

# **LEGISLATIVE RESEARCH COMMISSION**

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## **RAILROAD OPERATIONS**



**REPORT TO THE  
1983 GENERAL ASSEMBLY  
OF NORTH CAROLINA**



# **LEGISLATIVE RESEARCH COMMISSION**

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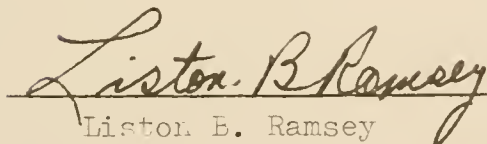
January 6, 1983

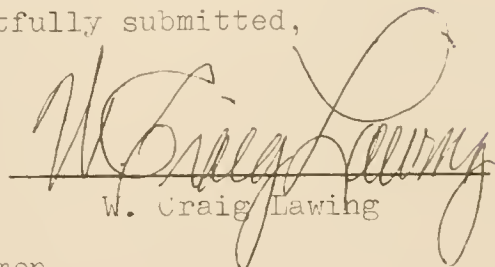
TO THE MEMBERS OF THE 1983 GENERAL ASSEMBLY:

The Legislative Research Commission herewith reports to the 1983 Session of the General Assembly of North Carolina on the matter of the State's Interests in Railroad Properties. The report is made under the authority of G. S. 120-30.17(1).

This report was prepared by the Legislative Research Commission Committee on the State's Interests in Railroad Properties, and the report and recommendations are approved and transmitted by the Legislative Research Commission to the members of the 1983 General Assembly for their consideration.

Respectfully submitted,

  
Liston B. Ramsey

  
W. Craig Lawing

Cochairmen

LEGISLATIVE RESEARCH COMMISSION



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## PREFACE

The Legislative Research Commission, authorized by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is cochaired by the Speaker of the House and the President Pro Tempore of the Senate and has ten additional members, five appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigation into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most effective manner" (G.S. 120-30.17(1)).

At the direction of the 1981 General Assembly, the Legislative Research Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given the responsibility for one category of study. The cochairmen of the Legislative Research Commission, under the authority of General Statutes 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Cochairmen, one from each house of the General Assembly, were designated for each committee.

The study of the State's Interests in railroad properties was authorized by Resolution 61 of the 1981 Session Laws, and by House Bill 1599, Chapter 1372, Session Laws of 1981 (Regular Session 1982).

The Legislative Research Commission grouped this study in its state government area under the direction of Representative Jack Hunt. The cochairmen of the study committee established by the Research Commission are Senator Robert B. Jordan, III and Representative Jack Hunt. The full membership of the committee is listed in Appendix A of this report. Resolution 61 authorizing the study and House Bill 1069, which the committee was authorized to consider in determining the scope of the study are attached as Appendices B and C.

The Commission made an interim report to the 1982 Session, which appropriated the sum of \$150,000 in House Bill 1599 to further continue the study. House Bill 1599 is attached as Appendix D.

## COMMITTEE PROCEEDINGS

The Committee on the State's Interests in Railroad Properties in its report to the 1982 regular session of the General Assembly recommended enactment of a bill to appropriate funds for an independent expert evaluation of the state's interests in the North Carolina Railroad Company and the Atlantic and North Carolina Railroad Company, and to receive proposals for the state's interests and conduct negotiations.

That proposed bill was introduced as House Bill 1599, and, as amended, ratified as Chapter 1372, Session Laws of 1981, Regular Session 1982 (attached as Appendix D). (Section 7 of the bill was added in the House and is unrelated).

The staff requested proposals for an appraisal of the railroad as a going concern, and separate proposals for evaluation of 46 parcels of real property owned by one or the other railroad. A list of the parcels appears as Appendix E. The parcels of real property had been identified by staff after an inspection of property tax records (authorized by House Bill 1599) and records supplied by Southern Railway at its offices in Greensboro, Atlanta, and Washington, D. C. Staff physically inspected each of the parcels.

Proposals for appraisal of the railroad as a going concern were received from Printon, Kane Research Incorporated and from American Appraisal Company. Proposals for appraisal

of the real property were received from Bradshaw, Realtors and from American Appraisal Company.

The committee met on September 9, 1982, and considered the four proposals, hearing representatives of each concern explain their proposal.

The committee recommended to the Legislative Research Commission that Printon, Kane Research be retained for the railroad evaluation and that Bradshaw, Realtors be retained for the real property evaluation.

At its meeting on September 16, 1982, the Legislative Research Commission approved the recommendations and authorized execution of the contracts. A copy of the Printon, Kane contract appears as Appendix F

The Printon, Kane Report was received on December 1, 1982, and a copy of the summary of the valuation appears as Appendix G. The full report, an additional 80 pages, is available in limited quantity in the Legislative Library.

The committee met again on December 17, 1982, and heard a presentation from Isabel Benham, President of Printon, Kane Research explaining the evaluation report, and then adopted the legislative recommendation contained in this report.

## LEGISLATIVE RECOMMENDATIONS

The Legislative Research Commission on September 16, 1982, authorized entering into a contract with Printon, Kane Research to conduct an evaluation of the state's interests in railroad properties. That report was submitted on December 1, 1982, and indicated an approximate valuation of \$53,700,000 for the state's interests. (See Appendix G .)

Since the railroads hold a fee simple interest to 47 parcels of real property, the Legislative Research Commission at the same September 16, 1982 meeting authorized entering into a contract with Bradshaw, Realtors for evaluation of those parcels. The contract calls for completion of the evaluation by February 15, 1983.

House Bill 1599 allows for the Legislative Research Commission to "Report to the 1983 Session of the General Assembly on such evaluation, including, if any report is recommended, any and all necessary legislation."

Until the final appraisals are received on February 15, 1983, the committee feels unable to make any definite recommendations on whether the rail properties should be sold, the leases extended, or whether other action should be taken.

G. S. 120-30.11 provides that the terms of office of members of the Research Commission "... shall end on the date when the next biennial session of the General Assembly convenes..." (January 12, 1983).

Prior to 1982, the statute provided for a holdover of the old members during the session, but it is felt that the current statute indicates there is no holdover.

Because of the complex nature of this subject, the committee recommends that the term of the Legislative Research Commission be extended but that meetings during the 1983 session be only for the purpose of further action under House Bill 1599. A copy of the recommended legislation appears as Appendix H.

