

PENNYRAIL

MARCH, 1998

VOLUME 2, NUMBER 3

The official publication
of the Western Kentucky
Chapter, NRHS.

IC/CN Merger



Chapter

MARCH MEETING

BADGETT CENTER (L&N DEPOT)
MADISONVILLE, KENTUCKY
MARCH 23, 7:00 PM

PROGRAM

Ricky Bivins will provide the program - a selection of rail slides and a short video of vintage New York Central operations. At press time we had no volunteers for refreshments but don't panic we will have something ready by meeting time.

AT THE FEBRUARY MEETING

Last month the meeting day was moved from a Monday to a Thursday night. This move caused the attendance to drop to only nineteen members at the meeting. The members enjoyed a video provided by Wally Watts. The video covered Stampede Pass excursion trip pulled, by steam locomotive Southern Pacific # 4449 over Burlington Northern/Santa Fe tracks in Washington state in June 1997. Wally Watts, Don Clayton and Wallace Henderson rode the trip, but, they were not seen on the video. Lucky us! The video was very good and was nice to watch. Refreshments were provided by Jim Pearson and Mike Keipp. The food disappeared quicker than a missing B1 bomber part in Marion.. Right Ron? **We added two new 'chapter only' members at the meeting. They are Dan Kohlberg of Florissant, Missouri and John Roberts of Paducah, Kentucky. Welcome guys and we hope that you**

(Continued on page 2)

Western Kentucky
Chapter, NRHS

111 Reed Place
Madisonville, KY 42431

* * * * *

President
Bob McCracken

Vice President
Ricky Bivins

Sect. Treas.
Wally Watts

National Director
Chuck Hinrichs

"PENNYRAIL" is the
official publication of
the Western Kentucky
Chapter, NRHS.
Send news notes,
historical notes and
other rail information
to:

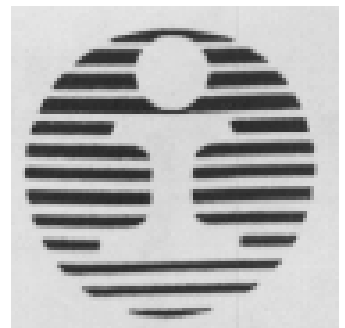
Editor
Chuck Hinrichs

112 Windsor Drive
Hopkinsville, KY 42240
502-886-2849

e-mail
chuckrail@hop-uky.campus.mci.net

The railroad landscape in mid-America is about to undergo another significant change. The Canadian National, Illinois Central merger appears to be a 'done deal.' CN's tender offer for IC shares (at \$39/share) is oversubscribed and the deal now awaits various approvals by governments and interested parties on both sides of the border.

For the foreseeable future Illinois Central is to operate as a subsidiary and retain both the IC name and logo.



Hunter Harrison, IC CEO will join CN as Chief Operating Officer as soon as the tender offer is complete.

Page 5&6 of this issue of 'Pennyrail' is a portion of the the IC newsletter dealing with the merger and is reproduced here with

Chapter News

(Continued from page 1)

can attend a Chapter meeting from time to time.

CSX provided only one train on the Earlington mainline during the meeting. At 8:30 PM, southbound manifest train (Q647) rolled through Madisonville. Power on the train was all CSX, one C44-8 and one C40-8. Three other trains went around downtown Madisonville on the Atkinson Cutoff during the meeting. Hope we have better luck next month.

MEMBER NOTES

Joe Wirth is back in the Hospital with a blood disorder. Our prayers are with Joe and his family in this time of stress and concern.

VIDEO SALES REPORT....

The chapter has sold 52 copies of the CSX Henderson Sub Video to date. We have cleared \$357.45 on video sales after expenses. We will be selling videos at the NMRA train show in Nashville, the Boeing Employee train show in St.Louis, a train show in Princeton, Indiana and another show in Carterville, Illinois. Check the Timetable section in this newsletter for further information about these area train shows.

