seven-county group after it learned that authority of the Walworth County Transit Commission ended at the Walworth-Rock county line.

A railroad that could only be operated from Elkhorn to Bardwell would be equal to no railroad at all, they were told.

The Milwaukee Journal
February 20, 1983

Elkhorn's effort to save rail service is stymied

Special to The Journal

Elkhorn, Wis. — Milwaukee Road rail service came to an end last week for local shippers on a 12-mile stretch in Walworth County.

And efforts to have a short-line operator take over the service have been stymied so far by the state's refusal to allow use of a section of track through Rock County.

Shippers knew the Milwaukee Road was going to discontinue service, but did not expect problems because the Walworth and Elkhorn Railroad Co., to be operated by John Zerbel of Brookfield, had obtained temporary Interstate Commerce Commission permission to operate between Elkhorn and Bardwell Junction near Darien.

However, the ICC permit did not include the state-owned tracks from the junction to Janesville.

Regulations do not allow the Walworth County Transit Committee, which would oversee a short-line operation, to go beyond the county's borders.

Elkhorn City Administrator Michael Copp said he had been told by the Transportation Department that it would not allow use of the track to Janesville until the county was part of a regional transit commission.

The Walworth County Board last week voted to join the Wisconsin River Rail Transit Commission, but its application for membership has not been acted upon yet.

The rail commission operates in seven southern counties, including Rock County. Copp said it was imperative that the Transportation Department grant temporary rights to use the track this week because Elkhorn businesses needed the service.

Copp said he was concerned that without quick restoration of service, some businesses might leave.

He added that it seemed ironic that a state that was interested in business and industrial development would create this type of situation. "Zerbel is ready to go," Copp said. "He wants and needs detour rights on the state's line."

The bankrupt Milwaukee Road is abandoning the line because it is considered unprofitable.

Green Bay Press Gazette, March 8, 1983

Grant awarded for railroad improvements

By HARRY MAIER
Of the Press-Gazette

A grant for rehabilitation of the former Milwaukee Road railroad track between Green Bay and Crivitz has been approved by the Federal Railroad Administration.

The grant totals $1,231,873, which was the amount sought by the Northeast Wisconsin Railroad Transportation Commission, an organization of county board representatives from Brown, Oconto and Marinette counties.

The commission was formed to maintain railroad service over the route.

The commission acquired the trackage between Green Bay and Iron Mountain, Mich., from the Milwaukee Road for $2.25 million. It is leasing it under a purchase agreement to the Escanaba and Lake Superior Railroad, based in Escanaba.

John Larkin, president of the E&LS, said today he was excited about the grant being approved.

"We will be matching this with $1.25 million in our own funds, including labor and equipment," he said.

He said bids on the project will be awarded shortly and work will begin as soon as the frost is out of the ground.

It took the cooperation of the commission, the Bay-Lake Regional Plan Commission and the state Bureau of Railroads and Bridges and congressional representatives to bring the project about, Larkin said.

"This will result in decreased running time and increased efficiency," he added.

Last September, the commission filed an application with the federal agency for funds to rehabilitate the most deteriorated section of the route between Green Bay and Crivitz.

Under terms of the operating contract, the federal agency will finance 55 percent of the track repair and the E&LS 45 percent.

The E&LS already owns the section between Iron Mountain and Ontonagon and is buying the remainder of the route from the commission over a six-year period.

It has been operating the route since March 1980, after it had been abandoned by the Milwaukee Road.

The Milwakee Road now is leasing trackage from the E&LS between Green Bay and Crivitz so that it can continue service to its customers in Marinette and Menominee. The cost to the Milwaukee Road ranges from $13,000 to $15,000 a month.

It has its own track from Crivitz to Marinette-Menominee.

The two railroads are operating four trains daily over the route.

Work on the route, scheduled to begin late this spring, will include repairs to some of the 42 crossings and replacement of about 27,000 ties.

The goal is to upgrade the track from Class 1 to Class 3, which would permit the railroad to increase allowable train speeds from the present 10 miles per hour to 25 mph and eventually 40 mph.

Quad Cities Times, March 4, 1983

Railroad boss touts its future

Worthington L. Smith has said it before, and he's not afraid to say it again: The Milwaukee Road is going to emerge a winner in its fight with bankruptcy.

Smith is president and chief executive officer of the Chicago, Milwaukee, St. Paul & Pacific Railroad Co. — the Milwaukee Road. And he has been saying for three years that the company's reorganization will be a success.

All indications are that he's right.

Smith told members of the Chambers of Commerce of Rock Island and Upper Rock Island County Wednesday that a deal to merge with the Grand Trunk Corp. could be final by late 1984, and that should mean success for the Milwaukee Road.

If the deal is approved by the Interstate Commerce Commission and the federal court overseeing the reorganization of the Milwaukee Road, Grand Trunk has agreed that the new corporation will assume about $250 million of the debts and obligations of the Milwaukee Road's estate.

The Milwaukee Road had filed for reorganization under Chapter 11 of federal bankruptcy laws.

It has trimmed an 8,000-mile system into a 2,900-mile Midwestern core system. Grand Trunk is a holding company for American subsidiaries of the Canadian National Railway Co., and has about 2,100 miles of track.

The Milwaukee Road serves a four-county area surrounding the Quad-Cities in Iowa and Illinois. Smith said the area is a significant source of revenue for the railroad.

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Daily Dispatch, Moline, Illinois, March 3, 1983

By CONNIE CONROY
Dispatch Writer

Remember the Empire Builder, the Panama Limited, the 20th Century — all those great, classic, romantic trains of the past?

Good, because memories are all that's left, and the future of the rails lies in hauling freight.

That's the word from Worthington L. Smith, president of the Chicago, Milwaukee, St. Paul and Pacific Railroad Co. — remember the Milwaukee Road?

Smith spoke to about 50 businessmen and women Wednesday as part of a luncheon series sponsored by the Rock Island Chamber of Commerce and the Chamber of Commerce of Upper Rock Island County at the Moline Holiday Inn.

Smith's railroad is one of three major railroads that serve the Quad-Cities. The others are Burlington Northern and Iowa Railroad.

Saying his railroad will best serve this area by making it through its current reorganization, Smith said, "We're not in the rail business. We're in the distribution business...your distribution business."

ALTHOUGH this marks the third reorganization for the firm, Smith said it's goal is to be a "self-supporting core railroad." Among the signs of the company's stability is its on-time repayment schedule on all loans. He said the Milwaukee is the only major railroad that had an increase — 2.2 percent — in carloads last year.

Smith attributed these successes to the smooth acquisition of the reorganized railroad by the Grand Trunk Corporation.

GTC is a holding company for railroads. When the Milwaukee Road becomes a separate subsidiary of GTC, the railroad will join four other GTC rail subsidiaries: the Duluth, Winnipeg and Pacific; the Central Vermont, and the Grand Truck Western which owns the Detroit, Toledo and Ironton line.

Smith explained parts of the firm's complicated reorganization plan, begun in 1981, that is expected to bring the railway's house in order by the end of 1984.

THAT IS, of course, if everything moves as planned through the Federal Bankruptcy Court of Judge Thomas R.McMillen in Chicago and past the Interstate Commerce Commission.

When asked where opposition to the plan might come from, Smith said "Our competitors: the North Western, the Soo Line and B&M, maybe." With the Milwaukee coming into the GTC fold, Smith said all four of these firms will be competing out of Duluth, Minn.

The North Western, Smith said, will provide the Milwaukee with its stiffest competition. Smith said the two lines competed last summer for 64 miles of Rock Island Lines track between west Davenport and Washington, Iowa, and 33 miles of R.I. track between Clinton, Iowa, and Davenport. Milwaukee beat out North Western and paid $17 million for the rights to the track.

Although Smith considers the Milwaukee's move to GTC a wise one, he does not predict or recommend the elimination of small lines.

"It's absolutely essential that small railroads do not become surrounded by large systems or they will be cut off from their gateways and literally go out of business," he said. This does not mean, however, that he wants to see the return to pre-1980 times and the federal regulation of the railways.

"I'M FULLY prepared to compete in the marketplace," Smith said. "I am not fully prepared to accept the decision from the boardroom of one of our competitors not to compete."

The success of the railway in years to come also will rest on how rail traffic is integrated with other forms of freight hauling, primarily by truck. He also cited the $64 million investment in the firm by union and non-union personnel through such measures as the wage reduction program that began in 1980 as a commitment to recovery.

And finally, Smith said, the Milwaukee may get some added relief if oil prices continue to drop. He said the cost of diesel fuel went from 11 cents to $1.10 a gallon in the early 1970s, and for every penny drop in costs this year, the railway will save $400,000 a year while trying to power its diesel locomotives.

Green Bay Press Gazette, March 6, 1983

Rail project advancing

Press-Gazette Madison Bureau

MADISON — A $2.5 million roadbed rehabilitation project for the Escanaba and Lake Superior Railroad between Green Bay and Crivitz is nearing federal approval, according to a Department of Transportation official.

Paul Heitmann, director of the department's Bureau of Railroads and Harbors, said the 50-mile project would be financed equally by the railroad and a $1.25 million federal grant.

The grant would go to the Northeast Wisconsin Rail Transit Commission, representing Brown, Oconto and Marinette counties, which is working with the railroad.

About $10,000 of state money for supervision would be involved, he said.

The Escanaba and Lake Superior Railroad took over the line after it was abandoned by the Milwaukee Road.

"It is on target for this summer. We are waiting for the final word from the federal Railroad Commission. Informally, we have had no questions about the applications, so no news is good news and we are waiting for them to finally tell us yes," Heitmann said.

Heitmann said the roadbed rehabilitation would enable freight trains to move to up 25 miles per hour.

The federal grant would come from funds in this fiscal year. In his budget for the 1983-85 biennium, Gov. Anthony Earl has proposed cuts in the railroad acquisition and rehabilitation program totaling $2.4 million in federal money and $1.5 million in state funds which come mainly from motor fuel taxes and vehicle fees.

The state appropriation would be $11.3 million and anticipated federal funds would be $1.2 million.

In addition, the Earl budget would authorize the Department of Transportation to make loans or a combination of grants and loans for railroad acquisition and rehabilitation.

The budget bill would end state subsidies for railroad operations and for Lake Michigan car ferries.

The Daily Herald - Wausau-Merrill, Wisconsin, March 5, 1983

Mosinee depot reaches end of line

By TOM BERGER
Herald Staff

Like Brokaw, Merrill and Wisconsin Rapids before it, Mosinee is losing its train depot.

The Milwaukee Road is taking bids for the demolition of the 67-year-old depot, which has been used sparingly in recent years because area rail operations are run from Wausau.

"We had a lot of depots," recalls Gene Porter, district manager/sales for Milwaukee Road.

"Most of them are gone."

Mosinee was a stop on what once was the Wisconsin Valley Railroad Co. line. The 47-mile stretch from Grand Rapids (now Wisconsin Rapids) to Wausau was built in 1874, the year Gustavus Swift introduced the refrigerated car to the railroad industry.

The Valley Line was sold to the Chicago, Milwaukee & St. Paul Railway Co. (Milwaukee Road) on Oct. 19, 1880.

In the days of passenger railroad service, every community that was locatable on a map had a depot that contained a waiting room and a ticket office.

"In fact, in the old days in the larger depots there were separate waiting rooms, one for men, one for women," Porter said.

Waiting passengers heard the "tickety, tick, tick, tickety, tick" of the telegrapher sending and receiving messages. A train ride was an event and youngsters were often dressed in their Sunday best as they squirmed on the hard wooden benches.

"When I came here 19 years ago, we had two (passenger) trains," Porter added. "We had the noon train and we had a night train.

"Passengers from Employers and the other big companies would take a Pullman and arrive in Union Station in Chicago the next morning."

The last passenger train pulled out of Wausau on Oct. 7, 1970, with about 20 train buffs and last trippers aboard. That same year, Central Wisconsin Airport opened near Mosinee.

Most of the original depots up and down the Wisconsin River Valley have either been demolished or converted to other uses.

They had become waiting rooms, in which no passengers waited.

Milwaukee Road's Wausau depot was sold to Wausau Insurance Companies and is rented to the Boy Scouts. The city's other old depot, on the Chicago and North Western line, is a Chinese restaurant.

Tomahawk's depot is a store. The depot from Brokaw has been moved to Camp Phillips Road in the town of Weston. Merrill's was torn down.

