Corporate Relations 883

MEDIA MONITOR March 23, 1983

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Des Moines Register, March 18, 1983

Senate accepts tax settlement on railroads

By TOM WITOSKY
Register Staff Writer

Iowa would accept $6.5 million in delinquent property taxes from two bankrupt railroads under a proposal approved Thursday by the Iowa Senate.

The Senate voted 45-0 to ratify an agreement between state officials and bankruptcy trustees requiring the Milwaukee Road and the Rock Island Lines to pay 90 cents for every dollar in back property taxes.

But lawmakers left unresolved a dispute between state rail officials and county officials over where the money should go once it is paid. That dispute, which pits the Iowa Railway Finance Authority against 80 counties, is now the subject of a lawsuit.

Destination of Money

State railway officials claim that they are entitled to the money, but county officials claim that all delinquent property taxes should go where they are owed. During the trial, the money would be kept in an escrow account.

The two companies, which have been in bankruptcy proceedings for five years, owe an estimated $7.3 million in property taxes on land. According to state revenue officials, the Rock Island owes $5 million and the Milwaukee Road owes $2.3 million.

Senator Richard Drake (Rep., Muscatine) said the measure is needed to ratify the state's acceptance of the settlement offered by the bankruptcy trustees for the companies in federal court in Chicago.

The proposal now goes to the House, where it is expected to be approved.

Settlement Called Fair

Senator Tom Mann (Dem., Des Moines) said the settlement is fair and suggested the state might have been forced to accept less money under other circumstances. Creditors in bankruptcy actions sometimes receives only a few pennies for each dollar owed them.

"As settlements go, it is fair. To get 90 cents on the dollar actually is quite good," Mann said.

Since filing for financial reorganization under federal bankruptcy laws, the two railroads have paid no property taxes or special assessments.

Traffic World
March 14, 1983

Railroad Abandonments

(The letter "F" appearing after the docket number denotes that the filing has been placed on microfiche—a program initiated by the ICC effective February 1, 1978.)

NOTICES OF INTENT

(A railroad filing a notice of intent to abandon trackage or discontinue service has 30 days in which to submit its formal application for the authority to the Commission.)

AB-18, Sub. 46F, the Chesapeake & Ohio Railway Co. Line extending between Valuation Station 655 + 45 and Valuation Station 774 + 10.7, a distance of 2.25 miles at or near Mt. Pleasant, and discontinuance of trackage rights between Valuation Station 8653 + 83 at Mt. Pleasant and Valuation Station 9466 + 75 at or near Clare, a total distance of 16.31 in Isabella County, Mich., including the station at Mt. Pleasant.

NEW APPLICATIONS

AB-1, Sub. 144, Chicago & North Western Transportation Co. Line extending between Milepost 20.6 near Waukesha and Milepost 71.0 near Cottage Grove, excluding segment between Milepost 47.8 and Milepost 50.0 near Jefferson Junction, a total distance of 48.2 miles in Waukesha, Jefferson and Dane counties, Wis., including stations of Wales at Milepost 27.6, Dousman at Milepost 32.6, Sullivan at Milepost 38.5, Helenville at Milepost 43.9, Lake Mills at Milepost 56.0, London at Milepost 61.4, and Deerfield at Milepost 64.8.

AB-55, Sub. 66, Seaboard System Railroad, Inc. Line extending between Milepost KT-286.60 at Men-

Mr. R. Milton Clark
Manager-Customer Service
Room 319, Depot
Milwaukee, WI

The Daily Herald, Wausau/Merrill, Wisconsin, March 10, 1983

Consultant says Grossman best alternate to Grand Ave.

By JIM ELLIOTT
Herald Staff

The best way to relieve congestion on Grand Avenue is to build a relief route using Grossman Drive in Schofield and the Milwaukee Road rail corridor into Wausau.

That's what Kenneth Oja, Plover division assistant manager of the Donohue & Associates Inc. engineering and consultant firm, told the COUGARR (Community Options United on a Grand Avenue Relief Route) committee Wednesday night.

By the year 2000, up to 37,000 vehicles per day are projected to be using Grand Avenue if there are no alternate routes between Schofield and Wausau, Oja said.

The Grossman Drive route would run north from near the Highway 29-51 intersection right through the present Log Cabin Restaurant, then across the Eau Claire River to Northwestern Avenue and into Wausau on a new road parallel to the Milwaukee Road tracks.

This route could divert up to 15,000 cars per day from the busy avenue, the highest of any of the six other proposals, Oja said. Others include connecting Grossman Drive to 15th or 18th streets, using Alderson Street and either the rail corridor or 18th Street, or using Camp Phillips Road.

"But the farther you get away from the existing Grand Avenue, the less you have an influence on traffic on the avenue," Oja said. The Camp Phillips route would have the least impact, perhaps only 4,000 cars per day, yet would cost the most at an estimated $37.9 million.

Oja projects other costs at $20.7 million for the Grossman-Railroad alternative, $18.5 million for Grossman-15th Street, $20.9 million for Grossman-18th Street and $23.1 million for Alderson-Railroad.

Widening Grand Avenue and making it into a six-lane road would cost about $24.4 million. But that does not include the costs of moving portions of the cemeteries on either side of the road, something that District Highway Engineer Donald Cronkrite said may not even be possible.

All of the cost estimates include resurfacing of Fifth and Sixth streets in Wausau, and construction or improvements to four east-west roads, Kent, Thomas, Scott and Franklin streets.

The city of Schofield has repeatedly stated its opposition to any proposal using Grand Avenue because of fears it would cut access to its industrial park, contaminate a city well in the park, hurt possible commercial development near the Highway 29-51 intersection, and be costly to the city.

Most of those questions were addressed by Barbara Crosser, also of Donohue & Associates, who said the Grossman route would improve access to the industrial park.

Since the road would have a curb, gutter and storm sewer, the impact on the sanitary sewer should be beneficial, compared to the present drainage ditch on the existing Grossman Drive in the industrial park, she said.

The proposed road, with a 70-foot right of way, would just touch the parking lot of a J I Case plant. Only about two acres of industrial park land would be needed all together, and the remaining land both in the industrial park and in the undeveloped area behind the Log Cabin should increase substantially in value, Crosser said.

She said she could not speculate on what the road would cost Schofield, since it would depend on a cost-sharing formula worked out between the communities and whether state and federal money is available.

While Dale Braatz, a COUGARR committee member from Schofield, said he wasn't convinced, Schofield Alderman Charles Brown said he thought some good answers had been given. He said he thought the Schofield City Council should reconsider its position on Grossman Drive.

The next COUGARR committee meeting will be on April 13, when Chairman LeRoy Jonas hopes to eliminate all but two or three of the alternate routes from consideration.

Chicago Tribune
March 17, 1983

C&NW likely to cut loss

Chicago & North Western Transportation Co. will post a loss in the first quarter this year despite an improvement over the 1982 period, the railroad's president and chief executive said Wednesday. James R. Wolfe, in Atlanta meeting with financial analysts, predicted that the C&NW's first quarter "looks considerably better than last year but we probably won't be in the black." The first quarter is generally the company's worst period. Wolfe said he expects 1983 "will be considerably better than 1982," when the C&NW lost $19.1 million on revenue of $803.8 million. Although this year is expected to be profitable, it won't be as good as 1981 when the railroad had net income of $54.3 million on revenue of $981.8 million. In the 1982 first quarter, C&NW reported a net loss of $7.5 million on revenue of $199.6 million.

Janesville Gazette, March 16, 1983

Walworth joins rail transit group

By Leah Jansen
Gazette Correspondent

ELKHORN—Three Walworth County board members became commissioners of the Wisconsin River Rail Transit Commission (WRRTC) Tuesday after the county board voted to disband the Walworth County Transit Committee and join the larger entity.

Members are Oliver Fleming of Delavan, one-year term; James Van Dreser of Walworth Township, two-year term, and Bill Miles of Whitewater, three-year term. Alternates are Alice Morrissy of Elkhorn and Gerald Shroble of Whitewater.

Supervisors voted in February to apply for membership to the WRRTC after it was learned that the Walworth County Transit Committee's authority could not extend beyond the Walworth-Rock county line.

A railroad that begins in Elkhorn and ends at Bardwell Junction is equal to no railroad at all, they were told.

The same day the board voted to apply for membership in the WRRTC, The Milwaukee Road ceased operation on the track coming into Elkhorn from Beloit. Walworth County cities and villages along that line were without rail service for about three weeks.

The state subsequently granted temporary authority to the city of Elkhorn to begin short-line operations on the track, and rail freight service resumed about a week ago.

The rail service apparently will continue under the authority granted to Elkhorn until the state has completed negotiations with The Milwaukee Road for the purchase of the tracks and right of way involved.

However, as a member of the WRRTC, Walworth County now has representation on its 24-member board of commissioners and will be a part of all future negotiations and other matters involving the rail lines.

Charter members of the WRRTC, formed March 18, 1980, are Crawford, Grant, Iowa, Richland and Sauk counties. Rock County joined July 22, 1982.

Nearly 50 pages of documents involving Walworth County's membership in the commission were presented to county supervisors when Tuesday's board session began.

Although time was an important element in the transaction, Frank Dobbs, a member and adviser to the local transit committee, said some supervisors were reluctant to act on the membership resolutions until after they had an opportunity to study the documents.

Because Dobbs did not receive the documents from the WRRTC until Monday afternoon, he was unable to get them to supervisors before Tuesday's board session.

While Russell Devitt, county corporation counsel, was at the meeting, he suffered from laryngitis and could only respond in whispers to questions posed by supervisors.

The matter was resolved when board Chairman Roy Lightfield called a two-hour midday recess during which Devitt met on a one-to-one basis with supervisors who had questions on the resolutions and contracts.