This will allow the Legislative Research Commission in late February or early March to decide the next step in this process.

STUDY COMMITTEE MEMBERS  
STATE'S INTERESTS IN RAILROAD PROPERTIES

Representative Jack Hunt, Cochairman  
Senator Robert B. Jordan, III, Cochairman

Senator Julian R. Allsbrook  
Mr. J. Fred Corriher, Jr.  
Representative Thomas W. Ellis, Jr.  
Representative Joe Mavretic  
Mr. Vernon Rochelle  
Senator Charles E. Vickery

LRC Member Responsible for Study: Rep. Jack Hunt  
Professional Staff: Gerry Cohen and Daniel Long  
Clerical Staff: Betsy J. Sykes





GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 1981  
RATIFIED BILL

RESOLUTION 61

HOUSE JOINT RESOLUTION 1292

A JOINT RESOLUTION AUTHORIZING STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION.

Be it resolved by the House of Representatives, the Senate concurring:

Section 1. The Legislative Research Commission may study the topics listed below. Listed with each topic is the 1981 bill or resolution that originally proposed the study and the name of the sponsor. The Commission may consider the original bill or resolution in determining the nature, scope and aspects of the study. The topics are:

(1) Continuation of study of revenue laws (H.J.R. 15 -- Lilley).

(2) Continuation of study on problems of aging (H.J.R. 48 -- Messer/S.J.R. 37 -- Gray).

(3) Day care (H.J.R. 223 -- Brennan).

(4) Civil rights compliance of non-State institutions receiving State funds (H.J.R. 344 -- Spaulding).

(5) Social services and public assistance (H.B. 393 -- P. Hunt).

(6) The need for new health occupational licensing boards (H.B. 477 -- Lancaster/S.B. 285 -- Jenkins).

(7) Matters related to public education, including:

a. The feasibility of making the 12th grade optional in the public schools (H.J.R. 890 -- Tally).

b. Continue study of public school food service (H.J.R. 948 -- Brennan).

c. The teacher tenure law (S.J.R. 621 -- Royall).

d. Providing teachers with duty-free periods (S.J.R. 697 -- Speed).

e. Continuation of study regarding purchase of buses in lieu of contract transportation, and other school bus transportation matters (no 1981 resolution).

(8) Campaign financing and reporting (H.J.R. 975 -- D. Clark).

(9) State's interests in railroad companies and railroad operations (H.B. 1069 -- J. Hunt).

(10) Matters related to insurance, including:

a. Insurance regulation (H.B. 1071 as amended -- Seymour), including the feasibility of establishing within the Department of Insurance a risk and rate equity board.

b. How the State should cover risks of liability for personal injury and property damage (H.J.R. 1198 -- Seymour).

c. Credit insurance (H.J.R. 1328 -- Barnes).

(11) Matters related to public property, including:

a. Development of a policy on State office building construction (H.J.R. 1090 -- Nye).

b. The potential uses and benefits of arbitration to resolve disputes under State construction and procurement contracts (H.J.R. 1292 -- Adams).

c. The bonding requirements on small contractors bidding on governmental projects (H.J.R. 1301 -- Nye).

d. Continue study of the design, construction and inspection of public facilities (S.J.R. 143 -- Clarke).

e. Whether the leasing of State land should be by competitive bidding (S.J.R. 178 -- Swain).

(12) Allocation formula for State funding of public library systems (H.J.R. 1166 -- Burnley).

(13) Economic, social and legal problems and needs of women (H.R. 1238 -- Adams).

(14) Beverage container regulation (H.J.R. 1298 -- Diamond).

(15) Scientific and technical training equipment needs in institutions of higher education (H.J.R. 1314 -- Fulcher).

(16) Role of the State with respect to migrant farmworkers (H.J.R. 1315 -- Fulcher).

(17) Existing State and local programs for the inspection of milk and milk products (H.J.R. 1353 -- James).

(18) Laws authorizing towing, removing or storage of motor vehicles (H.J.R. 1360 -- Lancaster).

(19) Annexation laws (S.J.R. 4 -- Lawing).

(20) Laws concerning obscenity (House Committee Substitute for S.B. 295).

(21) The feasibility of consolidating the State computer systems (S.J.R. 349 -- Alford/H.J.R. 524 -- Plyler).

(22) Laws pertaining to the taxation of alcoholic beverages and the designation of revenues for alcoholism

education, rehabilitation and research (S.J.R. 497 -- Gray).

(23) Regional offices operated by State agencies (S.J.R. 519 -- Noble).

(24) Continue study of laws of evidence (S.J.R. 698 -- Barnes).

(25) Continue study of ownership of land in North Carolina by aliens and alien corporations (S.J.R. 714 -- White).

(26) Rules and regulations pertaining to the Coastal Area Management Act (S.J.R. 724 -- Daniels).

(27) Transfer of Forestry and Soil and Water from Department of Natural Resources and Community Development to Department of Agriculture (H.B. 1237 -- Taylor).

(28) Continue sports arena study (H.J.R. 1334 -- Barbee).

(29) State investment and maximum earning productivity of all public funds (H.J.R. 1375 -- Beard).

Sec. 2. For each of the topics the Legislative Research Commission decides to study, the Commission may report its findings, together with any recommended legislation, to the 1982 Session of the General Assembly or to the 1983 General Assembly, or the Commission may make an interim report to the 1982 Session and a final report to the 1983 General Assembly.

Sec. 3. The Legislative Research Commission or any study committee thereof, in the discharge of its study of insurance regulation under Section 1(10)a. of this act, may secure information and data under the provisions of G.S. 120-19. The powers contained in the provisions of G.S. 120-19.1 through

G.S. 120-19.4 shall apply to the proceedings of the Commission or any study committee thereof in the discharge of said study. The Commission or any study committee thereof, while in the discharge of said study, is authorized to hold executive sessions in accordance with G.S. 143-318.11(b) as though it were a committee of the General Assembly.

Sec. 4. This resolution is effective upon ratification.

In the General Assembly read three times and ratified, this the 10th day of July, 1981.