At Wisconsin Rapids, the depot was demolished to make way for a shopping mall. Minocqua's is a Chamber of Commerce office.

Before long, Mosinee's will be gone, too.

Mosinee City Alderman Jim Eick rues the passing of the last reminder of a bygone era, like the whistle of a train in the distance on a fog-bound night.

"It's actually a very old building," he agrees. "But I had thought at one time it could be resurrected and used for something.

"I'm just concerned about the history here, to maintain what we have."

"Things go," Porter adds succinctly.

St. Paul Dispatcher, February 23, 1983

Amtrak's on right track

Editorials

With so many things, physical and financial, going to pot, it is refreshing to find something in better shape, physically and financially, than it was a year ago. Amtrak is.

The national railroad passenger service has turned the corner on subsidies and will rely less on federal aid in the future, according to a report from W. Graham Clator Jr., Amtrak chairman and chief executive. Amtrak trains were on time an average of 79.1 percent of the time last year — the best record ever — and fares paid half the operating costs, despite a decline in ridership that was attributed to the recession.

This is a trimmed-down Amtrak and officials are uninterested in expanding service — except at the insistence of Congress or in cases where states are willing to subsidize routes Amtrak would otherwise not serve. Amtrak still does its best and most profitable work in the heavily-travelled Northeast Corridor, which is great for the Northeast, but creates some problems for the rest of the country. Congress is the buffer between those who would strip Amtrak of all but its most profitable runs and those who would like to see passenger train service everywhere, regardless of cost.

We'll believe a request for reduced subsidy when we see it, but Amtrak *has* made some significant changes that should have lasting effects on its financial reports. When Amtrak was created, it took over rail service with work rules from the steam era — which don't fit 2½-hour runs from New York to Washington — and with almost equally ancient equipment. Now it has a new agreement with rail unions to reduce the size of engine crews and it has completed its new equipment program.

These changes, plus some planned marketing improvements, add up to greater self-reliance for Amtrak. Since Amtrak's critics are not the only ones interested in better and more economical performance, the news is good for all.

Journal of Commerce, March 3, 1983

Canadian National Railways Counts On Less Revenues From Cast Group

By LEO RYAN
Journal of Commerce Staff

MONTREAL — Canadian National Railways has decided to write down, by an unspecified amount, the value of its C$62 million investment in Eurocanadian Shipholdings Ltd., the Swiss-based parent of the Cast shipping group.

The Canadian transportation giant made this announcement while releasing preliminary estimates of a system-wide net loss of 1982 of approximately $223 million, following a profit in 1981 of $193.2 million on revenues of $4.3 billion.

Full details of 1982 revenues and expenditures will be outlined in CN's annual report, slated for publication at the end of March.

In its 1981 annual report, CN management already had evoked the possibility of a decline in the value of the railway's investment in the Cast group. And the report stated: "The amount of this contingent loss, if any, cannot be estimated at this time and no provision therefore has been made in the accounts. If such a loss were to materialize, it would be accounted for as an extraordinary charge against earnings."

CN said in a communique that "almost half of the estimated system less results from a decision to reflect in the 1982 accounts a lessening in the value of two of its investments: an 18 percent interest in Eurocanadian Shipholdings Ltd. and ownership of the Central Vermont Railway."

In the case of Eurocanadian Shipholdings, CN said the decision was based "on the effects of an 18-month decline in demand for ocean shipping."

Regarding Central Vermont Railway, wholly owned by CN since 1927, the Canadian carrier said that "the commercial viability" of the northeastern U.S. railway "has been seriously affected by the merger of several American railroads serving the same eastern U.S. market."

A CN spokesman stressed that the accounting decision does not affect the actual minority shareholding of CN in the Cast group but only the value of this interest.

However, in a recent statement, CN announced it was involved in negotiations with several parties regarding the future of Cast. "The conclusion of these negotiations," the railway said, "is expected soon and may well result in changes in CN's shareholding in Cast."

The statement on Feb. 11 was issued in connection with the CN request — which was granted — for a postponement of hearings, scheduled to begin in Halifax on Feb. 15, by the Canadian Transport Commission into CN's involvement in Cast. CN had asked for the hearings to be postponed at least until April 5.

The talks involving Cast, CN and several leading Canadian banks are expected to result in a major announcement related to Cast shareholders within a few weeks.

Earlier this week, top executives in Montreal of Cast North america Ltd. reported a strong pickup in container carryings in recent months and said they did not expect any fundamental change in Cast's North Atlantic operations as a result of current negotiations.

In its communique this week, CN said the severe worldwide recession had a particularly hard impact on rail operations, with total 1982 losses in this sector expected to be about $120 million.

With the exception of grain, all major commodity movements suffered declines. The transport of grain at statutory rates, which in 1982 accounted for 20 percent of CN Rail's workload, resulted in a loss of about $296 million for the year on this traffic, the company said.

CN Enterprises, which manages the non-rail activities of the company, is expected to earn a profit in excess of $60 million in 1982, a substantial increase over 1981. This reflects, in part, the better results of its ferry services, while trucking and hotel activities were hit by the recession.

Wall Street Journal, March 3, 1983

Canadian National Railways 1982 Loss Was $223 Million

By a WALL STREET JOURNAL *Staff Reporter*

MONTREAL — Canadian National Railways posted a net loss of about $223 million (Canadian) for 1982, due in part to a write-down of the value of investments in the Cast shipping group and the Central Vermont Railway.

In 1981, Canadian National, which is owned by the Canadian government, earned $193.2 million on revenue of $4.29 billion.

The railway didn't provide details of last year's financial results, including revenue, but a spokesman said that about $120 million of the loss resulted from the write-down for those investments.

The company said it decided to write down the value of its 18% stake in EuroCanadian Shipholdings Ltd., the Swiss-based parent of the Cast shipping group, "based on the effects of an 18-month decline in demand for ocean shipping." Canadian National said in its 1981 financial statements it was considering such action.

Cast, which expanded its container and bulk-shipping operations rapidly in recent years, last year completed a financial restucturing involving the sale of assets, a loan moratorium and the granting of a three-year option to Canadian National to acquire 75% of the Cast container operation.

The railway previously placed the value of its investment in EuroCanadian at $61.6 million.

As for the Central Vermont, Canadian National said the unit's "commercial viability has been seriously affected by the merger of several American railways serving the same eastern U.S. market." The Central Vermont is a 380-mile railway operating in Vermont, New York, New Hampshire, Massachusetts and Connecticut.

Canadian National also said it posted a $120 million operating loss on rail transport with all major commodities, except grain, showing declines. In the case of grain, the company reported a loss of $296 million because of its obligation to carry the product at low government-imposed rates.

The railway said non-rail interests showed a considerable improvement in profit levels from 1981.

Journal of Commerce, February 28, 1983

Canadian Rail Official Stresses 'Survival' Tactics

By LEO RYAN
Journal of Commerce Staff

TORONTO — The opportunity to streamline grain handling by Canada's railways as a result of recent government initiatives in transportation policy could be weakened if the inland elevator system is not maintained, affirmed Jack Horner, chairman of Canadian National Railways.

Mr. Horner was one of the keynote speakers at the 27th annual traffic and transportation conference of the Canadian Industrial Traffic League which discussed the inter-relationship between politics and transportation and survival tactics for traffic managers in the 1980s.

Participants at the conference were generally enthusiastic over the decision by the federal Canadian government to progressively dismantle the 86-year-old Crow's Nest Pass grain freight rate later this year and to offer the railways substantial incentives to increase capacity.

But Mr. Horner cautioned that pressure on primary elevators will increase by the end of the decade, with grain exports expected to surpass the 1981-82 level by nine million tons. Domestic and export production could attain 52 million tons by 1990, he said.

Present turnover ratios (the number of times an elevator handles its capacity during a crop year) at installations in western Canada run between three and four, Mr. Horner noted.

"However, as elevator consolidation continues, and as production increases, they are projected to rise as high as six across the region and up to seven in Saskatchewan.

"This would be all right if the elevator system was in tip-top shape, but in many cases it is not," Mr. Horner said.

The railway chairman linked the poor condition of handling facilities with the recent approval by the Canadian Transport Commission to abandon a branch line in Alberta.

Mr. Horner said he found this difficult to understand since the elevator companies are "making good money." He suggested that organizations such as the Saskatchewan Wheat Pool should be allocating greater amounts from their earnings into improving the elevator system.

For his part, J.W. Cargill, vice president, Maple Leaf Mills, Toronto, said that what is known as the Crow Reform "should remove a terrific burden from the two national railways in Canada," and at the same time should have "a significant effect on their attitude towards the average shipper."

In his remarks on survival tactics, Mr. Cargill recalled that for many years traffic professionals have talked about the efficiency of total distribution and the need to gather the various functions of distribution under a new area of management control. "In spite of all this, I am quite sure that the number of Canadian companies that have really gone all the way in distribution are still very much in the minority."

According to T. Rohaly, distribution services manager, Domtar Chemicals, Sifto Salt Division, Calgary, the evolving transportation executive in the present climate of economic stagnation will play a more prominent role in the survival of his company.

As Mr. Rohaly sees it, the traffic manager today has to become more familiar with finance, forecasting techniques and with the computer as companies trim down personnel and adjust to tougher competition at home and abroad.

He also stressed that as Canadian firms become increasingly international in focus, the transportation executive will have to develop competence in new areas, such as international duties, tariffs and shipping practices. It will entail greater familiarity with overall industry strategy.

Dubuque Telegraph Herald, February 24, 1983

Railroad moves Prairie officework to La Crosse

PRAIRIE DU CHIEN, Wis. — The Burlington Northern may be leaving town, but few Prairie du Chien merchants seem upset.

The state Transportation Department has approved a petition by the Burlington Northern Railroad Co. to withdraw its local resident agent from Prairie du Chien and to remove the depot building.

The order will become effective March 1. The La Crosse station will serve the Prairie du Chien area.

The railroad said the La Crosse station is better able to serve Prairie du Chien shippers because it has a larger staff, is open 24 hours each day and is directly linked to Burlington Northern's computer system.

Local shippers say they have no complaints with the railroad moving its paperwork elsewhere, as long as the service stays the same.

"There's no problem with the Burlington Northern moving the bookkeeping to La Crosse," said Fred LaPointe, head of the Prairie du Chien Chamber of Commerce. He said railroad officials took pains to explain that the move was merely a paperwork shuffle. "They did a good PR job," he said.

Herman Wolfgram, manager of Growmark FS, Inc. — a fertilizer manufacturer — is one of the railroad's largest area shippers, and is unconcerned by the move. "It (the move) effects us only to the extent that we will now be doing business with La Crosse," he said. He added that his company didn't send a representative to the recent public hearings on the move.

"It doesn't make any difference," he said. "We had no objections."

Prairie Mayor Jim Bittner said his only concern is that the old railroad depot building not be torn down. He has requested that the Prairie du Chien City Council be allowed to have a say in the old building's disposition.

Journal of Commerce, February 28, 1983

Dispute Over CN Control of Cast Surfaces Again; ICC Probe Likely

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — The controversy over whether the Canadian National Railroad illegally controls Cast continues to bubble amid growing indications the Interstate Commerce Commission has decided to investigate the matter.

Specifically, the ICC has begun looking into allegations the payments CN made to a Cast affiliate may have violated the Elkins Act, persons familiar with the case told this newspaper.

The move is the latest in an increasingly bitter dispute over allegations that CN has acquired control of Cast North America, a trucking company that is the U.S. arm of the "Cast System" of North American and European trucking companies and shipping lines hauling intermodal shipments between North American and Europe.

For the first time the North Atlantic port interests put on record documents which, they allege, indicate that Canadian National paid another Cast affiliate a rebate on westbound containers moving from Montreal to Chicago.

According to the documents, there were two agreements between CN Rail — Europe and Cast Containers S.A. of Warly, Switzerland, that covered the periods from Jan. 1 to Dec. 31, 1979 and from Jan. 1 to Oct. 15, 1980.

The ports also charged there was a third oral agreement for the year 1981.

Until March 23, 1981, the rates on these containers were governed by rates filed at the Interstate Commerce Commission that means a payment could be considered a rebate, which constitutes Elkins Act violations.

ICC officials contacted by this newspaper refused to confirm or deny reports that the agency is looking into the matter, though there is growing talk within the agency that one of its field offices is investigating it.

