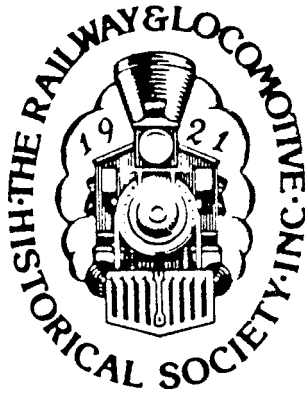


The Railway
Historical
Southeast



& Locomotive
Society, Inc.
Chapter

Newsletter No. 25, October, 1994



Florida East Coast Railway once made its bread and butter off Cuba trade, shipping railcars and vacationing Americans from Key West to Havana. Those days ended with the Cuban revolution. Now, however, history may be about to repeat itself. The railroad is bracing for a return to Cuba — and big profits.

Page 2

— Don Burk/staff *The Florida Times-Union*

**A Florida East Coast Railway train leaves
Bowden Yards headed south.**

FEC set for fast track

By Jennifer Friedland

Business writer

It was 1913. Henry Flagler had just extended his Florida East Coast Railway all the way to Key West. And Cuba was calling. Cubans were clamoring for American-made goods. So Flagler obliged.

Freight was loaded onto FEC railcars, pulled into Key West, then rolled onto Cuba-bound car ferries equipped with track.

Vacationing Americans also rode the rails south, boarding passenger ships from Key West.

Then, in 1961, the traffic stopped. Fidel Castro had taken control of the island and the United States subsequently cut off all trade with Cuba. Ties were severed for more than 30 years.

But now, things could change.

With food, water and electricity scarce in Cuba, and with castro much older and politically weaker, a free Cuba is considered inevitable.

And history could repeat itself for Florida East Coast. The railroad is poised to profit from renewed trade with Cuba, once again carrying U.S. goods for the island nation.

"FEC will be a major conduit for cargo to Cuba," said Teo Babun, an FEC consultant and Miami-based Cuba-watcher.

"It will be a restoration of service," said Seth Bramson, an FEC historian and author of *Speedway to Sunshine: The Story of the Florida East Coast Railway*.

Of course, FEC isn't the only railroad expected to benefit greatly from renewed trade ties with Cuba. But few have the historical links — and profit potential — that FEC has.

"We look at Cuba as a very big growth op-



— Ray Stafford/staff

Carl Zellers, president of Florida East Coast Railway, says renewal of Cuban trade will be "a very big growth opportunity."

portunity," said Carl F. Zellers, president of St. Augustine-based Florida East Coast Railway Co.

Small profile, big role

FEC is small by national standards, with about 1,000 employees, 351 miles of track from Jacksonville to Miami and about 90 miles of branch track in the state.

By comparison, Jacksonville-based CSX Transportation Inc. has 29,000 workers and 32,844 miles of track in 20 states.

