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# EMERGENCY RAIL FACILITIES RESTORATION ACT

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## HEARING

BEFORE THE  
SUBCOMMITTEE ON SURFACE TRANSPORTATION

OF THE

### COMMITTEE ON COMMERCE

### UNITED STATES SENATE

NINETY-SECOND CONGRESS

SECOND SESSION

ON

### S. 3843

TO AUTHORIZE THE SECRETARY OF TRANSPORTATION  
TO MAKE LOANS TO CERTAIN RAILROADS IN ORDER TO  
RESTORE OR REPLACE ESSENTIAL FACILITIES AND  
EQUIPMENT DAMAGED OR DESTROYED AS A RESULT OF  
NATURAL DISASTERS DURING THE MONTH OF JUNE 1972

AUGUST 2, 1972

Serial No. 92-73

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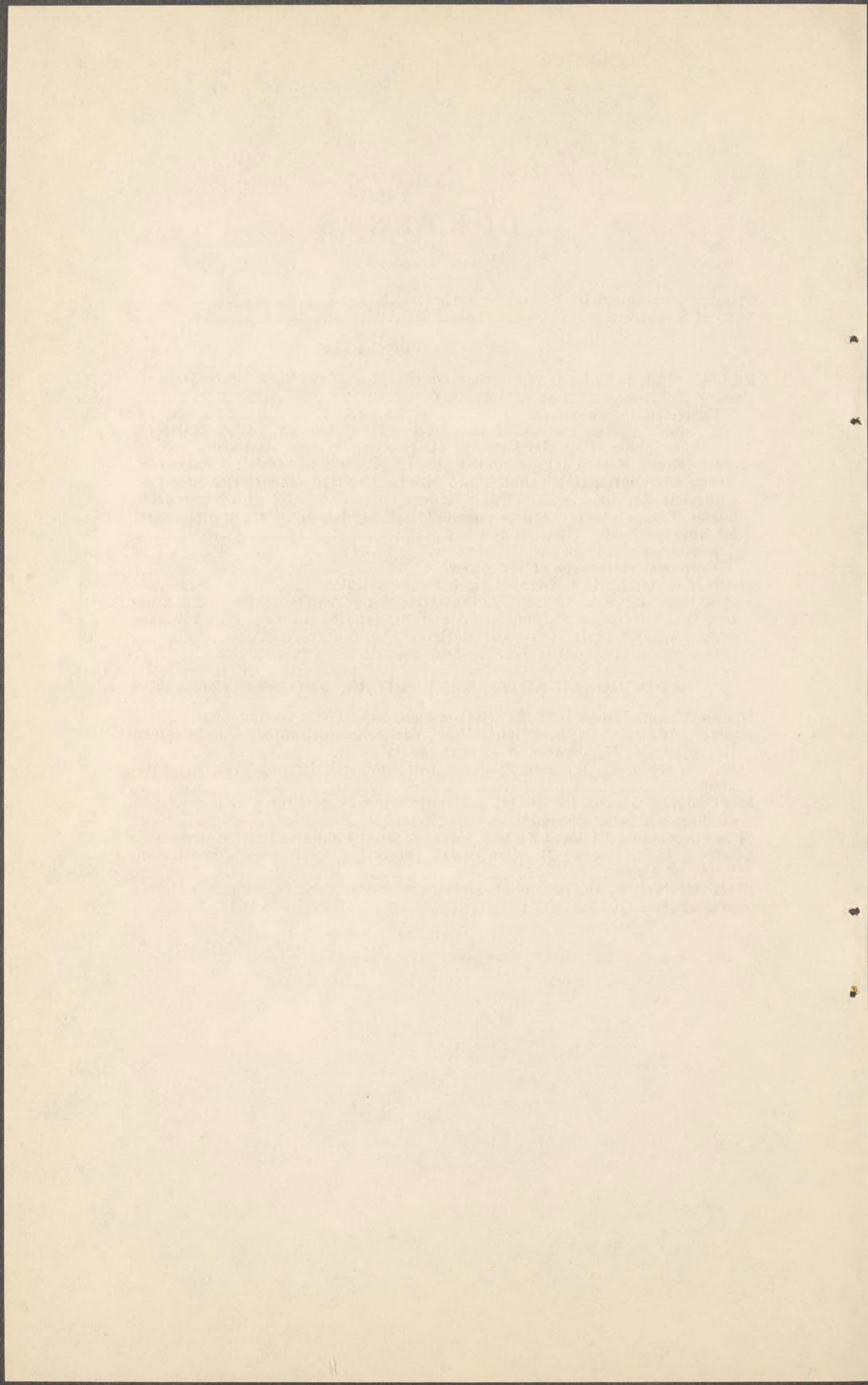
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# EMERGENCY RAIL FACILITIES RESTORATION ACT

WEDNESDAY, AUGUST 2, 1972

U.S. SENATE,  
COMMITTEE ON COMMERCE,  
SURFACE TRANSPORTATION SUBCOMMITTEE,  
*Washington, D.C.*

The subcommittee met in room 5110, New Senate Office Building, Hon. Vance Hartke (chairman of the subcommittee) presiding.  
Present: Senators Hartke, Cotton, Stevens, and Weicker.

## OPENING STATEMENT BY SENATOR HARTKE

Senator HARTKE. The Surface Transportation Subcommittee is now called to order for the purpose of having hearings on S. 3843, a bill to authorize the Secretary of Transportation to make loans to certain railroads in order to restore facilities damaged by the—or destroyed as a result of the—natural disasters during the month of June 1972.

The bill was introduced by the minority leader, Senator Hugh Scott. He subsequently requested the committee to open early hearings and the committee has honored that request.

We are all familiar with the devastation brought by Hurricane Agnes.

While it is the railroads in this particular case which have suffered the damage, it seems to me that the Congress must assure the existence of adequate transportation systems. The private goals of the afflicted companies may or may not be consistent with the appropriate goals of the Government in developing a better transport system.

In these hearings, I hope it will be able to place all the objectives in perspective and reach an agreement on course of action.

(The bill follows.)

Staff member assigned to this hearing: A. Daniel O'Neal.

92D CONGRESS  
2D SESSION

# S. 3843

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## IN THE SENATE OF THE UNITED STATES

JULY 24, 1972

Mr. SCOTT (for himself, Mr. BUCKLEY, Mr. JAVITS, and Mr. SCHWEIKER) introduced the following bill; which was read twice and referred to the Committee on Commerce

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## A BILL

To authorize the Secretary of Transportation to make loans to certain railroads in order to restore or replace essential facilities and equipment damaged or destroyed as a result of natural disasters during the month of June 1972.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*  
3       That this Act may be cited as the "Emergency Rail Facili-  
4       ties Restoration Act".

5       SEC. 2. For the purpose of this Act—

6       (1) "Secretary" means the Secretary of Transporta-  
7       tion.

II

1           (2) "Railroad" means any common carrier by railroad  
2 subject to part I of the Interstate Commerce Act (49 U.S.C.  
3 1-27).

4           SEC. 3. The Secretary is authorized to make loans,  
5 upon such terms and conditions as he deems appropriate, in  
6 an aggregate amount not to exceed \$40,000,000 to rail-  
7 roads undergoing reorganization under section 77 of the  
8 Bankruptcy Act, as amended (11 U.S.C. 205), and to  
9 railroads which have reported to the Interstate Commerce  
10 Commission on the Railroad Annual Report Form A a  
11 deficit net income for either of the last two calendar years  
12 for the purpose of restoring or replacing railroad facilities,  
13 equipment, or services which are determined to be essential  
14 to public service (including, without limitation, bridges,  
15 track, track structures, signal and communication systems,  
16 and rolling stock) damaged or destroyed as a result of the  
17 natural disasters which occurred during the month of June  
18 1972. There are authorized to be appropriated to the Secre-  
19 tary, to remain available through June 30, 1975, such sums  
20 as are necessary to carry out the purposes of this Act.

21           SEC. 4. Loans shall be made upon application of a rail-  
22 road in such form and substance as the Secretary shall pre-  
23 scribe and upon satisfactory proof of the costs incurred or to  
24 be incurred in the restoration or replacement of essential rail-  
25 road facilities, equipment, or services. No loan application

1 shall be approved under this Act after six months have  
2 elapsed from its date of enactment and unless the Secretary  
3 receives satisfactory assurances that the restoration or re-  
4 placement to be accomplished with funds made available  
5 under the loan shall be completed without undue delay.

6       SEC. 5. Any loan made under this Act shall bear inter-  
7 est at a rate determined by the Secretary of the Treasury,  
8 taking into consideration the current average market yield  
9 on outstanding marketable obligations of the United States  
10 with remaining periods to maturity of ten to twelve years  
11 reduced by not to exceed 2 per centum per annum. In  
12 no event shall any loan made under this Act bear interest  
13 at a rate in excess of 6 per centum per annum.

14       SEC. 6. Whenever he determines it necessary to insure  
15 the provision of essential transportation services of a railroad,  
16 the Secretary may in his discretion provide in the terms and  
17 conditions of a loan under this Act for—

18           (1) deferral of the payment of principal and inter-  
19 est on the loan for a period not to exceed ten years from  
20 the date the loan is made;

21           (2) such security, if any, for the loan as he deems to  
22 be appropriate; and

23           (3) notwithstanding section 3466 of the Revised  
24 Statutes (31 U.S.C. 191) or any other law, any priority  
25 or subordination of the interest of the United States

1 he deems to be appropriate in relation to the claims of  
2 any other creditors of the railroad or its trustees, except  
3 that the Secretary may not accept a position lower than  
4 that of a prebankruptcy unsecured creditor of the rail-  
5 road.

Senator COTTON. Mr. Chairman, I merely want to explain that, as the chairman knows, right now we are starting a regular session of the full committee in the next room to report out some bills. Many of us would like to hear Senator Scott and the Secretary of Transportation. I will have to be excused to go into the other room and make sure as little damage as possible is done.

Senator HARTKE. Senator Weicker, do you have an opening statement?

Senator WEICKER. No.

Senator HARTKE. I want to welcome you, Senator Scott, and say to you that one of the business matters referred to by Senator Cotton is the proposed confirmation of an official of the Department of Transportation. We are delighted to have you here and have such a distinguished Member pay a visit to this body.

#### STATEMENT OF HON. HUGH SCOTT, U.S. SENATOR FROM PENNSYLVANIA

Senator SCOTT. Mr. Chairman and members of the committee, it is like coming home.

I welcome these hearings on S. 3843, which legislation I introduced to provide up to \$40 million in long-term Federal loan assistance for the restoration or replacement of essential rail services lost on the eastern seaboard during tropical storm Agnes, and in South Dakota during the severe flood which struck there 1 week earlier.

I appreciate especially your prompt response to my request of last week that hearings on S. 3843 be scheduled at the earliest possible date. I know that the cosponsors of this bill—Senators Schweiker, Javits, and Buckley—join with me in expressing their appreciation for today's hearing, and in urging prompt action by your committee so that this needed legislation can be reported quickly to the Senate floor.

I would like to ask unanimous consent to include the statement of Senator Schweiker at the end of my statement.

Senator HARTKE. Without objection, it will be done.

Senator SCOTT. Witnesses for the administration and the railroads involved are here today and will give to your committee detailed data in support of this proposal. Therefore, I will not take your time in presenting statistical documentation which would only be a repetition of what will follow.

I do, however, want to note for the record that S. 3843 is endorsed by the administration. This bill has not been hastily drawn, but is rather the result of careful consultations between railroad and business officials, the President, the Secretary of Transportation, and the Federal Railroad Administrator. It is their considered opinion—and mine—that S. 3843 represents a practical and realistic approach to the problem which it seeks to resolve. In view of the magnitude of that problem, I see no way in which this legislation can be labeled “excessive.”

Let me say, Mr. Chairman, that I have personally inspected the tremendous damage which the floods of tropical storm Agnes brought to my Commonwealth of Pennsylvania. The devastation which I saw all but defies description. The resulting suffering will remain a burden for untold thousands long after the storm has dropped from national attention.

Let me add I went down to the railroads and saw the dangerous erosion of the tracking and ballasting, the loss of bridges. There are also over 150 highway bridges out across the Commonwealth. I saw many freight cars derailed, a complete paralysis of traffic, and some 50,000 homes in the Wilkes-Barre area alone rendered uninhabitable.

Certainly this is the worst damage ever sustained in the history of this country. The Congress has already acted to provide some measure of relief for private individuals and other sectors of the economy affected by the floods of June 1972. Additional, comprehensive flood relief legislation has been proposed by the administration, and hopefully will soon be enacted into law. Yet the success of these programs will depend finally on the ability of the railroads to perform their irreplaceable function as a vital transportation link for goods and services. Total flood recovery will be possible only when—and if—full railroad service is restored.

As your committee knows, the railroads hardest hit by the June floods included at least five major carriers which are already in bankruptcy.

Senator HARTKE. Who is the fifth? We know four of them.

Senator SCOTT. There is the Reading, the Erie-Lackawanna, the Central Railroad of New Jersey, the Lehigh Valley, and the Penn Central.

Solvent railroads in the area are Western Maryland, Baltimore & Ohio, Chesapeake & Ohio, Norfolk & Western. Total damage is estimated to the railroad systems of \$45.1 million.

Senator HARTKE. I don't believe the Erie-Lackawanna is in bankruptcy.

Senator SCOTT. Yes. Only in the last week.

VOICE. Negative.

Senator SCOTT. Negative, he says.

Senator HARTKE. I don't want to put them in bankruptcy in advance.

Senator SCOTT. Erie-Lackawanna. Damages of some \$9 million.

Other railroads, of course, are hard hit and financially suffering. Numerous short-line carriers are not in the best position. These railroads simply do not have the funds which are needed for replacements and repairs to restore essential rail services; nor is there any existing Federal program under which assistance to these railroads

to meet this unexpected—and unpreventable—emergency flood situation can be extended.

The need for Federal legislation to establish such a program is underscored by the twofold nature of the dilemma which these railroads now face. On the one hand, railroads are unable to provide full revenue services because of losses of rolling stock, tracks, bridges, and other operating facilities; on the other hand, major industries which normally provide customer revenues to the railroads are themselves shut down, some perhaps permanently.

Further complicating this situation is the fact that a number of industries, although not directly affected by the floods themselves, have nevertheless had to suspend or curtail production because of interrupted rail service. This has resulted not only in losses of payroll, but also in reductions in anticipated State and local taxes. For cities and smaller communities already severely pressed by flood damages, the impact of lost tax revenues resulting from interrupted rail service is, at this time, especially difficult.

Mr. Chairman, I repeat, there is no Federal program under which financial assistance to the railroads hardest hit can be extended. The answer as to the railroad problem specifically, I believe, is the program of long-term Federal loans which S. 3843 would authorize.

In my opinion, the title of this bill—the “Emergency Rail Facilities Restoration Act”—speaks for itself. Emergency aptly describes the situation which exists today when one of the most densely populated sections of the country is left in many instances without essential rail transportation. And because so much of the Nation’s manufacturing capability is concentrated in flood-torn areas, this situation affects not only the geographical regions immediately involved, but ultimately has national ramifications as well.

Therefore, Mr. Chairman, I respectfully urge your committee to recognize the emergency nature of the problem, and to proceed in that light.

Thank you.

Senator HARTKE. In view of the fact you have indicated most of these railroads are either bankrupt or close to it, would you feel the legislation should apply only to bankrupt railroads?

Senator SCOTT. That the legislation would apply to them?

Senator HARTKE. Only to bankrupt railroads?

Senator SCOTT. I understand it would apply to solvent railroads.

Senator HARTKE. Do you think it should apply only to bankrupt railroads?

Senator SCOTT. Well, the damage estimates indicate the railroads that were hardest hit are those that were in bankruptcy. The solvent railroads have not shown an interest in participating and therefore have not been included by the administration.

The amount of damage in the solvent railroads is considerably less in total.

Senator HARTKE. The reason I pursued this is the fact that among our witnesses we have no indications from any solvent railroad that they seek to endorse this legislation.

I wondered if it could be limited in its scope in view of that development?

Senator SCOTT. I believe it can be and it is limited to the insolvent railroads, and some short-line carriers which are showing a net operating deficit in the last 2 years.

Senator HARTKE. In other words, what you are saying is maybe we can take care of the big bankrupts and the small, solvent ones; right?

Senator SCOTT. Well, big bankrupt ones and those which are showing operating deficits in the last 2 years.

Senator HARTKE. All right.

Senator Weicker?

Senator WEICKER. Mr. Chairman, first of all I would like to commend Senator Scott for his interest not only in this particular situation, but really he has been one of those on the Senate floor that has led the fight for decent rail systems in this country.

I am delighted to have you with us, Hugh, and my thanks for what you have done in the past.

You know something that occurred to me as I was sitting here and reading your bill relative to this particular situation of the railroads—and I recall the other efforts that we have made to get additional moneys for intercity rail and mass transit, and the efforts that we have made to adequately finance Amtrak—it occurred to me that there are an awful lot of efforts going on. Last night, as I was in my office reviewing the rail situation relative to a platform plank coming up in Miami with my staff—

Senator HARTKE. That's the Republican Party platform?

Senator WEICKER. That's right.

I asked myself a question that I ask you now:

I am not trying to lead you. If you don't want to get into it, fine. I asked myself if we hadn't come to a point where we should have nationalization of railroads in this country?

It's clear to me the private segment of the economy has not done the job. We increasingly turn to Government as we are doing this morning.

Do you care to comment at all as to whether or not you think that we might not finally arrive at that point, and if so, we should do it now rather than creep into it.

Senator SCOTT. Well, I'd rather not make a conclusion based on that narrow situation at this time.

I do think that, because of insolvency, a very high percentage of railroads are to a degree federalized already or under Federal jurisdiction and control, and if the solvent lines do not receive some full understanding of the nature of that problem and of the services they render, the extent of federalization will inevitably increase.

I am not sure that nationalization is the answer because I have ridden on the nationalized railroads of Great Britain which are frequently execrable or on the national railroads of Germany which are excellent, by and large.

The answer may not be nationalization per se. It may be that we will have to find a typically American solution which involves the further participation of the Federal Government perhaps with the State governments as well as the rail lines.