Journal of Commerce
March 22, 1983

No Reviews For Rail, Truck Cases

By HELEN ERICSON
Journal of Commerce Staff

WASHINGTON — A challenge by the Brotherhood of Railway and Airline Clerks to Burlington Northern's information of a holding company was not granted review by the Supreme Court.

Also denied review Monday was a petition from Steere Tank Lines Inc., a Texas trucking company, claiming the Interstate Commerce Commission misinterpreted a truck regulatory reform law when granting new motor carrier operating authority.

In the railroad case, the union argued that BN's transfer of ownership of its railroad to a holding company violated both the Interstate Commerce Act and the ICC order authorizing the merger of BN and the St. Louis-San Francisco Railway Co.

BN's reason for forming a holding company in January 1981 was to obtain more flexibility in developing non-transportation subsidiaries. A holding company can issue securities without first obtaining ICC approval.

The ICC and the Court of Appeals rejected the union's arguments. The union sought a preliminary injunction from a district court but was turned down. The court said it lacked jurisdiction to consider alleged violations of the Interstate Commerce Act and dismissed the case.

BRAC again went to the Court of Appeals which dismissed the case on grounds it lacked jurisdiction.

The union went unsuccessfully for a third time to the Court of Appeals, arguing that the district court did have jurisdiction.

Cedar Rapids Gazette
March 10, 1983

Soo may get state assist in bid for Rock trackage

AMES (AP) — The Soo Line Railroad has asked the state of Iowa for $21 million in low-interest financing to permit the company to reopen bidding for a key north-south rail line owned by the bankrupt Rock Island Line.

The request was made Tuesday and state officials gave the company favorable reactions. The Soo Line then indicated its new bid would be "significantly increased."

The tracks are being sold as part of a court-ordered dismantling of the defunct Rock Island.

The North Western Railway appeared last month to have won the bidding war for the track when its offer of $76 million was accepted by the trustee, attorney William Gibbons of Chicago.

The North Western's offer was expected to get preliminary approval next Tuesday from the federal judge overseeing the Rock Island proceedings. But the outcome of next week's court hearing now is in doubt.

Because the North Western is the dominant railroad in the state, shippers and state officials have expressed concern that its acquisition of the Rock Island tracks would virtually wipe out rail competition in much of Iowa.

"The Soo Line is the last hope for preserving meaningful railroad competition in central Iowa," officials of the company told the Iowa Railway Finance Authority on Tuesday.

The authority did not vote on the company's request, but there were indications that members of the authority's governing board would support it.

Action on the request was postponed until the Soo Line submits a formal application, which will be analyzed by the staff of the Iowa Department of Transportation.

Wall Street Journal
March 21, 1983

C&NW Wins Ruling To Purchase Track From Rock Island

By a WALL STREET JOURNAL *Staff Reporter*

CHICAGO—A federal judge ruled in favor of Chicago & North Western Transportation Co.'s offer to buy 720 miles of track from the Chicago, Rock Island & Pacific Railroad, which is in bankruptcy proceedings.

Judge Frank J. McGarr ruled in favor of the $93 million offer over a competing bid from Soo Line Railroad Co., Minneapolis, to buy 672 miles of track for $88 million. Soo Line said it hasn't decided whether to appeal.

Soo Line had raised its bid from $81 million before the judge's deadline for a new bid expired Friday. The C&NW raised its offer from $85.4 million.

The track, which C&NW has rented for about three years, runs between Minneapolis and Kansas City, Mo., and includes some feeder grain-gathering lines.

The Rock Island entered bankruptcy-law proceedings in 1975. In 1980, a federal court ordered it to end operations and sell its property.

Chicago Tribune
March 8, 1983

C&NW workers charged in fraud

AN AUDITOR and the manager of construction billing for the Chicago & North Western Transportation Co. were accused by federal authorities Monday of stealing $270,000 from the railroad company in a four-year period beginning in December, 1978. Charged with two counts each of mail fraud were Thomas Scully, 37, of 337 Waverly Court North, Elgin, an auditor, and Russell Matthews, 43, of 125 W. Granville Ave., Roselle, the billing manager. Assistant U.S. Atty. Dan Purdom said each defendant faces a maximum penalty of 10 years in prison and a $2,000 fine. According to federal charges, the men created eight phony companies and later submitted bills under the names of those firms for work never performed for the railroad.

Chicago Sun-Times
March 12, 1983

C&NW: The Wyoming Supreme Court has decided, in favor of the Chicago and North Western Transportation Co., that the Wyoming Industrial Siting Council does not have jurisdiction over the company's planned new coal connector line.

Journal of Commerce, March 21, 1983

ICC Will Rule On Soo-C&NW Rail Bid Fight

By KEVIN COMMINS
Journal of Commerce Staff

A decision on who will win the battle for about 700 miles of railroad track between Kansas City and Minneapolis will await the decision by the Interstate Commerce Commission on which buyer will better serve the public interest.

After a hearing on the tracks owned by the defunct Chicago, Rock Island and Pacific Railroad, U.S. Bankruptcy Court Judge Frank McGarr issued a preliminary approval to the Chicago & North Western Railroad to buy the property for $93.0 million.

However, he set another hearing for June 29 after the ICC rules on the case in which the North Western is opposed by the Soo Line Railroad whose bid of $88.5 million for slightly less of the available track was rejected.

Since the bidding for the route began, the price has risen from $76 million.

The line is being sought because it would compliment Soo Line's northern lines which feed grain and other products into Minneapolis.

The North Western has been operating the tracks since mid-1980 on a lease arrangement with the Rock Island's trustee.

North Western officials also want the line to move grain, but either side could develop traffic potential between the end points on the main line which comprises about 65 percent of the total trackage for sale.

During the hearing, the state of Iowa contended that the North Western's purchase would make the line dominant within the state creating captive-shipper type combinations.

The judge suggested that matter could be ruled on at a later date.

Nicholas Manos, attorney for the Rock Island, told the court that the trustee was inclined to accept the North Western bid, partly on grounds that the North Western had been providing revenue for the line which has been bankrupt since the mid-1970s.

He said, however, that the two bids were neck-and-neck.

Soo Line attorneys contended that their bid was preferable because the bid included fewer track miles.

That railroad had opened the hearing by upping the bid for the railroad property to $88.5 million. Earlier this week, it had bid $81 million, but the North Western countered with an $85.1 million offer.

An added participant in the hearing was the Chicago, Milwaukee, St. Paul and Pacific Railroad which contends that its joint ownership of some portions of the line gives it a say in the outcome as well. The judge postponed decision on that railroad's request.

Settlement of the bidding dispute has been seen as a major step toward completion of the railroad's reorganization.

A separate suit between the Rock Island and the Kansas City Terminal Railroad which briefly operated part of the disputed route is expected to be formally settled with Rock Island receiving $750,000, thereby removing another blockage to completing reorganization.

Chicago Tribune, March 16, 1983

C&NW, Soo join in a bidding war

By David Young
Transportation writer

THE CHICAGO & North Western and Soo Line Railroads have become embroiled in an 11th-hour bidding war for most of a 720-mile Chicago, Rock Island & Pacific Railroad mainline between Minneapolis and Kansas City, Mo., it was disclosed Tuesday in federal court.

The C&NW just prior to Tuesday's hearing before Judge Frank J. McGarr increased its offer to $85.3 million to top an $81 million offer made late last week by the Soo, a railroad headquartered in Minneapolis but 56 percent owned by the Canadian Pacific Ltd., a publicly held Canadian railroad.

The North Western Transportation Co., a publicly held railroad headquartered in Chicago, originally had offered $76.3 million for the line.

McGarr, despite saying he was "against the courtroom bidding process," continued the hearing to Friday to allow the Soo to consider increasing its offer.

BYRON OLSEN, SOO vice president and general counsel, originally requested a 30-day delay. He reduced it to a request for seven days after Albert E. Jenner, attorney for the family of industrialist Henry Crown, principal stock and bond holders in the bankrupt Rock Island, protested that a major continuance would delay the scheduled March 28 hearing on reorganization of the Rock Island. McGarr granted a three-day delay.

The Soo was supported by the State of Iowa, which is opposed to North Western ownership of the line because that railroad would increase its domination of the state's railroad network. Iowa officials want the Soo to purchase the line to increase competition.

"We prefer the bid of the North Western," Jenner said. A delay of as little as one month could cost the railroad's estate as much as $600,000, added Nicholas Manos, attorney for bankruptcy trustee William Gibbons.

Attorneys representing the Rock Island creditors also are fearful that acceptance of a Soo offer will delay receipt of money by the estate because the Interstate Commerce Commission has to approve it. The ICC would expedite the North Western's application because it does not constitute an incursion by the C&NW into new markets, Manos said.

THE NORTH WESTERN has been operating the mainline under a lease agreement with the Rock Island estate for three years and now pays $5 million a year in rent. That would be increased to $8.35 million a year until the sale can be completed, under the latest offer.

Manos said Jerome Conlan, North Western senior vice president of planning and public affairs, made that carrier's latest counter in a letter Tuesday morning after Gibbons informed him of the Soo offer made last week.

Thomas M. Beckley, Soo chairman and chief executive officer, told Gibbons by phone just before Tuesday's hearing that he could not increase his offer without consulting with his board of directors and requested a seven-day extension, Manos told the court. A spokesman for the Soo line in Minneapolis said the "matter is under study."

The Soo originally offered to purchase 650 miles of Rock Island mainline between Northfield, Minn., and Kansas City, Mo., for an undisclosed price last September, the spokesman said. The $81 million offer made last week was for 672 miles, including some branch lines.

The North Western offer is for 720 miles of line.

Des Moines Register, March 19, 1983

North Western wins 'war' to buy Rock Island track

By RANDY EVANS
Register Staff Writer

CHICAGO, ILL. — The North Western Railway won a spirited bidding war Friday with its offer of $93 million in cash for a large chunk of the defunct Rock Island Lines, much of it in Iowa.

