

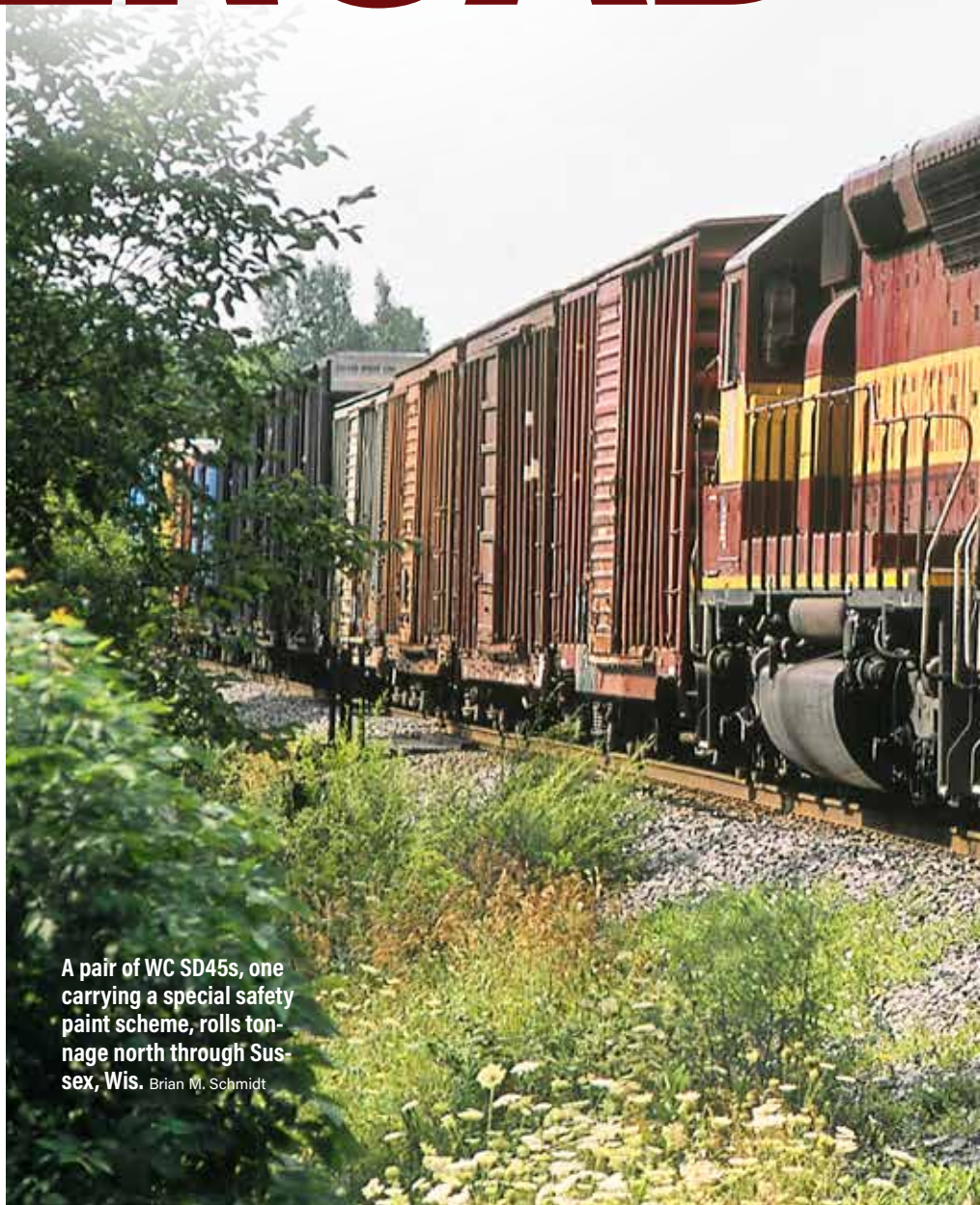


Ed Burkhardt and the ALL-AMERICAN

REGIONAL RAILROAD

In the 1980s and 1990s, a number of regional railroads sprouted up — spurred on by government deregulation — as Class I railroads unloaded lines that were deemed not profitable enough. In the West came Montana Rail Link, in the East it was Wheeling & Lake Erie, and in the South arose MidSouth Rail. The Midwest was a breeding ground for regionals, with names such as Chicago Central; Dakota, Minnesota & Eastern; and Chicago, Missouri & Western.

But there was one regional that stood above the rest: Wisconsin Central Ltd., the “All-American” railroad. What defines it as All-American? The WC had it all: a management team that understood customer service, a growing traffic base, memorable locomotives with a paint scheme considered classic today, and people who appreciated railroad history even as they looked to the future.