What's happening is that people aren't getting the service that they are paying for and being taxed for, and the railroads have many ex-

planations as to why that is and it isn't all their fault; it isn't all the fault of either management or labor, but it's unquestionably a very serious situation.

I don't think, however, in this flood situation, that there is room for criticism of the railroads. I think in this area they have responded really magnificently. They have done everything physically possible to try to get their lines moving again.

Senator WEICKER. The only reason I make that comment is that it seems that even now what with the Federal Government taking over passenger service, the Federal Government stepping into emergency situations such as we have here and floating or backing loans, really the Federal Government, the people of the United States, are asked to take on every disagreeable aspect of this business and all that we have really got left in private hands are real estate and freight operations, or those which are profitable.

I don't know. I don't know if it's the answer either, Hugh. But it certainly has to occur to one's mind with all the events of the past several years.

Maybe there is a middle ground. Maybe it's the Federal takeover of all the rights-of-way and having Federal support for them and also being able to demand a certain standard of service for those that use the rights of way.

I know I got a little far afield, but I thought I'd use this occasion to focus on what we are eventually going to have to face up to rather than this disjointed effort going on right now, where I think the taxpayers are getting the dirtiest end of the stick, and I don't think private enterprise is holding up its own end.

Senator SCOTT. Perhaps a national study or national examination at which Government, management, and labor are all represented as to the future of the railroads might well be indicated.

We have had all sorts of transportation studies, but it is natural that the railroads be more interested in those areas that produce the greatest revenue. It's certainly natural, the public is primarily interested in urban transit, movement of people.

We may be heading for some sort of a three-way consultation out of which, hopefully, would come better urban transit, better mass transit, and better people-moving combined with some assurance that railroads expect to continue operating in the future without being confronted with the enormous increases in overhead which are pushing the railroads to the wall.

Senator WEICKER. I want to thank you very much, and I want to make it very clear I back 100 percent the legislation you introduced.

I thought this might be a good time to discuss something I know we are going to be discussing at greater length in the future.

Thank you very much.

Senator SCOTT. I hope the next Congress would consider it. I hope to have had a similar bill introduced in the House by Representative Fred B. Rooney which will include some 15 Pennsylvania House Members as cosponsors.

Senator HARTKE. Senator Stevens?

Senator STEVENS. I am entirely in support of the legislation, of course, Senator Scott.

In our earthquake and the subsequent devastating flood in Fairbanks in 1967, we found some severe defects in the existing law in terms of assistance that can be given to privately owned facilities. I remember one instance of a privately owned bridge that had been built by some residents of a particular area that could not obtain assistance from the Federal Government to replace it after a national disaster. I am hopeful that next year we will be able to take up the entire subject of the assistance that may be made available in the event of a national disaster.

I am in accord with your proposal, and I hope that this can pave the way for broader-based assistance for future disasters which are going to occur.

Senator SCOTT. The stress of national disasters exposes not only weaknesses in structures but weaknesses in legislation. This has certainly done that.

Another illustration not before the committee, but coming up today, or tomorrow, is the situation where public school construction, which is destroyed, can be rebuilt by Federal funds, whereas schools built by the Methodist Church or the Catholic Church or built by private seminaries, for example, are not covered; and yet, in the Wilkes-Barre community, most of the educational system on the higher level centers around King's College and Wilkes College, and before that the Wyoming Seminary, none of which are presently eligible for Federal relief in the form of construction grants-in-aid.

It's difficult to enact because of the constitutional question.

Senator STEVENS. There are many questions which are difficult.

One specific example concerns the aid that could be made available to broadcasting facilities that were destroyed in the earthquake and massive flood in my State. I think some of those questions ought to be addressed.

Assistance to recover from a disaster is a problem of the entire community. I don't see why some portions of the community should be excluded from Federal assistance.

Senator SCOTT. I know it is necessary to think of new approaches. We have entirely new approaches. We have entirely new approaches where losses are total.

In our Commonwealth there are communities whose total equities have been erased and there is nothing you can do in the way of reasonable assistance to restore the equity. It merely increases the loan burden.

Senator HARTKE. Senator Scott, I think that the idea of nationalization thrown out by Senator Weicker is something which should receive more attention probably than the relief measure. Many of us have been talking about this prospect. But I personally have said repeatedly that those who are opposed to or in favor of nationalization ought to withhold their judgment at least until we can get a definitive study on the subject. The Department of Transportation has done a little and other studies are now apparently being made outside of that Department by people inside the industry. That information certainly ought to be with us.

It really points out that there is a crisis in transportation in this Nation and I know the Secretary is here and all I can do is repeat that it's not going to go away; it's going to get worse.

I want to thank you, Senator Scott, for being so generous with your time, and thank you for your attendance at this hearing.

Senator SCOTT. Thank you, Mr. Chairman.

I appreciate being called early.  
(The statements follows:)

STATEMENT OF HON. RICHARD S. SCHWEIKER, U.S. SENATOR FROM PENNSYLVANIA

Mr. Chairman, this Committee is to be commended for its quick action in scheduling these hearings today and I appreciate this opportunity to submit a statement in support of S. 3843, a bill introduced by Senator Scott, which I have co-sponsored. As you know, the legislation is supported by the Administration which drafted the proposals. I urge the Committee to promptly act on the bill so that, in turn, the full Senate will have an opportunity to consider the measure and, hopefully, adopt it.

The Commonwealth of Pennsylvania, along with other states in the Middle-Atlantic and Northeastern region of the United States, was hard hit by devastating floods resulting from Hurricane and Tropical Storm Agnes. Regrettably, Pennsylvania suffered the most damage. This is the worst disaster in the history of the Commonwealth and in the history of the country.

One of the areas of major damage which is both extremely critical and exceedingly difficult to restore to normalcy is Pennsylvania's railroads, all but one of which is either bankrupt or in danger of abandonment. The states of New York and Maryland have also suffered such damage.

While these railroads were originally privately financed, most are now in the hands of the courts, and without funds to meet past obligations, with nothing to properly restore facilities following the hurricane.

These railroads are absolutely essential to employment and industrial activity in Pennsylvania. Most freight that moves by rail is not economically susceptible to highway transport and our highways have serious problems of their own, not only from flood damage but also from overuse and overloading.

Railroad damage, including track and bridges washed out and destroyed, amounts to about \$50 million in this three-state area. All of these lines are in interstate commerce. The Governor of the Commonwealth has pointed out that the loss of the service as a result of the flood will cost the people in the communities served far more than the cost of replacement.

S. 3843, the Emergency Rail Facilities Restoration Act, provides the means of solving this problem. It is clear that only the federal government has the capacity, in financial terms, to assist the effected railroads. The bill is a response to that fact. It should be noted that the proposal involves loans, not grants, which must be approved within 6 months for the purpose of restoration or replacement of facilities without undue delay". Thus, the bill is designed for immediate assistance for an immediate crisis.

Mr. Chairman, I would like to point out that, in my judgment, S. 3843 is not a bill for assistance to bankrupt or financially weak railroads. S. 3843 is a bill for assistance to the people and businesses dependent on the railroads.

Mr. Chairman, again I commend the Committee for holding these timely hearings on this railroad legislation. As a co-sponsor of the President's legislation, and the author of two bills of my own, I respectfully urge the Committee to act quickly on this vitally-needed legislation. The disaster victims need and deserve this help.

---

STATEMENT OF HON. JAMES L. BUCKLEY, U.S. SENATOR FROM NEW YORK

The widespread destruction caused by tropical storm Agnes not only brought havoc to the areas worst hit, but at the same time crippled essential railroad services needed by these areas in order to begin the work of recovery.

I have seen the terrible devastation caused by Agnes in counties in my own State of New York and I am aware of the grievous damage caused by that storm in other states. It is no exaggeration to say that the task of recovery faced by these hard-hit areas is unparalleled in the history of natural disasters in this country. Without a rapid and complete restoration of needed railroad facilities, that recovery will be cruelly prolonged and in some cases may be all but impossible.

I therefore commend this Committee for its immediate action in hearing testimony on the Emergency Rail Facilities Restoration Act which would provide \$40 million in long term Federal loan assistance for the restoration or replacement of essential railroad services lost during tropical storm Agnes. The loans would be used by the railroads for replacements or repairs to railroad rolling stock, tracks, bridges, and other equipment damaged by the floods caused by the storm.

I urge the members of the Committee to approve and report out this legislation as swiftly as the necessity for deliberation will allow.

I consider this bill to be humanitarian in purpose and effective in design. It would provide funds specifically where they are needed for essential services in an emergency situation. It is well-known that the nation's railroads have been in financial difficulties and the railroads serving the flooded areas are no exception. They do not have the immediate funds necessary for replacement and repair, while the loss of operating facilities and loss of customer revenues—due to the shut-down of industries damaged by the flood—cuts them off from sources of revenue.

I stress the word "humanitarian", for what is at stake here is the future of thousands of Americans who have survived the great floods only to face the problems of recovery without needed railroad facilities to implement that recovery.

As I stated above, I have seen the areas of New York State that have been hit hardest by this flood. I have talked with its victims. There is no question in my mind that the courage and determination of the people can, with swift emergency assistance, prove to be equal to even the most difficult hardships in the months ahead. All that is needed is the kind of help that this legislation can provide. Get the railroads going again and we give the energy and the determination of the people a chance to go again, effectively, courageously and, I am certain, successfully.

Senator HARTKE. Next is Hon. John Volpe, Secretary of Transportation.

**STATEMENT OF HON. JOHN A. VOLPE, SECRETARY OF TRANSPORTATION, DEPARTMENT OF TRANSPORTATION, WASHINGTON, D.C.; ACCOMPANIED BY JOHN BARNUM, GENERAL COUNSEL; AND JOHN INGRAM, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION**

Secretary VOLPE. Thank you, Mr. Chairman, members of the committee.

May I first present my associates?

On my right is my general counsel—

Senator COTTON. Mr. Secretary, will you draw that loudspeaker closer to you?

Secretary VOLPE. I will be happy to, Senator.

Senator HARTKE. I would say this, I would hope that with my distinguished colleague from New Hampshire here that you could persuade the chairman of the full committee to somehow put in an adequate communications system.

Senator COTTON. Well, as a matter of fact, both of us are anxious to have that done. It is too bad that this great committee on communications has no communications in its room. I am not very optimistic. For the last 6 months, I have been trying to get the air conditioning in my own office to work and the engineers are still working on it. I think my term will run out before they fix it.

I do not know how long it is going to take us to fix the communications.

Senator HARTKE. Maybe they will introduce a disaster loan for Senator Cotton.

Secretary VOLPE. May I present my associates?

On my left, the Federal Railroad Administrator, John Ingram, and on my right, my general counsel, John Barnum. With us, also, is our legislative counsel, Tom Trimarco.

I appreciate this opportunity to appear before you today to discuss S. 3843, a bill providing for Federal financial assistance to certain railroads for the restoration of essential railroad facilities or services which were damaged as a result of tropical storm Agnes, and the flood in the Rapid City area.

Tropical storm Agnes caused massive and unprecedented damage over a wide area of the eastern part of the country, destroying indiscriminately homes, businesses, and communications, as well as taking a tragic toll in human life. Earlier in June, floods rampaged through parts of South Dakota, also leaving behind a trail of death and destruction.

Among those hard hit by these disasters last month were the railroads, particularly those with lines and facilities in Pennsylvania and New York State. High waters put out of service extensive portions of the region's railroad routes.

At first, many lines were completely submerged. Then, as the waters subsided, ballast and fill beneath the tracks were washed away. Also, a number of key bridges were damaged or destroyed, and extensive damage was done to rolling stock, communications systems, terminals, and other facilities.

The Penn Central, alone, has estimated that the cost of restoring their essential services will exceed \$17 million. The estimated cost of restoring all such services by railroads damaged by last month's natural disasters is between \$35 million and \$40 million.

Of course, the problem caused by these floods is more than one of physically restoring damaged equipment or facilities. The loss of these facilities poses a serious threat both to the economic welfare of the railroads themselves, and to the communities they serve.

While service has been restored in some areas, many facilities are available only for limited use and, in some cases, it has been necessary to resort to alternate routings which have resulted in long delays and added expense. For example, a bridge was washed out on Penn Central's main line south of Harrisburg, which will cost about \$5 million to replace. The loss of the bridge has restricted the use of one of the classification yards at Harrisburg and required the rerouting of freight trains through Harrisburg proper at substantial additional cost and with greatly reduced efficiency and serious degradation of that city's overall environment.

We have not been able to calculate the total financial loss resulting from tropical storm Agnes. Aside from the losses to capital equipment which must be urgently restored, the railroads are reeling from losses in revenues due to the shutdown of other industries affected by the storm and the diversion of traffic to other modes. In turn, restrictions on railroad service due to flood damage are having an adverse effect on communities and industries which rely heavily on rail transportation. There is no question that the loss of vital rail services due to the floods is having a profound economic impact on the eastern region

of the Nation where the economy is highly dependent on rail transportation.

Many of the railroads hit by flood damage are not in a position to borrow through normal channels in order to finance major rebuilding projects. Therefore, in view of the size of the rebuilding job before them, and the importance to the economy of their services, we believe it is both necessary and appropriate for the Government to respond to the situation with an offer of financial aid. On July 17, the President sent a message to Congress urging the enactment of two important bills aimed at providing relief and aiding in the recovery from the recent floods. That legislation S. 3795 and S. 3796, which Congress passed in a revised form as H.R. 15950) can be used to help homeowners, farmers, and businesses, both large and small, victimized by the floods, and to help the States to repair and reconstruct Federal-aid highways which suffered widespread damage. However, further legislation is required to meet the special needs of certain railroads, and I urge that the committee act favorably upon S. 3843 as soon as possible.

The bill contains several important features tailored to meet these special needs. First, existing disaster relief statutes and the amendments contained in the bill referred to in the President's message—S. 3795—are not suitable for certain railroads because of their financial condition. S. 3843 attacks this problem by establishing a special loan program for these railroads and gearing the terms and conditions of the loans to meet special problems associated with their poor financial health.

The only railroads that would be eligible for aid under the bill are those which are in bankruptcy or which have reported to the Interstate Commerce Commission a deficit net income for either of the last 2 calendar years. It appears that railroads not falling into one of those two categories either can obtain resources from natural channels to restore their damaged facilities, or can obtain the funds they will need under the disaster relief program administered by the Small Business Administration. Because of the obvious difficulty bankrupt railroads would have in meeting the requirements for the repayment of such loans, and in overcoming the legal objections or prior creditors of these railroads, however, there is a need for the special provisions in S. 3843 which permit deferral of the payment of principal and interest and the subordination of the interest of the United States, as appropriate, in relation to the claims of other creditors of a railroad.

It is important to note, however, that the major aim of the bill is to assure the continuation of rail transportation essential to the public. If the assistance provided by the bill is not made available, the consequences would be felt by the community at large as well as those immediately involved in railroad operations. Hopefully, Congress will see fit to provide the special assistance proposed by the President for individuals and businesses victimized by these unprecedented disasters so that they can have the wherewithal to begin the job of reconstructing their lives and their enterprises. In that same spirit, I would hope Congress will see the need to meet the special needs of the railroads who, by an accident of geography, were hardest hit by these storms.

In conclusion, Mr. Chairman, we strongly recommend the enactment of S. 3843. The problem it addresses is immediate, and the solution it proposes is both necessary and equitable.

Mr. Chairman, this concludes my prepared statement. Now I will be happy to answer any questions the committee may have.

Senator HARTKE. I have a series of questions but I want to make a comment without, in any way, prejudicing the ultimate decision I personally make on this bill.

It appears to me that this is sort of a railroad welfare bill, in other words, it is providing relief for that type of operation which either intentionally, unintentionally, or accidentally, got itself into a position where it is in trouble and not paying its bills.

I do not know if that puts a premium on failure or not, but I have contended repeatedly that this Nation seems to put a premium on failure, that the Government will come to the aid of those people, that group of people who have failed somehow to meet the necessary criteria to be successful.

I say that knowing full well it may sound like I am opposed to the bill; but the essence of the bill is that the creditor's position—the Government's position—regarding the ultimate payment of any loan, of course, would be in a prebankruptcy creditor position which, in the case of a railroad, means waiting almost forever in some of these cases for any satisfaction in the event of default.

The security provisions, generally speaking, I mean are left quite wide open. The deferral of the payment of interest and principal for a period of 10 years, which at the expiration of that time, if the railroad has successfully come out of bankruptcy, would have to be extended.

I would imagine there would be no way to—at that time—put a condition on the loan, which would put the Government into a reverted creditor status similar to the general proposition that any obligation owing the Federal Government has a priority position.

Is that not true?

Secretary VOLPE. That is generally correct.

Senator HARTKE. Senator Cotton, any questions?

Senator COTTON. Mr. Secretary, I am not questioning the need for this particular measure but you are in a position to have studies and are familiar with the general problems of rail transportation in this country.

Now—like the chairman, this has no reference to this bill, it is a general question—do you see that step by step we may be moving in the direction that eventually brings us squarely up against the problem of Government ownership and operation of railroads?

Secretary VOLPE. Senator Cotton, I do not. There are some railroads, of course, in poor financial health in this country and, unfortunately, some of those that are in the worst shape were located in the area hardest hit by Agnes. But, there are many railroads in this country that are operating profitably, not as profitably as some of them would like, but they are operating profitably and in many cases, affording good service.

There are some that are not operating profitably. There are some that have gone into bankruptcy and others that may go into bankruptcy. One of the purposes of the bill is to help some of these railroads stay away from bankruptcy. Without the provisions of this bill, they would probably also go into bankruptcy.

My point, Senator Cotton, is that although I cannot say that we do not have some real problems in railroad passenger services, and freight services, in this Nation, we have foreseen those, and have submitted legislation which we believe is essential if we are to keep the railroad industry in private hands where I think, generally speaking, the Congress and the American public would prefer to see it lie, rather than have the Government take over and have a nationalized industry.

I do not think we have to look very far to find what happens when there is nationalization. All we have to do is look at some of the countries that have nationalized their railroads. Of course, we have Americans who came back from Germany or England, or Italy and France, or Japan, and say, "Why can't we have those wonderful railroad passenger trains they have out there?"