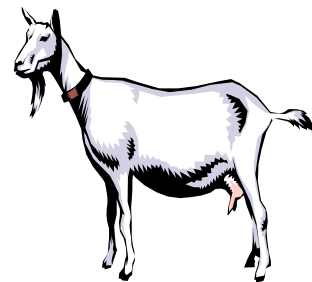
CHAPTER ROSTER AND E-MAIL ADDRESSES

Enclosed with this issue of "Pennyrail" is a current roster of members of the Chapter. Attached to the roster is a list of e-mail addresses of those members accessing the internet. If you are on-line and we missed you, just drop me an e-mail and we will include you in the next listing. My e-mail address is on the front page.

Chuck

TRACKSIDE WITH THE OLD GOAT

Dennis Carnal



Greetings from The Old Goat!! Welcome to Spring 1998!!! Good-bye to Old Man Winter!!! Time to head trackside and get in some railfanning. That is, before the grass starts growing and I have to start mowing!!! Boy, the price I pay for a little warm weather!!! Hope everyone has a little free time to catch a little train action in the upcoming weeks. Not very much to report this month. But, let's see what I have....

CSX DERAILMENT IN EVANSVILLE

On Friday, February 27th at 7:45 PM, southbound CSX manifest train (Q553-27) with two CSX locomotives, 70 loaded cars and 18 empty cars derailed 14 cars at milepost ZA324. The derailment was just north of Howell Yard. The train had gone into emergency braking, the crew walked the train and found the 15th through the 31st car derailed, with four cars turned on their sides. R. J. Corman Railroad Contractors and Hulcher Contractors were called to rerail the cars. Their crews arrived at the location around 3:30 AM on Saturday morning. The track was open to train traffic by 10:00 PM Saturday night. Because of the derailment, eleven southbound trains were parked between Evansville and Danville on the Chicago Subdivision. Four northbound trains were parked at Howell Yard in Evansville. Two piggyback trains were detoured from Chicago southbound via the Garrett Subdivision to Cincinnati, then southward to Corbin and on to Atlanta.

Three northbound piggyback trains were detoured from Nashville via the Mainline Subdivision to Louisville, then north on the ex-Monon line to Mitchell, Indiana. These trains then ran west to Vincennes on the ex-B&O mainline. Then on to the Chicago Subdivision and north to Chicago. Because of the derailment in Evansville, Radnor Yard in Nashville was holding over twenty trains. Some of these trains were waiting for power from the southbound trains blocked by the derailment. Crews will be working on the damaged track in the coming days to get track speed back up to normal.

SIGHTINGS

On February 17th, I noted a southbound loaded molten sulfur unit train at Nortonville meeting a northbound piggyback train. The sulfur train had this power lashup...one Canadian Pacific SD40-2, one SOO Line SD40-2, one Helm Leasing GP40-2 and one CSX C40-8W # 7777. Four sevens, my lucky day!! The piggyback train had one CSX C40-8W and a Union Pacific SD60. I have seen locomotives from CP, SOO, Conrail, Cotton Belt/Southern Pacific/Chicago Northwestern/Union Pacific, Norfolk Southern, Kansas City Southern, Wisconsin Central, EMD Leasing and Helm Leasing all pulling trains on the CSX Henderson Subdivision during the past few weeks. On Saturday, February 28th the following locomotives were at

(Continued on page 3)

THE OLD GOAT

(Continued from page 2)

the Atkinson Yard enginehouse....One CSX GP40-2, one CSX GP39-2, one CSX B30-7, one CSX C40-8W, one CSX SD40-2 still in Seaboard System paint one Norfolk Southern hi-nose GP38-2, one Kansas City Southern GP40-2 still in Burlington Northern paint, one Kansas City Southern SD40-2 and one Kansas City Southern SD60. The three KCS units and the NS unit had pulled two military trains from Louisiana to Fort Campbell. These four units left Madisonville for Howell Yard late Saturday afternoon on manifest train (Q646) behind two CSX units, a C40-8 and an SD50.

