Corporate Relations 683

MEDIA MONITOR March 7, 1983

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Minneapolis Star and Tribune, February 26, 1983

Wirth's option on depot expired Friday

The year-old deal between Harry Wirth and the Milwaukee Road expired at 5 p.m. Friday when Wirth failed to find the $7.3 million in cash necessary to buy the railroad's depot property in downtown Minneapolis, railroad officials said.

"But I don't think at this point we can say we're never going to deal with (Wirth) again because we don't know what kind of a deal he might be able to put together," said Larry Adelson, an attorney for the trustee appointed to oversee the financial affairs of the bankrupt railroad company. "I've learned better than to count Harry out."

Wirth, a San Francisco-based land investor, had arranged to buy the 15.5-acre site under a complicated buy-and-resell arrangement with a California savings and loan association. Under that deal, the savings and loan would have gained title to the land and Wirth would have worked as a developer and real estate agent.

However, that deal was blocked Thursday by a federal bankruptcy court judge in St. Paul who said the arrangement would not benefit Wirth's bankrupt development firm, Waterfront Companies, Inc., or its creditors. The matter came before the judge because Wirth has filed for reorganization of Waterfront Companies under Chapter 11 of the federal bankruptcy act.

Adelson acknowledged that the railroad has no other firm offers for the depot site, to which Wirth won purchase rights as high bidder more than a year ago by offering $9.5 million cash. In addition, any attempt by the railroad to sell the depot to someone besides Wirth probably would result in a lawsuit, he said.

Samuel Stern, a St. Louis Park attorney representing Wirth, said negotiations on financing for the depot purchase are continuing. He added, "We're taking a very strong position that the bankruptcy code protects our interest in that property."

Dubuque Telegraph Herald, February 24, 1983

Supervisors join try for Milwaukee Road taxes

By Patt Johnson
of the Telegraph Herald

Dubuque County supervisors will join the Iowa State Association of Counties in trying to negotiate a settlement of unpaid property taxes owed by the defunct Milwaukee Road Railroad Co.

If ISAC succeeds, Dubuque County could get 90 percent, or about $50,000, of the taxes the railroad owes.

The Chicago-based railroad has not paid property taxes since 1977, when it filed for bankruptcy in federal court. Now, reorganized as the Chicago, Milwaukee, St. Paul and Pacific Railroad Co., it wants to pay what it owes in back taxes to 56 Iowa counties.

Fred McCaw, assistant county attorney, has estimated that the railroad owes Dubuque County about $54,200 in taxes. The railroad has offered to pay 90 percent of that tax debt if interest and penalties are waived. Future taxes will be paid when due, the railroad promises.

Even if the railroad pays what it owes, there is still some question about who would receive the payment. Both the county and the state claim rights to the money. Under state law, 60 days after taxes from a railroad are due to a county, the Iowa Department of Transportation becomes responsible for collecting the delinquent taxes.

ISAC's lawyers are challenging the constitutionality of that law in the Iowa Supreme Court.

If the railroad clears its debt and makes payments on delinquent taxes, the money will be held in escrow until it is decided who is entitled to the money.

In other action this week, the supervisors adopted speed limits for 15 county roads, some of which do not have posted limits.

Most of the 15 hard-surfaced roads will have a posted speed limit of 55 mph, as recommended by IDOT.

Minneapolis Star and Tribune, February 23, 1983

Wirth says depot sale needed to pay debts

By Jacqui Banaszynski
Staff Writer

Would-be riverfront developer Harry Wirth can't pay his debts unless he sells his interest in the Milwaukee Road depot site to a California savings and loan association, according to statements made Tuesday in bankruptcy court in St. Paul.

Attorneys for Wirth and for States Savings and Loan Association of Stockton, Calif., asked the court to approve that sale despite objections from other companies with claims on the property and from Wirth's creditors, who contend the deal doesn't guarantee they'll ever be repaid.

The chief objection came from APCOA, Inc., a local company that has a long-term lease with the Milwaukee Road to operate commercial parking lots on part of the depot land. APCOA protested the deal between Wirth and State Savings because State has said it would terminate the parking lease but has not said whether it would pay APCOA for the lost parking income.

But Wirth's attorney, Samuel Stern, said none of Wirth's creditors will be paid unless Wirth can complete his deal with State Savings. Stern asked the court to order APCOA to relinquish its lease-hold on the depot property so that sale can go through. Wirth "has made a business judgment that this is the most likely and the only way (he) will ever be able to repay (his) debts," Stern said.

Judge Robert Kressel said he will decide by Thursday whether he will intervene to allow the sale.

Meanwhile, attorneys for the bankrupt Milwaukee Road said they will give Wirth until 5 p.m. Friday to complete his $9.5 million cash purchase of the 15.5-acre depot property near downtown Minneapolis.

If that deadline lapses, it remains unclear what will happen to Wirth's deal with the Milwaukee Road, which was complicated in December when Wirth's development company, Waterfront Companies, Inc., filed for financial reorganization under federal bankruptcy laws.

Wirth has been trying to gather enough money to buy the depot site since November 1981, when he won a bidding war by offering cash for the land. However, yesterday's hearing indicated that Wirth has drawn on his own assets, in some cases mortgaging property, to pay the railroad about $2.5 million in nonrefundable deposits to retain his rights to buy the land.

Under the deal with State Savings, Wirth would earn a salary as a consultant and would collect a portion of profits on the land, but only after State Savings had realized a profit of 20 percent plus $2 million on its initial investment. Some of the creditors said yesterday they fear that deal made it unlikely they will ever recoup.

Des Moines Register
February 23, 1983

Truck hits locomotive, New Albin man killed

The Register's Iowa News Service

NEW ALBIN, IA. — Edward J. Meyer, 90, of New Albin was killed Monday evening when the pickup truck he was a passenger in collided with a passing Milwaukee Road locomotive, Allamakee County officials said.

The driver of the pickup, Alfred A. Meyer, 81, of New Albin, was reported in satisfactory condition at the Lutheran Hospital in LaCrosse, Wis., early Tuesday.

Journal of Commerce
February 18, 1983

Grand Trunk Changes Its Pricing Policies

Journal of Commerce Staff

The Grand Trunk Rail System has decentralized pricing policies for its automotive, merchandise and intermodal groups in an effort to speed up rate and contract information to customers.

Walter H. Cramer, senior vice president of marketing, said the changes were made "because deregulation has intensified competition. "More than ever, marketing managers must be totally aware of pricing policies, so they can best serve our customers."

The Journal of Commerce, February 22, 1983

Interline Changes Pay Off for Rail

By MICHAEL ROSENBAUM
Journal of Commerce Staff

Preliminary figures indicate that the bankrupt Milwaukee Road was the only major railroad in the country to increase the number of cars received from other lines last year.

CHICAGO — The massive cutbacks in operating trackage along the Chicago, Milwaukee, St. Paul and Pacific Railroad have forced an increase in emphasis on interline business. The change apparently paid off last year.

Preliminary figures indicate that the bankrupt Milwaukee Road was the only major railroad in the country to increase the number of cars received from other lines last year.

Received cars accounted for 43 percent of the loads handled by the Milwaukee Road in 1982, up from 39 percent in 1981, and the increase in that category mitigated the overall decline in carloadings for the line.

The cars-received figure is a rough estimate of interline trffic for the rail industry. A particular line might customarily hand off more traffic than it receives — or vice versa — and the cars-received figure reflects only one side of the equation. If interline traffic is relatively balanced for a specific railroad, however, a fair picture is presented.

Total cars received by the nation's railroads dropped 19.3 percent last year, according to a preliminary tally by the Association of American Railroads.

Cars received by Western lines, including the Milwaukee, dropped a sharper 21.2 percent. But the Milwaukee Road posted a 2.2 percent increase to 218,175 cars received.

The bankrupt line has placed increased emphasis on friendly connections at Kansas City, Louisville and Duluth as a means of drawing increased traffic to its main lines. Interchange activity at Chicago already is well established.

"We're making a great big X across the Midwest," said Worthington L. Smith, president, in an interview. Agricultural and industrial markets in the Midwest are mature, he noted. Opportunities for growth are linked to the flow of goods to and from the Southeast, Southwest and Canada.

The railroad has capitalized heavily on those movements of late, building its interchange activity with the Cotton Belt and the Denver and Rio Grande railroads at Kansas City; with the Grand Trunk Western at Chicago and with the Duluth, Winnipeg and Pacific Railway at Duluth, he said.

The increasing emphasis on interchange activity comes late to the Milwaukee Road, Mr. Smith conceded. Other railroads have a head start in cultivating friendly relationships with connecting lines. The Chicago and North Western, for example, relied on cars received for 49 percent of its total cars last year.

"We tended to live unto ourselves and we didn't build strong alliances with connecting lines, as many other railroads had done," he recalled.

The Milwaukee Road bankruptcy changed that, however. The reorganization effort has been concerned heavily with trimming the line from some 10,000 miles to a 3,000-mile core system. The core structure requires heavy traffic levels on those lines.

"This insists that we do something about strategic alliances," Mr. Smith said.

One major alliance has been forged with the Grand Trunk Corp., which is planning to take over the Milwaukee Road if the bankrupt line is able to complete its reorganization. The Grand Trunk Corp., owned by the Canadian National Railway Co., is a holding company for the Grand Trunk Western and Duluth, Winnipeg and Pacific lines, among others.

The Milwaukee Road and Grand Trunk have been coordinating interline activities since late last spring, particularly in the movement of autos and automotive items between Detroit and Kansas City.

But Mr. Smith is quick to add that not all of the interline gains last year can be attributed to the Grand Trunk coordination.

The Milwaukee Road had entered contracts to handle Canadian lumber via Duluth four months prior to the Grand Trunk link-up, he said. And new links with carriers at Kansas City have also been important in the gains.

Overall, the Milwaukee total for cars handled dropped by 8.5 percent last year, a smaller decline than reported for most other railroads. But the decline of 15.4 percent in cars loaded on the Milwaukee Road was a bit higher than the 13.8 percent average for Western railroads.

Like other railroads in its region, the Milwaukee has suffered from declines in grain movement and smokestack industry output.

The general trend since October has been upward, he said, but the increase in loadings has been small. In addition, much of the gains could be products moving into inventory, rather than goods headed for final sales, Mr. Smith indicated.