But should we subsidize them to the extent they are being subsidized there? Except for the Tokaido Line, the only place where there is more money taken in than is paid out is the Metroliner.

We are seeing all across the world a certain amount of—and I have talked with many foreign ministers of transportation—a certain amount of fear that the subsidy the Government is paying in all these countries is just getting higher and higher, and they are very concerned about it.

It seems to me that what we ought to do—I think the two railroad bills the Department has submitted, one providing for regulatory reform and the other providing financial assistance by way of loan guarantees for the purchase of rolling stock, I think will go a long way toward tiding over the railroad industry during the next 3 to 5 years and enable us to stay with private industry.

Government, I think, is going to have to be more concerned and Government is going to have to, without a doubt, give more attention to some of these problems which we have been addressing ourselves to.

But you asked for my observations on nationalization. In the final analysis I think we find that the total bill to the consumer—and after all that is what we have to look at—the total bill to the consumer would probably, without a question in my mind, be much higher than the bill is to the consumer today.

Senator COTTON. Well, I agree with you, of course, and we do not have to go abroad to know what happens. I have the misfortune to be older than the rest of my associates, and I was in prep school when the Government took over the railroads in World War I. Students then, like students today, follow things perhaps more intently than some of us who are older and I have vivid recollections of the horrible extravagance and the terrific inefficiency of that period of operation. Do you anticipate that the Government will find itself in a position where it has to make an increasing contribution to an increasing number of railroads, or are you optimistic in the belief that there will be fewer railroads in difficulties 5 years from now, than there are now?

Secretary VOLPE. I think, Senator Cotton, this is going to depend in great measure on whether Congress enacts the type of regulatory reform we have proposed. I look upon that bill as well as the one providing loan guarantees for the purchase of equipment as temporary measures. I think the railroads have gone through a rather difficult period, a great many of them have, and I think that given these circumstances,

and given the type of aid which we have proposed, yes, within 3 to 5 years they could be in much better shape than they are today.

I just do not like to see us invest on a continuing basis in a proposition where you know very well putting \$100 million in now means putting \$200 million in next year, \$300 million the next year, et cetera.

We have tried to approach this on a long-range basis. We believe—we could be wrong, we are human beings—but we do believe as a result of the very significant amount of attention and energy and time that has been given to the problem that, in the proposals we have made, there is at least the beginnings of what I could call daylight on the scene as far as—we are talking primarily of freight transportation now, and that is what I would address myself to.

Senator COTTON. Well, I am encouraged by your words and I have, as you very well know, great confidence in your judgment. The word, "temporary," always frightens me to death, because I have been in the Congress 26 years now, and I cannot remember anything that was temporary that is not still with us.

It involves activity and expenditures by the Federal Government. Your Department is completely divorced and has no connection whatsoever with the corporation operating Amtrak; is that right?

Secretary VOLPE. No. I would not say that, Senator. We do have a relationship. We do not have control of Amtrak, but I serve as one member of the board of directors of Amtrak.

Senator COTTON. I should know this, but was that in the law?

Secretary VOLPE. That was in the law, yes.

Senator COTTON. Whoever is Secretary of Transportation will continue?

Secretary VOLPE. Ex officio will be a member of the board of directors of Amtrak.

In addition to that, however, the Rail Passenger Service Act, and particularly the amendments to that act passed within the last month and a half, or so, provides us with additional responsibilities in overseeing and helping to monitor the progress being made so that we will be in a position to supply the Congress as you have required on, I believe, it is March 15 of next year, our recommendations as to what transpires after the first of July of 1973, which is the period to which the Congress, up to this point, has committed itself insofar as Amtrak is concerned.

Senator COTTON. Are you satisfied with the progress of Amtrak to this date?

Secretary VOLPE. I am never satisfied, Senator Cotton, with my own performance nor anybody else's, I guess, a hundred percent. However, for at least a quarter of a century, railroad passenger service in this country was going downhill, and given the circumstance that Amtrak had exactly 4½ months to prepare for a takeover of railroad passenger services in this Nation on the first of May of last year, I would say that by and large it has done a good job.

There have been many, many problems. There are still many problems. But I think that there is hope that given the kind of leadership we have—and let me give you an example of that leadership: Congress in its judgment saw fit to cut the salary of the president of Amtrak in half, or more than one-half. Here was a man earning more than \$125,000, and I had to talk to him for 2 hours to convince him to

take over this assignment. He had a relatively easy assignment where he was, and a greater salary. I finally talked him into taking this job. He didn't look for it. We sought him out. Even though his salary has been cut in half, he is staying on the job because there is a tremendous challenge for him here and he wants to conquer that challenge.

I believe with his leadership and the kind of support that we are able to give to him—I spent 2 hours with him just—what is today—the 22d—on Monday at lunch, and we talked over many of his problems and some of the things that we are doing to try to be helpful.

And I have confidence that, given the situation we inherited, in the months and years ahead we will see a great improvement.

Senator COTTON. I shouldn't take time on this extraneous matter except it isn't every day we have an opportunity to talk with you in this committee.

I am not trying to embarrass you, as you know. I would be the last one here to do it.

Do you visualize the future of Amtrak as being confined to the heavy corridors, comparatively short distances, but the heavily traveled corridors of traffic between centers in this country or do you visualize it as being coast to coast?

Already we are talking about going to Mexico and Canada. Do you visualize it as a whole system having long lines?

Secretary VOLPE. Senator, I don't believe that all of the evidence is in that would permit me to give you an answer that would be—should I say, a final answer, or one that is correct. We will truthfully and honestly acknowledge that we do not as yet have proof that the American public is willing to support the long runs.

On the other hand, we do have evidence that on the trains that run west of Chicago, run primarily by the western railroads, there has been reasonably good acceptance—I'm not saying they're making money, but there has been reasonably good acceptance.

I have many letters and I have even had telephone calls from friends telling me what a beautiful ride they had on the train from Los Angeles to Chicago. I am sorry to say I can't say as much for when they went from Chicago to the east coast. I think you and I know what some of those problems are.

Senator COTTON. You aren't by any chance referring to the fact that you have to run through the hometowns of all the Members of Congress and the Senate?

Secretary VOLPE. Not quite running through all the hometowns, Senator Cotton. This particular train—as a matter of fact, I don't think runs through anybody's particular hometown, but the fact is that when you start something anew, which is in essence what we did, it takes a great deal of motivation.

If ashtrays were being used for the first time, I think you and I would agree it would take some time for people to become used to the fact there is an ashtray to drop their ashes in. I don't enjoy them, never use them, but it is necessary to have them around for smokers. You have to educate people to what ashtrays are for.

It comes down to the point that we have a big job to do educationally, promotionally, and otherwise to provide the kind of equipment and courtesy which the American people demand.

Senator HARTKE. Would you yield for just one question?

Do you think the hot pants on those girls are going to help in that promotion?

Secretary VOLPE. I haven't seen them, Mr. Chairman.

Senator HARTKE. I understand the girls don't want to wear them.

Secretary VOLPE. I haven't seen any hot pants on anybody.

Senator HARTKE. They are refusing to wear them. I understand there is an order for them, though.

Secretary VOLPE. I saw the new design of the uniform they are going to be using this fall, and it's full length.

Senator HARTKE. What? Full length?

Secretary VOLPE. Yes.

Senator HARTKE. I don't—

Senator COTTON. Well, I didn't intend to go so far into this that we get into the hot pants issue.

Frankly it's difficult for me to conceive of anyone except a railway buff wanting to ride from the Atlantic coast to the Pacific coast by train.

But I can visualize in the heavy corridors of traffic, between centers, that it could be an event that would eventually more than pay for itself and be an investment for the American people.

Now, that's just one approach. I worry about this business of trying to have long lines and expecting passengers to use them in large numbers.

However, Amtrak has been a good experiment that we hope to win. This bill is necessary, and I hope you are right that we aren't backing into a situation where sooner or later we are heavily obligated for the future to move more and more into this problem of supporting railway transportation, and I assume it's your policy and the policy of your Department to seek to avoid that.

Secretary VOLPE. That is correct, sir.

Senator COTTON. Thank you, Mr. Secretary. Your answers have been mighty assuring.

Senator HARTKE. Senator Stevens?

Senator STEVENS. Thank you very much, Mr. Chairman.

Mr. Secretary, I am a little disturbed about the aspect of this bill that makes it applicable on those railroads that are currently in proceedings under the Bankruptcy Act.

In dealing with assistance to the private sector, for instance, in homeownership, we not only make funds available to replace homes that are damaged in national disasters, but we forgive the first \$1,800 of the loan. We don't just loan money to those homeowners who are delinquent in their payments on their homes. There are no conditions stating that SBA funds only be loaned to those people who cannot secure financing through the private sector.

It is a general policy of national assistance to those who have been harmed through what we term as national disasters. This bill singles out those who are already in trouble.

In your statement you say that the railroads not falling into one of those two categories can either obtain resources from normal channels to restore their damaged facilities or from the national disaster relief program administered by the Small Business Administration.

Can you tell us why we should single out those railroads that were in trouble before this national disaster?

Secretary VOLPE. Senator Stevens, I am sure you understand, of course, that this applies both to those railroads that are in reorganization as well as any railroad which has had a deficit in either of the last 2 years. The reason for this is that we are hopeful of keeping them from going into reorganization. The fact is that we are not merely trying to help railroads here. We are trying to help keep communities together. We are trying to help preserve jobs that otherwise are going to be lost if this mode of transportation is not made available to them.

We believe those railroads that are not in one of these two categories can get financing through normal channels or get a regular SBA disaster loan.

Senator STEVENS. Could I ask you, Mr. Secretary, with regard to the two disasters that would be covered by this bill, both the South Dakota disaster and the Agnes tropical storm, are there any private railroads in those areas that suffered substantial damage that would not be covered by this bill?

Secretary VOLPE. There are five class I railroads that would not be covered by this bill.

Senator STEVENS. Do we know the magnitude of their damages?

Secretary VOLPE. Yes, we do, Senator. The total of their damage is \$7.3 million.

Senator STEVENS. If we should choose then to make a general program of assistance available to railroads who suffered damage in these two storms, would we have to include \$7.2 million more in this authorization?

Secretary VOLPE. That's correct. You would have to add \$7.3 million as nearly as we could determine it when these figures were made up about 2 weeks ago.

Senator STEVENS. This bill does contain a simple concept of national subsidy in terms of the deferment of payment of interest for a period of 10 years. Would that interest accrue during that period?

Secretary VOLPE. Yes, it would.

They would not have to pay any principal or interest during that 10-year period. If they had to, these railroads we are talking about just wouldn't be able to make the payments. That is why we are going outside of normal channels.

Senator STEVENS. I am sure you know that I have great respect for your judgment, Mr. Secretary, and for what you have done in your present position.

Was the SBA loan concept considered whereby a portion of the loan would be forgiven in the interest of stimulating the total recovery from these disasters?

Secretary VOLPE. That was considered, Senator Stevens, but we felt that with the two provisions we included in the bill—namely, the deferral of payments of interest and principal, for the 10-year period, and the subordination of the interests of the United States in relation to other creditor's claims—we had a reasonable approach, and we should not add to that under the circumstances.

Senator STEVENS. I appreciate that. In terms of the SBA loans, at least the ones made available in the Alaska earthquake era, at the time

when interest was normally being charged of 8 percent in our north country, the SBA loans were 2 percent. As I understand this, you have got a normal interest rate back here, probably around 7 percent at least. This would make loans available to railroads at 5 percent, is that correct?

Secretary VOLPE. That is correct.

Senator STEVENS. Well, it doesn't seem to be the concept of a national stimulus to recovery involved in this one area of the private sector that there was in the areas of the national disasters that I am familiar with. I wonder why we don't really put the full power of the Federal Government behind the concept of recovery. I would think in the long run, if we could get these railroads generating a profit sooner, it would be more beneficial to the country than having 5-percent interest paid over a period of the term of the loan as opposed to no interest at all.

Secretary VOLPE. Well, of course, in the case of the SBA loans, Senator Stevens, I am sure you probably know the reduction is \$2,500—this reduction is increased to \$5,000 under S. 3795. In the case of a \$15 or \$20 million loan to the Penn Central or a million and a half to some other railroad, the reduction would really be very insignificant. It would have very little effect, and I am sure you will agree.

Senator STEVENS. I appreciate your answers to my questions. I really think that we need to do more to try to bring about immediate recovery of the areas that suffer from these major national disasters because of the effect on the total economy. Even my State has suffered in terms of freight deliveries as a result of tropical storm Agnes. If we, in Alaska, are involved in delays as a result of that storm, the whole country must be suffering as a result of the delays here on the east coast. As such, it would seem to be in the national interest not to quibble about where the assistance comes from or what the terms are, but to get the assistance in there as quickly as possible.

Secretary VOLPE. I can only say that we believe that what we have drawn up is a bill that neither is a giveaway nor one that is too strict. You will have some railroad representatives here, and I imagine you might question them about how stingy we have been or how much largesse is involved here.

Senator STEVENS. I close this by saying, Governor, that I wish I had your formula for looking healthy. You certainly look great.

Secretary VOLPE. Your chairman keeps me on the move.

Senator HARTKE. Senator Weicker?

Senator WEICKER. Thank you very much, Mr. Chairman.

John, before I get to my questions here, I, too, want to compliment you for the job that you have done. I think that many times you have tried to do it alone, but, seriously, I think the Department of Transportation under your direction has been innovative and creative, and a great deal of credit goes to you.

Now, I am afraid I am going to have to get to some rather hard questions here. First of all, let me comment on the questions that Senator Stevens asked before and to which you responded. In my book with this loan situation you are trying to preserve a fiction. If you were a trustee, you certainly wouldn't buy up these loans that the Government is going to make to these railroads. I think it is goodbye as far as this money is concerned. I agree with you what we are interested in is helping people here. There is no argument to that as far as

the bill is concerned. But I want the record to show that I am not fooled as one U.S. Senator, as to what is going to transpire here. This room is full of people who expect to get some money from the Federal Government, and I am sure that how that money is going to be repaid, if it is going to be repaid, is very definitely secondary in their minds, if in fact they think about it at all.

So I look upon the approval of this legislation as the fact that once again the Federal Government is coming to the assistance of the railroad industry in this country. I am not saying that is necessarily bad, but I think it ought to be labeled for what it is, and that is why when we say that we do not want nationalization, these countries haven't fared well under it, Mr. Secretary. I point out to you right now that, with some very few exceptions within the industry itself, we are in a seminationalized state. Wouldn't you agree? What about passenger service in this country? Don't you feel we are in a seminationalized state right now?

Secretary VOLPE. Passenger service is being run by a quasi-public corporation, the board of directors for which consists of eight Presidential appointees, and only three members of the board are railroad officials.

Senator WEICKER. Well, I am going to get to Amtrak in a few minutes. That is a separate subject. What I am trying to point out here, John, is that we are not talking about the nationalization of an industry that produces goods. We are talking about a service to the American people, moving people. Profits aren't what is primary in my mind. Do you like to defend the record of private rail companies over the last quarter century and even before that as far as railroading is concerned? Would you like to defend that record and say this is what we have in the United States, and we are proud of this compared to other situations of nationalization in other nations?

Secretary VOLPE. I am neither here to defend or to speak glowingly about the railroad industry. I can only tell you that there are many situations in the industry that I believe should have been corrected many years ago. There are other situations that I have looked at where I have marveled at the job they have done, the foresight they had, and the innovations which they promoted, some of which, as a matter of fact, are being sold overseas right now because they were so innovative. It is no different than in my own construction industry; there are some segments of that industry that I can't defend too well. There are other segments of it that I am very proud of. I can only say that there is, yes, a great deal of room for improvement, but we all should remember that notwithstanding the fact that the Interstate Highway System, I think, is one of the greatest public works projects this Nation or any nation ever built, at the time it was conceived and during its construction, one of the things that we did not do was to recognize what it would do to other modes of transportation. You just can't build a beautiful six-lane expressway running right alongside a railroad and expect that it is going to do anything to that railroad except generally to hurt it. So although we can sit here and criticize some of the things that have happened, the fact is in some cases, at least we have by some governmental actions—and I am not talking about Republicans or Democrats now, I am just talking about administrations that have come and gone—we have

supported programs which I don't think were bad in themselves. I only think while we were doing that, we did not devote as much attention to the side effects. As a result of the construction of the Interstate Highway System and also some of the other highways that have been built, public transportation has deteriorated from a point where we had 24 million passenger some 20-odd years ago to the point where we have some 7 million passengers today. This is something we are trying to correct in legislation we have submitted to this Congress, but I can only say that there are certain railroads that I don't think I want to sit here and defend. Others I think have done a great job.

Senator WEICKER. Let me make it very clear, let's separate out what we are talking about. As far as the capital goods aspect of the rail industry is concerned, we have many great companies here in the United States. I imagine this is what you are referring to. As far as the railroad industry itself is concerned, quite frankly, I think it is an unqualified, and has been an unqualified, disaster with absolutely no innovation, or creativity, and has been quite frankly, just a bilking of the public.

I think this has all come very clear within the last several years. What concerns me is that we try to preserve a fiction. How much do the taxpayers of the country owe to private enterprise, in this case the various railroad companies, to keep them alive? How much do the taxpayers owe? We are paying in the form of Amtrak, in the form of this type of assistance, in loans and guarantees for freight cars. What is the obligation of the American public to the private railroads before the American public can lay a claim actually to an equity ownership in these railroads or nationalization if you will?

Secretary VOLPE. We have an equity ownership in some of them now as I am sure you know, Senator. Let me only say this: What we are talking about here today of course is a natural disaster, and what we are trying to do is bring about a restoration of facilities which provided employment for both railroad employees and many other Americans in the flooded communities as well as others that need the products that come from the flooded areas.

We can of course go into the total picture of railroads and transportation as a whole. I would just say to you that you have implied that there were industries other than the railroads that were innovative and sent products abroad. I don't want to single out any single railroad, but there are some of our railroads that have done that themselves and have not just involved themselves in real estate and other propositions to make money.