Bill Grady sends these tidbits from Louisville. The big snow of 98' back on Feb 5-6-7-8, saw detours off the Cincinnati-Atlanta main come through Louisville. "Tote" trains Q141-142 were an everyday event until the 8th when X142 headed to Cincinnati out of Louisville. We also hosted rack train Q245 each day. NS was shut down on Feb 5-6 because of the snow at Danville and points south.

The NS UPS trains are getting larger since I last talked to you. They now have a pair of units on the point each day. The eastbound #271 is out of Louisville at 16:30 like clockwork.

CSX's SD70's came into Louisville on January 29th. The 719-722 arrived in Louisville at 17:35 pulling the Q313-29 into town. The units went back out that night pulling out of town with the Q504-29 at 2100. This is believed first SD70s into Louisville.

Wisconsin Central came through Louisville on NS #124 the week of February 24th. The consist included NS #4606 and 2 WC SD45's. Craig Hatter reported that a northbound NS train at Lexington on Feb. 26 included in this order, WC FP45, WC SD45, and NS SD60.

Well, that's about all for this month. Next month, I hope to have some information on the upcoming new coal train service on CSX through Madisonville. Western coal trains are to start running to the TVA Paradise Power Plant at Drakesboro in the near future. I also hope to have a updated report on Paducah & Louisville operations systemwide in the next month or two.

Remember to purchase your copy of the CSX Henderson Sub video. The price is \$25.00 plus \$ 3.00 for shipping. Send your check to my address and make it payable to Western Kentucky Chapter, NRHS.

If you have any information about the area's railroads, please send a report to me or Chuck. We need your information each and every month. Send in sightings, fantrip reports, vacation reports and railnews. We will use this information in a upcoming newsletter. Send us your stuff

I hope to see more of the membership at the March meeting. Try to attend one or two of the area train shows in the coming weeks. You might find something that you just have to have. Try to get trackside in the coming weeks to enjoy the nice spring weather and the railroad action on the area railroads. You will have a good time!!! Keep in touch!!! Hope to see you trackside!!!

Dennis Carnal

PENNYRAIL

704 Choctaw Drive
Madisonville, KY 42431

Phone 502-825-0693

RAFFLE

Don't forget items for the Chapter raffle. The proceeds go to defray the printing and mailing costs for "PENNYRAIL" your Chapter newsletter.

OPERATION LIFESAVER

A Spring reminder. As we shake off the winter blues and get back trackside for some serious railfanning remember that our hobby does not come with a license to trespass. When train watching use good common sense and obey the law.

LOOK, LISTEN and LIVE!

CSX GRADE CROSSING MARKERS.... CSX has installed emergency information placards at all grade crossings on the Henderson Sub. The placards have an emergency '800' number as well as a crossing ID number and a mile post location number. The placards are permanently attached to either the cross buck

NEXT MONTH

- A Railfanning Guide to Paducah. P&L, IC and VMV (Still in preparation).
- The "Old Goat's" sightings column. Look out for warm weather! Have you ever been down wind of 'goat sweat.'
- More pictures and graphics of area rail subjects.
- Time and space permitting there may be a summary of members model train layouts.
- The IC train designations and roster will not be published until it is up-dated.
- Trivia will continue.
- Wallace Henderson's off-line

FEBRUARY MINUTES

Western Kentucky Chapter, NRHS
 Badgett Center, Madisonville, KY
 February 26, 1998

President McCracken called the meeting to order at 7:00 PM. The minutes of the January meeting were approved as read.

TREASURER'S REPORT:

Opening Balance		1302.25
Income		
Dues	99.00	
Donat.		
Raffle	26.00	
Video	396.00	
		495.00
Expenses		
Nat. Dues	85.00	
Postage	34.00	
Print	15.90	
Video Ad	10.00	
Neff Video	236.90	
		372.40
Ending Balance		1424.85

DIRECTORS REPORT: Chuck reported that the annual report and the Chapter data sheet have been completed and forwarded to the national office.

MEMBERSHIP: Membership stands at 57. Three regular members have been dropped and one 'chapter only member has been added.

