

DANVILLE FLYER

Inside this issue:

April Meeting	1
Wine by Rail	1
About Us—Officers	2
KCS and CP Merge?	3
Amtrak Gulf Service	4
View from My Window	5
March Minutes	6
Illinois Lost Revenue	6
MagLev Trains	7
Second Section	7
Photo of the Month	8

April Meeting at Jocko's

Those of us in eastern Illinois have seen the COVID-19 infection rate come down so that restaurants could open for at least 50 percent capacity. We met last month at Jocko's and they have kept open to survive and as the manager told me last month, they paid the fines to just stay open to support the community and the employees. The April meeting will be held at Jocko's on the 18th at 1:00 PM.

The program will be presented by Dick Brazda

REMEMBER, YOU MUST WEAR A MASK TO ENTER THE RESTAURANT AND THE MEETING ROOM.

Wine by Rail?

A major wine shipper has located its facilities almost exclusively on short line railroads with access to two Class I systems as a way to ensure better local service and more competitive rates. G3 Enterprises, which handles shipping for 28 of the top 30 wineries in the U.S., operates regional distribution centers in nine states. Only three of its warehouses are served directly by Class I railroads.

"We've put a significant emphasis on having dual access locations. And we really stood firm on our ability to move that location if we're single served and not been able to get the rail service that we require," Nicole Ostertag, senior manager of global distribution, told the Pacific Northwest Association of Rail Shippers last week. "We've also prioritized locating on short lines. In our experience, being served by a short line has significantly benefited us when we require special services."

G3's largest origin facility is in Modesto, Calif., on short line Modesto & Empire Traction Co., which connects with both BNSF Railway and Union Pacific.

"We're located on a short line there that actually provides us multiple switches per day," Ostertag says. "As many people know, that's a little bit tough to get typically with a Class I railroad ... And so having that ability to locate on a short line has allowed us to concentrate our loading capacity to make our warehouses more efficient because we can load out of those same rail slots multiple times throughout the day. It's also prevented things that we would have had to do if we were on a Class I, such as increasing our rail footprint and

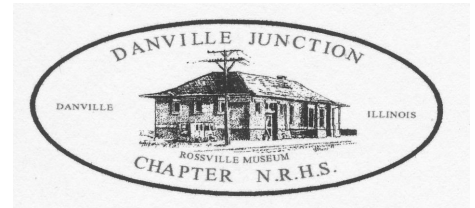
APRIL 18TH, MEETING AT JOCKO'S ON WILLIAMS STREET AT 1:00 PM.

C&EI HS ANNUAL MEETING AT WATSEKA, APRIL 17TH, 10 AM TO 6 PM. DISPLAYS AND DEALERS. MIKE KELLY PRESENTS RAILROADS OF INDIANA

About Us

The DANVILLE JUNCTION CHAPTER, NRHS, is a not-for-profit corporation organized to preserve the history of railroading in Eastern Illinois and Western Indiana and operates a museum located in the former Chicago and Eastern Illinois Railroad depot on East Benton Street in Rossville, Illinois. The museum is open weekends from Memorial Day to Labor Day and features many railroad displays plus a large operating HO model railroad. Membership in the Chapter is open to anyone having an interest in any aspect of

railroading. Dues per year are \$30.00 for Chapter membership in addition to \$50.00 for NRHS membership. Rossville Depot Museum membership is \$30 per year. Meetings are held on the third (3rd) Sunday of each month (except June, July, August and December) at the Jocko's Depot Restaurant, Gilbert Street (Illinois Route 1) and Williams Street, next to CSX (former Conrail), in Danville, Il with lunch beginning at 1:00 PM Central Time followed by meeting and program.



Officers for 2021—our 53rd Year

Henry Schmitt – President
 Doug Butzow – Vice President
 Dick Brazda– Secretary
 Doug Nipper– Treasurer
 Dave Sherrill – Programs
 Jess Bennett – Historian
 Bob Gallippi – Museum Director
 Rick Schroeder – Editor & NRHS rep
 Cooke Wireless, LLC - Publisher & Distributor



(Continued from page 1)

having to add additional track or dedicating additional portions of the warehouse to rail loading locations.”