The fact is that there are a great many others, however, that have not done that, and by and large you and I generally read about the problems. We don't read about the good boy who did a great job and cleaned up a mess that somebody left in the back of the Massachusetts statehouse. What we read about is those few boys that created the mess there.

This is the same situation. I think we hear about those cases where there has been laxity, where there has been poor management, where there have been other factors that caused some of the problems we have. But we don't hear too much about those organizations that have done a good job.

I am not trying to defend them, Senator.

Senator WEICKER. There are obviously railroads that you have already referred to which were in the same disaster area which have not turned to the Federal Government for assistance.

Secretary VOLPE. That is right.

Senator WEICKER. I think that makes a point as to those that are looking for additional funding. They are not in a position to do anything other than just exist really is what it boils down to. If they are just going to exist, that bodes rather ill, I think, for the future of rails in those territories which they cover.

Now just since the subject was raised, I would like to make a couple of comments on that Amtrak situation, John, again while we have you here. I wasn't going to bring it up. Norris did.

I would hope that the philosophy of the DOT has shifted from what was clear to this committee of being one of just covering operating deficits insofar as Amtrak is concerned—toward making an investment in the way of capital improvements because if you take the same rail system, run the same equipment, the same way, we are just going to wind up with the same deficit.

It seems to me when I tried to make this point to Mr. Lewis—and I might add you and I disagree on that point, I am still very much for his resignation and haven't received it yet, but we will see what we can do about that—the fact remains that at the time this committee tried to devise legislation to give the funds, go ahead and move in a capital improvement sense, they got a rather cold shoulder from the administration, the DOT, from Mr. Lewis. Just how do you expect to give up the deficits unless you make these types of investments?

Secretary VOLPE. Senator Weicker, I couldn't agree with you more that, if we expect to maintain railroad passenger service in this country, we can't continue to give the American public the same service that was going downhill but fast and would have evaporated almost completely, except possibly for the northeast corridor, within a period of 5 years to the best of my estimates.

The fact is that they are moving trains around. They have moved trains around. They have taken out of service some trains that were 35, 40 years old. They already have plans to go in for more and, as you know, we issued a northeast corridor report a few months ago and with a little help I may be submitting something to the Congress that will show our intention that you can't expect to run a railroad with old trains that run 60 miles per hour when there is a highway along side on which you can travel at 70 miles an hour with door-to-door service. What attracts the American people to a train or other forms of public transportation is better service, and greater speed, speeds of 100, 125, or 150 miles per hour or more. These are some of the things you will be seeing.

Senator WEICKER. I would certainly have appreciated seeing such a report when we were on the Senate floor arguing for the funds. All we had was a statement from the president of Amtrak that he didn't need extra money, couldn't use it. All he needed was enough money to cover the operating deficits. Couldn't use any more money aside from that. That is certainly at complete odds from what you are telling me now.

Secretary VOLPE. I don't know just what Mr. Lewis' statements were.

Senator HARTKE. We knew what they were and didn't like them. That is being quite honest with you about it. I don't know if he is resigning or not. I am not asking for his resignation. It wouldn't do any good if I did.

Senator WEICKER. I did. It didn't do any good.

How much direction do you get from OMB? Are you expected to tailor, in other words, your aspirations, your dreams, your best thinking to a dollar figure that is sent up to you by OMB?

Secretary VOLPE. The dollar figure isn't established until we come up with our aspirations and dreams. I also have been a Governor for 6 years and I know in the case of various departments in the Commonwealth of Massachusetts, if I had taken their estimates and submitted them to the legislature as I received them, the Commonwealth of Massachusetts couldn't have raised enough taxes to pay the bill. A Governor has to analyze these things.

We developed a billion dollar budget in the course of 6 years, up from some \$750 million. My successor went to almost \$2 billion in 4 years. So, yes, I submit proposals and then I have to tailor my own thinking to what funds can be provided in the total analysis. We have to think and innovate and determine where we can get the most for our money. At the same time, when we add it all up and they add up the budgets of all the other departments, somebody has to determine whether \$290 billion is more than the Federal Government can provide by way of a budget for this Nation.

Senator WEICKER. Are you satisfied with the amount of funding that is going into the reconstruction of our rail systems in the United States both mass and intercity?

Secretary VOLPE. I can only say that we have increased the amount of funding for urban mass transportation sevenfold in the last 3½ years, I would say that was a rather astounding increase. We don't intend to stop there. We think it is a tremendously important facet of transportation, that it is necessary not only for the disadvantaged, for the poor, and for those who want to get to jobs and educational facilities and so forth, but also essential and necessary if we are to remove the congestion and pollution from many of our urban areas as well as some of our smaller communities.

But I certainly can't say that I am satisfied that we always can get the amount of dollars we would like to put into specific projects. I think you will see from our fiscal 1974 budget that will be coming up that there will be additional funds provided for the types of things that you and I have talked about and you and I know are absolutely essential not just for transportation purposes, because transportation is essential service that brings about a quality of life for many people that otherwise would not be available.

Senator WEICKER. Well, I don't mean to belabor the point, and I won't, because, John, I know what you are thinking it consists of.

As I said, I think it's dynamic thinking, thinking so necessary to this country. I also realize as a member of the Cabinet you probably can't let it all hang out here relative to your relationship with OMB.

I would just like to get on the record that I know this exists and I respect your loyalty. I also feel that an additional commitment does have to be made. That's the job of this committee under the circumstances that exist today.

One last question :

There are three railroad presidents on the Amtrak board. Now, do you think that this might not be a conflict of interest?

Secretary VOLPE. I don't believe it's a conflict of interest because No. 1, they were placed on the board by virtue of an act of Congress, and No. 2, I have been present at almost all of those meetings. I have had to miss two or three, but I have had my designee there and all three railroad presidents have refrained from voting on any matter that affects their particular operations or affects financing and would in some way—could in some way—be construed as a conflict of interest.

They are very, very careful about that and each vote, when it is recorded, is recorded as the three railroad members abstaining.

Senator WEICKER. Thank you very much, John.

Thank you, Mr. Chairman.

Senator HARTKE. Mr. Secretary, my distinguished colleague here, Senator Stevens, has notified me all Republicans are expected to be on the floor to concern themselves with the end-the-war amendment.

I would like to be there myself. I am not ready to declare war on the DOT this morning, I want you to know.

Secretary VOLPE. I appreciate that, sir.

Senator HARTKE. It may be a departure from our meetings here in the past.

This is your election year and I do not intend to return in kind.

You say that the major aim of the bill is to insure the continuation of rail transportation essential to the public. I don't think there is any question that we all support such lofty aims.

Let's take the scope of the Federal flood assistance. You have indicated the Federal Government is already providing assistance to flood victims and more extensive legislation is pending before Congress. Can you just catalog what else is pending?

Secretary VOLPE. As a matter of fact the highway disaster relief bill has already been passed, if I remember correctly, and has been sent to the President.

Senator HARTKE. I can't keep up with all these bills.

Secretary VOLPE. The highway bill has been passed, if I am correct; right.

Senator HARTKE. What else is left?

Secretary VOLPE. The amendments to the Small Business Administration disaster relief loan authority which would lower the interest rate on loans to 1 percent, and permit cancellation of up to \$5,000 of any such loan. That is S. 3795. It has not been passed yet. That is pending in both Houses.

S. 3796 is the one that's passed. That's the highway bill. The supplemental appropriation of \$1.6 billion stands, where? I am like you, Mr. Chairman. I have a few balls bouncing and trying to—yes. That is still pending.

Senator HARTKE. Let me ask you: The essential question I think is why do the railroads not fit into any of these categories of existing law or under the bills which are still pending?

Secretary VOLPE. They do not fit, Mr. Chairman, because—well, you have the railroads that are in reorganization. They just can't go out on the market and, guarantee or not, get a loan.

Senator HARTKE. What about other businesses in bankruptcy? Why wouldn't they be entitled to that same type of consideration? What is there that's special about railroads that they are entitled to this special consideration?

Secretary VOLPE. They are public utilities. If one grocery store goes out of business, there are probably a half a dozen other grocery stores that can supply the demand. If there are four banks in a city and one bank is flooded out, they may have to wait a little while, but they probably are eligible for some type of loan. But even if they aren't, only the employees of that bank would be affected.

Here we have a situation of where not only the employees of the railroads are affected, would be without employment, but where, as Senator Stevens pointed out, even up in Alaska some affects have been felt from the fact that this disaster took place.

We have a very substantial number of Americans who without this special bill—and I call it a special bill for what it is, Mr. Chairman, there is no other way to describe it—because of the peculiar nature of the situation which presently exists—

Senator HARTKE. What if a trucking company was destroyed?

Secretary VOLPE. I think if it was the only freight terminal available in the area, and if they were a trucking firm that had deficits for one of the last 2 years, I personally at least—I am not speaking for the administration now—I personally would feel that was an essential service that ought to be carried on and they perhaps ought to be made eligible.

It would have to be the kind of a service that isn't otherwise available. I think that's what makes this different, the fact that rail delivery is the cheapest mode of transportation in many of the cases.

In other cases, trucks can do as good, or a better job, but in many cases, as you and I know, one mode can do a better job in some areas. In other cases rail transportation can do a better job and the difference in cost for transportation in many cases can determine whether or not a plant can exist in Harrisburg, Pa., or whether it just has to go out of business.

Senator HARTKE. Are there any other non-Federal sources these people could turn to such as cities, States, counties, or other railroads, maybe?

Secretary VOLPE. I lost the first three words.

Senator HARTKE. Are there any other sources of revenue, of funds that they could turn to such as cities, counties, States?

Secretary VOLPE. I would say that based on Governor Shapp's declaration up there in Pennsylvania, as well as others—and knowing what the State taxation picture is in my own State in particular and in others as well, they are just up against it, to the point where, although in some cases they are spending money—I am sure Pennsylvania is spending some of its own money on facilities that are other than privately owned.

Highways, of course, are covered. They are spending money there, substantial sums of money.

Senator HARTKE. Is there any insurance in railroads in these types of situations?

Secretary VOLPE. Any assurance?

Senator HARTKE. Insurance.

Is there any flood insurance available to these people?

Secretary VOLPE. In some cases they may have it. There are cases where they may have some insurance and under the bill, if an essential piece of track or other facility had to be replaced and it was insured for a half million dollars, and it cost a million to replace it, we certainly wouldn't pay them the \$500,000 covered by insurance.

Senator HARTKE. Let me ask you: Could you explain for the record in case you don't have complete information today whether there is any type of private insurance that first, was available and used; second, whether it is available; and if not, why not?

If there is no such private insurance, do you then recommend that the Federal Government provide some type of source of insurance against this type of catastrophe?

Secretary VOLPE. We would be happy to make that available for the record. The railroad officials are here and I suppose they might be asked the questions, too.

(The following information was subsequently received for the record:)

A survey of the seven railroads (Lehigh Valley, Penn Central, Reading, Erie-Lackawanna, Western Maryland, Milwaukee, Delaware & Hudson) most adversely affected by Agnes reveals that none had insurance against flood damage to fixed rail properties including road bed, trackage, and buildings and signal towers. While insurance on these properties is available, rates are determined on historical loss experiences plus an override to the insurance company. Determined in this way rates are prohibitive, even though a sizable deductible is involved. It is for this reason that the railroads surveyed elected to self-insure against flood losses.

As for rolling stock, based on the same survey, it appears marginal as to whether it is more economic to self-insure or to pay an insurance premium for coverage with deductibles. Thus depending on the economics of the specific carrier, insurance protection on rolling stock may be acquired. Insurance protection for lading, on the other hand, is nearly universally acquired by railroads however, deductibles are generally substantial. For example, only one of seven carriers will receive insurance payments as a result of Agnes damage.

Thus, despite the fact that flood insurance is available to the carriers from private sources because of the financial condition of many carriers, the high cost of fixed rail property flood insurance coverage, and the need to promptly maintain and restore essential services, some form of Federal Flood insurance program could well be an alternative to be considered in any long range solution to disaster problems such as those experienced in June 1972.

The following paragraphs contain summaries of individual railroad insurance coverage:

#### LEHIGH VALLEY

With the exception of a \$50,000 deductible policy on diesel engines, the railroad had no insurance with flood coverage. The diesel damage resulting from Agnes is estimated at \$100,000, thus a \$50,000 net loss.

#### PENN CENTRAL

Penn Central's insurance was limited to rolling stock and engines acquired subsequent to reorganization and covered only complete destruction of rolling stock. Since none of the equipment damaged was totally destroyed, rolling stock damage in the amount of \$2.4 million is not covered.

#### READING

No insurance with flood coverage.

#### ERIE-LACKAWANNA

Had insurance coverage only on lading which contained a \$500,000 deductible which was in excess of total lading damage.

## WESTERN MARYLAND

Had no flood insurance on fixed rail properties. Did have insurance on rolling stock, however, the deductible exceeded the total rolling stock damage.

## MILWAUKEE

Had no flood insurance on either fixed rail properties or rolling stock. The company did, however, have lading protection for damage between \$200,000 and \$1,000,000.

## DELAWARE &amp; HUDSON

Had no insurance on lading, stock, or fixed rail properties.

Senator HARTKE. The public interest in the continuation of rail transportation is, of course, essential to the public and in the Emergency Rail Services Act of 1970, we wrote into the law several conditions to insure that the public interest was given the greatest possible protection. I suppose that not all the conditions apply to the present circumstances, but I want to ask you to comment on these following positions: How many railroads and which ones do you believe will apply for aid?

Secretary VOLPE. We have a list of them, Mr. Chairman. There is no question that the Penn Central, Erie-Lackawanna, Lehigh Valley, and Reading, all of which are in reorganization, will ask for funds under this act if it is approved.

Senator HARTKE. Let me ask you, John, are you giving us the report from the ICC? Is that what you are quoting from? Is this your own independent—

Secretary VOLPE. Our own independent study.

There are three railroads that we are not sure will ask for funds. Their roads had a loss in one of the last 2 years or both and—but we are not sure they will be asking for funds. There are three of these railroads.

Senator HARTKE. Which are they?

Secretary VOLPE. Western Maryland, Milwaukee, and Delaware & Hudson.

Senator STEVENS. What are the five that had loss that were not covered?

Secretary VOLPE. The five that had losses, but did not have a deficit for either of the last 2 years are the C. & O., Norfolk & Western, Southern, Chicago & North Western, and the Richmond, Federicksburg & Potomac.

Senator STEVENS. What about Western Maryland?

Secretary VOLPE. That is one of those that is a net loss road, one of the three.

Senator HARTKE. Delaware & Hudson?

Secretary VOLPE. One of the three which with the Milwaukee forms that group that had net losses in one or both of the last 2 years.

Senator HARTKE. Penn Central, Erie-Lackawanna, Lehigh, Reading, and Central New Jersey? Are those the ones you anticipate?

Secretary VOLPE. No. Not the B. & M. They did not sustain losses. The Boston & Maine. Or the C. & J.

Senator HARTKE. All right.

This bill, as it is written, does not limit the aid to the replacing of facilities which are essential to the public service as a result of the

damage which occurred from Hurricane Agnes. Why shouldn't it just be limited to the damage from the hurricane itself?

Secretary VOLPE. Well, except for the Rapid City flood, which I am sure you would put in that same category—I don't believe that there is any provision for reimbursement for other purposes, Mr. Chairman.

Senator HARTKE. In other words, I am talking about limiting the amount to the extent that the damage resulted from the hurricane. It does not do that, does it?

Secretary VOLPE. Disasters only during the month of June, Mr. Chairman.

Senator HARTKE. Disasters during the month of June. But I mean does not limit it just to the hurricane, does it?

Secretary VOLPE. Well, it includes the Rapid City flood, sir.

Senator HARTKE. As you well know, Mr. Secretary, I have long been trying to get from the Department and have introduced legislation along the line to ask the Department to come up with a comprehensive plan of essential services and essential lines not only for passenger service, but generally speaking for the entire Nation for freight service as well. In line with that, I mean I feel that I want to make sure that there is some type of guard against the railroads themselves just having the final say as to what service in their opinion is in the public interest, because I am not sure it would coincide with what the Government itself would think was in the public interest.

Secretary VOLPE. They would not have the final say, Mr. Chairman. I would have the final say. In other words, supposing there were two railroads that has the same line or ran practically side by side and both were washed out. I think I would certainly be required to use some prudence as to which of these two would cost less and whether or not one of them perhaps should not be replaced.

Senator HARTKE. As far as the security is concerned, there really is no security to these loans, is that true?

Secretary VOLPE. One of the parts of this loan.

Senator HARTKE. Practically none, right? Next to nothing?

Secretary VOLPE. I have never been in that position, Mr. Chairman, of being a president of a railroad. There are some creditors who are not too happy now. They have hopes of getting their money or at least some of it, a good deal of it. I can't say I would call it next to nothing, but I am not an expert on those financial matters.

Senator HARTKE. Yes.

What would happen if you gave them a loan and the railroad didn't restore some of the desirable service? What if they just by default would not do it? Don't restore the service?

How are you going to get back the service?

Assuming you make a loan to them. Assume you make a loan to them. What if they just decide to use that money in certain areas and say we are not going to go there? I am sorry, we used that money over here. But that service, we are not going to restore. Now, how are you going to force them to restore it?

Secretary VOLPE. Mr. Chairman, the agreement that we would make with them when we made the loan would certainly provide that the restoration of the equipment and facilities was for the purpose of restoring service; if they weren't—

Senator HARTKE. All the service or just the service which they decided that they wanted to restore or——

Secretary VOLPE. I would say it would be the service in effect at the time of the flood.

Senator HARTKE. In other words, they would have to restore the— all the service in effect at the time of the flood?

Secretary VOLPE. What I would have approved. Any cancellation of service would have to be subject to ICC decision, Mr. Chairman.

Senator HARTKE. Well, if they didn't use the money to restore the service, I mean if the track was covered, I don't know how the ICC can order them to do it, right?

Secretary VOLPE. If a railroad made an agreement with us to restore facilities and we paid them for the restoration and they didn't use the money for that purpose. I suppose the only recourse we would have would be to sue them.

Senator HARTKE. I can't imagine you suing them.