A pair of WC SD45s, one carrying a special safety paint scheme, rolls tonnage north through Sussex, Wis. Brian M. Schmidt

WISCONSIN CENTRAL'S CO-FOUNDER EXPLAINS ITS APPEAL

BY STEVE GLISCHINSKI





PONDER A FEW FACTS:

- WC, born in 1987, grew from a 2,047-mile regional into a 2,850-mile rail system in its 14 years of existence.
- Just before its acquisition by Canadian National in 2001, it celebrated moving its 5 millionth carload — not bad for a bunch of hand-me-down lines.
- Customers, a railroad's most important constituency, consistently rated WC's service above other railroads.
- The company welcomed special trains, including steam specials, as a way to cultivate good public relations. At times WC operated more than one special across its system on a given day; it even hosted a special train for President George H.W. Bush in 1992.
- In its 14-year history, WC's annual revenues grew from less than \$100 million to more than \$350 million.

What's more All-American than that?

From a railfan perspective, WC again had it all. Classic EMD SD45s were the backbone of its fleet, with more than 100 units, while four-axle EMDs such as GP30s, GP35s, and GP40s held down lesser assignments. When WC took over Canada's Algoma Central Railway, it replaced its hood units on passenger trains with a fleet of ex-VIA Rail FP9s.

Then there was that paint scheme: maroon (almost burgundy) with a gold

stripe, and the WC shield that harkened back to the original Wisconsin Central of the 19th century. The "old" WC had adopted a shield as its emblem and used it until Soo Line took control in 1909; those with sharp eyes could spot the occasional yellow shield-shaped switch stand targets along old WC lines right up to the advent of the "new" WC. The railroad even washed its locomotives! It was as if a railfan businessman had dreamed up the whole thing. Which, in fact, was true.

That man was Edward A. Burkhardt, WC's first president and chief executive officer, who, together with Thomas F. Power Jr. founded the company. Burkhardt, still going strong today at age 84, came up through the management ranks at Chicago & North Western. Born on Long Island, his first "steady" railroad job after college at Yale University was with the Wabash.

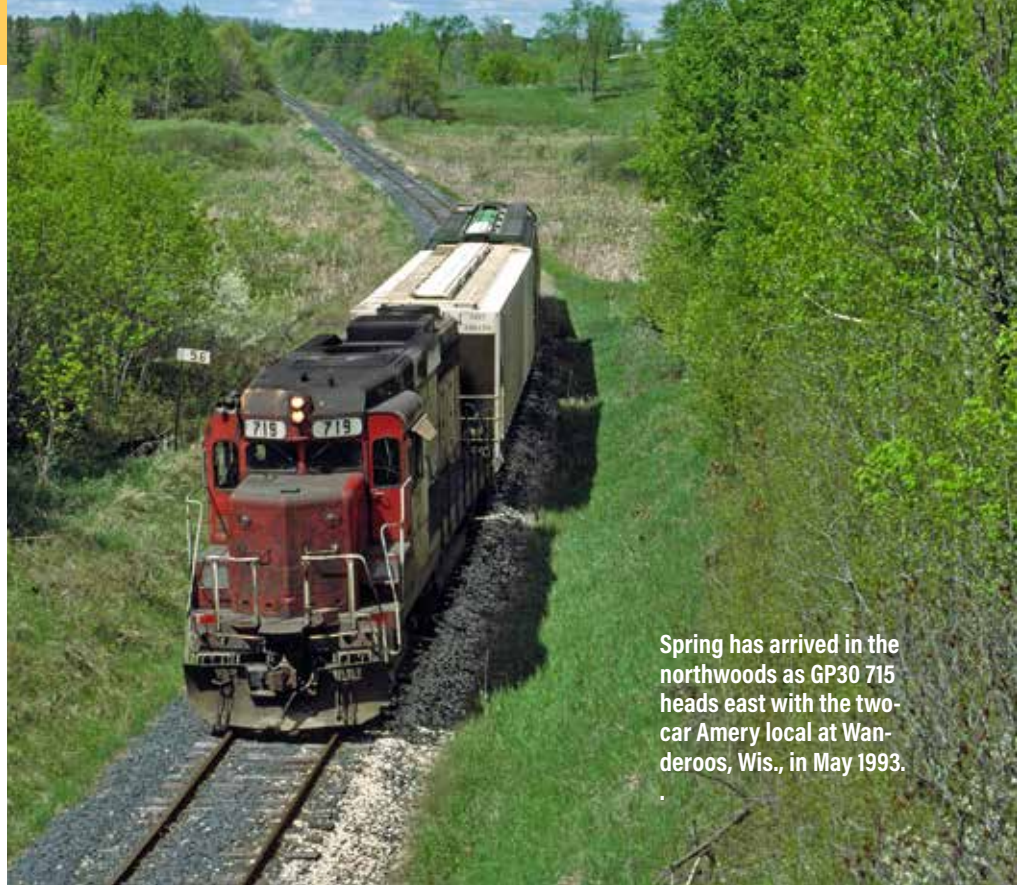
Prior to the creation of WC in 1987, Burkhardt had spent 20 of his 27 railroad career years with North Western, much of them working in operations as vice president-transportation. Today he is president and CEO of Rail World LLC, the railway management, consulting, and investment corporation he established in 1999. Rail World operates Rail Polska in Poland; Baltic Rail, a container-hauling railroad in Estonia; and short line San Luis Central in Colorado.