This has benefitted both the warehouse and the railroads, Ostertag says. The more frequent switching service, including on weekends, enables G3 to ship more volume via rail. The company fills more than 10,000 insulated boxcars per year and ships via intermodal and truck, too. It also helps, Ostertag says, that G3 is among Modesto & Empire’s largest customers.

G3 saw wine shipments surge last year at the onset of the pandemic. “Wine had an enormous spike over a very short period,” she says, noting that volume increased more than 23% last year and remains strong today. Rail service improved last year as overall rail volume declined, cutting cross-country transit times by two to three days in G3’s eight core shipping lanes, Ostertag says.

“Service was really good for us last year,” she says, noting that it has slid backward a bit in the past few months as rail volume has bounced back and severe winter weather has had an impact.

CP and KCS to Merge

Canadian Pacific Railway Ltd. (CP) will acquire Kansas City Southern (KCS) in a cash and stock transaction worth US\$29 billion, the two Class I railroads announced early March 21. The combined entity will be named Canadian Pacific Kansas City (CPKC).

CP and KCS described the US\$29 billion as “enterprise value” that includes the assumption of \$3.8 billion of outstanding KCS debt. The transaction, which has the unanimous support of both boards of directors, values KCS at \$275 per share, representing a 23% premium, based on the CP and KCS closing prices on March 19, 2021 (and \$270 per share, representing a 26% premium, based on the respective CP and KCS 30-day volume weighted average prices (VWAP)).

The two companies informally notified the U.S. Surface Transportation Board (STB) about the deal on Saturday evening, March 20. The STB will need to approve the transaction. If approved, the merger will be the first Class I transaction of its type since the late 1990s, when Norfolk Southern and CSX acquired 56% and 72%, respectively, of Conrail.

CP will establish an independent voting trust to acquire the KCS shares. Former KCS President and CEO Dave Starling, Railway Age’s 2012 Railroader of the Year, has been appointed trustee. Upon shareholder approval of the transaction, and satisfaction of customary closing conditions, CP will acquire KCS shares and place them into the voting trust. This step is currently expected to be completed in the second half of 2021. Following the closing into a voting trust, common shareholders of KCS will receive 0.489 of a CP share and \$90 in cash for each KCS common share held. KCS common shareholders are expected to own 25% of CP’s outstanding common shares, “providing the ability to participate in the upside of both companies’ growth opportunities. Following final STB approval, KCS shareholders will additionally participate in the realization of synergies resulting from the combination.”

To fund the merger’s stock consideration, CP will issue 44.5 million new shares. The cash portion will be funded through a combination of cash-on-hand and raising approximately \$8.6 billion in debt, for which financing has been

committed. As part of the merger, CP will assume approximately \$3.8 billion of KCS’ outstanding debt. Following the closing into trust, CP expects that its outstanding debt will be approximately \$20.2 billion.

CP and KCS said the combination “is expected to be accretive to CP’s adjusted diluted EPS in the first full year following CP’s acquisition of control of KCS, and is expected to generate double-digit accretion upon the full realization of synergies thereafter.”

Pro forma for the transaction, CP estimates its leverage ratio against 2021E (expected) street consensus EBITDA to be approximately 4.0x with the assumption of KCS debt and issuance of new acquisition-related debt. In order to manage this leverage “effectively,” CP will be temporarily suspending its normal course issuer bid program, and expects to produce approximately \$7 billion of levered free cash flow (after interest and taxes) over the next three years. CP estimates its long-term leverage target of approximately 2.5x to be achieved within 36 months after closing into trust. The combined company “will remain committed to maintaining strong investment-grade credit ratings while continuing to return capital for the benefit of shareholders.”

The merger comes as trade between the U.S. and Mexico is expected to increase as the two North American nations are enjoying far better relations following U.S. President Joe Biden’s inauguration.