Secretary VOLPE. I can be tough, Mr. Chairman, if I have to be.

I am being sued all over the place, as a matter of fact.

Senator HARTKE. See, we have this whole question in front of us, you know, that is one of the greatest problems in front of us in this regard, that the railroads have a different view of what should be abandoned than probably the public has. Now I have made some suggestions on how we can pull out of that compromising position, but as of now that is not in the law and that is not the requirement, the way it is done. What I envision is that those places where there has been some damage, a little damage, not much damage, maybe a lot of damage, depending, and—the railroad wanted to abandon that position anyway—I can see that this is a great avenue and it is so wide that we could drive that Amtrak train sideways and still make it.

Do you understand what I am saying?

Secretary VOLPE. I think I do.

Senator HARTKE. I am supposed to trust you to make sure they put it all back; right?

Secretary VOLPE. That is the ICC's job, Mr. Chairman.

Senator HARTKE. Shouldn't we put something in the bill to insure that that is done? Would you object to that?

Secretary VOLPE. I think the ICC has that authority right now.

Senator HARTKE. Would you object to us putting it in?

Secretary VOLPE. No.

Senator HARTKE. I want to add there are some provisions which I do agree with in this bill and one thing it provides for a direct Federal loan rather than a loan guarantee. I wrote a supplemental view in our emergency bill advocating this approach over the loan guarantee approach.

I think that is all the questions we have.

Anybody have any supplemental questions on this matter?

I might say it is the intention of the chairman, if possible, to submit to the full committee other legislation which is still pending in a rather short time for the consideration of the whole loan problem.

It is now 12:30. I know we have Mr. Elkins here from New York State Department of Transportation and four railroad witnesses. Off the record.

(Discussion off the record.)

Secretary VOLPE. Before I leave, may I say how much I appreciate the committee holding hearings as rapidly as you have and the fact you are giving this matter the kind of consideration it deserves.

Senator HARTKE. Good to have you with us.

(The following information was subsequently received for the record:)

QUESTIONS OF SENATOR HARTKE AND SECRETARY VOLPE'S ANSWERS THERETO

*Question. What are the specific differences between programs for business and industry generally, and the program proposed for the railroads by S. 3843?*

Answer. The existing Federal disaster relief programs for industry generally are provided in sections 231 and 237 of the Disaster Relief Act of 1970 (P.L. 91-606) and the regulations promulgated thereunder. Under section 231 loans can be made to the extent of physical damage actually suffered by a business concern to the extent such loss is not compensated for by insurance or otherwise. Under this section, after the first \$500 the next \$2,500 of the loan shall be cancelled and interest and principal payments may be deferred for three years and the rate of interest shall be the current rate of Treasury borrowing reduced by not to exceed 2 percent per year. In no event may the loan be in excess of 6 percent per year. By regulation, loans under this section have been limited to \$500,000. This limitation can be waived in the case of hardship and is expected to be liberally waived in the case of the most recent disaster caused by Hurricane Agnes. Business concerns are eligible for loans under this section irrespective of their size and net worth, except that the Administrator of the SBA must receive reasonable assurances of repayment of the loan and may not waive the Federal Government's priority position as creditor. These last two provisions preclude railroads eligible for assistance under S. 3843 from utilizing the loans available under this SBA program.

Section 237 loans may be made to business enterprises which constitute a major source of employment in an area suffering a major disaster and which are no longer in substantial operation as a result of the disaster. Loans made under this section may be extended not only for physical damage but for working capital and other cash requirements of the enterprise. There is no statutory ceiling on the amount of a loan made under this section, and again, interest and principal may be deferred for three years and the interest rate on such loans are subject to the same provisions of the section 231 loans referred to above. By regulations being promulgated under this section, such loans are extended to business enterprises which satisfy one of the following three criteria:

- (1) the corporation employs 10 percent of the work force of a community no larger than a county;
- (2) the corporation employs 10 percent of the work force of an industry within the disaster area, or
- (3) the corporation employs 1,000 or more employees within the disaster area.

Under this section there also must be reasonable assurance of repayment and the normal priority position of the U.S. as a creditor must apply. For these latter two reasons, and due to the restrictions of the three criteria set forth above, railroads eligible for assistance under S. 3843 would not be able to utilize loans extended under section 237.

*Question. "The bill at page 2, line 12 through 18 establishes the parameters for this assistance. Specifically, it says that the loans would be for the purpose 'of restoring or replacing railroad facilities, equipment, if the services are determined to be essential to public service . . .' The question is whether there is in this language or elsewhere in the bill any limitations on the use of the loans. In other words, shouldn't there be in the bill language which would limit the use of funds for the purpose of and to the extent necessary for restoring or replacing railroad facilities?"*

Answer. We believe that the bill, as presently written, adequately limits the use of loan funds. As you have pointed out in your question, the bill at page 2, line 12 through 14, provides that the loans would be for the purpose of "restoring or replacing railroad facilities, equipment, or services which are determined to be essential to public service . . ." The bill then goes on to ensure that loans shall

be limited to this stated purpose by providing on page 2, line 21 through 25 that "Loans shall be made upon application of a railroad in such form and substance as the Secretary shall prescribe and upon satisfactory proof of the costs incurred or to be incurred in the restoration or replacement of essential railroad facilities, equipment, or services."

*Question. To avoid the loss of service deemed to be in the public interest—would it not be useful to have the Secretary develop a comprehensive railroad plan for the northeast setting forth essential rail services for that area, taking into consideration the national, regional, state and local interests in such services? Without this, there is a question as to how it will be determined that certain lines are or are not essential and who will do the determining on the question of what services are essential. If the railroads were to decide that services deemed by the Secretary and/or the ICC to be essential, then the Secretary might be empowered to require the restoration of such service. Would you support that approach?*

Answer. The Department views S. 3843 as specific legislation to deal with an emergency transportation and public welfare situation. There is no question that essential rail service in the Northeast has to be considered within the scope of the region's needs and the capabilities and role of all modes. However, the necessary time and effort involved in a large scale study is clearly beyond the time frame available to resolve this emergency.

In our judgment, "essentiality" in this instance is a matter of setting certain priorities and consideration of options other than complete restoration of the physical plant exactly as it existed prior to the floods. For example, if relatively efficient rail service is being provided using a trackage right arrangement or re-route via another junction, we would consider the acceptability of this arrangement before authorizing funds for restoration of other damaged facilities. This would be especially true if the funds were to be spent for a line which the ICC had decided to permit to be abandoned. We would not want to interfere with the legal authority of the Interstate Commerce Commission in deciding abandonment cases, but we would expect that the ICC would, considering the emergency nature of this situation, make very expeditious decisions in such cases so that the six month time period for approval of loans in this bill could be complied with.

*Question. How good a gauge is the criteria "deficits in either of the past two calendar years?" Suppose a railroad has a large extraordinary loss or writeoff such as that which occurred in some cases when certain railroads wrote off passenger facilities and equipment last year? Won't this seriously distort the picture?*

Answer. By and of themselves, the costs and losses sustained as a result of participating in the National Railroad Passenger Corporation, were not a deciding factor in determining the eligibility of any of the railroads not in reorganization, under the deficit net income criteria in the bill. There were other significant extraordinary charges relating to retirement losses for branch line abandonments and write-offs of receivables which contributed to the deficit net income position of these railroads. As a matter of public policy, however, it is desirable to exclude the possibility that unusual items of a "one-time" nature could qualify a railroad for emergency financial assistance. Therefore, it is suggested that Section 2 of the bill be amended by adding sub paragraph (3) as follows:

(3) "Net income" means ordinary income reported to the Interstate Commerce Commission adjusted for extraordinary items of a non-recurring nature and directly related to railroad operations."

*Question. It has been suggested to the Committee by one of the smaller affected railroads that Section 3 of the bill be amended so as to make the provisions of the bill available to "railroads whose certified damage to railroad facilities or equipment as a result of the natural disaster which occurred during the month of June 1972 exceed their net income for either of the last two calendar years" be made eligible for such relief as the bill may provide. What is the Department's view concerning this suggestion?*

Answer. We are of the opinion that a railroad which has shown a net income should not be eligible for this aid. Such railroads would be eligible for relief under other Federal disaster relief programs. The whole thrust of this bill is to aid financially distressed railroads which have sustained substantial losses and are otherwise without relief under other existing Federal disaster relief programs.

## AFTERNOON SESSION

Senator WEICKER. We will reconvene the Surface Transportation Subcommittee hearings on S. 3843, and the next witness is Mr. Clifford Elkins, Federal Regulatory Coordinator, New York State Department of Transportation.

**STATEMENT OF CLIFFORD ELKINS, FEDERAL REGULATORY COORDINATOR, NEW YORK STATE DEPARTMENT OF TRANSPORTATION, ALBANY, N.Y.**

Mr. ELKINS. Thank you, Senator. Basically what I would like to do is summarize my prepared statement and make two additional comments based on this morning's observation.

My name is Clifford Elkins and I am appearing before the committee on behalf of the New York State Department of Transportation.

For a brief second, we feel the organization of the New York State Department of Transportation is somewhat significantly due to my appearance here. I would like to explain that.

The department, under the laws of New York State, is somewhat unusual because we are charged with the planning, development, and the unique aspect we also regulate a safe balanced transportation system for the State of New York. For the first time, to our knowledge, in any State, the regulatory and promotional activities are under the jurisdiction of a single State agency headed by a single commissioner, as opposed to the usual commission form of regulation.

My appearance here today is in support of the legislation dealing with financial assistance to essential railroad facilities. The department is supporting this legislation due to the importance of the railroad industry to the economy of New York State and the fact that in view of the disaster-caused damage the New York State railroads which already have serious financial problems have seen this condition worsen as a result of the storm.

It is our belief that this bill offers a realistic and equitable method of restoring essential railroad services. Our preliminary indications have indicated that the approximate amount of flood damage to New York State railroads is approximately \$10 million.

In view of the damage caused in New York State by this natural disaster, the resources of the State, its localities, and the private sector have been severely strained. In this regard, Federal aid, which has already been substantial in many aspects is deeply appreciated by all New Yorkers. We feel it must be increased and this legislation, if enacted, is important to successfully build the communities and economy of the State. In this regard, we respectfully urge passage of the pending legislation.

On behalf of Governor Rockefeller and Gen. T. W. Parker, Commissioner for the New York State Department of Transportation, we greatly appreciate the time and consideration the committee has given these remarks.

If I may, I would like to make two observations based on being in the room this morning.

I think it is significant to note the New York State Department of Transportation in its appearances before Federal regulatory commis-

sions, and particularly the ICC in its own proceedings, is usually not on the same side of legislation or proceedings that the railroads are. We feel this is a notable exception.

In addition, we mentioned the words "balanced transportation." We feel this bill is significant in one respect. This morning some concern—I think rightfully—was given to the status that the railroads are in, particularly the railroads of the Northeast. An observation is that we feel that if it were a question of an airport being out, which some are out in New York State, or highway, the motor carrier industry, talking in terms of replacement, would not be required to build a right-of-way or repair segments of highways. The same, we feel, is true in the case of an aviation industry. If an airport facility is damaged, it is not the airline industry which must rebuild these facilities.

Thank you, Senator.

Senator WEICKER. Thank you, Mr. Elkins. No questions. I greatly appreciate your taking the time to come down from New York to testify on this piece of legislation. I think your department is unique and I very much appreciate your sending to the committee this setup that you have got in New York where the regulatory agency and promotional agency are one and the same. I would like to take a look at that.

Mr. ELKINS. We would be pleased to send you our documents.

(The statement follows:)

STATEMENT OF CLIFFORD ELKINS, FEDERAL REGULATORY COORDINATOR, NEW YORK  
STATE DEPARTMENT OF TRANSPORTATION

My name is Clifford Elkins and I am appearing before the Committee on behalf of the New York State Department of Transportation. I am a full-time employee of the Department and serving in the capacity of Federal Coordinator. In this position, I am charged with the responsibility of monitoring federal regulatory transportation activities, particularly the Interstate Commerce Commission, the Federal Maritime Commission and the Civil Aeronautics Board and, in addition, legislative activities for transportation legislation on the federal level relative to public transportation.

I am a graduate of Georgetown University with a degree in international transportation and have served in various executive positions for 15 years within the transportation industry working directly for railroads, motor carriers and steamship companies, and have been employed by the New York State Department of Transportation since March of 1968.

We believe the organization and mission of the Department is significant and directly relates to my appearance here today and, with the indulgence of the Committee, I would like to comment very briefly on this organization and mission. The Department has been charged by the Laws of New York State to plan, develop and regulate a safe, adequate and balanced transportation system for the State of New York. What is particularly significant about this organization is the fact that regulatory activities as well as the planning and promotional activities of New York State as it relates to transportation is housed within a single agency headed by a single commissioner.

My appearance here today is in support of the legislation dealing with financial assistance to essential railroad facilities and equipment which have been lost or destroyed as a result of the tropical storm Agnes which occurred during the month of June, 1972. The Department is supporting this legislation because of the importance of the railroad industry to the economy of New York State and the fact that in view of the disaster-caused-damage, the New York State railroads, which already have serious financial problems, have seen this condition worsen as a result of this storm.

It is our belief that this Bill offers a realistic and equitable method of restoring essential railroad services. Our preliminary indications have indicated that the

approximate amount of flood damage to New York State railroads is approximately ten million dollars.

In view of the damage caused in New York State by the natural disaster, the resources of the State, its localities and the private sector have been severely strained. In this regard, federal aid, which has already been substantial and deeply appreciated by all New Yorkers, must be increased and this legislation enacted if we are to successfully rebuild the communities and economies of the State. In this regard, we respectfully urge passage of the pending legislation.

On behalf of Governor Rockefeller and General T. W. Parker, Commissioner for the New York State Department of Transportation, we greatly appreciate the time and consideration the Committee has given to these remarks.

Senator WEICKER. I want to apologize to you gentlemen for having kept you this long. In the interest of time I would like to ask Mr. John Nash, Gregory Maxwell, Charles Bertrand, and William Moore to all come forward. That way, each one of you certainly may give your individual testimony, but when it comes time to question, I think we could save a lot of time rather than going through four different sets of questions.

**STATEMENTS OF JOHN F. NASH, TRUSTEE AND CHIEF EXECUTIVE OFFICER, LEHIGH VALLEY RAILROAD CO., BETHLEHEM, PA.; GREGORY W. MAXWELL, PRESIDENT AND CHIEF EXECUTIVE OFFICER, ERIE LACKAWANNA RAILWAY, CLEVELAND, OHIO; CHARLES E. BERTRAND, CHAIRMAN-PRESIDENT AND CHIEF EXECUTIVE OFFICER, READING CO., PHILADELPHIA, PA.; AND WILLIAM MOORE, PRESIDENT AND CHIEF EXECUTIVE OFFICER, PENN CENTRAL TRANSPORTATION CO., PHILADELPHIA, PA.; ACCOMPANIED BY ROBERT W. BLANCHETT, COUNSEL**

Mr. NASH. Thank you, Mr. Senator. I hope to be brief.

I have taken the liberty of passing out a folder showing a list of photographs with a map showing the area which was seriously affected and in the map the real wide lines indicate the lines that were under water.<sup>1</sup>

The dots are the areas that received the major damage.

This storm, Agnes, was the most devastating storm that ever hit our railroad. The main line from Wilkes-Barre to Sayre, was completely under water. Five bridges were damaged. One on the main line at Athens was severely damaged and was out of service for 11 days.

We also had a major yard completely under water, and we had one branch line completely destroyed. Three bridges are out and thousands of feet of traffic ballast were washed away.

We had five locomotives and 963 freight cars that were stranded in water up to 15 feet deep.

As a result of this catastrophe our operations between Jersey City and Buffalo were suspended for 11 days and of course communication within the affected area was knocked out and still has not been fully restored to this day.

Now, because of this, trains will necessarily have to operate under what we call "slow orders" for several months to come. The preliminary estimate of our damage caused by the storm is \$4.8 million and to illustrate the magnitude of this loss, Lehigh Valley's total freight revenue for 1971 was \$45,459,000. We had a net income deficit of \$7.9 million.

<sup>1</sup> See p. 53.

Most of the trackage from Wilkes-Barre to Coxtan and west to Sayre was flooded, and when the receding water went down, it left mud and debris on over 100 miles of our main line.

We have a tunnel on our main line which is 4,000 feet long, referred to as the Vosburg Tunnel. It had up to 6 feet of water rushing through it which carried away over 1,400-cubic tons of ballast and left considerable mud and residue in the tunnel.

We also sustained 30 major washouts and these ranged in length over 100 feet to over 16,000 feet, and were from 2 feet deep to 30 feet deep.

We also, of course, had several rockslides which dumped several hundred tons of rock and mud at numerous locations along the main line.

Another unfortunate incident was the fact that we had just purchased 3,000 new ties for installation in the roadbed. These ties cost \$7.50 each and had just been purchased, and they were washed away by the flood.

At one point during the flood the waters of the Chemung River completely covered the piers of our main line bridge at Athens. The current washed away the stratum from under one pier, causing that bridge to drop 5 feet. We had loaded heavy cars on the bridge, trying to hold it against the rampaging waters, but even that didn't help it any.

This bridge is a double-track bridge and was out of service for 11 days as I mentioned, and required us to detour numerous trains and reroute others.

Our forces worked around the clock and eventually stabilized the pier so it could support the deck structure. However, these are temporary repairs and they only have restored this bridge to restricted service, and it will be at least 6 months before trains will be able to operate at normal speeds.

The problem of making bridge repairs is compounded by the necessity to operate trains over the bridge while repairs are in progress.

Now, you read a lot and heard a lot about the area of Wilkes-Barre, Pa. This was the hardest hit area on the railroad. The Wilkes-Barre Station had water up to the window sills. Office equipment, records and freight on the loading dock were destroyed. The TOFC ramp suffered considerable damage. Thirteen trailers were under water including a trailerload of color TV sets.

At Coxtan yard, near Wilkes-Barre, the entire yard was flooded. All of our buildings, including our crew quarters, suffered extensive water damage including the loss of the heating plant, furniture, and electrical machinery which was destroyed or suffered severe and costly damage.