JAMES C. GREEN

James C. Green

President of the Senate

LISTON B. RAMSEY

Liston B. Ramsey

Speaker of the House of Representatives



## GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1981

HOUSE BILL 1069  
Second Edition Engrossed 6/5/81**H****2**

Short Title: State Railroad Study Comm.

(Public)

Sponsors: Representatives Jack Hunt, Ellis.

Referred to: Rules.

May 21, 1981

A BILL TO BE ENTITLED

1  
2 AN ACT TO CREATE A STATE RAILROAD STUDY COMMISSION TO STUDY  
3 RAILROAD OPERATIONS IN NORTH CAROLINA.

4           Whereas, the State of North Carolina owns over seventy  
5 percent (70%) of the outstanding shares of stock in two private  
6 railroad corporations, the North Carolina Railroad Company and  
7 the Atlantic and North Carolina Railroad Company; and

8           Whereas, Chapter 124 of the General Statutes vests  
9 management of the State's interests in railroads and other  
10 internal improvements in the Governor and Council of State; and

11           Whereas, the North Carolina Ports Railway Commission and  
12 possibly other departments of State government own or control  
13 interests in railroad operations; and

14           Whereas, practically all property of the North Carolina  
15 Railroad and the Atlantic and North Carolina Railroad are leased  
16 to Southern Railway Company under long-term leases that expire  
17 December 31, 1994; and

18           Whereas, the General Assembly has determined that it is  
19 in the best interest of the State to have a comprehensive study  
20 of the State's interests in railroad operations to assist the

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1 Governor and Council of State in their management responsibility;  
2 Now, therefore,

3 The General Assembly of North Carolina enacts:

4 Section 1. There is created the State Railroad Study  
5 Commission, consisting of the State Treasurer, two members to be  
6 appointed by the Governor, one each from the Boards [H-or  
7 officers] of the North Carolina Railroad Company and the Atlantic  
8 and North Carolina Railroad Company, two members of the Senate to  
9 be appointed by the Lieutenant Governor, and two members of the  
10 House of Representatives to be appointed by the Speaker of the  
11 House. The Attorney General or his designated representative  
12 shall serve as an ex officio nonvoting member of the commission.  
13 The members appointed by the Governor, Lieutenant Governor and  
14 Speaker of the House shall serve at the pleasure of the  
15 appointing officer.

16 Sec. 2. All appointments shall be made by September 1,  
17 1981. The commission shall meet initially at the call of the  
18 State Treasurer and shall elect a chairman from its membership.  
19 The commission shall study the State's interests in railroad  
20 companies and railroad operations and shall obtain an independent  
21 expert evaluation of the State's interests in the North Carolina  
22 Railroad Company, the Atlantic and North Carolina Railroad  
23 Company, and all other railroad operations. This evaluation may,  
24 in the discretion of the commission, be held in confidence by the  
25 State, and its contents shall not be subject to Chapter 132 of  
26 the General Statutes concerning public records.

27 Sec. 3. The commission shall submit a written report of  
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1 its findings to the Speaker of the House and the Lieutenant  
2 Governor on or before the date the 1983 Session of the General  
3 Assembly convenes. This report shall contain recommendations for  
4 retention and management of the State's interests or disposition  
5 of all or any portion thereof. During the 1983 Session the  
6 commission shall continue to render advice and assistance on  
7 matters pertaining to the State's interests when requested to do  
8 so by the Speaker of the House or the Lieutenant Governor.

9           Sec. 4. The commission may employ necessary  
10 professional and clerical help. The commission may hold its  
11 meetings in the State Legislative Building upon the approval of  
12 the Legislative Research Commission.

13           Sec. 5. Members of the commission who are also members  
14 of the General Assembly shall be paid subsistence and travel  
15 expenses at the rate set forth in G.S. 120-3.1. Members of the  
16 commission who are officials or employees of the State shall  
17 receive travel allowances at the rate set forth in G.S. 138-6.  
18 All other members of the commission shall be paid the per diem  
19 and allowances at the rates set forth in G.S. 138-5.

20           Sec. 6. All costs of whatever nature incurred pursuant  
21 to this act, not to exceed fifty thousand dollars (\$50,000),  
22 shall be paid from dividends received from the State's interests.

23           Sec. 7. This act is effective upon ratification.  
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# GENERAL ASSEMBLY OF NORTH CAROLINA

1981 SESSION (REGULAR SESSION, 1982)

## RATIFIED BILL

CHAPTER 1372

HOUSE BILL 1599

AN ACT CONCERNING A STUDY ON THE STATE'S INTERESTS IN RAILROAD PROPERTIES.

The General Assembly of North Carolina enacts:

Section 1. The Legislative Research Commission, in its study of the State's interests in railroad companies and railroad operations, as authorized in Section 2 of Resolution 61, Session Laws of 1981 is authorized to:

(1) Obtain an independent expert evaluation of the State's interests in the North Carolina Railroad Company and the Atlantic and North Carolina Railroad Company;

(2) Receive proposals to maximize the benefits to all stockholders of investments in these railroad companies and carry on negotiations toward those ends; such negotiations may be carried on by such person or persons designated by the commission (or its subcommittee) after consultation with the boards of directors of the North Carolina Railroad and the Atlantic and North Carolina Railroad; and

(3) Report to the 1983 Session of the General Assembly on such evaluation, including, if any action is recommended, any and all necessary legislation.

Sec. 2. In carrying out Section 1 of this act, the negotiations, in the discretion of the commission (or its subcommittee), may be held in private. Any discussion by the

commission (or its subcommittee) of the negotiations shall be a permitted purpose for an executive session under G.S. 143-318.11. Any agreement finally reached shall be made public upon its recommendation by the commission (or its subcommittee).

Sec. 3. Notwithstanding the provisions of G.S. 105-259, the commission (or its subcommittee, or staff, or the person making the evaluation) shall have access to any return or record filed under Article 23 of Chapter 105 of the General Statutes or any return or record used by the Department of Revenue in computing valuation under Article 23, concerning property owned by the North Carolina Railroad Company or the Atlantic and North Carolina Railroad Company; provided, however, that such person obtaining access shall not divulge the contents of such return or record and shall be subject to the penalties of G.S. 105-259 if such record or return is divulged.

Sec. 4. Chapter 1046, Session Laws of 1951, is amended by adding a new section to read:

"Sec. 1.1. No stock owned by the State of North Carolina in the Atlantic and North Carolina Railroad Company shall be sold except with the prior consent of the General Assembly."