Minneapolis Star and Tribune, February 25, 1983

Judge blocks latest plan for depot

By Jacqui Banaszynski
Staff Writer

Harry Wirth's attempt to buy the Milwaukee Road depot property and then immediately resell it to a California savings and loan association was blocked Thursday by a federal bankruptcy court judge.

That deal would benefit Wirth and other individual stockholders of his development firm, Waterfront Companies, Inc., but would not guarantee repayment of the firm's debts, Judge Robert Kressel said in a ruling issued late yesterday in St. Paul.

"It is the stockholders who will benefit ahead of the creditors," Kressel said, noting that such an arrangement would be a violation of federal bankruptcy laws. Kressel is involved in the case through Wirth's petition for reorganization of the Waterfront Companies under Chapter 11 of the federal bankruptcy law.

Wirth, a San Francisco real-estate investor, has been trying for a year to put together financing to buy the 15.5-acre Minneapolis depot site, for which he was high bidder.

Milwaukee Road officials, who have been waiting for Wirth to assemble the promised $9.5 million in cash needed to complete the deal, have given Wirth until 5 p.m. today to come up with the money.

And although Wirth said last week he still had "three or four ways" to finance the depot purchase in addition to the arrangement with the savings and loan association, his lawyers said in court recently that he has "no other means to obtain the necessary financing" to buy the railroad land.

Neither officials of the savings and loan association nor the railroad could be reached for comment after the ruling was issued yesterday.

Wirth also could not be reached for comment. But his lawyer, Samuel Stern of St. Louis Park, said Wirth remains determined to buy the depot.

"You ain't seen nothing yet," Stern said last night. "Don't ever count Harry down. We didn't have any alternatives yesterday. But there are other people out there. We're working tonight on what might be some alternatives (for financing the purchase)."

Stern said Wirth's right to buy the depot is protected by his bankruptcy petition, and that the Milwaukee Road must get approval from the bankruptcy court in St. Paul before it sells to anyone else.

"I'm not sure we're going to dance to their tune anymore," he said, referring to today's deadline set by the railroad. "They can't just go off and sell it to anyone they want. They have to come into this court and prove that we have no equity in the property and that we don't need the property to reorganize our financial affairs."

Wirth already has paid the railroad $2.5 million in nonrefundable deposits for the land. He said he has spent an equal amount on costs related to the project.

The deal rejected by Kressel essentially called for State Savings and Loan Association of Stockton, Calif., to pay the balance of the purchase price, or about $6.8 million, in Wirth's name, then assume complete ownership of the site. Wirth then would be hired as a consultant to help sell, rent or develop the property. Waterfront Companies would share in the profits earned on the land within two years, but not until State Savings made its own profit of 20 percent a year plus $2 million over the purchase price.

The arrangement would be good for Wirth and an associate, former city planner Robert Ready, because they would earn a salary under the arrangement with State Savings, Kressel said.

The arrangement also would be good for State Savings, because it would gain title to the depot property for almost $3 million less than the original purchase price, he said.

However, Kressel said, those benefits would come at the expense of the creditors, who would not be paid unless the land reaped significant profits within two years.

Wirth himself is Waterfront Companies' largest creditor, having lent the firm about $6.5 million. Other major creditors are the Minneapolis law firm of Popham Haik Schnobrich Kaufman & Doty Ltd., owed $90,000 for legal services; First Bank Minneapolis, owed $36,000 for various loans and checking account overdrafts; and James B. McComb & Associates, a Minneapolis economic consulting firm, owed $17,400.

Des Moines Register, February 15, 1983

Truck-train crash kills 3

By KENNETH PINS
Of The Register's Dubuque Bureau

DUBUQUE, IA. — A driver who was killed with his wife and daughter Sunday after his pickup truck was hit by a freight train may have thought the train was on another set of tracks, authorities said Monday.

Killed in the crash were Gerald Schwartz, 47; his wife, MaDonna, 45; and a daughter, Rhoda, 16. Another daughter, Christine, 11, was in fair condition Monday at Finley Hospital in Dubuque.

The family was traveling home after a visit with Gerald Schwartz's brother John, about 6:45 p.m., and the truck was stopped on the tracks when the train hit it, authorities said.

"We don't have any real idea why it was stopped," Iowa State Trooper Dick Bakey said.

There are four sets of tracks at the crossing where the collision occurred, and Bakey said it is possible Gerald Schwartz stopped, thinking the train was on another set of tracks. The crossing was not equipped with flashing lights, authorities said.

The 110-car Milwaukee Road train was traveling 30 mph when it hit the compact truck, pushing it 70 feet down the track. All four family members were pinned inside the cab. Mr. and Mrs. Schwartz were pronounced dead at the scene. Rhoda died at a Dubuque hospital.

Minneapolis Star and Tribune, February 17, 1983

California S&L may take over depot project

By Jacqui Banaszynski
Staff Writer

A California savings and loan association may take over the proposed Milwaukee Road depot project in downtown Minneapolis, relegating would-be developer Harry Wirth to a consultant role.

Representatives of State Savings and Loan Association of Stockton, Calif., said Wednesday they wanted to finance Wirth's purchase of the 15.5-acre site and then immediately buy the property from Wirth.

Wirth would no longer be a partner in the project. He would be paid $75,000 annually as a consultant and could earn more if the property turned a substantial profit.

The deal is the only way Wirth can hope to repay the debts he has accumulated during his year-long attempt to buy the depot, according to Samuel Stern, a St. Louis Park attorney representing Wirth's bankrupt firm, Waterfront Companies, Inc.

That explanation was made yesterday as part of a creditors' meeting before Judge Robert Kressel in U.S. Bankruptcy Court in St. Paul. In December, Wirth's firm petitioned for court protection from creditors after missing a final deadline to complete a $9.5-million cash purchase of the depot.

Yesterday's hearing added to the legal and financial tangles that have characterized Wirth's involvement with the depot. Several creditors objected to the proposed deal and to being named in a bankruptcy case. And Milwaukee Road officials said they are weary of the on-again, off-again negotiations with Wirth.

In addition, attorneys for State Savings said the title to the depot property must be clear of any leins before that institution buys it—a condition Wirth might not be able to meet.

Several creditors have a claim to the project because of loans to Wirth. Although many have indicated they would release any hold on the deed, two—Minneapolis developer and landowner Keith Heller, and APCOA, Inc., which has a long-term lease with the Milwaukee Road to use the land for parking lots—have refused to agree.

Wirth was not at yesterday's hearing. In a telephone interview from California, he said he was not worried about obtaining releases from his creditors. The depot project is "going ahead," he said, and the purchase will be completed by the end of next week.

"I don't think anyone is going to be holding out," he said. "The only real problem we've got, and it's not a real problem, is we would like to have the property free of that contract for parking if we can. We're already working out a program with APCOA."

Wirth wouldn't explain details of his involvement with Heller but said he didn't think Heller would block the deal. Heller, who was a key figure in the controversial development of the Cedar-Riverside area, apparently lent Wirth money late last year, before Wirth's firm declared bankruptcy.

Wirth said he is satisfied with the arrangement with State Savings, despite his reduced role. "This removes me from the property but not from the profits," he said. "And the name of the game is the profits, isn't it?"

According to a letter of intent drafted by State Savings, Wirth's deal with the savings and loan looks like this:

- State Savings would pay the Milwaukee Road about $7.1 million, the balance of the Wirth's purchase price for the depot. Wirth would sign the property over to State Savings
- The $2.2 million deposit Wirth already has paid to the railroad would not be covered by State Savings. Wirth would not recoup it unless the project showed a substantial profit.
- State Savings would complete Wirth's $500,000 purchase of a small adjoining parcel of land now owned by the Chicago & North Western Transportation Co. and would gain title to that land.
- As a consultant, Wirth would have offices in the Milwaukee Road depot, unless that building were sold, and would manage the development and sale of the depot property.
- Wirth eventually would earn a portion of profits on the project, but not until State Savings realized its own profit of 20 percent on the purchase price plus $2 million, or about $3.5 million. Wirth would then receive the next $4 million in profit. Any profit beyond that would be divided equally between Wirth's Waterfront Companies and State Savings.

Attorneys for State Savings refused to comment on plans for the property. Wirth said he intends to develop the site according to his original plans but didn't rule out the possibility of a quick sale to other developers.

Milwaukee Journal, February 24, 1983

Time running out on prisons, Earl says

Special to The Journal

Madison, Wis. — Citing prison crowding, Gov. Earl Wednesday threw his support behind increased efforts to find a site — or perhaps two sites — for new state prisons in Milwaukee.

At a meeting of the State Building Commission, Earl responded to a question by Rep. Esther Luckhardt (R-Horicon) about whether two or three new prisons, in addition to the one planned for Portage, would be needed.

"I don't know," said Earl. "But surely a case can be made for an additional maximum-security prison beyond Portage."

The governor said that the state's prison population now stood at a figure — about 4,700 — that the state once expected to approach in Feb. 1984.

"There is nothing to indicate that those numbers are going down," he said.

The Building Commission moved forward on plans for two sites in Milwaukee. One is the old Trostel Tannery building at 1776 N. Commerce St., proposed for a 200-bed medium-security prison. The other is property owned by the Milwaukee Road in the Menomonee River Valley, proposed for a 450-bed maximum-security prison. That property is east of County Stadium and between 35th and 44th Sts.

The commission voted to negotiate further for the purchase of the Trostel site, with the state offering $1,075,000. That figure is $300,000 to $350,000 less than the current owner is asking.

If negotiations fail after three weeks, however, the state is instructed to begin condemnation proceedings.

The Trostel site is now the home of a 56-door truck terminal.

If the plan proceeds on schedule, prison construction on the Trostel site would be completed by the fall of 1986.

The commission also voted to release $10,000 to for appraisals of the 35-acre Milwaukee Road land.

Using cost estimates provided at the meeting, the appraised value of the railroad site would be in the range of $1,225,000 to $1,400,000. Using figures provided by the Milwaukee County Department of Development, an acre of land in the valley would cost between $35,000 and $40,000.

Building commission personnel said the owner of the Trostel site wanted to sell, but was firm on a $1,500,000 price that would cover losses expected in replacing the truck terminal.

In other action, the commission approved a $1.65 million request by the University of Wisconsin System to install smoke detectors in the dormitories of 11 of its campuses, including Milwaukee and Madison.

Green Bay Press Gazette, March 2, 1983

Rail abandonment hearing is delayed

A six-month delay of a hearing on a proposed abandonment of Milwaukee Road track in the area of Procter & Gamble Paper Products Co. in Green Bay was granted by an examiner for the state Transportation Commission today.