The Tunkhannock, Meshoppen, Laceyville, and Towanda agencies were flooded. Most will require cleaning, painting, new wiring, new heating facilities, and new flooring.

Our signal system for over 100 miles of our main track was completely knocked out as were the interlocking switches and road crossing signals and gates. Temporary repairs will suffice for a while, but eventually all of the relays which activate these signals will have to be permanently replaced because of the corrosion caused by water and mud.

Five locomotives were stranded at Wilkes-Barre when the Susquehanna overflowed its banks. These units will require extensive repairs to the traction motors, main generator, and air compressor. The least damaged unit will be out of service for 28 days, and the most severely damaged units will be out of service for 2 months or more. In the meantime, this will require Lehigh Valley to lease locomotives from other lines to replace damaged equipment.

Approximately 963 freight cars were enveloped in water above the trucks. Over 500 of these were caught in the Wilkes-Barre-Coxton yard area where the waters rose so rapidly that it was only possible to move one train to high ground before the area was inundated. Before these cars could be restored to service, considerable repair work was and will be necessary. We lost two cranes in Coxton—one valued at \$100,000 and the other at \$75,000. It is not known at this time whether they can be repaired or must be replaced.

The Wilkes-Barre area was devastated the most and the communities in that general area suffered damage estimated in excess of \$200 million. The central business district of Wilkes-Barre was destroyed and an estimated 1,500 retail and commercial establishments were wiped out. We have been told that in excess of 13,000 unemployment claims are presently being processed in Wilkes-Barre alone, most of which are attributed directly to the flood, and the loss of business and the necessary layoffs which ensued.

Now Lehigh Valley serves 173 industries affected by the flood. Most of these firms were shut down and it is anticipated that it will be at least 3 or 4 months before they are back in full production. At this time it is impossible to accurately assess the economic damage to these firms. Acme Markets has a distribution warehouse at Forty-Fort which serves 21 counties in northeast Pennsylvania. Their siding was severely damaged and they estimated the additional expense of unloading box-cars on the nearest team track at \$500 to \$600 per car. This could substantially increase food prices in the area.

The Lehigh Valley Railroad has suffered flood damage and loss of revenue in excess of \$4.8 million as a result of tropical storm Agnes. Using company forces only, it will take between 24 and 36 months to restore full service and operation. If funds were available for contract labor, the restoration time would be reduced by 12 to 18 months depending upon the availability of such labor. Until the railroad is restored to its prior condition, slow orders will be in effect for large portions of the main line. This will cause a serious deterioration in service with a resultant loss of revenue which the already hard-pressed Lehigh Valley cannot stand.

If the Emergency Transportation Facilities Restoration Act is not approved, it could seriously impair the ability of the Lehigh Valley to maintain operations and services and no doubt the jobs of 2,500 Lehigh Valley employees in this area would be placed in jeopardy.

In the month of July since the flood, Lehigh has spent over \$650,000 for material and contract work, trying to restore our railroad. This is a severe blow and drain on our already limited cash. Most of the communities hardest hit by the flood are served exclusively by the Lehigh Valley Railroad. Without good rail service, the rehabilitation of these towns would be most costly and the lack of adequate trans-

portation facilities would be a further economic hardship for this area.

Mr. NASH. I will gladly answer any questions you have.

Senator WEICKER. I think what I will do is allow the other presentations to be made.

Mr. Gregory MAXWELL, is that correct?

Mr. MAXWELL. Yes. Mr. Chairman, there is before you a summary statement indicating the extent of the losses in detail of the Erie-Lackawanna Railway.

I am the president and chief executive officer of the railway company. The damages suffered by Hurricane Agnes are the precipitating factor in causing this company to file a reorganization under section 77. Without the effect of this storm, this action would not have been necessary. The effect of the storm, of course, is a very rapid effect on the revenues of the company, which put the cash position in such condition it was not possible to meet our obligations without the filing under section 77.

In reviewing our—I am going to talk off the statement a little bit. In reviewing our cash forecast for the latter part of this year, we cannot continue our operations to the extent we must do without this emergency Federal assistance.

At the present time we have spent about a million and a quarter in repairing the flood damage and you will note on page 2 of my summary statement, our cost of repairing damage is \$4.5 million, our detour expense via other lines, we had to detour through Canada in addition to some of the American lines in order to keep our trains moving around the damaged area, additional per diem expenses because of the delay of equipment on our own line and the loss of revenue of four million and a half, with the total damages to the railroad of \$11,130,000. From a review of the movement of revenue business at the present time this is probably going to be somewhat greater than that as to the loss of revenue. I am not going to comment further about Senator Scott's opening remarks about the situation that requires this action on the part of the administration in presenting this bill.

The specific effects of the flood damage are damages almost entirely in New York State and extended from Salamanca, N.Y., to Owego, N.Y., about 188 miles on the main line of the railroad and then on a number of branch lines off the main line of varying degrees of damage. The principal damages took place in the area of Elmira-Corning, N.Y., and just east of Wellsville, N.Y.

The repair times as far as the railroad was concerned in its operation, the railroad was out of service entirely through this flood area for 22 days before any service could be restored and at the present time we have through service restored on the railroad's main line and the discontinuance of the detouring via other lines and we are performing service now in the city of Elmira.

We have not completely restored service to industry in the Corning area or in the small towns east of Wellsville, N.Y.

The damage, of course, as Mr. Nash comments, it is the same in our own case. It is damage due to flooding out of the track structure; destruction of the bridges and abutments; collapse of the bridges; and almost complete destruction in our case of the communication

system—including radio system—and elimination and extensive damage to the signaling system.

Our locomotive damages were not too severe, they amounted to \$48,000. We did have considerable damage, however, to freight cars being caught in the flood and it was necessary to make repairs on those before they could be put back in service.

We operated, you might be interested in knowing, 592 trains in detour service during the period of this suspension in lower New York State.

We did have the cooperation of other lines in doing that. My purpose for appearing here today fundamentally is to call the attention of the committee to the fact that the Erie-Lackawanna cannot carry out the repairs to its line without emergency assistance that would be furnished by this bill. Some question arose in the comments this morning as to the bill itself—it provides only for restoration and rehabilitation of the physical property of the railroad.

In the case of the Erie-Lackawanna, I would call the attention of the committee to the fact that the total damages are over double that of the physical damage to the railroad. The principal damage is going to be the loss of revenues incident to the storm and the effect on industry within the service area. I comment a little later on in my statement about this question of alternate means of any relief.

The States of New York and Pennsylvania, with whom we have been in contact, were not in a position to furnish any assistance to the railroad because they had their own problems in succor to the citizens of the State. The railroad companies would have to seek other means of receiving financial assistance for the repairing of the damages.

Under the Small Business Administration, in an extensive damage of the nature of the Erie-Lackawanna, as an example, we could not qualify under the SBA for other than very small loans and, of course, the legislation as it was presently set up, primarily provides for loans to businesses in which there is a loss of employment and provides a means for restoring the business to service.

In the case of the Erie-Lackawanna, the employees continue to work on repair work and things of that kind, but the act does not give the necessary financial assistance in a case of this sort.

The emergency legislation which was passed by the Congress in 1970 and which a number of the carriers have used, requires the issuance of trustee certificates, is not available to Erie-Lackawanna. Our trustees have just been nominated and have not been confirmed as to their appointment by the Interstate Commerce Commission. I am quite sure that the chairman is aware that it requires a complete plan to produce evidence of viability of the company in applying for a loan under that emergency legislation. The Erie-Lackawanna having only recently gone into reorganization, is not in a position to provide that type of information.

I would say that was about the gist of it as far as the Erie-Lackawanna is concerned. We feel this particular method of handling the emergency relief is a suitable way of giving emergency relief to the railroads that are affected. I take vigorous exception to the remarks that were made this morning as to the fact that we do not consider this as a debt that is repayable. We most certainly do. As a matter of fact, this has been one of the problems in dealing with this

legislation, is in the fact that it is a Government loan which must be repaid. We look on that as an obligation which we have to carry out.

A further question arose this morning as to insurance on a disaster of this kind. There is no insurance available, to my knowledge, to the railroad industry in a case like this. Our only insurance covers lading loss and in the case of the Erie-Lackawanna covers only lading loss in excess of \$500,000 on a single shipment. The reason that there is a high deductibility is because of the premium cost of such insurance. There is not available to the railroads any insurance of which we are aware that can be used to cover a disaster of this nature. Private insurance plans that might be used under present conditions have a premium cost that almost equals the extent of the loss.

SENATOR WEICKER. Thank you, Mr. Maxwell. I can only say this. I am sure you have every good intention of repaying the obligation. It is just that, as I sit here with my colleagues, and I only speak for myself, regardless of what your intentions are, the chances are rather slim that it is going to be repaid. Remember this, I sit here, in effect, as a trustee of other people's money. And certainly you wouldn't find any trustee in the financial world going out and making loans to companies such as yours and probably for the reason that they feel that the repayment chances are not too optimistic. I am sure as you appear before the Congress you yourself have every honorable intention of seeing that these obligations are repaid. But in the light of the condition of the railroads, specifically the ones before this committee now, I think the likelihood of repayment seems to be rather slim.

Mr. Charles Bertrand, chief executive officer of the Reading Co.

MR. BERTRAND. Mr. Chairman, my name is Charles E. Bertrand. I am president and chief executive officer of the Reading Co., a railroad company undergoing reorganization under the supervision of the U.S. District Court for the Eastern District of Pennsylvania. Its trustees are Messrs. Richardson Dilworth and Andrew L. Lewis, Jr., who have authorized my appearance here.

I have furnished your committee with copies of the report of damage from hurricane Agnes which we sent the U.S. Department of Transportation. We were able to reproduce only a few copies in time to present them here and only one copy has attached photographs. But if more copies are needed, we will furnish them as soon as our staff is able to complete the extras.

The report lists the damages to our track structure; signal and communications facilities; buildings and equipment; as well as lost and damaged goods in transit, and the consequential losses we suffered from reduced traffic caused by disruption to our own and connecting railroad facilities, and destruction of the facilities of our shippers.

The estimate of our losses from flooding, as outlined in the report, are about \$3.5 million. Since preparation of this report, we have additional estimates of damage which will probably increase this total to over \$4 million. In the damage report you have—under tab "D"—is an itemization by types of damage supporting this total.

I allude only briefly to the kinds of damage we suffered. My purpose here is to emphasize to the Congress the consequences to Reading of these damages, most of which already have been repaired in our efforts to preserve what we believe to be vital railroad services in and beyond the area we serve.

Under tab "E" of the damage report is a map. This shows the Reading railway system of approximately 1,200 miles in Pennsylvania, New Jersey, and Delaware. The Reading has important connections with the railroads of Lehigh Valley, Central Railroad of New Jersey, Erie-Lackawanna, Baltimore & Ohio, and Penn Central. The principal cities and areas served are Philadelphia, Allentown, Reading, Harrisburg, and Williamsport in Pennsylvania, the anthracite coal area of Pennsylvania, Wilmington, Del., Bound Brook, N.J., and the port of New York.

For many years there have been recognized east-west freight routes using the Reading railroad. One such route is the Reading line between Lurgan and Allentown—Phillipsburg—or Philadelphia; the second uses the connection with the B&O railroad at Philadelphia to move freight to or from a connection with the Central Railroad of New Jersey at Bound Brook, N.J.

There are also important north-south routes involving the Reading connections near Bloomsburg with the Erie-Lackawanna railroad, and at Allentown, Pa. with the Lehigh Valley.

Shippers to or from points on the Reading Railroad, and those using the Reading routes to reach other railroads have demonstrated their need for the Reading by their use of it. Even with our depressed freight levels, we estimate that we will handle over 700,000 loaded cars of freight this year. Moreover we handle daily some 50,000 passengers entering or leaving Philadelphia on our 340 daily commuter trains.

The Reading entered reorganization on November 23, 1971: (1) Strikes in industry in general and in the railroad industry, (2) practical disappearance of the bituminous coal movement because of displacement of coal by oil and gas; and (3) generally depressed business conditions in the east caused such a decrease in our revenues that we were unable to meet our expenses.

We had thought that our cash flow would be protected under section 77 of the Bankruptcy Act. With the then forecasted 1972 increased industrial activity, we believed we could shortly devise a plan of reorganization to protect our creditors and permit us to continue reliable railroad transportation to our customers.

Our expectations have not been realized. Industrial activity has not increased enough to provide the additional revenues we must have. Our costs continue to increase with additional wage and material cost increases. We have continued to lose bituminous coal tonnage. We have been limited in our own requests to increase our rates to meet our increased costs.

And then Hurricane Agnes arrived. Our first thought was to get the railroad operating and get it back into full operation as soon as possible. This we did, and I am proud of what the Reading employees did in response to this challenge.

The worst flooding in our area was late Thursday night and Friday, June 22 and 23. Saturday afternoon, June 24, we had our main east-west line back in operation. Many of our employees offered their services free and worked long hours in effecting emergency repairs. Many of my staff officers who could not perform repair work responded to this generous and loyal service by volunteering a day's pay to the company. Through the efforts of all, we are, except for a few badly damaged branch lines, in full operation.

However, the consequences to our cash position are disastrous. In the front of the flood damage book furnished you is a copy of a letter dated July 7, 1972, to the Federal Railroad Administrator from our vice president of finance. On the second page appears the cash forecast we had made for the remainder of 1972, and the postflood forecast, based on the assumption that we pay all of our current expenses except interest on bonds, taxes, and rent to our underlyers. Note that at the end of November 30, our forecast is only for \$800,000 cash and for the end of the year \$1.5 million.

If our forecast is accurate—and we believe it is—the Reading will not be able to operate through this coming winter. By mid-December we will be hard put to meet our payrolls, which approximate \$5.5 million monthly.

Our only source of cash, if this bill before you is not enacted, is to seek to borrow on trustees certificates. Some so borrowed come ahead of all creditors and our creditors would, I believe, litigate an attempt to obtain funds in this manner. Moreover, even should we ultimately be successful in court, litigation time would already have brought us to the crisis.

If the Reading ceases operations, the impact would be felt not only by the shippers and receivers in our territory, and the 50,000 passengers we handle daily in and out of Philadelphia, but also by the bankrupt Lehigh Valley, Central of New Jersey, Penn Central and Erie-Lackawanna railroads and other lines such as the Western Maryland Railway Co.; Delaware & Hudson Railroad Co.; and Baltimore & Ohio, all of which participate with us in important freight routes. Thus, the adverse effect of cessation of operations by Reading would be felt throughout the United States.

Our approximately 5,200 employees, largely resident in eastern Pennsylvania, and many with long years of faithful service, could be jobless, adding to the distress from unemployment already existing in this same area as a result of Hurricane Agnes.

These are the reasons I respectfully urge prompt adoption by the Congress of S. 3843 now before you.

Mr. MAXWELL. Thank you, sir.

Senator HARTKE. Mr. Moore, I think you are next.

Mr. MOORE. Mr. Chairman, my name is William H. Moore. I am president and chief executive officer of Penn Central Transportation Co.

I have with me here today Robert W. Blanchett who is counsel for our trustees.

My reason for being here and the purpose of my statement is to briefly describe the damages Penn Central sustained from Hurricane Agnes and to urge that we obtain funds for restoring our property back to what it was prior to this hurricane.

The first 2 pages of my written testimony deal largely with the routes that we take east to west, north to south and just how our traffic moves over the area that was affected. That is demonstrated on the map that you see to your left and the lines in red and this same map is attached to my testimony. They are colored in black and it is a much smaller map I am sorry to say. Those are the lines that were affected.<sup>1</sup>

<sup>1</sup> See p. 84.

Actually it consists of around 4,143 track miles which is possibly about 10 percent of our total route miles.

I don't see any need in going through all these routes unless you would like for me to do so.

Senator HARTKE. Your entire statement will appear in the record. There is no need for you to do that.

Mr. MOORE. If you would like, I have about eight or nine photographs which we can show on the screen which I do think would demonstrate real vividly just what happened.

(Slide.)

The photograph you see here is at Harrisburg, Pa., passenger station. I flew over this area in an airplane shortly after the flooding occurred. In fact I was able to get over the entire territory. So I know firsthand just what took place.

At its crest the Susquehanna River was more than 17 feet above flood level. There was 8 feet of water over the tracks in this area with considerable damage to the signal system as well as a number of cars and locomotives which were submerged.

(Slide.)

This is the Steelton plant of Bethlehem Steel Co. which extinguished its fires for the first time in its history of more than 100 years. The curtailment of traffic to and from many industries which were also shut down because of the flood has had a detrimental effect on Penn Central's revenues. In fact, it amounts to approximately \$10 million.

(Slide.)

This scene is what remains of a two-span bridge at Frederick, Md. Note the distance that one of the spans was moved downstream by the tremendous force of the water.

(Slide.)

Next is a photograph of our Columbia and Port Deposit branch at Pequea, Pa. This is our main freight and passenger route for east-west movements from Washington and Baltimore connecting at Harrisburg. Ten miles of this branch looked just like this until the water subsided and we discovered that the roadbed had been washed away at numerous locations.

In fact our track is just between the telegraph poles that you see in this photograph. Emergency repairs have since been made and service partially restored at a cost to date of \$350,000, but much remains to be done before we can resume normal operations.

(Slide.)

Glen Rock. This photograph shows the double track bridge at Glen Rock, Pa., which collapsed leaving the tracks suspended, piled high with debris. This is typical of conditions found throughout central Pennsylvania and lower New York State. All together we have had 25 bridges destroyed and have identified 23 others which have been seriously weakened and must be promptly repaired.

What these pictures do not show are the hundreds of miles of the eroded and undermined roadbed, plugged culverts, and similar damage which occurred along every line of railroad shown in red on the map. Such conditions are a constant threat to the operation and it is imperative that they be promptly restored to safe condition.

(Slide.)

South Danville. The next two slides show the results of a derailment which occurred at South Danville, Pa., when the track gave way under the weight of the train. The first picture shows two locomotive units, one like on its side in the mud.

(Slide.)

The second photograph shows some of the tracking equipment damaged by this derailment. Altogether 20 diesels and two electric locomotives were heavily damaged and hundreds of others suffered lesser water damage. About 2300 cars were damaged or destroyed, railroad cars. Our equipment losses will exceed \$2.4 million.

