



Soo Line Railroad Company
records.

Copyright Notice:

This material may be protected by copyright law (U.S. Code, Title 17). Researchers are liable for any infringement. For more information, visit www.mnhs.org/copyright.

March 30, 1983

TO: D. M. Cavanaugh
R. H. Smith
R. L. Murlowski

FROM: B. D. Olsen

RE: Rock Island Kansas City Line

I am attaching copy of ICC rules governing applications to acquire properties owned by the Rock Island and Milwaukee Railroads. These rules have been promulgated as a result of the Milwaukee Railroad Restructuring Act (which also applies to the Rock Island). This Act places very short time limits upon ICC consideration of potential sales of railroad operating property. As a result, the requirements for an application are considerably simplified. A detailed traffic study is not required, even where a major market extension is involved.

We are currently working out our posture before the ICC in response to the C&NW applications for acquisition authority. At this point, the Law Department believes our best chance of obtaining a Commission rejection of the North Western application would be to file a competing Soo application, emphasizing the competitive benefits to Iowa of Soo ownership. Please review the requirements of these regulations and advise me as promptly as possible whether we could put an application together within a week or 10 days. Note that an operating plan is required as well as pro forma financial statements giving effect to the acquisition. It looks like the traffic aspects can be discussed in a largely narrative form, although we would need commodity and density data for 1982. There are also labor questions which need to be addressed.

We will be meeting with Iowa DOT lawyers Monday, April 4, to work out joint strategy. We would like to know by that time whether a Soo application is feasible. As you know, under the existing Court order, the Commission must consider the C&NW application, review all objections and render a decision before June 29, 1983.

BDO/sjp
Attachment

cc: H. J. Ness
J. D. Darling
C. H. Peterson)
W. C. Serkland) (w/o attach)

MRRA. In adopting these procedures, we have used our expertise in the areas of rail consolidation and railroad reorganization, and we have considered our responsibilities under the MRRA, 49 U.S.C. 10901, and 49 U.S.C. 11344. Furthermore, these procedures are based on our existing regulations, which were adopted after full opportunity for public comment.

In addition to dispensing with the notice and comment procedure, we are dispensing with the normal procedure whereby final rules do not become effective for 30 days, and we are making these rules effective as of this date. We find that there is good cause for doing so within the meaning of section 553(d)(3) of the Administrative Procedure Act (5 U.S.C. 553(d)(3)) in view of the current rail situation in the Midwest and the congressional intent behind the MRRA.

These regulations are issued under the authority of 49 U.S.C. 10321; sections 5 and 17 of Public Law 96-101; and 5 U.S.C. 553.

The attached appendix contains the procedures to be followed for the sale or transfer of a bankrupt railroad's lines.

We adopt the regulations set forth in the appendix.

APPENDIX

49 CFR 1111 is amended as follows:

1. Present section 1111.1 to 1111.9 are designated "Subpart A—Acquisition Procedures for Railroads Not in Reorganization."
2. Sections 1111.10 through 1111.19 are reserved.
3. New subpart B is added to read as follows:
Subpart B—Acquisition Procedures for Lines of Railroads in Reorganization.

Section 1111.20—Types of transactions.

Transactions proposed under the Milwaukee Railroad Restructuring Act, Public Law 96-101, sections 5(b) and 17(b) are of two types: major and minor.

(a) A *major* transaction is a sale or transfer which will result in a major market extension.

(b) A *minor* transaction is any sale or transfer which will not result in a major market extension.

Section 1111.21.—Identifying information.

(a) *All applications* filed under Public Law 96-101, sections 5(b) and 17(b), shall show in the title the names of the applicants and the nature of the proposed transaction. Beneath the title indicate the name, title, business address, and telephone 360 I.C.C.

number of the person(s) to whom correspondence with respect to the application should be addressed. The following information shall be included in *all* applications *seriatim*:

(1) Summary. A narrative description of the proposed transaction shall serve as an introduction to the application. It shall include appropriate references to supporting exhibits and statements in the application and shall generally discuss the following matters:

(i) A summary of the proposed transaction including the name of applicants.
(ii) The proposed time schedule for consummation of the proposed transaction.
(iii) The purpose sought to be accomplished by the proposed transaction, e.g., operating economies, elimination of excess facilities, extension of markets, improved financial viability.

(iv) The nature and amount of any new securities or other financial arrangements.
(v) A summary of the applicant's public interest justifications in support of the application indicating how the proposed transaction is consistent with the public interest, or why the public convenience and necessity permits issuance of a certificate, with particular regard to:

(A) The financial consideration involved in the proposed transaction, including an explanation of economies, if any, to be effected in buyer's operations, and increases, if any, in buyer's traffic, revenues, earnings available for fixed charges, and net earnings, expected to result from consummation of the proposed transaction.

(B) The effect of the proposed transaction upon adequate rail and other transportation services to the public.

(C) The effect of the increase, if any, of total fixed charges to buyer resulting from the proposed transaction.

(D) The effect of any guaranty or assumption of payment of dividends or fixed charges contemplated by buyer in the proposed transaction.

(E) The effect of the proposed transaction upon buyer's and seller's employees.
(F) The effect of the proposed transaction on the remaining system and operations of the bankrupt carrier.

(vi) Any other supporting or descriptive statements applicant deems material.

(vii) An opinion of counsel of applicant that the transaction described in the application meets the requirements of the law and will be legally authorized and valid, if approved by the Commission and the bankruptcy court, with specific reference to any specifically pertinent provisions of applicant's charter or articles of incorporation.

(2) Identification of applicant carriers.

(i) Indicate the full and correct name of each applicant carrier and business address (street and number, city, State, and zip code).

(ii) Indicate the State or States in which any part of the property of each applicant carrier is situated.

(iii) Map (exhibit 1). Submit a general or key map indicating clearly, in separate colors, or otherwise, the line or lines of buyer (if any) in their true relation to the lines to be acquired from seller, short-line connections, other rail lines in the territory, and the principal geographic points in the region traversed. If a geographically limited transaction is proposed, a map detailing the transaction should also be included. In addition to the maps accompanying each application, 20 unbound copies of the map shall be filed with the Commission.

(3) Explanation of the transaction.

(i) Describe the nature of the transaction (e.g., purchase, joint purchase, trackage rights, et cetera), the significant terms and conditions, and the condition to be paid (monetary or otherwise).

(ii) Agreement (exhibit 2). Submit a copy of any contract or other written instrument entered into, and approved by the bankruptcy court, pertaining to the transaction covered by the application.

(iii) Court order (exhibit 3). Submit a copy of the court order approving the agreement of transfer and its filing with the Commission.

(iv) State whether the property involved in the proposed transaction includes all the property of the seller and, if not, specifically describe what property is included in the proposed transaction.

(v) Describe in detail the principal routes and terminals of the lines involved, the principal points of interchange on the routes, and the amount of main-line mileage and branch-line mileage involved.

(vi) State whether any governmental financial assistance is involved in the proposed transaction and, if so, the form, amount, source, and application of such financial assistance.

(vii) Labor impact (exhibit 4). Furnish the following information with respect to impacts on *railway* labor only:

(A) A copy of any agreement or agreements with employee organizations entered into as a result of the proposed transaction.

(B) For all personnel covered by pension plans supplemental to the Railroad Retirement Act, a list of the pension plans currently in effect, indicating whether or not they are funded, the extent of any unfunded liability, and the time required to bring the plans to a fully funded level.

(C) The number, location, craft or class and classification of all positions of the applicant carriers which under the proposed transaction are to be established, consolidated, created or transferred (including the point or points from and to which positions will be transferred).

(D) For each of the changes specified in item (C), the cost and savings to the railroad(s) in effectuating such changes, listed for each of the 3 years following consummation of the proposed transaction and the amount by craft or class and classification to which such costs and/or savings will be attributed.

(E) The date or dates on which each job abolishment, transfer, consolidation, or creation set forth under item (C) above is to be effectuated and a statement as to whether or not implementing agreements have been negotiated with appropriate labor organizations with respect to such proposed changes.

(F) The annual net change in employment for applicant carriers by craft or class and classification for the last 6 years preceding the filing of the application.

(viii) Energy data (exhibit 5). Submit information and data with respect to energy consumption prepared in accordance with the ICC *Implementation of the Energy Policy and Conservation Act of 1975*, 49 CFR 1106.

(b) All applications proposing *major* transactions, as defined in section 1111.20, shall also include the following information:

(1) Identification of buyer.

(i) If buyer is a corporation indicate:

(A) Date of incorporation¹ and government, State, or territory of incorporation.

(B) Name and business address of directors.

(C) Name, title and business address of officers.

(D) Name and business address of 10 principal stockholders as of last record date and their respective holdings.

¹If the applicant is incorporated or organized under the laws of, or authorized to operate in, more than one State, territory, or Federal district, give all pertinent facts as to such incorporations, organization, or authorization.

(E) Charter (exhibit 6). One copy of the charter or articles of incorporation, and the bylaws and amendments thereof, of buyer duly certified by the appropriate public officer.

(ii) If buyer is a partnership indicate:

(A) Date on which partnership was formed, and State and county in which it was formed.

(B) Name and business address of all present partners, including limited or silent partners and their respective interests.

(C) Partnership articles (exhibit 7). A properly authenticated copy of the articles of partnership, if any.

(iii) If buyer is an association or other form of organization, other than a corporation indicate:

(A) Date of organization and place of organization.

(B) Full description of the nature and objectives of the organization.

(C) Name, title, and business address of officers and directors, or trustees.

(D) Name and business address of applicant's 10 principal stockholders or owners.

(E) Documents of association (exhibit 8). A properly authenticated copy of articles of association, trust agreement, or other similar documents.

(iv) If buyer is a trustee, receiver, assignee, or a personal representative of the real party in interest, provide:

(A) The name and address of the court, if any, under the direction of which buyer is acting.

(B) The nature of the proceedings, if any, in which buyer was appointed.

(C) With respect to the real party in interest, indicate its full and correct name, business address (street and number, city, State, and zip code), type of entity, and its carrier status.

(D) Court appointment (exhibit 9). A properly authenticated copy of the order of the court or instrument appointing each trustee, receiver, assignee, or personal representative which is a party to the transaction.

(v) Other authorizing document (exhibit 10). If paragraphs (i), (ii), (iii), and (iv) are not applicable, indicate identity, structure, statutory or charter powers of buyer, and submit appropriate organizational or authorizing documents, or indicate why none is available or necessary.

(vi) Corporate chart (exhibit 11). Submit a corporate chart indicating all relationships between buyer and all affiliates and subsidiaries and also companies controlling buyer directly, indirectly or through another entity (each chart shall indicate the percentage ownership of every company on the chart by any other company on the chart). For each company include a statement indicating (A) any common officers or directors for every entity on the chart (with reference to the Commission decision by docket number and date authorizing the holding of such positions, or an explanation of why such authorization was not required) and (B) whether each company is a noncarrier or carrier (by railroad, motor, or water, including any Commission certificate or permit number, and the docket number of any proceeding pending before the Commission). Such information may be referenced through notes to the chart.

(vii) If buyer is not a carrier, indicate (A) the type of business in which it is engaged, (B) the length of time so engaged, and (C) the particulars of its present and prospective activities which have a relation to transportation subject to 49 U.S.C. subtitle IV.

(viii) Indicate whether there are any direct or indirect intercorporate or financial relationships at the time the application is filed, not disclosed in response to prior instructions, through holding companies, ownership of securities, or otherwise.

between (A) buyer and any carrier or person affiliated with any carrier or (B) a person affiliated with buyer and any carrier or person affiliated with any other carrier. Indicate the nature and extent of such relationships, if they exist, and, if a buyer owns securities of a carrier subject to 49 U.S.C. subtitle IV, provide the carrier's name, a description of securities, par value of each class of securities held, and the buyer's percentage of total ownership.

(ix) State the amount of acquiring buyer's outstanding capital stock, by classes, and in connection therewith the par value or stated value of each share, its voting rights, if any, the total number of stockholders of record, and the voting rights of all security holders.

(x) Annual reports (exhibit 12). Submit a properly authenticated copy of the buyer's annual report, *if any*, to stockholders or shareholders for each of the 2 calendar or fiscal years preceding the filing of the application.

(2) Explanation of the transaction.

(i) Filing resolutions (exhibit 13). Submit a copy of all resolutions of directors of buyer, authenticated by a proper executive officer, authorizing (A) the proposed transaction and (B) where applicable, the filing of the application with the Commission for its approval and authorization. If the charter or bylaws of the buyer require approval of the stockholders, submit a copy of the resolution of stockholders authorizing the proposed transaction and the filing of the application. All resolutions are to be accompanied by sufficient transcripts of the minutes of meetings of the directors or stockholders of the buyer to show the number of shares entitled to vote, the number of shares voted for and against the resolutions, and the numbers of shares/votes required to adopt the resolution.

(ii) Executing resolutions (exhibit 14). Submit a copy of all resolutions of stockholders or directors of the buyer, or duly authorized committee thereof, authenticated by a proper executive officer of the applicant, designating by name and for that purpose the executive officer by whom the application is signed and verified, and filed on behalf of the applicant.

For purposes of exhibits 13 and 14, in the event the resolutions of stockholders have not been obtained at the time the application is filed then such resolutions shall be obtained as soon as feasible, but not later than the next regularly scheduled stockholders' meeting. A copy of such resolutions shall be filed with the Commission within 30 days following such meeting.

(iii) Other evidence of authorization (exhibit 15). If the buyer is an organization other than a corporation, submit documentary evidence showing authorization and designation of the individual or individuals signing, verifying, and filing on behalf of the buyer.

Section 1111.22.—Traffic data.

The information required in this section should only be filed as part of an application proposing a *major* transaction.

(a) Density charts (exhibit 16). Gross ton-mile traffic density charts shall be filed for buyer containing a map graphically showing principal lines (those handling 1 million gross ton-miles or more per year) and respective densities, expressed in gross ton-miles per year, in each direction, in segments of such lines between major freight yards and terminals, including major intramodal and intermodal interchange points, using the corporate or political subdivision name of the points shown as well as the railroad station name. The mileage of each segment of line shall be provided, and

should be shown on the chart. Data shown in the density chart shall be for the latest available full calendar year preceding the filing of the application.

(b) Carload interchange data (exhibit 17). Revenue carload interchange data between buyer and connecting line-haul rail carriers or water carriers (deleting intermediate switching railroads, if any) shall be in a table setting forth the gateway involved, each connecting line-haul railroad or water carrier, and for each connecting railroad or water carrier the number of interchange carloads originating on buyer's lines, the number of interchange carloads terminating on buyer's lines, the overhead traffic delivered or received by buyer, and a separate total of overhead traffic and the total cars interchanged. Gateways to be listed shall be those handling 5,000 or more revenue carloads or 5 percent of total revenue carloads annually, whichever is smaller.

Where two or more gateways are contiguous or nearly contiguous, they should be totaled (as examples, Dallas-Fort Worth, Minneapolis-St. Paul, Omaha-Council Bluffs, et cetera). If necessary, such grouped gateways may also be shown separately in supporting tables. Data shown in exhibit 17 shall be for the latest available full calendar year preceding the filing of the application. It shall be organized as shown in the table in the appendix.

(c) Carload origin and destination (exhibit 18). An exhibit containing revenue carload origin and destination data for the latest available full calendar year preceding the filing of the application, shall list the following:

(1) Points of origin of 5,000 or more revenue carloads or 5 percent or more of buyer's total originated revenue carloads annually, whichever is smaller, broken down to show originations of local and interline carloads for each point; and

(2) Points of destination of 5,000 or more revenue carloads, or 5 percent or more of buyer's total terminated revenue carloads annually, whichever is smaller, broken down to show terminations of local and interline carloads for each point.

This data shall include all of buyer's carloads at each point originated or terminated, as the case may be, by a line-haul, terminal, or switching railroad or by a motor carrier performing pickup or delivery service, *except* where such information would identify a specific shipper(s) or a specific receiver(s).

(3) The information provided in (1) and (2) above should be provided from seller for traffic moving over the line to be sold.

(d) Freight car fleet (exhibit 19). A summary table shall show the freight car fleet cars owned and leased by buyer for the latest available full calendar year preceding the filing of the application, the number of box, flat (including rack cars), gondola, open hopper, covered hopper, refrigerator, miscellaneous, and total number of cars owned and leased, and the aggregate capacity of these cars. The same information shall be provided for the seller, including the change expected as the result of the proposed transfer.

(e) Revenue freight traffic (exhibit 20). A table shall show the buyer's revenue freight traffic, indicating for the latest available full calendar year preceding the filing of the application, (1) the number of local, interline originated, interline terminated, overhead, and total carloads, (2) total revenue-tons, (3) revenue ton-miles, and (4) total freight revenue.

(f) Commodity revenue (exhibit 21). A table shall show commodity group revenue (at the two-digit level of the Standard Transportation Commodity Code) for the buyer's five largest revenue producing commodity groups as a percentage of total revenue for the latest available full calendar year preceding the filing of the application, indicating the five largest commodity groups, the revenues attributable to each group and the percentage of that group's revenue as it relates to total revenue.

(g) *Commodity tonnage* (exhibit 22). For the *commodity groups shown in the table required in (f) above*, a table shall show commodity group tonnage as a percentage of total tonnage, for the latest available full calendar year preceding the filing of the application, indicating the various commodity groups, the tonnage attributable to each group and the percentage of that group's tonnage as it relates to total tonnage.

(h) *Market study*. For the buyer, a narrative discussion shall identify the markets which will be affected by the proposed acquisition, the traffic expected to be generated and/or recovered, and the levels of business expected on the line at issue.

Section 1111.23.—Operational data.

For all transactions: Operating plan (exhibit 23). Submit a description of the proposed operating plan to be effectuated upon approval of the transaction. This shall include information projected for the time required to complete rehabilitation, upgrading or other major operational changes following consummation of the proposed transactions, and describe the following with particularity:²

(a) Any significant changes in patterns of service.

(b) Traffic level and density on lines proposed for joint operations.

(c) The extent to which deferred maintenance or delayed capital improvements apply to any line of railroad or equipment involved, the Federal Railroad Administration class level of the line involved, and the schedule for eliminating such deferrals. Include details of buyer's general system rehabilitation, specific rehabilitation relating to the transaction, and upgrading plans including proposed yard and terminal modifications, together with an estimate of anticipated service improvements or operating economies associated with such projects.

(d) Impact on the use of yards or shop facilities and any necessary modifications to yards or terminals.

(e) Impacts on commuter or other passenger service operated over the line being acquired.

(f) Operating economies, which include, but are not limited to, estimated savings.

(g) Any associated discontinuances or abandonments.

Section 1111.24.—Financial information.

(a) The following information shall be provided for all *major* transactions:

(1) Balance sheets (exhibit 24). General balance sheets, for the most recent full calendar year as appropriate, of the following:

(i) Buyer on a corporate entity basis.

(ii) Buyer's parent company on a corporate entity basis.

(iii) Buyer and subsidiaries on a consolidated basis.

(2) *Pro forma* balance sheets (exhibit 25). Submit a *pro forma* balance sheet statement giving effect to the proposed transaction for the most recent full calendar year.

A procedure utilizing three columns should be followed. The *first* column should show buyer's actual balance sheet on a corporate entity basis for the latest available 12-month period, the *second* column should show the adjustments necessitated by the purchase, and the *third* column is a compilation of the first two columns into a *pro forma* balance sheet.

If the parent company (if any) of the buyer is affected, a similar balance sheet shall be filed for each.

²For the purpose of completing this application, buyer is authorized to obtain the data necessary to complete this exhibit from the trustee and/or the directed rail carrier.

All adjustments to these balance sheets shall be supported in footnotes to the appropriate balance sheet.