OLD BUSINESS: The 'Buy a Tie' program was discussed. This program supports the Bluegrass RR Museum's track rehabilitation program. March is the deadline for contributions to earn chapter matching funds.

NEW BUSINESS: Dennis gave an up-date on the video sales program. Two new "Chapter Only" members were approved. Billy said that if we want the "Eden Isle" again this year we had better speak-up, the trips are booking quickly. Clayton reported on several Amtrak excursions and a steam trip behind NKP 587. Wallace Henderson reported on the up-coming Arkansas & Missouri trip and the fact that this may be the last season for the A&M.

There were 18 members and one guest, Randy Brown, at the meeting.

The Chapter will match (not to exceed at total of \$100) individual contributions to the Blue Grass Railroad Museum for track re-habilitation. Bring your check for \$12.00 (or more, or less) to the next meeting or mail it to Wally Watts. This is a good cause!

TIMETABLE

TOURS

Trains Unlimited Tours Info: 1-800-359-4870

McCloud Railfan Day - May 17, 1998 out of McCloud, California

White Pass & Yukon Spectacular - September 17-20 out of Skagway, Alaska

North American Railfan Spectacular - September 26-October 10 in Colorado-New Mexico-Utah-Nevada-California

Cumbres Fall Colors Spectacular - September 28-29 out of Chama, New Mexico and Antonito, Colorado

Nevada Northern Spectacular - October 3-4 out of Ely, Nevada

High Iron Travel Info: 1-612-922-7259

DM&E Colonie Line - May 22-26 - Rapid City-Albert Lea
Explorers IX Trip, Camas Prairie - July 3-12 - Spokane

Other Rail Events

NRHS Convention - Syracuse, NY, July 8-12. Vintage Diesel and Steam over NYC, DL&W and Lehigh trackage by NYSW, Finger Lakes Railway, Adirondak Scenic, Lowville & Beaver River and Owego & Harford. Pre-registration due 1/31/98. See last NRHS Bulletin for pre-registration form and details. The Washington Chapter is planning a round trip from Washington D.C. to Syracuse with their Private Car "Dover Harbor"

NMRA Cumberland Division Meet - Nashville, TN, March 21, 9AM to 4PM, Tennessee State Fairgrounds, Wedgewood & Rains Ave. \$4 per person

Boeing Employees Railroad Club - St Louis, MO, March 21, 550 Weidman Rd. 10AM to 3PM. \$2 per person.

NRHS Owensboro Chapter - Owensboro, KY, March 21, 7PM. Settle Methodist Church, 4th Ave. Bill Grady is presenting the program.

Bi-State Model Railroad Club Show - Princeton, IN, March 28-29, Dave's Train Shop, 130 West State St. Sat. 10AM to 5PM, Sun. Noon to 5PM. \$1 per person

Southern Illinois Train Club Swap Meet & Show - Carterville, IL, April 18. John A. Logan College Gym, on Highway 13 between Marion and Carbondale. 11AM to 5PM. \$2 per person.