If an Elkins Act violation can be proven, this could create a major problem for CN if it ever has to file a formal application to take over part of the Cast properties.

The port interests contend that CN already does control the Cast shipping group and that the railroad should be required to obtain formal ICC approval while CN argues it does not control Cast.

If the ports are successful in their campaign to force CN to file a formal control application with the commission, one of the criteria to be looked at in reviewing it is the fitness of the applicant, one person familiar with the situation told this newspaper.

Any successful prosecution of Elkins Act violations could result in fines ranging from $1,000 to $20,000 and up to two years in jail for each violation.

Persons damaged as a result of the action also could sue for treble damages.

A successful prosecution, if one occurs, could create some questions in the fitness area, one person familiar with the case commented.

Chicago Tribune, February 24, 1983

GE and Burlington aim for coal-fired locomotive

By David Young
Transportation writer

GENERAL ELECTRIC Co. will try to develop a railroad locomotive using a coal-fired internal combustion engine, officials of the Burlington Northern Railroad have announced.

The railroad industry phased out coal-fired steam locomotives in favor of diesel electric locomotives just after World War II. Diesel locomotives, which predominate on U.S. railroads, are less expensive to maintain and operate than the reciprocating steam engines they replaced.

A two-year GE research and development program to design a locomotive using processed coal was part of a $50 million Burlington-GE contract that included the purchase of 67 new locomotives.

The contract also calls for Burlington to acquire and test in service this year three prototypes of an advanced-design diesel electric locomotive that General Electric officials hope to put in production in 1985. The new locomotive, called B30-8, will be the first to use advanced microprocessor technology, GE said.

THE BURLINGTON-GE deal is the first attempt by a major U.S. railroad in recent years to develop a coal-fired locomotive, although Burlington has been negotiating unsuccesfully with at least one small firm that has designed such a locomotive.

The firm, American Coal Enterprises, of Akron, Ohio, developed plans for a reciprocating steam locomotive powered by coal. A prototype of the locomotive, designated the ACE 3000, has not been built.

The contract between GE and the railroad did not specify the type of coal-fired internal combustion engine to be developed, a spokesman said.

MOST LOCOMOTIVES in the United States use either a two- or four-stroke diesel engine, called a prime mover, to operate generators that supply electricity to traction motors attached to each locomotive axle. The reciprocating steam locomotives in use before the conversion to diesel used coal to turn water into steam. Power was transferred from the steam pistons to the large driving wheels by a system of driving rods.

Burlington officials have been considering experimenting with several alternative-fuel locomotives. The railroad this spring is scheduled to begin testing a locomotive modified to operate on compressed natural gas, and is considering electrification of some tracks.

The spokesman said that large coal deposits in areas served by the railroad and the increased cost of diesel fuel provided the impetus for the experimentation.

Journal of Commerce, February 28, 1983

Competition Looms for BN On Powder River Route

By LYDIA ZARIS
Journal of Commerce Special

By the end of the decade the nation's third largest railroad plans to transport 25 million tons of coal per year originating from Wyoming's Powder River Basin, an area which until now has been dominated by the Burlington Northern Railroad.

Pacific Rail Systems Inc., the new railroad formed by the merger of the Union Pacific, Missouri Pacific and Western Pacific this past December, is involved in a $400 million project with the Chicago and North Western Railroad. The C&NW will haul coal out of the Powder River Basin and interchange that coal with the Union Pacific using a new 56-mile connector line.

This coal line has been in the planning stage since 1973 in one form or another, but officials now expect "The Connector" and its companion projects to be completed in approximately 18 months.

The connector will begin at a point west of Van Tassell, Wyo., and end just west of South Morrill, Neb. There the line will meet the Union Pacific's North Platte branch line.

But this project is only part of a larger plan which will enable the Union Pacific and the C&NW to compete head to head with the Burlington Northern for Powder River coal.

Reaching directly into the coal fields near Gilette, Wyo. is a 109-mile line originally built and owned by the Burlington Northern. However, a recent ruling by the Interstate Commerce Commission ordered that the line be jointly owned by the Burlington Northern and the C&NW.

This ruling was the key that opened the door for the Union Pacific and the C&NW into the Powder River Basin. However, the Burlington Northern is not exactly satisfied. The railroad has appealed the ICC's order that it accept $76 million from the C&NW as payment for half of the 109-mile line. Whether the Burlington Northern gets more money will be decided by a federal court in March.

Also included in the overall project is the reconstruction of 45 miles of C&NW track from Shawnee, Wyo., to Van Tassell, Wyo., and the building of a small rail yard at Bill, Wyo. A larger yard equipped with a car repair shop, a diesel facility, terminal building and crew change facilities will be in the Morrill-Gering, Neb., area.

Traffic will start slowly but by 1990 Pacific Rail expects it to reach 25 million tons a year which would mean seven loaded and seven empty coal trains moving over the line every 24 hours.

Funding for the project comes from a group of banks which will provide loans for 75 percent of the estimated costs. The Union Pacific and C&NW have pledged equity and collateral.

"The Powder River Basin is going to see major competition," said Edward J. Trandahl, Union Pacific's director of special projects. "We will be able to bid, with the C&NW, against the Burlington Northern on a very effective basis once this project is completed."

The Union Pacific spokesman also noted that coal originating in the Powder River Basin is in strong demand for a number of reasons. First, Powder River coal is surface mined, a relatively inexpensive process compared to other mining techniques.

Second, the coal is "clean." It has a sulfur content of 0.4 percent to 0.6 percent. This is considered very low when compared to coal from West Virginia, for example, some of which has a 1.82 percent sulfur content.

Mr. Trandahl also said that Pacific Rail would benefit from the long hauls made possible by its "single service system." Powder River coal can be carried 1,500 miles from Gering, Wyo., without any interchanges or interruptions.

"The long hauls provide a railroad with its profits and revenues," Mr. Trandahl said. "The longer you can carry the coal on your own railroad, the more money you make."

As a result of the merger, Pacific Rail is now the fifth largest coal carrier in the nation. The combined coal tonnage of the three systems in 1981 was 64.7 million tons. Union Pacific alone hauled 26.7 million tons of coal in 1982.

Pacific Rail spans 22,471 miles and reaches into 21 states. And for the first time, the Union Pacific has direct access into the Oakland and San Francisco area which could give the railroad greater opportunities for hauling export coal.

In 1981 Union Pacific carried 4.9 million tons of coal to the West Coast for export to the Far East and it now expects this figure to increase substantially in the coming years, although West Coast export traffic is very slow now.

The key Union Pacific coal route for export shipments is the 784-mile main line from Salt Lake City to the ports of Long Beach and Los Angeles. In the past several years traffic on this line has increased from 10 to approximately 25 trains a day. The railroad has recently invested $22 million to expand the capacity of this line.

Union Pacific is also supporting the development of coal facilities at the major ports it serves on the West Coast. It is participating in a $4 million engineering and environmental program for a proposed deep-water coal terminal on its property at the Port of Long Beach, which could add 15 million tons of coal-shipping capacity from the West Coast by the mid-1980s.

As far as domestic coal shipments are concerned, Mr. Trandahl said the Union Pacific presently serves a number of utilities in Portland, Ore.; Detroit, Mich. and San Antonio, Tex. He noted that utilities served by the Missouri Pacific will now be added to these markets.

Mr. Trandahl believes the long-term outlook for coal is good, despite the downturn in coal usage. He said that utilities are slowly but surely converting from oil and gas to coal while at the same time interest in nuclear power plants has waned.

The Des Moines Register, March 4, 1983

Burlington Northern sues state

By DAVID ELBERT
Register Staff Writer

The Burlington Northern Railroad has sued state revenue director Gerald Bair, claiming that the way Iowa collects taxes on railroad property violates the federal Railroad Revitalization and Regulatory Reform Act of 1976.

At stake in the suit are up to $11 million in property taxes owed by 21 railroads to Iowa counties for the tax years 1979 through 1982, said Gary Nicholson, a spokesman for the Iowa Department of Revenue. The Burlington Northern's share of those taxes amounts to about $3.4 million.

The Burlington Northern, which is based in St. Paul, Minn., is the second largest railroad in Iowa. (The largest is the Chicago & Northwestern Railroad.)

Burlington Northern lawyers filed suit in U.S. District Court here Wednesday, seeking, among other things, an injunction prohibiting collection of property taxes totaling $789,598. Those taxes are due to be paid to 29 Iowa county treasurers on March 31.

The basis for the suit, railroad lawyers argued, is that Iowa treats railroads different from most other commercial enterprises in assessing property taxes. The federal 4-R act, the lawyers contend, prohibits states from taxing railroads at a higher rate than "other commercial and industrial property."

In addition to asking for an injunction, the lawsuit also asks for "other... relief," which could include knocking out most or all of the $11 million paid or owed by railroads for real and property taxes between 1979 and 1982.

Burlington Northern lawyers said the situation in Iowa is similar to a case in North Dakota in which the U.S. Eighth Circuit Court of Appeals held that the North Dakota personal property tax on railroads was illegal.

Charles Haack, a lawyer for the Iowa Department of Revenue, said he has not had a chance to study the Burlington Northern suit. He said, however, "Personal property taxes in general vary widely state to state, so it is highly unlikely that the [North Dakota] statute would be similar" to Iowa's law.

As evidence that railroads are discriminated against in property tax assessments, the law suit included an affidavit from Susan Stephenson, an assistant professor of economics at Drake University.

Stephenson said, "In my opinion the vast majority of commercial and industrial taxpayers in the state of Iowa pay no tax on their tangible personal property," because of a 1973 law aimed at eventually phasing out the personal property tax.

As a result of that law, businesses assessed by city and county assessors — railroads are assessed by state officials — have in the past several years had their assessments reduced by a rollback figure while railroads have not. Last year that rollback figure was 63 percent.

Also, those other businesses were allowed tax credits of up to $165,000 last year for personal property items.

As a result, only 2,200 of the state's 180,000 commercial and industrial businesses are now paying personal property taxes, Stephenson said. And most of them are not paying taxes on the full, fair-market value of their personal property, as the railroads claim they have been doing on their equipment, she said.

The lawsuit also contends that the state has charged the Burlington Northern too much on its real estate property taxes.

The railroad's real property is supposed to be assessed at 100 percent fair-market value, but the suit contends that in 1981 the Burlington Northern's real property in Iowa was assessed at 190 percent of its actual value and that in 1982 it was assessed at 148 percent of its value.

Journal of Commerce, March 8, 1983

Agency Modifies Feeder Rail Rules

Journal of Commerce Staff

WASHINGTON — Regulations governing the feeder railroad development program have been modified by the Interstate Commerce Commission.

The program was created to enable shippers and communities to acquire rail lines when their service was to be downgraded or abandoned.

The changes are generally procedural, but the commission said they were necessary in order to streamline and clarify existing regulations.

The new rules will eliminate preapplication notice requirementsby railroads which had been criticized as warning railroads of prospective takeovers and allowing them to maneuver around local interests.

The new rules will also allow for the submission of competing applications seeking to take over the same line. Changes were also instituted to speed the consideration of proposals.

Dispatcher Pioneer Press, March 9, 1983

New BN access to Buffalo could affect Duluth

By Steve Massey
Business Writer

The Port of Duluth could lose some grain shipments if the Burlington Northern Railroad Co. is successful in negotiating a track-rights agreement that would extend its service area from Chicago to Buffalo, N.Y.

The St. Paul-based railroad is negotiating with Conrail for rights to use its track to Buffalo, giving BN access to major Ohio, Pennsylvania and upstate New York ports.

Negotiations for rights to use the 500-mile stretch of track have been under way for the past several weeks, a BN spokesman said. Chicago now is the easternmost point on BN's northern lines.

The Chicago-Buffalo line runs through Cleveland, Toledo and Erie, Pa., and would come close to making BN a transcontinental railroad. Buffalo serves as the gateway to the Great Lakes shipping region and connects with the Atlantic Ocean via Lake Ontario and the St. Lawrence River.

BN's present route system extends across the northern and mid-sections of the country into Portland and Seattle on the West Coast. Conrail, based in Philadelphia, operates in the northeast and along the East Coast.

Lawrence Kaufman, BN vice president for public affairs, said a track-rights agreement with Conrail would allow BN "to pick up some traffic westbound that Conrail isn't getting."