Sec. 5. G.S. 124-5 is amended by adding at the end thereof the following new sentence: "Prior to taking any action under this section between July 1, 1982, and June 1, 1983, concerning the Atlantic and North Carolina Railroad or the North Carolina Railroad, the Governor and Council of State shall give at least 20 days' notice to the Legislative Research Commission. No extension of any lease to expire December 31, 1994, may be

granted to the lessee or the operating company of the railroad during that 11-month period."

Sec. 6. There is appropriated from the General Fund to the Legislative Research Commission the sum of two hundred fifty-six thousand dollars (\$256,000) for fiscal year 1982-83 for studies authorized by the Commission.

Sec. 7. There is appropriated from the General Fund to the General Assembly the sum of one thousand dollars (\$1,000) for fiscal year 1982-83 to provide funds to the Committee on Employee Hospital and Medical Benefits to reimburse consultant expenses already incurred.

Sec. 8. There is appropriated from the General Fund to the Legislative Services Commission the sum of two hundred thousand dollars (\$200,000) for fiscal year 1982-83 to improve information management and to monitor the implementation of the State employees' health benefits contract.

Sec. 9. Sections 1 through 5 of this act are effective upon ratification; Sections 6 through 8 shall become effective July 1, 1982.

In the General Assembly read three times and ratified, this the 23rd day of June, 1982.

JAMES C. GREEN

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James C. Green

President of the Senate

LISTON B. RAMSEY

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Liston B. Ramsey

Speaker of the House of Representatives

REAL PROPERTY  
NORTH CAROLINA RAILROAD

- GUILFORD (1) 1.53 acres M.P. 8.00 at McCleansville. Parcel 105' x 640' bordering main track R/W on N. Property is vacant. State assessment \$1,990.00. At intersection of R.R. and McCleansville Rd.
- GUILFORD (2) 1.1 acres M.P. 14.74. Rectangular Parcel 120' x 627' bordering main track R/W on North (Less road) at Gibsonville. Property is at corner of Lewis and Main Streets, and is a park. State assessment \$6,000.00.
- ALAMANCE (3) 0.59 acre M.P. 23.07. Portion West End depot lot, including street areas, city parcel 156-633-309 West of Oakley Street in Graham. Vacant, with one Amoco (Midway Oil) advertising sign. State assessment \$1,680.00. (Area 0.42 acres without road).
- ALAMANCE (4) Adjacent to (3) above. 1.24 acres M.P. 23.11, portion depot lot, East of Oakley Street, City parcel 156-63-123 and 124, Graham. State assessment \$4,400.00. (1.1 acre less street). Delma Lee Heating Company has small abandoned building on site.
- ORANGE (5) 2.4 acres M.P. 40.88 - Rectangular Parcel 600' x 186' on average. Bordering main track R/W on North, less side track R/W. Located in Hillsborough. State assessment is \$8,400.00. Lot is vacant, with some spur tracks across. Logs were piled on corner of lot on August 20, 1982. County tax map says 3.53 acres. No deed, railroad records say held by adverse possession. In Hillsborough.
- ORANGE (6) 4.96 acres, southwest of Hillsborough. 528' x 412.5' lying 2200' South of Main Track, known as Mountain Springs Lot 3. Was used for water for engines. On S.R. 1148, Eno Mountain Road (unpaved) -- but may be beyond end of maintenance. Dirt road runs through property. Lot is vacant, apparently has power line through it. Easement noted on map with Southern Power Company is not on record in Orange County. State assessment is \$11,705.
- DURHAM (7) 1.89 acres or more, freight depot lot bounded by Mangum, Vivian, Pettigrew, and Blacknell, although may cross Blacknell. This piece is apparently not listed on state tax records. Swift and Co. building is on northwest corner, depot is rented out, south part of lot is parking. This land is in redevelopment area. Spur tracks cross site. In Durham.
- WAKE (8) 1.1 acres at Asbury, Milepost 74.84. Rectangular Parcel 183' x 264' bordering main track right-of-way on North. State assessment \$15,000.00. On US 64 near new I-40. Vacant land.
- WAKE (9) 1.86 acres at Milepost 80.30. Former right-of-way for Caraleigh Mill Spur. 1250' in length by variable width. State assessment \$3,800.00. In Raleigh.

- WAKE (10) 0.77 acre. Triangular passenger depot lot South of Main track R/W between Harrington and West Streets fronting 214' on North side of Cabarrus St. Includes station and shed, leased to Atlanta Station. State assessment \$116,210.00. In Raleigh.
- WAKE (11) 0.77 acre, freight depot lot 80' x 240' (?). North of Main track right-of-way between Cabarrus and Davie Streets (depot on site). In Raleigh. State assessment \$7,700.00.
- JOHNSTON (12) 102.11 acres at intersection of US 70 and NC 42 South of Clayton. Acquired for \$350,000.00 in 1979. Vacant.
- JOHNSTON (13) 2 acres in downtown Selma, two parcels each 55' x 790' (one acre each). One is probably now a roadway. No State assessment available.
- MECKLENBURG (14) 1.26 or 1.31 acres. Portion Block 37 at Northwest corner of East Third and South Brevard Streets, fronting 188' on West side of South Brevard Street and 305' on North side of East Third Street, including paving and fence. State assessment \$289,610.00. Area is a parking lot.
- MECKLENBURG (15) 1.21 or 1.26 acres. Irregular shaped lot on North side of East Third Street and strip of land extending to East Fourth Street fronting 247' on North side of East Third Street and 36' on South side of East Fourth Street between South College and South Brevard Streets. This area is a "mini" park. State assessment is either \$381,000 or \$429,000 (unclear). In Charlotte.
- MECKLENBURG (16) 2.4 or 2.47 acres. Rectangular lot at Northwest corner of East Second and South Brevard Streets, fronting 347' on West side of South Brevard Street, 305' on North side of East Second Street and 305' on South side of East Third Street. State assessment is \$520,540. Now in use as parking lot. In Charlotte. This is parcel #1 in 1968 lease. Land may also include .321 acre strip 40' x 336' on other side of tracks, Tax Map 125, Block 61, Lot 7, assessed at \$97,860.
- CABARRUS (17) 10.1 acres at M.P. 360.33, off Hwy 49 near Rocky River. Parcel bordering main track R/W on West. Rocky River Road, S.R. 1139 goes through site. Land appears vacant. Plat discusses use as ballast pit. State assessment is \$4,040.00.
- ROWAN (18) 2.57 acres at M.P. 333.66. Depot lot bordering R/W, and lying between Kerr and Liberty Streets. State assessment is \$1,285.00. Passenger depot is on site, along with grassy park area. Terminal is in disrepair. Amtrak stops at terminal.