The hearing on the abandonment proposal submitted by the city of Green Bay was reset for Sept. 7.

Examiner Donald Foellmi decided to delay the case after the attorney for the Milwaukee Road said jurisdiction belongs to the federal Milwaukee Road Reorganization Court which has authority over all actions involving the Milwaukee Road.

The spur line serving Procter & Gamble and two cold storage plants located along the East River is owned by the Milwaukee Road. The railroad is operating under reorganization proceedings of the federal Bankruptcy Code.

Green Bay proposes the abandonment of the west 1,095 feet of the Quincy Street spur, including the P&G turnout, the entire 2,000 feet of the Cedar Street spur, and 1,197 feet of three other tracks serving the industrial area.

The city is seeking the track abandonment to eliminate what it has described as a hazardous crossing at North Monroe Avenue.

The Cedar Street spur serves Northland Cold Storage and Vandertie Cold Storage, both of which would be left without rail service.

William Phillips, Chicago, attorney for the Milwaukee Road, said the railroad opposes the abandonment unless other trackage rights can be secured which would give the railroad permanent access to Procter & Gamble. That could be achieved over tracks owned by the Chicago & North Western Transportation Co.

The Milwaukee Sentinel, February 1983

State acts to acquire prison site

By Neil H. Shively
Sentinel Madison Bureau

Madison — An asking price of $1.5 million for the Trostel Tannery prison site in Milwaukee led the State Building Commission Wednesday to take the first step toward condemnation of the property.

Highest of three appraisals of the site was $1.1 million, so the commission decided to make an offer of $1.075 million to set the stage for possible condemnation.

"He's sort of inviting us to bring in a jurisdictional offer (condemnation)," said Robert Lehman, Department of Administration buyer, of his dealings with owner Theodore Sernovitch.

Remodeling the tannery to a prison will cost an estimated $13.5 million, the commission was told.

Gov. Earl, commission chairman, said the state wants to acquire both the Trostel site for a 200-bed medium-security prison, and a second Milwaukee site for a 450-bed maximum-security prison.

The second site now eyed is 35 acres of Milwaukee Road property in the Menomonee River Valley, east of County Stadium and the Stadium Freeway South.

Another $10,000 in planning money was released by the commission Wednesday to make more tests at the railroad site.

A preliminary report given to the commission Wednesday said the Milwaukee Road property will cost $1.2 million to $1.4 million, based on an expected cost of $35,000 to $40,000 an acre.

Earl said rising prison populations will necessitate two Milwaukee prisons, in addition to the 450-bed maximum-security prison planned for Portage. A State Supreme Court decision on whether that prison can be built is expected this spring, he said.

Earl said the state's prison population has increased to a level that was not expected to be reached until 1984. As of last week, there were 4,535 adults in Wisconsin prisons, not counting 186 inmates in Minnesota institutions.

Rep. Thomas Crawford (D-Milwaukee) pushed for acquiring the valley site for the second prison.

Crawford said bankruptcy trustees have told him the land is for sale now and that a sale should not be subject to approval by the Interstate Commerce Commission.

A merger of the Milwaukee and Grand Trunk Railroad is pending before the ICC.

On the Trostel site, appraisals came in at $950,000, $1.075 million and $1.1 million, Brown told the commission.

The prospective seller, Sernovitch, has been firm on his price of $1.5 million, Lehman said.

Sen. Fred Risser (D-Madison) suggested Sernovitch is pushing for condemnation.

The Des Moines Register, February 26, 1983

Rock track sale advances

By GENE ERB
Register Business Writer

The North Western Railway has signed a contract to buy about 720 miles of track, including hundreds of miles in Iowa, from the defunct Rock Island Lines for $76,350,000 in cash.

The contract, also signed by William Gibbons, Rock Island's bankruptcy trustee, must be approved by the federal bankruptcy court in Chicago and the Interstate Commerce Commission.

The sale would include the Rock Island's main line from Minneapolis to Kansas City, which cuts through Iowa at Mason City, Iowa Falls, Des Moines and Chariton, as well as 212 miles of Iowa branch lines.

The signing sets the stage for final resolution of the uncertainty over railroad service that has afflicted Iowa shippers since the Rock Island folded more than three years ago.

The Iowa grain-gathering lines included in the deal run from Royal to Palmer, Belmond to Forest City and Iowa Falls to Estherville. Also included are yard trackage in Des Moines and Cedar Rapids and a spur line from Carlisle to Indianola.

Gibbons has said the North Western outbid the Soo Line Railroad Co., which also wanted to buy the track. His Rock Island reorganization plan includes paying off all existing debts of $302.7 million and forming a new company made up of existing stockholders. The plan anticipates that $71.5 million in cash will be on hand by the end of this year.

Cedar Rapids Gazette, February 27, 1983

Chicago & North Western to buy Rock Island tracks

CHICAGO (UPI) — The Chicago & North Western Transportation Co. has signed a contract to buy about 720 miles of railroad track from the defunct Rock Island Lines for $76.4 million in cash.

The sale would include the Rock Island's main line from Minneapolis, Minn., to Kansas City, Mo. — which cuts through Iowa at Mason City, Iowa Falls, Des Moines and Chariton — as well as 212 miles of Iowa branch lines.

The contract, also signed by William Gibbons, Rock Island's bankruptcy trustee, must be approved by the federal bankruptcy court in Chicago and the Interstate Commerce Commission.

The signing earlier this week sets the stage for final resolution of the uncertainty over railroad service that has afflicted Iowa shippers since the Rock Island folded more than three years ago.

The Iowa grain-gathering lines included in the deal run from Royal to Palmer, Belmond to Forest City and Iowa Falls to Estherville. Also included are yard trackage in Des Moines and Cedar Rapids and a spur line from Carlisle to Indianola.

Gibbons said the North Western outbid the Soo Line Railroad Co., which also wanted to buy the track. His Rock Island reorganization plan includes paying off all existing debts of $302.7 million and forming a new company made up of existing stockholders.

The plan anticipates that $71.5 million in cash will be on hand by the end of this year.

Journal of Commerce, February 17, 1983

Settlement Proposed for Rock Island

Journal of Commerce Staff

CHICAGO — The Interstate Commerce Commission backed out of its oversight role in most of the Chicago, Rock Island and Pacific Railroad Co. reorganization Wednesday, due to anticipated settlement of more than $200 million in claims against the agency and other railroads.

In a status hearing in U.S. District Court, ICC attorney Henri Rush told Judge Frank McGarr that a settlement of claims and counterclaims is imminent in cases arising from a commission order for directed service more than two years ago.

The Interstate Commerce Commission directed that the Kansas City Terminal Railroad provide service on Rock Island property from Oct. 5, 1979 through March 1980.

Under the service order, the government covered losses incurred by the KCT.

The Rock Island trustee claimed that the Kansas City Terminal Railroad owed the estate some $200 million in rental and other expenses.

An additional $150 million was due for improper use of confidential information about the Rock's customers, the trustee said.

The KCT, meanwhile, insisted that the Rock Island owed it $14 million for extra expenses.

The commission, responsible for any losses or expenses, of the directed service line, intervened in the case.

Eventually, claims before the Interstate Commerce Commission and the bankruptcy court resulting from the directed service order were whittled down to about $230 million and all those claims are expected to be covered in a settlement to be filed within 15 days.

Assuming that the settlement is approved, the commission decided that its review of the reorganization plan is unneccessary except for property sales or other activities tied to continuing railroad operations.

Wednesday's action means that it will be at least 15 days before the court can act upon the reorganization plan which trustee William Gibbons submitted for the carrier which went bankrupt and ceased operations more than three years ago.

The plan outlines repayment of creditors of the line which once operated more than 7,000 miles of track in 14 states.

The trackage which the Kansas City Terminal operated under the directed service order now is being served by the Chicago and North Western Railroad.

The C&NW has entered a bid to buy the portion once operated by Kansas City Terminal plus other trackage in Iowa and Minnesota.

The purchase price for the line which would offer a more direct and level route between the Twin Cities and Kansas City hasn't been released. The Soo Line Railroad also entered a bid for the line which would have been an outlet for its traffic from the upper Midwest.

About 720 miles of track is involved in the proposed purchase. The C&NW is operating over the tracks now on a lease basis, under which they pay Rock Island $5.5 million a year.

If Chicago and North Western is successful in its purchase and upgrades the line to handle higher traffic volumes, it would offer a level, shorter route to Gulf ports for grain from Minnesota, Iowa and the Dakotas.

Right now, the tracks are being used primarily to return empty northbound cars. Southbound loaded movements between the Twin Cities and Kansas City are running on a more circuitous route with heavier grades. A portion of the route used for traffic, which is primarily grain, is run with trackage rights over other rail lines.

More than 40 percent of the Rock Island's former trackage is being operated now by other railroads.

Another major route which the Rock Island had from Kansas City to Tucumcari, N.M. has been purchased by, and is being operated by, the St. Louis Southwestern Railway, a subisidiary of Southern Pacific.

DOT officials seek to block Iowa rail sale

Purchase may mean end to competition, some claim

By RANDY EVANS
Register Staff Writer

The pending purchase of a large segment of the defunct Rock Island Lines by the North Western Railway will have a devastating effect on rail competition in Iowa, state officials believe.

And top administrators in the Iowa Department of Transportation and several members of the Iowa Legislature are looking into ways the state might be able to block the sale.

"In my view, with the takeover by the North Western we are going to see no competition at all in the grain basket of Iowa," said Representative Clifford Branstad, a Thompson Republican. "They would have a monopoly, and they could make a pile of money from it."

The North Western already is the largest railroad in Iowa with 1,800 miles of track and more freight than all the other railroads combined. And now it has reached agreement with the Rock Island's bankruptcy trustee to acquire 720 miles of Rock tracks — much of it in Iowa. The deal reportedly will cost the North Western $76 million.

The Rock Island tracks stretch between Minneapolis and Kansas City, Mo., and pass through Des Moines. The sale also would include five lucrative branch lines in grain-rich northern Iowa.

The North Western has been the principal grain mover in Iowa, with about 60 percent of the rail-borne grain business, according to transportation statistics. The Rock Island purchase will give the railroad access to nearly three-fourths of the giant elevators in north central and northwest Iowa, where the bulk of the state's grain originates.

State officials are worried that the North Western's dominance will give the company virtually free rein to charge freight rates that gouge Iowa farmers.