Because Chicago is Conrail's western-most point, most of the freight traffic originating out of places like Cleveland and Toledo is hauled into Chicago by truck before being loaded onto rail cars, Kaufman said. With direct access to the Buffalo line, BN could take that traffic from its point of origin and transport it to the West Coast without stopping in Chicago.

Besides the Conrail negotiations, BN also is discussing track-rights agreements with Seaboard Industries and Rio Grande Industries.

Seaboard, which operates all along the eastern seaboard and into the industrial Midwest, is seeking to use BN's Memphis-Birmingham, Ala., line. Rio Grande operates the Denver & Rio Grande Western Railroad in Colorado and Utah and would gain access to BN's Denver-Kansas City line.

Jerry Fruin, a transportation economist at the University of Minnesota, said extension of BN's traffic rights to Buffalo "would create a run around the Great Lakes and could have an impact on traffic for railroads serving Duluth as well as for some traffic originating out of Duluth and other Great Lakes ports."

Fruin said grain, coal and other commodities now shipped to Buffalo from Duluth via the Great Lakes could run directly to Buffalo on the BN line. Although shipping commodities by sea is cheaper, he said it takes five days to make a trip that BN would be able to make in 24 hours.

Journal of Commerce, March 11, 1983

Southern's Base May Move to Atlanta

Journal of Commerce Staff

ATLANTA — It appears that Southern Railway will move its headquarters from Washington, D.C., to Atlanta.

Although no official announcement has been made, Norfolk Southern Corp. spokesman Bob Fert said Tuesday that a letter sent out last Friday by Norfolk Southern president Harold Hall notified Washington employees that those working with the company's Southern subsidiary would be transferred to Atlanta.

Washington employees working with the Norfolk & Western subsidiary would be relocated to Roanoke, Va., while those dealing with corporate business would be shifted to corporate headquarters in Norfolk.

Putting "two and two together" makes Atlanta the future Southern headquarters, he said.

The rationale behind Southern's move to Atlanta is Norfolk Southern's "continued effort for efficiency," Mr. Fert said, explaining that Atlanta where the railroad's two main lines cross, it the "heart" of the Southern system.

The spokesman said he doesn't know when the transfers will begin, where the new Atlanta headquarters will be located or what will be done with the current offices in Washington, but added that these decisions probably would be made within the next few weeks.

Journal of Commerce, March 11, 1983

Brisk Canadian Upswing Seen in 1984

By GEORGE F.W. TELFER
Journal of Commerce Special

Canadian consumers are poised to spend more, but business and governments won't increase their investment outlays much during this "turnaround" year, a leading Canadian economist said.

Canada's exports of lumber, paper and pulp and natural gas will increase, but its exports won't lead the strong upswing expected next year, Thomas Maxwell, vice president and chief economist of the Conference Board of Canada, said.

Canadians' inflationary expectations are down and lower inflation and interest rates along with stabilization of energy prices have changed the environment for the better, Mr. Maxwell told a group of economists in New York.

Up to 40 percent of Canadian consumers expect a slowing of inflation, according to preliminary indications from the Conference Board of Canada's current survey of consumer attitudes; in its December survey, only 30 percent expected a slowing, and earlier last year, only 5 percent did, Mr. Maxwell said.

Canadian housing starts are expected to reach 175,000 units this year, compared to an average rate of 127,000 in 1982 and the country's demographic need for about 200,000, he added.

Although neither business investment nor government outlays will rise significantly before 1984, "one consequence of the present 'lean and mean' state of the business sector is that corporate profits should show a fairly rapid rate of increase, albeit from a very low base, as any increase in sales will go immediately into corporate profits," he said.

Profits should spurt 50 percent this year after declining 32 percent in 1982, Mr. Maxwell estimated.

"The Canadian dollar should continue to trade in the 81 to 83-cent U.S. range this year and next," Mr. Maxwell said, "as long as Canadian inflation continues to decelerate and Canadian interest rates maintain a normal relationship with those in the U.S."

Mr. Maxwell said that in the next two years the Canadian recovery will be shaped by the following elements, in approximately the sequence listed:

— Slowing in the rate of decumulation of inventories.

— An upswing in housing.

— The re-emergence of consumer confidence.

— Export growth in sympathy with the U.S. recovery.

— A return to positive growth in investment.

"All the available evidence indicates that the inflation cycle is over, the economy has bottomed out and a cyclical recovery is getting under way," the Conference Board economist said.

Wall Street Journal, March 1, 1983

Norfolk Southern Buys 5.01% of Santa Fe; Could Lead to Transcontinental System

By BILL PAUL
Staff Reporter of THE WALL STREET JOURNAL

NORFOLK, Va.—Norfolk Southern Corp. said it acquired 5.01%, or 4.2 million shares, of Sante Fe Industries Inc.'s outstanding common stock, a move that could lead to formation of the nation's first singly-owned transcontinental railroad.

Norfolk Southern wouldn't disclose immediately a purchase price, adding that any additional information regarding the purchase would be disclosed in a 13D filing to the Securities and Exchange Commission within 10 days. However, at current market prices, the transaction would be valued at about $100 million.

While Norfolk Southern said the purchase was for investment purposes, observers said it also could mark the first step toward formation of a Norfolk-Santa Fe rail system that would run from coast to coast, connecting in Chicago and Kansas City.

Such a rail system would be in keeping with the current merger trend within the industry, which most recently has seen the combination of the Union Pacific railroad with two other carriers to form a line that is providing tough competition for Santa Fe and the Southern Pacific railroad.

While a Norfolk-Santa Fe combination likely would be challenged by other carriers on antitrust grounds, the Interstate Commerce Commission, in allowing the Union Pacific-Western Pacific-Missouri Pacific merger to proceed, appeared to give a green light for other large railroad mergers.

If Norfolk Southern and Santa Fe were to merge, it likely would accelerate a trend growing within the railroad industry to prohibit the free interchange of traffic between carriers. Currently, many major carriers are trying to hold onto traffic, rather than transfer it to a competing carrier, in order to prevent such recently merged systems as Union Pacific from eating into their market share.

Such limitations on the flow of rail cargo have many big shippers worried that their choices for rail-freight transportation are dwindling to the point where they soon could become subject to rapid price increases. It's possible that shippers also might challenge any Norfolk-Santa Fe merger on the ground that it would greatly diminish competition.

One source close to the Santa Fe said yesterday that last week it was widely rumored within the company that the Burlington Northern railroad was about to acquire a piece of Santa Fe. However, the source said that a combination with Norfolk Southern would make better operating sense and could prove very beneficial to Santa Fe, which railroad observers long have blamed for not aggressively pursuing business in the more competitive environment that has followed deregulation of the transportation industry.

A Norfolk Southern spokesman cautioned against concluding that Norfolk Southern had any plans for a transcontinental system. He noted that the line previously had acquired a stake in Piedmont Aviation Inc., which, despite rumors of a possible combination of the two companies, has remained just an investment for the railroad.

Late yesterday, Santa Fe, said it was first informed by Norfolk Southern about the share purchase earlier yesterday afternoon, and that Norfolk Southern had said the shares had been acquired in the open market. Santa Fe said it wouldn't have any additional comment.

The Santa Fe railroad runs from Los Angeles and San Francisco through the Southwest and into Chicago. Norfolk Southern runs from Norfolk, Va., Savannah, Ga., and other points to New Orleans, Chicago and Kansas City.

In addition to the railroad, Santa Fe Industries is the holding company for a trucking company, a pipeline company, petroleum operations, forest-product businesses and construction activities.

Norfolk Southern is chiefly a railroad, and it was formed last June, when the Norfolk and Western Railway merged with the Southern Railway. Norfolk Southern operates an 18,000-mile rail system in 21 states.

Journal of Commerce, March 2, 1983

Norfolk Southern-Santa Fe Deal Sparks Transcontinental Rail Talk

By RIPLEY WATSON 3rd
Journal of Commerce Staff

If the Norfolk Southern Corp.'s purchase of 5 percent of Santa Fe Industries Inc.'s stock is the first step toward forming a transcontinental railroad, some fundamental issues will have to be confronted before any merger occurs.

Among the questions that have to be answered are whether the two lines could be operated together profitably, how other western and eastern lines might respond and how personnel and court cases would impact any combination.

The Norfolk Southern's announcement late Monday billed the purchase, which would cost $100 million at market prices, as an investment, but analysts are far from positive that the matter will end there.

Robert Long of First Boston Corp. said, "This is a big event that will lead to a lot of consternation in the railroad industry." But, he added, "it's difficult to draw any conclusions."

Henry Livingston of Kidder, Peabody felt that Santa Fe was "not the ripest of choices," but both he and another analyst felt that at least the move puts Norfolk Southern first in line if a transcontinental merger wave strikes the industry.

The Norfolk Southern's intentions should be known in more detail within 10 days when a 13-D statement is filed as required with the Securities and Exchange Commission.

A number of industry analysts saw major operational barriers to the formation of a combined NS and Santa Fe system because of existing traffic patterns and marketing concentration.

Santa Fe, which Mr. Livingston called "a boulevard of steel," moves large quantities of grain and intermodal traffic that is interchanged with Conrail.

Norfolk Southern is a hybrid of a coal carrier and general merchandise carrier, which sources say is Santa Fe's weakest interchange partner at Chicago, Kansas City and Logansport, Ind., where the lines swap traffic.

While Santa Fe has a balanced traffic pattern, Norfolk Southern's flow is heavily oriented eastbound, primarily for coal movements.

Since Norfolk Southern doesn't go to New York or Baltimore, the East Coast's two largest intermodal ports, there appears to be no ready outlet for much of Santa Fe's traffic.

While Hampton Roads is the East's third largest intermodal facility, Norfolk Southern was not believed to have a substantial intermodal operation there that could be an outlet for import-export traffic.

Two other factors analysts cited in the equation were the lack of a southern connection between the two lines and the fact that each carrier's lines radiate south from Chicago, thereby making a short transcontinental route hard to find.

Mr. Livingston noted that Santa Fe had passed up an opportunity a few years ago to buy a Chicago, Rock Island and Pacific Railroad line into Memphis, Tenn., where the Norfolk Southern Corp. has a substantial operation.

However, officials at the Rock Island, which is currently in the process of reorganization, said the 762-mile stretch from Memphis to Amarillo, Texas, still is available for purchase by a carrier who would buy all of the line for through operations.

Portions of that line are being operated by two of Santa Fe's major competitors, the Missouri Pacific portion of Union Pacific Corp. and the St. Louis Southwestern Railway that is part of Southern Pacific.

While no immediate response to the Norfolk Southern announcement was made, Mr. Long felt that "now the rest of the industry will have to get out the merger maps."

Conrail would stand to lose substantial amounts of revenue if Norfolk Southern could cut into the one-third of Santa Fe's interchange traffic in which Conrail is a partner.

Officials at Conrail, which itself has been rumored to be the object of covetous looks by Western railroads because of its upcoming profitability tests, said they would have no comment.

Analysts noted that there are four Western railroad systems and three Eastern lines, suggesting that two Western railroads might have to merge before the situation stabilizes somewhat.

The most widely mentioned possibility is a Santa Fe-Southern Pacific linkup, which the two parties discussed in 1980, but haven't publicly acknowledged since.

Mr. Livingston suggested that such a combination might develop since there have been public hints that Southern Pacific might want to get out of the railroad business.

Some analysts noted, though, that Norfolk Southern recently bought a minority interest in Piedmont Aviation, but hasn't expanded its share since the original purchase, suggesting that the 5 percent of Santa Fe represented just an investment.

Mary DeSapio, analyst for Lehman Brothers, Kuhn and Loeb, said she felt the transaction was purely an investment involving what she termed "two very good companies."

Still another industry observer who asked not to be quoted suggested that the move could be a defensive response by Norfolk Southern to the prospects of reduced shipments of coal on which the railroad depends for profitability.

A Norfolk Southern-Santa Fe linkup, he noted, would give Norfolk Southern instant access to piggyback traffic.

Mr. Livingston, who said he felt that such a combination "would not fly," noted that another potential question was posed by the existence of the federal court case in which Western railroads challenged the Missouri Pacific-Union Pacific-Western Pacific merger.

Mr. Livingston proposed that any transcontinental movement might weaken the case of the railroads opposing the newly merged Pacific system.

By pursuing the court case first, he suggested, valuable long-range concessions might be gained.

