

Approved 2-20-91
Date

MINUTES OF THE House COMMITTEE ON Transportation

The meeting was called to order by Representative Herman G. Dillon at
Chairperson

~~1:36~~ ~~am~~ p.m. on February 13, 1991 in room 519-S of the Capitol.

All members were present except:

Representative Rezac - Excused Representative Everhart - Excused
Representative Gross - Excused
Representative Reinhardt - Excused

Committee staff present:

Hank Avila - Legislative Research
Bruce Kinzie - Revisor of Statutes
Jo Copeland - Committee Secretary

Conferees appearing before the committee:

Chairman Dillon introduced John Rosacker, KDOT, who presented an overview on Railroad Abandonment. (Attachment 1)

Questions and discussion followed.

Chairman Dillon introduced Representative Roy who requested a Committee bill addressing Railroad Abandonment. He stated that Rail Banking would be a concept to preserve abandoned rail corridors for future use.

Discussion followed.

Representative McKechnie moved to introduce Representative Roy's request as a Committee Bill, Representative Bryant seconded motion. Motion carried.

Representative McKechnie moved to introduce a bill on amendment made 2-12-91 on rewording statutes on handicapped parking. It would change handicapped person to person with a disability and handicapped parking to accessible parking. Shallenburger seconded motion. Motion carried.

Meeting adjourned at 1:59 p.m.

UPDATE OF RAILROAD ABANDONMENTS IN THE STATE OF KANSAS

John Jay Rosacker, Research Analyst, Kansas Department of Transportation, Bureau of Rail Affairs.

Recent History

As you will see on the first hand-out there is presently 1125 miles of Kansas railroad in ICC categories I and II. Category I is defined as a line that can have an abandonment application filed within the next three years. Category II is defined as a line that is under study for possible placement in Category I in the future.

Most of the 1125 miles in Categories I and II belongs to Santa Fe railroad (700+). These Santa Fe lines were placed in these categories on June 30, 1990. Santa Fe has stated publicly many times that it is their intent to sell or abandon all of these lines they placed in Categories I and II.

Because of public and private pressure Santa Fe agreed to hold off filing any abandonment applications until after January 1, 1991.

Since Santa Fe placed these lines in Categories I and II the Bureau of Rail Affairs of the Kansas Department of Transportation in concert with the KCC, Board of Agriculture, Departments of Commerce, Revenue, and Human Resources has been doing the following:

1. holding public hearings to determine the effect on local communities of possible abandonment of rail service.
2. determining the traffic base on each line and potential

House Transportation
2-13-91
ATTACHMENT 1-1

traffic.

3. visiting with individual shippers to determine their commitments to shipping their products by rail.
4. inspecting the railroads to determine the amount of rehabilitation needed to improve service on these lines.
5. working with computer models to determine if these Santa Fe branchlines would be candidates for successful shortline railroads.

To achieve these goals we have had to have a lot of cooperation from the shippers and Santa Fe-- and we have received it.

The Santa Fe Shippers Association, approximately 60 to 65 shippers in Kansas and Oklahoma, have been working very hard to preserve rail service.

The attached article from the Wichita Eagle, dated January 29, 1991, will give you a good overview of what the shipper group is trying to do.

I have worked with many of these shippers over the years in my present capacity with KDOT and previously when I was with the KCC. I have found them to be dedicated to preserving rail service to rural Kansas.

Based on my own work the shippers proposal or one similar to it

will work for the following reasons:

1. The 800 mile system would give the shippers access to Hutchinson and Wichita, the two major elevator centers in central Kansas.
2. The shipper system would give them access to the Santa Fe, UP, SP, and Burlington Northern. With access to four major carriers the shipper line would be able to ship grain to whatever market was best at the time (the Gulf, the West Coast, Kansas City, etc.,).

It is my understanding that the shipper group has Chicago counsel that has started the negotiation process with Santa Fe to purchase the Kansas lines in Categories I and II.

It is my opinion that as long as Santa Fe is talking about selling these lines, applications for abandonment will not be filed.

This concludes my written comments, I want to thank you for the opportunity to update the Committee. I would be glad to answer any questions the Committee has.