The officials are concerned, too, that the inclusion in the sale of the Rock Island's east-west tracks inside Des Moines and West Des Moines will make it next to impossible to find a buyer for the remainder of the Rock's former east-west mainline across Iowa. The east-west line also passes through Council Bluffs, Atlantic, Newton, Iowa City and Davenport, but the capital city is responsible for more rail traffic than any other on the line.

State officials also are deeply concerned that the cost of buying and rehabilitating the Rock Island tracks will put the North Western on the brink of financial ruin. The company already is nearly $600 million in debt, according to DOT records, and the railroad will be borrowing close to $400 million in the next few years to finance the construction of a line into the coalfields of eastern Wyoming.

An Interstate Commerce Commission report has referred to the company as being in "marginal financial condition." And DOT officials said the company's debt load is twice as large as financial experts believe a railroad the size of the North Western should have.

"I don't want to see us go through another gut-rending process like we've gone through with the bankruptcies of the Rock Island and Milwaukee railroads," said William McGrath, a Melrose farmer who is chairman of the Iowa Railway Finance Authority.

The finance authority was created by the Legislature in 1980 in response to the bankruptcies of two of Iowa's five principal railroads. The authority was given the power to sell up to $200 million in state bonds to finance the acquisition and rehabilitation of the bankrupt carriers' lines that are considered vital links in Iowa's rail network.

But the agency's unprecedented powers never have been used because the state's railroads, led by the North Western, have tied the plans up in court.

Because of growing concerns about the Rock Island transaction, a number of Iowa lawmakers began looking last week at other ways the state could ensure that more-competitive rail service is retained. The legislators and DOT officials declined to disclose what options they are studying, however.

"There's no way we can trust the welfare of the industries and farmers to the heart of the big corporations," McGrath said.

"It's not my intention to sit back and let the sale go through," said Representative Jean Lloyd-Jones, an Iowa City Democrat who is a member of the House Transportation Committee. "It might be good for the company, but it isn't good, in my opinion, for the people of Iowa."

The North Western's purchase still must be approved by the federal judge in Chicago, who is overseeing the dismantlement of the Rock Island, and by the Interstate Commerce Commission. No date for a court hearing on the sale has been scheduled.

The Soo Line Railroad, a smaller Upper Midwest company, had been bidding against the North Western for the Rock Island tracks. The Soo Line could make another offer prior to or during the hearing.

A number of elevator operators along the Rock Island's tracks had favored the Soo Line over the North Western. Many of the grain merchants were reluctant last week to publicly discuss the North Western's purchase because they did not want to offend the railroad that likely will be serving them.

"We've got mixed emotions about this," said one elevator manager. "Naturally, we would prefer to have more competition, and we would like to have a railroad that is healthier financially. But we've got to have rail service, and this uncertainty has dragged on long enough."

A spokesman for the North Western blasted the railroad's critics and disputed their contentions that competition will be reduced or that the purchase will endanger the railroad's financial health.

James Macdonald said there is not enough rail business in Iowa to support another railroad. But shippers will be protected from unreasonable freight rates, he said, by the option shippers have to funnel their business to trucks or barges.

"I have so much trouble imagining that anyone wants a system like the one that created all that chaos out there," he said, referring to the bankruptcies of the Rock Island and Milwaukee railroads.

The purchase will make the North Western financially stronger, not weaker, Macdonald said. Critics who believe the North Western would go ahead with the purchase if company officials believed it would jeopardize the railroad are "stupid," he said, and must "presume that we are idiots."

Macdonald denied that the North Western is purchasing the Rock Island lines — as some Iowa officials contended last week — to prevent them from going to another competitor.

Des Moines Register
February 17, 1983

Rail purchase 'despicable act'

By RANDY EVANS
Register Staff Writer

A member of the Iowa House blasted the North Western Railway on Wednesday, saying the railroad's pending purchase of hundreds of miles of track in Iowa is a "despicable act," planned only so the company can make "a fast buck" from shippers.

Representative William Harbor (Rep., Henderson) made the comments during a meeting of the House Transportation Committee. The meeting was called to discuss the tentative agreement, announced last week, for the North Western to buy 720 miles of track from the defunct Rock Island Lines in Iowa, Minnesota and Missouri.

Iowa officials have expressed concern about the purchase because the North Western already is the largest railroad in Iowa. The deal will give the railroad access to nearly three-fourths of the giant grain elevators in northwest and north central Iowa, where the bulk of the state's crops are produced.

Officials are worried that the railroad will raise its freight rates to capitalize on its increased dominance.

Harbor said the state should find a way to block the transaction. Because the North Western is also buying a short segment of the east-west line within Des Moines, Harbor fears that the remainder of the vital east-west line will not be attractive to any other potential buyer.

The east-west line is being operated by the Iowa Railroad under a lease with the Rock Island's bankruptcy trustee. Harbor said there are "grave concerns" that the North Western deal will leave the Iowa Railroad unable to profitably operate the remainder.

Representative Jean Lloyd-Jones (Dem., Iowa City) warned that the purchase of the Des Moines track is a North Western tactic to "strangle out any other railroad that is trying to do business."

Lawmakers hope another railroad will out-bid the North Western for the lines, providing Iowa shippers with better competition from railroads.

The Legislature created the Iowa Railway Finance Authority several years ago and gave it the power to sell $200 million in state bonds to finance the purchase of important Rock Island lines, such as the ones the North Western is buying. But the authority's powers have been tied up by a number of lawsuits.

Minneapolis Star
and Tribune
February 16, 1983

Railroad to reveal river area proposal

By Martha S. Allen
Staff Writer

The Burlington Northern Railroad will announce today a plan for housing, commercial and recreational development on the west bank of the Mississippi River in downtown Minneapolis.

The plan will cover 100 acres owned by the railroad along the river from Plymouth Av. to Hennepin Av. It's the latest in a chain of developments for the river area, designed to make it the historic and commercial-residential heart of the city.

Details, gathered from city officials who were given short briefings Tuesday, were sketchy.

The plan calls for low- and high-density housing, with a range of building heights and placements. The attempt would be to retain the park-like nature of the river area. Low-income housing would be built near 2nd St., with higher-rise buildings. Along the river there would be five or six buildings containing market-rate condominiums. Single-family homes and duplexes would be built along the river near Plymouth Av.

The railroad would restore its roundhouse on the site and convert it to a commercial area. There also are plans for a hotel and conference center complex along Hennepin Av.

City officials said they weren't sure whose money was backing the proposal, but were assured the railroad did not want large amounts of public help. The requests were mainly for help in acquiring two buildings; acquiring a piece of land now owned by the state, and building such things as roads and sewers.

Last week a group of public and private investors announced plans for the 35-acre area near 3rd Av., transforming it into a live-work-and-play area. The city also has been negotiating on an extension of the federal project, called the Great River Rd., which would expand the roadway along the river.

On the east bank, the city recently expanded the Riverplace Development of developer Bob Boisclair by giving him help in building a supermarket and moving the Superior Plating Co. to another site.

This is not the first time Burlington Northern has announced plans for the land. In 1974 it proposed a $300 million to $500 million development, including housing, a hotel and commercial and recreational facilities. However, the downtown area was very different then; the plan stalled and seemed to die.

This plan includes better access to the area from the proposed Great River Rd., city officials said. Also, there is much more development in the river area, with the federal river road plans, all the development along the eastern bank of the river in the St. Anthony area, and the new proposal for developing the mill district, on the other side of Hennepin Av.

City officials said the railroad also plans to build a trolley to run on its tracks in the area. This would mean residents could leave their homes near Plymouth Av., take the trolley to the Hennepin Av. hotel, then enter a skyway and walk downtown to work.

One indication of the size of the project is that more than 5,000 parking spaces are planned for the area, city officials said.

Journal of Commerce, February 16, 1983

Chessie Again Hits Conrail Rates

Journal of Commerce Staff

The latest salvo in a battle between Conrail and the Chessie System Railroads has been fired by the Chessie System, which is filing a protest today with the Interstate Commerce Commission of Conrail's cancellation of joint routes and rates.

The two carriers have been having an ongoing battle over the rate and route structure for traffic movement in the Northeast. The stakes are revenues exceeding $30 million.

The protest is being made in response to a filing by Conrail which offered shippers lower rates for Conrail single line shipments than if the goods had moved over the two lines.

Chessie, in its protest, takes the position that the Conrail action was economically unjustified, doesn't have the inherent efficiencies claimed and might lead to higher costs for shippers.

Chessie also says the Conrail action is designed to eliminate competition from other railroads at plans not even served by Conrail.

What Chessie has been seeking is equivalent rate levels for single and multi-line shipments so that shippers can choose between carriers on the basis of service.

Conrail takes the position that their filings reaffirm their intention to be the low-cost carrier in the Northeast.

Chessie has taken other action in the battle by first applying to cancel reciprocal switching agreements, and later amending their filing to attempt to make Conrail accept rates for joint Chessie-Conrail shipments that are equal to Conrail-only trips.

Conrail hasn't filed any answer to Chessie's attempt to equalize the rates, but they have until Friday to do so.

The reciprocal switching provision allows one railroad making a long haul to have access to another's tracks to pick up or drop off a car.

By cutting the rates and routes the two carriers have maintained, Chessie feels it is being frozen out of major markets including the New York area and the Boston area, both of which are served by Conrail.

A number of different types of commodities, including lucrative automobile-related traffic, are included in the types of goods for which the two carriers are competing.

"The whole purpose of allowing this type of switching is to give the customer a choice of the best service routes," a Chessie spokesman said.

Shippers have expressed displeasure with both carriers since they are anxious to maintain multiple routings for their products.

Conrail contends also that the joint rates the two carriers have had are outmoded leftovers from the six railroads which were dissolved into Conrail. As such, the rates in many cases are money-losers, Conrail says.

Traffic World
February 14, 1983

BN, Conrail Negotiating Trackage Rights; BN Seeks Line to Buffalo

The Burlington Northern Railroad Co. and Conrail are currently negotiating a trackage rights agreement that would take the BN into Buffalo, N.Y., and come close to creating the nation's first transcontinental railroad.

Darius W. Gaskins, former ICC chairman and currently senior vice-president of sales for the BN, confirmed February 4 that negotiations were underway and that BN was very interested in the concept. Mr. Gaskins said that the talks have included trackage rights *per se* on all traffic, but that an agreement that might be reached more quickly would be to pool piggyback traffic of the two railroads, because piggyback traffic is exempt from regulation and "we thought that intermodal (exchanges) looked easier right now."