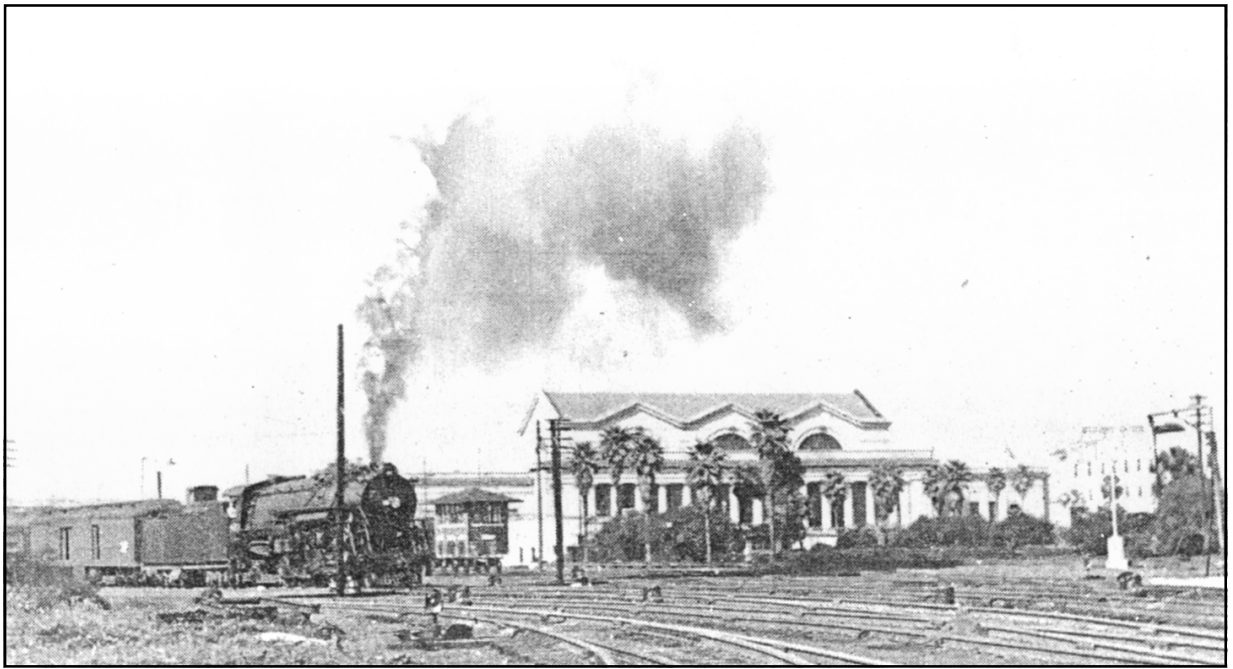
But FEC plays a vital transportation role in Florida.

Continued on page 4

SOUTHEAST CHAPTER OFFICERS:

James A. Smith	Chairman
William F. Howes, Jr.	Vice-Chairman
Frank H. Dewey	Secretary
A. Paul Friederich	Treasurer
Clifford J. Vander Yacht	Editor

The *Southeast Limited* is published bi-monthly by the Southeast Chapter of the Railway & Locomotive Historical Society
P. O. Box 664
Jacksonville, FL 32201



An FEC steam engine leaves Jacksonville Terminal — now the city's convention center — in this 1947 photo.

Flagler, Ball shaped FEC history

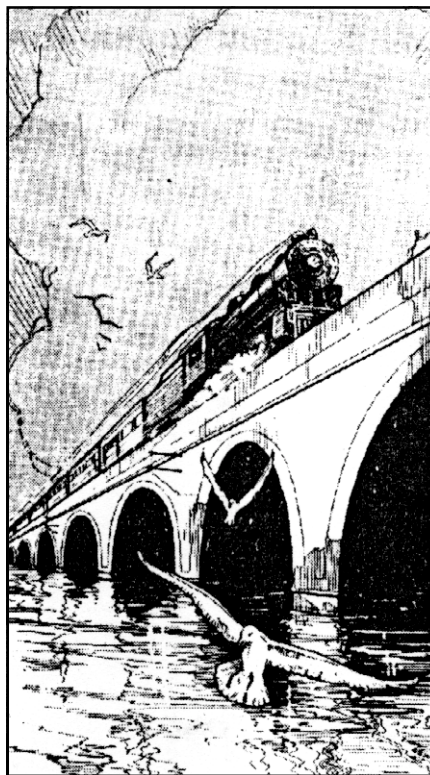
By Jennifer Friedland
Business writer

The history of the Florida East Coast Railway is rich with strikes, storms and decades of bankruptcy. And two of its key leaders — Henry Flagler and Ed Ball — are among the state's most successful businessmen.

“FEC is the most exciting railroad in the history of American railroading,” says Seth Bramson, historian and author.

FEC begins with Flagler, the son of a poor Presbyterian minister in Canandaigua, New York.

In 1844, the 14-year-old Flagler left home, holding successive jobs in Ohio,



Part of a 1928 ad for FEC's “Havana Special” to Cuba pictured a train on the Long Key viaduct.

Michigan and Cleveland. He later founded Standard Oil Co. with John D. Rockefeller, becoming very wealthy.

During a vacation in St. Augustine in 1883, Flagler became convinced the city could become a wonderful resort for well-to-do Americans if it had the proper hotels.

He decided to build several posh hotels, including the Ponce de Leon. But there was a problem. Flagler needed to upgrade the transportation facilities in order to receive building materials and tourists.