DAVIDSON (19) 1.9 acres, 100' x 829' bordering Main Track R/W on North at Thomasville. State assessment \$4,725.00. Vacant land.

WAYNE (20) 79.8 acres in Fork Township. Property fronts on C.R. 1237 near NC 581. Deed is in deed folder, no right-of-way map available. Property is 79 acres out of 103 acres on plat. Remainder of property is now held by Gas-Fired Products, Inc. State assessment is \$18,510.00. Land is vacant.

WAYNE (21) 0.7 acre near Goldsboro on Neuse River about 3.0 mile South of main track, opposite M.P. 127.93. This is apparently in Waynesborough, according to the deed. This is an abandoned town, and there may be a second chain of title with the most recent deed being from the City of Goldsboro to the State of North Carolina. State assessment \$380.00. Land is vacant.

WAYNE (22) Parcel at corner of North Center and Vine Streets in Goldsboro, 205' X 200', 1 acre. Abandoned Builders Supply Company on site. State assessment is \$18,200.00 Wayne Tax Map 71, Block 4, Lot 7.

WAYNE (23) 4.14 acre parcel, bounded by James, Center, Vine, and Beech Streets. Includes Freight Depot, Piedmont Flour Building, abandoned Builders Supply Building, and tracks. Evaluate part not being used for system purposes. State appraisal \$16,400. Wayne Tax Map 71, Block 5, Lot 1.

#### ATLANTIC AND NORTH CAROLINA RAILROAD

WAYNE (25) Lot Northeast Corner of Center and Beech Streets in Goldsboro. Wayne Tax Map 40, Block 2, Lot 1. Vacant, with some tracks across. State assessment \$7,260.00. Lot is 220' X 108'.

WAYNE (26) 1 lot, Bordered by Beech, John, Vine, and Center Streets, 440' X 420', 4.24 acres. Wayne Tax Map 40, Block 1. Lot contains Henry Faircloth Transfer, Cash Coal Company, and Swift Chemical (Estech). Swift Chemical is old A & EC Freight Station, and is empty. Southern half of lot is vacant, but southeast quadrant has some pavement and trucks parked there. State assessment is \$65,430.00.

WAYNE (27) Lot, North West Corner of Center and Holly Streets, Tax Map 73, Block 3, Lot 8. Approximately 1 acre. Lot has bricks stacked on it, and two aluminum storage buildings. Do not value buildings. State assessment \$11,480.00. Probably leased to W. P. Rose Supply Company.

WAYNE (28) Lot, bounded by Beech Street on South, and by James and Center Streets. Wayne County Tax Map 71, Block 6, Lot 1. State assessment is \$36,030.00. Approximately 3.1 acres. Lot is used mainly for track thus only a small fraction may be usable for nonsystem purposes.

LENOIR (29) Lot 1A. City Tax Map 99. Triangular piece 0.61 acres. Paved parking lot on Caswell Street in Kinston. State appr. \$5,200.00.

LENOIR (30) lots 2 and 3, County Tax Map 99 in Kinston. Lot 2 has a small frame building which is occupied. Lot 3 is vacant with pilings from an old building, State assessment is \$7,200.00.

LENOIR (31) Lots 4 and 5, City Tax Map 141, on Tiffany Street in Kinston. State Assessment \$41,340.00. Lot 4 has a junk pile on it. Lot 5 is leased to N. C. Products Company and has a building on the site.

LENOIR (32) Lot 10 County Map 410. Strip 86' x 10' in back of lot 11. Believed to be vacant. In Kinston. State assessment \$1,100.00.

RAVEN (33) 1 lot Highway 70. in Cove City. Cove City Tax Map 3, Lot 25. Approximately . acres. Abandoned "D. Duck" store appears to be on site. State assessment \$4,500.00

CRAVEN (34) 420-26 Tryon Palace St. in New Bern. Car lot for Alcoke Motors. Approximately .25 acre. Lot 71, Tax Map 8-1C. State assessment is \$24,270.00.

CRAVEN (36) 1109 National Avenue, New Bern. Lot 1, Tax Map 8-5. 1.01 acres, with small wood frame railroad building. Do not value building. State assessment is \$13,030.00.

CRAVEN (37) 826-32 North Craven Street, New Bern. Lot 70, Tax Map 8-4. Vacant, 1.88 acres, includes riverfront. State assessment \$9,070.00.

CRAVEN (37A) Rear 857-71 North Craven Street, New Bern. Lot 60B, Tax Map 8-4. Vacant. State assessment \$3,900.00. Little over half an acre.

CRAVEN (38) 1 lot Craven Street, New Bern. Lot 241A, Tax Map 8-3 (part of lot can be seen on Tax Map 8-4.) Vacant. Includes waterfront. About 4.6 acres. State assessment \$18,400.00.

CRAVEN (39) 1 lot corner of Tryon Palace and Hancock Street, New Bern. Vacant. State assessment \$6,400.00. Lot 30, Tax Map 8-1D. Triangular shaped lot 32' x 562' x 528', approximately .25 acre. State assessment \$6,400.00. Abandoned trailer on site.

CRAVEN (40) 827-55 N. Pasteur Street, New Bern. (Actually is on Craven Street) Lot 60A, Tax Map 8-4, and Lot 114A, Tax Map 8-3. East Carolina Distributing Company has warehouse on site. (Apparently successor to Woodruff Distributing Company), State assessment \$119,910.00.

CARTERET (41) 1 acre at New Port at corner of Highway 70 and K. K. Land is now a "mini-park." State assessment is \$34,880.00.

CARTERET (42) Lot 270' x 290' according to railroad records, 450' x 375' x 375' triangles according to tax map, located on Arendell Street (Highway 70) in Morehead City. State assessment is \$99,790.00. Located at center of Wye Tracks, one of tracks has been removed. Tax map 13-14A, Block 5, Lot 1.