SEIZING OPPORTUNITY

Working for a Class I railroad, Burkhardt watched as rail traffic in the Midwest was diverted to trucks and opportunities for new rail traffic passed by. Burkhardt concluded this was because railroads were encumbered by traditional operating methods, a lack of enterprising momentum, and, to some extent, restrictive labor rules. Railroads had become inflexible and unable to react quickly with cost-competitive services, even after deregulation. Despite the inherent efficiencies of rail, truckers continued to offer rates and services that undercut what railroads offered. When portions of Class I railroads began to be spun off, Burkhardt and his associates saw an opportunity for a fresh approach and a more productive way of doing things, and set out with Wisconsin Central to do just that.

When asked what made his railroad so different, Burkhardt turns the question around. "Why was it so unique? It shouldn't have been unique," he says. "It turned out to be unique because people weren't managing their companies properly. We simply put the customer first. I was sick and tired of customers being upset with the railroad. An upset customer is a customer who is walking away. We'd seen the growth of the trucking industry and the railroads were having a hard time keeping up. So, we said, 'we're going to

Green Bay-Chicago intermodal train T219 curves off the Green Bay & Western onto WC at Black Creek, Wis. For a time WC used trackage rights out of Green Bay for this train and counterpart T218 before acquiring the GB&W in 1993. Two photos, Steve Glischinski



Spring has arrived in the northwoods as GP30 715 heads east with the two-car Amery local at Wanderoos, Wis., in May 1993.

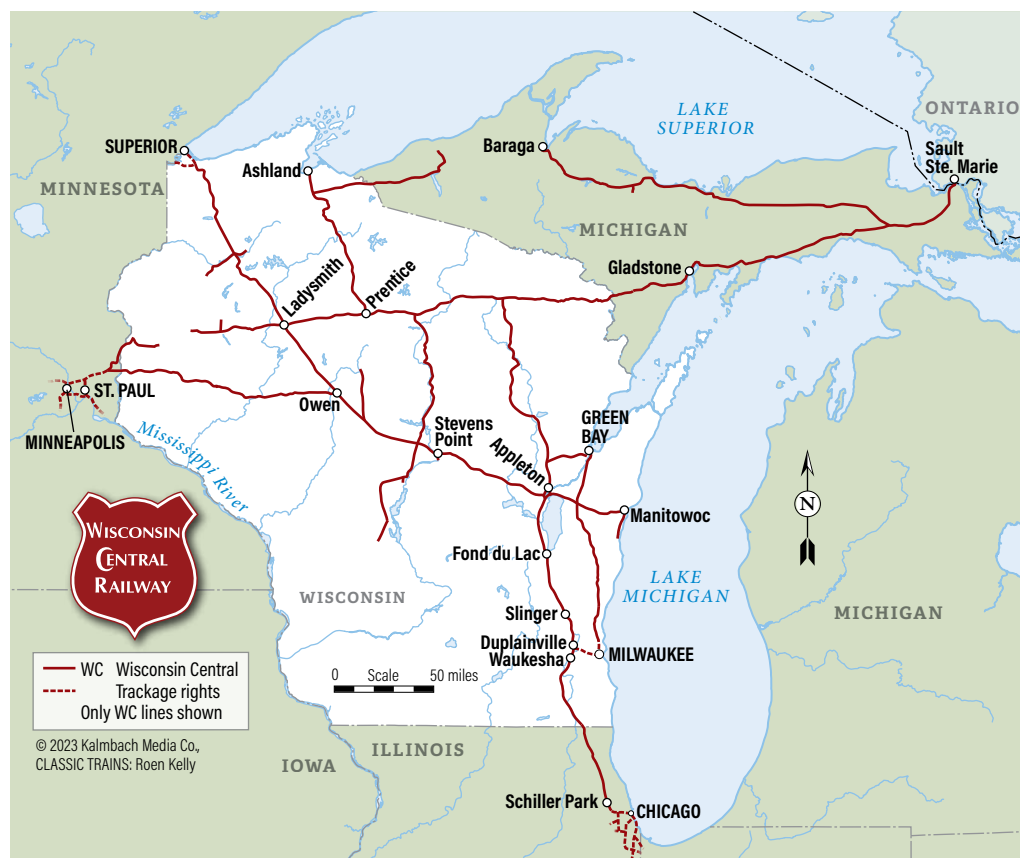
have the customer be first?