KEEPING TRACK

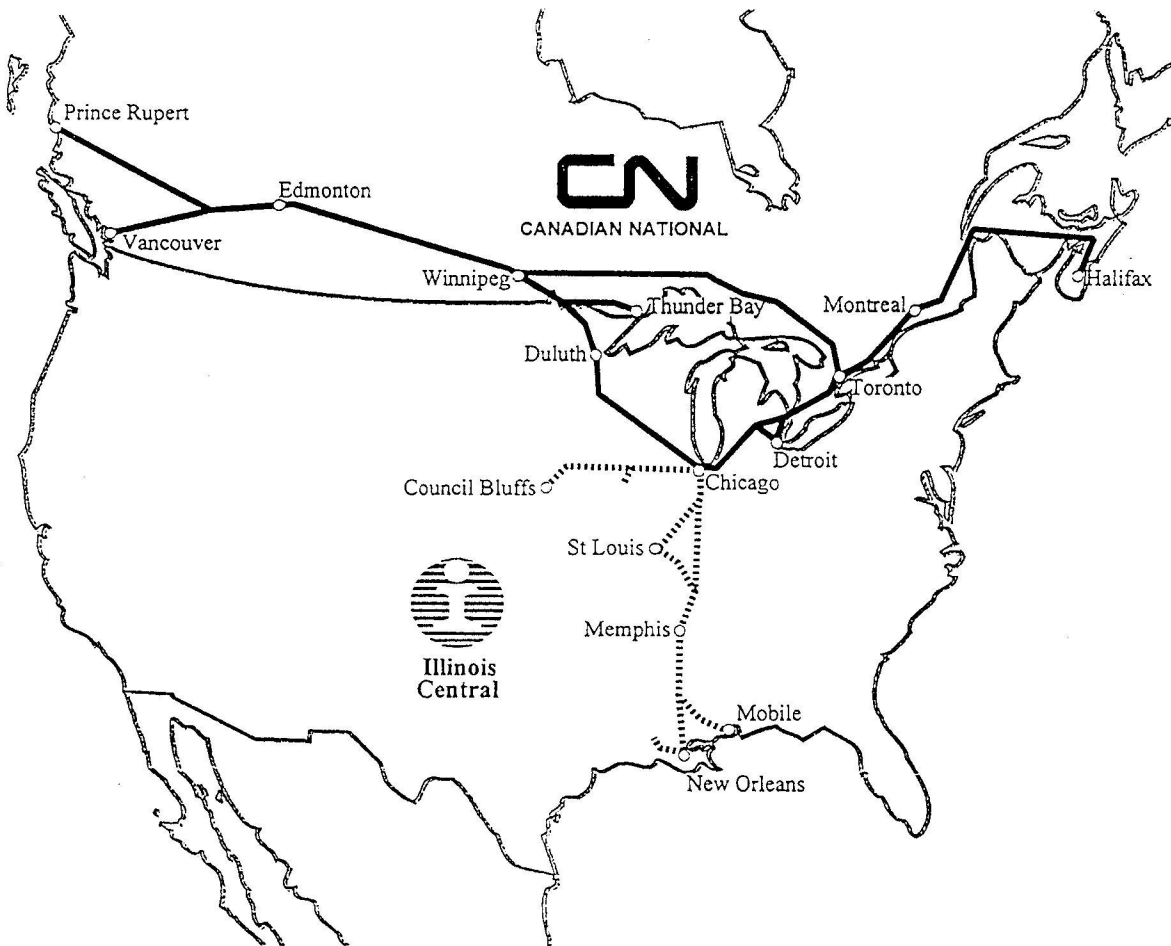


Newsletter for EMPLOYEES of the ILLINOIS CENTRAL, the CHICAGO, CENTRAL & PACIFIC and the CEDAR RIVER Railroads
Volume 6, No. 2 February 1998

CN, IC TO MERGE

Canadian National Railway Company has made an offer to acquire Illinois Central Corporation. IC's President and CEO Hunter Harrison and CN's President and CEO Paul Tellier held a televised press conference in Montreal announcing the joint agreement.

Canadian National, with 21,000 employees, is Canada's largest, and only transcontinental, freight railroad and the sixth largest rail network in North America. CN operates about 15,300 miles of track across Canada and the U.S., and serves all four of Canada's major ports: Halifax, Montreal, Prince Rupert and Vancouver.



“A GREAT NAME” In response to reporters' questions at the press conference, Tellier indicated CN intends to continue to operate our franchise under the name of Illinois Central. “Illinois Central is a great name,” he said. “This is the mainline of Mid-America. Illinois Central will remain with their logo.”

The combination of CN and IC will create a network of 18,700 route miles and 24,600 employees. In a recorded message, Harrison shared his thoughts with employees, “While it will still be somewhat smaller than the U.S. rail

giants on either side of us, the combined network will be of sufficient size to preserve a balance of power in the fiercely competitive U.S. Midwest.”