Following a final round of bids by the North Western and the Soo Line Railroad, U.S. District Judge Frank McGarr awarded the key north-south rail line through Iowa to the North Western — eight years and one day after the Rock Island filed for bankruptcy.

McGarr gave his approval after dismissing concerns from Iowa officials that the North Western's growing dominance of Iowa traffic would amount to a virtual monopoly on grain hauling that would hurt the state.

The judge's decision requires approval of the Interstate Commerce Commission, but state officials conceded that their battle to block the North Western from buying the Rock Island track probably has been lost.

The North Western had a bid of $85.3 million on the table going into Friday's proceedings in federal court here. Less than 30 minutes before the start of a special hearing, the Soo Line's chairman upped the ante with an $88.5 million offer.

The North Western then quickly raised the price tag to $93 million — by far the most any company has paid for a piece of the Rock Island, at one time the 12th-largest railroad in the United States.

Soo Line officials declined to go any higher, contending that their offer was as good as the North Western's because the Soo was bidding for fewer miles of track.

Friday's deal by the North Western includes 720 miles of tracks in three states: primarily the Rock Island's Minneapolis-Kansas City main line, 285 miles of branch lines in north-central Iowa, and the Rock Island's east-west tracks in Des Moines and West Des Moines.

Almost Equal

The attorney for Rock Island trustee William Gibbons conceded that the two bids were almost of equal value, considering the number of miles each covered, but the trustee recommended that McGarr approve the North Western's.

The attorney, Nicholas Manos, said the North Western has operated the tracks on a rental basis since the Rock Island stopped operations in 1980 — a fact that is in the North Western's favor.

Manos rejected a suggestion from Iowa Department of Transportation lawyer Robert Steiner that the trustee and the judge consider what was in the best interests of Iowa in choosing between the two bids.

"I can't emphasize too strongly the differences these two railroads would mean to the state of Iowa," Steiner said.

There are concerns, he said, that the purchase will permit the North Western to become monopolistic in Iowa rail transportation. The railroad already moves about 70 percent of the grain produced in the state, Steiner said.

He also told the judge the North Western has "clearly predatory interests" in acquiring the east-west tracks in Des Moines. Those tracks are an essential part of the Rock Island's Chicago-Denver main line, which should be preserved intact, he said.

The Soo Line had bid for the Des Moines tracks, too, but the company had made tentative arrangements to sell them to Des Moines business leaders so the east-west line could be preserved.

Soo Line attorney Byron Olsen told the judge his company believes the acquisition by the North Western will "substantially lessen competition" and will "tend to create a monopoly."

Judge Disagrees

But McGarr said he found the Soo Line's and Iowa officials' concerns to be baseless and "not of sufficient consequence" to turn down what he called a "good faith" offer by the North Western.

"I do not ignore the public interests," he said, "but I don't find it to be a compelling factor here."

Iowa officials are expected to press their concerns before the Interstate Commerce Commission. DOT officials said, however, that it is unlikely the ICC would block the sale.

The Soo Line's chairman, Thomas Beckley, said the company is considering an appeal of McGarr's decision to the U.S. Court of Appeals. The company also will study possibly opposing the North Western deal before the ICC.

Unless efforts to block the sale succeed, the deal is expected to be consummated on June 29 during another hearing before McGarr.

The Rock Island's Minneapolis-Kansas City tracks have been such an attraction to the two railroads in this recession for different reasons:

The Soo Line, a Minneapolis-based subsidiary of the Canadian Pacific Railroad, wants to get into Kansas City because its parent company's chief competitor, the Canadian National Railway, is wrapping up a deal for a Kansas City line. A subsidiary of the Canadian National is buying the bankrupt Milwaukee Road.

The Chicago-based North Western wants the Rock Island tracks because they will complement its Iowa rail network and give the railroad a bigger share of the freight business in Iowa.

Journal of Commerce, March 17, 1983

C&NW to Begin Powder River Connector Line

By KEVIN COMMINS

CHICAGO — Following a favorable decision from the Wyoming Supreme Court, the Chicago and Northwestern Transportation Co. said it will begin building a connector line into Wyoming's coal-rich Powder River Basin this summer.

Expected to be completed late next year, the line will provide competition to the Burlington Northern Railroad, which has been the sole carrier of Powder River Basin coal.

Last week, the Wyoming Supreme Court upheld a lower court ruling affirming the Interstate Commerce Commission's pre-eminence in approving construction of the connector line.

The decision frees the C&NW to build the 56-mile line, as well as make necessary improvements in 45 miles of its existing Wyoming track.

Nevertheless, the C&NW must overcome a separate lawsuit from the BN challenging an ICC ruling which set conditions for C&NW to purchase a 50 percent interest in BN's Powder River Basin line. The BN, which has fought C&NW's entry into the Powder River Basin at every step, claims the $77.5 million purchase price set by the ICC is too low.

The C&NW maintains the suit is another in a series of delaying tactics by BN, all of which are designed to forestall competition in the Powder River Basin for as long as possible. Seeking to resolve the case quickly, the C&NW successfully petitioned a Federal District Court in Washington for an "expedited" decision.

A spokesman for the C&NW said a decision is likely by the end of summer. Although an appeal is possible, C&NW believes a favorable decision may mark the end of the long and oftentimes bitter court skirmishes between the C&NW and the BN over the Powder River Basin.

Both companies now appear to be looking beyond the immediate legal battle and are concentrating on a new struggle: capturing the largest possible share of Powder River Basin coal traffic.

In recent months, observers said, the BN has intensified efforts to woo customers into long-term sales contracts. At the same time, the C&NW has been telling utilities that it may be able to offer a competitive rate to the BN's in about two years.

Officially, the C&NW maintains it will win new markets for Powder River Basin coal and will not slice into BN's existing market. However, observers note that the connecting railroads of the BN and the C&NW service many of the same utilities in the southwest, a situation which many expect will lead to rate competition.

Journal of Commerce, March 18, 1983

Burlington Sets Expansion Plan For Reloads

By RIPLEY WATSON 3rd
Journal of Commerce Staff

An incentive plan offered by the Burlington Northern Railroad to induce shippers to reload empty westbound cars will be expanded April 1.

Cash refunds of from $100 to $225 per carload will be paid to persons who can reload cars which are terminated on a railroad east of the Mississippi with goods destined for 10 western states and one Canadian province.

The current program which applied to a more limited number of railroads and gateways will end March 31.

The new program is expected to run for at least six months.

Refunds range from $100 to $225 per reloaded car, a BN spokeswoman said. The largest discounts are being offered for reloaded cars bound for Washington, California, Oregon and British Columbia.

The amount of the discount is lower for shipments bound for states closer to the eastern U.S.

Richard Gleason, who heads the railroad's marketing and pricing department, said the program also will include reloaded traffic originating in Ontario, Quebec, New Brunswick and Nova Scotia.

"The new program also departs from the old in that we'll pay the originator or the receiver," Mr. Gleason said.

Commodities, excluding contaminants, are eligible for the refund when moving in boxcars, flatcars and gondola cars included in the program. Piggyback traffic isn't included in the refund program, the railroad said.

Mr. Gleason noted that the railroad spends millions of dollars each year to return empty freight cars to areas of the Pacific Northwest that are heavy originators of traffic.

The earlier program which added 40 to 50 loads per month was successful enough to prompt the line to expand the program to other eastern railroads.

The old program didn't include southeastern railroads.

BN officials reported that interest in the program was expressed by railroads in that area. They are hopeful that some southern manufactured goods destined for BN interchange will be reloaded in cars bound for the southeast.

Other qualifying destinations include points in Idaho, Nevada, Utah, Arizona, Colorado, Wyoming, and Montana.

Des Moines Register, March 16, 1983

Bidding war for Iowa Rock tracks breaks out

By RANDY EVANS
Register Staff Writer

CHICAGO, ILL. — The ownership of nearly 500 miles of Iowa railroad tracks remained up in the air Tuesday after a high-stakes bidding war erupted between the North Western and Soo Line railroads.

In rapid fashion, the price tag for the old Rock Island Lines' tracks climbed from $76.3 million to $81 million and then $85.3 million, with the North Western continuing to fend off attempts by the Soo Line to expand its operations into Iowa and Missouri for the first time.

But at the request of Soo Line officials, the federal judge overseeing the liquidation of the defunct Rock Island gave the Minneapolis-based company until Friday afternoon to make one last try at out-bidding the North Western.

The dickering for approximately 700 miles of Rock Island tracks in three states has been closely followed in Iowa because the lines serve Des Moines and extend into the rich farming country of north-central Iowa — where a sizable portion of the United States' export-bound grain is grown.

A number of state officials, including top administrators in the Iowa Department of Transportation and a number of elevator operators in the state, are concerned that the North Western will have a near-monopoly on long-haul grain traffic in the state if the Rock Island deal goes through — something they say could lead to higher freight rates.

State officials and community leaders in central Iowa also are concerned that it will be more difficult to find a buyer for the Rock Island's old east-west mainline if the North Western succeeds in gaining control of a 10-mile segment through Des Moines.

And DOT officials also have worried aloud that the cost of buying and rehabilitating the Rock Island tracks could jeopardize the North Western's solvency — and perhaps plunge Iowa's largest railroad into bankruptcy.

But North Western officials have dismissed those concerns and said the Rock Island acquisition is important to the future of the company and will lead to far better rail service in Iowa. North Western president James Wolfe last week lashed out at state officials for interfering in his company's efforts to buy the tracks through their encouragement to the Soo Line to look into purchasing the tracks.

The tracks include the old Rock Island mainline between Minneapolis and Kansas City, Mo., the east-west tracks in Des Moines, and branch lines in Buena Vista, Clay, Dickinson, Emmet, Franklin, Hancock, Hardin, Humboldt, Kossuth, Osceola, Palo Alto, Pocahontas, Winnebago and Wright counties.