“Then, if you do that, who serves the customer? Your employees,” he adds. “They have to be energized and be turned loose, have some authority to run the business and take care of the customers. So that’s what we did, and it worked amazingly well, certainly better that I would have ever dreamed.”

In 1986, Soo Line merged the Milwaukee Road into its system and by spring 1987 was shopping around to interested parties its original Soo and Duluth, South Shore & Atlantic lines in Wisconsin and Upper Michigan, plus the former Milwaukee Road “Valley” and Green Bay lines. After considering other offers, the Soo on April 3, 1987, chose Burkhardt’s group and announced it had reached a sale agreement. After a last-minute delay, an estimated 80,000 pages of closing documents were signed on Sunday, Oct. 11, 1987, and the Soo was \$122 million richer.

But there were ominous signs: Soo Line President Dennis Cavanaugh had Burkhardt come to his hotel room in Pittsburgh during a meeting of the Pittsburgh Traffic Club to sign paperwork related to the WC sale. After signing, Burkhardt got up to leave. As recalled by Burkhardt, Cavanaugh asked him to come back for a minute. “I’ve known you for years, we trust you, that’s why we’re

WISCONSIN CENTRAL AT ITS INCEPTION





doing this deal with you,” Cavanaugh told Burkhardt. “But some of the guys that are on your team, I can’t say that at all. I’ll leave you with one thought: ‘Watch your back.’” Indeed, Cavanaugh’s fears were well founded, as Burkhardt found out a little over a decade later. “Dennis was right,” says Burkhardt.

At 7:23 a.m. on Oct. 11, the first Wis-

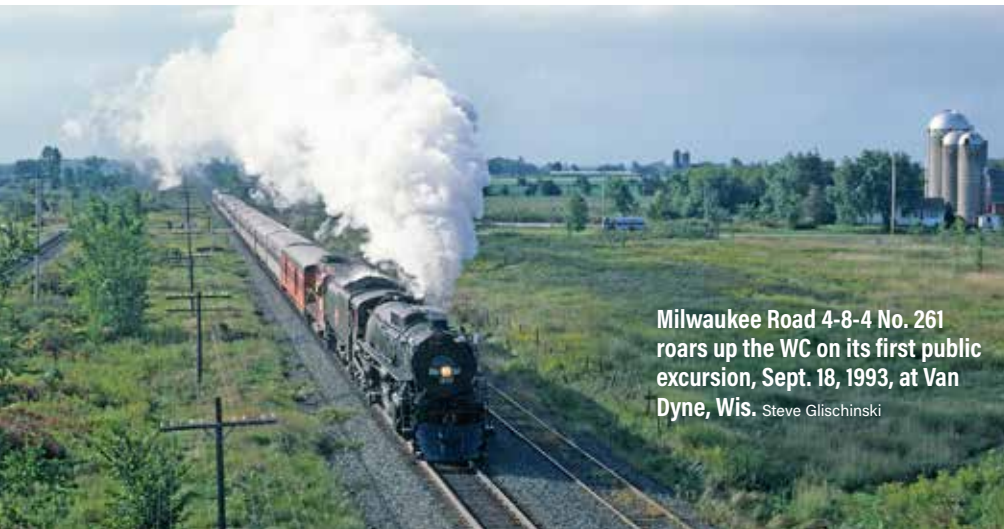
consin Central freight train departed Stevens Point for North Fond du Lac. The train was operated by Wisconsin Central Ltd., a subsidiary of a holding company known as Wisconsin Central Transportation Corp. Formed in April 1987 by five men including Burkhardt and Power, the firm was originally privately held. Stock was owned by the lending institutions

that provided capital for purchase and start-up, by senior management, company founders, and a small number of outside investors.

ONE CAR AT A TIME

One of the first things the new WC did, explains Burkhardt, was put the railroad on a timetable, and provide good car movement. “If you shipped a car on the southern half of the railroad (south of Green Bay and Stevens Point), it would be interchanged to a connecting carrier the next night,” Burkhardt says. “If further north by Ladysmith, Superior, Escanaba, or Sault Ste. Marie, just add a day to that. And we did it. It wasn’t an act of genius. We focused on moving cars, and it turns out we moved cars better than anybody else, which is probably more a commentary on the other people than it was on us.”