A *pro forma* balance sheet shall be submitted for the number of years following consummation necessary to effect the operating plan.

(3) Income statements (exhibit 26). Income statements, for the most recent full calendar year, as appropriate, of the following:

- (i) Buyer on a corporate entity basis.
- (ii) Buyer's parent company on a corporate entity basis.
- (iii) Buyer and subsidiaries on a consolidated basis.

(4) *Pro forma* income statements (exhibit 27). Submit a *pro forma* income statement showing buyer's estimate of revenues, expenses, and net income for at least each of the 3 years following consummation of the transaction.

A procedure utilizing three columns should be followed. The *first* column should show buyer's actual income statement on a corporate entity basis for the latest available 12-month period, the *second* column should show the adjustments necessitated by the purchase, and the *third* column is a compilation of the first two columns into a *pro forma* income statement.

If the parent company (if any) of the buyer is affected, a similar statement shall be filed for each.

All adjustments to these income statements shall be supported in footnotes to the appropriate income statement.

If the operating plan requires more than 3 years to be put into effect, the *pro forma* income statement shall be prepared for as many years as necessary to implement fully the operating plan.

(b) The following information shall be provided for all *minor* transactions;

- (1) Balance sheets—minor (exhibit 28). General balance sheets for the latest 6-month period for buyer on corporate entity basis.
- (2) Income statements—minor (exhibit 27). Income statements for the latest 6-month period for buyer on a corporate entity basis.

Section 1111.25.—Procedures.

(a) General.

(1) Any document filed with the Commission, including applications, pleadings, et cetera, shall be promptly furnished to interested persons on request, unless subject to a protective order. At any time, the Commission may require the submission of additional copies of any document previously filed by any party to the proceeding.

(2) The original and 20 copies of all documents shall be filed in *major* proceedings. The original and 10 copies shall be filed in *minor* proceedings.

(3) Each party to a proceeding shall choose a unique acronym of four letters or less for itself. It shall number each document filed in the proceeding consecutively, prefixed by its acronym.

(b) Application.

(1) There is a \$700 filing fee to file an application with the Commission under these procedures.

(2) Filing.

(i) The original of all applications shall be signed in ink by the buyer and seller. If buyer is a partnership, all partners must sign; and if a corporation, association, or other similar form of organization, the signature should be that of its president, or such other executive officer having knowledge of the matters therein contained and duly designated for that purpose. Applications shall be made under oath and shall

contain an appropriate certification (if a corporation, by its secretary) showing that the affiant is duly authorized to verify and file the application. Any person controlling a buyer shall also sign the application.

(ii) The application shall be filed with Secretary, Interstate Commerce Commission, Washington, DC 20423.

(iii) Each copy of the application shall conform in all respects to the original and shall be complete in itself except that the signature in the copies may be stamped or typed and the notarial seal may be omitted. In like manner where certified copies of documents are filed with the original application, conformed copies thereof, showing certification in stamped or typewritten form, will be sufficient to accompany the additional copies of the application.

(iv) All applications required to be filed with the Commission or served on designated persons shall include all exhibits, except as otherwise specifically noted.

(v) The buyer or seller shall submit such additional information to support its application as the Commission may require.

(vi) Buyer shall file concurrently with applications under Public Law 96-101 sections 5(b) and 17(b) all directly related applications, e.g., those seeking authority to construct or abandon rail lines, to issue securities, control motor carriers, obtain terminal operations, acquire trackage rights, et cetera. All such applications will be considered under the schedule applicable to the initial application.

(vii) Exception to required exhibits. The original and one copy of exhibit 16 shall be filed with the Commission. Copies shall be maintained at buyer's and seller's headquarters for inspection by interested parties. Buyer and seller must also file with the Commission one copy of a machine readable tape containing only the data shown in exhibit 16. This tape will be returned to applicants when the Commission issues its decision, and no use of the tape will be made by the Commission other than for the purpose of adjudicating the application.

(3) In all applications, all of the direct testimony of buyer and seller, in the form of verified statements, shall be filed and served with each application.

(4) The application and all exhibits shall be considered part of the evidentiary record upon acceptance. Any portion of an application and exhibits will remain subject to motions to strike. However, no motion need be made to have the application and exhibits admitted to the evidentiary record.

(5) Service. The applicant shall serve a conformed copy of an application filed under these procedures by first-class mail upon:

(i) the Governor (or Executive Officer), Public Service Commission, and the Department of Transportation of each State in which any part of the properties of the applicant carriers involved in the proposed transaction is situated;

(ii) the United States Secretary of Transportation (Docket Clerk, Office of Chief Counsel, Federal Railroad Administration, Room 5101, 400 Seventh Street, SW., Washington, DC 20590);

(iii) the Attorney General of the United States;

(iv) the Federal Trade Commission; and

(v) all parties to the bankruptcy court proceedings.

The application shall contain a certificate of service indicating that all persons so designated have been served a copy of the application.

(6) Application format.

(i) The application shall be in the same sequence as the information is requested in these procedures, and shall be numbered to correspond to the numbering in the procedures.

360 I.C.C.

(ii) If any material required in the application would lend itself to being placed in an appendix, this should be done. The appendix and application shall be tabulated and cross-referenced in an index for ease in locating and referring to the information. The appendixes shall be in the same sequence as the information is required by the regulations. The application should be bound, and it may be bound in more than one volume. If an application is more than one volume, the cover of each volume should be in a different color. The pages in each volume should begin with 1, and shall be sequentially numbered.

(iii) If a question arises regarding an interpretation of the information or format to be included in the application, including whether or not a transaction would result in a major market extension, the party may contact the Commission for assistance.

(iv) All filing, service, or other requirements of these procedures must be complied with when filing the application. Copies of the application filed with the Commission shall be marked in red "Special Railroad Acquisition Application" on the transmittal envelope or package.

(7) Acceptance or rejection of an application.

(i) The Commission shall accept a complete application by decision no later than 10 days after the application is filed with the Commission, and shall then publish a notice in the Federal Register. A complete application contains all information for all buyers and sellers required by these procedures, except as modified by advance waiver.

(ii) The Commission shall reject an incomplete application by serving a decision no later than 10 days after the application is filed with the Commission. The decision shall give specific reasons why the application was rejected, and specify where the application was incomplete. A revised application may be submitted, incorporating portions of the prior application by reference, and the Commission will determine whether the resubmitted application conforms with all prescribed regulations. The resubmission or refiling of an application shall be considered a *de novo* filing for the purpose of computation of the time periods, provided that the resubmitted application is accepted.

(c) Response to application.

(1) Written comments.

(i) Written comments in support of or opposition to the proposed transaction must be filed no later than 30 days after an application is accepted.

(ii) Written comments must be verified.

(iii) Written comments shall be concurrently served by first-class mail on:

(A) the applications (at each address given in the application);

(B) the United States Secretary of Transportation; and

(C) the Attorney General of the United States.

(iv) Written comments must contain:

(A) The docket number and title of the proceeding.

(B) The name and address of the commenting party.

(C) The name, address, and telephone number of the commenting party's representative upon whom service shall be made.

(D) The commenting party's position (in support, opposition, or undetermined), and verified statements in support of that position.

(E) A list of conditions and modifications sought.

(v) All persons who file timely written comments shall be a party. In this event, no petition for leave to intervene need be filed.

(2) The Secretary of Transportation and Attorney General of the United States shall file written comments with the Commission within 40 days of the date of acceptance

360 I.C.C.

of the application. These comments shall contain the information in (1)(iv). Copies of these comments shall be concurrently served by first class mail on:

- (i) the applicants;
- (ii) the parties to the proceeding who have filed written comments; and
- (iii) the Attorney General of the United States or Secretary of Transportation (whichever applies).

(d) Replies to comments.

(1) Applicant's verified replies to comments must be filed no later than 70 days after an application is accepted.

(2) If the Commission deems it necessary, a schedule for submission of briefs and replies will be set.

(e) The Commission will conclude the evidentiary proceeding, including requests for additional information, briefs and replies, and issue a final decision by the 180th day after the filing of the application, unless otherwise ordered.

(f) Waiver or clarification.

(1) Upon petition of a prospective applicant, the Commission may waive or clarify a portion of these procedures, concerning the initial and directly related applications. A petition to waive *all* of the procedures will not be entertained.

(2) Petitions for waiver or clarification must be filed at least 20 days before the application is filed.³

(3) No replies to a petition for waiver will be permitted.

(4) All petitions for waiver, clarification or extension shall be ruled upon by the entire Commission.

(5) A petition for waiver or clarification must specify the sections for which waiver or clarification is sought and give the specific reasons why each waiver or clarification is necessary.

Section 1111.26.—Definitions.

(a) Applicant. The parties initiating a transaction.

(b) Applicant carriers. Applicant, all carriers related to the applicant, and all other carriers involved in the transaction.

(c) Major market extension.

A major market extension includes an end-to-end extension of buyer's routes and services and buyer's participation in additional through routes or joint rates. A major market extension may also significantly increase competition by (1) extending service into a new market or (2) providing significantly more efficient and effective competitive service to a market presently being served. Criteria which can be used to determine if a railroad is proposing to provide a more competitive service to a currently served area include (1) whether or not a shorter route is involved, (2) if the new route provides faster service, (3) if this route extends into major markets, (4) under what conditions the application is filed, and (5) if the route may make the railroad competitive. See *Burlington Northern, Inc.—Control & Merger—St. L.*, 354 I.C.C. 616, 617 (1978).

(d) Railroad. Any common carrier by railroad as defined in 49 U.S.C. 10102(17)-(18).

(e) Buyer. The buyer is the acquiring entity and all related carriers, in an acquisition.

(f) Seller. The seller is the bankrupt railroad.

³At the time of filing with the Office of the Secretary, five additional copies of petitions for waiver or clarification should be filed directly with Section of Finance, Office of Proceedings, Interstate Commerce Commission.

March 28, 1983

MAR 29 Rec'd

TO: T. M. Beckley
~~D.~~ M. Cavanaugh
C. H. Clay
R. H. Smith
R. L. Murlowski
H. J. Ness
D. J. Boyer
J. D. Darling (w/o attach)

FROM: B. D. Olsen

RE: Rock Island Kansas City Line

I attach excerpts from the application filed by Chicago and North Western with the Interstate Commerce Commission for authority to acquire the Rock Island lines in which Soo has been interested. The application is dated March 22, 1983 and was received by us Friday, March 25.

By order of the bankruptcy court, a total of 90 days has been allotted for the Commission to consider the application and issue a decision. The bankruptcy court will consider final approval of the C&NW purchase at 2:00 P.M. Wednesday, June 29, 1983. The court has authority to approve the purchase at that time even if the Commission has rendered no decision at all. Only in the event the Commission rejects the North Western application is there any basis on which it could be argued to the court that it has no authority to approve the sale.

Any actions the Soo Line takes to thwart the purchase must have that deadline clearly in mind.

There are three elements to the C&NW application, not all of which have been received as of this writing. The Commission is asked to authorize Midwestern Railroad Properties (MRPI) to acquire the Rock Island trackage. MRPI is a wholly owned subsidiary of the C&NW. The C&NW declares its intention to lease the lines from MRPI and operate them, and to back MRPI financing commitments. The second element of the application is a petition by CNW for exemption from prior approval requirements to control MRPI and operate the Rock Island lines. If granted, this greatly simplifies the evidentiary showing that must be made by the C&NW and largely forecloses the opportunity to present evidence in opposition.

The third element of the application, which we have not as yet received, is another petition for exemption from Commission approval for authority to issue securities. The C&NW has previously started a proceeding with the ICC aimed

at authorizing financing for the acquisition and was able to secure an exemption from competitive bidding requirements several months ago. Granting of this petition would prevent the state of Iowa or anyone else from making a showing that financing the acquisition might jeopardize the C&NW's financial security.

The portions of the application attached describe the proposed financing. Two types of notes will be issued which will be secured by mortgages on both the former Rock Island property as well as the C&NW system. First payment on the notes to the group of banks arranging the financing will commence by May 1986 at the latest and will then continue for an 8 year period with a 20% balloon at the end. No government financial assistance will be employed.

MRPI will take title to the property and lease it to the C&NW. The rental will be based on normal depreciation, interest, and a variety of other expenses plus \$1 million per year over and above the cost factors. The entire spine line will be upgraded to FRA Class III standards, since it is described as being much better designed than the C&NW's own trackage to Kansas City.

The proposed operating plan contains a good deal of interesting information with respect to the lines and C&NW intentions. The C&NW also asserts that the Rock Island trackage being acquired has provided a net contribution to the C&NW of from \$9.5 million to \$14.9 million per year since the C&NW commenced operations under lease.

I have not reproduced all of the application. Most of the omitted material consists of labor agreements between C&NW and various Rock Island labor organizations. These materials are available for review in the Law Department.

BDO/sjp
Attachment

cc: C. H. Peterson)
W. C. Serkland) (w/o attach)

Form F-36

Soo Line Railroad Company



Date

3/22/83

To:

Joe Darling

From:

Dr. Bayer

- ☐ Please note and return.
 - ☐ For your information.
 - ☐ Please reply directly to attached.
 - ☐ Please give me your recommendations.
 - ☐ Please draft reply for my signature.
 - ☐ Please handle.
 - ☐ Would like to discuss with you.
 - ☐ Proposed draft attached for your review
and suggestions.
 - ☐ Comments?
- _____
- _____
- _____
- _____
- _____

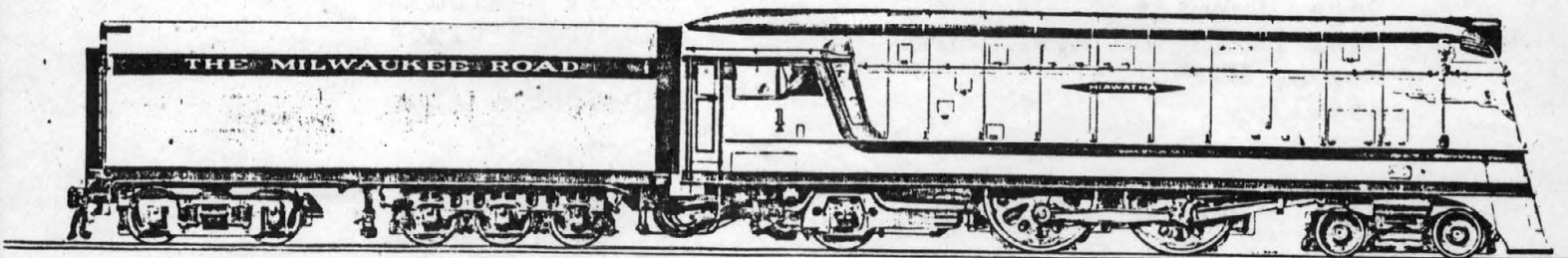
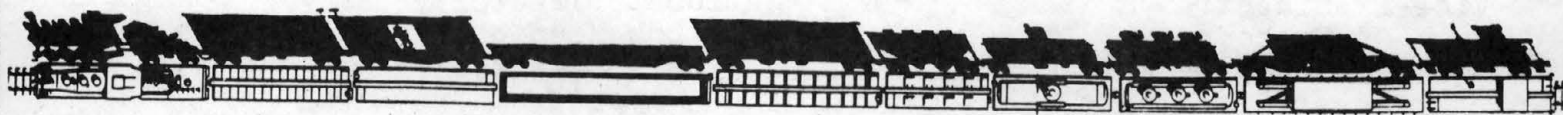


NORTHSTAR NEWS

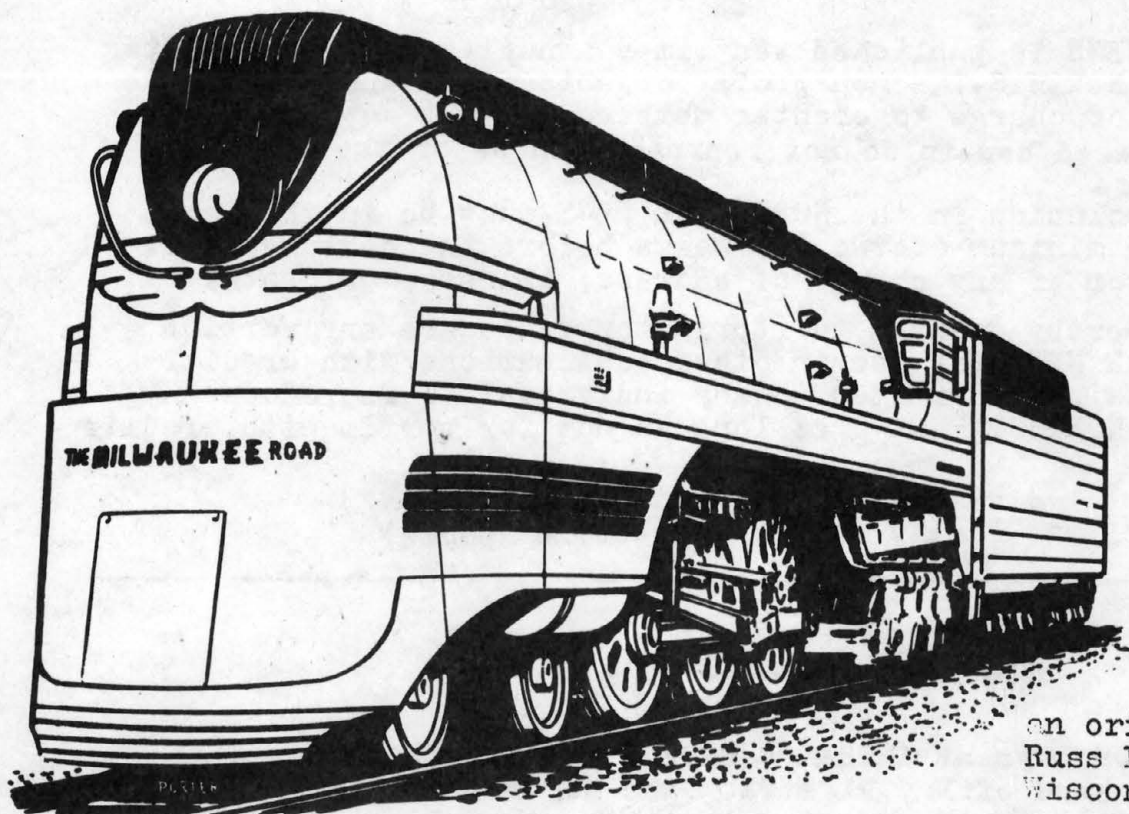
VOLUME THIRTEEN

ISSUE THREE

MARCH 1983



drawing courtesy the TLR



an original ink by
Russ Porter of the
Wisconsin Chapter



1983 Northstar Chapter Officers

President:

Tim Lund
728 West River Rd.
Champlin, MN 55316
421-6934

Treasurer:

Russ Isbrandt
4036 Birch Knoll Dr.
White Bear Lake, MN 55110
426-1156

Vice-President:

Cy Svobodny
7953 Conroy Way
Inver Grove Hgts, MN 55075
455-0052

National Director:

Bob Macnie
3135 Casco Circle
Wayzata, MN 55391
471-8248

Secretary:

Roger Schmidt
4141 Lexington Ave. South
Eagan, MN 55123
454-1759

Trustee:

Rollie Hallquist
305 Grove Place
Hopkins, MN 55343
938-5886

NORTHSTAR NEWS STAFF

Editor:

Cy Svobodny
7953 Conroy Way
Inver Grove Hgts, MN 55075
455-0052

Circulation:

Russ Isbrandt
4036 Birch Knoll Dr.
White Bear Lake, MN 55110
426-1156

The NORTHSTAR NEWS is published ten times annually by the Northstar Chapter of the N.R.H.S., a non-profit organization, and is available free of charge to chapter members.

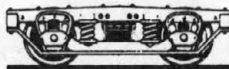
The views expressed herein do not represent those of the chapter unless so stated.