The North Western reached a tentative agreement last month with Rock Island bankruptcy trustee William Gibbons to buy the tracks for $76 million — some $10 million more than the Soo Line had been willing, up to then, to bid. The transaction was to be presented to U.S. District Judge Frank McGarr here Tuesday for his preliminary approval.

Late Monday, however, Soo Line officials formally upped the ante to $81 million — an offer that Gibbons said he was prepared to recommend for Judge McGarr's approval. But two hours before Tuesday's court hearing began, North Western officials topped that bid by offering $85.3 million.

A short time later, according to Gibbons' attorney, the trustee reached Soo Line Chairman Thomas Beckley at a telephone booth in Bismarck, N.D., and gave him the chance to bid again. But Beckley declined, saying he first would have to meet with his company's board of directors.

Gibbons alluded to what he called "a tremendous groundswell" of support for the Soo Line, but be urged Judge McGarr to end bidding at once. Gibbons' attorney said a one-month delay in consumating the sale would cost the Rock Island's estate more than $600,000 in interest.

"The Soo has had adequate opportunity," said the attorney, Nicholas Manos.

Attorneys for the North Western and the Rock Island's major creditors also urged an immediate end to the bidding, saying it was in their clients' best interests — as well as the public's — for the sale to go through now.

"We would like to get on with this," said Stuart Gassner, counsel to the North Western.

But lawyers for the DOT and Soo Line asked the judge to postpone his preliminary decision on the sale and give the Soo Line time to prepare another offer.

DOT lawyer Robert Steiner told the judge the impending sale represents a major restructuring of rail service in Iowa, and state officials "have some problems" with the North Western's offer.

"It has very important and long-range implications for the people of Iowa and southern Minnesota," said Byron Olsen, the Soo Line's top lawyer.

Judge McGarr told the lawyers, "I'm interested in whatever will bring in the most money."

Des Moines Register, March 12, 1983

'Appalled' railway chief assails Iowa for interference

By RANDY EVANS
Register Staff Writer

The president of the North Western Railway Friday said he was "utterly appalled" at state efforts to interfere with his company's attempt to buy a major Iowa rail line.

In a letter to Gov. Terry Branstad, North Western president James R. Wolfe called on the governor to see that a request by the Soo Line Railroad for state financing in its bid for the track is denied.

Both railroads are competing to buy 700 miles of former Rock Island Lines tracks located primarily in Iowa. The North Western had reached agreement recently with the Rock Island's bankruptcy trustee to buy the lines for $76 million.

But the Soo Line is expected to top that offer before a court hearing in Chicago Tuesday, when the North Western's offer had been expected to get preliminary approval.

Soo Line officials approached the Iowa Railway Finance Authority this week about obtaining $21 million in low-interest loans from the agency to help beef up that company's bid.

The finance authority's powers are under challenge in Iowa courts and the agency cannot make any loans now. But if the state wins those cases, the Soo Line would like to be first in line and use the state loans to refinance a portion of the outside financing it would have to obtain to buy the Rock Island tracks.

The Minneapolis-based Soo Line is controlled by Canadian Pacific Ltd., a fact that concerned Wolfe. "In effect, state funds would be used to frustrate private American initiative — on behalf of a foreign-controlled company," he said in the letter to Branstad.

"The North Western is utterly appalled at the possibility of such discriminatory state governmental action. We have made an arms-length private agreement ... and we will pay for it ourselves without any governmental financial assistance," he said.

Wolfe added: "It would be considered by us ... as an extremely unfriendly act by state government if such an unfair request by foreign interests is favorably received."

A state loan to the Soo Line will harm Iowa commerce, Wolfe said, and would be "the very antithesis of the basic American free enterprise ethic."

On another matter, North Western executives denied accusations that the railroad is trying to squeeze the Des Moines-based Iowa Railroad out of business. The Iowa Railroad operates over the Rock Island's former main line between Council Bluffs and Davenport.

An Iowa Railroad official charged this week that the North Western is deliberately delaying passage of Iowa Railroad trains through Des Moines, sometimes by as much as four hours.

Jerry Conlon, the North Western senior vice president who oversees the company's Iowa operations, said, "The implication is that we've had a malicious intent. I can say absolutely that that is not true.

"People do, in business, eliminate competition," he said. "But there are rules on how you do it, and one of the rules is that you don't use dirty tricks."

The North Western's division manager for Des Moines operations, Jeff Koch, said, "We're not delaying them for any reason whatsoever."

Because of a 10 mph speed limit on the tracks across the capital city and because five railroads share portions of the rail network here, delays are unavoidable, Koch said.

Journal of Commerce, March 17, 1983

Good News on Conrail

UNCERTAINTY STILL SHROUDS the ultimate fate of Conrail, but the word appears to be in on one key issue: The Department of Transportation, according to Federal Railroad Administrator Robert Blanchette, is all but certain to sell the rail system as a single entity rather than piece by piece.

That may not sound like a lot to some people. But to shippers and Northeastern ports, it goes a long way toward laying to rest fears — possibly overblown, but real nonetheless — that the sale of Conrail will lead to a repeat of the chaos that followed the railroad's birth.

The government created Conrail in 1976 from the ruins of six bankrupt Northeastern rails. Each had its own lines, its own rolling stock and its own personnel. Merging all into one coordinated system wasn't easy, and initial service was dismal.

Tremendous jams of container traffic clogged Conrail facilities in the New York-New Jersey area; Conrail was unable to tell shippers where their shipments were, how large the backup was or how long it would be before the mess was cleared up.

It also seemed almost impossible to bring much of Conrail's track and rolling stock up to standard no matter how much federal money was poured into the system.

"The state of the huge system's operations has become so nightmarish in so many respects that questions are again being raised about whether it really is a viable enterprise or ever will be as presently constituted," this newspaper commented in 1978.

Aided by the Staggers Rail Act of 1980, which substantially deregulated the rail industry, and under a new chairman, L. Stanley Crane, Conrail began turning the corner in 1981. It was none too soon; Congress the same year passed the Northeastern Rail Service Act, mandating that Conrail become profitable by June 1, 1983, or face being sold off piecemeal.

Relative to other railroads, all of which use a special Interstate Commerce Commission accounting system, Conrail still is losing money — $132 million in 1982. But, by more common accounting systems, it posted operating income of $38 million in 1981 and $39 million last year.

Without taking sides in its competitive battles, it is possible to say that Conrail has come far during the last two years. It has rid itself of much unprofitable-line deadwood. It has won cost savings from its unions. It has been quick to exploit the marketing tools available under the Staggers act.

This was reflected last week in Mr. Blanchette's statement to a Senate committee that it is "virtually impossible" Conrail will fail the first of two profitability tests — and that it probably won't be sold piecemeal even if it fails either test.

The ultimate question, of course, is who will buy Conrail. Rail labor has declared its strong interest. Chairman Crane says Conrail also is a candidate for purchase by a Western or Southeastern railroad — possibly creating the nation's first transcontinental rail firm.

Admittedly, it is unlikely that a service situation in the Northeast as dismal as that of the late 1970s could recur even if there were a piecemeal sale; most of the potential bugs, like duplicate lines, already have been ironed out.

But such a sale could result in competitive battles and disrupted service that might prove harmful to shippers. And it's good to be told that even that much disruption of commerce is "virtually impossible."

Traffic World
March 21, 1983

C & NW Petition for Review Of ICC Ruling Dismissed

A petition by the Chicago & North Western Transportation Co. for review of an Interstate Commerce Commission ruling on the Grand Trunk Corporation's proposed acquisition of the bankrupt Chicago, Milwaukee, St. Paul & Pacific Railroad Co. has been dismissed by a federal appeals court.

In a recent order, the U.S. Court of Appeals for the District of Columbia Circuit granted motions to dismiss the petition for review on grounds that the Commission has not yet issued a final rule in the matter.

The motions were presented to, and ruled on by, a three-judge panel that heard oral argument February 25 (T.W., Feb. 7, p. 10).

The panel said the petition for review is dismissed "for lack of a final reviewable order."

At the court, the proceeding is docketed as No. 83-1115, *Chicago & North Western Transportation Co. v. Interstate Commerce Commission and United States of America.*

At the ICC, the acquisition proceeding is docketed as No. 28640, Sub. 9, *Chicago, Milwaukee, St. Paul & Pacific Railroad Co.—Reorganization—Acquisition by Grand Trunk Corporation.*

Journal of Commerce
March 21, 1983

New TP&W Terminal Nears Completion

Journal of Commerce Staff

CHICAGO — The Toledo, Peoria and Western Railroad said construction of a $7.1 million piggyback terminal between Remington and Wolcott, Ind. should be completed late this year.

The TP&W, a wholly owned subsidiary of The Atchison, Topeka, and Santa Fe Railway Co., expects to serve shippers and receivers in Indiana, Michigan, Ohio and western Kentucky through the new facility.

The terminal's loading track will have a capacity for 34 cars carrying 68 trailers, and parking will be provided for 170 trailers and containers. TP&W said it owns or has under option 190 adjacent acres that could be utilized to expand capacity for an additional 200 trailers on 100 cars as volume increases.

UP Merger Called Unlike Any Other

By RIPLEY WATSON 3rd
Journal of Commerce Staff

Three months into the merger of the Union Pacific with two other lines, John C. Kennefick, president of the railroads sees their consolidation developing differently than other recent industry combinations.

"All mergers are different," Mr. Kennefick said. "This isn't much of an operating merger," he noted, explaining that the end-to-end nature of the combined Union Pacific, Missouri Pacific and Western Pacific railroads left very few places where duplicate operations could be rationalized.

"No other major merger is similar," he said. "There are different problems for different companies," he added, explaining that Union Pacific chose the common officer route, unlike other railroads.

