

Xerox Reports 30% Profit Rise On Operations

Crum & Forster Insurer Unit Offset Declines in Copier, Data Systems in Quarter

By a WALL STREET JOURNAL Staff Reporter

NEW YORK—Xerox Corp. said profit from its recently acquired Crum & Forster insurance unit offset declines in Xerox's copier and information systems businesses to produce higher profit from continuing operations in the second quarter.

Excluding gains from units sold in the quarter and the year-earlier period, Xerox operating earnings rose 30% to \$146 million from \$112 million. Earnings per share, which Xerox said were more meaningful figures because they reflected new shares issued to acquire Crum & Forster, rose 6% to \$1.41 from \$1.33. Revenue rose 5% to \$2.26 billion from \$2.16 billion, including nearly a 3% rise in operating revenue from copiers and information systems.

Crum & Forster, acquired in January, had net income of \$50 million, adding 17 cents a share to Xerox profit. Price-cutting to levels 8% below a year earlier produced a 41% spurt in copier and duplicator sales, exceeding company expectations. Foreign-currency translations also had a lesser impact on Xerox operations than in recent quarters.

"Clearly, the first half was better than anticipated," said Melvin Howard, senior vice president and chief financial officer. Despite the favorable trends, Mr. Howard said all of them wouldn't continue in the second half and he declined to predict results for the period. He said Xerox stood by its January forecast that earnings this year will be "essentially flat" compared with those in 1982 when the company earned \$423.7 million, or \$5 a share.

Net Income

Including a \$7 million gain from the sale of a defense and aerospace unit in the second quarter and a \$49 million gain from the sale of WUI Inc. A year earlier, Xerox net income fell 5% to \$153 million from \$161 million. With 10 million additional common shares outstanding and payment of dividends on 8.8 million preferred shares issued in connection with the Crum & Forster unit, earnings per share dropped 22% to \$1.48 from \$1.91 in the 1982 second quarter.

Six-month profit from continuing operations rose 28% to \$275 million, or \$2.66 a share, including \$71 million from Crum & Forster, from 1982's \$215 million, or \$2.54 a share. Net income was \$282 million, or \$2.73 a share, a 4% gain from \$271 million, or \$3.20 a share, in the 1982 first half. Revenue

C&NW Bids for Milwaukee Road's Core, Says Proposal Tops Grand Trunk's Offer

By HARLAN S. BYRNE

Staff Reporter of THE WALL STREET JOURNAL

CHICAGO — Chicago & North Western Transportation Co. offered to acquire the 3,000-mile core of the bankrupt Milwaukee Road railway, calling its plan "substantially more favorable" than a rival bid by Grand Trunk Corp.

C&NW said its offer, filed with the bankruptcy court here and with the Interstate Commerce Commission, permits holders of the Milwaukee Road, formally known as the Chicago, Milwaukee, St. Paul & Pacific Railroad, to retain tax benefits potentially valued at more than \$180 million. Under Grand Trunk's plan, according to the C&NW, Grand Trunk would take the tax savings. The savings would come from Milwaukee Road's existing net operating loss and investment tax credit carry-forward.

The C&NW and Grand Trunk plans both involve assumption of \$252 million Milwaukee Road debt. But the C&NW plan provides for a Milwaukee Road subsidiary to sell the rail assets to a C&NW unit, thus allowing Milwaukee Road to retain the tax benefits. Grand Trunk's plan involves acquisition of all the stock of a reorganized Milwaukee Road. Grand Trunk, which owns the Grand Trunk Western Railroad that stretches through part of the Midwest, is part of the government-owned Canadian National Railways. Milwaukee Road is 96%-owned by Chicago Milwaukee Corp., which opposes terms of Grand Trunk's bid.

C&NW also claimed that its alternative reorganization plan for the Milwaukee Road doesn't impose certain restrictions contained in Grand Trunk's plan. Those restrictions, C&NW said, make Grand Trunk's plan contingent upon financial or operating conditions of the Milwaukee Road and sets a deadline for the railroad to meet certain criteria.

C&NW estimated that combining the Milwaukee Road's core system with its C&NW line would produce consolidated pre-tax profit of \$146 million in 1985, \$204 million in

1986 and \$265 million in 1987. The estimates don't include operating profit contributions from C&NW's Powder River Basin Coal project in Wyoming. C&NW's pre-tax profit in 1981, its most recent profitable year, was \$52 million.

In Detroit, Robert A. Walker, Grand Trunk vice president, corporate planning, said it was too early to say whether the company would amend its offer for the railroad's operating assets. "We spent thousands of hours working out a purchase agreement with the Milwaukee Road and we think it fully represents all interests and provides more railroad competition in the Midwest than does the C&NW plan," Mr. Walker said.

Charles Metter, Chicago Milwaukee Corp. president, and Milwaukee Road trustee Richard Ogilvie said they couldn't comment on C&NW's offer before studying it.

Rail industry executives surmised that other railroads also might get involved if allowed by the ICC or federal bankruptcy court, which must approve the Milwaukee Road's reorganization plan. Rail mergers have been increasing; on Wednesday, Santa Fe Industries Inc. said it is considering making an offer to acquire Consolidated Rail Corp., or to merge with another railroad.

As far back as 1965, C&NW sought to merge with the Milwaukee Road to consolidate the overbuilt Midwest rail system. In its new offer, the company, which has lines stretching throughout the Midwest, pointed out that the consolidation would allow for the elimination of a considerable amount of unneeded track. The Milwaukee Road, since it went into bankruptcy proceedings in 1977, has been shrunken in size, and its core system has been upgraded. Its lines radiating from Chicago include important terminals at St. Paul, Louisville and Kansas City, Mo., and spread through Illinois and Iowa.

ICC hearings on both proposals will begin Aug. 15.

Occidental, Tenneco To Get \$2.2 Billion In Aid for Synfuels

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — The U.S. Synthetic Fuels Corp. said it intends to provide as much as \$2.2 billion in financial aid for a proposed oil shale plant in Colorado sponsored by Occidental Petroleum Corp. and Tenneco Inc.

The plant, slated to start producing roughly 14,000 barrels of synthetic crude oil a day in 1987, is the largest and most expensive synfuels project that has received promises of federal assistance in about two

likely to result in actual outlays.

Reagan administration officials who support continued synfuels development argue that unless firm price guarantees are negotiated before construction starts on a project, sponsors aren't likely to risk investing substantial amounts of their own money.

In Houston, a Tenneco spokesman said "Tenneco is pleased with the decision and looks forward to getting on with the project." He said Tenneco expected that it and Occidental would sign a definitive agreement with the Synthetic Fuels Corp. by the end of the year and that construction on the plant would begin by mid-1984.

In Los Angeles, Occidental Petroleum's chairman, Armand Hammer, said he is "extremely pleased" with the letter of intent. "For many years it has been my strong and firm belief that our nation needs an alternative energy fuel source. Commer-

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