“The transaction will combine the two railroads to create the first rail network connecting the U.S., Mexico, and Canada,” CP and KCS said in a joint statement. “Joining seamlessly in Kansas City, Mo., in America’s heartland, CP and KCS together will connect customers via single-network transportation offerings between points on CP’s system throughout Canada, the U.S. Midwest, and the U.S. Northeast and points on KCS’ system throughout Mexico and the South Central U.S.

“The combined network’s new single-line offerings will deliver dramatically expanded market reach for customers served by CP and KCS, provide new competitive transportation service options, and support North American economic growth. The transaction is also expected to create jobs across the combined network. Additionally, efficiency and service improvements are expected to achieve meaningful environmental benefits.

(Continued on page 4)



(Continued from page 3)

“While remaining the smallest of six U.S. Class I railroads by revenue, the combined company will be a much larger and more competitive network, operating approximately 20,000 miles of rail, employing close to 20,000 people and generating total revenues of approximately \$8.7 billion based on 2020 actual revenues.”

“This transaction will be transformative for North America, providing significant positive impacts for our respective employees, customers, communities, and shareholders,” said CP President and Chief Executive Officer Keith Creel. “This will create the first U.S.-Mexico-Canada railroad, bringing together two railroads that have been keenly focused on providing quality service to their customers to unlock the full potential of their networks. CP and KCS have been the two best performing Class 1 railroads for the past three years on a revenue growth basis.

“The new competition we will inject into the North American transportation market cannot happen soon enough, as the new USMCA (United States-Mexico-Canada) Trade Agreement among these three countries makes the efficient integration of the continent’s supply chains more important than ever before. Over the coming months, we look forward to speaking with customers of all sizes, and communities across the combined network, to outline the compelling case for this combination and reinforce our steadfast commitment to service and safety as we bring these two iconic companies together.”

Railway Age 3-22-21

Amtrak Gulf Service

In a move that appears to be a pre-emptive strike, Amtrak has asked the Surface Transportation Board (STB) to intervene on its behalf if CSX and Norfolk Southern don’t cooperate on hosting proposed new service between New Orleans and Mobile.

“Under STB procedures, CSX and NS will be required to provide Amtrak access to their railroads for this service or prove to the public why they cannot successfully host these trains in accordance with the law,” Amtrak said in a statement released late on March 16. “Amtrak has a legal right to use this route, which has sufficient capacity to host these trains, and up to \$66 million in targeted improvements to support the new intercity passenger rail service along the line awaits action.

These potential investments have been reviewed, approved and funded by the Federal Railroad Administration (FRA), Amtrak and others.”

As such, the proceeding may serve as a test case for how the STB handles future intercity passenger rail proposals involving Amtrak, state entities and host freight railroads, when reaching agreement proves problematic, according to industry observers.

Amtrak reported March 16 that in an STB filing, it asks for “expedited consideration” and an order requiring host freight railroads CSX and Norfolk Southern to permit Amtrak access for twice daily round-trips starting on or about Jan. 1, 2022. The trains would operate for the Southern Rail Commission (SRC), a federally created entity representing Alabama, Louisiana and Mississippi, according to Amtrak.

While Amtrak confirmed late last month its intention to begin the service in 2022, no agreement had been reached by Amtrak and CSX—which owns most of the tracks upon which the new service would operate (see map below)—and NS, *Railway Age* reported Feb. 26.

The three began an Amtrak-funded study last year using a modeling program to determine passenger rail’s impact to existing freight traffic.

Their one-year agreement expired in January. “Something that should have taken seven months was far from completion after a year,” Amtrak spokesman Marc Magliari told *Railway Age* in February. “In fact, discussions have been under way for five years. There was no sign of any conclusion in sight.”

He added that Amtrak had notified CSX and NS of its intention to start service, and asked them “where they believe there are more issues. We safely and successfully operate together elsewhere in the U.S., with dependable freight service coexisting with reliable and relevant Amtrak service. That’s what the Gulf Coast deserves, too.”