CARTERET (43) Lot approximately 330' x 250' on Arendell Street near Third Street in Morehead City. Southern Railway has small office on site. Parcel is Tax Map 13-13A, Block 1, Lot 3. State Assessment is \$185,610.00. On original plan of City is Block 2, lots 1-5 and 11-16.

CARTERET (44) 100' x 100' parcel, at corner of Evans Street and Fourth Street, Tax Map 13-13-C, Block 3, Lot 8. On original plan of City is Block 3, lots 1 and 2. Vacant. State Assessment is \$34,330.00. In Morehead City

CARTERET (45) Tax Map 13-13C, Block 1, lot 1. Lots 1-5 and 9-16 on Square 7 of original plan of City. Two rented-out buildings on side. Part is leased to Town of Morehead City for park, part for parking. Two buildings exist on part not rented to City, appears to be rented to businesses and is at Arendell and Sixth Street. State assessment is \$266,960.00.

CARTERET (46) Land south of Evans Street on water front 100' x 100'. Lot is vacant, although might be some encroachment from next property. Railroad property is Map 13-13C, Block 4, Lot 1. State assessment if \$64,320.00.

CARTERET (47) Land south of Evans Street, 330' x 100', Map 13-13C, Block 4, Lot 8. On waterfront, south of Evans Street. Several boat anchorages here. State assessment is \$238,230.00.

NOTE: On parcels 46 and 47, part of lots on tax map are underwater.

NOTE: Parcels 24 and 35 are not on this list. Parcel 24 was combined with another parcel, and Parcel 35 had been sold in 1971



Printon, Kane Research, Inc.  
151 East 53rd St. • New York, N.Y. 10022 • (212) 355-0155

October 8, 1982

Senator Craig Lawing  
Representative Liston B. Ramsey  
State Legislative Building  
Raleigh, North Carolina 27611

RE: Valuation of North Carolina's  
Stock Investments in:  
The North Carolina Railroad  
The Atlantic and North Carolina Railroad

Dear Sirs:

This is to confirm that the Legislative Research Commission of the North Carolina General Assembly has by this letter retained the firm of Printon, Kane Research, Inc. (PKRI), specialists in the evaluation of railroad properties and securities, to value the railroad properties of the subject companies for the ultimate purpose of renegotiating the present leases and/or effecting the sale of the properties.

The study, in addition to background data, is to include:

- (a) An analysis of the present leases of each property in order to determine the feasibility and the basis for renegotiating the leases, if desired.
- (b) A valuation based on the physical condition of the properties by Mr. Everett Hodges, PKRI's consulting engineer. Mr. Hodges is to make a physical inspection of the two properties accompanied by an appropriate Southern Railway individual.
- (c) The valuation of the properties based on a Going Concern Value approach and an Earnings Contribution approach.

For the above studies, our fee would total \$100,000, of which amount \$35,000 will be paid at the time this commitment letter is signed and forwarded to us, and the remaining \$65,000 would be payable December 1, 1982, the date on which the valuation study would be complete but only upon receipt of the study. In addition, payment of out-of-pocket expenses in the maximum amount of \$5,000 is to be provided for.

Senator Craig Lawing  
Representative Liston B. Ramsey

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October 8, 1982

If, subsequent to tendering the report, it is determined that talks with Southern Railway should be progressed for the purpose of renegotiating the lease or sale of property, the firm of Printon, Kane Research, Inc. and the Legislative Research Commission of the North Carolina General Assembly would not expect that any investment banker other than Printon, Kane Research, Inc. would be retained for devising a plan and helping with the negotiations.

Printon, Kane Research, Inc. would receive an additional fee of \$50,000 (which would be payable when and if negotiations are completed for purchase or release of properties or upon termination of all negotiations) for aiding and advising the officers of each company in their negotiations, helping to prepare the proxy statement, and a registration statement if required, appearing before the Interstate Commerce Commission to support the plan, and, in general, being available to progress the project expeditiously. Expenses (out-of-pocket) at this stage are reimbursable against any remaining of the \$5,000 maximum above.

This agreement is binding upon signature by both parties and receipt of the above mentioned \$35,000 fee by Printon, Kane Research, Inc.

Very truly yours,

PRINTON, KANE RESEARCH, INC.

By: Isabel H. Benham  
Isabel H. Benham,  
President

IHB:FL

FOR THE LEGISLATIVE  
RESEARCH COMMISSION

Craig Lawing  
Craig Lawing, Co-chairman  
President Pro Tempore of the Senate

Liston B. Ramsey  
Liston B. Ramsey, Co-chairman  
Speaker of the House of Representatives



## Printon, Kane Research, Inc.

153 East 53rd St. • New York, N.Y. 10022 • (212) 355-0155

CONFIDENTIAL

December 1, 1982

Senator Craig Lawing, Co-Chairman  
 Representative Liston B. Ramsey, Co-Chairman  
 State Legislative Building  
 Raleigh, North Carolina 27611

Re: Valuation of North Carolina's  
 Stock Investment in:  
 North Carolina Railroad  
 Atlantic and North Carolina Railroad

Gentlemen:

In accordance with a 1981 mandate of the General Assembly of North Carolina, House Bill 1599, Printon, Kane Research, Inc. of New York City has been retained to make an independent valuation of the State's ownership of:

30,002 common shares of North Carolina Railroad  
 12,666 common shares of Atlantic and North Carolina Railroad

The two railroads, built in the mid-nineteenth century, were financed by the State at a cost of approximately \$3,000,000 for the North Carolina Railroad and approximately \$1,200,000 for the Atlantic and North Carolina Railroad. The shares now held by the State were received in payment for construction cost advances.

The railroads are operated by and as an integral part of the Southern Railway System under long term leases which will expire simultaneously on December 31, 1994. Southern, in mid-1982 was merged into the new Norfolk Southern System, but the leases of the two North Carolina railroads have not been assumed by the merged entity.

The Norfolk Southern System presently is the third largest rail network in the nation and, financially, the strongest major rail system. As of September 30, 1982, Norfolk Southern had about \$770 million in cash and short term investments. Management of the new corporation has indicated that part of these funds may be used for acquisition purposes - other railroads or other transportation properties.