So in 1885, Flagler purchased the bonds of the Jack-

Continued on page 5

These articles are reproduced with permission of The Florida Times-Union of Jacksonville, Florida. They were published in the *FIRST BUSINESS* section of the April 18, 1994 issue.

It's the only railroad serving points between Jacksonville and West Palm Beach. So both CSX and Norfolk Southern Corp. must switch their rail cars with FEC at Jacksonville.

On its southbound runs, it transports autos as well as goods loaded onto containers and trailers. Coming north, it carries mostly rock, limestone and cement from Miami. Along the way the railroad picks up and unloads goods at Florida's eastern ports. Not only is it an important transportation link; FEC is an integral part of Florida history. During its 100-year-plus legacy, it has stayed independent during all of the railroad industry's most tumultuous times, weathering years of union strikes and bankruptcy.

"It's a Florida industry and institution," Bramson said.

Its roots extend to developer Henry Flagler, who began what eventually became FEC in 1885 by acquiring a small railroad in Jacksonville and extending it all the way to Key West before dying in 1913.

Another Florida business icon, Ed Ball, became the railroad's CEO in 1959 and brought it out of a 30-year bankruptcy. He made vast railway improvements — and even stonewalled striking unions in 1963 by using non-union labor to run FEC.

Now, FEC "is one of the most efficient freight lines in the country," said Douglas A. Kass, an analyst with JW Charles Securities in Boca Raton. "It's managed very well and has modern, state-of-the-art equipment."

Recent developments

A lot's still the same with FEC, but there have been some recent changes.

For starters, the unions have reemerged. The United Transportation Union and the International Brotherhood of Electricians recently won the right to represent some FEC employees previously represented by another union. Labor contract negotiations are under way.

The railroad also has steadily increased its local traffic — freight originated and delivered on points along the FEC line. This traffic now makes up roughly 40 percent of rail revenues, while so-called interchange traffic — freight transferred

from a carrier to FEC — has stayed relatively flat.

Last year, the railroad and its six affiliated transportation companies posted revenues of \$162.3 million, up from \$157 million in 1992.

But even with such growth, some financial analysts contend that FEC should be sold to a major carrier — possibly Norfolk Southern — with a longer reach. That way, traffic can remain on a single line for a much longer haul, with a lot less handling.

"The FEC is a small short-line railroad and it can't make the money it could make if it's run by a long-haul railroad", said James Schmitt, an FEC analyst for WestCountry Financial in Somis, Calif.

But few doubt that FEC will be put on the block. Zellers said the company's not interested in selling FEC, although "anything is for sale if the price is right."

He pointed out that Nemours Foundation, funded by the Alfred I. duPont Testamentary trust, owns 5 percent of FEC's common stock, and St. Joe Paper — which is also primarily owned by the trust — owns about 54 percent of FEC's stock.

So long as the directors of Nemours and St. Joe Paper Co. are satisfied with FEC as an investment "a sale's not going to happen," Zellers said.

The next chapter

The railroad's next big hurdle is Cuban service.

After nine months of study, FEC officials say they're still not sure what they'll do when the United States lifts its Cuban-trade embargo. There are too many unknowns.

Although there are severe shortages and increasing discontent with the Castro regime, the Cuban leader could remain in power. And the United States could be persuaded to lift the embargo anyway.

Or, Castro could die or be ousted, with the United States renewing trade relations. But how and when that will occur is anyone's guess.

So FEC has put together at least two business plans: one with free trade and no Castro, and another with free trade and Castro in place.

Continued on page 6



— Ray Stafford/staff

Trailers with cargo from South Florida are off-loaded at FEC's Bowden Yards in Jacksonville.

sonville, St. Augustine and Halifax River Railway.

Over the next 27 years, Flagler acquired, improved and built more track down the coast of Florida, building small cities along the way. He finally completed a railroad to Key West in 1912. He died a year later.

Until 1935, FEC trains operated through the Keys. Sea-going car ferries, equipped with track, plied between Key West and Havana. Passenger trains also connected with passenger steamships between ports in the two cities.