(Slide.)

This is a photograph of a bridge near Tioga, Pa., whose abutments were eroded by rushing water causing it to collapse onto the highway below. Fortunately we may not have to restore this as an overhead structure, as the highway department has indicated that rather than repair the damage to the road at this point, they may relocate it.

(Slide.)

Corning, N.Y. The next two photographs show the remains of the Penn Central bridge which formerly spanned the Chemung River at Corning, N.Y. In the distance you can see a highway bridge that is still standing. This is our primary route connecting the east-west line which runs through Buffalo and Syracuse with Harrisburg on the south.

(Slide.)

We have already begun to reconstruct this bridge at an estimated cost of \$910,000 but it will be at least a month before the work can be completed.

(Slide.)

Shocks Mills Bridge. I have left to the last a discussion of the Shocks Mills Bridge, a stone bridge 2,209 feet long built in 1904 which crosses the Susquehanna River just below Harrisburg. The day after the river crested, one of the piers of the bridge was depressed, producing the track condition shown in this photograph. The bridge was immediately taken out of service.

(Slide.)

A subsequent inspection indicated that the water had seriously undermined the structure and a few days later six arches of the bridge collapsed leaving exposed the piers shown in the next photograph.

(Slide.)

I would like to back up there just one moment, Ben.

(Slide.)

Mr. Chairman, you can see the type construction of this bridge as I pointed out. It is a stone arch construction and every six of those piers is what we call a buttress pier. It is a much larger pier than the intermediate six to eight piers between the buttress piers and this buttress pier actually supports the longitudinal motion of the bridge. It is quite a unique construction, but as you can readily see when your buttress pier goes, and this is what happened, all the rest of the piers go up to the next buttress pier. So that is the trouble we got into there.

You can go to the next picture, Ben.

(Slide.)

That gives you a closer view of just what it looked like after the piers had gone and you can see what a tremendous job we have in repairing that bridge.

Shocks Bridge is a vital link because it provides the means for east-west freight traffic to bypass the city of Harrisburg in reaching our large classification yard at Enola. Its loss has deprived us of up to 75 percent of our operating capacity at this critical location on our system.

The result has been an operating nightmare that we have been able to handle with only modest impairment in service only because of the unusually low level of freight moving at this time. Even so, we are incurring excessive transportation costs by the rerouting of freight, classification of cars at remote locations, and other inefficiencies which are the direct result of the storm.

Without this bridge, we will find it extremely difficult to maintain an acceptable quality of service with an appreciable increase in traffic volume. I am also concerned about the prospect of going in the winter with our major east-west route seriously disabled, making it necessary to divert a large amount of tonnage for movement over the northern line. This is going to present a major problem, even under the most favorable of circumstances, but a recurrence of the severe weather of 1969-70, which paralyzed our northern route, could bring Penn Central to a standstill.

Nevertheless, work has not yet begun on Shocks Bridge because the estimated restoration cost is four and a half million and we simply do not have the funds.

This brings me to a discussion of the importance of this legislation in the preservation of vital transportation portion services performed by Penn Central. In the reports to the reorganization court, the trustees have taken a position of guarded optimism saying that Penn Central can be reorganized provided four conditions which in the past have prevented profitable operations are changed. These problems are being vigorously attacked and some of the projected results are encouraging.

Tropical storm Agnes, however, superimposed a more immediate problem by depriving us of cash necessary to maintain a high-quality service and improve the plant until the plan for reorganization is put into effect. I had thought and said so on several occasions that our cash position through July and August and into September of this year would be extremely tight because of the added expenses of retroactive wage increases, the failure to secure the full measure of freight rate increases, and the decline in our traffic which, because of the slow recovery of many of the industries we serve, has been running 2.9 percent below last year.

But our forecast indicated that we could make it through the summer without drawing down the remaining \$15 million of the loan received under the Emergency Rail Service Act of 1971, and that during the last quarter, our cash position would be improved somewhat by the seasonal increase in traffic volume. Hurricane Agnes drastically changed the cash picture.

Despite putting into effect the most stringent economies, including the layoff of about 1,000 employees on Monday of this week, we found it necessary to ask Judge Fulham for approval to use the remaining 15 million.

Even with these additional funds, our cash position will still be such that we shall have to defer program capital improvements as well as completion of the flood restoration. Let me explain the reasons for this: Revenue losses due to destruction of railroad facilities and damage to our customers' plants are expected to aggregate \$10 million before we are back in full operation. The damage to our tracks and bridges exceeds \$14.4 million. And the damage to our locomotives and cars exceeds \$2.4 million.

These figures must be increased by a minimum of \$2.8 million for added transportation expense for the delay in detouring of traffic and other disruptions caused by the storm.

Thus we are faced with added expenses of about \$19.7, with revenues depleted by about \$10 million or an unfavorable revenue expense swing of more than \$29 million.

We have already spent about \$6.6 million to restore vital links. This has been done by diverting our own labor force and materials from other essential projects which the Reorganization Court has approved only after detailed consideration.

To complete the restoration of our plant, \$12.9 million of work remains to be done and the only way this can be accomplished is to defer additional capital improvements already programed. The result of deferring these capital improvements and the restoration of the Shocks Mills Bridge and other storm damaged tracks and bridges will be a serious deterioration in freight service to a large number of customers, a thing that we have worked hard to correct. And upon which great progress has been made.

I want, Mr. Chairman, to emphasize that fact. I think the fact that Penn Central's service has vastly improved is recognized throughout the industry and throughout the country.

Added expenses in handling traffic over inefficient routes is something we could ill afford at this stage of our reorganization efforts.

In sum, if we are to make progress toward a successful reorganization and if we are not to take drastically backward steps in the achievement of quality rail service to the public, we need additional sources of cash sufficient to permit the early restoration of our plant.

S. 3843, which would provide loans, could therefore be an important ingredient in our survival. I must again point out that while the loans would cover the damage to our tracks, bridges, and equipment, a substantial part of the other losses which I have described, would still have to be borne by us without assistance.

I want to thank you for your great interest in our problem. My hope and the hope of all our people is that this legislation will not only be enacted, but will be enacted as quickly as the processes of government will permit.

Thank you very much.

(The table follows.)

## LINES PROPOSED FOR ABANDONMENT IN AREA AFFECTED BY HURRICANE AGNES LOCATION

Branch line	From—	To—	Miles	Estimated damage	Status
Northern Central Branch	Cockeysville, Md.	York, (Hyde) Pa.	37.8	\$498,000	Phase IV, approved by court, not filed with ICC.
Centerville	Massey, Md.	Centerville, Md.	25.9	45,000	Do.
Pope's Creek Branch	Woodzell, Md.	Pope's Creek, Md.	2.8	4,000	Phase III, filed with ICC Mar. 17, 1972.
Schuylkill Branch	Hamburg, Pa.	Schkl. Haven, Pa.	13.6	13,000	Phase IV, filed with ICC July 7, 1972.
Wilkes-Barre Branch	South Danville, Pa.	Wilkes Barre, Pa.	52.0	101,000	Not previously considered.
Frederick Secondary	MP 65	Frederick, Md.	3.8	139,000	Phase V.
Lebanon Branch	Conewago, Pa.	Lebanon, Pa.	21.5	50,000	Do.
LV Junction Secondary	Millersburg, Pa.	Elizabeth, Pa.	9.9	11,000	Phase IV, approved by court June 14, 1972, not filed ICC.
Quarryville Secondary	Lancaster, Pa.	Quarryville, Pa.	13.6	22,000	Do.
Waynesboro Branch	Wood, Pa.	Waynesboro, Pa.	18.4	6,000	Phase II, approved by ICC "stayed by Pennsylvania."
Bellefonte Secondary	Lemont, Pa.	Coburn, Pa.	21.7	3,000	Phase IV, filed with ICC June 23, 1972.
H & P Secondary	Alexandria, Pa.	Williamsburg, Pa.	11.3	19,000	Do.
Bedford Secondary	South of Bedford, Pa.	State, Pa.	30.2	4,000	Phase IV, court approved June 14, 1972, not filed ICC.
Morrison Cove Secondary	Curry, Pa.	Martinsburg Jct, Pa.	2.7	5,000	Phase IV, approved by court June 14, 1972, not filed ICC.
Milroy Secondary	Reedsville, Pa.	Milroy, Pa.	5.7	30,000	Phase V.
Redstone Secondary	Vance Mill Jct, Pa.	Brownsville J. Pa.	12.6	9,000	Phase IV, approved by court June 14, 1972, not filed ICC.
Ridgeway Secondary	Ridgeway, Pa.	Brockway, Pa.	17.0	12,000	Phase IV, filed with ICC June 23, 1972.
Elmira Secondary	North of Williamsport, Pa.	Southport, N.Y.	68.5	414,000	Phase II, filed with ICC Jan. 31, 1972.
Watkins Glen	Montour Falls, N.Y.	Horse Heads, N.Y.	13.9	16,000	Phase V.
Elkland Branch	CV Jct., Pa.	Elkland, Pa.	11.4	40,000	Received approval from ICC.
Penn Yan Ind.	Dresden, N.Y.	Penn Yan, N.Y.	6.3	20,000	Phase V.
Clermont Branch	Corryville, Pa.	Smethport, Pa.	7.3	33,000	Phase IV, approved by court June 14, 1972, not filed ICC.
Mill Hall Ind.	Brown, Pa.	McElhattan, Pa.	6.8	24,000	Phase IV, filed with ICC June 29, 1972.
Total			414.7	1,518,000	
Total route miles damaged			4,163.0		
Abandonment lines damaged			414.7		

Senator HARTKE. Let me ask you, gentlemen, have you tried to get money other places?

Mr. NASH. We have no source of getting the money in other places, Mr. Chairman. We of course had not anticipated anything like this and I think this morning the mention about the flood danger paralleled the Susquehanna and Allegheny damage along our line.

We did look into the acquisition of flood damage insurance some time ago. It was too costly, prohibitive. We couldn't afford it.

But in answer to your question, the answer is we have no other sources at the moment. Lehigh Valley, I am speaking of.

Mr. BERTRAND. Speaking for the Reading, Mr. Chairman, no; we haven't made any real efforts other than the fact we have put ourselves on notice with the Department of Transportation, the Federal Department of Transportation, that we may have to come for a federally guaranteed loan.

However, as I said in my testimony this would be in the form of trustee certificates, and I am sure the creditors, bondholders, and so

forth, are going to raise some objections. By the time we get through the litigation, a crisis is going to be facing us.

I know of no other sources from which money would be available.

Mr. MAXWELL. The Erie-Lackawanna has discussed with two States, New York and Pennsylvania, but there were no funds available from either of the States.

I have already commented in my statement and the comments I made about the Small Business Administration loans that we were not able to qualify for those loans, and they are not of an extent that would be of any help to us.

The only remaining possibility is in the emergency legislation of 1971 and at the present time we do not qualify for that.

Our trustees have just been appointed—or just been nominated and have not been confirmed. We are in no position to go through that procedure.

Mr. MOORE. Mr. Chairman, the State of Pennsylvania asked us for a minute description of all the damages that we had in that State by location, by county, by a map which we furnished them.

We have heard nothing from that.

In the State of New York, we were asked to hold up on repairs to this bridge at Corning which you saw on the screen and hopefully we could work that out—the Erie Lackawanna has a bridge in that area that we could work out a connection track and connect with them and avoid reconstructing our bridge.

In view of that, although it was costly to us on a daily basis, we slowed down on our work on that bridge to see what we could work out with the State of New York, even though the detour route or the connection routes with the Erie Lackawanna would be more costly than rebuilding the bridge. But it would eliminate some bad situations in the city of Corning.

In short, the Department of Transportation and the State of New York—of the State of New York, could not come up with any money. We had to proceed with expediting the construction of the bridge. I had our vice president—finance see what could be worked out with Small Business loans.

He could come up with nothing.

I guess the only help we really got which I didn't like to do was go to the court for the \$15 million we had left and that is awaiting the judge's decision.

Senator HARTKE. Let me ask you all individually how many miles of track which you intended to abandon—whether filed with the ICC or not—were damaged by the storm, which you intended to abandon, and how much of this track you intend to repair?

Mr. NASH. The first one is the line on the map shown from Towanda to Dushore. That is totally destroyed. It would cost \$1,036,000 to replace it. We have tried in the past to have that line abandoned. We have been turned down. It's uneconomical. If we are forced to rebuild it, Mr. Chairman, somebody will have to supply the money for rebuilding it and also will have to subsidize any losses.

That line is uneconomic to operate.

Senator HARTKE. Is that the only one?

Mr. NASH. That is the only one except there is a small line from Freeville on our map to Ithica. That's east Ithica and that's where

Ithica College was located. They were burning coal and now are converting to oil and we don't believe it will be necessary to replace that line.

I might also add on my map that we are not setting on our "duffs". We are trying to do something to help each other.

The Reading and C. & J. and ourselves are now working very diligently in trying to eliminate duplicate facilities and trying to pick—help each other and pick ourselves up.

Mr. BERTRAND. The Reading has very little line that we could consider at the moment for any permanent abandonment. We have some that we would like to —we are in the process of studying. We have some that we have not started rehabilitation work on because we are working with the Pennsylvania Railroad some form of coordination whereby we are washed out, permitting us to get to a certain industry that they can also get to on the other end, that they would service that. Some places we could get to and they could not, we would restore ourselves and they would not rebuild their's.

We have no real abandonments to any great extent. Practically, our line has been restored where we can perform a service on it yet by slow orders and it will be another couple of months before we can get it back to what I would consider safe and normal speed operations.

Did you ask, sir, the expense of this?

Senator HARTKE. Do you have one?

Mr. BERTRAND. Did you say something in your question about the expense of it?

Senator HARTKE. No. I just wanted to know how much of it you planned to abandon.

Mr. MAXWELL. Mr. Chairman, we have very little.

The area of the damage extended over a total of 365 miles of line, both main line and branch. The only thing that—only problem that we may have is on the Tioga Bridge which is reached by trackage rights over Penn Central, and it has been the subject for a number of years of a flood control project of the Corps of Engineers.

The corps has been attempting to take over the area in which this branch lays and has refused to build a line around it. It serves a foundry down at Brassburg, Pa. and it's a question of whether this is going to be rebuilt to continue service to that foundry.

I just don't know. I just don't know.

I would say other than that we will rebuild all of this.

Mr. MOORE. Mr. Chairman, of the 4,163 route miles that we have that have been damaged, 447 miles are candidates for abandonment.

I have a statement here showing the location of these lines, the miles involved, the estimated damage and the present status of the abandonment.

If you would like to—

Senator HARTKE. Yes. We will do that in the record. We will put that in the record.

Let me point out to you the difficulty that you are faced with here and that we are faced with:

As a matter of public policy, any line granted authority for any railroad to operate was granted on the basis that there was a public need for it, that it was in the service and interest of the public convenience and necessity that that line be there.

Now, this question of abandonment is not new, as you know. But unilateral withdrawal from service of a line and abandonment because of a circumstance even like a flood is contrary to the public interest as a matter of law, and therefore this would be a violation of that trust until such time as there had been a decision made by the Interstate Commerce Commission that that line is in the public interest to abandon.

So the question we are faced with is whether or not we should permit Congress to permit that to happen, especially when you come and ask for financial assistance from the same public to restore other facilities which you feel are more in the interest of continuation.

What I think this really points out, and I think that what this demonstrates, especially in view of the four witnesses that are here today, is two things:

One of them is that the recovery of the economy is more rhetoric and public relations than it is real, because—

Mr. MAXWELL. I agree.

Senator HARTKE. To my own viewpoint as I have often said, people cannot eat promises, nor can railroads pay their bills with the idea that business really is better than the revenue shows it is.

Now you know as well as I do that you have had a 2.9 percent drop in business, roughly 3 percent drop in business, that that had to come from some reason and all of the talk and all of the press will not cover that. All the public relations will not cover that. When Reading comes and tells me they have a \$5.5 million payroll they have to meet on a monthly basis, I can talk all I want to about the economic recovery that is now in full bloom; unless you have got the cash, it is just awful hard to meet that payroll.

Now when you come to this abandonment procedure, of course, we are faced with another thing and that is the human equation which frequently I feel management has a tendency to neglect, and I think unfortunately—although most of the time they give lipservice to it, they fail to realize the man has a job on the railroad. When you put that man out of work, you cause as great a catastrophe for him as when you put a railroad out of operation. It is only a matter of degree and a matter of interpretation as to whose ox is being gored.

So therefore when you come to this proposition, which I have asked this question and I appreciate your candor in answering it as you have, I see nothing being accomplished in not saying that—but the candor with which you operate indicates that you are going to move for legislation of this kind, certain roads are going to be abandoned as a matter of course, and if that is going to be the policy, then certain labor protection provisions would have to be written into this law if it is going to be the law of the land.

I say that to you so that you will be fully aware of my own feeling. Yes, sir.

Mr. NASH. Mr. Chairman, we clearly understand that. Any abandonment we must apply to Commission and go through the proper procedures, of an abandonment procedure with the Commission.

Senator HARTKE. Yes. You mentioned that to me earlier. I appreciated your offering that voluntarily. What I am saying is the fact of life, though, there could be in this legislation as I read it, a procedure in which that would not necessarily follow. I do appreciate the fact

that you have brought this up and talked to me during the recess about it and offered to make that statement. I commend you for it. All I am doing is laying out some of these problems. I think the second most important thing that this testimony reveals is that there is at this moment a crisis of major proportions in the field of transportation in this country and it does not extend just to the railroads, but is broad based and that crisis is deepening day by day. I do not expect the administration to come in here and admit to it, especially in an election year.

To that extent, we are going to be hard pressed between now and November to have that type of definitive statement about the conditions. But I say that election or no election, bankrupt railroads are not a desirable way to run a railroad.

Not having enough money to pay payrolls is not a desirable way to run a railroad.

I want to help you get the job done. I am not necessarily saying that all that help comes in the nature of strict cash handouts without some type of reciprocity in developing new ideas. There is a term called heuristics. I don't know if you are familiar with it. That is the science of new ideas.

