

Approved 2-5-91
Date

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND UTILITIES

The meeting was called to order by Sen. Bill Morris at
Chairperson

9:02 a.m./p.m. on January 31, 1991 in room 254-E of the Capitol.

All members were present ~~except~~.

Committee staff present:

Ben Barrett, Legislative Research Department
Hank Avila, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Louise Cunningham, Committee Secretary

Conferees appearing before the committee:

John Rosacker, Research Analyst, KDOT
Pat Hubbell, Kansas Railroad Association
Leroy Jones, Brotherhood of Locomotive Engineers

Chairman Morris said the purpose of this meeting was for the committee to be briefed by KDOT on railroad abandonment. There was great interest throughout the state on this subject. He introduced Mr. John Rosacker who did the briefing. Mr. Rosacker introduced Mr. Ken Stodgell and Mr. Oscar Albrecht from KDOT who were also with him. Secretary of Transportation, Dr. Arland Hicks, was also present for the meeting.

John Rosacker distributed a Kansas Railroad Abandonment Status Map. (Attachment 1). He also distributed a chart showing Kansas railroads 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. A copy of the chart is attached. (Attachment 2).

Mr. Rosacker said Santa Fe has stated publicly many times that they intend to sell or abandon all of the lines they placed in Categories I and II. They have said that 95 per cent of their money is generated on 65 per cent of the lines and so they are cutting back. Other railroads are doing the same thing throughout the country. He distributed a newspaper article from the Wichita Eagle dated January 29, 1991. This article contained information regarding a group of grain elevator operators and other rail shippers, Sunflower Railroad Corporation, that is laying the groundwork trying to buy more than 800 miles of track from Santa Fe. A copy of this article is attached. (Attachment 3). He said KDOT is working with them and are assisting them in their efforts to buy the 800 miles. He said, in his opinion, there was enough traffic to justify keeping the lines.

Mr. Rosacker said that once a railroad files for abandonment with ICC they have to prove it cannot make any money on the line. It is very difficult to stop an abandonment case. Usually when a line is not making money the service gets worse and things go downhill. When there is abandonment the land goes back to the adjacent landowner. Some small sections have been used as trails. He said the railroads will not sell piece by piece. They want to sell all the line or nothing so they will not be left with only the "bad" sections while selling off the "good". Short lines can work but banks need guarantees or commitments from the shippers. A copy of his statement is attached. (Attachment 4).

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION & UTILITIES,
room 254-E Statehouse, at 9:02 a.m./~~p.m.~~ on January 31, 1991

It was pointed out that the railroads are union operated and the short lines would be non-union. Workers would be able to do a number of different jobs and costs would be lower. Short lines if properly financed can work. This seems to be the only alternative. If the railroads are lost it would mean 100,000 additional trucks per year on Kansas roads.

Pat Hubbell said the problems developed when the merger with Southern Pacific did not take place. Short lines can be successful and Santa Fe is willing to make a deal as the short lines will feed into their larger lines.

Leroy Jones said the problems were caused by deregulation and this is not a union-management thing. They are looking to unionize the small lines.

This is an important subject for many communities and Secretary Hicks said that legislation was being prepared but the Governor's office would review it first. He said he would work to expedite the necessary legislation.

A motion was made by Sen. Thiessen and was seconded by Sen. Hayden to approve the Minutes of January 30, 1991. Motion carried.

Meeting was adjourned at 10:00 a.m. Next meeting will be February 5, 1991.