Railway Age reached out to NS and CSX on March 16 regarding Amtrak’s STB filing.

In a statement, NS said: “As Amtrak has filed with the STB, we are now in litigation on the matter and therefore will not be issuing any further comment.” The railroad also provided its previously issued statement on the proposed Gulf Coast service, which *Railway Age* published Feb. 26: “There is an established process for introducing new passenger rail service on freight rail lines recognized by both the freight and

(Continued on page 5)

(Continued from page 4)

passenger railroad industries. It involves identifying, through a data-driven study, what infrastructure is necessary to ensure that the new passenger service is transparent to freight operations and doesn't negatively impact the freight rail customers. The public entities sponsoring the service finance the infrastructure construction prior passenger service being introduced. It is a well-instituted process, one that history has shown to work. Norfolk Southern welcomes the prospect that this process will be revived and completed in the proposed Mobile-New Orleans service."

CSX provided this statement: "Amtrak elected to abandon the long-standing practice of completing an impact study when the introduction of new passenger service is proposed. Now that this matter is before the Surface Transportation Board, CSX has no further comment."

CSX released this statement to *Railway Age* last month: "From the onset, CSX prioritized this Amtrak Gulf Coast study, treating each step as expeditiously as possible. Any CSX-requested modifications to study parameters were to ensure the model was compliant with federal law. CSX and its customers strongly support the completion of this study. Not only are we committed to seeing its completion, but the STB has a statutory obligation to determine if a new passenger service unreasonably interferes with freight operations. It is critical that this study and the full infrastructure impact assessment is completed."

Before Hurricane Katrina in 2005, Amtrak said it served the Gulf Coast region via three different services: "two of which successfully ran daily between the same city pairs as the proposed Gulf Coast service, along with the tri-weekly Sunset Limited (Trains 1 & 2). The Sunset Limited was sus-

(Continued on page 6)



View from My Office Window—Rick

Over the past month we have been in the process of moving our hosta garden from the other house to new beds we have constructed. So watching any train movements has either been from the "window" or the back yard.

I had noted movement of "rock trains" and I have found out they are taconite movement to Alabama. The hoppers are mostly marked AOK but there are B&LE cars mixed in. Almost every train has power on each end. In addition there are trains of coke that head south.

Oil trains are moving again and much of it comes from the fields in Alberta, Canada. These rate at least 2 units, sometimes a DPU on the SB train. On the 6th there was a NB empty with 2 on the point, on the 7th a SB with 2 on the point and a DPU. There are light power moves south, usually 2 units, in the afternoon maybe twice a week. Not checking on the destination but assume they are headed to one of the elevators, probably Tuscola, to take grain moves south. This past week I spotted 3 SB and 1 NB grain train on the same day. The CN has set another record for grain movement, most in Canada but loads are up here.

The motive power mix continues. The week of the 5th I spotted a NB move of NS, CN, NS, KCS, CN, CN and IC units on a short train of probably 40 cars. Power move no doubt but interesting consist. The motive power guys continue to match the remaining IC SD70's together with this week 3 on a SB train. Missed another great camera shot. Had a SB rail train the other day.

We have spent the first week in April moving some 50 pots and over 20 in-the-ground hostas to our new home. A contractor has helped dig and plant since I am supposed to watch what I am doing. Once the gardening is caught up I may have time to do some train watching.

Thanks to Bob Gallippi and Bill Navigato the layout is once again under construction. Bob did the design to incorporate much of the former town on the D&W and once "approved by management" actually constructed sections in his shop, hauled them here in his truck and within 2 days we had the benchwork completed. The task of getting foam base and then roadbed down is in progress but gardening has taken the time, plus farming has started and Bill headed to Florida for time with warm weather. Construction should continue later this spring.

Rick

MARCH 21st MEETING MINUTES

President, H Schmitt, called meeting to order at 1:30 PM. The February 2021 secretary report was approved as printed in flyer. Treasurer report: There were no incomes or expenses since the last meeting. There is a bank balance of \$ 6,062.60. President Schmitt thanked everyone who made donations to the club since there will not be an Urbana train show again this year.