Material for inclusion in the NORTHSTAR NEWS must be in the hands of the editor a minimum of two (2) weeks before the next meeting. Notify the editor of any change of address, illness, or death.

Permission is hereby granted to reprint or reproduce any portion of the NORTHSTAR NEWS for use in other publications with credit. Further, permission is granted to any individual to reproduce any portion of the NORTHSTAR NEWS as long as not for profit with credit.

Dues:

Effective 1/1/82 Individual \$15.00 (National & Chapter)
Family \$17.00 (member, & spouse)

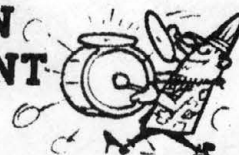


Transportation Days at AMTRAK's Midway Station this year will be on the weekend of May 21 & 22. The Northstar Chapter will be participating in the event with our booth and slide show.

We are looking for help from you the members to man the booth. Contact Cy or Tim either at the meeting or call.

Thanks to all who give a hand.

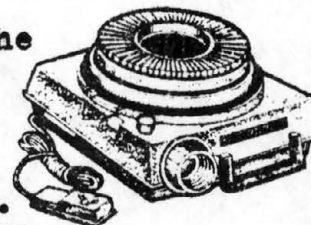
**PROMOTION
DEPARTMENT**



The March meeting of the Northstar Chapter will begin at 7:00pm sharp on Sunday March 20th in the conference room at AMTRAK's Midway Station.



For those attending we have locomotive blueprints of the early Alco RS series (RS-1, RS-2, & RS-3), copied from the February '66 issue of RMC.



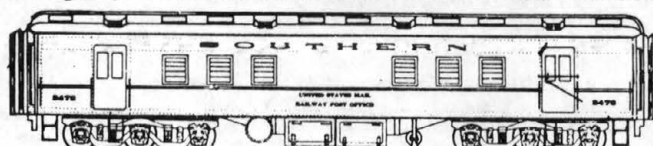
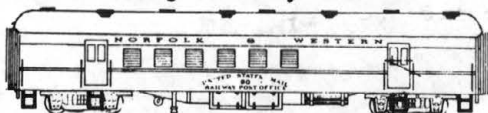
The program that night will feature "The Clinchfield" by Jim Perske. We should have a full house of viewers. Jim has worked hard putting this together, See you there.



The 1983 "SNOWBALL EXPRESS" was another success. Our third annual trip to SNOW TRAIN at the Mid-Continent Railway Museum in North Freedom carried 39 passengers on the chartered bus. Pierces Supper Club in Baraboo put on a fine dinner for us before our return to the Twin City area.

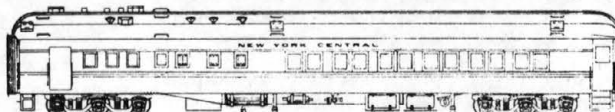
Our thanks go to Jefferson Bus Lines and their driver Denny Peltier, Kriz's Bakery for the danish, McDonalds for the O.J. and McMuffin, John Goodman & AMTRAK for the coffee and use of Midway Station, Mid-Continent Railway Museum for SNOW TRAIN, and Pierces Supper Club for dinner.

The tentative date for the 1984 "SNOWBALL EXPRESS" is Saturday February 18th, 1984.



The chapter has received a list of Norfolk Southern steam trips for the 611, & 750. Copies will be available at the Northstar meeting and the local hobby shops.

The Twentieth Century Railroad Club of Chicago is hosting "RAILFAIR '83" on the weekend of March 26-27. The noon lunch speakers include Robert Claytor and James Bistline of the Norfolk Southern Railroad. A chartered El train dinner will operate from 4-7 over the Loop, North Side, Ravenswood, and Oak Park routes. The evening entertainment include vantage films both private and railroad produced. Sunday the 27th is a private car trip via the Michigan Central to Detroit and return. Copies of their flyer will be at the meeting and in the hobby shops.



The NWI Limited reports that the joint trackage between Hoffman and St. Croix will be CTCed this year with the four towers being phased out (Hoffman, Oakland, Newport, & St. Croix).

GREAT WESTERN



MINNESOTA & NORTHWESTERN RAILROAD - In 1886 the Minnesota & Northwestern Railroad built a line from St. Paul to the Iowa state line. This company was acquired by the Chicago St. Paul & Kansas City Railway the following year, 1887.

CHICAGO ST. PAUL & KANSAS CITY RAILWAY - In 1893 the Chicago St. Paul & Kansas City Railway was taken over by the newly formed Chicago Great Western Railway.

MANTORVILLE RAILWAY & TRANSFER COMPANY - The Mantorville Railway & Transfer Company was sold to the Chicago Great Western Railway in 1896. The Great Western did the construction of the line from Wasioja to Mantorville. This was an extension of an older line built by the Chicago St. Paul & Kansas City Railway in 1890. The Mantorville extension was built in 1897 and was removed in 1935.

WISCONSIN MINNESOTA & PACIFIC RAILROAD - In 1899 the Chicago Great Western Railway took control of the Wisconsin Minnesota & Pacific Railroad. The W M & P was operated as a separate division for about a year. In that time it consolidated various railroads in southeastern Minnesota under its name. In 1900 the Wisconsin Minnesota & Pacific was completely absorbed into the Great Western system.

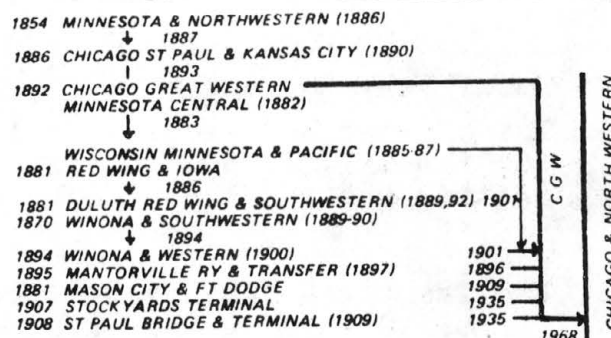
MASON CITY & FT. DODGE RAILROAD - In 1902 the Hayfield to Lyle branch line of the old Chicago St. Paul & Kansas City Railway was sold to the Mason City & Ft. Dodge Railroad. In 1909 the Chicago Great Western acquired control of the M C & Ft. D, which gave it a line to Omaha.

Also in 1909 the Great Western gain control of some property in the Twin Cities that was formally part of the Wisconsin Central Railroad. After the Soo Line took control of the Wisconsin Central the Great Western acquired terminal yards and roundhouse on Boone Island in Minneapolis and the freight house in St. Paul.

Over the years the Great Western did some construction in Minnesota. One of these was a line that connected the old Duluth Red Wing & Southern Railroad at Zumbrota to the Winona & Western Railway at Rochester. These two lines were acquired with the Wisconsin Minnesota & Pacific in 1899.

ST. PAUL BRIDGE & TERMINAL RAILWAY - In 1935 the Great Western leased the St. Paul Bridge & Terminal Railway that operated between St. Paul and South St. Paul. Along with the Stockyards Terminal Railway in South St. Paul gave the Great Western most of the rail business of the cattle and meat products moving in and out of the packing houses in the area.

CHICAGO NORTH-WESTERN RAILWAY - In 1968 the Chicago North-Western Railway purchased the Chicago Great Western Railway. About all that remains of the old Great Western is the original line of the old Minnesota & Northwestern Railroad between St. Paul and the Iowa boarder. Most of the other lines were removed by 1980.



The BN will begin RoadRailer service between Chicago and Houston this year. Named the South-West Xpress, the train is scheduled for six day a week service. Both the train and terminals will be owned and operated by RoadRailer they also will handle the marketing of the service. Locom and crew will be provided by BN. (BN News)

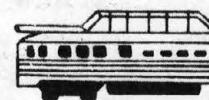
The friday night round trip of the AMTRAK North Star to the Twin Ports of Duluth & Superior will continue at least til the April 24 time change weekend. The state has provided funds thru the end of June and the Minnesota legislature and Gov. Perpich will approve two year funding to commence July first.

USE AMTRAK PACKAGE EXPRESS

No time changes are slated for the Empire Builder thru St. Paul.

Still lots of rumors on the RGZ and its possible inclusion in the AMTRAK system. The test train of Superliners ran as scheduled on Feb. 7 & 8 without problems. Plans should be final by April 1 if any changes are to take place this spring.

All the news that fits, we print.

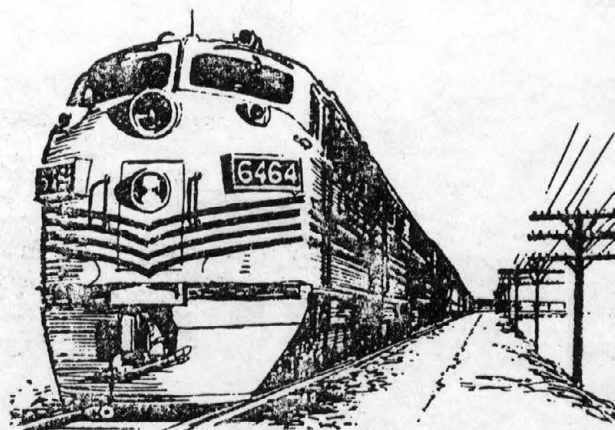


WHISTLE STOP MEMO

This is your LAST DUES NOTICE for 1983. Please check the mailing label on the otherside and make any necessary corrections below, Then sign on the line, and send this form along with your check for \$6.00 made payable to the Northstar Chapter of the N.R.H.S. to the Treasurer, Russ Isbrandt, 4036 Birch Knoll Drive, White Bear Lake, MN. 55110. Dues MUST be paid by March 31st to avoid removal from the newsletter mailing list. **THIS IS YOUR LAST NEWSLETTER .**

Corrections:

Signature _____



All Aboard AMTRAK

**ALL
ABOARD
AMTRAK**

Where can you go by train and return the same day?

Of course, we all know about the trip to Duluth.
But, How about the other direction?

Well, The beer capitol, suds city, home of Laverne & Shirley is only 6 hours 50 minutes away, aboard the Empire Builder leaving St. Paul at 7:25am and arriving in Milwaukee at 2:14pm (6 hours 49 minutes actually). Return leaves at 4:05pm and arrives back in St. Paul at 10:35pm. The fare is only \$88.00 round trip excursion (full fare is \$104.00).

Between you have Red Wing, Winona, La Crosse, Tomah, Wisconsin Dells, Portage, and Columbus.

Westbound AMTRAK offers St. Cloud, Staples, and Detroit Lakes. These are overnight, leaving St. Paul at 11:05pm and returning at 6:50am, intine to get to work.

South Line Update

The return of passenger service to the NP route thru North Dakota and Montana could occur this summer.

The North Dakota House of Representatives approved the first legislation by a 85-17 vote (5 to 1 in favor). The measure is now with the North Dakota Senate.

Similar legislation is taking place in Montana.



NORTHSTAR NEWS
Northstar Chapter-NRHS
P. O. Box 16041
Elway Station
St. Paul, MN 55116

MAILED
3/11/83
11:00pm



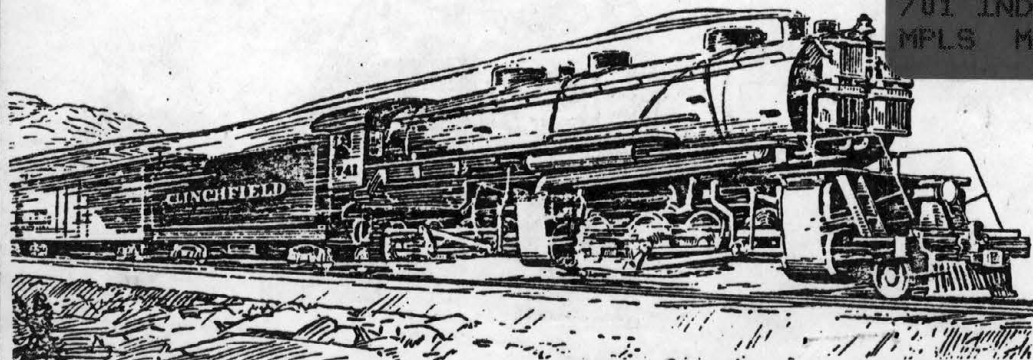
FIRST CLASS MAIL

Postman:
Time Valued Information
Please-Do Not Delay
Thank You

D. J. Boyer, President
M.N.&S. Railway
2859 Louisiana Ave. N.
Minneapolis, MN 55427

MIN 59 10160421 03/16/83

MPLS-NORFLD-SO-RR
701 INDIANA AVE NO
MPLS MN 55422



MARCH

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

Chicago and North Western Transportation Company
One North Western Center, Chicago, Illinois.
(312) 559-6801

Rel 3-22-83
Dick Baum 1:30 pm
Comm Transp
MDOT

DB

BACKGROUND INFORMATION ON NORTH WESTERN-ROCK ISLAND:

Since the signing of a formal agreement between the Bankruptcy Trustee of the Chicago, Rock Island and Pacific Railroad and the Chicago and North Western Transportation Company concerning North Western's purchase from the Trustee of more than 700 miles of Rock Island trackage, we've received a host of questions, many based on incomplete information and some on totally inaccurate information. We therefore thought it would be helpful to public officials as well as the media to summarize, by way of background information, the essential points of our acquisition of that Rock Island trackage...what it is, and what it isn't.

The formal agreement covers 717.8 miles of Rock Island trackage, including some existing trackage rights agreements, most of which is now being operated by North Western under a lease agreement with the Trustee. This mileage consists of what has become commonly known as the 'spine line', some 429.4 miles of mainline track between Minneapolis-St. Paul, Minnesota, and Kansas City, Kansas. Also included are 284.6 miles of branch, or grain-gathering lines, and about four miles of industrial



trackage in Cedar Rapids. The branch lines being acquired are:

Iowa Falls to Esterville, exclusive Iowa Falls	
to Dow and Clarion to Goldfield.....	86.9 miles
Bricelyn to Sibley.....	107.9 miles
Belmond to Forest City.....	29.5 miles
Royal to Palmer.....	49.0 miles
Carlisle to Indianola.....	11.3 miles
Hartley.....	0.1 miles

The agreed upon price for this property and all the
Trustee's interests and authorities applicable for use for rail-
road purposes is \$76,350,000. 93,000,000

Basically, the agreement contains three major terms:

1. The Trustee reserves all ore, mineral and royalties of every kind on or under the properties. The Trustee also has the right to explore for, remove and market any such products. The Trustee also reserves easements for any kind of system to transverse the properties (an oil or gas pipeline, for example) providing such systems do not unreasonably interfere with the continued safe, efficient and economical use for railroad purposes.

2. The Trustee may designate one railroad carrier, and North Western will grant trackage rights to that carrier between and including East Des Moines and West Des Moines, including the right to make connections and interchange with the Des Moines Union and Iowa Transfer. The effect of this is to insure that the former Rock Island's main east/west line across Iowa can be operated continuously.
3. North Western will dismiss, with prejudice, its proceeding to dispose of CNW-owned trackage between McClelland and Council Bluffs. Again, the effect would be to permit the Trustee to offer for sale or lease the east/west mainline as a continuous line. In such event, CNW has agreed to convey this trackage to the purchaser or lessee, through the Trustee, at a price based upon the Trustee's sale or lease agreement for the continuous line.

The whole purpose of North Western purchase of these former Rock Island lines is to improve service in the region. The name of the game is 'density'. Demonstrably, the Rock Island could not and did not survive on the density it alone possessed. Even though North Western's density in this territory was twice as

large as Rock Island's, it was even marginal for us. However, by combining the densities of both carriers, North Western believes it can generate the kind of revenues that will justify the heavier investments needed to upgrade these lines to provide shippers in the region with the caliber of service they have a right to expect. In time, this consolidation may generate some abandonments of duplicative lines. However, this is still under review.

The successful purchase of these lines is important to the North Western. The joining of these lines with our system produces a railroad far superior to the structure now in place. The long range efficiency and melding of densities will enhance the competitive position of Iowa shippers as well as the financial security of the over 3,500 employees CNW now has in the state.

We've received some suggestions that what we really want to do is to abandon important parts of this Rock Island trackage in Iowa. With the exception of the possible abandonment of some duplicate trackage in Minnesota, we are committed to using this Rock Island trackage, melding it with our own to produce a far superior rail system.

Another suggestion has been that we want the Rock Island trackage so as 'monopolize' grain traffic and raise rates. The best answer to that is the fact that we've been operating that very same Rock Island trackage for nearly three years under a lease agreement with the Trustee and grain rates are lower than they have ever been. It's also important to remember that where a grain elevator is not currently served by more than one railroad, that elevator would continue to be served by only one railroad no matter who purchases that Rock Island trackage.

Some have also expressed a concern that because we're buying some trackage in Des Moines, that we'll sever the continuity of the existing east-west Rock Island line. We've agreed to specific contract language with the Trustee that will preclude that, as discussed earlier.

We hope this summary will serve as a useful backdrop for future discussions concerning our purchase of Rock Island trackage in southern Minnesota, Iowa, and Missouri. Should further questions arise, please don't hesitate to contact us.

3/18/83 CS Stoffer

Blanket cancellation of all program
work on CNW and QRI.

Yes Rouse, GM IANR, ex RI

Just RI tracks.

3/7/83 C. S. S. S. S.

Continental Illinois Bank backing C.W.

3/17/83 Les Holland

Royal-Manson —

T. Scott Banister

Beung and Haesmeyer

515/225-8811

Bernie Wilhelm

Cargill

478-7136

$\pm 4-5^\circ$
 $\pm 20^\circ \text{C/cwt}$

FRA announced they would fund
3-4 weeks ago, that stimulated
CNW reaction.

Skinner, V.P. ICG, still wants to
serve. ICG would take us out.
IADOT Council talking to Scott
Banister

3/12/83

Bob Steiner, IADOT ^{Home} SIS-268-6027

6/30/81 petition to approve
referred to ICC

preliminary bankruptcy approval

\$81
4.35
\$85.35

Special master - review agreements

Docket room - purchase agreement,

minute order - preliminary
approval

3-6 weeks ago, FRA announced
approval of funding to

Shippers Association

per Senator Jepsen, \$4.9M

including relab (not including
\$1.1M from Iowa)

"PACY"



CRAIG E. BURROUGHS

PRESIDENT

(815) 485-2622 OFFICE

Prairie Central Railway Company

SUITE 1042, 217 OAK DRIVE • NEW LENOX, IL 60451

3/6/83

AW 1000 cars one year old to N.A.

Working with N.A.

Cars contributed as equity, use for
leverage in additional financing
Golden Arrow, Ogo IL (AW market
people)

Reduced car line 80% on SoLine
Lower Falls Gateway - joint venture
40% of truck line labor cost

120 cars, 8000 tons on Prairie Central
two crew persons

DePue IL NJ Zinc Refinery
Mobil Chemical

Schell IL, crushed rock, granite

Chicago IL - steel mill slag

Joint venture

Trans-Action Lines & Limited M-K
100% Prairie Central 10/81 (ex Wabash Valley)
100% Prairie Truck 10/79 BO
80% LOAM 4/74 from ICG

(2)

Saint Venture
Trans-Action
North American
Soo Line

Iowa Falls Gateway

Cedar Rapids \$3,000,000
essentially East, Early, Iowa Falls, Burlington,
Des Moines, Earlham - Dinterset, Keokuk
\$2,500,000

\$1000/acre reclamation

20% production

\$12,000,000 cash \$5,000,000 debt
\$6,000,000 Cedar Rapids, Des Moines
Native power and freight cars for fuel
\$10,000,000 Des Moines as security
venture 250 \$10,000,000
28%/78% 2 locomotives

1200 cars in storage, no load, up
to two years.