Trackage rights agreements are still regulated and must be approved by the Commission under 49 USC 11343 and 11344(d). However, the Commission, under its general exemption authority in 49 USC 10505, has issued nearly 100 exemptions for voluntary trackage rights agreements. An official in the ICC's Section of Rail in the Office of Proceedings said that the Commission has not yet rejected any petition for exemption on trackage rights.

Furthermore, the Commission last September suggested establishing a blanket exemption for all such agreements that were not part of a merger or acquisition. One Commission official said that final rules for the blanket exemption (Ex Parte 282, Sub. 9, *Railroad Consolidation Procedures—Trackage Rights Exemption (49 CFR Part 1111)*, was expected to be served this spring.

Mr. Gaskins said that the BN would be more interested in negotiating a full trackage rights agreement and not just an intermodal pooling agreement if such agreements are removed from Commission oversight.

He said that talks on the agreement were continuing but was not sure of the extent of Conrail's interest.

"I thought we had an agreement last week that didn't come about," he said. "We may still have one, I'm not sure."

J. A. Hagen, senior vice-president of marketing and sales for Conrail, said that for Conrail, the interest was "only casual." After BN approached Conrail with the proposal, the railroad started to study the possibilities including what markets Conrail would reach through BN lines, and whether the agreement would be strictly for exempt piggyback traffic or a full trackage rights agreement.

As far as the proposed exemption on trackage rights agreements is concerned, Mr. Hagen said, "anything we don't have to go to the Commission for, I'm interested in."

BN operates lines with Chicago, Ill., Paducah, Ky., Birmingham, Ala., and Pensacola as their eastern-most points. Conrail now goes into Chicago and St. Louis, Mo., as its western-most points. Under the proposed agreement, Conrail would gain access to Kansas City.

Journal of Commerce, February 17, 1983

Mergers, Route Closings Pose Threat to Santa Fe

By RIPLEY WATSON 3rd
Journal of Commerce Staff

Changes in traffic patterns generated by mergers and route closings are posing a threat to the Atchison, Topeka and Santa Fe Railroad's business, top company officials say, but the line is "holding its own" right now.

James Wright, senior vice president traffic, told an analysts' meeting in New York, that one of Santa Fe's major competitors, the Southern Pacific Transportation Co., has begun to close gateways now that its operations have been extended to link major Midwestern markets with the California and the Southwest.

He predicted that "they will be knocking out joint rates commodity by commodity" in cases where the SP serves both origin and destination.

Mr. Wright acknowledged that Santa Fe also has closed some routes, but said that no major lines had been affected.

Santa Fe has plans to make further closings if needed to remain competitive.

Mr. Wright also called it "a foregone conclusion" that the newly created Missouri Pacific-Union Pacific Railroad which has single line service between the Midwest and Far West will also be closing routes, but he said that has not happened yet.

While he would not predict the amount of effect the closings would have, he did say that 59 percent of Santa Fe's revenues are obtained from movements involving other carriers. Conrail, which is Santa Fe's heaviest interchange, exchanges one-third of that 59 percent.

John S. Reed, chairman of Santa Fe Industries, parent of the railroad, said other aspects of the rates issue would affect Santa Fe's profitability during the upcoming year.

He said that volume increases from an improving economy would "do more than anything else to increase rail profitability."

An additional result from expanded volume, officials said, would be an decrease in excess capacity that has spawned a number of discount rates.

"We hope the price cutting will disappear," Mr. Wright said.

He said that a $100 per trailer rate hike on intermodal traffic had stayed in place, despite the discounting among competitors.

Officials said they were not involved in discounting those shipments, which involve more than $500 million in business, though other carriers are continuing to discount shipments.

The railroad also has implemented a 1 percent general rate increase on non-intermodal shipments, and will increase rates 4.5 percent on general commodities if economic conditions improve enough to increase traffic levels, Mr. Wright said.

He noted that the railroad had tried to increase rates during 1982, but had to retreat due to pressures of competition.

He emphasised, however, that Santa Fe believes its stronger point is service and that price considerations fall behind service in its competitive philosophy. "We are not a price leader," Mr. Wright said.

Service has been the key to Santa Fe maintaining market share, Mr. Wright said. Company officials told the analysts, however, that rate changes had cut freight revenues by $165 million last year.

Much of that price cutting came in the intermodal area, where Santa Fe moved almost 600,000 units last year, officials estimated.

Company officials did announce that a new intermodal ramp will be opened at Remington, Ind., in northwestern Indiana along the tracks of the Toledo, Peoria & Western Railroad that is a Santa Fe subsidiary. The railroad has been expanding intermodal shipments with various trucklines who haul from Eastern markets to Santa Fe ramps with local deliveries in California also made by truck.

Traffic patterns during the first part of 1983 "continued at a depressed level," Mr. Reed said, but he noted that improvements were noted in movements of coal, automobiles and parts, grain and potash.

Capital spending levels of $124 million are about the same as last year. Rail capital spending is about 30 percent of corporate capital outlay which is up 12 percent over final 1982 capital spending of $380 million.

The railroad has no plans to buy equipment since 317 locomotives and 15,000 cars have been stored in serviceable condition.

Increased capital spending is planned for the railroad if business improves, Mr. Reed said.

One capital spending project, howver, was completed in late 1982, when a line to Presidio, Texas at the Mexican border was rehabilitated to permit expeditious movement of more than 8 million metric tons of grain to Mexico under a contract during 1983.

Mr. Reed told the group that spending on that project contributed to the fourth-quarter results which were termed misleading due to accounting restrictions.

Mr. Reed said that the entire railroad operation had turned a profit of $1 million in the fourth quarter when all railroad lines of business were included. An operating loss under accounting practices the railroad must use had been given as $28.9 million.

The railroad also is paying what Mr. Reed called "constant attention" to the merger situation and has not foreclosed the possibility that some such action might take place.

Analysts and industry observers have been making considerable speculation recently about both Eastern and Western railroad partners for Santa Fe.

Wall Street Journal
February 16, 1983

Burlington Northern Senior Note Rating Downgraded by Moody's

By a WALL STREET JOURNAL Staff Reporter

NEW YORK—Moody's Investors Service Inc. reduced the credit rating on $100 million of Burlington Northern Inc. senior notes to Baa1 from single-A3, "a relatively minor adjustment," according to a spokesman for the rating agency.

Moody's trimmed the rating out of concern about the debt Burlington inherited when it acquired a controlling interest in El Paso Co., Houston, a natural gas transmission concern.

The rating reduction doesn't affect the single-A2 rating on the mortgage debt, equipment debt and income debentures of Burlington Northern Railroad, a unit of Burlington Northern Inc., of Seattle.

In Seattle, a spokesman for Burlington Northern Inc. said the company wouldn't comment on the downgrade.

Journal of Commerce, February 23, 1983

New System Could Reduce Rails' Empty Miles

By RIPLEY WATSON 3rd
Journal of Commerce Staff

American railroads are wasting at least a billion empty car-miles every year, but more efficient routings offer the chance to save at least $250 million.

Various proposals have been offered to pool car types, but a Princeton University professor has made three studies and masterminded an improved graphic system which both railroads and industry observers feel will accelerate the process.

Dr. Alain Kornhauser, who directs the university's transportation program, has developed a combination of computer programs and visual displays which are intended to both provide information on aggregated traffic patterns and make freight flow patterns easier to spot through graphics.

Dr. Kornhauser and two associates recently presented papers to the Transportation Research Board annual meeting showing that substantial savings could be gained on boxcar and other types of traffic.

As a whole, the railroad industry has been trying for years to reduce its empty miles, which are well over 40 percent of the miles operated on a nationwide basis.

Dr. Kornhauser was careful to say that "the rail system as a whole is pretty efficient," but he noted that existing rules governing return of empty cars to their owners lead to less than ideal patterns of car movement.

"It seems there is a lot of inefficiency out there, too," he added.

One of the studies which examined the return patterns of plain 50 foot Southern Pacific boxcars concluded that 15 percent savings of the 24 million empty miles logged by SP cars could be realized.

The problem in this case, Dr. Kornhauser explained, is that the existing rules for returning railroad cars give the incentive to the railroad sending the cars back home to send them toward the point which is the closest interchange. Many times, his paper suggests, this is not the optimal place for the railroad to position its cars for reloading.

He pointed out that for the optimal return mileage idea to work, a deregulated car return environment must be present.

At present, the car hire rules lead to some railroads' profiting from "rent" received while their cars are empty on another line's tracks. Other railroads, primarily those which terminate traffic, are left to move empty cars toward their owners at a loss.

Conrail, which has found itself in that position, has petitioned the ICC for deregulation of the entire boxcar fleet to save itself money and to improve utilization.

Dr. Kornhauser also suggested that an extension of his optimal return mileage plan would enable railroads to assess the potential for pooling cars between systems. While Conrail's position as net loser on per diem payments hardly makes their motives altruistic, Dr. Kornhauser has developed figures which illustrate the scope of the problem.

A number of railroads and shippers have made pooling proposals in response to the pressures to improve utilization. Such proposals are popular now since there is a substantial oversupply of cars.

The other paper which Dr. Kornhauser presented to the research group explored the potential for using cars, regardless of onwership, most efficiently.

However, Dr. Kornhauser pointed out that on a nationwide basis no publicly available figures on actually operated empty miles can be found. Without those figures, he suggests, it is impossible to determine exactly how much savings can be gained on a nationwide basis for all car types.

The study found that certain types of cars, such as gondola cars, have very few opportunities for reloading near their destinations, thereby making the number of loaded miles and empty miles almost equal.

Other types of cars such as trilevel auto racks, however, can run with more than three miles of loads for every mile of empties, the study showed.

By eliminating the strictures of railroad ownership from the pooling proposals, substantial efficiencies resulted, Dr. Kornhauser said.

He noted that each railroad has its own pool of cars and tends to want to keep their own, whether or not it is the most efficient way to move freight.

He felt this was a most difficult problem in intermodal operations where some TOFC/COFC shipments move by rail into one distribution hub such as Chicago, move crosstown by truck, and then run by rail to their destination.

The cost of that operation, which he referred to as "rubber interchange," must be very high, he explained.

Other types of cars, such as open top hopper cars used to move coal, have fewer opportunities for reducing empty miles because the cars cannot be used for some other type of load, Dr. Kornhauser said.