Harrison acknowledged that rail-industry turmoil of the last several months, particularly in the western U.S., has raised a concern “that IC could be caught in the competitive cross-fire between rail giants. Making IC a part of a larger rail network reduces our vulnerability in order that we can pursue growth.”

[continued next page...]

"ALL ABOUT GROWTH" Tellier echoed the growth theme at the press conference, "This is all about growth. It's a perfect fit of two complementary lines providing a three-coast strategy from the Atlantic to the Pacific to the Gulf of Mexico."

Indeed, the two systems combined will form a large funnel or "Y" linking ports on three coasts and connecting major population, agricultural and industrial centers in the heartlands of both countries.

CN has begun a formal tender offer for IC stock at a price of \$39 per IC share. The transaction will require approval of both CN and IC stockholders.

END-TO-END MERGER The transaction will also require approval of the Surface Transportation Board. Both Tellier and Harrison expressed confidence that regulatory approval will be relatively straight-forward given that the combination represents a classic "end-to-end" merger. Chicago is CN's southern-most point and IC's northern-most point. This means there is no overlap between CN's and IC's systems. From a shipper and regulatory point of view the merger should result in no loss of competition.

Because there is so little overlap between the two systems, it also means that, in Tellier's words, "We don't see this as a cost-cutting exercise. Is there going to be some fine-tuning here or there? Yes. But are we talking about big layoffs? The answer is no."

Following the tender offer, Hunter Harrison will join CN as its Chief Operating Officer.

STB approval may take about a year. Because it is against U.S. law for CN to exercise any control over IC prior to gaining STB approval, IC will be placed in trust to ensure its independence. SVP Operations John McPherson will assume leadership of IC while in trust during the regulatory process.

TELLIER VISITS CHICAGO Paul Tellier, accompanied by CN senior officers, visited IC's headquarters in downtown Chicago and toured the Network Operations Center in Homewood. Tellier used the opportunity to meet employees on the job and hold impromptu discussions in hallways and around copy machines.

"His enthusiasm is contagious," reports one employee who met Tellier. "He said Illinois Central is known for the quality and talent of its people."

"CAN DO" CN's headquarters are in downtown Montreal, Quebec. In January an ice storm paralyzed much of eastern Canada and the U.S. coast. For many days the City of Montreal was without power and other essential services. Families (including pets) of CN employees slept in CN's offices to escape the bitter cold. That's a "can do" attitude that IC people can appreciate.

###

WHAT PEOPLE ARE SAYING ABOUT THE MERGER

Journal of Commerce: "Combining the two companies would create different dynamics than other recent rail mergers... (where) efficiencies resulting from the elimination of duplicate facilities and functions were supposed to generate most of the post-merger benefits. The CN proposal calls for a different strategy in which the Canadian company would acquire the most efficient railroad among major carriers."

Wall Street Journal: "One big question lingering since disclosure of the pending transaction last week is whether another bidder would step in... while some shareholders aren't enthused about the premium being paid for Illinois Central, the transaction is valued at almost 10 times cash flow, a historically rich multiple in the railroad industry... Some industry observers speculate that Canadian National's move could put pressure on its major domestic rival, the railway unit of conglomerate Canadian Pacific Ltd."

Toronto Globe and Mail: "James Brunkenhoefer, legislative director for the Washington-based United Transportation Union, said the two railways form a near perfect match and therefore the deal is likely to displace few workers, tracks or installations."

Jim Valentine, rail analyst, Salomon Smith Barney: "The motivation behind the combination was to take advantage of the huge market in cross-border trade between the U.S. and Canada (estimated by CNI at \$300 billion, of which the rail portion is \$3.5 billion), which has been growing at approximately 11% per year."

Journal of Commerce: "Shippers upbeat on CN-IC deal... Shippers are offering a myriad of opinions... most are positive... 'The IC needed to do something, or they would've been squeezed out,' says Charles Mitchell, traffic manager for the ABC Coke division of Drummond Co... Leo Deterding, traffic coordinator... of Ericksen Corp... gives the deal high marks."