The valuation of the shares of the North Carolina railroads is complex. First, the earnings of the companies reported to shareholders reflect only rental payments made under the leases. These payments do not reflect the net earning power of the companies as operating entities. Second, the market for the stocks

Senator Craig Lawing, Co-Chairman  
Representative Liston B. Ramsey, Co-Chairman

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of both companies is thin and the shares trade only at odd lot prices. Thus, there is neither a reported earnings base nor a market framework within which parameters of value might be determined.

Valuation methodologies vary but the usual approach for a railroad appraisal is based on either an asset valuation or a valuation of earnings depending on the purpose of the studies. The earnings valuation techniques are used to determine the commercial value of the railroad, while an asset valuation is useful in the event of a liquidation. The asset valuation is also useful for purposes of renegotiating lease arrangements. It also provides parameters of value within which values developed from earnings tests may fall.

To make an asset valuation, a physical inspection of the property by an informed appraiser is necessary. Thus, we requested that the State arrange for our valuation engineer, Mr. Everett M. Hodges,\* to go over the properties of both roads with an official of Southern Railway. Mr. Hodges and various engineers spent two days inspecting the combined mileage of the two companies, 315 miles from Charlotte to Morehead City. Thereafter, Mr. Hodges developed values which, in his judgment, reflected the asset values of the properties at today's price levels.

Over the years, the Interstate Commerce Commission (ICC) has stressed the importance of earning power in the valuation process and for purposes of developing merger terms. Thus, we requested Southern to prepare an actual earnings statement for the North Carolina Railroad for the years 1977-1981. The revenue accounts were developed from the actual volume of traffic moving over the company's mileage; the expenses were determined by using expense ratios of Southern applied to the revenues of the railroad as developed. In the case of the Atlantic and North Carolina, railroad earnings are reflected in the income statements filed with the ICC by the Atlantic and East Carolina, lessee-operator. With this information for both companies, we were able to use our valuation tools to determine the value of the properties as operating entities rather than as leased lines.

It should be realized that in the valuation processes, there is no one precise valuation figure which would reflect all elements of value. Rather, a range of values is developed on which a judgmental determination may be based. Thus, the purpose of the PKRI study is to find a range of supportable values which might be used for negotiating purposes with Southern in anticipation of the termination of the present lease arrangements, or in the event of

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\* Mr. Hodges was formerly associated with Ford, Bacon & Davis, Inc., a well-known engineering firm which over the years has specialized in valuing transportation properties.



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 Representative Liston B. Ramsey, Co-Chairman

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a sale of the property.

In analyzing the following range of values which we have developed through various methodologies, it must be realized that the valuations are implicitly and inseparably related to Southern Railway's use and maintenance of the properties. Because both railroads are operated as an integral part of the Southern System, it is reasonable to assume that the properties are worth more to the Southern than to any other party. Moreover, there is no statistical evidence available on which the value to a third party might be based.

Range of Values - 1982  
 (Based on Various Valuation Processes)

	<u>North Carolina RR</u>	<u>Atlantic and North Carolina RR</u>
	- millions -	
(1) Physical Valuations		
Cost of Reproduction new	\$137.0	\$35.2
Cost of Reproduction new less depreciation (RCLD)	99.5	24.9
Gross Salvage Value	30.1	5.9
Net Salvage Value	23.8	4.0
(2) Market Value - pro forma		
5-yr.earnings x 8 multiple	33.6	1.5
Market Value adjusted for take-over premium of 20-25%	40-42	1.8-1.9
(3) Earnings Contribution Value (Merger Approach)		
Relative to NS 1982 av.mkt.(52½)	63.0	1.5
Relative to NS Current Mkt.*(60)	72.0	1.8
(4) Going Concern Value (GCV)		
Relative to SR	104.5	2.0
Stand-Alone Basis	63.5	1.5

\*As of November 26, 1982.

Valuation of North Carolina Railroad

For the North Carolina Railroad, we find that our going concern value (GCV) of approximately \$105 million (#4) supports Mr. Hodges' RCLD value of \$100 million (#1). These values derived from both an asset and earnings approach might be the basis for re-negotiating a new lease arrangement. Such arrangements for railroads,

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conventionally, (but not necessarily), are based on a percentage of the predetermined current value of the property.

On the other hand, if it were determined to be in the public interest to sell the North Carolina Railroad, the value developed by the earnings contribution study (#3) might be the basis for a sale transaction. This study assumed a merger of the property with Southern through an exchange of shares. The study indicated that an exchange ratio of around 30 shares of Norfolk Southern stock for each share of North Carolina Railroad would be supported by the earnings relationship between the two companies. Assuming this exchange ratio and based on a range of market prices for Norfolk Southern shares since the 1982 merger, the following range of values are indicated.

<u>NC Market Valuations</u>					
<u>(Based on an Exchange of NS Shares for NC Shares)</u>					
	<u>Mkt./</u>	<u>Est.Exchange</u>	<u>NC</u>	<u>Total</u>	
	<u>Share</u>	<u>Ratio/NC sh.</u>	<u>Value/Sh.</u>	<u>NC Value</u>	
				<u>(40,000 shs.)</u>	
Norfolk Southern 1982 Low	\$40	30 shs.com.	\$1,200	\$48 mil.	
Norfolk Southern 1982 High	65	30 shs.com.	1,950	78 "	
Norfolk Southern 1982 Mean	52½	30 shs.com.	1,575	63 "	
Norfolk Southern approx.mkt.	60	30 shs.com.	1,800	72 "	
(11/26/82)					

The wide spread in values indicates the market leverage inherent in a "paper" transaction (Norfolk Southern shares) as contrasted with a cash transaction at a fixed price. Additionally, market values may be understated if Norfolk Southern's earnings growth potential is as great as we believe it to be. Thus, a paper transaction would provide the opportunity for investors to share in such possible incremental values.

The going concern value of the North Carolina Railroad (#4) on a "stand-alone" basis of \$63.5 million, confirms and supports the mean market valuation derived from the earnings contribution study. On the other hand, our high going concern valuation of \$104.5 million would support a future market valuation of Norfolk's stock at \$75 a share, not an impossible potential.