Mr. Long, however, felt that the court case wouldn't have any braking effect on a transcontinental linkup. "Other railroads will have to act quickly," he said.

Among those who might have to act are Burlington Northern and CSX Inc., which haven't revealed their strategy yet.

Still another factor in the case is the impact of mergers on top railroad management.

John S. Reed is due to hand over the reins at Santa Fe in two months, which analysts suggested might make postponement of any merger at least that long a wise idea. In addition, the merger of Norfolk & Western and the Southern Railway was consummated less than a year ago and the integration of those two lines is far from complete, analysts noted.

Wall Street Journal, March 8, 1983

Norfolk Southern and Santa Fe Chairmen Discussed 'Possible Affiliation' Last July

By BILL PAUL
Staff Reporter of THE WALL STREET JOURNAL

NEW YORK—The chairmen of Norfolk Southern Corp. and Santa Fe Industries Inc. last July talked about a "possible affiliation" of the two railroad holding companies, according to a Norfolk Southern 13D filing with the Securities and Exchange Commission.

Norfolk Southern's disclosure, made in connection with its announcement last week that it purchased 5.01% of Santa Fe's common stock outstanding, strongly suggests that the Norfolk, Va.-based carrier would like to combine with the Santa Fe to form the nation's first singly owned transcontinental railroad.

It isn't clear whether the two carriers may get together again. The 13D statement said that while Santa Fe advised Norfolk Southern that it would "consider" having discussions about a possible affiliation, "there have been no further communications" on the matter.

In Norfolk, a Norfolk Southern spokesman wouldn't say whether the matter was still active. In Chicago, a Santa Fe spokesman said the company wouldn't have any immediate comment.

The 13D filing also said that since last July, the only communication between the two companies came last week when Norfolk Southern called to advise Santa Fe about the share purchase.

Norfolk Southern reiterated in its 13D filing that the share acquisition was made as an investment, and that the carrier doesn't have any "present intentions" of making a tender offer for the rest of Santa Fe's stock or making a merger proposal. Norfolk Southern also said it doesn't currently intend to put a director on Santa Fe's board.

However, Norfolk Southern also said it "may determine" to buy more shares in the open market or through private transactions.

Last week, when Norfolk Southern announced its share purchase, many railroad analysts indicated they thought the Eastern line was just making an investment. They said that a combination with the Santa Fe wouldn't be a good fit as Norfolk Southern doesn't provide an outlet for much of Santa Fe's traffic, much of which goes to New York and Baltimore.

But railroad insiders suggested that a combination would make sense given the new, more flexible rate-making environment in the railroad industry today. They reasoned that such a combined system could offer shippers a variety of attractive rates from coast to coast, and thus Norfolk Southern could lock shippers into long-term agreements that could provide the carrier stability for years to come.

Concern for stability may have been the most important reason why Norfolk Southern Chairman R.B. Claytor met with Santa Fe Chairman J.S. Reed last July 8. Nearly 40% of Norfolk Southern's freight revenue comes from coal, which makes the railroad susceptible to downturns in that one industry. In addition, coal reserves in some areas served by Norfolk Southern are slowly starting to run out, with perhaps a 20-to-30-year supply left in some places.

In its 13D filing, Norfolk Southern said it paid $80.3 million for its 4.2 million shares of Santa Fe, which it said were bought through March 4.

If Norfolk Southern and Santa Fe were to merge, the system generally would run from Los Angeles and San Francisco through the Southwest and up into Kansas City and Chicago. From there it would swing south again to Eastern ports such as Norfolk and Jacksonville, Fla.

Such a combined system also would have substantial land and energy holdings, as well as a trucking subsidiary, construction business and a pipeline company.

Des Moines Register, March 7, 1983

Manly plots revival, pulls for Soo Line in rail deal

By RANDY EVANS
Register Staff Writer

MANLY, IA. — This is the little train town that thinks it can.

For much of its history, this Worth County community was an important rail center in Iowa, with railroads providing jobs for scores of local families. Those days ended with the demise of the Rock Island Lines, the town's biggest employer.

Community leaders now are hoping to bring those days back to life. They are pinning their hopes on the Soo Line Railroad, and talking about how the town of 1,500 people can help the railroad financially if it swings the deal to buy the Rock's old tracks.

The Soo Line and North Western Railway both have been dickering with the Rock's bankruptcy trustee to purchase the line through Manly. It is part of a high-stakes transaction that would involve the Rock's former mainline between Minneapolis, Minn., and Kansas City, Mo., and the grain-hauling branch lines in north-central Iowa.

A $76 million offer from the North Western will be presented on March 15 to the federal judge overseeing the dismantling of the Rock Island. But Soo Line officials are expected to submit another bid for the tracks, perhaps this week.

The tentative sale agreement with the North Western has worried state officials. They fear the North Western, already the dominant railroad in Iowa, will have little competition in northern Iowa if the deal goes through. They also are concerned that the cost could endanger the North Western's financial health.

The proceedings in Chicago are being watched with considerable interest here, too, because local officials believe an important vote on the town's future is being cast.

Community leaders are hoping to persuade the buyer to base its northern Iowa operations in Manly. Because the North Western's center now is 10 miles to the south, in Mason City, the Soo Line is preferred by people here.

"The only industrial base we had was the railroad," said Thomas Masey, president of the First State Bank. "We don't know how many jobs the Soo Line might put in here, but there are a lot of people around here who want jobs.

"At the time the Rock Island shut down, it was estimated that there were 200 jobs that were eliminated in this area."

Masey has discussed with Soo Line officials the prospects for Manly's becoming a center if the company wins the bidding war. The company has made no commitments, but the Manly City Council has been approached by Masey about issuing industrial revenue bonds to finance the Soo Line's possible move to town.

"The railroad is a part of Manly's heritage," said pharmacist David Ver Helst. "Without the railroad, we wouldn't have had a Manly.

"It's not that we want the Soo Line over the North Western or anyone else. It's an opportunity for us to attract an industry that could attract other industries."

Journal of Commerce, March 1983

Rail Routing Row Goes Nationwide As Shippers Seek ICC Intervention

By DAVID M. CAWTHORNE
and
RIPLEY WATSON 3rd
Journal of Commerce Staff

WASHINGTON — The controversy over reciprocal rail switching and routing restrictions has gone nationwide and has so irritated shipper interests that they want the Interstate Commerce Commission to intervene.

A dispute between Conrail and the Chessie System continues to percolate at the commission while the agency this week will vote on a Southern Pacific Railroad proposal that will eliminate many routings involving the Atchison, Topkea & Santa Fe Railroad.

In a protest expected to be filed at the ICC today, Chessie accuses Conrail of predatory actions aimed at giving it a monopoly over points in 16 Northeast and Midwestern states served by the carrier.

At issue is a Conrail proposal to increase reciprocal switching charges from $187 to $283 per car that will apply on traffic moving in all types of equipment — including boxcars, tank cars, hoppers, gondolas and flat cars — at points where the railroad provides reciprocal switching services.

The increase is scheduled to go into effect March 19, the same day a Conrail proposal to cancel reciprocal switching on every commodity moving to and from a switching district whenever another carrier cancels a joint-line rate on a single commodity moving in that district.

Chessie says the higher charges are a ploy to eliminate reciprocal switching throughout the east and force out competition within that area.

The Southern Pacific proposal requires that shipments originating or terminating on it and affiliated lines would have to be routed only via the SP system.

This would primarily affect the Santa Fe since it competes within the Southwest area served by the SP.

Industry officials said that the SP will publish similar restrictions in applicable rate bureau tariffs, and the commission is expected to vote on the matter this week.

In any event, the actions in this area have the nation's shippers so upset that the National Industrial Traffic League and other shipper groups want the ICC to institute a formal rule-making in this area.

The NITLeague proposal calls on the commission to institute a rule-making prohibiting cancellation of joint rates and routes and reciprocal switching agreements on grounds that many such moves are anti-competitive.

The recent filing notes that the trends toward cancellations of rates and routes and reciprocal switches "gives every evidence of taking on the characteristics of a prairie fire."

It calls the actions a "total disregard of the rights and interests of shippers," which is a "flagrant flouting of the mandates of the Congress."

The heart of the NITLeague petition is the citing of portions of the Staggers Rail Act, which the league says indicate Congress' intent to retain competitive rail service through the act.

"The availibility of these policies played a major role in enlisting support of the members of the shipping public for the enactment of SRA," the petition says.

Another facet of NITLeague's rule-making proposal would end the individual case considerations by having the commission set forth benchmarks that state when joint rate and reciprocal switch actions are anti-competitive.

"The shippers of the nation, where the intent of the Congress is so clear, should not be put to the burden, expense and harassment of a series of litigations on a case-by-case basis," according to the document that was prepared by attorneys from Donelan, Cleary, Wood & Maser, the league's counsel.

The Des Moines Register, March 9, 1983

Soo Line asks state financing to bid on track

By RANDY EVANS
Register Staff Writer

AMES, IA. — The Soo Line Railroad asked the state of Iowa Tuesday for $21 million in low-interest financing to permit the company to reopen bidding for a key rail line through Iowa's midsection.

The company's request and favorable reactions from state officials set the stage for a final round of high-stakes bidding for several hundred miles of Iowa track that once was part of the giant Rock Island Lines.

The tracks are being sold by the Rock's bankruptcy trustee as part of the court-ordered dismantling of the defunct company. The North Western Railway appeared last month to have won the bidding war when its offer of $76 million was accepted by the trustee, Chicago lawyer William Gibbons.

The North Western's offer had been expected to get preliminary approval next Tuesday from the federal judge overseeing the Rock Island proceedings. But the outcome of next week's court hearing now is in doubt because the Soo Line indicated Tuesday that its new bid would be "significantly increased."

Because the North Western already is the dominant railroad in the state, shippers and state officials have expressed concerns that the North Western's purchase of the Rock Island tracks would virtually wipe out rail competition in a large section of Iowa. That competition is of vital importance to Iowa farmers because millions of tons of grain move on those tracks annually.

And Soo Line officials underscored that concern in their request Tuesday to the Iowa Railway Finance Authority. "The Soo Line is the last hope for preserving meaningful railroad competition in central Iowa," the company said.

"We cannot go forward with a significantly increased offer for these Rock Island properties unless we have a strong expression of support from the Iowa Railway Finance Authority," the statement said.

Soo officials also indicated that financial assistance from shippers in the Des Moines area would be sought this week.

The Railway Finance Authority was created by the Iowa Legislature in 1980 in the wake of the bankruptcies of the Rock Island and Milwaukee railroads. The agency was given the power to sell up to $200 million in state bonds to finance the acquisition and rehabilitation of important segments of the two companies by interested parties.

But the finance authority has been powerless because of court challenges filed by the major railroads in Iowa.

Until favorable rulings come in those cases, the finance authority would not be able to lend the Soo Line any money. The finance authority did not vote on the company's request, but there were indications that members of the authority's governing board will support it.

The finance authority's chairman, William F. McGrath of Melrose, said the North Western's acquisition of the Rock Island "spine" line would "cut the heart out" of the Rock's east-west line through Des Moines and make it difficult, if not impossible, to sell. The east-west line runs between Council Bluffs and Davenport.

"We ought to get on with this or we're going to lose the whole cake," said finance authority member O.R. Woods of Cedar Rapids, who also expressed concerns about the North Western's growing dominance.

Soo, based in Minneapolis, operates mainly in Minnesota, Wisconsin, Illinois and North Dakota.

Action on the request was postponed until Soo submits a formal application, which will be analyzed by the staff of the Iowa Department of Transportation. The DOT's goal has been to preserve competition along the north-south line, and Les Holland, director of the DOT's railroad division, reacted favorably to the Soo Line's request:

"That's what the Railway Finance Authority was created for in the first place: cases just like this. And it was these lines the Legislature was talking about."

Journal of Commerce, March 11, 1983

Fuel Prices Bring Down Rail Costs

Journal of Commerce Staff

WASHINGTON — Plummeting fuel prices have reduced railroad industry operating expenses by 3.1 percent during the last quarter, industry figures filed at the Interstate Commerce Commission reveal.

As a result the industry will receive no quarterly rate increase to help the carriers keep pace with inflation.

Diesel fuel prices dropped 8.6 percent between the fourth quarter 1982 and first quarter 1983 midpoints, the Association of American Railroads told the ICC.