SENATE TRANSPORTATION AND UTILITIES COMMITTEE

Date 1-31-91 Place 254-E Time 9:02

GUEST LIST

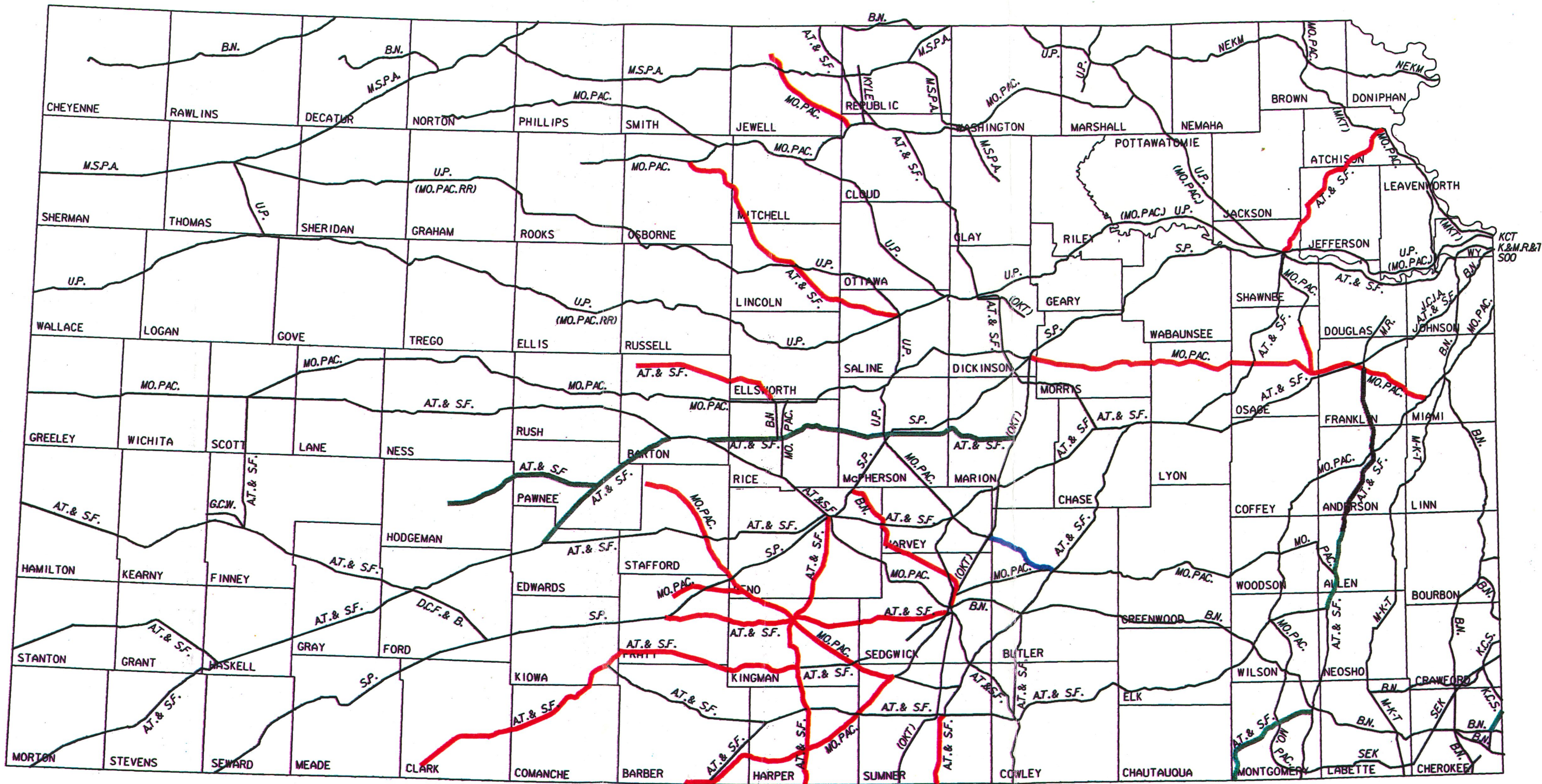
NAME

ADDRESS

ORGANIZATION

| | | |
|------------------|--------|--------------------|
| KEN STODGELL | TOPEKA | K-DOT |
| DR. Arland Hicks | TOPEKA | K-DOT |
| Oscar Albrecht | TOPEKA | K-DOT |
| John Jay Rosack | Topeka | K-DOT |
| Greg Tugman | Topeka | KDOT |
| Jeff Wagoner | Topeka | Sen F Ken's office |
| Pat Halibell | Topeka | Kansas RR Assn |
| Matt Truell | Topeka | AP |
| Carl Hill | Topeka | KMCA |
| Bob Totten | Topeka | K-C-A |

KANSAS RAILROAD MAP ABANDONMENT STATUS



KEY TO ABBREVIATIONS

AT.& SF. ATCHISON TOPEKA & SANTA FE
 B.N. BURLINGTON NORTHERN
 D.& R.G.W. DENVER & RIO GRANDE WESTERN
 D.C.F.& B. DODGE CITY, FORD & BUCKLIN
 G.C.W. GARDEN CITY WESTERN
 H.N. HUTCHINSON & NORTHERN
 J.C.J.A. JOHNSON COUNTY INDUSTRIAL AIRPORT RAILROAD

K.C.S. KANSAS CITY SOUTHERN
 K.C.T. KANSAS CITY TERMINAL RAILWAY
 K.& M.R.& T. KANSAS & MISSOURI RAILWAY & TERMINAL
 M.S.P.A. KYLE (MID-STATES PORT AUTHORITY)
 M.K.T. MISSOURI-KANSAS-TEXAS
 M.P. MISSOURI PACIFIC
 M.R. MIDLAND RAILWAY

N.& W. NORFOLK & WESTERN
 O.K.T. OKLAHOMA-KANSAS-TEXAS
 SEK SOUTHEAST KANSAS
 S.O.O. S.O.O.-LINE
 S.P. SOUTHERN PACIFIC
 U.P. UNION PACIFIC

— Category 1
— Category 2
— Category 3
— Exempt

KANSAS DEPARTMENT OF TRANSPORTATION
 BUREAU OF TRANSPORTATION PLANNING
 AND
 BUREAU OF RAIL AFFAIRS
 OCTOBER 1990
 RAILROAD.DGN

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.

ATT. 3
T&U
1-31-91

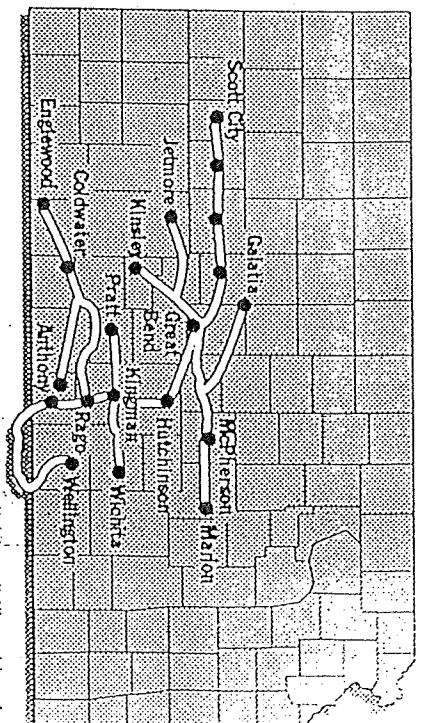
Last summer, Santa Fe put more than 700 miles of Kansas track up for possible abandonment. Since then, it has sold more than 200 miles in southeast Kansas to the SEK Railroad, a short-line rail company based in Coffeyville, and has sold a short section of track north of Garden City to the Garden City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

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.



UPDATE OF RAILROAD ABANDONMENTS IN THE STATE OF KANSAS

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 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.

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 Senator Kerr for inviting us to update the Committee. I would be glad to answer any questions the Committee has.