But the Labor Day hurricane of 1935 destroyed 40 miles of the Key West extension. Railroad officials determined it was too costly to restore that section of the railway. So they abandoned the Key West operation, making Florida City the railroad's southernmost point.

FEC still transported freight to Cuba, but relied upon Port Everglades, and later the Port of Palm Beach, as its port of exit and entry.

But the storm wasn't the railroad's only major problem. In 1931, FEC fell into bankruptcy because it couldn't pay its bills. It re-

mained mired in bankruptcy until 1961.

During those 30 years, though, Ball emerged on the scene. Ball, a self-educated businessman from Hopewell Va., was the brother-in-law of Alfred duPont, one of the original founders of the chemical company by the same name.

Ball inherited the responsibility of running the Alfred I. duPont Testamentary Trust, which was set up after duPont died in 1935. It owns many investments, including 70 percent of St. Joe Paper Co.

One of Ball's first major trust acquisitions was FEC. Ball quietly bought up the railroad's defaulted bonds through the 1940s, paying 11 cents on the dollar. In 1959, he became the railroad's CEO, and got a first-hand look at the railroad's decrepit condition.

Among FEC's other problems, it had an ancient signal system, deteriorated track, bridges and cars, and bloated unions bound by outdated work rules.

Continued on page 6

FEC ready for Cuban service

Continued from page 4

FEC also plans to transport freight cars to the Port of Palm Beach, which has retained its multiple rail tracks from FEC's previous service to Cuba. (The port was used after World War II for freight service to Cuba.)

Then, the freight trains will roll onto Cuba-bound barges lined with track. Once in Cuba, the cars will roll onto the Cuban railroad, which canvasses the island.

FEC consultant Babun and other Cuba-watchers say rail will be very important in Cuba because the island has few cars and trucks and very few gas stations.

"In general, the railroad will play a big role in the distribution of cargo in Cuba," Babun said.

He also noted that most of the Cuba-bound cargo will exit South Florida ports, which have built up extensive steamship service to South America and which could easily adjust schedules to call on Cuba.

Babun added that Jacksonville and other East Coast ports will profit from renewed Cuban trade, shipping goods that aren't very time-sensitive, such as equipment.

A free and open Cuba will be a bonanza for a lot of businesses, but Florida East Coast Railway stands to be a big winner.

While many businesses already are scrambling to get a piece of the Cuban action, FEC is in an enviable position. It has the infrastructure and the experience. But Babun said FEC needs to make sure it stays ahead of the crowd.

"If FEC were to go to sleep and not prepare, some of their competitors will advance and be more ready to go," Babun said.

Zellers is trying to make sure that won't happen.

"We look at Cuba as the biggest growth opportunity we have," Zellers said.

Ball battled unions, bankruptcy

Continued from page 5

Ball, with the help of Winfred L. Thornton, went to work, slashing the bureaucracy and making improvements in the railroad.

But in 1963, the FEC unions wanted the same wage hikes demanded from all major railroads, even though the FEC had just emerged from bankruptcy.

Ball wouldn't cave in. So the non-operating unions struck the carrier and the operating unions refused to cross the picket line. The carrier was shut down.

The feisty Ball still didn't capitulate. Days later, he began operating the railroad with supervisory personnel. He later used college students and factory workers to run FEC.

"On that day, American railroading was changed forever," said Bramson.

Under Ball's streamlining, one crew took trains the entire distance from Miami to Jacksonville for one day's pay. Before that day, three five-men crews had received full wages for the same trip.