Atchison, Topeka and Santa Fe Railroad

Category 1 lines		Date Placed in Cat. 1 or 2
Rago to Englewood	120 miles	6-30-90
Hutchinson to Wellington (in KS) via Blackwell OK (63 miles in OK)	98 miles	6-30-90
Wichita to Pratt	77 miles	6-30-90
Lyons to Galatia	54 miles	6-30-90
Salina to Osborne	80 miles	6-30-90
Topeka to Atchison	<u>50 miles</u>	6-30-90
	479 miles	

Category 2 lines

Ellinwood to Marion	89 miles	6-30-90
Larned to Jetmore	46 miles	6-30-90
Great Bend to Kinsley	47 miles	6-30-90
Iola to Chanute	18 miles	6-30-90
Cherryvale to Oklahoma border	<u>33 miles</u>	6-30-90
	233 miles	

Missouri Pacific/Union Pacific

Category 1 lines

Burr Oak to Jamestown	33 miles	10-5-88
Conway Springs to Radium	95 miles	10-5-88
Conway Springs to Hardtner	95 miles	10-5-88
Olcott to Iuka	20 miles	10-5-88
Herington to Osawatomie	120 miles	8-1-90
Overbrook to Lomax	<u>13 miles</u>	8-1-90
	376 miles	

Burlington Northern

Category 1 lines

Medora to Valley Center	37 miles	7-7-89
-------------------------	----------	--------

Totals

1125 miles

Rail shippers set sights on their own track

Group lays plans to buy 800 miles of Santa Fe line

By Steve Painter
The Wichita Eagle

A group of grain elevator operators and other rail shippers is laying the groundwork to buy more than 800 miles of track from the Atchison, Topeka & Santa Fe Railway, officials with the group said Monday.

The track lies in the southern half of Kansas, from Wichita west to Scott City. Most of it is track that Santa Fe has indicated it would abandon due to light traffic.

The effort is being spearheaded by the Santa Fe Shippers Association, which represents about 60 shippers on the rail line.

Bill York, chairman of the group, said the track could be operated as a cooperative railroad. As such, it would be run for the benefit of shippers along the line — mostly farm co-ops and private companies that own grain elevators — and not necessarily for profit.

Railroad cooperatives are rare. A few farm co-ops, including the Garden City Co-op, have bought short sections of track from railroads. But the scope of the rail co-op proposed by the Santa Fe shippers is unprecedented, said James Irlandi, a Wichita transportation consultant.

This week, the shippers will incorporate a company, Sunflower Railroad Corp., whose sole purpose will be to buy track and possibly rolling stock, Irlandi said. Formation of the company is necessary, he said, to get access to Santa Fe data needed for a feasibility study before negotiating a

purchase price.

The shippers are interested in acquiring 817 miles of track, including some that Santa Fe has not put up for abandonment.

"That's the only way we can make this whole thing work," Irlandi said.

Purchase of the track would be a huge relief to shippers, who have feared Santa Fe would pull out, leaving trucking as the only means of moving bulk commodities such as grain and lumber.

In many cases, truck rates are higher than rail rates — especially if there is no competition from railroads.

Higher rates would result in lower prices being paid to farmers who ship wheat and other grains, and higher costs for businesses that send or receive commodities by rail.

Most of the shippers in the group handle grain; others include Star Lumber & Supply Co. in Wichita and the Exxon chemical plant in Kingman.

The shippers association also would negotiate to buy the property on which many of the grain elevators sit, said York, general manager of the Andale Farmers Co-op. Elevator operators who lease the sites from Santa Fe worry that if the tracks were abandoned, Santa Fe might sell the sites to big grain companies seeking to take over country elevators.

No hard estimates of the potential cost of the track were available Monday. Irlandi estimated the salvage value of the track, if Santa Fe abandoned it, at \$12 million to \$15 million.

As for financing, York said the shippers group has had preliminary talks with investors he declined to name, and it also has talked to officials at Co-Bank's Wichita banking center. Co-Bank is the division of the nationwide Farm Credit System that lends to cooperatives.

Lynn Rogers, a Co-Bank spokesman, said the lender had not made any railroad loans in the past. But he said Co-Bank officials are interested, because they don't want to see the bank's customers lose rail service.