Journal of Commerce
February 24, 1983

Rails, Labor Agree On New Pension Tax

Journal of Commerce Staff

Railroad labor and management groups have reached a new agreement to save the Railroad Retirement System, which covers about 1 million railroad workers, from insolvency.

The agreement, reached Tuesday, must be accepted by Congress. It calls for a 1 percent retirement tax on rail employers for 1984 and 1985, which can be raised, if needed, to 1.5 percent in 1986. The tax on labor, for each of the three years, would be .75 percent.

Under the provisions of the Railroad Retirement Act, which requires the Railroad Retirement Board to cut benefits when cash problems arise, the board is asking for Congressional and presidential approval of a 40 percent cut in benefits for present retirees, effective Oct. 1 this year, increasing to an 80 percent cut in October of next year, unless the new tax scheme is approved.

Asbury Park Press (N.J.), February 13, 1983

Strike widens railroad, truck industry rift

By ROBIN GOLDSTEIN
Press Staff Writer

RAILROADERS AND truck drivers would seem to have much in common.

The men who work the railroads, and those who drive huge trucks cross-country are both the same kind of romantic figure in American folklore, the embodiment of rugged individualism.

Yet the recent strike by independent truck drivers highlighted the growing bitter division between the trucking and rail freight industries — a division that is only likely to grow despite the end of the truckers' shutdown.

The rail freight industry "is a sore point with every indepedendent trucker in America," said Charles Brown, New Jersey representative for the Independent Truckers Association.

"The taxes levied on the trucking industry will only help to further the countless number of bankruptcies already taking place in the trucking industry," said Bill Martin, an ITA representative in Washington.

"The trucking industry has always helped to keep the rails in line, by keeping their rates down."

"There's no reason why we shouldn't be able to work together, and there's no reason for the trucking industry to subsidize the rails," said Grace Scheffer, secretary for the Pennsylavania ITA and wife of ITA national vice president Bill Scheffer.

THE TRUCKERS believe the new federal legislation that will drastically increase the fees and taxes truckers must pay to the federal government are weighted heavily in favor of the rail industry.

Yet the rail freight lines believe it is they who have been bearing the brunt of the tax burden, and that it's time for the trucking industry to begin paying its dues.

"We've made no secret that we think the truckers are seriously underpaying their fair share of the costs of maintaining the highways," said Diane Liebman, director of media services for the Association of American Railroads, a lobbying group representing the nation's rail freight lines.

The rail freight industry has paid $442 million in taxes on its railroad rights-of-way across the country since 1980, she said. And the industry, in the past five years, has sunk $4 billion into repairing, maintaining and upgrading the rails over which it runs.

"By comparison, the truckers are being asked to bear a fraction of the cost of maintaining the highways over which they travel," she said.

Yet the truckers feel that the new 5 cent a gallon federal gasoline tax, gasoline tax hikes being instituted by individual states, and new federal fees they estimate will cost each truck owner at least $5,000 a year, all combine to push truckers, who are barely making a living now, over the edge into bankruptcy.

AS INDEPENDENT truckers and truck companies go out of business, the rail freight carriers can only serve to benefit, they say. And the additional costs of operating a truck may lose the truckers their price edge in competing with the rail industry.

The Surface Transportation Act of 1982, which established the gasoline tax and the new schedule of truck taxes, is weighted in favor of the railroads, Martin said.

The truckers point to a provision in the act that exempts the rail industry from having to pay truck taxes on "road-railers". The road-railers are rail cars that can also be hauled as trucks on the highways.

Conrail, the rail freight line created by the government out of several bankrupt rail lines in the Northeast, has been experimenting with the road-railers.

But Ms. Liebman said the road-railers are in such limited use that their exemption from the tax hardly qualifies as a rail industry boon.

BUT MORE frightening to many of the truckers was a new ruling by the Interstate Commerce Commission that lifts restrictions on the rail freight lines that prevented them from going into the trucking business. The ICC ruling was something of a double whammy to the truckers, coming within weeks of the new gasoline tax and truck fee legislation.

"The railroads have become fewer and fewer, but larger and larger," Martin said. "With the trucking companies going broke, the rail lines can buy equipment from the bankrupt companies for a song.

"We're going to end up with a few humongous railraods operating a few humongous trucking companies," he said. "We'll have a monopoly situation in transportation, and we'll all end up paying higher costs for everything we use."

The ICC ruling won't allow the railroads to buy existing trucking companies, but will allow them to start new trucking arms, Ms. Liebman said. It will, she acknowledged, let the railroads provide a more complete service to their customers and will give the truckers "a run for their money."

But the Association of American Railroads believes it is high time that the ICC relax restrictions it placed on the railroad industry that were designed to help the fledgling trucking industry off the ground.

The ICC restriction on railroad lines owning trucking companies dates back almost 50 years, to when the trucking industry was in its infancy, she said.

"Now truck industry revenues far exceed the railroads'," she said. "The restriction has guarded a mature trucking industry when it was meant to guard an infant industry."

IN THE EARLY days of trucking, nearly everything that had to be shipped was shipped by rail. But over the last 50 years, the rail freight industry went into a steep decline as the trucking industry prospered.

It is only within the last five years that the rail carriers have seen that decline reversed.

"Our physical plant is in the best shape it's ever been in," Ms. Liebman said. "There is the beginning of a railroad renaissance."

In 1978, the rail freight industry held 35.2 percent of the market in shipping, compared to the trucking industry's 24 percent. In 1981, the rail's percentage grew to 37.7 percent, compared to 23 percent for the truckers, according to AAR figures.

It's not the new fees and taxes that are hurting the truckers, or competition with the railroads, but the economy, she said.

"The main problem for all of us is the recession," she said.

The ITA's Martin said he agrees "partly" with that.

"The trucking industry has been suffering for at least the past three years because of the poor economy," he said.

"But if we're not making money to begin with, how can the government expect us to make a living with all these extra taxes?" he asked.

Milwaukee Journal, February 17, 1983

Panel OKs Jackson as transportation chief

Journal Madison Bureau

Madison, Wis. — Brushing aside objections of environmentalists, a Senate committee unanimously endorsed Gov. Earl's nomination of Lowell Jackson as state transportation secretary.

The committee vote clears the way for confirmation by the full Senate, perhaps as early as Thursday.

Jackson's nomination was endorsed, with virtually no debate, on a 5-0 vote of the Senate Transportation Committee after a public hearing at which spokesmen for two environmental groups said Jackson was too committed to building new highways.

The issue "is whether the state should be paved over," said Peter Anderson, representing Wisconsin's Environmental Decade.

Jackson, 51, a Republican, had been Transportation Secretary under former Gov. Lee S. Dreyfus. Earl returned Jackson to the post after Jackson lost the Republican nomination for governor and Earl won the Democratic nomination and the governorship. Jackson is the only Republican that has a high post in the Earl administration.

Environmentalists Wednesday criticized the Earl-Jackson transportation budget proposal, which calls for automatic fuel tax increases and borrowing to speed the construction of major highways.

Earl had promised environmentalists during the campaign that he would emphasize maintenance of existing highways, not new construction, Anderson said. Earl's nomination of Jackson "constitutes a breach of faith on the part of Tony Earl," he said.

Spencer Black, representing the Sierra Club, said the priorities of the Earl-Jackson budget "are skewed toward new road construction."

After reading the budget, one might think that Lowell Jackson won the election and Tony Earl lost," Black said.

Chicago Tribune, February 16, 1983

Reagan issues order to avert rail strike

From Chicago Tribune wir

WASHINGTON—President Reagan has invoked emergency powers of the Railway Labor Act to avert a threatened strike against Conrail at midnight Tuesday by the Brotherhood of Locomotive Engineers. Robert Bonitati, Reagan's labor adviser, said the action imposed a 60-day cooling-off period between labor and management. The move had been recommended by the National Mediation Board, which handles collective bargaining disputes in the transportation industry.

"Under the order, a fact-finding panel will investigate the circumstances and issue recommendations within 30 days," Bonitati said. He said the two sides then would have another 30 days to reach a settlement. In the absence of any further government intervention, the two sides then would be free to act independently. The Brotherhood of Locomotive Engineers, based in Cleveland, had threatened to walk off the job in a bargaining dispute involving wage differentials.

Journal of Commerce
February 16, 1983

ICC May Eye Rail Rates Proof Issue

Journal of Commerce Staff

WASHINGTON — Indications are there may be a push at the Interstate Commerce Commission to ease the burden of proof shippers must meet in railroad rate cases.

The word came in a concurring opinion issued by ICC Chairman Reese H. Taylor Jr. in the commission's recent decision approving a retroactive rate increase proposed by the Burlington Northern Railroad.

The case involves an ICC ruling blocking the hike that was overturned by the courts on grounds the rate charged did not meet the threshold standard contained in the Staggers Rail Act of 1980 that permits the commission to get involved on grounds the rate is too high.

Since there is not much time involved to come up with data to fight rate hikes, Mr. Taylor said, an easier burden of proof for shippers should be looked at.

"This is a matter I intend to examine closely in an appropriate case," he added.

Journal of Commerce
February 25, 1983

Private Car Pacts Can Be Discussed

Journal of Commerce Staff

WASHINGTON — Owners of private railroad freight cars will be able to discuss leasing agreements with one another and not violate antitrust rules, the Interstate Commerce Commission has decided.

The proposal was brought before the ICC by the Chemical Manufacturers Association. The Association of AmericanRailroads filed comments on the proeedings.

The ICC will require railroad car owners to publish public announcements of thir meetings and provide a transcript to any interested parties, but will not be compelled to admit to railroad representatives.

The commission said that such meetings would merely provide a forum at which shippers may dicuss the compensation levels they intend to propose to the railroads. However, actual compensation is not to be determined at the shipper meetings and in this respect, will differ from railroad rate bureau meetings.

"Informal shipper associations of limited purpose do not ordinarily require thje extensive, detailed and formal rules of procedure necessary to the proper functioning of a rate bureau," the Commission said.

The chemical manufacturer's group, whose industry controls many of the specialized rail freight cars utilized by American railroads, said owner meetings will assist in the implementatation of a nationally uniform system of car use compensation.

This system should eliminate discrimination and ensure rate reasonableness by developing a rate mechanism of cost based allowances, the chemical manufacturers said.

The commission said the advantages of the group's proposal seemed to outweigh any anti-competitive effects.

