

## TRANSPORTATION

### Midwest rails: the local bailout gambit

Several Midwestern railroads, in some cases faced with bankruptcy, are undergoing reorganization and selective abandonment of their lines. A diverse array of proposals is being discussed by various representatives of shipping companies, railroad employees, unions and regional, state and local county boards. The converging solutions all represent disaster for Midwest farmers and their communities. They are being given a choice between losing all service or underwriting local syndicates to bail out the lines, with speculative windfalls for the "investors" and shoestring freight facilities for the shippers.

With the exception of the Burlington-Northern, the largest U.S. railroad in total mileage, every Midwestern railroad is making plans to reorganize its rail lines by cutting out service to "unprofitable" areas. With a Federal bailout for these Midwest railroads unlikely, Midwest rail service that is deemed unprofitable may share the same fate as New York City apartment buildings. In New York's real estate speculation game, the landlords as managers of the deteriorating housing stock connive with the banks to gain the highest free-market rent price while neglecting basic maintenance until final abandonment and dumping of the accumulated mortgage debt on the tenants. The directors of the holding companies that own the railroads after years of neglecting rail maintenance, are getting out of the transportation business and moving into more speculative ventures—including real estate.

### Three railroads in trouble

Among "financially distressed" railroads, the Chicago, Rock Island & Pacific, placed in receivership four years ago and undergoing reorganization ever since, is not a blameless victim. Its chief shareholder, Henry Crown, "father" of Chicago's Loyola University, cannibalized the railroad's existing equipment and made no major capital investment for at least ten years. Crown, the boss of Chicago's old Crown-Lundheimer mob, was prevented by the Interstate Commerce Commission from selling off the railroad's equipment for scrap; he rigged the Rock Island's bankruptcy proceedings to install his Loyola crony William Gibbons as trustee in 1975. Now the Rock Island is threatening to shut off 17 percent of all U.S. grain shipments (see Agriculture).

Another Midwest railroad, the Chicago, Milwaukee, St. Paul & Pacific ("Milwaukee Road") filed for bankruptcy in Dec., 1978. On Aug. 10, 1979, Stanley E.G. Hillman, courtappointed trustee for the Milwaukee Road, submitted a five-year reorganization plan which would dispose of 6,400 of the 9,800 total miles of Milwaukee Road track and eliminate 40 percent of its employees.

The situation of the Milwaukee Road points up the disastrous consequences for everyone who depends on the freight service for income. The Milwaukee Road's dilemma is being blown up in the press to scare Midwesterners into picking up the tab on the accrued debt service of rolling stock on the lines. The original Hillman abandonment plan for Milwaukee Road called for cutting service to North and South Dakota except for the Fargo line. The *Journal of Com-*

*merce* reported Aug. 10 that the Milwaukee Road had reached an agreement with the state council of South Dakota under which the state will provide \$2.3 million to repair the 677-mile line from Jonathan, Minnesota to Miles City, Montana.

A third case is the Illinois Central Gulf Railroad which is owned by IC Industries, whose annual report makes no secret of the conglomerate's desire to sell off the bulk of its rail holdings. Illinois Central submitted a reorganization plan last winter; the ICC rejected the abandonment plan, IC Gulf is appealing and a decision is due Oct. 1.

In Wisconsin, the abandonment proposal is expected to go through. According to the Milwaukee Sentinel, the Dane-Green County Rail Transit Commission has set up a \$106,000 budget to be raised by their county boards for purchase of the track and first-year repairs. Pointing up the speculative game involved, the Sentinel reports that "a Madison based investment group wants to run trains on the lines if the two counties eventually buy the right of way and 60 miles of track."

A parallel "investment" swindle is being prepared to sell junked railroads to the workers themselves. On Aug. 3, a meeting of the union representatives from the Railway Labor Executives Association, shippers, Milwaukee Road executives, and state representatives drafted a bill to prevent abandonment of Milwaukee Road lines. The proposal calls for a "reorganized" management called "Milwaukee II" with a short-term loan of \$200-300 million. But the underpinning of the plan is an Employee Stock Ownership Plan (ESOP). This would put the burden of cumulative debt and capital expenditures for improvements of the rolling stock on the employees.

—Charles Leone