(3)

\$4/\$100 of payroll, Short line liability
insurance

\$65,000/\$300,000

10000 cws / 6000 WV gear

Burns, Packard (2)

Cedar Rapids

National Oats

Quaker Oats

National Steel

Wilson + Co.

(Cargill - 3)

(ADM)

(Purbeck Ford)

BBB - private car on Leech Lake

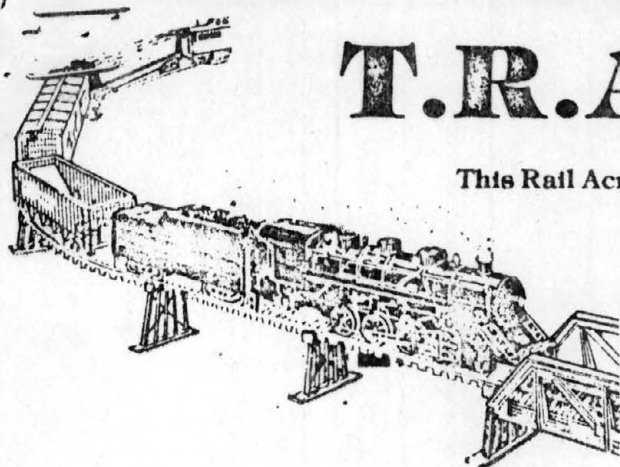
Soo Line Railroad Company

TO JOETIME 8:49DATE 3/16**IMPORTANT MESSAGE****WHILE YOU WERE OUT**M Red HollandOF Iowa DOTPHONE NO 515/239-1646☒ Telephoned☒ Please call back☐ Called to see you☐ Will call again☐ Left the following message: ----

3/16/83 Les Holland & Laura DOT

Dan Franklin

Mike Lipsman



T.R.A.I.N.

This Rail Across Iowa Is Necessary

March 15, 1983

The Honorable Terry Branstad
Governor of the State of Iowa
State Capitol Building
Des Moines, IA 50319

Dear Governor Branstad:

The Des Moines Register issue of Saturday, March 12, 1983, carried an item indicating Mr. James R. Wolfe, president of the Chicago and North Western Railroad, asked you to deny a request by the Soo Line Railroad for state financing to purchase segments of the bankrupt Rock Island Lines in Iowa. Please consider our arguments in favor of the Soo Line purchase.

TRAIN is a group of very concerned shippers, Chambers of Commerce, private business people and other interested parties who are attempting to preserve the east-west line of the Rock Island Railroad across the state of Iowa. Our efforts are prompted by a very genuine belief this line is necessary to the growth of the industries and communities on the line as well as the general economic growth of the entire state. We feel the line complements Interstate 80 as a major transportation artery into, through and out of our state. We are not a group of rail buffs who long for the preservation of the line for nostalgic reasons.

TRAIN is the plaintiff in a court suit to test the validity of the Iowa Railway Finance Act and is financing these efforts with funds contributed by members of TRAIN, financial institutions located on the line and other private contributors.

While TRAIN's major interest is preservation of the east-west line of the Rock Island we are also concerned that the CNW is bidding to buy the north-south line and other trackage which would give them control over some 80 percent of the rail business in Iowa. We do not feel it is in the best interests of the citizens of Iowa to have one railroad control that great a part of our rail business, especially one as heavily indebted as the CNW.

The CNW's long time opposition to continued life for the Rock Island lines in Iowa has been based in part on their contention that there is unneeded rail capacity. However, a study by the Federal Railway Administration projecting rail tonnage for 1990 indicates a very substantial increase in the Omaha-Des Moines-Chicago corridor. This would far exceed the present capacity of the rail lines now operating between those points. Yet the CNW now wants to cut the heart out of the east-west

Governor Branstad
page 2

line, by including in their bid for the north-south line; a short segment of trackage within the city of Des Moines which we consider to be of vital importance to preserving the east-west service but totally unneeded by the CNW. We feel their only interest in that short segment is to control and eventually eliminate service on the line paralleling Interstate 80 across Iowa.

Mr. Wolfe made much to do about the Soo Line being a foreign controlled company. We fail to see where this is a valid argument against state participation in providing funds under provisions of the Iowa Railway Finance Act. There is no such prohibition in that legislation. After all, American interests have invested in foreign (including Canadian) ventures for many years.

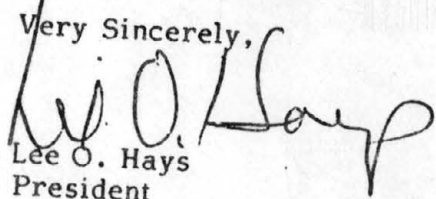
We submit that ownership of the north-south line by the Soo Line would do more for Iowa than ownership by the CNW. More tax dollars would be received in Iowa. The Soo Line would spend just as much (perhaps more) for rehabilitation work on the line and they would provide more jobs since there would then be two separate railroad companies operating north and south through Iowa. Ownership by the CNW would certainly mean an eventual phase-out of one of the lines.

The CNW appears to be terrified of competition. We submit the best way to neutralize or overcome competition is to provide a superior product or service, not to buy out and scrap.

The purchase of the north-south line of the Rock Island by the Soo Line would bring to us the stability of a financially strong railroad, interested in serving the shippers of Iowa who have suffered with poor or non-existent rail service for so many years.

We feel positive action from you in helping the Soo Line secure aid from the state would be of immeasurable benefit to the citizens of Iowa. Thank you for your consideration.

Very Sincerely,


Lee O. Hays
President

mt

Copies have been furnished to:
Mr. Robert E. Rigler, Chairman
Iowa DOT Commission
Iowa DOT Rail Staff
Senator William Harbor
Representative Jean Lloyd-Jones
Members of TRAIN

Soo Line Railroad Company



Soo Line Building
Box 530
Minneapolis, Minnesota 55440
(612) 332-1261

THOMAS M. BECKLEY
Chairman
and
Chief Executive Officer

March 14, 1983

Mr. William M. Gibbons
Trustee
Chicago, Rock Island and Pacific
Railroad Company
332 S. Michigan Avenue
Chicago, Illinois 60604

Re: Purchase of Rock Island Trackage

Dear Mr. Gibbons:

This will confirm our telephone conversation of March 10, 1983 when I advised you that Soo is preparing a new offer to submit to you for certain Rock Island properties in Iowa, Minnesota and Missouri. Since the properties covered by the new Soo offer are in large part identical to those which are the subject of the contract for purchase entered into between you and the Chicago and North Western Transportation Company, we intend to ask the bankruptcy court on Tuesday, March 15, 1983, to delay review of the Chicago and North Western offer for 30 days, to permit you an opportunity to receive and consider our proposal.

Soo intends to submit to you a Purchase Agreement that will include the following provisions:

- A) Payment of cash consideration of \$81 million at the time of closing for the properties covered by the Purchase Agreement.
- B) Acquisition by Soo of Rock Island trackage and trackage rights together with appurtenant right-of-way and operating facilities, as follows:

Approximate Mileage

- 1. Twin Cities - Kansas City 412.30
 - A. 6.78 miles of trackage rights over MILW between Northfield (MP 313.4) and Comus (MP 306.62)

	<u>Approximate Mileage</u>
B. Comus (MP 306.62)-Northwood , (MP 236.41)	70.21
C. 22.17 miles of trackage rights over C&NW between Northwood (MP 236.41) and Clear Lake Jct. (MP 191.08)	
D. Clear Lake Jct. (MP 191.08)- Short Line (MP 73.6)	117.48
E. Short Line (MP 73.6)-Allerton (MP 0.0) (364.79)	73.6
F. Allerton (0.0) (MP 364.79)- Trenton (MP 415.9)	49.64
G. Trenton (MP 415.9)-Air Line Jct. (MP 502.93) (including agreements with MILW for trackage rights and joint ownership and operation between Polo and Sheffield and Trackage Rights Agreement over KCS, Air Line Jct.-Sheffield, MO)	87.89
H. Short Line Yard (MP 350.08)-West Des Moines (MP 364.34) (including agreements with CNW for trackage rights and joint ownership and operation between Des Moines (MP 358.57) and West Des Moines (MP 362.62) including the Hollingsworth Spur, and including certain collateral parcels of "excluded land" as described in Section 8 of a catalog of excluded lands supplied by the trustee and generally lying adjacent to or near the east-west railroad line of the trustee in the cities of Des Moines and West Des Moines, Iowa)	13.48
2. Iowa Falls (MP 94.4)-Estherville (MP 206.9)	112.50
3. Rake (MP 51.47)-Ocheyedan (MP 247.12)	91.09
A. Rake (MP 51.47)-Estherville (MP 0.6)	50.87
B. Estherville (MP 206.9)- Ocheyedan (MP 247.12)	40.22

	<u>Approximate Mileage</u>
4. Dows (MP 113.4)-Forest City (MP 158.1)	44.70
5. Hartley (including Trackage Rights Agreement over MILW between Emmetsburg and Hartley, Iowa)	0.10
6. Carlisle (MP 368.3)-Indianola (MP 379.6)	11.30
Total Lines to be Purchased	<u>671.99</u>

- C) In general, following the provisions of the contract between the Trustee and Chicago and North Western Transportation Company, where its provisions are applicable or appropriate to Soo.
- D) Closing the transaction following necessary governmental approval on a time schedule similar to that provided in the Chicago and North Western contract.

The Soo offer will include the following lines and properties that are not part of the Chicago and North Western offer:

- 1) Iowa Falls-Belmond
- 2) Clarion-Goldfield
- 3) "Excluded land" near and adjacent to the east-west line through the cities of Des Moines and West Des Moines, Iowa.

The Soo offer will not include the following properties, which are part of the C&NW offer:

- 1) St. Paul to Rosemount, as well as Milwaukee trackage rights Rosemount to Northfield.
- 2) Bricelyn to Rake
- 3) Ocheyedon to Sibley
- 4) Royal to Palmer
- 5) Cedar Rapids trackage

March 14, 1983
Page 4

These properties will remain in the custody of the Trustee,
available for other sale or disposition.

Yours very truly,

cc: Nicholas G. Manos, Chicago, Rock Island and Pacific
Railroad Company, 332 S. Michigan Avenue, Chicago,
IL 60604

EXHIBIT A-1

PROPERTIES

Part 1 - Railroad Lines *

Approximate Mileage

1. Twin Cities - Kansas City

A. Rock Jct. (M.P. 5.2) - Q Jct.
(M.P. 1.54) (includes
industrial trackage to American
Hoist & Derrick Co.) (M.P. 8.44)

429.35

412.30

A. Inver Grove Switch (M.P. 343.86) -
Rosemount (M.P. 333.71) including
26.99 miles of trackage
rights over MILW between
(MP 333.71 and MP 306.62)

10.15

B. Comus (M.P. 306.62) - Northwood
(M.P. 236.41) 22.17 miles of
trackage rights over C&NW
used between (M.P. 236.41) and Clear Lake Jct.
(MP 191.08) Northwood

70.21

22.17

D. Clear Lake Jct. (M.P. 191.08) -
Short Line (M.P. 73.6)

117.48

E. Short Line (M.P. 73.6) -
Allerton (M.P. 0.0) (364.79)

73.6

F. Allerton (0.0) (M.P. 364.79) -
Trenton (M.P. 415.9)

49.64

G. Trenton (M.P. 415.9) - Air Line
Jct. (M.P. 502.93)
(Including (x) Agreements with
MILW for trackage rights and
joint ownership and operation
between Polo and Sheffield
and (y) Trackage Rights
Agreement over KCS, Air Line
Jct. - Sheffield, Mo.)

87.89

H. Short Line Yard (M.P. 350.8) -
West Des Moines (M.P. 364.34)

13.48

(including agreements with C&NW
for the joint use of trackage
rights and joint ownership and operation
between Des Moines M.P. 358.57
and West Des Moines M.P. 362.62
including the Hollingsworth Spur
and including (insert))

Approximate Mileage

2A. Dows (M.P. 112.54) - Clarion (M.P. 128.25)	15.61
Iowa Falls (M.P. 94.4)	12.50
2. Goldfield (M.P. 135.73) - Estherville (M.P. 206.9)	71.15
RAKE (M.P. 51.47) - OCHEYEDAN (M.P. 217.12)	
3. Bricelyn (M.P. 57.62) - Sibley (M.P. 258.06)	108.18
RAKE (M.P. 51.47) -	50.87
A. Bricelyn (M.P. 57.62) -	57.02
Estherville (M.P. 0.6)	
B. Estherville (M.P. 206.9) -	40.22
Sibley (M.P. 258.06)	51.16
Dows (M.P. 112.54) - OCHEYEDAN (M.P. 217.12)	44.70
4. Belmond (M.P. 128.71) - Forest City	29.39
(M.P. 158.1)	
5. Royal (M.P. 502.74) - Palmer (M.P. 453.60)	49.14
(including Trackage Rights Agreement over	
MILW between Emmetsburg, Spencer and Webb, Ia.)	
6. Cedar Rapids (M.P. 96.3 to M.P. 100.12)	3.82
5. Hartley (including Trackage Rights	0.10
Agreement over MILW between	
Emmetsburg and Hartley, Ia.)	
6. Carlisle (M.P. 368.3) - Indianola (M.P. 379.6)	11.30

TOTAL LINES TO BE PURCHASED

11.30
~~61.99~~
718.04

671.99

*CERTAIN COLLATERAL PARCELS ("EXCLUDED LAND"), TO BE DESCRIBED IN LEGAL DESCRIPTIONS AGREED TO BY THE PARTIES, SHALL BE EXCLUDED FROM THESE SEGMENTS. THE PARTIES INTEND THAT LAND ON WHICH STRUCTURES (OTHER THAN TRACK) MATERIAL TO NORTH WESTERN'S RAILROAD OPERATIONS UNDER THE LEASE ARE SITUATED ARE NOT INTENDED TO BE INCLUDED IN THE EXCLUDED LAND.

Part 2 - Personal Property and Fixtures

All affixed or installed superstructures, tracks, roadbeds, bridges, trestles, culverts, fences, signs, grade crossings, grade crossing protection signals, ties, rails, fastenings, anchors, braces, chairs, plates, bars, bolts, washers, nuts, spikes, switches and switch devices, electrical, signal and communication facilities and equipment, including traffic control systems, hot box detectors, depots, station buildings, and other miscellaneous buildings, sheds, shanties, and all other structures, fixtures, affixed equipment and facilities, and all other appurtenances thereto of whatsoever kind and description in any manner forming a part of the Properties or now or hereafter located thereupon or connected therewith.

EXHIBIT A

GENERAL DESCRIPTION OF PROPERTIES

	<u>Approximate Mileage</u>
1. Twin Cities - Kansas City	429.4
A. Rock Jct. (M.P. 5.2)-Q Jct. (M.P. 1.9) (includes industrial trackage to American Hoist & Derrick Co.) (M.P. 8.5)	6.6
B. Inver Grove Switch (M.P. 344.2)- Rosemount (M.P. 333.5) (Inclu- ding Trackage Rights Agreement over MILW between MP333.5 and MP306.35)	10.7
C. Comus (M.P. 306.35)-Northwood (M.P. 236.3) (C&NW trackage used between M.P. 236.3 and 191.1)	70.1
D. Clear Lake Jct. (M.P. 191.1)- Short Line (M.P. 73.6)	117.5
E. Short Line (M.P. 73.6)- Allerton (M.P. 0.0) (364.8)	73.6
F. Allerton (0.0) (M.P. 364.8)- Trenton (M.P. 415.9)	51.1
G. Trenton (M.P. 415.9) - Air Line Jct. (M.P. 502.2) (Including (x) Agreements with MILW for Joint Operation between Polo and Birmingham and Birmingham to Air Line Jct. and (x) Trackage Rights Agreement over KCS, Air Line Jct. - Sheffield, Mo.)	86.3
H. Short Line Yard (M.P. 350.8)- West Des Moines (M.P. 364.34)	13.5
2. Iowa Falls (M.P. 95.3) - Estherville (M.P. 206.9)	111.6

		<u>Mileage</u>
Less:	Iowa Falls (M.P. 95.3)- (17.2)	
	Dows (M.P. 112.5)	
	Clarion (M.P. 128.1)- (7.6)	
	Goldfield (M.P. 135.7) <u> </u>	
		<u>(24.8)</u>
		<u>86.8</u>
3.	Bricelyn (M.P. 57.7)-Sibley (M.P. 257.7)	<u>107.9</u>
	A. Bricelyn (M.P. 57.7)- 57.1	
	Estherville (M.P. 0.6)	
	B. Estherville (M.P. 206.9)- 50.8	
	Sibley (M.P. 257.7)	
4.	Dows (M.P. 113.4)-Forest City 44.8	
	(M.P. 158.2)	
	Less: Dows (M.P. 113.4)- <u>(15.3)</u>	
	Belmond (M.P. 128.7)	
		<u>29.5</u>
5.	Royal (M.P. 502.7)-Palmer (M.P. 453.7)	<u>49.0</u>
	(including Trackage Rights Agreement	
	on MILW between Emmetsburg, Spencer	
	and Webb, Ia.)	
6.	Cedar Rapids (M.P. 96.3 to M.P. 100.1)	<u>3.8</u>
7.	Hartley	<u>0.1</u>
	(including Trackage Rights Agreement	
	on MILW between Emmetsburg and	
	Hartley, Ia.)	
8.	Carlisle (M.P. 368.3)-Indianola (M.P. 379.6)	<u>11.3</u>
		<u>717.8</u>
	TOTAL LINES TO BE PURCHASED	

*CERTAIN COLLATERAL PROPERTIES, TO BE DESCRIBED
IN DETAIL, SHALL BE EXCLUDED FROM THESE SEGMENTS.

March 14, 1983

To: T. M. Beckley
From: D. J. Boyer ~~DB~~
Re: Telephone Conversation Jean Lloyd Jones, Legislative
Representative, Iowa Falls, Iowa
City

Approximately 2 p.m. received a telephone call from above individual. In short, above subject wanted to assure Soo of the strong interest to preserve East-West trackage of Rock Island through Des Moines by the State of Iowa. Subject quickly reviewed the sources of funds for IRFA and the pending litigation over these funds.

Subject stated she wished to get Soo response to two questions:

- (a) How urgent is it to Soo for Iowa legislation action immediately to provide \$5 million?
- (b) Would it be helpful to Soo to have Governor of Iowa set forth the intent of Iowa toward assistance to Soo in acquisition of Rock Island trackage?

I stated I would give a brief response to the questions posed if Rep. Jones would explain why these questions were being posed now.

Rep. Jones stated that Paul Pellett of Atlantic, Iowa in testimony before a House committee at 9 a.m. this morning made a startling statement. "If State of Iowa does not come up with \$5 million today the Soo deal is off!"

I offered that I would respond to the questions inasmuch as Mr. Beckley and Mr. Cavanaugh were both out of town; but would insist that my response be confirmed by either officer of Soo upon their return.

I agreed to a conference call at 8:45 a.m. Tuesday, March 15, Representative Jones office Des Moines.

At 4:15 p.m. Chairman Beckley returned to the office and was advised of above. He will be in Bismarck, ND on Tuesday and unavailable for the conference call.

At 8:45 a.m. Tuesday, D. Boyer called Jones office and advised of Chairman Beckley inability to make call. Re-established the conference call for Wednesday, March 16 at 8:45 a.m. to the

T. M. Beckley
March 14, 1983
Page Two

following:

(515) 281-5566 office of Don Avenson.