Old Business

Next operating session is April 3. There are no new issues with museum building.

Skylar has done some work on motor car.

New Business

Dick Brazda has entertainment for April. Need someone for May. Dave will not be present in May .

Doug Butzow reported on 15 year rebuild of steam engine at Monticello. It probably will be back in service In 2022. Doug also explained the use of nitrogen on the boiler when not in use. The status of two new diesel engines was also discussed.

The meeting was then turned over to Terry Bodine of Covington. Terry as a youngster and teenager lived in West Chicago at the Bates & Rogers heavy equipment rail loading center. This area was also the intersection of the Chicago and Northwestern RR and EJ&E RR. His house also bordered on the 1000 acre C&NWRR livestock feeding and watering station where Terry worked as a teenager. Terry showed many photo graphs of the livestock area from 1930's thru 1950's. He also had photos of Bates & Roger loading center. He also talked about his father's experiences with building the Alaskan highway and use of the Skagway RR.

Terry also talked before the meeting about his building from scratch the trucks, wheels, springs, etc , for his 2.5 inch to foot passenger cars. Also, explained how he built a 5/8 inch scale model of the cades mill covered bridge.

(Continued from page 5)

pendent between New Orleans and Florida when Katrina washed away much of the CSX railroad in 2005.”

The Federal Railroad Administration (FRA), Amtrak, CSX, NS, SRC and others began work on returning service to the Gulf Coast in 2015, according to Amtrak.

In July 2017, a Gulf Coast service restoration study, administered by FRA's Gulf Coast Working Group, “showed where freight railroad improvements are needed,” Amtrak's Magliari said last month. “Since 2019, the Southern Rail Commission has had \$33 million in federal grants to pay for them.”

In its March 16 announcement of the STB filing, Amtrak explained the proposed Gulf Coast service this way: “Usage of the route by CSX and NS is far from its capacity. Under the planned schedule, each morning and each afternoon, an Amtrak train would depart from both Mobile and New Orleans, passing each other in Mississippi, where almost \$45 million in improvements are proposed and funded. Amtrak operations at Mobile would be scheduled with approximately 12 hours between the two departures and 10 hours between the two arrivals.

Illinois Lost Revenue

Illinois transportation and transit agency revenue generated \$1 billion less than expected over the past year due to pandemic-related declines in fuel consumption, sales taxes and transit ridership, according to a new study by the nonpartisan Illinois Economic Policy Institute (ILEPI).

“The COVID-19 pandemic has had costly and disruptive impacts on people, businesses, and institutions in every corner of our state,” study author and ILEPI transportation analyst Mary Tyler said in a news release. “While some sectors, including transportation, are beginning to rebound, they continue to lag well behind pre-pandemic levels.”

The state's major transportation revenue streams — motor fuel taxes and transit system fees — registered their steepest declines in the two months immediately following the state's March 21, 2020, stay-at-home order.

During this period, statewide vehicle miles traveled (VMT) were as much as 40% less in 2020 compared to 2019. The state's overall VMT finished the first year of the pandemic down 15% compared with pre-pandemic levels, and ridership for various Chicago-area transit systems fell an average of between 50% and 90%. So far, neither has recovered to pre-

(Continued on page 7)

pandemic levels.

The \$1.9 trillion American Rescue Plan Act recently signed into law by President Joe Biden includes provisions that could minimize the pandemic's near-term financial impacts on state and local governments in Illinois, as well as its transportation systems, according to the release.

Progressive Railroading 3-29

MagLev trains?

The Federal Railroad Administration (FRA) and the Maryland Department of Transportation (MDOT) Maryland Transit Administration (MTA) have extended the public comment period for the environmental review of the private-sector Baltimore-Washington Superconducting Magnetic Levitation Project (SCMAGLEV)

The public comment period will now run through May 24, according to a press release.