For example, observers have noted that the two railroad properties of CSX Inc. operate essentially independently while the Norfolk Southern Co.'s two railroads are attempting an active integration of management structure, routes, facilities and service.

"Our approach is somewhere in between," he suggested.

While the operating departments of each railroad may be the last ones to be merged because they don't serve overlapping areas, the company is running full throttle to complete an integrated marketing department.

"It takes a while to get together," Mr. Kennefick said, but he reported that with all senior management in place, the railroad should have one marketing department by early summer.

"There are logistical problems," he noted, such as personnel relocations, but senior management is in place.

Marketing was chosen as the first department to combine because developing more business by providing attractive service and rates was the principal point of the merger, Mr. Kennefick said.

Next on the list of combinations is the purchasing department.

"We could see a situation developing where our people could be bidding against each other," the chairman said in outlining the reason for that move.

Some other mergers where personnel are integrated have been reported to have prompted nasty battles among executives over retention of their "turf."

While Mr. Kennefick said frankly that "when you have a major shake-up, it's got to cause some problems" on an individual basis due to relocations, he asserted that he was not aware of any problem with the functioning of the merged department.

The solution he proposes to any personnel problems is "tender loving care," he said with a chuckle.

Another aspect of the railroad's approach to merging that Mr. Kennefick noted was the choice by Union Pacific to steer a middle course between total integration such as that being tried by Norfolk Southern Corp. and separate operation of the two railroad properties owned by CSX Inc.

Instead, Union Pacific has gone the common officer route, naming Mr. Kennefick president of both the Union Pacific and Missouri Pacific Railroads, but keeping the operations separate with the exception of marketing and purchasing. Other top executives hold common titles for both lines.

The third party in the merger, the Western Pacific Railroad, is an "integral" part of the Union Pacific Railroad, Mr. Kennefick said. The Western Pacific provides a link between the San Francisco area and the Union Pacific mainline at Salt Lake City, Utah.

While the Union Pacific merger is the latest in the industry, a number of actions and rumors have linked the seven existing major systems.

Mr. Kennefick, however, says he feels that the situation now with four Western and three Eastern megasystems is "pretty stable." Union Pacific has no plans to expand further and merge with an Eastern railroad creating a transcontinental system, he declared. "But that doesn't mean I won't change my mind tomorrow," he said with a laugh.

Right now, the Union Pacific is concentrating on offering a variety of expanded services including new run-through trains, more intermodal activity and using the advantages of single-line hauls and service.

Three run-through trains are operated now. All three operate with North Platte, Neb., UP's operating hub, as one end of the run. Other cities involved are St. Louis, Mo., Memphis, Tenn., and Fort Worth, Texas.

Asked about the future of run-through trains, Mr. Kennefick said, "we think it will continue to grow over a period of time."

While there are no plans to expand the 48-state authority of Missouri Pacific's trucking operation, "we expect to see expanded activity intermodally," the president said.

Those plans will focus on using non-company truckers to do the work, rather than having the firm get involved in a massive purchase of tractors.

A recent ICC decision has been interpreted as giving railroads wider opportunities to run trucking operations.

No plans are in the works to create a trucking operation to compete with or replace railroad operations, Mr. Kennefick said. Any movements involving trucks will have a prior or subsequent rail haul, he explained.

Journal of Commerce, March 9, 1983

LETTERS

To the Editor:

Being an independent "little guy" as described by your editorial (JofC, Jan. 24) and Len Schaffel in his speech of Jan. 17 certainly gives me reason to correct certain statements regarding third party involvement in railroad intermodal traffic.

Number one, railroads are handling almost all of the business "controlled" by shipper agents. How are the railroads going to lose this business? Shipper agents cannot exist without railroad services. We do not control the railroads: they control us. Shipper agents are a "marketing" arm of railroad intermodalism and have been extremely effective in bringing new piggyback business to the railroads.

I would like for you to listen to the "big guys" — Larry Cena, president, Santa Fe Railroad and Stan Crane, chairman of the board, Conrail — who are certainly more experienced and knowledgeable than Mr. Schaffel in this field. Both Mr. Cena and Mr. Crane have publicly, on numerous occasions, stated that shipper agents are a necessary adjunct to railroad sales and service personnel. The SFE and Conrail have the largest and most efficient piggyback programs in the country and these programs promote and encourage the usage of shipper agents.

There has been a great deal of publicity by Chessie Motor of their tremendous increases; however, what is the effect of these increases. No. 1: Chessie Railroads' market share in the East declined in 1982. Conrail (a shipper agent promoter) gained several points. No. 2: We cannot prove lack of profitability of Chessie Motor, but our experience in competing with Chessie Motor was one of reckless rate slashing. This rate slashing could only be accomplished with subsidization by the Chessie Railroad. We are charged $550 Chicago ramp to Philadelphia ramp; Chessie Motor rates are just a few dollars more and include pickup and delivery. How can these rates be profitable?

One of the fears of most of the railroad intermodal "partners" and particularly the "little guys" is a hungry transportation entity intent on securing a larger market share and destroying accepted and successful allied businesses.

Shipper agents can compete with Chessie Motor "any time, any place" if we receive the same cost factor. We all operate on small fees and I just wonder if Chessie Motor could survive as a profit center on this basis without rail subsidization.

Piggyback started in 1954; it is still a relatively new business, but I believe all railroads have gained a common experience; they cannot operate profitably when a door to door service is required. They need the little guys and we need them that's why we make a great "marriage."

Phillip C. Yeager
President,
National Association of Shipper Agents;
President,
Hub City Terminals Inc.
Clarendon Hills, Ill.

EDITOR'S NOTE: The intent of the editorial was not to condemn third parties but to commend one example of marketing innovation and to urge railroads to act, in general, with imagination, planning and marketing savvy in the new regulatory environment. If that means choosing a "marriage" with shipper agents — themselves a vigorous, innovative part of the transportation community — this newspaper wholeheartedly approves.

Journal of Commerce
March 17, 1983

ICC to Address Issue Of Levies on Empties

Journal of Commerce Staff

WASHINGTON — A controversy over whether tariffs can be assessed on empty freight cars moving to or from repair facilities will be settled by the Interstate Commerce Commission.

Burlington Northern Railroad Co. sought the action after the Illinois Central Gulf Railroad Co. charged BN for the movement of empty private railroad cars from a private repair shop on an ICG route.

BN maintains that the cars are "instrumentalities of transportation" and cannot be assessed tariffs since they had been in revenue producing prior to repair movements.

Box and hopper cars were among those charged for movement, along with flat cars with bi- or tri-level automobile racks, Burlington Northern said.

Journal of Commerce
March 16, 1983

ICC Drops Rules On Rail Bankruptcies

Journal of Commerce Staff

WASHINGTON — The Interstate Commerce Commission has removed all its regulations outlining how railroads reorganize under the bankruptcy laws.

The agency pointed out that 1978 legislation significantly reduced the agency's role in these proceedings noting that the ICC no longer has a direct role in organizing protective committees, ratifying trustees and approving rail reorganization plans.

Railroad bankruptcies pending at the agency will be handled under special ad hoc procedures, the agency said.

USA Today, March 8, 1983

Panel: Derail drunk trainmen

Special for USA TODAY

WASHINGTON — A federal safety panel, noting that a drunk engineer was removed from a commuter train here last month, warned Monday that drunkenness among crews is so prevalent that tough rules are needed to avoid disaster.

National Transportation Safety Board Chairman Jim Burnett said his panel is probing the Feb. 14 incident, in which the engineer was found to have a .22 blood-alcohol content — more than twice that deemed drunk in most states.

In making the anti-drinking recommendations, the board said the average alcohol-related train accident causes $1 million in damages.

The board said a sister agency responsible for railroad practices, the Federal Railroad Administration, has acknowledged inadequacy of records on alcohol and drug abuse among train crewmen.

The safety board urged three steps to crack down on the apparent abuse:

■ Explicit rules — and penalties — against drinking or using drugs while on duty aboard trains and for a specified time before going on duty.

■ Automatic toxicological tests of crew aboard any train involved in an accident resulting in death, substantial property damage or release of toxic material. Any accident of a passenger train should be automatic grounds for such tests, the board said. Some states require such tests, but there's no federal requirement.

■ Accurate record keeping of accidents or incidents in which drug or alcohol abuse was thought to be involved.

Burnett cited nine accidents, dating to 1972, in which alcohol or drugs were found to be involved. The most recent were last fall at Newport, Ark., in which two crewmen were killed, and at Livingston, La., where toxic materials spread from 14 tank cars forcing evaucation of thousands.

Burnett also called attention to a 1978 federal study of drinking by 234,000 workers employed by seven railroads.

Among 72,000 crewmen, the study found 16,000, or about 23 percent, were problem drinkers, and 11,000 were determined to have been "very drunk" at least once on duty.

Transportation Secretary Elizabeth Dole said Monday that she welcomes the safety board recommendations and said rule-making proposals to deal with the problem are under "final review."

Chicago Tribune, March 8, 1983

Safety board wants railroad alcohol rules

WASHINGTON (UPI)—A federal safety board, prompted by derailments in Louisiana and Arkansas, recommended new rules and penalties Monday for alcohol and drug use by railroad crews, including mandatory tests after accidents.

The recommendations by the National Transportation Safety Board came days before the Federal Railroad Administration is expected to propose rules requiring one member of each train-operating crew be responsible for assuring the crew's sobriety.

The safety board recommendations would go far beyond the expected railroad administration's position, which board Chairman Jim Burnett called "a modest step in the right direction" but not enough.

The board's recommendations:

● Prohibit use of alcohol and drugs by operating employees on duty and for a specified period before reporting for duty, "with appropriate penalties."

● Require toxicological tests for alcohol or drug use immediately after wrecks involving a fatality, a passenger train, release of hazardous materials, an injury or substantial property damage.