"We just don't want to see any options taken away from them," he said.

A majority of the owners would have to be co-ops for Co-Bank to finance a rail purchase, Rogers said.

York said that, if the shippers buy the track, they would lease it to a short-line railroad company to operate. If it is run as a cooperative, shippers along the more heavily traveled lines would, in effect, be subsidizing the rates of shippers on the more lightly traveled branch lines.

"There could be that possibility," York said, adding that none of the shippers has expressed opposition to that concept.

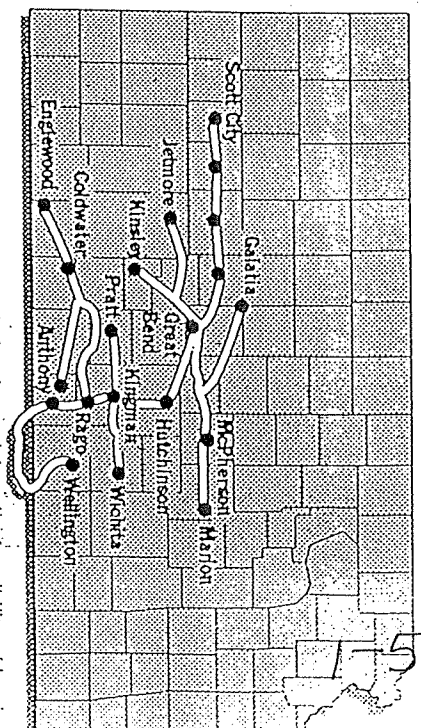
Last summer, Santa Fe put more than 700 miles of Kansas track up for possible abandonment. Since then, it has sold more than 200 miles in southeast Kansas to the SEK Railroad, a short-line rail company based in Coffeyville, and has sold a short section of track north of Garden City to the Garden City Co-op.

Not all of the track that has been taken over was on Santa Fe's abandonment list, and the track that the shippers association is looking at includes three sections also not on that list: Scott City to Great Bend, Ellinwood (just east of Great Bend) to Hutchinson and Belvidere to Attica.

The shippers association is not interested in two stretches in northern Kansas that are on Santa Fe's abandonment list: Salina to Osborne and Atchison to Topeka — part of the company's original line.