Journal of Commerce
March 1, 1983

ICC Sets Bankrupt Line Rules

Journal of Commerce Staff

WASHINGTON — New rules governing the purchase of bankrupt railroad lines have been adopted on an interim basis by the Interstate Commerce Commission.

The commission was required to implement the guidelines by Monday under The Rail Safety and Service Improvement Act of 1982. Comments on the new guidelines will be taken before final rules are adopted, the ICC said.

Under the guidelines, financially sound offers for lines over which no service is being provided by the owner, can be considered by the commission after their rejection by a bankrupt line's trustee.

The commission will be required to assess a line's worth as either salvage value or value as a going concern.

The interim rules will permit offers by multiple purchasers to be considered in tandem by the commission, with "the ability to best serve the public interest" guiding the ICC's final decision.

Time rules will also be set in an effort to prevent trustees from stalling a reasonable offer by failing to consider it.

Trustees will be compelled to consider "bonafide" offers within a 30-day period. After that time, the commission may be called upon to require a sale and set the line's value within a 60-day period. The ICC must then act on the offer before the expiration of another 60 days.

The ICC said the new rules will be of benefit to small shippers seeking renewed rail service and to railroad creditors who seek reimbursement through the sale of rail assets at fair value.

Wall Street Journal
March 4, 1983

ICC Deregulates Boxcar Rail Freight And Coal for Export

By a WALL STREET JOURNAL Staff Reporter

WASHINGTON — The Interstate Commerce Commission voted to deregulate railroad boxcar freight traffic and rail shipments of coal bound for export.

The two decisions were major steps toward removing government control of the railroads. They were controversial among railroads and their customers and at the ICC itself, where commissioners voted 3-2 in both cases.

Voting in the majority for exempting both types of freight hauls from regulation were Malcolm Sterrett, Frederic Andre and Heather Gradison, all Republicans. Dissenting votes were cast by the chairman, Reese Taylor, also a Republican, and J.J. Simmons, a Democrat.

Most railroads wanted to be freed from rate controls in shipments of coal to ports for export abroad, but the National Coal Association and its affiliate, the Coal Exporters Association, opposed deregulating those movements. After the ICC announcement yesterday, Joseph Lema, vice president, transportation, of the association, said his group will probably seek court action, and possibly legislative action by Congress, to overturn the ICC decision.

The ruling will mean that the railroad industry's "captive" traffic in export coal will no longer have regulatory protection against "potentially excessive" rates, Mr. Lema said. Captive customers have no other means of shipment. An exemption from ICC regulation for export coal was originally sought in 1981 by the Norfolk & Western Railway, recently merged with Southern Railway into Norfolk Southern Corp. Later, the Chessie System and the Family Lines, currently known as Seaboard System Railroad, joined the petition. The Chessie and Seaboard are units of CSX Corp.

As for boxcar shipments, the proposed deregulation move stirred controversy within the rail industry itself, as well as generating shipper opposition. Consolidated Rail Corp., the big government-owned Northeast and Midwest line, sought decontrol. Conrail wants to boost rates and revenues on some boxcar traffic and, in effect, use high rates to shed itself of the least-profitable movements.

But most railroads opposed the plan. They wanted to retain ICC rules governing exchange of boxcars between roads, compensation by one railroad for use of another's cars and related car-service issues. They didn't object to freeing boxcar freight rates.

Traffic World, February 14, 1983

New Law May Alter ICC Interpretation Of Feeder Rail Rules

Yet another dimension has been added to the on-going dispute over the ICC's implementation of the feeder railroad development program.

For months, various parties—most particularly the Illinois Central Gulf Railroad Co. and the Prairie Central Railway—have been attempting to "sway" the ICC's interpretation of the current feeder line regulations (T.W., Jan. 17, p. 30).

The feeder line development program is designed to provide eased acquisition procedures for parties seeking to purchase lines scheduled for abandonment, but a quirk in the regulations has effectively thwarted the intent of the program.

Under current feeder line regulations, an owning railroad can undermine an attempt to acquire a line under the feeder program simply by filing an abandonment application during the time that lapses between the date that a railroad seeking to acquire the line files its "notice of intent" to acquire it, and its filing of a formal feeder acquisition application.

According to PCR, the quirk has now been eliminated by provisions of a new law which, the railroad says, amends the Interstate Commerce Act and clarifies Congressional intent pertaining to the feeder railroad program.

The legislation, entitled the Pipeline Safety Authority Act of 1982 (Public Law 97-468), was signed into law by President Reagan on January 14.

The legislation essentially adds a clause to the railroad development provisions of the Interstate Commerce Act which, PCR says, establishes that a notice of intent is sufficient to trigger the feeder line program, and that a subsequently filed abandonment application cannot take precedence over the notice of intent.

In a motion to dismiss an ICG abandonment application, filed recently with the ICC, PCR says "there can no longer be the slightest doubt that Congress intends that the filing of intent to purchase a line pursuant to the feeder railroad development program precludes the later filing of an abandonment application as to the same line of railroad."

PCR's interpretation of the statute is counter to the ICC's long-held stance that the filing of an abandonment application by the owning railroad bars the subsequent filing of a feeder line acquisition application.

In several instances, ICG filed an abandonment application after PCR filed a notice of intent to purchase a line under the feeder line program. The Commission has steadfastly ruled that the abandonment application takes precedence over a subsequently filed feeder line acquisition application.

In the instant proceeding, PCR asked the ICC to dismiss ICG's application to abandon about 150 miles of track in Illinois on grounds that the revisions to the Interstate Commerce Act mandated by the Pipeline Act have essentially rendered ICG's abandonment application void.

If the ICC eventually agrees with PCR's interpretation of the Pipeline Act provisions, many of the past feeder line decisions could be reversed. The amendments to the Interstate Commerce Act apply to any application or preliminary filing related to the application on which the ICC has not made a final decision prior to May 1, 1982.

In a related matter, several shippers, the Illinois Commerce Commission, and the United Transportation Union have asked the ICC to investigate ICG's proposed abandonment of the line at issue.

The petitioners contend that ICG has not adequately explained its calculation of certain "off-branch costs."

The parties maintain that the costs, which are greater than the entire revenue credited to the line, are "unusually" high, and that the ICC "should not accept such 'costs' without a thorough explanation."

The abandonment at issue is docketed as AB-43, Sub. 100, *Illinois Central Gulf Railroad Co. Abandonment Between Kerrick and Freeport, Between Heyworth and Normal, and Between Normal and Barnes, Ill.*

PCR's petition to reopen the earlier ICC decision is docketed as Finance 29995, *Prairie Central Railway Co.—Feeder Line Acquisition—Illinois Central Gulf Railroad Co. Lines Between Kerrick and Freeport, Ill.; Heyworth and Normal, Ill.; and Barnes and Normal, Ill.*

PCR's motion to dismiss the ICG abandonment application was filed in a separate pleading.

Milwaukee Journal
February 24, 1983

Railroad retirees face benefit delays

Washington, D.C. —AP— Increased railroad payroll taxes and delayed cost-of-living increases have been recommended by a management and labor committee for the 1 million pensioners of the Railroad Retirement System.

The recommendation was announced Tuesday by the Railway Labor Executives Association. Without the actions, the Railroad Retirement Board would have to cut its supplemental pension by 40% on Oct. 1, and possibly another 40% a year later. The system has been running at a deficit.

Railroad retirees, who have never been under Social Security, get pensions that are divided into two parts. The first part provides benefits generally similar to Social Security and is financed by an identical payroll tax, 6.7% on employer and employe. The supplemental part is financed by additional taxes — 2% on the worker and 11% on the employer. The average supplement is about $500 a month.

Journal of Commerce, February 28, 1983

US Coal Executive Says: Don't Be a Captive Shipper

By KEITH M. ROCKWELL
Journal of Commerce Staff

Coal shippers using the railroads have traditionally been forced into the role of captive shippers.

But some coal producers are so concerned about maintaining competition among their carriers, that they have made it a number one priority.

"The best solution to the problem of being a captive shipper is not to be one," said Fred Keady, senior vice president at Old Ben Coal Co., a unit of The Standard Oil Co. (Ohio).

"We've picked some mining properties that were perhaps not as good as some others in order to maintain competitive transportation."

Of the company's nine mines, Mr. Keady said only three are "quasi-captive." The three are quasi-captive because they lie on only one railroad line but if rates get excessive Old Ben will find a way to create a competitive situation, according to Mr. Keady.

For instance, the company has two mines which are near each other: one is served by three railroads and the other is served by a single line. If rates at that mine become exorbitant the company needs only one and a half miles of track or a very short truck haul to get the coal to the railroads that serve the other mine.

Old Ben has also used trucks to haul coal over short distances to barge docks, he said.

Mr. Keady's company, however, remains an exception. Currently, 85 percent of the 535 million tons of coal carried by railroads last year, were captive to one railroad. This figure could be even higher because the remaining 15 percent of coal shippers which are not captive at the origin, frequently are captive to one railroad at the destination.

Coal shippers in the western states are more susceptible than those in the East, because there is less competition between railroads in more remote areas. For example, Burlington Northern Railroad controls the coal-rich Powder River Basin in Wyoming, and the Atchison Topeka and Sante Fe Railroad is predominant in New Mexico.

Burlington Northern will not be in such a commanding position for long however. The Interstate Commerce Commission has set a $76 million price tag for the sale of half of Burlington Northern's interest in the region to the Chicago and North Western Railway Co.

Burlington Northern has taken the ICC to court on the issue, however, because they say that price is too low. Previously Burlington Northern had offered half interest to C&NW for $90 million but that offer expired in November.

The case is still pending at the U.S. Court of Appeals for the District of Columbia circuit and a decision is expected soon.

Coal shippers have long been concerned about this situation, but many feel there are no alternatives. Instead they look to long-term contracts with the railroads and hope for the possibility that Congress will give right of emminent domain to coal slurry pipelines to provide shippers with another means of moving their coal.

Contracts are one way captive shippers can hold down the increases of their transportation costs. The problem for the shipper is, since he is captive, the contract must be appealing for the railroad as well.

"The railroad has to want the contract as much as the shipper," said an executive at one of the nation's largest coal producers.

"But what incentive do they (the railroads) have, because in their minds they're going to get the business anyway."

But R.S. Sandgren, assistant vice president for economics and research at Burlington Northern's Coal and Taconite Business Unit, said his railroad has already agreed to more than 20 contracts and there had been considerable enthusiasm among shippers and the railroad to sign more.