● Develop requirements for full reporting of all alcohol and drug abuse involvement in accidents.

Milwaukee Journal, March 19, 1983

Judge voids purchase of Trostel Tannery

Journal Madison Bureau, AP

Madison, Wis. — The sale of the Trostel Tannery to the state for conversion into a prison was rescinded Friday by Dane County Circuit Judge Richard Bardwell.

Bardwell's order set the stage for, at the least, an embarrassment for the administration of Gov. Earl. It could lead to contempt of court citations against the governor and Linda Reivitz, secretary of the State Health and Social Services Department.

Reivitz and Earl earlier this week signed an agreement to purchase the property at 1776 N. Commerce St. in Milwaukee for $1.2 million.

The state plans to remodel the structure to house medium-security prisoners.

Bardwell's order largely echoed comments he made in his courtroom Thursday after a hearing on whether an injunction should be issued to prevent the state from acquiring the property before a statement on the effect of a prison on the environment was completed.

Earl said Friday that he would have to study Bardwell's decision abrogating the sale.

"I don't think it can be done," Earl said, adding that he would talk about the case personally with Atty. Gen. Bronson La Follette.

"The decision manifests how difficult it is to build a prison," Earl said.

Reivitz expressed disappointment after learning of Bardwell's order.

"Our major concern at this time is time," Reivitz said.

She said attorneys for the state believed the state's purchase Wednesday was valid.

"It's my understanding that the owners have already cashed the check," she said. "Our lawyers think it will be difficult to overturn the purchase."

Reivitz told reporters that she did not believe the state violated an earlier Bardwell order by purchasing the property.

"The order (Bardwell issued last week) said that the state should cease or desist or show cause why it should not" proceed, Reivitz said. "It was clearly an alternative.

" 'Or' means 'or,' " she said. "It's a common English term. It's a do this or do that."

Milwaukee's Mayor Maier, who opposes the Trostel site for a prison, said Friday: "I'm happy that my position has been validated."

He had said at a press conference Thursday after Bardwell's first order that it was "a strange position for Tony Earl . . . and his friends to be in. Unless I am mistaken, this man was the No. 1 champion of environmental impact statements in the State of Wisconsin. Do we alter principles to fit particular wants or needs or desires?"

Milwaukee Journal, March 17, 1983

State agrees on price for Trostel Tannery

By Paul Bargren
of The Journal Staff

The state and the owners of the Trostel Tannery building have agreed on a purchase price of $1.2 million, clearing the way for state plans to convert the building to a medium security prison by September 1984.

Joseph Scislowicz, spokesman for the Wisconsin Department of Health and Social Services, said Wednesday that only minor details had to be arranged before the sale was final.

The only immediate obstacle is a lawsuit filed by a group of citizens calling themselves Historic Brewer's Hill.

In a motion to be heard by a judge in Madison today, the group is demanding that an environmental impact statement be completed before the state moves ahead.

The building, at 1776 N. Commerce St., is owned by Theodore Sernovitch and is used as a truck terminal. The Wisconsin Building Commission was scheduled to consider condemnation proceedings Wednesday if a purchase could not be arranged.

At a rally earlier this week, Mayor Maier encouraged residents to continue their opposition to the prison. And several residents said they feared for their safety and for the future of their neighborhood, which has been improving in recent years after a long decline.

Maier told the 130 residents meeting at Palmer School that the state's choice of the Trostel building was the result of a "strange and unorthodox procedure."

He said: "Your objections and my objections have never received a formal reply. The questions we have raised deserve an answer."

Maier opposes any prison in Milwaukee.

"It always amazes me that there are those who fail to realize that people in city neighborhoods have this kind of pride," he said. "They would think it was criminal to propose a prison — or almost any kind of public institution — in a suburban neighborhood.

"They seem to think it doesn't make any difference in the city."

Wall Street Journal, March 17, 1983

Grains Surge as Private Survey Forecasts 28% Fewer Corn Acres to Be Planted in '83

By THOMAS PETZINGER JR.
Staff Reporter of THE WALL STREET JOURNAL

CHICAGO—Results of the government's new grain-price support program are starting to become clear, and the futures markets are impressed.

Prices soared yesterday as a private survey predicted that farmers will plant only 58.7 million acres of corn this year, down 28% from last year's acreage. The survey, by Heinold Commodities Inc. and its parent, DeKalb AgResearch Inc., also found that soybean farmers intended to plant 66.5 million acres of soybeans, off 8% from a year ago.

The results indicate better-than-expected participation in the Agriculture Department's plan to encourage higher crop prices through more idled acreage. The government is to announce Tuesday the extent of farmer participation in one such effort, the payment-in-kind program. In that plan, farmers receive cash and grains for crops they agree to avoid planting.

Although commodity traders had expected substantial acreage cutbacks, particularly for corn, disclosure of yesterday's survey stunned the market.

Futures Markets

Richard Dennis, a partner in C&D Commodities, usually lets subordinates execute the firm's trades at the Chicago Board of Trade, but yesterday he stepped into the soybean pit himself. By the close, he had purchased futures contracts for a few million bushels of soybeans to meet delivery obligations; previously, C&D had sold soybean futures in expectation of a price decline.

"We're about even now," he said. He decided to cover his "short" position when prices of soybeans for May delivery crashed through a $5.91-to-$5.94-a-bushel price barrier, or "resistance area," indicated on price charts. He said the firm's purchases were at "the lower end" of the two million to 10 million bushels reported by trade sources.

Although the C&D purchases drew other buyers to the market, the initial rush began with the release of the Heinold report. "People had been looking for the acreage reduction, but to see it in print was a psychologically happy affair," said David Bartholomew, a soybeans analyst at Merrill Lynch, Pierce, Fenner & Smith Inc. That May soybean contract closed at $5.9675, up 9.5 cents.

Traders' private corn acreage estimates had fallen to about 62 million acres at the beginning of this week from about 67 million only a month ago. Heinold's 58 million estimate indicates "farmer sentiment has shifted substantially during the past month," the firm said.

George Van Horn, grain analyst at Cargill Investor Services Inc., estimated that the planting on that acreage would produce a corn crop of about 5.5 billion bushels, a sharp drop from the 8.4 billion crop of a year earlier. The extent of the corn carryover—the amount carried from one growing season to another—will determine whether food companies and consumers will have to pay significantly higher prices for some foods.

The survey didn't estimate acreage of the wheat or cotton crops, but futures prices for both crops increased.

Not everyone received the Heinold report enthusiastically. "The bean acreage estimate is way up for grabs. It's premature right now," said Conrad Leslie, a well-known private crop forecaster who issues his own reports. In addition, because farmers generally idle their least-productive land, the reduction in output often isn't as steep as the decline in acreage.

Some traders claimed that Heinold took positions in the market in advance of the release, a practice that is common and legal in futures markets. Heinold disputed the reports, saying it has been buying crops for delivery in one month while simultaneously selling them for delivery in another month. This practice, known as "spreading," can be profitable only if a change occurs in the relationship between the two contract prices.

In New York, cotton prices continued to climb on the expectation of strong farmer participation in the payment-in-kind program.

Cotton for May delivery climbed 0.28 cent to 72.53 cents a pound on the New York Cotton Exchange.

Ernest Simon, an analyst at Prudential-Bache Securities Inc., said prices also have climbed because of reports that the Soviet Union had purchased 500,000 to 600,000 bales of cotton on the world market. Mr. Simon said that poor weather has damaged Soviet crops, and that the Russians, normally cotton exporters, are expected to buy still more cotton. In addition, a world-wide shortage of medium- and high-grade cotton is helping to boost prices, analysts said.

Journal of Commerce
March 17, 1983

Coal Slurry Bill Back for Hearings

Journal of Commerce Staff

WASHINGTON — The controversial coal slurry pipeline bill that would give pipeline companies the power of emminent domain for coal slurry construction projects is again moving on Capitol Hill.

The Senate Energy and Natural Resources Committee completed hearings this week on the bill and expects a mark up session by month's end before attempting to send the measure to the chamber floor.

In the House the Interior Committee has yet to schedule a mark up after last month's hearing, and Hill staffers say the bill must then go to the House Public Works and Transportation Committee before a floor vote can be arranged.

The bill died last year through political maneuvering that kept it from ever reaching a full vote on either the House or Senate side.

USA Today
March 18, 1983

WISCONSIN

Madison — An injunction temporarily halting conversion of the old Trostel Tannery building in Milwaukee into a state prison was issued after it was learned the state had sent a check for $1.2 million to the building owner. Circuit Judge Richard Bardwell ordered the state last week to "cease and desist in any activities" involving the site until a suit against the prison purchase is heard.

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Journal of Commerce, March 21, 1983

Western Rail Dispute Intensifies

By RIPLEY WATSON 3rd
Journal of Commerce Staff

A series of route closings and switching cancellations on Western railroads is taking a very different path from the ongoing battle between Eastern lines.

Though some carrier representatives decline to go into specifics like their Eastern counterparts, there are some indications that actions in the West may soon reach a level of activity similar to the battles between Chessie System, GT Rail System and Conrail.

An ICC decision last week to permit SP to close gateways came after over 100 protests were registered with the agency by shippers.

It was not clear whether any of the protesting parties would carry the matter further by making a formal complaint or taking court action.

SP officials are unwilling to discuss specifics about the closings, but gave a detailed explanation of their moves, justifying them by saying they were needed for competitive reasons.

Two prime competitors to Southern Pacific are taking different tacks in response to the moves.

At the Atchison, Topeka and Santa Fe Railroad, there are plans to respond in kind to Southern Pacific, but no action has been taken yet, a spokesman said.

A spokesman for the Union Pacific called the matter "a sensitive issue between us and our shippers and customers."

"We have closed no major gateways," the spokesman said, but he declined to discuss specific cities and commodities which had been closed to interchange.