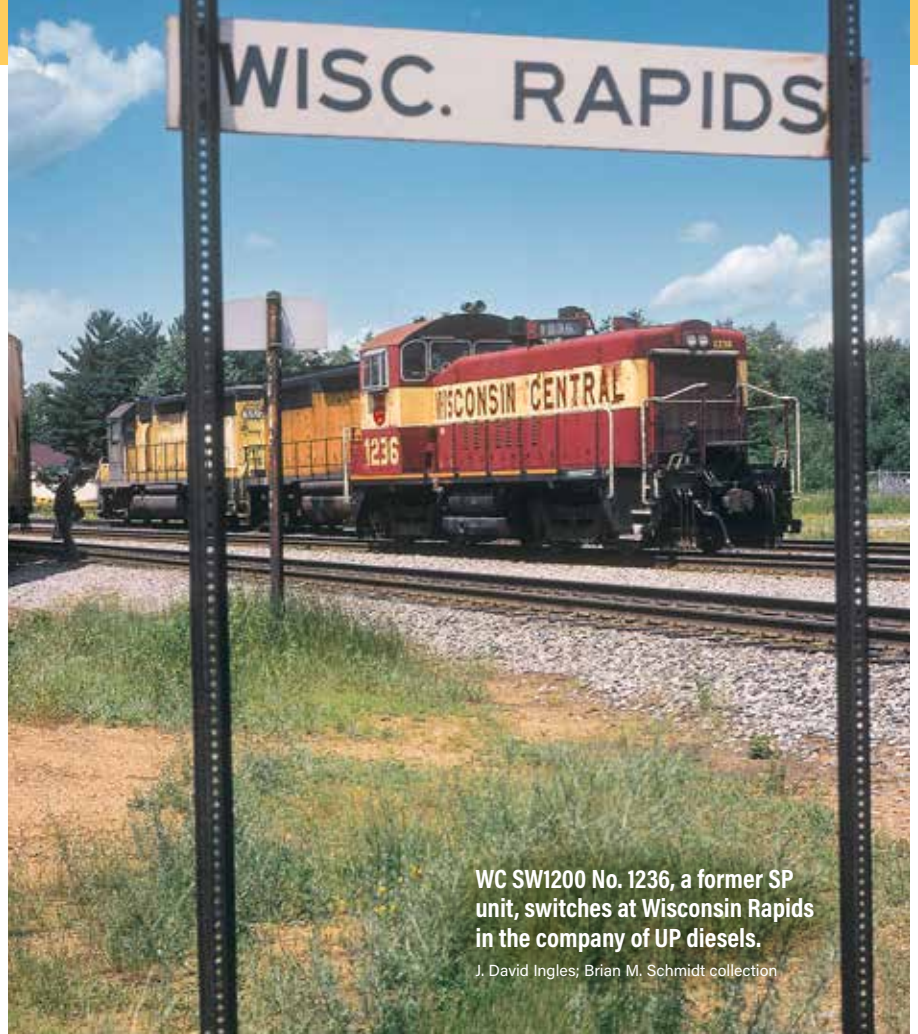
WC built a base of traffic one or two cars at a time by looking for business and knocking on doors. If WC tracks went through a community, marketing people wanted to know what was in every town, and who the railroad could serve from a team track, transload, or a loading dock.



Milwaukee Road 4-8-4 No. 261 roars up the WC on its first public excursion, Sept. 18, 1993, at Van Dyne, Wis. Steve Glischinski

A quartet of WC SD45s runs a transfer job over to Canadian Pacific crossing the Mississippi at Camden Place in Minneapolis on Jan. 3, 1996.

Steve Glischinski



WC SW1200 No. 1236, a former SP unit, switches at Wisconsin Rapids in the company of UP diesels.

J. David Ingles; Brian M. Schmidt collection

The mission: break the rust off old sidings that hadn't been used in a long time.