Earlier this month FRA and MDOT MTA announced the schedule for a trio of public hearings in April on the SCMAGLEV DEIS. The hearings will be held virtually April 6, 8 and 10.

The draft environmental impact statement (DEIS) evaluates the potential beneficial and adverse environmental impacts of the SCMAGLEV. The private-sector project has been proposed by Baltimore-Washington Rapid Rail LLC, which would construct and operate the high-speed technology to run on a grade-separated, fixed guideway powered by magnetic forces at speeds exceeding 300 mph. The system would not operate on standard railroad tracks, so a dedicated grade-separated guideway is required, according to the DEIS.

The system would include two terminal stations — one in Baltimore and one in Washington — as well as an intermediate station at the Baltimore/Washington International Thurgood Marshall Airport. In addition, the system would require other facilities, including one trainset maintenance facility, two maintenance-of-way facilities, fresh air and emergency egress facilities, substations, wayside system facilities and stormwater management.

The SCMAGLEV would operate on both underground and elevated guideway, according to the DEIS.

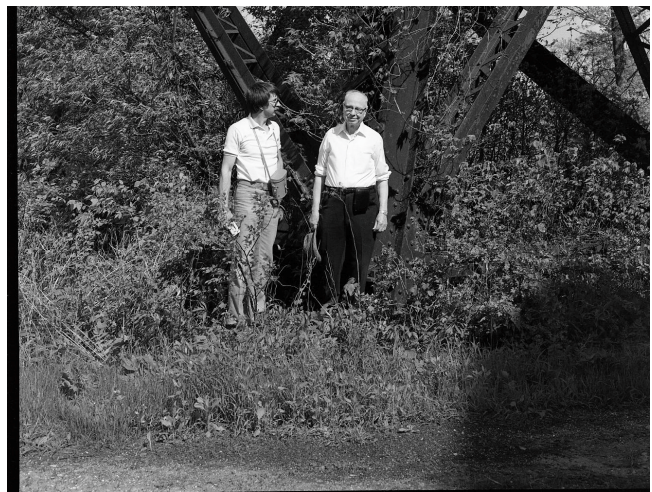
Progressive Railroading 3-29

Second Section

CN and Watco Cos. LLC announced today they've reached an agreement for the sale of non-core lines and assets on the Soo subdivision in Ontario, and about 650 miles of branch lines of Wisconsin Central Ltd. in Wisconsin and Michigan. The agreement marks the conclusion of a sale process that CN announced and launched in July 2020, CN and Watco officials said in a press release. Financial terms were not disclosed.

On the Soo subdivision, the sale involves about 250 miles of track between Sault Ste. Marie and Oba, Ontario. Watco will continue freight operations as well as operate the Agawa Canyon Train Tour. Watco officials have signed a memorandum of understanding with the Missanabie Cree First Nation regarding partnership opportunities for the Algoma Central Railway.

In both the United States and Ontario, CN will continue to play a central role as the transferred segments will remain connected to its tri-coastal network, CN officials said. The acquisition of the U.S. rail lines is subject to the Surface Transportation Board's approval.



Standing at the base of the Milwaukee Jenkins Ford bridge in March 1981 are left, Nate Horton and right Roy Handel. Several years back Nate donated the photo collection to the C&EI HS. Doug Nipper and I made a trip to West Virginia to pick up the collection. Nate passed away a couple of years ago and his wife donated negatives to the Vermilion County Museum and various historical papers to the C&EI HS

Danville Junction Chapter, NRHS
PO Box 1013
Danville, IL 61834-1013

Phone: 217-552-6514
Email: rickschro1@gmail.com

We're on the Web!
www.danvillejct.org

Photo of the Month



The date is December 2, 1973 and Roy Handell of Bismarck photographed the former C&EI depot on Collett Street. This depot was on the “wye” connection from the “city lead” across the Wabash and then across the P&E to connect to the former Evansville, Terre Haute and Chicago track on the south side of the P&E.

Vermilion County Museum collection donated by the Horton family.