Several reports indicated that the SP action closed all gateways where both origin and destination were on tracks of the Southern Pacific and its affiliates.

Southern Pacific assistant vice president, Evans R. Hughes, said Union Pacific has made some reciprocal switching cancellations, but UP officials declined comment.

What is clear is that the matter could ultimately involve hundreds of millions of dollars in traffic lost or gained.

Western railroads have stretched their route systems by merger or acquisition of trackage rights or defunct property in recent years, to create more single-line hauls.

The addition of the Tucumcari Line has given Southern Pacific direct access to Kansas City. Other Western lines have been given expanded trackage rights as a condition of the Union Pacific-Missouri Pacific-Western Pacific merger which created a number of new single-line hauls.

An added pressure has been the recession which has caused a double-digit slide in carloadings.

Paul McQuistion, executive director of the Southern Hardwood Traffic Association, heads one of the protesting groups.

His group which has 208 member firms opposed the decision because it should lead to higher costs because the route closings result in higher combination rates for freight movement.

He noted that at least 68 percent of freight moves on an interline basis, making joint rates important.

He said it appeared that railroads would rather give up business to trucks than share business with each other.

Mr. Hughes said Southern Pacific's position was "a result of attempts to be a more effective carrier from a user standpoint in a deregulated environment."

He declined to quantify how much business would be affected by the closings, calling that question hard to answer because of changing competitive positions.

He asserted that the shipper still has routing choices for goods originating on Southern Pacific.

He noted that the closings were only affecting routes where traffic was originating on Southern Pacific and destined for an SP community.

Officials said that 65 percent of SP traffic was interlined before the move.

"We are in a dynamic process in the rail industry right now," Mr. Hughes said. The railroad management recognizes that a market-oriented system is emerging,he said. "We would like to work with people who want to work with us," he added.

The motivation Mr. Hughes cited for the closing action was reviewing markets served now and opportunities for the future.

Asked if the Tucumcari Line had been a major factor in the gateway closing decisions, Mr. Hughes said, we feel it made us more competitive. It is a factor in all our commercial decisions."

Asked the same question about the Union Pacific merger, the official "the Pac Rail merger is something that all carriers have to think about."

Green Bay Press Gazette, March 18, 1983

Earl under fire for buying building for use as prison

MADISON (AP) — The administration of Gov. Anthony S. Earl flouted the law when it bought a Milwaukee warehouse for a prison project, a Circuit Court judge said Thursday.

Judge Richard W. Bardwell made the remark while an attorney for critics of the project said his clients will ask that the purchase of the former Trostel Tannery on Milwaukee's northeast side be voided.

Bardwell said the Earl administration disregarded the law when it purchased the building for $1.2 million and could be held in contempt of court.

He had ordered the state last week to "cease and desist in any activities" involving the site or "show cause to the contrary."

"When I set this date for a hearing on a motion for a temporary injunction, I thought the state would not do this," Bardwell said. "I've never had this happen in my 27 years on the bench. The state did everything after that date for a hearing was set at its own risk."

Homeowners, with oral backing from Mayor Henry Maier, say conversion of the five-story warehouse to a prison would erode the value of property involved in a neighborhood rehabilitation movement.

> *"This really poisons the whole deal. Who would ever trust him (Earl) again?"*
>
> — Milwaukee alderman

Maier and some Milwaukee aldermen reacted to Thursday's developments with criticism for Earl.

Maier said the governor "gave me a very definite impression" during a discussion last Saturday night that a move would be made away from buying the building and instead putting it in the Menomonee River Valley.

Alderman Kevin D. O'Connor, in whose ward the building is located, said it was "unfortunate that this governor's administration, which prides itself on being with the people, is so cavalier with the legal and political rights of the constituents from my district."

"This really poisons the whole deal," O'Connor said. "Who would ever trust him (Earl) again?"

Maier also said Earl, the former secretary of the state Department of Natural Resources, and his administration were taking a "strange position" on the issue.

"Unless I am mistaken, this man is the No. 1 champion of environmental impact statements in the State of Wisconsin," Maier said. "Now, do we alter our principles to fit particular wants or needs or desires. . . Why?"

Advocates of a Milwaukee-based prison previously got a Circuit Court judge in Milwaukee to halt work on the state's proposal for a central Wisconsin prison in Portage.

Bardwell said he would still issue a temporary injunction against the Trostel purchase and against construction or planning activities beyond preparation of an environmental impact statement.

Linda Reivitz, secretary of the Department of Health and Social Services, said Bardwell's action last week did not prevent her from signing an offer to purchase the land, on prevent Earl from signing it.

Attorneys for the state contend the purchase is permitted by a loophole in Bardwell's order.

But attorneys Bradley Carr and Howard Schoenfeld of Milwaukee, representing opponents of the Trostel site, contend the purchase is improper.

Carr said he would not rule out the possibility of seeking a contempt citation against Earl and Reivitz.

"The state didn't find a loophole; they snuck around and bought the property before they could be caught with their pants down," Carr said.

He said he was drafting orders for Bardwell that would void the sale by making the injunction against purchase of the property retroactive.

Harold Bergan, a policy aide to Earl, said there had been no attempt to hurry the agreement before the hearing before Bardwell.

"We have dawdled too long," Bergan said of delays in developing more prison space. "We want to get cracking."

"I don't know if it's possible to undo," he said of the purchase.

"There is no question that we now own the land," Reivitz said. "The check has been issued and I presume cashed, so the state now owns the property."

"The deal has been consummated," William Wilker, an assistant attorney general who represented the state, said.

He told Bardwell that Reivitz "felt she was not restrained" by last week's order.

Wall Street Journal, March 14, 1983

Sales tax on gas may fly

By Thomas W. Still
State government reporter

Two state senators from opposing political camps agree that a tax plan offered last week by Competitive Wisconsin Inc., a business development group, stands a good chance before the Legislature's budget-making panel.

Sen. John Norquist, a first-term Milwaukee Democrat, and Sen. Scott McCallum, R-Fond du Lac, predicted the Joint Finance Committee will think long and hard before discarding the development group's alternative to permanent tax increases in Gov. Anthony Earl's 1983-85 budget request.

"I think it (the tax plan) is going to sail," said Norquist, who also served on the finance committee while a member of the Assembly. "At this point, it's a big breakthrough."

McCallum, one of two Republican members on the 14-member panel, called the Competitive Wisconsin plan "a responsible, balanced plan" and agreed it may find its way into committee recommendations.

The finance panel is holding hearings on the $16.5-billion budget proposal. Committee endorsements to the full Legislature are expected in late spring.

The Competitive Wisconsin package, unveiled Thursday, hinges on a proposal to extend the 5 percent sales tax to motor fuels in hopes of avoiding permanent income-tax increases.

Wisconsin already has a 13-cent-per-gallon gasoline tax. Imposing the 5 percent sales tax would add 3 or 4 cents to the state tax and raise an extra $240 million over two years.

"The income tax is the least popular tax," Norquist said, "so alternatives are going to be looked at favorably. To the standard economic conservative, a consumption tax — such as the sales tax — is preferable to an income tax.

"To many people, a tax on consumption is better than a tax on earnings," he said.

McCallum said the Competitive Wisconsin package would more closely parallel federal tax policy, encourage business investment and avoid the 5 percent income-tax rate increase proposed by Earl. Among other features of the plan are increased "research and development" tax breaks for business.

"They (Competitive Wisconsin) should be complimented for taking a longer-range approach, and looking further ahead as to what we need to have a viable economy," he said.

According to Norquist, others on the panel who may back the Competitive Wisconsin proposal are Rep. Mary Lou Munts, D-Madison; Rep. Dismas Becker, D-Milwaukee; and Sen. Paul Offner, D-La Crosse.

"It's sort of a strange coalition," acknowledged McCallum of his alliance with Norquist, who represents a heavily Democratic district. "Maybe it's because we sit next to each other" in the committee room.

Critics say the plan relieves pressure on finance committee members to cut the governor's budget proposal, and would link Wisconsin tax policy to the price of motor fuels. Those prices could rise and fall dramatically based on shifts in the Middle East's political winds.

"I cannot believe their (Competitive Wisconsin's) budget proposals," said Rep. Donald Stitt, Port Washington, the other GOP voice on the finance panel. "What they have done is shift these massive tax increases proposed by the Earl administration around without saying one single word about reducing the level of spending."

Sen. Michael Ellis, R-Neenah, chairman of a separate Republican finance committee, also spoke in incredulous terms about the development group's inattention to budget cutting.

"They were in a perfect opportunity to suggest cuts to be made to stimulate the private sector. Instead, they just came in and ratified these massive budget increases," Ellis said.

Both Republican lawmakers said Competitive Wisconsin's business representatives are out of touch with their constituencies, and questioned whether "self-serving interests" were at stake.

Members of Competitive Wisconsin include Sentry Insurance Co. chairman John Joanis; Don Haldeman, president of the Wisconsin Farm Bureau; state AFL-CIO President John Schmitt; University of Wisconsin President Robert O'Neil and Reed Coleman, president of the Madison-Kipp Corp.

The chairman of the group's tax committee is Gerard Veneman, president of Nekoosa Papers, Port Edwards.

The Competitive Wisconsin proposal would eliminate $124 million in permanent business taxes but would increase the size of surtaxes on personal and corporate income. Under the group's plan, the surtax would be 15 percent in 1983 and 8 percent in 1984 — with no increases in income-tax rates.

Earl has proposed a 5 percent increase in income-tax rates, and a 10 percent permanent increase in corporate income-tax rates.

He has also called for 10 percent personal and corporate income-tax surcharges in 1983 and 5 percent in 1984.

Milwaukee Journal, March 19, 1983

Earl, La Follette to meet on judge's prison decision

Bardwell's hearing was based on two lawsuits filed by a group of residents of properties in the neighborhood of the tannery.