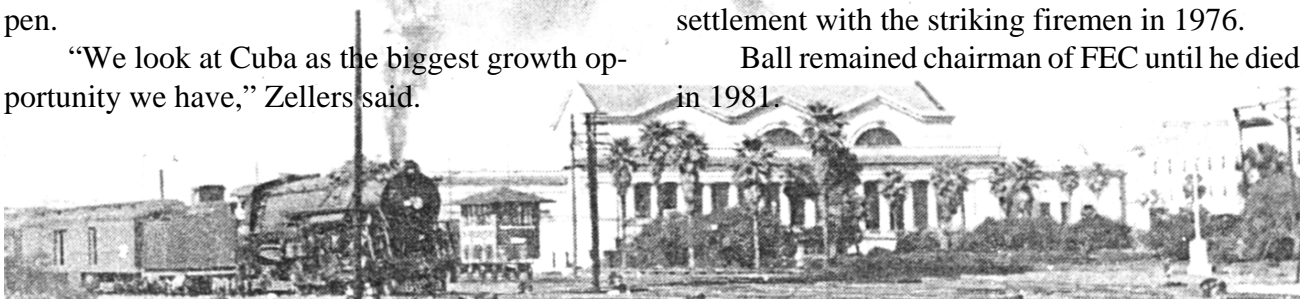
Ball continued operating the freight railroad with reduced crews, all the while making capital improvements. The FEC had stopped all passenger service by 1968.

But the railroad wasn't spared the wrath of the unions and union sympathizers. During the first few months of 1964, more than \$1 million worth of freight cars and cargo was blown up with dynamite. Other violence continued throughout the decade.

The railroad, though, continued running.

The unions officially ended the strike when they voluntarily yielded their representation of FEC employees and the railroad made its final settlement with the striking firemen in 1976.

Ball remained chairman of FEC until he died in 1981.



Information Request

Southeast Chapter member Seth Bramson of 330 N. E. 96th Street, Miami Shores, FL 33138, has signed contracts for two books and expects to sign a contract for a third. He requests that members with historical information or photographs on these subjects would sell or loan it to him. Donors will be gratefully acknowledged.

*The Revised and Enlarged Edition of **Speedway to Sunshine*** will be published in time for the September 1995 One Hundredth Anniversary of the Florida East Coast Railway.

Sunshine State Trolleys will be a full sized book on the history of Florida's street and electric railways. The horse car lines, particularly in Tallahassee, Gainesville and White Sulphur Springs. Battery car lines in Sanford, Miami, Daytona and, possibly, south Jacksonville. Rosters and corporate histories of these are needed.

The book will be in four sections: horse cars, battery cars, electric railways, and "curiosities, would-bes, and what were they?" Electric railways will include Agrico's freight operation in Central Florida. The last section will cover such things as the Melbourne Motor Railway and anomalies as the pier railroads at Ft. Pierce, Fleming's Island, Hibernia and Panama City. They transported ice on the one at Ft. Pierce. How were the others used? People movers?

Jewels in the Sunshine: the Flagler System Hotels covers an important, but often overlooked, portion of Florida's history. Information on the latter-year Flagler Inn (Motel) operations is needed as well as information on the Bahama hotels.

Please contact Seth directly at the above address.

Elections

At the November meeting, the Nominating Committee's slate of officers for 1995 was approved. The slate is as follows:

Chairman	James A. Smith
Vice Chairman	William F. Howes
Secretary	Frank Dewey
Treasurer	A. Paul Friederich
Chapter Representative	James A. Smith

Enclosed is a ballot for you to fill out. Note that you can also vote for a write-in candidate if you so desire.

Your ballot should be returned to the Southeast Chapter to arrive no later than December 7th. The Election Committee will be making its report at the regularly scheduled December meeting on the 8th. Please take a moment to vote.

James A. Smith, Chairman
R&LHS Southeast Chapter, Inc.

Minutes of the Southeast Chapter, Railway & Locomotive Historical Society

The August meeting of the Southeast Chapter of the Railway and Locomotive Historical Society was held in the 13th floor conference room of the CSXT GOB Thursday, August 11, 1994, at 6:00 P.M. A quorum was present. Chapter Chairman Jim Smith chaired the meeting. The chairman asked Cliff Vander Yacht to keep the minutes in the absence of Frank Dewey. The minutes of the July meeting were approved by a voice vote. The treasurer's report was \$1632.11 in the bank accounts and petty cash. The treasurer also reported that there was a slight increase in both income and expenditures over last year, but that they were almost equal. The treasurer's report was approved by a voice vote.

Old business -

Mr. Brisky has not responded to the letter sent on July 8th.

The chairman advised that we are still trying to secure a picture of the B&O spike presentation.

Larry Brennan will review the photo contest judging procedures at the September meeting for the October photo contest.