"All indications are that fuel prices will continue to decrease due to the worldwide oil glut and price war resulting from the inability of the producing countries to agree on production levels which will stabilize the price of crude oil," the carrier said.

The industry projected a 13.7 percent decrease in the index during the second quarter which means a 20.3 percent decline from the carrier's first quarter projections.

Though the industry's conclusions and supporting data must be approved by the ICC all indications are that no quarterly rate hike is in the offing.

The Des Moines Register, March 11, 1983

North Western hampering new railroad, officials say

By RANDY EVANS
Register Staff Writer

Officials of the Iowa Railroad Co. and the state of Iowa have accused the North Western Railway of trying to torpedo the young Des Moines-based railroad by delaying its trains through the capital city.

The delays have been numerous, the officials said, and have forced Iowa Railroad crews to park their trains for up to four hours on occasion while waiting for clearance from the North Western to proceed through Des Moines.

The delays have averaged between one and two hours, they said, and in a few instances the delays have forced the crews to turn their trains around and return to Council Bluffs for the day. Other times, extra crews have had to be called in to wait with the idled trains when their crews' workday ended.

A member of the Iowa Railway Finance Authority, the state agency created to provide financial assistance to preserve important rail lines in Iowa, called the North Western's actions improper and said they could endanger the survival of the Iowa Railroad.

"This Is Wrong"

"This is wrong," the finance authority member, O.R. Woods of Palo, said during this week's meeting of the state rail body. "I just hate to see this kind of thing jeopardize service for the state."

Harvey Sims, an administrator in the railroad division of the Iowa Department of Transportation, agreed and said the delays represent "a major constraint" on the Iowa Railroad's chances for success.

The rail company was formed in 1981 to operate portions of the defunct Rock Island Lines in western Iowa. The company extended its operations on across Iowa and into Illinois last year after leasing several hundred more miles of Rock Island track from the Rock's bankruptcy trustee.

The company has considered trying to buy the Rock Island tracks between Council Bluffs and Davenport, but the problems in Des Moines have made the line "a little less desirable," a company official said Thursday.

Central Iowa Tracks

The North Western operates an east-west main line between Council Bluffs and Clinton. The company also has a line that passes through Des Moines, and it has leased the primary operating rights for 13 miles of former Rock Island tracks in Des Moines and West Des Moines — tracks that it shares with the Iowa Railroad.

North Western officials have made no secret of the fact that they believe there have been too many railroads competing for a limited amount of business across Iowa's midsection.

North Western has worked out a preliminary agreement to buy the Rock Island's north-south line through Iowa, plus the east-west tracks in the Des Moines metropolitan area. The Rock Island trustee would retain the right to permit another railroad to operate over the Des Moines tracks, but DOT officials have said they fear the North Western could make it difficult for another carrier to operate through the capital city.

Because of concerns that the North Western's purchase could reduce rail competition in Iowa, the state and local officials have been working with the Soo Line Railroad to bid against the North Western for the Rock Island tracks.

No Public Comment

Gene Schwab, the president of the Iowa Railroad, would not comment publicly on his company's problems with the North Western, because he feared that the company might retaliate.

But one Iowa Railroad official, who asked not to be identified, said, "The North Western does not want to see this Rock Island line exist. They very much seem to think we are a threat to their business."

According to Iowa Railroad representatives, the North Western has attributed the delays in Des Moines to its switching work as freight cars are moved from track to track.

"We personally suspect that some of their switching is timed to cause us problems," an Iowa Railroad official said. "The North Western is not interested in facilitating us through Des Moines."

Jerry W. Conlon, the North Western senior vice president in charge of its Iowa operations, was out of his office Thursday and could not be reached for comment. The company's chief spokesman was on vacation and also could not be reached.

The Washington Post, March 4, 1983

ICC Deregulates Coal, Boxcar Railroad Rates

By Douglas B. Feaver
Washington Post Staff Writer

The Interstate Commerce Commission yesterday took two giant steps toward lifting government restraints from the railroad industry when it deregulated rates on coal shipped by rail for export and on all rail boxcar traffic.

Both actions came on 3-to-2 votes and were reported without comment or text in a terse late-afternoon announcement. Both will take effect 90 days after the official decisions are filed, which is expected within two months.

Specific details and the commissioners' views are thus unknown, but railroad and federal officials who could be contacted agreed that the decisions appear to permit the railroad industry to be much more responsive to market conditions.

"This means we can set rates with a shipper over the telephone" instead of through complicated, time-consuming filings with the ICC, an industry official said.

The decisions will also eliminate much work the ICC presently does in reviewing export coal rates; rates that apply to boxcar movements, and the charges railroads impose on each other for moving and storing empty boxcars.

This does not mean that the ICC is dead; it will still have much to say about the prices of hauling many commodities, including domestic coal and grain by both truck and rail. It also has a continuing role in monitoring the deregulation of the intercity bus system. But it does mean that the commission is taking advantage of the freedom it was given in the rail deregulation act of 1980 to back away from many of the details it has covered for years.

The decision could also add impetus to proposals on Capitol Hill to either eliminate the ICC and transfer its remaining functions to the Transportation Department or to substantially reorganize the remaining transportation regulatory bodies into one independent body that would handle rail, trucks, buses, airlines and shipping.

The ruling on export coal affects an important and growing segment of railroad traffic. Coal is about 40 percent of railroad business nationwide today, and about 20 percent of that moves for export.

Coal industry officials and critics of deregulation have worried, however, that if the ICC removes itself from all rate-making questions on export coal, the railroads will charge so much that U.S. coal will not be competitive in the world market.

"We can't," an industry official said. "The reason is there is a given price at which American coal can be sold abroad. It's more important to the railroad industry to keep those rates competitive than it is for a handful of bureaucrats who don't have a vested interest."

Robert W. Blanchette, Federal Railroad administrator in the Transportation Department, called the export coal decision "courageous." The administration has supported that outcome.

Freight rates on coal shipped for domestic use will still remain under ICC purview. Last week, however, the ICC proposed new regulations on how those rates could be increased; if railroads can meet tests outlined in advance in the proposal, the ICC will not interfere. The proposal permits as much as a 15 percent annual rate increase after inflation without ICC review.

The boxcar decision was one sought primarily by Conrail, the federally owned Northeastern railroad, which has found itself (it has alleged) holding many empty boxcars belonging to other railroads and having to pay charges on them because the other railroads were in no hurry to reclaim them.

Conrail sought to retaliate by offering substantially reduced rates to shippers who could load up the boxcars and send them back home, a practice that has been controversial with Conrail's competitors.

It is not clear precisely what the ICC has done in that area, although an official in the commission said that Conrail will be permitted to charge mileage on empty cars moving back to other carriers and that Conrail will not have to pay rental on others' cars in storage until the owner reclaims them.

Contracted Rail Loads Not Large

By MARTIN BAROLSKY
Journal of Commerce Special

With coal demand sluggish and Interstate Commerce Commission rate guidelines for regulated coal transport still hanging fire, only a small fraction of the nation's vast rail traffic in coal has shifted to a private contract basis in the two years since such contracts became legal.

The principal rationale for permitting private contracts, apart from the Reagan administration's bias for deregulation, was to facilitate long-range planning of coal production, transportation and utilization facilities. But the realities of the marketplace, and of the regulatory environment, have put such concerns on the back burner for many of the electric utilities who consume most of the nation's coal.

"The number of contracts submitted has certainly not been overwhelming," comments Lou Gitomer, deputy director of the ICC's rail sector.

"I don't think anyone is unhappy about having the option to write contracts," observes James S. Heuer, manager of transportation planning for the consulting firm A.T. Kearney Inc. "But it is certainly not automatically true that you ought to make the conversion" from existing arrangements.

Volumes involved in private contracts under the October 1980 Staggers Act are confidential, so it is impossible to pin down just how much coal is involved. But plausible estimates range from less than 10 percent to less than 25 percent of total coal haulage.

The relatively small number of contracts filed with ICC tells part of the story. Out of 4,016 rail contracts on file as of Dec. 31, 1982, only 194 or 4.8 percent were for coal transport. Some 45 of these were joint-line deals involving more than one railroad. Though tbe nominal filers of the contracts numbered only 28 railroads (including five short lines), probably 35 to 40 are involved when other participants in joint-line contracts are included, according to ICC experts.

Some 80 percent of the contracts on file are for five years or less, with a range from 15 days to 39 years.

More than 70 percent include some volume requirements, according to an ICC review, while 70 percent feature special allowances, rate reduction or other incentives.

The greatest number of contracts filed, at least at first, involve the major lines of the East and Southeast. These seized on the contract mechanism as a solution to the port logjams in 1980 and 1981.

As an alternative to the first-come/first-served system that had vessels on queue at various ports for weeks at a time, contracts were structured to trade volumetric guarantees from the coal producers or receivers for railroad guarantees on prompt service.

As a result the Norfolk & Western Railway, which has more coal transport contracts in force than any other line (56 as of Dec. 31) virtually eliminated vessel queues. Furthermore, in the year that ended last June it boosted dumpings to a record 42.3 million tons — nearly 20 percent above its previously estimated capacity. "On that basis, we now figure we could probably handle up to 45 million tons a year," says William B. Bales, vice president for coal and ore traffic.

Not only did the contracts help N&W break the traffic logjam, they have also helped it maintain volume during the current slack. For calendar 1982, about 65 percent of N&W coal transport was under contract, says Mr. Bales. But as traffic declined during the second half of the year, by year-end almost all N&W coal movement was contract-related.

Thus, clearly the ability to write contracts has served two purposes for N&W — to improve capital equipment utilization and to stabilize volume in a soft market — while at the same time improving service for its customers.

On the down side, in today's market doldrums some N&W customers and others around the nation who signed transport contracts are having second thoughts. Several have already told N&W that they do not expect to meet minimum-volume requirements for the coal year that ends next month, Mr. Bales advises, and have asked to be spared contract penalties.

"We are not being so inflexible that we won't discuss an arrangement here," says the N&W executive. "But if we're going to give up damages, we want to get something else that we can't already get under the contract. So we're asking these people, 'What can you do for me?' " N&W is also considering some more flexibility in future contracts to help smoothe over such problems, Mr. Bales says.

The Chessie System is using the contract mechanism as a way to compete for business, says Jerry E. Gobrecht, vice president for coal traffic. Like N&W's contracts, Chessie's typically include escalation on industry cost indices, but exclude the annual "revenue enhancement" increases of up to 6 percent that are permitted for ICC-regulated rates.

Chessie has over 32 contracts in force, involving 32.5 million tons of coal, and has 38 others in some stage of negotiation involving a potential of nearly 29 million tons, Mr. Golbrecht advises. This compares to the total 90 million annual that the Chessie originates annually. "Basically, some of our largest and most important movements have been transferred to contract," he says.

"In some contracts, if you will add to your throughput what you can chip in from traffic you have been moving on other lines, we will adjust prices on the increment," Mr. Gobrecht says. The advantage to Chessie is that "we don't have to chase the business — we can plan our capacity, our maintenance needs and so on with more confidence."

Clearly, the railroads are not suffering in these contracts. "Rates per ton are probably slightly below the prevailing rate in single cars, in general, but the railroads have gained some advantages as far as cost of operations is concerned," says Henry H. Livingston, a Kidder Peabody & Co. vice president. "It's hard to say if these rates are money-winners, but they may be winning business."

On the other hand, many of the contracts now in force or in negotiation arise from disputes as to whether some shippers' pre-Staggers agreements on large shipping volumes should have contractual force under Staggers, protecting the shippers from permitted increases in ICC-regulated rates.

When Staggers took effect, the railroads were given a "once-in-a-lifetime" opportunity to boost common carrier rates. But those increases were immediately protested by many shippers. While those protests have been working their way through the courts, many of the railroads and customers hammered out contracts to end the legal issues. Some other contracts were forged in court settlements.

A prime participant in such disputes was Burlington Northern Railroad, which by Dec. 31, 1982, had cemented 10 contracts representing 25 million to 30 million tons a year, according to J. H. Hertog, senior vice president for coal and taconite. That

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accounts for about 20 percent of BN's coal tonnage. A "considerable number" of contracts remain in various stages of litigation or negotiation, Mr. Hertog advises.