Conference attendees:

Don Avenson, Majority Leader
Phil Babitt, Asst. Majority Leader
Bill Harbor, Minority Leader
Jean Lloyd-Jones, Legislative Representative

cc: B. D. Olsen

281-5566
- *has 10 million payback APPROPRIATION Loan!*
ATTN: General

March 14, 1983

To: B. D. Olsen
From: D. J. Boyer *DJO*
Re: Establish a Proposed Meeting Date for Purpose of
Expediting an Application by Soo to IRFA for Funding
in Rock Island Acquisition

Iowa DOT Representatives involved:

Mike Lipsman (sp), Control person-applications	(515) 239-1694
Lester A. Paff, Asst. Attorney General	(515) 239-1636
Dan Franklin, Mgr. Adm., Rail Division	(515) 239-1647
Harvey Sims, Mgr. Rail Division	(515) 239-1054
Les Holland, Dir. Rail Division	(515) 239-1646
Stephen H. Roberts, Sp. Counsel IDOT	

On Tuesday, I visited by telephone with Lipsman and Holland requesting their presence in Minneapolis on Thursday, March 17. Lipsman advised he will start requests to travel immediately and Holland advised he will approve.

On Wednesday, I called Dan Franklin to confirm Thursday conference by IDOT in Minneapolis. Dan advised problem with approval to travel out of state, but will try to expedite. He advised that more than likely he and Lipsman will be the representatives for Soo.

Since I will be out of the office after Tuesday; I requested that Lipsman or Franklin contact Harold Ness of Soo for advise-ment of meeting date and arrangements.

I suggest IDOT reps stay at MAC in Minneapolis for ease of location. Perhaps Soo reps can travel to Ames if a problem results with IDOT out of state travel.

cc: H. J. Ness
R. H. Smith
✓ J. D. Darling

CHICAGO AND



TRANSPORTATION COMPANY

JAMES R WOLFE

PRESIDENT AND CHIEF EXECUTIVE OFFICER

March 11, 1983

Hon. Terry Branstad
Governor
State Capitol
Des Moines, Iowa 50319

Dear Governor Branstad:

I have just been advised that the Iowa Railroad Finance Authority has agreed to accept for consideration a request by the Soo Line Railroad, a company controlled by Canadian interests, for public financing in the amount of \$21 million to enable the Soo to bid competitively for lines of railroad now owned by the Rock Island Railroad, lines which the Chicago and North Western has just signed a contract to buy. In effect, State funds would be used to frustrate private American initiative—on behalf of a foreign controlled company. I also have been advised that some Iowa governmental representatives have encouraged and, in fact, support such action.

The North Western is utterly appalled at the possibility of such discriminatory State governmental action. We have made an arms-length private agreement for the property after years of difficult negotiations and we will pay for it ourselves without any governmental financial assistance. It is our intention to physically rebuild the lines at issue and by so doing, give Iowa a far better rail system than is presently the case.

Considering that we have operated these same railroad lines for almost three years on a lease basis at our expense under extremely difficult economic circumstances (money losing) and in the process served the at times desperate shipping needs of the State and its people, it would be considered by us, Iowa's major railroad, as an extremely unfriendly act by State government if such an unfair request by foreign interests is favorably received. In this respect, two facts are extremely important. First, North Western has spent over \$10 million on these Rock Island lines just to make

Hon. Terry Branstad
March 11, 1983
Page Two

them usable for Iowa commerce in the past three years. There were no other volunteers for this project at a time when Iowa desperately needed a railroad to pick up the Rock Island pieces. Secondly, North Western is Iowa's largest railroad, serving most of its major cities, some exclusively, and large sections of agricultural territory. If Chicago and North Western would lose, major portions of your state will also lose.

It is our position that the request itself is unlawful under existing law; that the request is the very antithesis of the basic American free enterprise ethic which we know you support; that the request is an infringement on private business in general and will harm Iowa commerce.

I feel that as you examine the facts you will agree with us and that the people of Iowa will do the same.

In all fairness, we ask your help in seeing that the request is promptly denied and that you support our purchase before the Interstate Commerce Commission.

Sincerely,

(Signed) J. R. Wolfe

COMPARISON OF SOO PROPOSED OFFER
TO CNW PROPOSED OFFER
(\$'s in millions)

Railroad properties in SOO offer not included in
CNW offer

Iowa Falls - Belmond		\$ 2.9
Clarion - Goldfield		0.9
Total		<u>\$ 3.8</u>

Railroad properties in CNW offer not included in
SOO offer

St. Paul - Rosemount		\$ 4.3
Bricelyn - Rake		0.7
Ocheyedan - Sibley		1.1
Royal - Palmer		4.4
Cedar Rapids		2.6
Total		<u>\$ 13.1</u>

SOO Offer

SOO	\$ 81.0
Other Railroad	13.1
Property	
Excluded Property	<u>14.4</u>
TOTAL	<u><u>\$108.5</u></u>

CNW Offer

CNW	\$ 76.4
Other Railroad Property	3.8
Excluded Property	<u>14.4</u>
TOTAL	<u><u>\$ 94.6</u></u>

Notes

1. Both SOO and CNW offers include the East to West Des Moines railroad property without excluding properties.
2. Values are based on Trustee's real estate appraisals and estimates of net salvage, prorated or extrapolated as necessary, except the Royal - Palmer segment is at the \$4.35 million agreed value.

JDD/jmz

3/11/83

COMPARISON OF SOO PROPOSED OFFER
TO CNW PROPOSED OFFER
(\$ in millions)

Railroad properties in SOO offer not included in
CNW offer

Iowa Falls - Belmond	\$	2.9
Clarion - Goldfield		0.9
Total	\$	<u>3.8</u>

Railroad properties in CNW offer not included in
SOO offer

St. Paul - Rosemount	\$	4.3
Bricelyn - Rake		0.7
Ocheyedan - Sibley		1.1
Royal - Palmer		4.4
Cedar Rapids		2.6
Total	\$	<u>13.1</u>

SOO Offer

SOO	\$	81.0
Other Railroad		13.1
Property		
Excluded Property		<u>12.4</u>
TOTAL		<u><u>\$106.5</u></u>

CNW Offer

CNW	\$	76.4
Other Railroad		3.8
Property		
Excluded Property		<u>14.4</u>
TOTAL		<u><u>\$ 94.6</u></u>


Notes

1. Both SOO and CNW offers include the East to West Des Moines railroad property. The SOO offer includes the excluded properties.
2. Values are based on Trustee's real estate appraisals and estimates of net salvage, prorated or extrapolated as necessary, except the Royal - Palmer segment is at the \$4.35 million agreed value.

JDD/jmz

3/11/83

3/11/83 TMB, DMC, BDO, RLS, CHC, RLM, HSN, ~~DOB~~
~~DOB~~

Letter from TMB  Property
CNCW
\$81M
Compare Katy and CNCW

Rock Island Acquisition

Steps taken to date following CNW agreement.

With Iowa DOT:

Advised Soo could support offer of up to \$60 million on basis of own traffic study.

Tentatively agreed that offer to trustee should be \$80-81 million to be successful in light of C&NW offer of \$76.3 million and top credit authorization of \$80 million.

DOT advised it has expectation of \$7.5 million in property tax payments by Rock Island trustee which might be applied after "friendly" law suit authorizes.

Further \$2 million owed by Rock Island on track improvement loans might be applied.

Approximately \$8 million has accumulated from diesel fuel tax which is tied up in courts.

Final resolution of fuel tax case would give IRFA bonding authority up to \$100 million.

Proposed two tranches of \$20-21 million Iowa public support.

(1) Include \$10-11 million in Des Moines property in bid to be taken out by Des Moines business group who would be ultimately reimbursed through IRFA purchase plus sales of parcels not needed for railroad purposes.

(2) Include \$10 million to be funded ultimately by IRFA either on a loan to Soo repayable without interest and after 10 years or traffic related payback.

Endeavor to have legislature appropriate \$10 million in anticipation of funds coming to IRFA from various sources.

With Des Moines group:

Met with shipping and public interests.

Fred Weitz

Des Moines Contractor

(1) Letter to Trustee
(2) ICC request
for exemption
(3) Finance program

(4) IDOT
(5) MnDOT advising
MnDOT

(6) KCS - Miller for
KC entry
(7) order for business
overhaul - ICC

(8) ICC request for
auth to acquire line
(9) Negotiate finance bank

(10) IRFA application

Tom Urban

Pioneer Seed Com. Chairman

Maytag

James W. Hubbell

Real Estate developer.

Encourage idea that preservation of East-West corridor is not consistent with C&NW acquisition.

Desirability of strong railroad serving Iowa in competition with C&NW.

Manner in which funds might be generated to be made by Des Moines interests.

With IRFA:

Filed preliminary application for \$21 million.

Hearings on March 8 gave support to Soo proposal and authorized DOT to negotiate with Soo.

With Trustee:

Advised trustee on February 18 of possible Soo interest in making further proposal.

Was told contract with C&NW has escape clause if better offer received.

Approval of contract with C&NW noticed for hearing March 15.

Steps to be Taken

Advise trustee of strength of Soo offer. Seek postponement of March 15 date or in alternative appear before court to indicate size of offer and comparison with C&NW agreement.

Obtain ICC approval to negotiate without competitive bidding financing terms.

Negotiate agreement with Iowa DOT for manner in which state funding will be applied and repaid.

Contact Minnesota and Missouri DOT to advise and seek support.

Negotiate with KCS and Milwaukee for terms of entry into Kansas City.

Arrange for transfer of Rock Island trackage right to Soo.

File with ICC request for authority to acquire lines.

Negotiate financing with banks including possibly Bank for Cooperatives.

Secure indications of shipper support.

Contract with Des Moines citizen group.

Contact state and federal legislators.

File application for financing with IRFA.

File application for federal rehabilitation funds (\$15 million) with FRA.

Clarify role of Illinois Central in providing service to Royal Palmer Manson segment.

Prepare purchase agreement following terms of C&NW contract.

Mtg Ames, 3-10-83

(1) Resolution - form is prescribed, but may be revised so long as content is retained.

(2) Part II - separate application for rehab assistance, but state that Soo is or will make application for branch line assistance.

Need Mile Posts by operating property.

Description of MPP needed additionally
Maps - diagrams

Thursday 3-17

Part III (E) No problems anticipated.

Part IV (c) Segregate Spine Line and IFG line.

Mike Hippman	515-239-1694	Contact person
Lester A. Paff	-	1636 Asst Atty Gen
Harvey Sims		1054
Dan Franklin		1647
Holland		1646

Working paper - Supporting papers to allow IDOT to confirm calculations.
Ignore inflation factors in calculations, unless Soo has built in.

Concure a completed feasibility study if Soo has one.

Traffic - off line - need originating, terminating and intermediate benefits derived by project lines.

I - Shipper survey - By stations, by 2 digit commodity, separate gain from other oil, fertilizer from other 25 items.

3274 Branch Line Assistance Projects

Chamber of Commerce office - 11:30 am ³/₁₀ Des Moines

- ① Char Crawford - Adam Elevator
- ② COSS - Rosecrans Corp

③ Wal Keeney ✓

④ Pellat Atlantic

⑤ Potter Maytag

⑥ West Levine - Newton Chamber (T RAIN)

⑦ Lee Hayes - Pres Train UP Maytag

⑧ Tom Urban - Pioneer Seed

⑨ Gene Schwab - I & RK

⑩ Chuter Good - CC

⑪ Steve Roberts

⑫ BO - orientation of Soc interest in NS RI to KC

11th offer dependent upon participation.

Compares CNW - Soc offers - Soc must be significantly better than CNW

³/₅ Bankruptcy Court approval of CNW

EC Mtg then approving new offer.

Then meet with IRFA - draft agreement under litigation.

Include RE (E-W Des Moines)

? (6) Can CNW come back in and out bid Soc? yes - example
CNW has had independent appraisal.

? (4) What kind of commitment from IRFA, Legs, or Group.

(1) How would it be structured with the group & Soc & IRFA.

(11) Ans: Consortium of limited partners and GP Soc.

5 mil ~~5 mil~~ IRFA to Soc '83 - 5 mil '84 Reimbursable by IRFA future

(1) Vtally interested - cannot commit today.

(11) Expanded on Funding 5 mil Leg app '83 5 Leg app '84 plus 7th Del 9 Tx

Then Mtg - Holland

(1) E-W preservation

(2) Spin off - E-W

(3) Participation by

Slippers

IRFA

Iowa

Jim Hubbell

Bob Burr

Tom Farris

IDM Nat'l Bank

2 pm

① Explain Soo interest in RI

(a) Soo position re E-W DM RI package

(b) IDOT interest in ✓ ✓ ✓ ✓

② Hubbell interest in RE of RI in DM?

③ Route experience of elevators in NW Iowa in
question - least of RI RE.

④ Would Hubbell interests consider the combination
of a package bid in which Soo would
re-sell identified RE at a Springfield price plus
carrying expense? Yes Quickly? yes

⑤ Will Hubbell identify and specify price of each
parcel of RE? Yes Quickly? yes

⑥ Hubbell sez they own industrial trackage leased to
DMA for service of industry in factory district. Old DM Western RR

6:30 PM $\frac{3}{4}$ Dinner Mtg Marriott Hotel Des Moines, Ia

Bill Flannery, Asst. Dir. Traffic & Transportation
City of Des Moines

Thomas Urban, President
Pioneer Hi-Bred Int'l.
& Vice President of Chamber

Melba Mickle
Legal Department
City of Des Moines

Kenneth Myers
President, United Central Bankshares & Chamber president

Harlan "Bud" Hockenberg
Davis, Hockenberg, White, Brown & Koehn

Mark Threlkeld
Dir. of Economic Development
Greater Des Moines Chamber of Commerce

Paul Pellett
Atlantic, Iowa

Iowa DOT:
Sims
Holland

Dwight Swanson
Chairman, Iowa Resources

See:
BDOlsen
D.H. Meyer

Paul Gaas
Rolscreen Co.
Pella.

DM Chamber:
Chuter Good

Charlie Crawford
President, Adair Feed & Grain
Adair, Iowa

March 9, 1983

TO: T. M. Beckley
D. M. Cavanaugh
C. H. Clay
R. H. Smith
R. L. Murlowski
H. J. Ness
D. J. Boyer
~~J. D. Darling~~

FROM: B. D. Olsen *BDO*
sp

RE: Rock Island Acquisition

As a matter of information, I attach the preliminary rules of the Iowa Railway Finance Authority (IRFA) which will be applicable to applications for financial assistance submitted to that body. If we proceed with such an application, we will need to be governed by those rules.

I also now attach a copy of the Commission order making a finding that North Western acquisition of the Rock Island Iowa trackage will not constitute a major market extension. This will simplify the North Western's application for authority to acquire and operate the line, but still appears to contemplate a formal application. This order identifies each line segment the C&NW seeks to acquire.

I ask that Messrs. Smith, Murlowski, Ness and Darling review the application requirements to determine how quickly we could assemble the required information. If we do proceed, the application must be prepared very quickly.

BDO/sjp
Attachment

6:30 PM $\frac{3}{4}$ Dinner Mtg Marriott Hotel Des Moines, Ia

Bill Flannery, Asst. Dir. Traffic & Transportation
City of Des Moines

Thomas Urban, President
Pioneer Hi-Bred Int'l.
& Vice President of Chamber

Melba Mickle
Legal Department
City of Des Moines

Kenneth Myers
President, United Central Bankshares & Chamber, president

Harlan "Bud" Hockenberg
Davis, Hockenberg, White, Brown & Koehn

Mark Threlkeld
Div. of Economic Development
Greater Des Moines Chamber of Commerce

Paul Pellett
Atlantic, Iowa

Iowa DOT:
Sims
Holland

Dwight Swanson
Chairman, Iowa Resources

See:
BDOlsen
D.H. Sawyer

Paul Gaas
Rolscreen Co.
Pella.

DM Chamber:
Clinton Good

Charlie Crawford
President, Adair Feed & Grain
Adair, Iowa

Date 3-9To: JoeFrom: hph

- | | |
|---|---|
| <input type="checkbox"/> For Your Info | <input type="checkbox"/> Type: Rough-Final |
| <input checked="" type="checkbox"/> Note And Return | <input type="checkbox"/> Retype |
| <input type="checkbox"/> Handle | <input type="checkbox"/> File |
| <input type="checkbox"/> Review Draft | <input type="checkbox"/> Distribute |
| <input type="checkbox"/> Lets Discuss | <input type="checkbox"/> Route |
| <input type="checkbox"/> Draft Reply | <input type="checkbox"/> Punch Holes: 3 - 2 |
| <input type="checkbox"/> Reply Directly | <input type="checkbox"/> Copy: Number _____ |
| <input type="checkbox"/> Comments? | <input type="checkbox"/> Follow Up _____ |
| <input type="checkbox"/> Recommendation | <input type="checkbox"/> Need By: _____ |
| <input type="checkbox"/> For Your Approval | <input type="checkbox"/> Mail |

It looks like we are still in running -
what do you think our chances are?

Per the Des Moines Register, March 9, 1983, Soo Line has made application to the Iowa Railway Finance Authority for \$21 million in loans to help in the acquisition of the Rock Island north-south main line and grain branch lines in Iowa. Prior to this announcement, it had been expected that the federal court overseeing the Rock's bankruptcy proceedings would issue an initial ruling on the CNW's purchase proposal on Tuesday, March 15. This ruling will apparently now be postponed while the outcome of the Soo's discussions with the state of Iowa is determined. Soo has also apparently approached some Des Moines-area shippers about possible financial assistance.

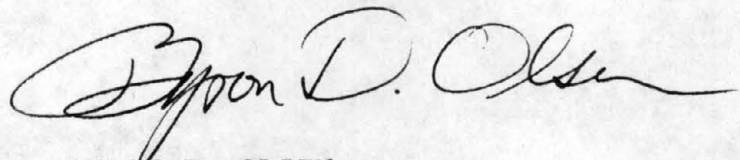
The Iowa Railway Finance Authority was created in 1980 by an act of the Iowa legislature in order to provide assistance to companies who might seek to buy and rehabilitate lines of the Rock Island and Milwaukee Road which were no longer operated by their former owners. The heart of the IRFA funding plan, however, is a controversial state tax on diesel fuel which has been contested in court by all of the other major railroads serving Iowa. As a result, even though Soo's loan request has been favorably commented on by Iowa officials, it is not clear whether the state will be able to actually come up with the money.

BEFORE THE
IOWA RAILWAY FINANCE AUTHORITY

PRELIMINARY APPLICATION FOR
FINANCIAL ASSISTANCE

THOMAS M. BECKLEY
Chairman of the Board and Chief
Executive Officer

DENNIS M. CAVANAUGH
President and Chief Operating
Officer



BYRON D. OLSEN
Vice President and General Counsel

SOO LINE RAILROAD COMPANY
804 Soo Line Building
Box 530
Minneapolis, Minnesota 55440
(612) 332-1261

Meeting of March 8, 1983
Ames, Iowa

BEFORE THE
IOWA RAILWAY FINANCE AUTHORITY

PRELIMINARY APPLICATION FOR
FINANCIAL ASSISTANCE

SUMMARY OF REQUEST

The Soo Line Railroad Company respectfully requests that the board of the Iowa Railway Finance Authority authorize its staff to enter into negotiations with Soo Line Railroad with the objective of developing a program of financial assistance whereby the sum of \$21 million could be made available for use in acquiring railroad lines of the Chicago, Rock Island and Pacific Railroad Company between Northfield, Minnesota and Kansas City, Missouri, as well as branch lines reaching Indianola, Forest City, Estherville, Rake and Ocheyedan, as well as certain Rock Island railroad properties in the city of Des Moines.

BACKGROUND

The Soo Line Railroad Company is a Minnesota based, financially strong, well maintained regional railroad, 4500 miles in length, serving 7 states from Chicago, Illinois and Sault Ste. Marie, Michigan as far west as eastern Montana. Soo Line stock is listed and traded on the New

York Stock Exchange. Dividends have been paid regularly in recent years.