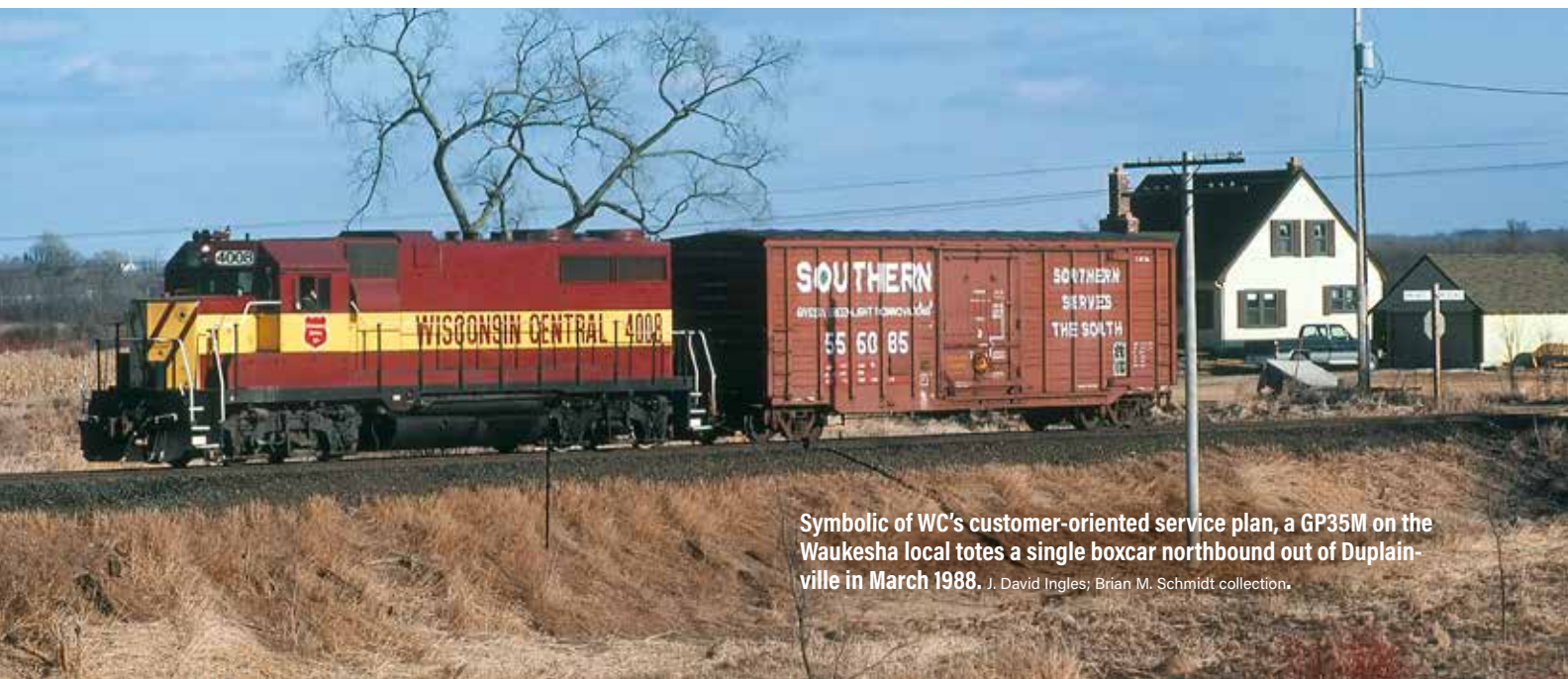
WC immediately increased the level of customer service by boosting the number of trains, not only on main lines but also on secondary and branch lines, where service went from tri-weekly to five or six days a week. WC set up marketing efforts

to enlarge the share of freight shipped by existing customers, to regain customers who had shifted to trucks, and to serve new shippers. The strategy included going out and talking with potential shippers, large and small, who had never used the railroad or had stopped using it years before. Train crews and other employees

in the field were responsible for many leads on new customers.

"We just had the best group of employees that you can imagine," Burkhardt says.

By the end of WC's first full year of operations in 1988, the strategy had paid off. That year WC handled almost 145,000 revenue carloads, compared with



Symbolic of WC's customer-oriented service plan, a GP35M on the Waukesha local totes a single boxcar northbound out of Duplainville in March 1988. J. David Ingles; Brian M. Schmidt collection.

Wisconsin Central SD45 6586 leads three sister units with coal loads for Green Bay, photographed at Bateman, Wis., about 100 miles east of the Twin Cities. Steve Glischinski



Soo Line's traffic base of 138,000 at the time of the sale. The railroad turned a profit beginning in March 1988. The new Wisconsin Central quickly established itself as a railroad synonymous with dependable, responsive, and competitive service, able to boost traffic by diverting it from trucks, and convincing former shippers to return to rail service.

An example of WC's new approach was how it operated its trains. Like airlines, WC initially operated a hub-and-spoke system, with Stevens Point and

Shops Yard in North Fond du Lac as the two major hubs. Neenah, Wis., and Gladstone, Mich., were minor hubs. Trains fanned out from those locations and operated on schedules shippers and employees could count on. Whether there were 10 or 100 cars, WC trains moved on schedule. Unlike most railroads, they ran at the same time every day.