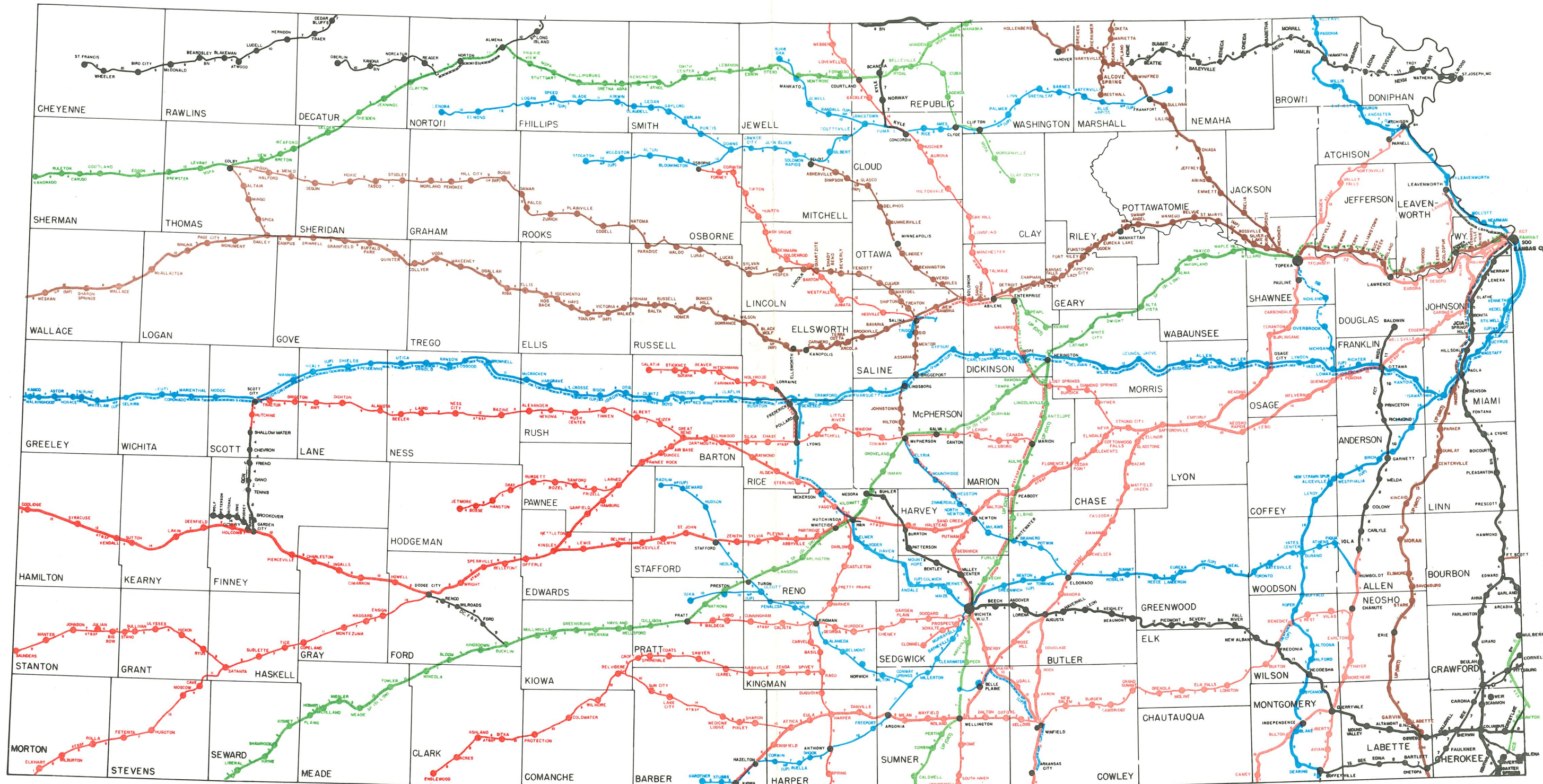
Shippers northwest of Salina are served by competitive trucking service. The Atchison-Topeka line has been out of service, though both cities are still served by other Santa Fe lines.

The Santa Fe Shippers Association is studying the feasibility of buying the track lines from the Atchison, Topeka & Santa Fe Railway Co.



Possible Rail Purchases

Kansas Railroad Map



RAILROAD	MILEAGE	RAILROAD	MILEAGE	RAILROAD	MILEAGE
A.T.&S.F. ATCHISON TOPEKA & SANTA FE	2,343	K.C.S. KANSAS CITY SOUTHERN	24	M.P. MISSOURI PACIFIC	1,472
B.N. BURLINGTON NORTHERN	576	K.C.T. KANSAS-COLORADO - TEXAS	50	N.E.K.M. NORTHEAST KANSAS & MISSOURI	107
D. & R.G.W. DENVER & RIO GRANDE WESTERN	*	K.C.T.R. KANSAS CITY TERMINAL RAILWAY	11	N.&W. NORFOLK & WESTERN	*
D.C.F.&B. DODGE CITY FORD & BUCKLIN	25	K.&M.R.&T. KANSAS & MISSOURI RAILWAY & TERMINAL	2	O.K.T. OKLAHOMA - KANSAS - TEXAS	143
G.C.N. GARDEN CITY NORTHERN	31	KYLE KYLE	16	SOO SOO - LINE	*
G.C.W. GARDEN CITY WESTERN	14	M.S.P.A. MID-STATES PORT AUTHORITY	320	SEK SOUTHEAST KANSAS	71
H.&N. HUTCHINSON AND NORTHERN	3	(KYLE, OPERATOR)		S.P. SOUTHERN PACIFIC	348
J.C.I.A. JOHNSON COUNTY INDUSTRIAL AIRPORT RAILWAY	4	M.R. MIDLAND RAILWAY	11	U.P. UNION PACIFIC	883
		M.K.T. MISSOURI - KANSAS - TEXAS	149	W.U.T. WICHITA UNION TERMINAL	2