The principal traffic flows on the Soo Line Railroad have been from western Canada via border connections in western North Dakota, northwestern Minnesota and Duluth-Superior to the Twin Cities and Chicago. The Soo is an important originator of grain and other agricultural commodities in North Dakota and Minnesota. Paper and paper products from the Wisconsin area are also important traffic sources. In recent years, export/import container traffic to and from eastern Canada via Sault Ste. Marie has become increasingly important. Prior to the cessation of operations by the Rock Island Railroad, Soo Line interchanged approximately one trainload of mixed freight per day at St. Paul for southbound movement.

THE SOO PROPOSAL

On September 14, 1982, after thorough and painstaking analysis, Soo Line made an offer to the Trustee in Bankruptcy of the Rock Island Railroad to purchase those lines listed in the summary above, with the exception of the east-west Des Moines trackage. Negotiations have continued since that time. The Soo is now in the process of assembling a new offer, in view of the imminent considerations by the bankruptcy court of another offer.

The new offer by Soo Line requires the assembling of a financing package involving other entities, including

the Iowa Railway Finance Authority. The new offer will fully justify the investment in the Rock Island lines and will provide an adequate rate of return. However, the new proposal requires participation of IRFA and requires participation by certain private interests. In order for Soo Line to continue its acquisition efforts consistent with necessary timetables, it is essential that there be an early disposition of this application.

The new offer for Rock Island Iowa trackage will require two additional financing components. First, it will be necessary for IRFA to support funding for \$10 million, applicable to the entire purchase. Secondly, purchase of trackage and certain related facilities in the Des Moines area will require joint participation of IRFA and other private interests willing to participate to the extent of \$11 million. The additional \$21 million thus obtained will complete the assemblage of a sufficiently enhanced offer.

WHAT SOO LINE OFFERS IOWA

Soo Line intends to maintain, upgrade and operate all of the Rock Island trackage acquired. Daily through service between Kansas City and Minneapolis will be provided as well as additional train service handling predominantly corn and soybean traffic and other agricultural commodities. Soo Line has a century of experience successfully and productively operating low density agricultural

commodity gathering lines. We believe that this is the talent and experience that is needed to ensure the retention and viability of all of the Rock Island trackage in Iowa covered by the Soo offer.

Today, the Soo Line is in a strong financial position and stands ready to move south in partnership with Iowa farmers and other shippers to establish good rail service over former Rock Island lines. The Soo Line is the last hope for preserving meaningful railroad competition in central Iowa. But we cannot go forward with a significantly increased offer for these Rock Island properties unless we have a strong expression of support from the Iowa Railway Finance Authority that can be expected to lead to an IRFA financial contribution when funds become available.

BEFORE THE
IOWA RAILWAY FINANCE AUTHORITY

NOTICE OF INTENTION AND PRELIMINARY
APPLICATION FOR FINANCIAL ASSISTANCE

THOMAS M. BECKLEY
Chairman of the Board and Chief
Executive Officer

DENNIS M. CAVANAUGH
President and Chief Operating
Officer

BYRON D. OLSEN
Vice President and General Counsel

SOO LINE RAILROAD COMPANY
804 Soo Line Building
Box 530
Minneapolis, Minnesota 55440
(612) 332-1261

Meeting of March 8, 1983
Ames, Iowa

BEFORE THE
IOWA RAILWAY FINANCE AUTHORITY

NOTICE OF INTENTION AND PRELIMINARY
APPLICATION FOR FINANCIAL ASSISTANCE

SUMMARY OF REQUEST

The Soo Line Railroad Company hereby respectfully requests that the Board of the Iowa Railway Finance Authority authorize its staff to enter into negotiations with Soo Line Railroad with the objective of developing a program of financial assistance whereby the sum of \$21 million could be made available for use in acquiring railroad lines of the Chicago, Rock Island and Pacific Railroad Company between Northfield, Minnesota and Kansas City, Missouri, as well as branch lines reaching Indianola, Forest City, Estherville, Rake and Ocheyedan, as well as certain Rock Island railroad properties in the city of Des Moines.

BACKGROUND

The Soo Line Railroad Company is a Minnesota based, financially solid, well maintained regional railroad, 4500 miles in length, serving 7 states from Chicago, Illinois and Sault Ste. Marie, Michigan as far west as eastern Montana. Soo Line stock is listed and traded on the New York Stock Exchange. Dividends have been paid regularly

since the Company was reorganized by merger in 1961.

The principal traffic flows on the Soo Line Railroad have been from western Canada via border connections in western North Dakota, northwestern Minnesota and Duluth-Superior to the Twin Cities and Chicago. The Soo is also an important originator of grain and other agricultural commodities in North Dakota and Minnesota. In recent years, export/import container traffic to and from eastern Canada via Sault Ste. Marie has become increasingly important. Prior to the cessation of operations by the Rock Island Railroad, Soo Line interchanged approximately one trainload of mixed freight per day at St. Paul for southbound movement.

A few months ago, after a thorough and painstaking analysis, Soo Line made an offer to the Trustee in Bankruptcy of the Rock Island Railroad to purchase those lines listed in the summary above, with the exception of the east-west Des Moines trackage. Negotiations commenced and were underway when the Chicago and North Western announced that it was now ready to make good on an earlier offer it had made. The Chicago and North Western proposed purchase will be placed before the Rock Island bankruptcy court at a hearing Tuesday, March 15, 1983, for approval. Thus, if there is continued interest in Soo Line acquisition of these Rock Island lines, action must be taken immediately.

Although Soo's traditional traffic flows have been for the most part not oriented to the south or southwest, this is not the first time that the Soo Line has considered

expanding its rail system to Des Moines and points south. In the middle 60s, Soo Line actively studied merger with the Chicago Great Western (CGW), which had lines radiating from Oelwein to Chicago, Des Moines, Kansas City and the Twin Cities. However, the Soo Line had recently come through a merger of its own and had not built up sufficient financial strength to make the proposal attractive. The Chicago and North Western subsequently acquired the Chicago Great Western and today much of the CGW has been abandoned.

Soo Line interest in this Rock Island trackage has been long and carefully considered. Traffic flows north and south have never been strong as compared with the predominant east-west movement of freight traffic in the United States. The fact that the Rock Island had tried for many years to achieve financial stability and ultimately failed was also a factor, giving Soo Line serious reservations as to the prospects of economic viability under Soo ownership. The Soo studies came to the conclusion that the economic productivity of these Rock Island lines would not sustain a purchase price of more than \$60 million, based on the financing available to Soo Line. It should be noted that Soo is today in strong financial condition and has access to normal sources of capital. However the expected return from the Rock Island properties would not generate sufficient income to justify market rate financing of a price higher than \$60 million.

Consequently, if Soo is to continue to pursue acquisition of the Rock Island north-south line and related branches, it must seek additional financing sufficiently attractive to add some \$20 million to the offering price without unduly increasing its debt structure.

It is appreciated that the Iowa Railway Finance Authority has no presently available funds that could be used for acquisition of railroad properties. It is understood that the statutory funding sources for IRFA have not yet cleared the hurdles of litigation. In addition to exploring other potential sources of public financing, Soo has searched for private entities that might have a particular interest in Soo ownership and operation of the Rock Island, such as other railroads and shippers.

THE SOO PROPOSAL

Subject to final Soo Line board approval, Soo would be willing to increase its offer for acquisition of the Rock Island lines, including the Des Moines trackage, if the IRFA board would be willing to commit funds to be received in the future, or at least give its expression of favorable intent to do so. Soo would then meet the interim financing of the purchase from conventional sources.

Soo proposes that the IRFA staff be authorized today to enter into negotiations with Soo Line to draft two agreements leading to financial support for the Rock Island purchase. The first agreement would be in the

approximate amount of \$10 million and would be between IRFA and Soo Line only. These funds would be applied to the entire Rock Island purchase and would be funded at such time as money from the diesel fuel tax and/or railway mileage tax becomes available.

The second agreement would deal only with properties in Des Moines, Iowa and would hopefully involve other private interests, both inside and outside of the city of Des Moines. Funding supported here would also be in the vicinity of \$10-\$11 million, with the expectation that the private interests would purchase within a relatively short period of time sufficient parcels of Rock Island property so as to achieve full payment of the committed amount. The IRFA role in this funding would be as a backup to the private interests in the event sufficient land sales did not develop within a two year time period. Should it become necessary, any IRFA funds could be made available for this purpose. This segment of track, part of the Rock Island east-west mainline, is not necessary to the proposed Soo operation. It is felt that the land value of this portion provides adequate collateral to support \$11 million of debt.

WHY SOO LINE?

Soo Line intends to maintain, upgrade and operate all of the Rock Island trackage acquired. Daily through service between Kansas City and Minneapolis will be pro-

vided as well as additional train service handling predominantly corn and soybean traffic and other agricultural commodities. Soo Line has a century of experience successfully and productively operating low density agricultural commodity gathering lines. We believe that this is the talent and experience that is needed to ensure the retention and viability of all of the Rock Island trackage in Iowa covered by the Soo offer.

Today, the Soo Line is in a strong financial position and stands ready to move south in partnership with Iowa farmers and other shippers to establish good rail service over former Rock Island lines. The Soo Line is the last hope for preserving meaningful railroad competition in central Iowa. But we cannot go forward with a significantly increased offer for these Rock Island properties unless we have a strong expression of support from the Iowa Railway Finance Authority that can be expected to lead to an IRFA financial contribution when funds become available.

March 7, 1983

TO: T. M. Beckley
D. M. Cavanaugh
C. H. Clay
R. H. Smith
R. L. Murlowski
D. J. Boyer
H. J. Ness
~~J. D. Darling~~

MAR-7 Rec'd

FROM: B. D. Olsen

RE: C&NW Purchase of Rock Island

I am attaching as information a copy of the C&NW petition to the ICC seeking a ruling that acquisition of the Twin Cities to Kansas City trackage would not constitute a major market extension. As you will note, the petition was filed on February 17 and a ruling was issued just two weeks later on March 2. We don't have the ICC order but are advised that the petition was granted.

The petition is of some interest in that it describes the portions the CNW expects to acquire, as well as discussing its plans following the acquisition.

BDO/sjp
Attachment

True

BEFORE THE
INTERSTATE COMMERCE COMMISSION

FINANCE DOCKET NO. 29518

INTERSTATE COMMERCE
COMMISSION
RECEIVED
FEB 17 9 04 AM '83
OFFICE OF PROCEEDINGS
RAIL SECTION

PETITION OF
THE CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY
AND MIDWESTERN RAIL PROPERTIES, INC.
FOR A DETERMINATION THAT A PROPOSED TRANSACTION
IS A MINOR MARKET EXTENSION PURSUANT TO THE
PROCEDURES FOR ACQUISITIONS OF LINES OF
RAILROAD IN REORGANIZATION-EX PARTE 282 (SUB-NO. 4)
OR AN ALTERNATIVE WAIVER OF CERTAIN REQUIREMENTS THEREOF

RIETA

CHRISTOPHER A. MILLS
STUART F. GASSNER

Attorneys for
Chicago and North Western
Transportation Company
165 North Canal Street
Chicago, Illinois 60606

(312) 559-6072

Dated:

February 15, 1983

BEFORE THE
INTERSTATE COMMERCE COMMISSION

FINANCE DOCKET NO. 29518

PETITION OF
THE CHICAGO AND NORTH WESTERN TRANSPORTATION COMPANY
AND MIDWESTERN RAIL PROPERTIES, INC.
FOR A DETERMINATION THAT A PROPOSED TRANSACTION
IS A MINOR MARKET EXTENSION PURSUANT TO THE
PROCEDURES FOR ACQUISITIONS OF LINES OF
RAILROAD IN REORGANIZATION-EX PARTE 282 (SUB-NO. 4)
OR AN ALTERNATIVE WAIVER OF CERTAIN REQUIREMENTS THEREOF

RIETA

Chicago and North Western Transportation Company (CNW) is a class I carrier subject to the Interstate Commerce Act. Midwestern Rail Properties, Inc. (MWRPI) is a Delaware corporation and a wholly owned subsidiary of the Chicago and North Western Transportation Company incorporated, among other things, to own and acquire property. North Western and MWRPI are about ready to reach agreement with the Trustee of the Chicago, Rock Island and Pacific Railroad Company (Rock Island) to acquire the lines of railroad in Minnesota, Iowa and Missouri which North Western has operated since March of 1980 pursuant to Directed Service Orders 1445, 1462 and 1484 and Interim Service Order 1473.

MWRPI will take title to the property as part of the financing plan and CNW shall operate lines as will more particularly appear in the application to be subsequently filed.* It is estimated that the purchase price for the anticipated 720 miles of line of Rock Island, as well as trackage rights of Rock Island, will be approximately \$76 million.

Attached hereto as Exhibit A is a list of the lines to be acquired by the CNW and a general description thereof, including the trackage rights** to be assigned and acquired by the CNW and its subsidiary MWRPI which will be a non-operating carrier. Exhibit B is a press release issued by the Trustee.

CNW requests that the Commission find that the proposed transaction is a minor market transaction or in the alternative the Commission waive requirements of Sections 1111.21(b), 1111.22 and 1111.24(a) of the Code of Federal Regulations.

North Western believes that the transactions are minor on the following bases:

1. North Western has operated these lines since March of 1980 and has integrated the lines into CNW's system by building connections such as at Laurens and other places.***

2. The Commission's decision in Finance Docket 29518 served December of 1980 determined that most of the

* Finance Application filed in F.D. 30082.

**Includes trackage rights and joint facilities listed.

***Des Moines, Bricelyn.

branch lines involved would be minor market extensions whether acquired by a carrier or noncarrier, holding that inasmuch as the lines have been abandoned pursuant to approval by the Bankruptcy Court, competitive factors are not significant since the alternative to the proposal is cessation of all rail service.

The Commission held at page 3 of its decision in Finance Docket 29516 that the acquisition of these lines by CNW was not a major market extension. CNW, therefore, requests that the Commission reaffirm that decision which applied to the following segments: Iowa Falls/Estherville, Bricelyn/Ocheyedan, Palmer/Royal, Dows/Forest City, and Cedar Rapids, and to find that the remaining segments and related trackage rights, including the acquisition of the parallel Rock Island main line also be found to be a minor market extension.

3. The fact that the segment between Twin Cities and Kansas City may have been a main line of the Rock Island does not make a transaction which is otherwise a minor transaction a major transaction. See ICC decision in Finance Docket 29674 served August 21, 1981, CNW Petition for Minor Market Extension-Milwaukee Line Woodward to Slater. (A main line of Milwaukee) See also Finance Docket 29684 served August 20, 1981, CNW Transportation Company Petition-Determination of Minor Market

Extension of Abandoned Milwaukee Road Main Lines between
Perry and Herndon, Iowa, etc. (A main line of Milwaukee)

North Western and MWRPI are acquiring a line of railroad that is essentially parallel to the existing CNW line between Twin Cities and Kansas City. (See Exhibit C attached) No extension of market beyond the present CNW termini at Kansas City or Twin Cities is involved. All major points on the North Western north-south line and the Rock Island line to be acquired are served in common. For example, common points exist at South St. Paul, Northfield, Owatonna, Albert Lea, Mason City, Manly, Hampton, Nevada, Des Moines and Kansas City. In fact, North Western and Rock Island share the same trackage between Albert Lea, Minnesota and Mason City, Iowa, a distance of approximately 37 miles, and are essentially on a parallel basis between Mason City and Hampton, Iowa.

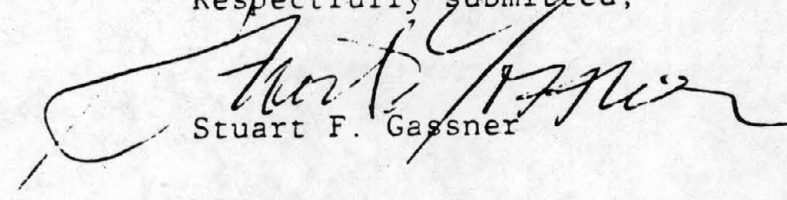
4. No new markets or immediately more efficient or effective service to the present markets will be involved as a result of this acquisition. The CNW is currently operating heavy tonnage, i.e., loaded trains, on its lines south of Des Moines to protect the Rock Island line which is handling empty or light trains because of its track condition. Ultimately an eventual upgrading of this geographically better located line will allow it to become a

more efficient line than CNW's north-south line between Minneapolis and Kansas City.

5. CNW has been operating the Rock Island Twin Cities/Kansas City line since March of 1980. As with the branch lines, the Trustee of the estate of the Rock Island has obtained abandonment authority for this line. To North Western's knowledge no other application has been filed nor is there any other present interest in acquisition of this line. Lack of acquisition would result in cessation of service thereover.

WHEREFORE, Chicago and North Western Transportation Company believes that acquisition of these lines, in terms of prior Commission decision and in accordance with BN Control and Merger-St. Louis-San Francisco, 354 ICC 616, 617 (1978) is not a major market extension, and requests that the Commission find that the acquisition of the lines set forth in Appendix A by CNW and MWRPI is a minor market extension or in the alternative grant waivers of Sections 1111.21(b), 1111.22, and 1111.24(a) of Ex Parte 282 (Sub-No. 4).

Respectfully submitted,



Stuart F. Gassner

EXHIBIT A

GENERAL DESCRIPTION OF PROPERTIES

	<u>Approximate Mileage</u>
1. Twin Cities - Kansas City	429.4
A. Rock Jct. (M.P. 5.2)-Q Jct. (M.P. 1.9) (includes industrial trackage to American Hoist & Derrick Co.) (M.P. 8.5)	6.6
B. Inver Grove Switch (M.P. 344.2)- Rosemount (M.P. 333.5) (Inclu- ding Trackage Rights Agreement over MILW between MP333.5 and MP306.35)	10.7
C. Comus (M.P. 306.35)-Northwood (M.P. 236.3) (C&NW trackage used between M.P. 236.3 and 191.1)	70.1
D. Clear Lake Jct. (M.P. 191.1)- Short Line (M.P. 73.6)	117.5
E. Short Line (M.P. 73.6)- Allerton (M.P. 0.0) (364.8)	73.6
F. Allerton (O.O) (M.P. 364.8)- Trenton (M.P. 415.9)	51.1
G. Trenton (M.P. 415.9) - Air Line Jct. (M.P. 502.2) (Including (x) Agreements with MILW for Joint Operation between Polo and Birmingham and Birmingham to Air Line Jct. and (x) Trackage Rights Agreement over KCS, Air Line Jct. - Sheffield, Mo.)	86.3
H. Short Line Yard (M.P. 350.8)- West Des Moines (M.P. 364.34)	13.5
2. Iowa Falls (M.P. 95.3) - Estherville (M.P. 206.9)	111.6

		<u>Mileage</u>
Less: Iowa Falls (M.P. 95.3)- (17.2)		
Dows (M.P. 112.5)		
Clarion (M.P. 128.1)- (7.6)		
Goldfield (M.P. 135.7) _____		
		(24.8)
		<u>86.8</u>
3.	Bricelyn (M.P. 57.7)-Sibley (M.P. 257.7)	<u>107.9</u>
A.	Bricelyn (M.P. 57.7)- 57.1	
	Estherville (M.P. 0.6)	
B.	Estherville (M.P. 206.9)- 50.8	
	Sibley (M.P. 257.7)	
4.	Dows (M.P. 113.4)-Forest City 44.8	
	(M.P. 158.2)	
Less:	Dows (M.P. 113.4)- (15.3)	
	Belmond (M.P. 128.7)	
		<u>29.5</u>
5.	Royal (M.P. 502.7)-Palmer (M.P. 453.7)	<u>49.0</u>
	(including Trackage Rights Agreement	
	on MILW between Emmetsburg, Spencer	
	and Webb, Ia.)	
6.	Cedar Rapids (M.P. 96.3 to M.P. 100.1)	<u>3.8</u>
7.	Hartley	<u>0.1</u>
	(including Trackage Rights Agreement	
	on MILW between Emmetsburg and	
	Hartley, Ia.)	
8.	Carlisle (M.P. 368.3)-Indianola (M.P. 379.6)	<u>11.3</u>
TOTAL LINES TO BE PURCHASED		<u>717.8</u>

*CERTAIN COLLATERAL PROPERTIES, TO BE DESCRIBED
IN DETAIL, SHALL BE EXCLUDED FROM THESE SEGMENTS.