A major key to Wisconsin Central's success was that its work force could be versatile and did not have to contend with restrictive work rules. While most of

these rules are gone today, in the 1980s it was a radical approach. Train crews were able to be far more flexible than on traditional railroads and could work without limitation on any trains: a transfer, a switch job, or a through freight. There were two-person crews and they originally were salaried.

WC gave its employees, including train crews, the authority to make decisions to better serve customers. An example Burkhardt cites is the day he noticed that a train originating at Conrail's Ashland Avenue Yard in Chicago was a couple of hours late. Burkhardt asked questions. It turned out the crew was ready to go on time, but the conductor determined the Conrail train with a block of cars for WC was running late and would be arriving right about the time his train was scheduled to depart. The conductor decided to wait for the cars and got the freight to the customer a day earlier than they would have otherwise.

"So, people said to me, 'Did this conductor exceed his authority?' And I said 'Absolutely not!'" he says. "He was doing exactly what we told them to do."

CULTIVATING FANS

While the most important reason for any company's success is customer satisfaction and dedicated employees, railroads have a special constituency most other industries do not: legions of loyal fans. While many railroads choose to ig-



During a July 1990 excursion, a High Iron Travel excursion on WC paces a Lake Superior & Ishpeming taconite ore train between Marquette and Eagle Mills, Mich., to the delight of railfans.

Running as a CN train but with WC locomotives, a Chicago-bound train approaches the Canadian Pacific diamond at Duplainville on Dec. 31, 2001.

Three photos, J. David Ingles, Brian M. Schmidt collection



nore or even irritate enthusiasts, WC embraced them.

“I felt it was important to show ourselves off to the public. We have an interesting business. Tell me any other business that has a whole bunch of fans that are in our camp, that are rooting for us. We wanted to take care of them and recognize them like they recognize us,” Burkhardt says.

The maroon-and-gold paint scheme so popular with fans, derived from the original pre-1909 WC, received some tweaks over the years. Early units didn't have the shield nose logo or the “pine tree” that surrounded it. Later revisions came from WC's mechanical forces, who would come up with a new variation of the scheme and run it by Burkhardt. The end result was a classy livery that outshines most Class I railroads. Burkhardt even adopted the colors for overseas railroads managed by WC and for the Rail Polska operation in Poland.

While WC didn't set out to expand as much as it ultimately did, its success bred expansion. Deregulation occurred not only in the U.S. but internationally. WC got calls from New Zealand, which was privatizing its railroads, and from the owner of Algoma Central in Canada, who wanted to sell. Knowing a good deal when it saw it, WC ultimately paid less for the entire AC in 1995 than the value of the railroad's rolling stock. In addition to Canada, ultimately WC owned or op-



Symbolic of the partnership to haul taconite to Geneva, Utah, an Southern Pacific GE C44-9W and a Wisconsin Central GP40 congregate at North Fond du Lac on Oct. 27, 1994.

erated railroads in the United Kingdom (English Scottish & Welsh Railway), Tranz Rail in New Zealand, and Australian Transport Network.

Expansion also came to the original railroad. In 1993, WC acquired the Green Bay & Western and Fox River Valley railroads, using subsidiary Fox Valley & Western. In 1997, another WC subsidiary, Sault Ste. Marie Bridge Co., purchased from Union Pacific the former

Chicago & North Western ore lines north of Green Bay into Michigan's Upper Peninsula. This gave WC direct access to taconite ore mines in Michigan and control of the ex-C&NW ore dock in Escanaba. Before the sale, WC had already greatly expanded all-rail ore business in conjunction with C&NW and Duluth, Missabe & Iron Range. It even developed a long-distance ore haul from Minnesota to the US Steel works in Geneva, Utah, in conjunc-



Inbound Metra train stops at Round Lake Beach, Ill., Aug. 30, 1996, shortly after commuter service began on WC between River Grove and Antioch in Chicago's north suburbs.



On May 7, 1992, WC GP35r 4011 and a boxcar trundle over the diamond at abandoned Rice Lake Tower, overlooking WC's crossing of C&NW west of Ladysmith. Steve Glischinski



Its ditch lights dimmed for a September 1992 meet, an eastbound WC intermodal pauses at Vernon, Wis., the next passing siding south of Waukesha, on the busy Chicago Subdivision.

tion with Southern Pacific and DM&IR. Canadian National became an important partner when in 1998 WC was able to grab the movement of CN traffic from Superior, Wis., to Chicago away from Burlington Northern. At the time there was no intention of selling the railroad to CN; rather, it was to bring more business to WC, which it did.