"Obviously, we look for contracts with benefits for both parties. We want provisions for a reasonable rate and with a escalator clause," he said.

"We've seen a lot more enthusiasm for contracts than in the past. Both the carriers and the utilities see the benefits that suggest contracts are the way to go," he added.

While contracts benefit the railroads by guaranteeing them tonnage, shippers said they don't usually get much of a cost break, but noted there are other advantages for the shipper in signing contracts.

"We didn't really get any reduction in rates but we got guaranteed car supply and didn't have to worry about shutting the mine down for two or three days waiting for a railcar," said the executive at the major coal mining company.

He estimated that less than 10 percent of his company's coal is moving under contract.

The coal slurry pipeline is another bone of contention between coal shippers and railroads. The railroads, naturally, are quite opposed to any right of emminent domain for the pipelines, while shippers would welcome the chance for more competitive transportation.

"We have no objection to the competition from a pipeline," said Burlington Northern's Mr. Sandgren.

"What we object to is proposing emminent domain authority for pipelines, because it is not available to other carriers," he said.

However, the National Coal Association and many coal producers are lobbying strongly in Washington for emminent domain for slurry pipelines.

"One of the prime items on our docket is to try and get pipeline carriers the right of emminent domain," said a traffic executive with another major coal producer.

He explained that emminent domain is necessary to reduce the number of costly "feeder" lines which would empty into the main line going to a power station or other customer.

In order for the pipeline to be cost effective for the coal producers, emminent domain is necessary. Their objective is to install as little pipe as possible and have one main line running right to the customers.

"Without it (emminent domain) you lose a lot of economic efficiencies. You would need a hell of a lot of pipe and a hell of a big customer," he added.

Whatever the method, traffic managers at coal companies realize the importance of improving their distribution efficiency and slashing costs.

Old Ben Coal has assured itself competitive transportation in other areas by arranging for trackage

Cont'd....

U.S. Coal Executive Says:
Don't Be a Captive Shipper
Cont'd.

rights and permits to lay track leading from its mines, but Mr. Keady said he doubts the company will ever lay that track.

"The railroads have kept rates low enough so that we don't have to build any more track. Railroad people are pretty smart people. They're going to sharpen their pencils a little more if they know the shipper has other means of transportation," he said.

He suggested that non-captive shippers get better service because the railroads must make frequent capital outlays to keep their equipment in good repair.

"They only have so much money to spend," he said. "Where are they going to spend it — on those who may go elsewhere or on those who have to deal with them?"

While Old Ben Coal seems to place a higher emphasis on keeping transportation costs competitive, other companies have employed other means to put price pressure on the railroads.

Consolidation Coal Co., a subsidiary of Conoco Inc., for instance, had maintained a 108 mile long coal slurry pipeline in Ohio since 1957. While the pipeline has not been used since 1963, it can be reopened and is still exerting downward pressure on rail rates in that region.

Mr. Keady said there was a great discrepancy in service between the railroads serving Old Ben's midwestern mines and those serving the company's eastern mines.

"There are a lot of cost savings to be had for the eastern railroads in terms of improving their use of unit trains, and achieving faster load out, more rapid discharge and faster dumping," he said.

He explained that the railroads in the East had no incentive to improve service because they were already satisfied with their profit margins, and he blasted them for their alleged inefficiencies.

"In the Midwest unit trains turn over 10 to 15 times a month, but in the East they turn over only once a month," he charged.

Asked what railroads Old Ben Coal uses in the East, Mr. Keady replied, "We use 'em all."

Richmond Times Dispatcher
February 16, 1983

Battle expected on truck lengths

A House Roads Committee meeting became the setting yesterday for renewed battling between trucking and railroad lobbyists, and the truckers won.

But their victory may set up a confrontation between the House and Senate over a familiar General Assembly point of controversy, truck lengths.

At issue was the Senate version of legislation that would permit twin- trailer trucks to operate on interstates and a limited number of primary arterial highways to bring Virginia into conformity with requirements of a federal gas tax measure approved by Congress in December.

States that do not conform run the risk of losing federal highway money. It has been estimated that Virginia, which now bars twin-trailers from any highway in the state, could be cut off from more than $250 million in federal funds

The conformity legislation was cleared by the Roads Committee for House floor action even though many committee members may have agreed with Del. L. Cleaves Manning, D-Portsmouth, when he said, "I'm in favor of this bill because I've got to be." Manning then abstained on the committee vote to approve the Senate measure, which is sponsored by Sen. Dudley J. Emick Jr., D-Botetourt.

But before the legislation emerged from the committee, it was amended to permit 60-foot-long tractor-trailer rigs, which also are covered by the federal gas tax act, to operate on any highway in the state. The House version of the conformity measure does not contain a 60-foot provision. The present state truck-length limit is 55 feet.

The question of whether to permit 60-foot trucks has been debated before in the 1983 General Assembly. Trucking lobbyists, as they did again yesterday, argue that since there was a prospect 60-foot trucks would be permitted on interstates and some primary roads, they should be allowed to operate everywhere. Railroad lobbyists, as they did again yesterday, talked of safety and wear and tear on secondary roads.

Earlier in the session, the House passed a bill authorizing 60-foot trucks. A duplicate measure in the Senate was rejected in committee and an attempt to add 60-foot language to Emick's legislation was rejected on the floor.

Emick indicated to reporters yesterday that he considered the prognosis for Senate approval of 60-foot trucks no brighter than it has been.

The truckers also won another victory over the railroaders when the Roads Committee voted to make Emick's legislation effective July 1 rather than Oct. 1. The Senate had agreed to the Oct. 1 date in the hope that Congress would reverse its twin-trailer stand.

National Journal, February 12, 1983

Rail Giants Not Ready to Move into Trucking

Economists agree that intermodal transportation companies are more efficient than ordinary freight haulers. Federal officials say they would pose fewer regulatory problems. Shippers believe they would lower freight bills and reduce retail prices of goods.

The experts agree on all of that and one other point: so far, no serious effort to run an intermodal freight hauler has met with much success. "It's safe to say that the success story on intermodal companies is anything but startling," said John W. Snow, senior vice president of CSX Corp. and that firm's top official on intermodal ventures.

Why that's so is not entirely clear, but the poor track record of integrated transportation companies is giving pause to officials of railroads and other carriers that ostensibly should benefit from intermodal operations.

CSX, the Richmond (Va.)-based firm that, with 27,000 miles of track, runs the nation's largest railroad, has no immediate plans to diversify into water transport or trucking, even if Congress allows railroads to buy such firms.

Burlington Northern Railroad Co., the Great Plains rail giant, "really isn't doing much of anything" in the wake of a recent Interstate Commerce Commission (ICC) decision that allows railroads vastly to expand their trucking operations.

Tiger International Inc., with fingers in the air freight, rail car and trucking businesses, is the nation's only truly intermodal firm. It is trying to sell its air freight division.

Actually, none of those firms is bearish about the future of intermodal transportation, and all of them—as well as others—are quietly experimenting with intermodal operations of their own. But the experience of other companies in the field, they say, shows that the theory of intermodalism still has a good many bugs when it is put into practice.

The best-known integrated freight hauler is not based in the United States, and so American observers are reluctant to draw many conclusions from its limited success. But Montreal-based Canadian Pacific Co. has never successfully melded its ocean shipping, air freight, railroad and trucking divisions into a single working unit. In fact, after attempting to run those divisions in a manner that would funnel freight from one mode of transport to another, Canadian Pacific officials finally gave up and made each operation independent. Today, Canadian Pacific's rail division, CP Rail, buys trucking services from whatever company offers it the lowest price and best service—and often, that is not CP Express, its sister firm in the trucking business.

In the United States, at least 19 railroads own or operate trucking divisions, including all of the six or seven rail giants. But almost all of them deal with their trucking subsidiaries in the same way that Canadian Pacific does.

Why? One reason, industry observers say, is that wholly owned divisions tend to get fat and lazy when they do not have to compete for the business of their parent firm.

"It's sort of like the difference between having an in-house advertising agency and hiring one from outside," said an executive of a major ocean shipping company. "Somehow, the in-house ones are never as creative because they don't have to worry about competition."

There are other, more practical reasons. Rail-owned trucking companies often have higher labor costs because their employees may be eligible for benefits such as federal railroad retirement that ordinary trucking companies need not pay.

Moreover, the deregulated trucking industry already is so competitive that a railroad-owned trucking division may not be any cheaper or more efficient than an outside firm.

"We don't get involved in door-to-door delivery," said Darius W. Gaskins Jr., Burlington Northern's senior vice president for marketing and sales. "It's already pretty competitive, and if it is, why should we get into it, too?"

For the same reason, many railroads may be reluctant to expand their trucking services, even though they now have ICC blessing to do so.

That could possibly change if prohibitions on buying trucking companies and other transport modes are lifted. Purchasing a trucking company or a barge line would allow the railroads to buy management expertise as well as the equipment.

That's not to say that the railroads are waiting for legal changes to jump into intermodalism. Consolidated Rail Corp.—better known as Conrail—is joining with a Tiger International division, Road-Rail Transportation Co. Inc., in what may be the most advanced intermodal effort of all.

Under a contract with Conrail, the Tiger division is running 70-car trains from New York City to Buffalo. The cars are unusual because they can be run on both rails and on ordinary highways, with loads of up to 44,000 pounds.

On the rails, the 45-foot "RoadRailer" cars are pulled by ordinary locomotives. At their rail terminals, the cars' rail wheels are hydraulically lifted from the tracks, and truck tires are lowered. Diesel rigs then haul the cars to their destinations.

Lawrence Gross, project administrator for Road-Rail, said the cars are 20 per cent cheaper to haul than are ordinary piggyback cars because they do not have to be mounted on railroad flatcars. That, in turn, means they can be profitably operated over shorter distances than regular piggyback cars —as short as 200 miles, compared with about 700 miles for regular piggyback service.

Although they are still experimental, the RoadRailer trains have attracted the attention of Burlington Northern, which signed a letter of intent in early February to place similar trains on its Houston-to-Chicago route.

"Technically, they seem to work well. The economics are still uncertain, but we'll see," Gaskins said.

Gaskins may have more than a corporate interest in the experiment's success. As ICC chairman during the Carter Administration, he pressed for deregulation of railroad piggyback services. Without that deregulation, RoadRailers could not legally run on either the rails or the highways.