Mark Bennett reported that the Florida Central is willing to operate a train when we visit their facility at Plymouth, FL. We previously agreed to cover crew expenses. Dates of October 29th or November 5th were suggested. Jim Smith will coordinate the meeting date and work with Mr. Bennett on holding an afternoon meeting with other R&LHS members that live in that area.

Holding meetings in the *Georgia 300* was discussed. We will hold off on future plans until after the new Parlor Car becomes a possible meeting place.

Bill Howes has sent letters to Jackie Pryor, John Ott and Larry Goolsby concerning the Pat Shannon donations. There is still more to be done. Mr. Shannon will be invited as a guest speaker for a future meeting.

New Business -

Bill Howes is calling a National R&LHS board meeting in Kansas City for Friday, September 23rd with possible carryover into Saturday. This meeting will also be in conjunction with the Lexington Group.

Richard Dickinson was acknowledged for his recent donations and for presenting a copy of Chris Trowell's chronology of Waycross.

Southeast Limited -

Editor Cliff Vander Yacht showed the quality of reproduction available from Office Depot at a cost of about \$85.50 per issue. This cost was considered to be too high for the improved quality. Jim Smith and Joe Elliot will look into other possibilities for reproduction of the *Southeast Limited*.

The program was a quiz on shortlines. Mark Bennett asked about 80 questions concerning shortlines illustrated by his and son Jeff's slides. Lloyd Lewis was the winner with 48 correct answers. Everyone enjoyed the quiz in spite of its high difficulty factor.

Respectfully submitted,



PERE MARQUETTE

Minutes of the Southeast Chapter, Railway & Locomotive Historical Society

The September meeting of the Southeast Chapter of the Railway and Locomotive Historical Society was held in the 13th floor conference room of the CSXT GOB Thursday, September 9, 1994 at 6:00 P.M. A quorum was present. Chapter Chairperson Jim Smith chaired the meeting. The treasurer, Paul Friederich, reported no change to the treasury from August. The minutes of the August meeting were presented by acting secretary Cliff Vander Yacht and approved after a motion made by Mark Bennett and seconded by Paul Friederich.

Guests at the meeting were John Ott, Executive Director of The B&O Railroad Museum, Pat Shannon, the guest speaker, and Ilene Moore, Mr. Shannon's daughter.

Southeast Limited -

Editor Cliff Vander Yacht asked the members to submit material for the newsletter.

Old business -

The photo contest will be held at the October meeting. Larry Brennan announced the rules for the contest. Members should bring six slides with no subject restraint other than it must be a railroad subject.

Mark Bennett reported the General Manager of the Florida Central is on duty out of state and, therefore, he has no trip committee report.

There was a general discussion on the disposition of the Pat Shannon collection. A motion was presented by John Holmes and seconded by Paul Friederich to split the collection with the ACL items going to the ACL Historical Society, the Fair of the Iron Horse catalogue to the R&LHS collection in California and the balance of the collection to the B&O Museum. Jim Smith and Frank Dewey will handle getting the material shipped to the appropriate locations.

Chapter Chairman Smith will not be able to attend the September Executive Board meeting in Kansas City. National Chairman Bill Howes advised two issues will be coming up - 1) paying the Pacific Coast portion of Jackie Pryor's salary and 2) some part of Bruce Klienschmidt's salary. Also, the DLW 952 may be moving toward resolution.

New business -

There will be a New River train this fall. Rumors abound of which steam engine will be used.

The nominating committee for the 1995 chapter officers will be Mark Bennett, Joe Elliot and Mac Mitchell.

Announcements -

None.

The program was a very interesting discussion by Pat Shannon of his railroad career with the Baltimore & Ohio, Atlantic Coast Line and as lubricant supplier to the railroad industry. The October 13 meeting will be the chapter slide contest and the final slide sale. The November program will be on Colorado trips by Lloyd Lewis and Jim Smith.

Respectfully submitted,



CHESAPEAKE & OHIO



The winning photograph at the October color slide photo contest was Jim Smith's snowy view of track maintenance at Wellsboro, IN.

Railway & Locomotive Historical Society
Southeast Chapter
P. O. Box 664
Jacksonville, Florida 32201