SUCCESS BRINGS NEW ISSUES

In May 1991, Wisconsin Central Transportation Corp. went public under the ticker symbol WCTC, and raised more than \$36 million. In light of later events, Burkhardt thought going public was a mistake, but he is philosophical. "People at the time told me you're going to both love this and hate it. Going public brought access to the public markets so if you needed funds for your capital budget it was relatively easier as a public company," Burkhardt says. "At the same time, your shares were owned by a bunch of guys, a lot of whom took the long view, but there were some that took the short view and were only interested in one thing — the next quarter's earnings, and they better be a new record every time. We weren't in that kind of business. We did very well but somebody is always going to say it should have been more."

Still, for several years the stock price kept rising, and the expansions kept coming. In 1999, *Railway Age* magazine named Burkhardt its Railroader of the Year. Yale University even did a case study of WC to see how it achieved its success. Nevertheless, within months Burkhardt would be out of the company.

In 2001, WC was sold to CN only 14 years after its founding.

Looking back, Burkhardt says great success brought something he did not realize at the time: "Success begets its own unwinding," he says. "People start to get greedy. They think whatever you're doing you could have done better, things of that nature. One of the things we had to do in our first 10 years was pour a lot of money into the physical plant. The year before we bought it from the Soo, they had changed out 5,000 ties on the whole property. Normal tie requirements were about a quarter of a million. So, we had a lot of maintenance to catch up on, especially if you are very safety conscious, which we always were. You need good track and good rolling stock, so we poured a lot of money into the property.

"It turned out that some elements on our board didn't like that. They wanted us to pay big dividends and take cash out of

the company. I stood in the way and said we could not do that because we weren't yet in the kind of shape to permit that. So right about the time we were in good enough shape to do that, they decided they'd had enough of me and they'd do better with somebody else."

Burkhardt was pushed out in July 1999 and new management installed.

"There was nothing wrong with our earnings," Burkhardt said. "But it didn't have the quarter-to-quarter growth of a few years previous. Some board members didn't like that I was spending so much money on maintenance; they wanted the money to go to the shareholders and be reflected in the stock price. But that didn't happen either," he says. "After I left the stock went straight down. I knew the guys that were then running the company. You could call them a safe pair of hands, but if you were looking for something innovative and new and trendsetting you weren't going to get that from them. So, they had no growth at all and the market began to realize it. The stock went down by about half from the time I left. I was the largest individual shareholder and I was unhappy with what I was seeing."

Burkhardt began a proxy fight to regain control, a battle difficult to win against entrenched management. In the end his team didn't win, but he did make a significant showing: about 39% of the

vote. During the fight Burkhardt learned that large shareholders wanted the company sold regardless of who won, and agreed that if he won control, ultimately the company would be sold. When the current management heard that, they agreed to sell as well. In the end, management won and sold out to Canadian National, ending WC's independent existence on Oct. 9, 2001.

While that sale was good for WC shareholders, board members, and CN, all those small shippers who had single-car shipments and whose "rust" had been knocked off the sidings went right back to where they were prior to 1987. Virtually all of the all-rail ore trains vanished, and while CN honored a pledge not to abandon any lines for 10 years, in 2022 it sold several low-density lines in central Wisconsin and Upper Michigan to Watco's Fox Valley & Lake Superior and Grand Elk Railroad. Some of the lines have not seen service in several years and remain dormant.

Burkhardt is saddened by the situation since the CN sale, especially for the em-



WC REMEMBERED

Pick up our 100-page tribute to Wisconsin Central. It covers the road's startup through its 2001 merger and legacy under Canadian National. Available at www.kalmbachhobbystore.com.

ployees. "I just loved that bunch of employees. They'd do anything for us and I'd do anything for them. The ones that are left are back in the Class I methods and thinking and they all hate it. They liked working for Wisconsin Central. I look at that and say 'Did I let these guys down? Is there something I could have done that would have prevented it?'"

Had WC survived, what would it look like today? "It would have had continued business growth, and also a bigger geographical

footprint," says Burkhardt. He says he was in discussions with BNSF about acquiring a significant part of its property, less profitable but with lots of branch lines. "Another Wisconsin Central," he says.

Regardless of how it all ended, there's no doubting Wisconsin Central and Ed Burkhardt's legacy. For one brief period in North American railroad history, the WC could lay claim to being America's finest regional railroad. ■

STEVE GLISCHINSKI is the co-author with Otto P. Dobnick of "Wisconsin Central: Railroad Success Story" (Kalmbach Books, 1997).

Less than six months into Wisconsin Central's tenure, GP35r No. 4001 switches the Quad Graphics plant at Sussex on April 1, 1988. WC served numerous paper customers throughout the Badger State. Three photos, J. David Ingles, Brian M. Schmidt collection