In short, an exchange of 30 shares of Norfolk's stock for each share of North Carolina's stock appears to be a fair and equitable basis for negotiating purposes if a merger were to be considered. The market valuation of the company under such circumstances could range from \$65-\$75 million in the present market environment.

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Valuation of  
 Atlantic and North Carolina Railroad

The railroad properties of this carrier are not as profitable nor as strategically located as the properties of the North Carolina Railroad. Furthermore, our valuation data indicates that the A&NC has a greater liquidation value than commercial value; i.e., an asset value of \$4-\$6 million, but a going concern value of only \$1.5-\$2.0 million. These statistics suggest that A&NC should be liquidated, if its shareholders are to derive full value for its properties. However, this approach is not economically nor politically feasible.

A railroad is operated in the public interest and must continue to be operated until, and if, the ICC approves of its abandonment, generally for lack of traffic and earnings. This is not likely, since the line is marginally profitable. More important, it serves an economic function in providing rail service from the eastern coast into the interior of the State and the growth of this geographic area may best be fostered through increasing and efficient rail service to and from the Port of Morehead City. In fact, there is an interdependence between the railroad and the Port - each depending on the other for its growth potential.

In view of the foregoing, we find our valuations based on earnings to be the most significant.

Our earnings contribution study (assuming a merger with Southern) indicates that an appropriate exchange ratio for each share of the Atlantic and North Carolina Railroad might be 1.7 shares of Norfolk Southern. Accepting this ratio and using the following market values for Norfolk's shares would produce a range of values as shown below:

A&NC Market Valuations  
 (Based on an Exchange of NS Shares for A&NC Shares)

	<u>Mkt./</u>	<u>Est.Exchange</u>	<u>A&amp;NC</u>	<u>A&amp;NC</u>
	<u>Share</u>	<u>Ratio/A&amp;NC</u>	<u>Sh. Value/Sh.</u>	<u>Total Value</u>
				<u>(17,237 shs.)</u>
Norfolk Southern 1982 Low	\$40	1.7 shs.com.	\$ 68.00	\$1,172,000
Norfolk Southern 1982 High	65	1.7 shs.com.	110.50	1,905,000
Norfolk Southern 1982 Mean	52½	1.7 shs.com.	89.25	1,538,000
Norfolk Southern approx.mkt.	60	1.7 shs.com.	102.00	1,758,000
(11/26/82)				

The foregoing data suggests that the property may have a market value of \$1.5 to \$1.9 million. This market valuation is within the parameters of our going concern value study.

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Value of the State's Interest in the Two Properties

Our determination of values for the State's interest in the two rail properties rests on the assumption that both properties will be dealt with simultaneously and in the same manner. Moreover, any per share value determined as appropriate for the State's investment has the same per share value to each and every minority shareholder; accordingly, these shareholders must be treated on the same basis. Expressed another way, no premium has been given for the State's controlling interest in the properties.

In view of possible complications which might arise in endeavoring to anticipate a renegotiation of the two leases at this time, we have considered it appropriate to develop current values for the State's investment in the two properties as if a sale of shares were to be arranged. On this assumption, in our judgment, the State's stock investments might currently be valued at:

	Valuation of Company (mil.)	Approx. Mean Value Per Share*	State's Holdings Shares	Approx. Value of State's Shs.
North Carolina RR	\$65.0-\$75.0	\$1,750	30,002	\$52.5 mil.
Atlantic & No. Carolina RR	1.5- 1.9	\$98.625	12,666	1.2 mil.
Total	<u>\$66.5-\$76.9</u>			<u>\$53.7 mil.</u>

\* Based on mean value of property.

To conclude, the State might realize around \$54 million from the sale of its stock investment in the two North Carolina railroads. Such a move would create a substantial long term gain for the State and would free up funds which have been "locked" into an unmarketable investment for more than a century. Of even more importance, sale of the properties to Southern Railway would assure Southern's continuing support and interest in providing rail service in North Carolina. This, in turn, should foster the continued economic development of the State.

Finally, while the valuation studies have been made with the greatest diligence, weighing all alternatives and valuation approaches, it must be realized that the real value of a property is derived only through negotiations with a willing buyer and a willing seller.

The foregoing comments are intended to serve as introductory remarks to the valuation studies which are included in this brochure. After your review, and at your convenience, we would be pleased to discuss in more detail the subject matter contained in our reports.

Senator Craig Lawing, Co-Chairman  
Representative Liston B. Ramsey, Co-Chairman

December 1, 1982  
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In closing, we wish to express our appreciation for the cooperation we have had in the preparation of the reports from Mr. Hall, President of Southern Railway, and certain of his officers; officers of the two North Carolina railroads; and, in particular, Mr. Gerry F. Cohen, Counsel to the Committee to Study the State's Interest in Railroad Properties.

Respectfully submitted,

PRINTON, KANE RESEARCH, INC.

By Isabel H. Benham  
Isabel H. Benham  
President

IHB:FL  
Enc. 1



# LEGISLATIVE

APPENDIX

## APPENDIX H

## DRAFTING

A BILL TO BE ENTITLED AN ACT TO EXTEND THE TERM OF THE LEGISLATIVE RESEARCH COMMISSION SO AS TO CONTINUE TO ACT CONCERNING THE STATE'S INTERESTS IN RAILROAD PROPERTIES.

The General Assembly of North Carolina enacts:

Section 1. G. S. 120-30.11 is amended in the second sentence by adding immediately before the period the words "or at the time of appointment of the subsequent Commission, whichever shall be later."

Sec. 2. G. S. 120-30.17 is amended by adding a new subdivision to read:

"(6a) To meet during the regular session of the General Assembly only for the purposes of taking actions authorized by Chapter 1372, Session Laws of 1981 (Regular Session 1982).

Sec. 3. This act is effective upon ratification, and shall expire July 1, 1983.





1981-83

LEGISLATIVE RESEARCH COMMISSION MEMBERSHIP

House Speaker Liston B. Ramsey, Jr. Cochairman	Senate President Pro Tempore W. Craig Lawing, Cochairman
Representative Chris S. Barker, Jr.	Senator Henson P. Barnes
Representative John T. Church	Senator Carolyn Mathis
Representative Gordon H. Greenwood	Senator William D. Mills
Representative John J. Hunt	Senator Russell Walker
Representative Lura S. Tally	Senator Robert W. Wynne