When the group's attorneys, Howard A. Schoenfeld and Bradley D. Carr, told Bardwell that the state had purchased the building the day before his ruling, the judge sharply criticized the state officials for not waiting.

Contempt citations

Carr said his clients have asked him to research the possibility of contempt citations against Reivitz and the Department of Health and Social Services.

"We might even include the governor," Carr said Friday. "My clients say to seek contempt citations against any and all parties that our research justifies."

Carr said he wasn't certain what penalties a judge might assess in such a contempt action.

"My clients are very angry about how the state and its officials conducted themselves."

Bardwell said Friday he would not consider a contempt citation unless a formal motion was made by the attorneys.

Bardwell said, however, that he would issue an order, prepared by Carr and Schoenfeld, to stop further actions by the state to acquire or develop the property.

Obtain options

Bardwell said he would allow the state to obtain an option on the property and spend money to prepare the environmental impact statement, including reasonable architectural fees.

Asst. Atty. Gen. William H. Wilker said Bardwell's order was "so novel" that it will require a lot of legal research before he could respond on what steps the state should now take.

Wilker said he did not expect to make any recommendations before next week.

Also on Thursday, the Assembly's Criminal Justice and Public Safety Committee unanimously approved a proposal to spend $13 million to convert the tannery into a prison. The bill was sent to the Assembly floor.

Approval by both houses of the Legislature and Earl is needed before the money can be spent.

Traffic World, March 21, 1983

Complaints

Railroad, Shipper Concern Over Route Cancellations Grows; Complaint Filed

The Chlorine Institute has filed a complaint at the Commission against 20 railroads for traffic interchange policies it said eliminates intramodal competition.

The complaint is the latest move in the escalating war over rail market share in the U.S. Within weeks after enactment of the Staggers Rail Act in 1980, eastern railroads began cancelling joint rates and routes, closing gateways, and cancelling reciprocal switching. For two years, the dispute centered on rail lines in the eastern U.S., but just recently it has spread to the west coast (T.W., Mar. 14, p. 7).

The 134-member trade association said shippers have been hurt by the rail actions and that they are in violation of several sections of the Interstate Commerce Act.

The Chlorine Institute said adverse effects from the railroad dispute include the following: (1) Depriving shippers of their freedom to choose between competing rail alternatives; (2) making shippers captive to single-line carriers; (3) eliminating intramodal competition and promoting abuse of monopoly power; (4) increasing costs upon cancellation of reciprocal switching agreements and requiring shippers to pay commercial switching in addition to line-haul rates, and (5) frustrating shippers' and potential line haul carriers' ability to enter into transportation contracts due to exhorbitant fees charged by switching carriers.

The group asked for a formal investigation of the charges, the reestablishment of certain joint rates and routes, and the restoration of certain reciprocal switching arrangements. It also asked that the Commission order the railroads to cease and desist from artificially increasing switching charges.

In a related development, Division 2 of the Commission has upheld earlier Suspension Board action that allowed the Southern Pacific Transportation Co. to eliminate many of its joint rate and routes with the Atchison, Topeka & Santa Fe Railway Co. and other carriers (T.W., Mar. 14, p. 7).

Two proposals by Conrail—one raising reciprocal switching rates and one cancelling other reciprocal switching agreements—had not been acted on by the Commission as of March 16, three days before they were to go into effect.

Reports indicated, however, that the Commission voted to institute a rulemaking proceeding to examine the joint rate situation. The National Industrial Transportation League last month asked for such an investigation (T.W., Mar. 7, p. 79).

Various shippers and railroad interests have also expressed their concern to the House Commerce and Energy Committee, which is expected to hold oversight hearings on the Staggers Rail Act sometime this summer. A committee aide said the joint route concerns will be addressed in the oversight hearings.

Chicago Tribune, March 9, 1983

RTA ridership plunges to all-time low

By David Young
Transportation writer

COMMUTER RAILROAD ridership, which has dropped by about 25 percent since fares were doubled in 1981, may have hit its lowest level since the Depression, a Tribune examination of transit data indicates.

CTA ridership last year hit its lowest level—616 million—since 1975.

Data released by the RTA show that patronage on the five major railroad lines under its jurisdiction dropped last year to 60,059,833—the lowest total since the agency was created in 1974 to oversee the Chicago-area mass transit system.

But records of public and private agencies that predate the RTA indicate the decline may be even more serious.

TRANSIT OFFICIALS blame the decline primarily on high fares, which were doubled by the RTA in 1981 during its financial crisis, and on lower employment in the current recession. Fares on the CTA and suburban bus systems were increased by 50 percent in 1981.

According to RTA data, ridership dropped from 80.9 million in 1980—the highest number in a decade—to less than 60.1 million in 1982.

"I don't think there is any doubt that the doubling of fares hurt ridership," one RTA official said. "The question we have is, How much of the [ridership] loss is due to the fare doubling and how much is due to the recession?"

A station-by-station examination of CTA and commuter rail ridership by The Tribune last fall indicated a substantial diversion of former railroad riders to CTA rapid transit lines, especially in Evanston, Skokie and on the Northwest Side, to take advantage of the lower CTA fares.

TRANSIT OFFICIALS at both the RTA and the CTA would like to experiment with lowered fares on several lines to see whether that would reverse the downturn in ridership, but the systems' continuing financial crisis has prevented such a move. RTA Chairman Lewis Hill last week warned against such schemes until the agency, which had to borrow $100 million to survive the year, gets a subsidy or new tax from the state legislature.

One experimental reduced-fare program being conducted by the RTA at city stations on the Illinois Central Gulf Railroad has resulted in a slight comeback in ridership. Since the fares were lowered 34 to 44 percent last year, ridership on the South Chicago line has increased about 45 percent and at its three mainline stations in Hyde Park about 10 percent.

Because accurate records were not published until just before the RTA was established, it cannot be determined exactly how 1982 ridership compared to the rest of this century, but an examination of the data available indicates that ridership may be at its lowest level since the Depression or even prior to World War I.

Reports from several agencies that have kept records on commuter rail traffic back to the 1920s or beyond provide some picture of how low ridership has fallen:

- Commuter surveys made by the Chicago Department of Streets and Sanitation each year since 1926 indicate that rail ridership last year fell to its lowest level since just before World War II.
- Data on both intercity and commuter railroad ridership nationwide kept by the Association of American Railroads in Washington indicate 1982 ridership may be lower than at any time since prior to 1929.
- ICG railroad records show its current ridership is at pre-1910 levels.

SURVEYS OF patterns of persons commuting downtown conducted by the Streets and Sanitation Department since 1926 indicate a substantial falloff in commuter railroad patronage.

The head counts indicate that 109,933 rail riders a day entered the downtown area in 1982. That represents a decline of 21.2 percent from the 1980 level of 139,506 and a decline of slightly more than 20 percent since 1981. However, the 1981 count was taken before the RTA imposed a surcharge on rail fares that resulted in the fares being doubled.

The city counts also indicate that the 1982 commuter rail ridership was the lowest since 1941 when 103,405 persons a day entered the downtown area.

Commuter rail ridership downtown reached an all-time high of 158,001 a day in 1946, city figures show.

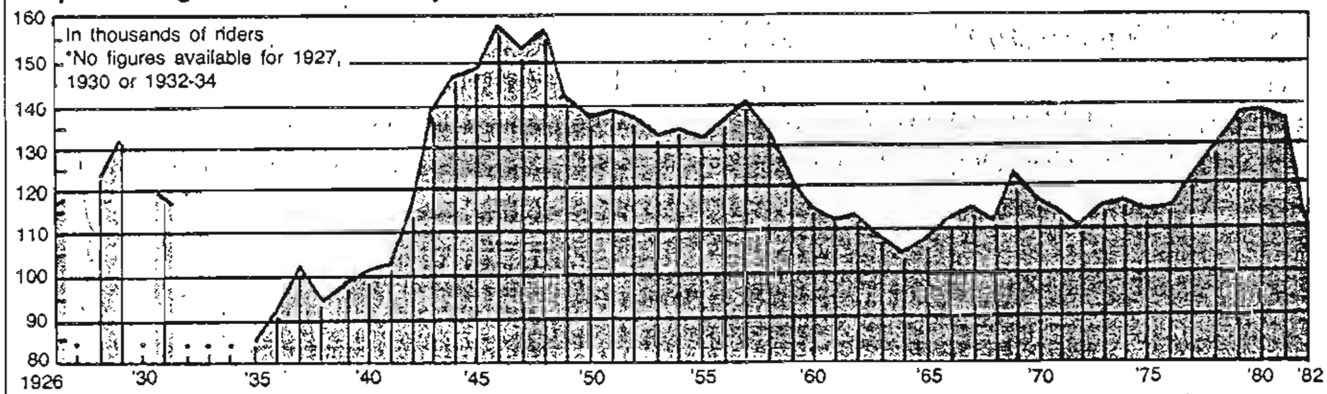
HOWEVER, SOME transportation officials point out that the city's survey of riders does not accurately reflect total commuter railroad ridership because it fails to take into account persons who do not come downtown. "We used to have a lot of ridership out on the line [but not going to the Loop]," one railroad official said. "But now almost everyone rides between the suburbs and the Loop."

Railroad association records show that rail passenger ridership rose in the late 1920s to about 780 million a year, declined during the Depression and peaked at 910 million in 1944 before beginning a long decline that lasted until 1972. Since then it has increased slightly.

PATRONAGE ON the CTA, which was hit with a 50 percent fare hike in 1981, has declined since 1980 by a total of nearly 100 million annual rides—a drop of 13.4 percent.

CTA ridership was at its highest level—1.1 billion—when the agency was created in 1947.

People coming downtown each day via commuter railroads



Note: Downtown is the area bounded by the Chicago River on the north and west and the Eisenhower Expressway on the south

Chicago Tribune Graphic; Source: Chicago Department of Streets and Sanitation