Operating in areas where there's little alternative for the shipper, not all of BN's contracts will save the shippers money. In some cases they are lower than would prevail without contract, but in other cases they are higher, Mr. Hertog says. "But the contracts have been helpful in areas where we have to make large capital commitments — they give us an assurance that we won't be left holding the bag. It has definitely been a shot in the arm for us, and we think for our customers too."

It appears that the railroads are in general more enthusiastic about entering into contracts now than are utility coal users. With coal demand slack and its future in doubt, utilities are understandably hesitant to jump into minimum delivery deals.

Some potential customers also balk at escalation clauses as they are now being written. Patrick A. Cummings, traffic administrator/fuel supply for Indianapolis Power & Light, cites studies concluding that commonly used indices overstate cost escalation by as much as 40 percent. "We haven't signed any contracts yet, though the railroads seem very eager, and those escalators are the big problem," says Mr. Cummings. "They're not being very flexible. You may get a fair rate at the start, but after a few years with bad escalators you could lose all the benefit."

John Jacobson, fuel and management systems manager for Chicago's Commonwealth Edison, says he'll be more interested in negotiating rail contracts after current coal supply contracts expire — when Commonwealth will be less of a captive customer and thus have more leverage. For Commonwealth that won't be until 1988, when the first of its major coal supply contracts expires. (The company does however have one interim transport agreement pending with Burlington Northern, however, for 6 million to 8 million tons annually, and expects to ink a long-term contract when the interim pact expires in September, 1984.)

Similarly, Detroit Edison's Robert C. Kirkby reports that railroads are pushing to transform his company's existing arrangements into contracts. But Detroit Edison hasn't yet gone that route, largely because it doesn't have any new business to offer in exchange for more favorable terms.

That doesn't mean, however, that Mr. Kirkby, who is responsible for fuel transport as Detroit Edison's vice president for engineering and construction, finds the contract concept unattractive. And he is encouraged by what he sees as greater flexibility developing as the carriers get more experience with contracts. An important element in that flexibility is allowing utilities to aggregate contract volumes with different coal sources and destinations.

Some experts believe that the trend toward contracts may have been delayed by the ICC's long-pending decision on the "ex parte 347" issue. This is a procedure to establish "maximum reasonable" rail rates for coal transport over various routes. The decision is expected early this year, and there's a widespread expectation that the finding will be for regulated rates dramatically higher than are now the norm. It is these regulated rates with which contract terms must compete.

Does that mean that, once the ICC decision is announced, coal customers will rush to cement contracts with the rail lines? Probably not, according to A. T. Kearney's Mr. Heuer.

The ICC decision will hardly be the last word on the subject, he says. It is likelier to prove the battleground for years of litigation against the ICC, he suggests — litigation whose probable resolution will be further legislative changes. Thus contract negotiation would continue to stumble through an environment of regulatory uncertainty.

In the meantime, Mr. Heuer has not seen and does not expect to see any significant softening of railroad contract terms as a reflection of depression in the coal market. "It's having much more effect on coal supply contracts," he observes.

Despite routine assertions from the utilities and the coal companies that they are virtual captives of the railroads, without the transport alternatives to give them negotiating leverage, Mr. Heuer finds that "many of the big utilities have more options than you give them credit for." And these are the customers who have most to benefit from contractual arrangements, he says. Given the flexibility of multiple potential coal sources, multiple power stations and the like, such utilities can face the rail carriers in strong bargaining positions, and can integrate contracts into the complex pattern of their future plans, he says.

The ability to contract may also foreshadow some changes in who arranges the shipping for American coal. Typically, it is now the utility which arranges transport with rail, barge, steamship and trucking companies to move the fuel they need. But Mr. Heuer advises that several coal producers have consulted with him on the feasibility of contracting for transport themselves, and selling on a delivered basis rather than at the mine mouth.

Working at the other end of the line, Mr. Bales of Norfolk & Western reports strong interest among some of his customers in the idea of the railroad providing a "total transportation package," contracting to provide multi-modal rail, barge and/or steamship transport and thus relieve them of all shipping responsibilities. After having heard several of these proposals from customers, Mr. Bales believes that some deals of this kind could emerge in the next 11 or 12 months.

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The Washington Post, March 2, 1983

Louisiana Crash Pad Problem in Focus

Railroad Employes to Get U.S. Rule Governing Alcohol and Drug Abuse

By Douglas B. Feaver
Washington Post Staff Writer

Federal Railroad Administrator Robert W. Blanchette is putting the finishing touches on the first federal rules to control alcohol and drug abuse by engineers, brakemen and other key railroad employes.

The regulation, which Blanchette said will be published soon in the Federal Register, comes after a series of meetings between railroad management and labor representatives, who were told by Blanchette either to agree on a proposal that he could support or to expect one from him without their guidance.

The rule he will propose, Blanchette said, "is very close to being consensual," exactly the result he first sought in a speech last June when he told the industry that federal intervention was inevitable if improvements were not made in alcohol and drug abuse among railroad employes.

His call was punctuated in September by a spectacular derailment in Livingston, La., that resulted in explosions, fires, the evacuation of 3,000 people for two weeks and the continuing closure of a railroad line and a major highway.

An Illinois Central Gulf railroad office clerk has testified in a sworn deposition to the National Transportation Safety Board that the engineer and brakemen had been drinking and that she was operating the train at the time of the accident. The Brotherhood of Locomotive Engineers contends that tapes of radio conversations indicate that the engineer was sober.

Industry critics and the safety board are certain to scrutinize Blanchette's rule carefully to see if they think it goes far enough. For years, the safety board has been recommending that railroad engineers be subject to rules similar to the restrictions the Federal Aviation Administration places on pilots, including a ban on drinking in the eight hours preceding a flight.

Blanchette, while speaking strongly about the need to attack the problem, also has been seeking a rule that has a reasonable chance of being obeyed and reducing alcohol and drug abuse.

That is the reason he invited the Railway Labor Executives Association, which represents most railway labor unions, and the Association of American Railroads, which represents most railroad companies, to see if they could find common ground. A rule recommended by that group, Blanchette said in a recent interview, "is probably realistic and probably can be done within a realistic time frame."

The railroads have their own no-drinking rules, known universally as Rule G.

"Rule G is as old as Casey Jones, who was probably drunk at the time" he had his famous accident, said Blanchette. "The problem with Rule G is that it can become overkill. In other words, Rule G permits very little flexibility. It says, 'If thou art found drinking while on the railroad, thou art fired.'

"It's like charging $100 for littering the highway. The police will not arrest a guy charging him if he knows the court is going to throw a $100 fine at him for taking his chewing gum and putting it out the window. They found there was a lot more enforcement . . . when they made it a $5 or $10 fine."

Blanchette previously has used labor-management negotiations to solve regulatory hassles over track standards, the frequency of safety checks for brake systems, whether a defective rail car can be repaired by another railroad, and a major revision of signal regulations. All of those were touchy issues that affected work rules and jobs as well as safety and management questions.

"I would like to be able to do that with alcohol and drug abuse regulations," Blanchette said in a recent interview, "because I think we will otherwise get ourselves in a regulatory *contretemps*" that will take years to produce a good regulation.

Both Blanchette and railroad officials are known to be leaning toward an approach that requires a train crew member to certify when he joins the train that to the best of his knowledge, crew members (himself and others) are not under the influence of drugs or alcohol.

"That does take one of the disincentives out of Rule G," Blanchette said, "the peer pressure" not to report a violator. If certification were required, a colleague found to be drunk could become the problem of the certifying crew member.

The Livingston case continues under investigation by the safety board. The railroad clerk, Janet Byrd, invoked her Fifth Amendment rights at the board's public hearing, then offered her sworn deposition later, after dismissing her attorney. She said in the deposition, "It was a matter of time before the trick was up; there weren't any jobs to be saved, and there weren't any reasons to lie and I couldn't live with that."

Byrd and two train crew members have been arrested on state criminal charges of reckless handling of hazardous material, but have yet to be arraigned or to enter formal pleas. The Livingston Parish (county) district attorney's office was taken out of the case just last week by a state appeals court, and the case has been referred to the state attorney general's office for disposition.

Meanwhile, cleanup crews have made an enormous pit in Livingston, removing 44,000 cubic yards of earth that was contaminated by chemicals seeping from the 43 cars that derailed. Louisiana and Illinois Central Gulf Railroad officials are "discussing the levels" of chemical traces remaining, said Robert W. O'Brien, a railroad spokesman.

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Journal of Commerce, March 7, 1983

Agency Redrafts Rail Measure Exempting Some Commodities

Reform May Benefit Rails, Coal

By SAM GLASSER
Journal of Commerce Staff

The Interstate Commerce Commission's decision last week to deregulate railroad rates for coal export traffic, contrary to the uproar it caused, could, in fact, be beneficial to both industries over the long run, some observers said.

"Our initial reaction to the announcement was not favorable," said Connie Holmes, international trade vice president for the National Coal Association and executive director of its affiliate, the Coal Exporters Association.

The ICC, in a brief announcement, said it had decided to deregulate the export rates and the full decision would be forthcoming "within 60 days," to take effect 90 days later. This follows by a week the commission's decision on nationwide coal rate guidelines that effectively allow railroads to increase the rates to captive shippers up to 15 percent annually.

There are limitations on the rails' ability to increase their prices that much, but coal industry officials have vigorously criticized them as being virtually meaningless.

(NCA president Carl Bagge was so incensed at the ICC's general coal rate guideline decision that he told a coal transportation seminar in Houston last week, "the ICC is a wholly owned subsidiary of the Association of American Railroads.")

The Coal Exporters Association Friday filed a notice of intent to appeal the ICC's export decision in the U.S. District Court in Washington, D.C. The ICC's announcement was made late Thursday afternoon.

"We haven't seen the decision, so we don't know what we are dealing with," said Mrs. Holmes. She noted that as soon as more information is known a meeting of the CEA will be convened to discuss it.

"We are extremely disappointed and disturbed by the decision of the ICC," said Albert Nemenz, vice chairman of the CEA and vice president of JNO McCall Coal Co. in Baltimore.

He noted that the CEA is appealing another ICC decision attacking the level of export rail rates for coal. The group is "trying to prove that the rail export rates are exhorbitant from the standpoint of railroad earnings as considered above the formula as set out by the Staggers Act."

While the decision will not have any immediate effect on the way business is conducted, she noted that there will be a very negative effect in terms of perception. Foreign buyers of U.S. coal may "think twice" about short-term purchases.

But, a long-time observer of the U.S. transportation scene, who asked not to be named, felt the deregulation process could be very beneficial to the coal industry over the longer term.

"The problem with the coal producers is they are accustomed to an economic environment when (railroad) prices only went up. Look at what happened to the airlines after their air cargo rates were decontrolled. They went up for a while, and now in many cases, both air cargo rates and air passenger rates are at the lowest levels in the history of the industry. Who ever dreamed you'd be able to fly to California from the East Coast for $99? And on the cargo side the rates are now negotiated on an eyeball-to-eyeball basis."

He noted that airline deregulation began with the air cargo sector, which is extremely competitive now, and then spread to passenger service. While the passenger trade was always competitive, it has become even more so since ticket prices were deregulated.

"We're pleased the commission ruled in our behalf. This will give us more flexibility on marketing our services," said a management official with a major coal-hauling railroad.

But, the coal industry is afraid that the sky's the limit on how high the rails will be able to raise their rates.

"Let's back up a minute," said the railroad executive. "The sky's the limit on what the vessel owners can charge, and the sky's the limit on what the transshippers can charge.

"Give us some credit. We've been in business for a long time. We have a good feel for the market. We're intelligent enough not to just come in and increase rates exhorbitantly. We'd price ourselves, and the transshippers, right out of the market. We wouldn't move a pound of coal, and the mines on our railroad would just shut down."

Mr. Nemenz of the CEA replied, "we're not competitive today. "The coal industry, now negotiating in Japan, South America and Europe, is taking a beating on pricing and volume. The only people taking the brunt is the coal industry, not the railroads."

The coal producers point out that because of weak market conditions, they have had to roll back their pricessubstantially by about $10 or $12 a ton on what is roughly a $50 item. They say the railroads gave them 15 cents a ton in rate relief by forgoing in January a ton rate increase to which they were entitled. A $1 a ton decrease would be more meaningful, a coal official said.

The railroad official says his company has given up, or rolled back, rates to the tune of 50 cents a ton, since late last year.

John Broadley, ICC general counsel, Friday reiterated the points he made at the Houston coal seminar.