W.M. Gibbons, Trustee
CHICAGO, ROCK ISLAND AND PACIFIC RAILROAD COMPANY
332 South Michigan Avenue, Chicago, Illinois 60604
Phone: (312) 435-7306

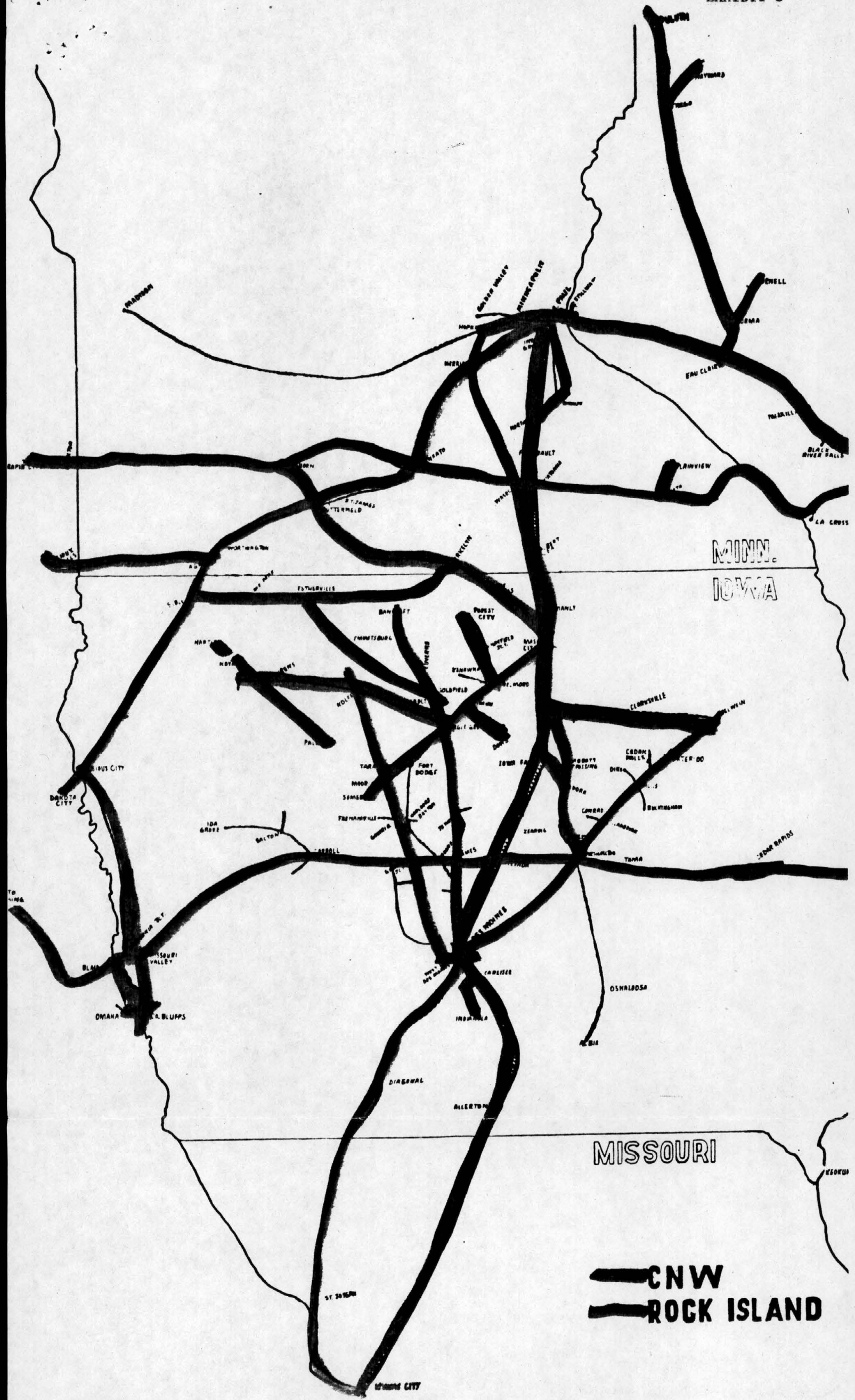
FOR IMMEDIATE RELEASE:

William M. Gibbons, Trustee for the Chicago, Rock Island and Pacific Railroad announced that the Rock Island and the Chicago and North Western Transportation Company are near agreement whereby North Western will purchase from the Rock Island's estate approximately 720 miles of Rock Island trackage. The trackage being purchased includes the Rock Island mainline between Minneapolis—St. Paul, Minnesota and Kansas City, Missouri, plus some grain-gathering lines in northern Iowa and some yard and industrial trackage in Des Moines and Cedar Rapids, Iowa.

It is expected that the transaction will be submitted to U.S. District Court Chief Judge Frank J. McGarr for approval in the near future.

###

020783



March 7, 1983

To: T. M. Beckley

From: ✓ D. J. Boyer *DMB*

Re: Omaha Bank for Cooperatives - Rates

I discussed with Ken Hide, Senior Loan Officer, our need for an approximation of Bank for Cooperatives rates as the financing institution for:

- (a) IFG lines at \$20 million through shipper consortium.

Answer: \$20 million, 10 year term, annual principal reduction of \$2 million will fall within the 11.20% to 11.50% rate. Bank will structure flat p & i if Soo wants.

- (b) All acquired lines at \$50 million with participation of another cooperative bank.

Answer: This will require participation of another cooperative regional bank. Rate will be 11.10% to 11.30% which reflects private placement.

The above (a) and (b) both contemplate a separate \$10 million RE secured loan for E-W Des Moines property.

March 7, 1983

To: T. M. Beckley

From: ✓ D. J. Boyer *DSB*

Re: A Conventional Banking Institution Method of
Financing Soo Acquisition Rock Island Trackage. (I)

\$ 81 Million Acquisition
20 do Bank for Cooperatives-Shipper Consortium,
10 years
10 do Bank Loan - Secured RE - 2 years
11 do IRFA Loan - Unsecured, no interest, 10 years
(I) 30 do Bank Loan - Variable rate, 10 years
10 do Soo cash

(I) CD Pricing Method (Prime plus Cost of Funds)

- (a) Negotiate a commitment fee which will be Soo cost for available funds until needed by Soo (closing).
- (b) Loan will be fully guaranteed by Soo if made to another corporation.
- (c) Bank review all Soo projections to determine need for security (track, facility or RE mortgage).
- (d) Soo elects term of 30, 60, 90, 180 or 360 day CD.
- (e) Add 90-100 basis points to CD rate.
- (f) Prime rate represents maximum.
- (g) Option of Soo:
At the commencement of each time period Soo elects the CD rate or prime rate. Soo may switch from one to the other only at expiration or commencement of a period.
- (h) Example:
Today's prime rate = $10\frac{1}{2}\%$
Today's 90 day CD rate = (high 8) 8.8%
Add 100 basis to CD rate = $8.8\% + 1.0 = 9.8\%$
Soo elect 9.8% or 10.5% rate for period.

3/4 Mtg Bd Run - RI

- ① TMB - Comment on CNW - RI Purchase Agre.
Revenue its over E-W - Iowa RR safety net.
76,350,000 in full on closing date - 60 days after last month. granted
636,250 7-1-84 lease.
Competing purchaser can upset court approval.
Hearing before bankruptcy court of CNW - RI purchase agree
on 3-15 10 am.

- ② Tue IRFA Bd Mtg.
(a) Resolution from IRFA for commitment.

- ③ MMDOT, MODOT ?

Civil Service -

BDO - will be with IMCG on IRFA res & DM RE!

- ④ Bank Co-ops

(a) Rate - IFG

✓ - all



RE _{50 mile}

50-60 mil.

20 mil. →

50 mil. →

7-10 yrs.

Monday - will get back on rates.

3/4/83 CTS Staffer

Sean Lloyd Jones, State Rep
Iowa City, Iowa
Carpenter End Tax Bill
House Transportation Committee

CNW, criticised Soo at Shippers
Meeting

Ames IA

Traffic Club (Iowa) No there.

Humboldt - Corn Belt Power

July 76, 1.8M

Cedar Falls -

7.3

Oct 78,

38 miles

Nov 74, \$162,000

Mike Burkhardt

Harvey Sims

3/4/83 TMB, DMC, BDO, RLS, RLM, HJN, DJS, JAD

March 15, 1983, 10:00 a.m. Bankruptcy

Court Hearing
Executive Committee

Joe Darling
(B)

March 4, 1983

Excerpts from Iowa Railway Finance Authority Act (IRFA) Chapter 307B

307B.2. Declaration of Necessity and Purpose. --- Access to adequate railway transportation facilities is essential to the economic welfare of the state. One purpose of this chapter is to preserve or provide for the citizens of Iowa those railway services now in existence or needed in the state which have a viable future but which for a variety of economic and legal reasons may not exist if the state does not provide the financing or other mechanisms referred to in this chapter. It is the intent of the chapter that any public ownership and control of railway facilities provided for in this chapter be transferred to private ownership as promptly as economically practicable subject to financing requirements. It is further intended that the authority created in this chapter be vested with all powers to enable it to accomplish the purposes of this chapter except the power to operate rolling stock.

It is the further intent of this chapter and of the general assembly that, in order to preserve rail competition and to provide for railway service in this state, the authority work primarily with railroad carriers already providing service in this state based upon their willingness and ability to meet these objectives.

307B.3. Legislative Findings.

1. The establishment of the authority is in all respects for the benefit of the people of the state of Iowa, --- and for the promotion of the economy and of agricultural and industrial improvement, which are public purposes.

2. The authority will be performing an essential governmental function in the exercise of the powers and duties conferred upon it by this chapter.

4. There exists a serious problem in this state regarding the ability of agricultural producers to transport economically farm products to traditional markets because of the abandonment and possible abandonment of railway facilities within the state.

5. These conditions are making it more and more difficult for farmers and farm related businesses to survive in the present state of the economy thus threatening the very heart blood of Iowa.

9. A stable supply of adequate funds for financing of railway facilities is required to encourage construction of railway facilities, the rehabilitation of existing facilities and to prevent the abandonment of others in an orderly and sustained manner and to reduce the problems described in this section.

10. It is necessary to create a railway finance authority to encourage the investment of private capital and stimulate the construction, rehabilitation and repair of railway facilities and to prevent the abandonment of others through the use of public financing, publicly assisted financing, and other forms of public assistance.

307B.4.

2. "Railway facilities" means land, structures, fixtures, buildings and equipment, except rolling stock, necessary or useful in providing railroad transportation services, including, but not limited to roadbeds, track, --- and all franchises, easements and other interests in land and rights of way necessary or convenient as a site --- or any part of or combination of the foregoing.

3. "Project costs" means any portion of the costs of railway rehabilitation, acquisition, construction, reconstruction, repair, alteration, improvement or extension of any railway facilities --- and reimbursement of any moneys advanced or applied by a governmental agency or other person for project costs. Project costs include, in connection with obligations, a principal and interest reserve together with interest on obligations to a date not later than 6 months subsequent to the estimated date of completion of the railway facilities that are the object of the financial assistance.

307B.4

"Financial assistance" means direct loans and other loans, grants, and forms of assistance authorized under this chapter.

"Governmental action" means any action by a governmental agency relating to the establishment, development, or operation of railway facilities that the governmental agency acting has authority to take or provide for the purpose under law, including, but not limited to, actions relating to contracts and agreements, --- acquisition and disposition of properties, ---.

"Public capital improvements" means capital improvements or facilities including, but not limited to, railroad facilities and related ancillary facilities, that a governmental agency has authority to acquire, pay the costs of, own, or maintain, or to do the foregoing by contract with other persons.

307B.5. Iowa Railway Finance Authority. There is created an Iowa railway finance authority for the purpose of providing or providing for the financing of railway facilities and enhancing and continuing the operation of railway facilities as provided in this chapter.

307B.7. Powers of the Authority.

4. Exercise the power of eminent domain.

5. Acquire railway facilities, whether located within Iowa or a contiguous state, directly or through an agent, by purchase, lease, lease-purchase, gift, devise or otherwise. The authority shall not submit a bid to acquire a railway facility if any railroad company or person is negotiating for the facility's purchase and if the railroad company's or person's offer exceeds the net salvage value set by the trustee by at least 15% and the offer is for a segment which originates and terminates at the intersection of another railroad main line or is for a segment which connects to a main line if the facility is a branch line. However, even if a railroad company or person is negotiating for a facility's purchase, the authority may submit a bid for the acquisition of the railway facility upon approval of a resolution by the state transportation commission stating that the best interests of the state and the transportation needs thereof might not be served by the railroad company's or person's offer or negotiation. However, the commission shall not adopt such a resolution if the competing railroad corporation or person files with the state department of transportation an enforceable undertaking to operate the facility for a period of 5 years after its purchase.

6. Determine the location of and select any railway facility to be provided financial assistance under this chapter and acquire, construct, reconstruct, renovate, rehabilitate, improve, extend, replace, maintain, repair and lease the facility, and to enter into contracts for any of these purposes.

7. Enter into contracts, including partnership agreements, with any person for the ownership, operation, management or use of a railway facility. Provisions shall be made in any contract or partnership agreement entered into by the authority that any additional jobs which may result from the ownership, operation, management, or use a railway facility shall be offered, when practicable, to qualified former employees of the Milwaukee Road or Rock Island railroad companies.

10. Issue obligations for any of its purposes and refund the obligations, all as provided for in this chapter. However, the total principal amount of obligations outstanding at any one time shall not exceed \$200 million. Fixed --- rates, rents, fees and charges for the use of any railway facility --- that is owned or financially assisted by the authority alone or in

any other association with any other person and contract with any person in respect to a facility.

13. Mortgage all or any portion of its railway facilities, whether then owned or thereafter acquired, in connection with the financing of the particular railway facility or any portion of the facility.

14. Extend financial assistance for --- project costs. Make interest free loans for rehabilitation --- to persons which have repaid in part the original loan from the authority which was made for the purpose of the acquisition or rehabilitation of railway tracks, roadbeds, or trestles.

18. Own a railway facility under this chapter alone, in partnership, or in any other association with any person if necessary or beneficial to preserve part of a railway system, upon the determination, after consultation with (IDOT), that the railway facility is necessary or beneficial to the railway system, to be relinquished to non-authority ownership or operation as soon as economically practicable.

19. Temporary operate a railway facility under this chapter if sufficient need exists or there is an emergency situation as determined by a majority of the board.

307B.7.

Pledge any funds contained in the special railroad facility fund to the payment of and as security for obligations issued under this chapter.

Invest moneys in the special railroad facility fund in general or limited partnership interests in a partnership formed to purchase, renovate, and operate a railway facility.

Serve as a general or limited partner in a partnership formed to purchase, renovate, and operate a railway facility.

307B.9. Obligations. Except as provided in this chapter, all obligations are payable solely out of the pledged receipts as designated in the bond proceedings. Tax funds which the authority receives from a political subdivision of the state shall not be pledged for payment of the obligations. Except for those tax funds deposited in the special railroad facility fund ---, the state shall not appropriate tax funds, directly or indirectly, to (IRFA) for the purpose of payment of obligations of (IRFA).

The remainder of this section deals with bonding limitations and procedures.

307B.12. Obligations - Non-Liability of State. Obligations issued under this chapter, and judgments based on contract or tort arising from the activities of the authority or persons acting on its behalf, are not a debt or liability of the state or of any political subdivision within the meaning of any constitutional or statutory debt limitation and are not a pledge of the state's credit or taxing power within the meaning of any constitutional or statutory limitation or provision and no appropriation shall be made, directly or indirectly, by the state or any political subdivision of the state for the payment of the obligations or judgments or to fund any deficiency in the special railroad facility fund, or for the indemnification of a person subject to a judgment arising from that person's actions on the authority's behalf. These obligations and judgments are special obligations of (IRFA) payable solely and only from the sources and special funds provided in this chapter. Funds from the general fund of the state shall not be used to pay interest or principal on obligations of (IRFA) in the event that receipts from the taxes designated for deposit in the special railroad facility fund are insufficient.

307B.14. Authority as Public Instrumentality. The authority is performing a public function on behalf of the state and is a public instrumentality of the state. Income of the authority and all properties owned by or leased to the authority are exempt from all taxation in the state of Iowa. This chapter does not exempt from taxation properties comprising railway facilities financially assisted under this chapter which are owned by persons other than (IRFA) except those leased to (IRFA). However, properties owned by the authority which are leased or rented to a private person shall include as part of the rates, rents, fees, or charges payable by that person a sum equal to the amount of tax --- which the --- political subdivision would receive if the property were owned by a private person, ---.

307B. . Bond Anticipation Notes. The power to issue obligations under this chapter includes power to issue obligations in the form of bond anticipation notes and to renew these notes by the issuance of new notes, but the maximum maturity of these notes, including renewals, --- shall not exceed 5 years from the date of the issuance of the original notes. The holders --- have a right to be paid solely from the pledged receipts pledged to the payment of the bonds anticipated, ---. The notes may be additionally secured by covenants of (IRFA) ---.

Chapter 435.1 through 435.8. Railway Mileage Tax.

Chapter 435, Sections 21 through 29. Diesel Fuel Tax.

CONFIDENTIAL

March 3, 1983

TO: T. M. Beckley
D. M. Cavanaugh
C. H. Clay
R. H. Smith
R. L. Murlowski
H. J. Ness
D. J. Boyer
~~J. D. Darling~~

FROM: B. D. Olsen

RE: Iowa DOT Funding Status

Messrs. Boyer, Darling and I attended a meeting in Ames, Iowa on Tuesday, March 1, 1983, with several officials from the Iowa Department of Transportation (IDOT). Present for IDOT were Les Holland, Director, Rail Division, Ian MacGillivray, Director of Planning and Research Division, Harvey E. Sims, Rail Operations Manager, Dan Franklin, Manager, Administration, and Stephen W. Roberts, outside counsel for IDOT from Des Moines. Reese Hawkinson of the IDOT staff (title unknown) also participated briefly.

The meeting made clear that all IDOT and Iowa Railway Finance Authority (IRFA) funds potentially available for use in acquiring the Rock Island trackage are either tied up in litigation, already committed to non-Rock Island projects, or available only for rehabilitation. All of the pending litigation was reviewed at some length by Mr. Roberts. Les Holland then itemized the funds available or potentially available to IDOT and IRFA. We concluded with a discussion of possible methods by which IDOT could be of financial assistance to Soo in supplementing the Soo offer for the Rock Island properties.

Generally speaking, state power to assist rail lines prior to IRFA was limited to rehabilitation participation. IDOT remains uninterested in operating subsidies or operating railroads itself. IRFA was carefully constructed by IDOT to provide extremely broad powers to act with respect to railroads and to provide a secure means of financing such activities. The bill was passed with bipartisan support and continues to have the support of the new Governor and legislature. A copy of recent remarks on the subject by Governor Branstad is attached.

IRFA funding will come from three sources: (1) the railroad diesel fuel tax; (2) a "wheelcar" (private car line) tax described as not applying to railroads but only to car leasing companies such as Trailer Train and North American

Car; and (3) delinquent property taxes of bankrupt railroads. Each of these sources is being challenged. The fuel tax is expected to produce about \$8 million per year and the "wheelcar" tax about \$2 million per year. At the proposed 90% settlement basis, the delinquent property taxes of both Rock Island and Milwaukee amount to about \$6.5 million.