"The coal that doesn't move doesn't contribute to the railroad. To a fair degree, the railroad and mine operator are partners.

"Both sides of the partnership have to earn an adequate profit. It's in the interest of neither to deprive the other of an adequate profit (equal to at least the cost of capital.)"

He noted that rail rate deregulation would also enhance the ability of coal shippers to seek other forms of transportation, and would enhance the chances of getting coal slurry pipeline eminent domain legislation passed.

Journal of Commerce
March 7, 1983

Court Challenges Anticipated

Journal of Commerce Staff

WASHINGTON — Look for Interstate Commerce Commission moves to get out of the railroad rate business to continue as the agency has issued three rulings eliminating some commodities — including export coal rates — from commission review.

In three separate actions, the commission voted to exempt export coal, boxcar traffic and most agricultural shipments hauled by rail from government rate review.

By far the most controversial was the export coal decision that was made when the commission turned down a staff recommendation that the railroad industry's application for the exemption be rejected by the agency.

As a result, agency staffers Friday began drafting a new decision approving the application that will stand up when the inevitable court suits are filed.

Along with terminating the rate review, railroads no longer will have to file tariffs naming the rates with the commission. ICC car hire and car service rules, mandatory interchange rules and other matters also will no longer apply to these shipments.

The coal decision goes into effect 90 days after the mecision is issued by the agency, while the boxcar decision will go into effect six months after it is served by the commission.

But both dates assume that no court suits will be filed by shipper interests, and lawyers already are lining up at courthouse doors to take the agency to court.

At the heart of both issues — especially in the export coal areas — is whether the "limited scope of traffic" test that permits rate regulation to be terminated has been met.

The agency should be well prepared to deal with the contentions in this area since the draft decision rejected by the commission went into great detail outlining how export coal exceeded the limited scope test.

More importantly, shipper lawyers fear that if a court rules that coal meets the "limited scope" criteria there is virtually no other commodity that cannot be exempt from rate regulation.

This decision coupled with the ICC's recent decision to permit rate increases up to 15 percent a year on coal with little fear of government intervention probably will go a long way toward encouraging shippers to negotiate contract rates on coal and other bulk commodities that move via rail.

It also should provide an impetus to push for legislation giving coal slurry pipelines the right of eminent domain to cross railroad rights-of-way and become a competitor with the carriers.

Janesville Gazette
February 23, 1983

Elkhorn Gains Agreement on Rail Line

The Wisconsin Department of Transportation (DOT) has agreed to grant the city of Elkhorn a temporary lease on the rail line from Janesville to Bardwell Junction, state Sen. Tim Cullen, D-Janesville, announced today.

Cullen said the agreement will reinstate rail service that terminated in Walworth County last week.

Since an application with the Wisconsin River Rail Commission will not be reviewed until March 5, Elkhorn City Administrator Mike Copp has indicated the city's willingness to act as the local agent during the interim, Cullen said.

At Monday night's Elkhorn City Council meeting, Copp noted that several local businesses were being "economically impacted" by the loss of rail service.

"Originally, it was intended the Walworth County Transit Committee would oversee the operation of a short-line operator on the line from Elkhorn to Janesville," Cullen said.

"Complications arose when the Walworth County corporation counsel ruled the committee could not enter into an agreement for lands beyond the county line."

John Zerbel, a short-line operator from Brookfield, has received permission from the federal Interstate Commerce Commission to operate the line from Elkhorn to Bardwell Junction until June 30.

According to Cullen, the temporary lease between the DOT and Elkhorn also will allow rail service until June 30 on the Bardwell Junction to Janesville line.

Before that date, Cullen said, it will be necessary for the Wisconsin River Rail Commission to submit an application to the DOT for the 80 percent state grant to acquire structures along both lines—Janesville to Bardwell Junction and Bardwell Junction to Elkhorn—in order to allow continued service.

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Journal of Commerce, March 7, 1983

Congress Weighs Laws to Allow Rail/Truck Links

By DAVID M. CAWTHORNE
Journal of Commerce Staff

WASHINGTON — Though piggyback is the fastest growing segment of the railroad industry's commodity structure, legislation probably will be needed before some railroads will be able to create total transportation companies.

But the severe problems facing Flying Tigers — besides providing a classic example of how not to do this — probably will make the railroads do quite a bit of thinking before they expand their operations into other areas.

Despite the recession, piggyback traffic has been doing quite well since major segments of it were deregulated by the Interstate Commerce Commission in 1981. But, it is unclear how much of it has been loss leader aimed at encouraging diversion to truck.

Virtually all types of containerized freight have been moving by piggyback and some railroads such as the Santa Fe and the Seaboard Coast Line have become quite active in the produce area.

For example, marching bands and floats provided the backdrop for SCL's "Orange Blossom Special's" inaugural run between Miami and the Northeast.

The diversion of produce from the trucks to the rails during last month's independent truckers' shutdown indicates that the carriers have the capability to handle this freight though it is unclear how much — if any — will stay with the railroads now that operations are back to normal.

In any event legislation aimed at eliminating most of the laws prohibiting the railroad industry from acquiring control of the companies operating in other modes has been introduced and hearings are set for later this month.

Provisions repealing these prohibitions are part of the Senate Commerce Committee Chairman, Robert Packwood's, R-Ore., bill to create a single commission combining the functions of the Civil Aeronautics Board, the Federal Maritime Commission and the Interstate Commerce Commission.

Sen. Mark Andrews, R-N.D., thinks 1980 legislation significantly reducing government rate controls over the railroads has added impetus to the push for total transportation companies.

Reducing the industry's antitrust immunity to meet and set freight rates resulted in greater emphasis on single system service, he said.

Besides merging to take care of the single system issue, he said, it would appear logical for railroads to get involved in truck and other operations.

Proponents of the combined companies argue that common ownership permits them to make the most efficient use of their resources such as using railroads or airlines for the long haul segment of the move and trucks for the pickup and delivery.

The opponents question the contention that size encourages efficiency and argue that companies could become so big it will be impossible to integrate them.

The only effect of such expansion also would be to perpetuate inefficient operations under a single name, they assert.

Developments in this area also could create monopoly situations after the large companies drive out small businessmen, Sen. Andrews pointed out.

Though hearings on the intermodal issue are expected this year, it appears less than likely that specific legislation in this area will be enacted.

As a result look for several moves in this area to be done administratively by the Interstate Commerce Commission.

In January, the ICC rescinded rules that effectively barred railroads from getting into the trucking business unless the movement was directly related to the rail operation.

The agency also is considering a proposal to permit railroads to buy regulated trucking companies.

The trucking industry is expected to fight both initiatives before the agency and in the courts.

But what may be of more importance to industry executives pondering the future of intermodalism is how Tiger International survives its current financial problems.

The economic downturn has resulted in traditionally profitable segments of the company being forced into the red, a move that has accentuated the company's financial problems.

Several industry officials said that Tigers' expansion appeared to be for the sake of buying and they could not discern a coherent plan behind the transactions.

"That's one good thing about the time it takes to get laws through the Congress or rulings out of the ICC," one railroad industry official commented.

"We have plenty of time to think things out and analyze the possible consequences of our actions before we make our move," he added.

Minneapolis Star Tribune, March 9, 1983

Federal pressure rolls into state; bigger trucks are the likely result

By Betty Wilson
Staff Writer

Bigger trucks may be on the way.

The Minnesota Department of Transportation will ask the Legislature to pass a bill making the state conform to new federal laws which, beginning next month, allow wider and longer trucks.

Although states control truck size limits within their borders, Minnesota legislators don't have much choice as to whether to comply with the federal Surface Transportation Assistance Act of 1982. If they don't pass the bill, state highway aids will be cut by the federal government.

Maximum legal truck widths, now 8 feet, would be increased to 8½.

The longest trucks now allowed on state highways are twin trailers, which are limited to 65 feet in overall length and are permitted only on principal routes. In the future, the individual trailers would be limited to 28½ feet in length, but there would be no limit on the overall vehicle. A typical vehicle would be about 75 feet long, including the tractor.

The length limit for a semitrailer, now 45 feet, would be increased to 48 feet. The 60-foot overall limit on semitrailer trucks would be removed, and trucks closer to 65 feet long probably would be typical.

The changes would apply to interstates and principal state highways.

Weight limits would not be changed in Minnesota. But under the new federal laws, trucks weighing 80,000 pounds that are now allowed on Minnesota highways would be permitted to travel through states such as Illinois, which have had lower limits.

Minnesota currently permits 80,000 pounds of total weight for trucks with five axles on interstate and other principal state highways, and 73,280 pounds for five-axle trucks on all other roads.

At a hearing last week on a state gasoline-tax increase, Transportation Commissioner Richard Braun suggested to unenthusiastic truckers that the bigger-trucks bill might be a tradeoff for higher gas taxes.

The changes would allow larger trucks to haul the same amount of goods in 13 percent fewer trips, said Gene Ofstead, a transportation department lobbyist. That increased productivity would mean the nickel-a-gallon federal gas-tax increase would raise their operating costs by less than 1 percent, he said; a proposed state gas-tax increase of an additional 5 cents would raise operating costs another 1 percent.

There's no reason to believe that the longer trucks permitted under the new federal law would be a safety problem, Ofstead said. The 65-foot-long twin trailers now on the road have an excellent safety record, he said.

The federal law says that the states should approve the larger trucks by April 6, when the federal law takes effect. But states wouldn't lose federal money unless they failed to pass the law by Oct. 1.

Minnesota is scheduled to receive about $200 million in federal transportation aid this year, Ofstead said. If the state fails to comply with the federal law by October, he said, a portion of those funds would be withheld.

It might not be possible for Minnesota meet the April 6 deadline, Ofstead said, because the bill is not expected to get through the Legislature before mid-April.

That could be a problem for the State Patrol and other law-enforcement agencies, because Minnesota law would be inconsistent with the federal law.

John Harbinson, assistant chief of the State Patrol, said the patrol probably would ask for an attorney general's opinion on what to do if the state law is inconsistent with the federal after April 6.

"We are state employees. We are not federal employees. We think when the state passes a law, our job is to go out and enforce it and that we don't have a lot of discretion," he said.

The transportation department already is getting calls from truckers who want to know if they can start driving bigger trucks in Minnesota now. So far, the answer has been no, Ofstead said.

Some truckers have asked Braun about operating 110-foot-long trucks (with two semi-trailers) weighing 129,000 pounds as a demonstration project in the state. Such trucks already are permitted in South Dakota and other western states.

Congress has instructed the U.S. Department of Transportation to study and report on a national system allowing 110-foot-long trucks.

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The Des Moines Register, March 10, 1983

New truck standards voted by Iowa House

By DEWEY KNUDSON
Register Staff Writer

The House decided Wednesday that it must permit longer and wider trucks on interstate highways and many primary roads in Iowa.

House members voted 95-1 for new truck standards, but the measure must go back to the Senate for consideration of House amendments.

Iowa will risk losing about $50 million a year in federal road money if the measure isn't sent to Gov. Terry Branstad and signed into law by April 1, said Representative William Harbor (Rep., Henderson), floor manager of the proposal.

New limits on truck size were mandated by a federal law that raises the federal gas tax by 5 cents a gallon on April 1. A portion of the new revenue is targeted for Iowa if the state modifies its truck laws to comply with federal standards.

In meeting those standards, legislators in effect are setting up two classifications of highways with different truck standards.

Experts say the measure will allow 65-foot single trailer trucks and 73-foot double-trailer trucks on parts of Iowa's 10,000-mile interstate and primary road system; the parts they will be allowed on have not been designated.

The bill sets a maximum length of 53 feet for trailers in single-trailer rigs and 28½ feet for each trailer of a double-bottom truck.

Under the new federal law, states may regulate just truck trailers, while previously they could set limits for the length of the entire tractor-trailer.

In addition, maximum truck width would be increased from 8 feet to 8½ feet on interstates and primary highways designated by the U.S. Department of Transportation.

Harbor said current length limits would remain in effect for roads that are not part of the federal interstate and primary highway system. Those lengths are 60 feet for a single-trailer truck and 65 feet for a double-bottom truck.

The 8-foot width also would be unchanged for those roads.

The measure would not raise current weight limits of 80,000 pounds on all Iowa highways, Harbor said.

House members adopted two technical amendments that must be reviewed by the Senate before the measure can be sent to the governor.