Litigation

State court action challenging fuel tax: This is the most important case pending at the moment. The action was brought by seven Class I railroads having trackage in Iowa, including UP and Santa Fe which have very small amounts. The case was started in 1981, tried in early 1982 and decision entered by the trial court in September of 1982. The protesting railroads raised a wide variety of issues including constitutional objections as well as alleged difficulties of administering the collection of the tax. The trial court opinion was very thorough, disposing of every issue raised, and ruled in favor of IRFA. The case is now on appeal to the state supreme court. The appellants' brief has been filed, the respondent's brief is due March 10, and the reply briefs by the end of the month. Oral argument is expected this spring and a decision is hoped for by fall.

The C&NW is the chairman line for Iowa and its state counsel handled the case at the trial level. After losing in the trial court, the C&NW brought in its large Chicago firm to take over the appeal and has also retained the former Rock Island state counsel. The C&NW has repeatedly declared it will go all the way to the U.S. Supreme Court on the fuel tax.

On appeal, appellants have dropped most issues and are concentrating on the 4-R tax discrimination issue, and the supremacy and commerce clauses of the Federal Constitution. The state will almost certainly appeal an adverse state supreme court decision, especially where federal issues are involved. That seems to be all that is left in the case and so it is likely that the state will carry the battle as far as necessary. In my judgment, however, a U.S. Supreme Court decision is not probable until mid-1984 at the earliest.

When this litigation was commenced, the plaintiff railroads sought relief from having to pay the fuel tax. This was granted by the trial court, but in lieu thereof, each railroad has had to post a bond for the anticipated amount of their tax payments plus interest at a rate adjusted each year by the state. The rate for 1982 was 17%.

Federal court suit challenging fuel tax: The railroads also initiated an action in the federal court for the Southern District of Iowa, but elected to pursue the state court case. It is fair to say they now regret that decision.

The federal court action is being held in abeyance largely by agreement of all the parties pending the outcome of the state court case. It appears that, if the federal issues are ultimately determined in the state case by the U.S. Supreme Court, there will be no basis for proceeding in the federal court case.

Bonding authority test case: A friendly plaintiff has commenced litigation to test the constitutionality of the bonding authority of IRFA. This was described as routine procedure whenever a statute creates new bonding authority affecting the state. The friendly plaintiff is a group centered around Newton, Iowa in which Maytag is involved. The name of the group is This Railroad Across Iowa is Necessary, which produces the acronym (of course) TRAIN. Initially uninterested in the constitutionality of the IRFA bonding authority, the railroads have moved to enter the bond case since losing the fuel tax case at the trial court. This case will be decided on stipulated facts and is expected to reach the Iowa Supreme Court at the same time as the fuel tax case. The two should be decided together.

Wheelcar tax: This tax is being contested within the Iowa Department of Revenue administrative process at the present time. No railroads are involved, as it assertedly does not affect shipper or railroad owned cars. It was described as being, in effect, a personal property tax. It does not appear that a possible eventual court challenge of this tax would impair collection and expenditure of fuel tax funds.

County challenge of distribution of bankruptcy railroads' tax payments: About two-thirds of Iowa's counties have brought an action challenging the authority of IRFA to be the recipient of any railroad ad valorem tax payments, once they become delinquent. The statute is not limited to taxes owed by bankrupt railroads. This raises the interesting possibility that a railroad could channel money to IRFA simply by being delinquent on its tax payments.

Although this matter is in litigation, the IDOT people present felt strongly that they were close to reaching a compromise resolution with the counties that would preserve most of the \$6.5 million presently due from the Rock Island and Milwaukee Trustees. If this is true, this could be the first substantial block of funds that becomes available to the IRFA board.

Iowa Railroad Assistance Laws

The state has in place two major railroad assistance statutory schemes. The first is the now familiar branch line assistance program which is funded partly by the state and

also acts as a conduit for FRA appropriations. As you know, Iowa has received a significant share of FRA money because of the extent of its abandonment "problems" and currently is eligible for 12% of any future federal Title 803 appropriations. The branch line assistance program provides funds only for rehabilitation, not for acquisition or operation. It is administered by IDOT and permits railroad repayment of matching shares by supplying materials.

IRFA has been created as an independent authority with its own board, but which uses the IDOT staff for all of its activities. This was necessary because of certain Iowa constitutional limitations on bonding. IRFA can make grants, loans, interest free loans, or assume an equity position in a railroad or companies operating a railroad. The only significant limitation here is that IRFA cannot assume sole ownership except through competitive bidding. The IDOT people with which we met, including their counsel, claimed to have conceived and drafted the IRFA law. Their interpretation of the law and their intended use is to spend their money and exercise their powers in the broadest possible way with the primary objective of maintaining good as well as competitive rail service in the state.

BDO/sjp
Attachment

SUBCOMMITTEE ON RAIL FREIGHT TRANSPORTATION
THE HONORABLE TERRY E. BRANSTAD, CHAIRMAN
REMARKS ON
RAIL FREIGHT TRANSPORTATION ISSUES

AS A NEW GOVERNOR, I AM PLEASED TO HAVE THE OPPORTUNITY TO SERVE AS CHAIRMAN OF THE RAIL FREIGHT TRANSPORTATION SUBCOMMITTEE OF THE NATIONAL GOVERNORS' ASSOCIATION. I LOOK FORWARD TO THIS ASSIGNMENT BECAUSE OF THE SIGNIFICANT ROLE THAT RAILROADS PLAY IN THE DEVELOPMENT OF OUR INDIVIDUAL STATES AND THE NATION.

I ALSO FEEL LIKE AN OLD GOVERNOR WHEN IT COMES TO RAILROAD PROBLEMS. DURING MY YEARS AS A LEGISLATOR AND LT. GOVERNOR, MUCH OF MY TIME WAS SPENT WORKING ON RAILROAD ISSUES AND RAILROAD PROBLEMS. AND I AM STILL LOOKING FOR ANSWERS TO OUR PROBLEMS. I HOPE TODAY'S SESSION WILL BRING US NEW IDEAS AND SOLUTIONS AND ANOTHER STEP CLOSER TO OUR GOAL OF DEVELOPING A SAFE AND EFFICIENT RAIL SYSTEM.

DURING THE PAST TEN YEARS THE RAILROAD INDUSTRY HAS GONE THROUGH A VERY DIFFICULT PERIOD IN ITS HISTORY. IT WAS A DECADE OF EXAMINATION AND SURVIVAL. IT WAS A PERIOD OF DISRUPTION, LOSS OF SERVICE AND REBUILDING. MUCH WAS ACCOMPLISHED TO RESURRECT AND RESTORE AN OLD INDUSTRY WITH A NEW FACE AND IMAGE. THE PASSAGE OF THE "3 R ACT" (REGIONAL RAILROAD REORGANIZATION ACT OF 1973) AND THE "4 R ACT" PROVIDED THE RESOURCES AND FRAMEWORK TO BEGIN A REVITALIZATION OF THE RAIL INDUSTRY.

THROUGH THE COOPERATIVE EFFORTS OF THE RAILROADS, SHIPPERS, STATE AND FEDERAL GOVERNMENTS, SUBSTANTIAL PROGRESS HAS BEEN MADE. YET ALL REGIONS OF THE COUNTRY STILL FACE SIGNIFICANT AND DIVERSE PROBLEMS WHICH PREVENT THEM FROM REACHING THEIR GOALS. THESE INCLUDE:

- FINANCING MAJOR REHABILITATION AND ACQUISITION NEEDS
- RETURN OF CONRAIL TO THE PRIVATE SECTOR
- THE IMPACT AND BENEFITS OF MAJOR RAILROAD MERGERS
- FINANCING RAILROAD-HIGHWAY GRADE CROSSING STRUCTURES
- MOVEMENT OF HAZARDOUS MATERIALS
- RAIL SAFETY CONCERNS
- INTERMODAL COMPETITION
- THE ROLE OF RAIL TRANSPORTATION IN DEVELOPMENT OF A NATIONAL WATER USE POLICY
- THE RETENTION OF RAILROADS IN PRIVATE SECTOR

MOST STATES ARE ACTIVE IN IMPROVING AND PRESERVING RAIL SERVICE. HOWEVER, FEDERAL FUNDING OF SOME RAIL PROGRAMS IS IN THE NATIONAL INTEREST AND SHOULD CONTINUE FOR A LIMITED DURATION. THESE PROGRAMS ARE:

- THE LOCAL RAIL SERVICE ASSISTANCE PROGRAM
(COMMONLY CALLED THE "803" PROGRAM)
- THE TITLE 5 PROGRAM OF REDEEMABLE PREFERENCE
SHARES (COMMONLY CALLED THE "505" PROGRAM)
- THE STATE PARTICIPATION PROGRAM OF RAIL SAFETY

THE ADMINISTRATION IS CALLING FOR THE ELIMINATION OF FUNDING FOR THESE ESSENTIAL PROGRAMS. LET ME HIGHLIGHT THEIR IMPORTANCE.

FIRST, THE "803" PROGRAM. THIS IS A STATE-FEDERAL COOPERATIVE PROGRAM, AND PRESERVES SERVICE THROUGH REHABILITATION OF VIABLE BRANCH LINES. A RECENT SURVEY OF 10 MIDWEST STATES CONDUCTED BY IOWA, IDENTIFIED REHABILITATION NEEDS IN EXCESS OF \$300 MILLION.

SOME BRANCH LINES ARE NECESSARY, EVEN THOUGH THOUSANDS OF MILES ARE BEING ABANDONED. FOR EXAMPLE, IN IOWA ONE BRANCH LINE PROJECT CARRIES OVER 100 MILLION BUSHELS OF GRAIN EACH YEAR. THIS REPRESENTS 3% OF THIS NATION'S CORN AND SOYBEAN EXPORTS. FEDERAL ASSISTANCE FOR ANOTHER TWO TO THREE YEARS WILL ALLOW STATES TIME TO DEVELOP AND IMPLEMENT THEIR OWN PROGRAMS AND

ACCOMPLISH THEIR REHABILITATION PLANS AND GOALS. CONGRESS SHOULD ANNUALLY APPROPRIATE A MINIMUM OF \$80 MILLION FOR THE "803" PROGRAM.

SECOND, THE "505" LOAN PROGRAM. THIS PROGRAM ALSO HAS BEEN INSTRUMENTAL IN AIDING THE RAILROADS IN MEETING LONG DEFERRED CAPITAL EXPENDITURES. THIS PROGRAM IS USED EXTENSIVELY FOR REBUILDING MAIN LINES, YARDS AND EQUIPMENT AND FOR ACQUISITION OF ESSENTIAL TRACKAGE FROM BANKRUPT CARRIERS. APPLICATIONS ON FILE WITH THE FEDERAL RAILROAD ADMINISTRATION CURRENTLY EXCEED AVAILABLE APPROPRIATIONS BY \$400 MILLION. FURTHER, THE PURCHASE OF THE ROCK ISLAND, MILWAUKEE AND CONRAIL PROPERTIES WILL REQUIRE ADDITIONAL LOW-COST CAPITAL. FOR EXAMPLE, THE FINANCING NECESSARY TO PRESERVE ESSENTIAL SERVICE ON ROCK ISLAND AND MILWAUKEE LINES IS NOT AVAILABLE TO MANY CARRIERS IN THE MIDWEST. CONGRESS SHOULD CONTINUE THE "505" PROGRAM OF REDEEMABLE PREFERENCE SHARES. THE OBJECTIVES OF THIS PROGRAM, AS ESTABLISHED BY CONGRESS IN THE "3 R" AND "4 R" ACTS, HAVE NOT BEEN ATTAINED.

CONGRESS SHOULD PROVIDE FULL FUNDING OF ITS AUTHORIZATION LEGISLATION TO FUND ITS COMMITMENT TO THE STATES AND THE RAILROAD INDUSTRY TO ACCOMPLISH THEIR RESTRUCTURING PLANS.

FINALLY, RAIL SAFETY IS OF SERIOUS CONCERN TO THE PUBLIC. THE STATES HAVE BEEN ACTIVELY INVOLVED IN RAIL SAFETY INSPECTION FOR MANY DECADES. THE STATES AND FEDERAL GOVERNMENT IN 1970 GOT

TOGETHER TO ESTABLISH A NATIONAL PROGRAM PROVIDING UNIFORMITY OF SAFETY STANDARDS AND APPLICATION. HOWEVER, THE FUTURE OF THIS SUCCESSFUL JOINT SAFETY PROGRAM IS UNCERTAIN. THE ADMINISTRATION IS PROPOSING TO DISCONTINUE ITS MATCHING SHARE OF STATE RAIL INSPECTION COSTS.

THE UNDERLYING CONCERN OF THE STATES IS NOT THE FUNDING ISSUE, BUT FUTURE PREEMPTION OF THE STATES FROM RAIL SAFETY PROGRAMS. THE STATES HAVE A VITAL INTEREST AND RESPONSIBILITY IN TRANSPORTATION SAFETY THAT SHOULD BE RETAINED. THE PRIMARY RESPONSIBILITY FOR RAIL SAFETY INSPECTION SHOULD REMAIN WITH THE STATES. THE OVERALL ADMINISTRATION OF THE PROGRAM SHOULD BE WITH THE FEDERAL GOVERNMENT. CONGRESS SHOULD CONTINUE FUNDING THE STATE PARTICIPATION PROGRAM AT THE CURRENT LEVEL OF \$3 MILLION.

THE ISSUES WHICH I HAVE JUST IDENTIFIED ARE OF MAJOR NATIONAL CONCERN. A HEALTHY RAIL NETWORK IS A VITAL PART OF THE NATION'S ECONOMY. AS THE RAIL INDUSTRY CONTINUES TOWARD REVITALIZATION, THE RAILROADS AND STATE AND FEDERAL GOVERNMENTS MUST WORK TOGETHER TO ACHIEVE OUR COMMON GOAL. . .THE PRESERVATION OF A GOOD, DEPENDABLE RAIL FREIGHT TRANSPORTATION SYSTEM.

LET ME CONCLUDE BY SAYING MR. CHAIRMAN THAT I FEEL THIS COMMITTEE SHOULD AMEND ITS "WORK PLAN" TO SHOW THE NATIONAL GOVERNORS' ASSOCIATION'S INTENTION TO SECURE ADEQUATE FEDERAL FINANCING FOR THESE 3 IMPORTANT PROGRAMS. I WOULD LIKE TO MAKE THIS MOTION FORMALLY AT THE POINT IT BECOMES IN ORDER TO DO SO.

PARK TRAVEL, CO.
5775 WAYZATA BLVD, SUITE 990, MINNEAPOLIS, MN 55426
(612)542-8711

NAME Joe D. Darling

DATE 2/25/83

DPTR DATE	DPTR CITY	ARVL CITY	AIRLINE	FLT/CLASS	LEAVE	ARRIVE	M
3/1/83	Minneapolis	Des Moines	Ozark	673	8:00 AM	8:47 AM	-
3/1/83	Des Moines	Minneapolis	Ozark	668	4:05 PM	4:51 PM	-

CAR/HOTEL	ADDRESS/CITY	ARVL DATE	NBR NTS	HOTEL GUARANTEED

REMARKS: Meet with the Iowa DOT on the Rock Island Acquisition.

Airline ticket cost: \$222.00

3/1/83 BDO, BSB, JED

Steve Roberts

Harvey Sims

Les Holland

Dan Franklin

Dan McElwain

Steve Roberts

1. Diesel Tax

- a. State - 7 class I carriers, on appeal
at Iowa Supreme Court, will appeal to
US Supreme
- b. Federal
US District Court
Southern Iowa
held in abeyance
- State Brief March 10
People Brief end of March
Decision by Fall
Section 306 4R Act.

2. Wheel Car Tax

3. Delinquent Property Tax

RI - IDOT Commission will approve
90% settlement 3/1/83

MILL - decision in June 1983

\$10,000,000 limitation on I^RB
Total capital.

Bond Test Case - friendly test case of
Constitutionality of I^RB
Newton, Haynes, Scott, Bonister
Transportation Regulatory Agency (TRA)
attorneys
→ now R^R2 have intervened.

(2)

District Court, Summer 1983, Decision
Supreme Court late 83 - early 84
Wheel Car Tax - contested by car lines

pending in administrative procedure

April 1983

\$2,000,000

Grains Production Processing Marketing

Chicago Board Of Trade

Branch Line Improvement

Cost of Administration \$2,000,000

Mark of against price

IA DOT contract, not assignable

305 1983 \$2,000,000

803 1983 \$2,100,000 (12% of
\$20,000,000)

\$4, ^{obligated} 300,000 prior years

committed to 1983 projects

\$2,000,000 Royal-Palmer

Federal Funds

- ① SOS \$15,000,000 rehab
\$2,000,000 RT lines in Iowa

- ② 803 12% not appropriated, not obligated
Not purchase \$2,100,000 - negotiating will obligate in next several months
Royal-Hanson \$1,100,000
(Palmer-Hanson)

State IRFA DOT

Bank Taxes \$6.5M

Past Rehab \$2.1M (\$600,000 new)

Rehab Net \$1.6M (men account) (turnaround grant)

Fuel Tax Class 2 \$29,000

Did not reach target 19,557

- ④ State appropriation (Dental appropriation)
- in bank earmarked for RT \$1.8mm
(as rehab only) (as let time rehab funds)
- pending state leg. \$1mm
(rehab only)

\$10.1M purchase

1983-84 - 7/1/83, 7/1/84

2-3 weeks before out of funds

3-10 weeks before action

Downtown Development Plan -

Des Moines Chamber of Commerce
Thursday March 3, 1983

IRFA
Board
3/8/83

4

No bonds today.

Contract
Lease from
~~Bond~~
Lease to
Contingency

DELINQUENT PROPERTY TAX

Rock Island:

High	\$5.02 M			\$4.5 Million
		90%	=	
Low	\$4.8 M			\$4.3 Million

Milwaukee Road: (Tentative Numbers)

High	\$2.5 M			\$2.25 Million
		90%	=	
Low	\$2.3 M			\$2.07 Million

Total:

90% Settlement	=	High	\$6.75 Million
		Low	\$6.37 Million

March 1, 1983

CAFETERIA MENU FOR THE WEEK OF FEBRUARY 28 *Railroad*

	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
MENU NUMBER 1	VEAL BIRD	MEATLOAF	FISH	HAM	FISH
MENU NUMBER 2	CREAM OF CHICKEN OVER BISCUIT	BROCCOLI AND ONION CASSEROLE	BEANS & WEINERS	LASAGNE	BURRITO
SOUP	SPLIT PEA VEGETABLE CHILI	BEAN VEGETABLE CHILI	CREAM OF MUSHROOM VEGETABLE CHILI	CHICKEN GUMBO VEGETABLE CHILI	POTATO VEGETABLE CHILI
PECIAL	HOT BEEF	HOT BEEF	HOT BEEF	HOT BEEF	HOT BEEF

Acquisition Funds

1. IRFA

a. \$6.5M Delinquent MTLW & DRI ad valorem taxes.
Collected in suit by counties.

b. \$29,000 Diesel fuel tax paid in by Class 2 carriers.
Collected in State and Federal suits by Class 1 carriers.

Rehabilitation Funds

1. FRA

a. 505

1. \$15M earmarked for Spine Line. Carrier application.

2. \$2M Designated for RI lines in Iowa. Carrier application.

b. 803

1. \$2.1M Iowa 12% of 1983 Federal Budget. Not
appropriated by Congress.

2. \$1.1M Palmer Planon project.

2. Iowa DOT

\$1.6M

RI past rehabilitation. Reduction in purchase price.
Turnaround grant to purchaser.

3. Iowa State General Fund Appropriation

a. \$1.8M Appropriated.

b. \$1.0M Recommended for appropriation by Governor