The railroad industry in its totality has a reputation of being staid, old fashioned, refusing to accept new ideas, and only accepting new ideas reluctantly, even after they are necessary; and I think to that extent that you have come in here, you see, with that liability.

Mr. NASH. I respect your remarks.

Senator HARTKE. I am not saying it is true. I have seen some rather innovative practices. I rode on—

Mr. NASH. We could cite them for hours.

Senator HARTKE. I am not arguing it. The fact remains the railroad industry has that reputation. A reputation once acquired, as any girl will tell you, is very hard to dissipate.

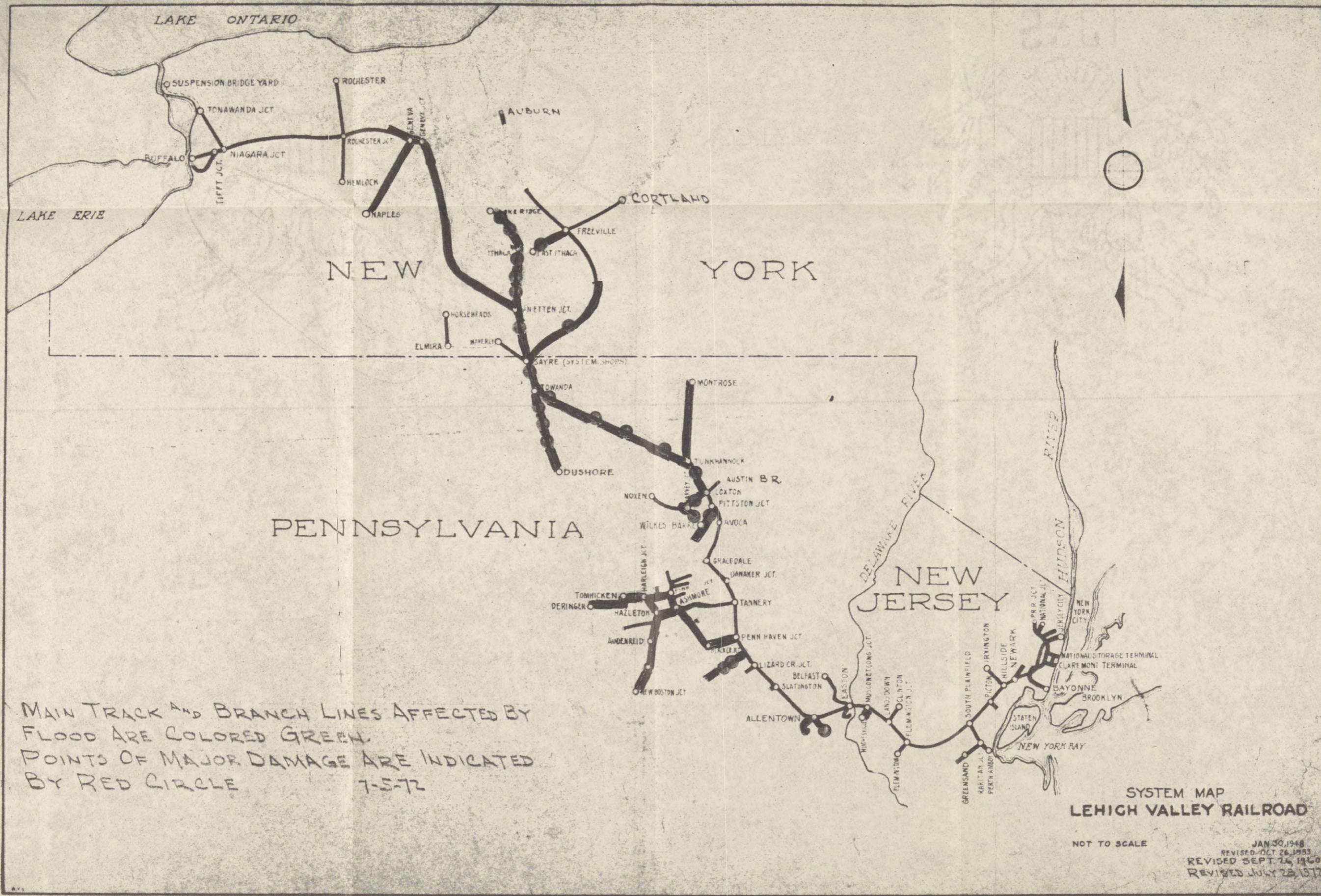
Mr. NASH. We have been particularly plagued in the Northeast, as you well know. Most of the railroads in the Northeast are in bankruptcy or facing bankruptcy, starting with the B&M, and the C&J, and the Lehigh & Hudson River, and the Erie-Lackawanna, and the Lehigh Valley and the Reading and the Penn Central. The New Haven before them.

A lot of these things happen, Mr. Chairman, for reasons beyond our control. We introduced technology; we are innovative; we put in water and electronic yards. We did everything to help ourselves, but our competition had turnpikes built for them, waterways built for them and so on.

Senator HARTKE. Let me stop you there. You know I have often—you know, I go through this thing and I hear it. I am going to tell you you are not going to solve your problems by pointing out what the other people have done.

Mr. NASH. I am not taking anything away from you.

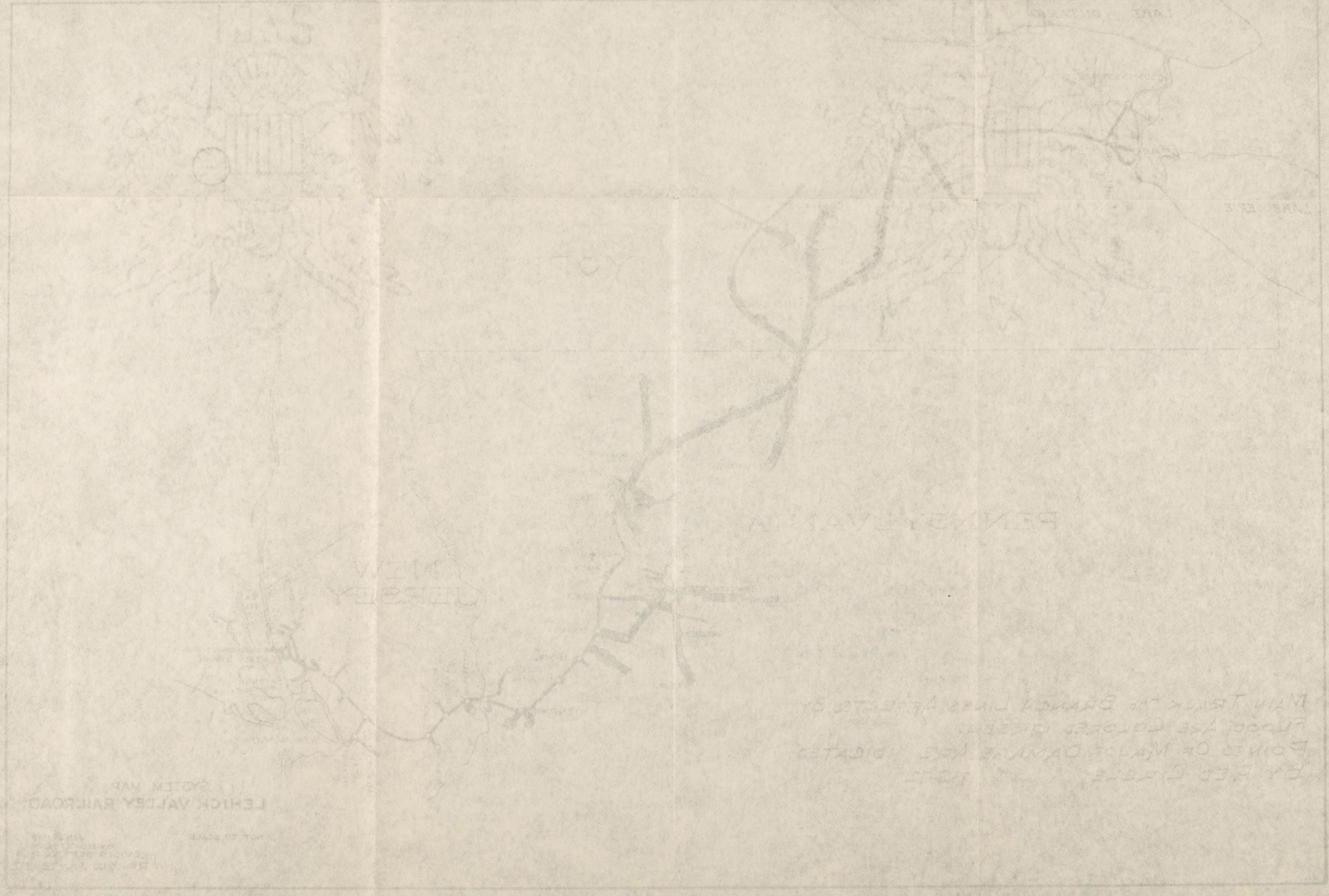
Senator HARTKE. Let me say to you I think you can get out of this a whole lot easier than that. We have introduced a bill here which may not be perfect, trying to get some order out of the system. I do not say that is a solution, but the railroads find it either beyond their capacity or beyond their willingness to make that kind of adjustment. Now you go in there with the Central New Jersey and the Delaware-Lackawanna—Erie-Lackawanna, you have parallel tracks serving



MAIN TRACK AND BRANCH LINES AFFECTED BY  
 FLOOD ARE COLORED GREEN.  
 POINTS OF MAJOR DAMAGE ARE INDICATED  
 BY RED CIRCLE  
 7-5-72

**SYSTEM MAP**  
**LEHIGH VALLEY RAILROAD**

NOT TO SCALE  
 JAN 30, 1948  
 REVISED OCT 26, 1953  
 REVISED SEPT 24, 1960  
 REVISED JULY 28, 1972



LEHIGH VALLEY RAILROAD SYSTEM MAP

NOT TO SCALE  
REVISIONS SET BY  
DATE

BY FED. CIR. 1937  
POINTS OF MAJOR DAMAGE ARE INDICATED  
FLOOD ARE COLORED GREEN  
Main Trunk and Branch Lines Affected by

NEW JERSEY

PENNSYLVANIA

LAKE ONTARIO

LAKE ERIE

identically the same thing. There is no reason you couldn't be using them. Have you got that accomplished yet?

Mr. NASH. Lehigh Valley and the C&J ran parallel all the way from Jersey City to Wilkes-Barre. We have now taken over their operations in the State of Pennsylvania. They are out of the State of Pennsylvania.

Senator HARTKE. I commend you for that. I want to say I want to do it all over the Nation.

Mr. BERTRAND. We recognize there is too much plant there. We are trying to put these three properties together to make an efficient railroad that is to the public's interest, to serve the public better than they are being served today. When that happens we also recognize that there's a necessity going to have to be the elimination of trackage and facilities and—

Senator HARTKE. Jobs.

Mr. BERTRAND. We recognize there that some form of job protection is going to have to be taken. We recognize that and we are willing to accept it.

Senator HARTKE. I want you to know I am not chastising you. I am just really trying to again review for you what I hope we can come forward with. We do need not only for you to be concerned about your individual problems, I know they are heavy burdens for you, but I do say that you people are experiencing what happens when you're on the deathbed and all I am telling you is that you better have that doctor doing the best job he can before you all see something you don't want to see. I don't need to be an alarmist to you. I am not speaking to you in the terms Senator Weicker spoke this morning, but I know those words will send chills down practically every railroad management's back.

I will tell you that you have no conception of the widespread acceptance that there is in public generally and just to a lesser degree in the Congress that nationalization at this moment is a greater probability—I didn't say possibility—a greater probability than it was a year ago.

One of the great contributing facts to that is the most visible of those operations already a semi-quasi-public corporation: Amtrak!

To the extent that Amtrak fails, I tell you now, to the extent that they fail to perform or that they are put out of business—and this may seem peculiar to you—I guarantee you the net results in the public mind is going to judge all your other operations accordingly.

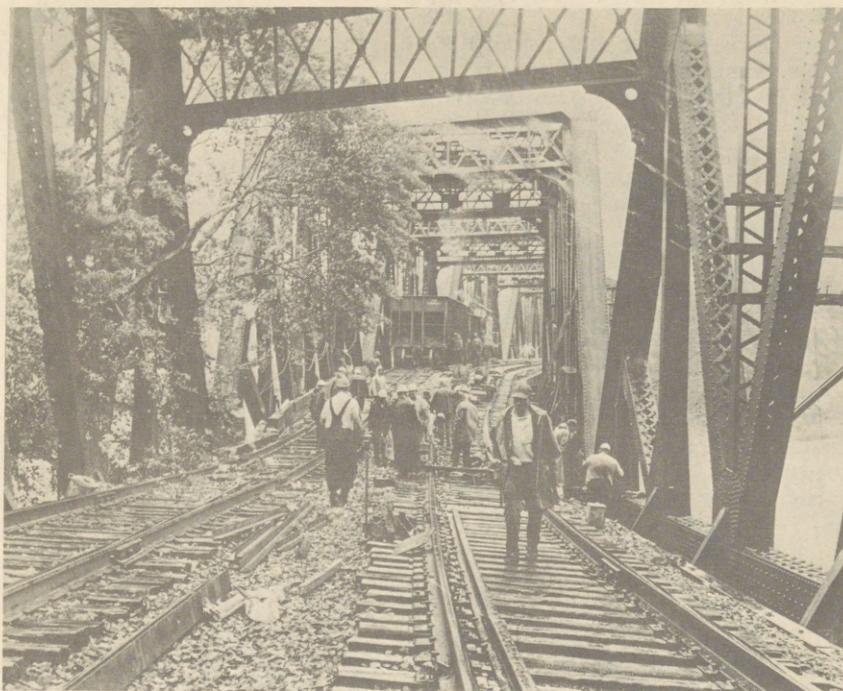
It is for that reason I have been insistent on them getting imagination and some program going in Amtrak. It is going to affect every railroad in the country. The net result is that, if the public loses confidence in one segment of the industry, then you are going to have two items on your hands. The railroads, first are not modern; and second, the present management is not capable of handling them.

I don't subscribe to that. I just give you my viewpoint as to this as I look upon this thing and for you people who are participating in trying to really rehabilitate a part of this railroad business, I hope you can get over the message to some of those who are not in that state.

That is all I have to say.

Thank you, gentlemen, for coming.

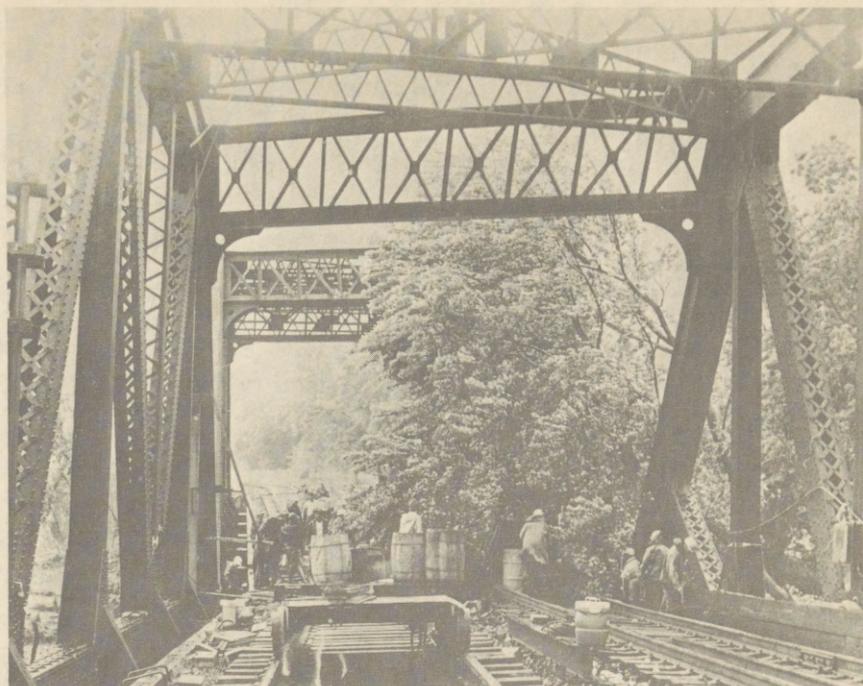
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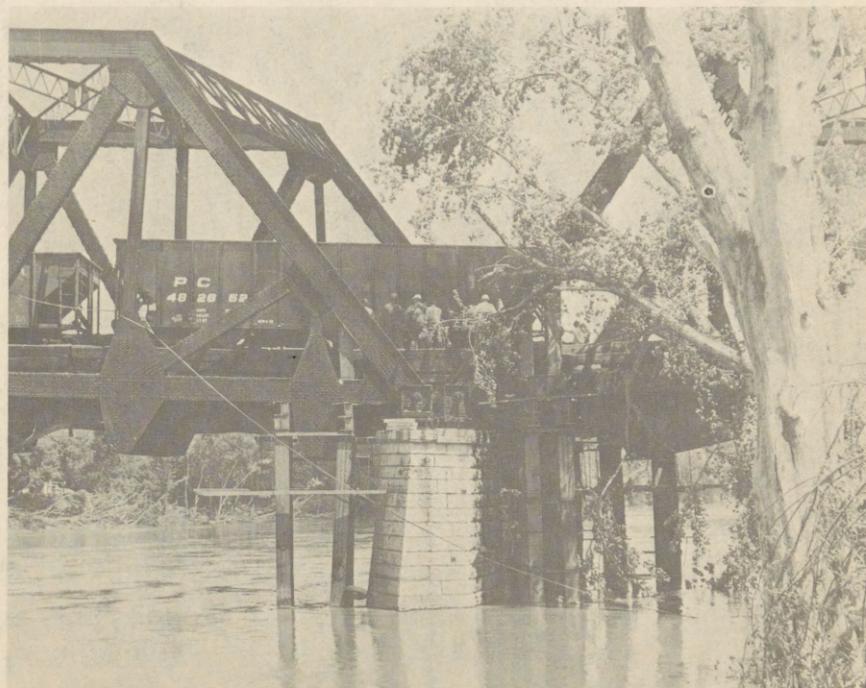
Athens, Pa.—Bridge 269 on main line



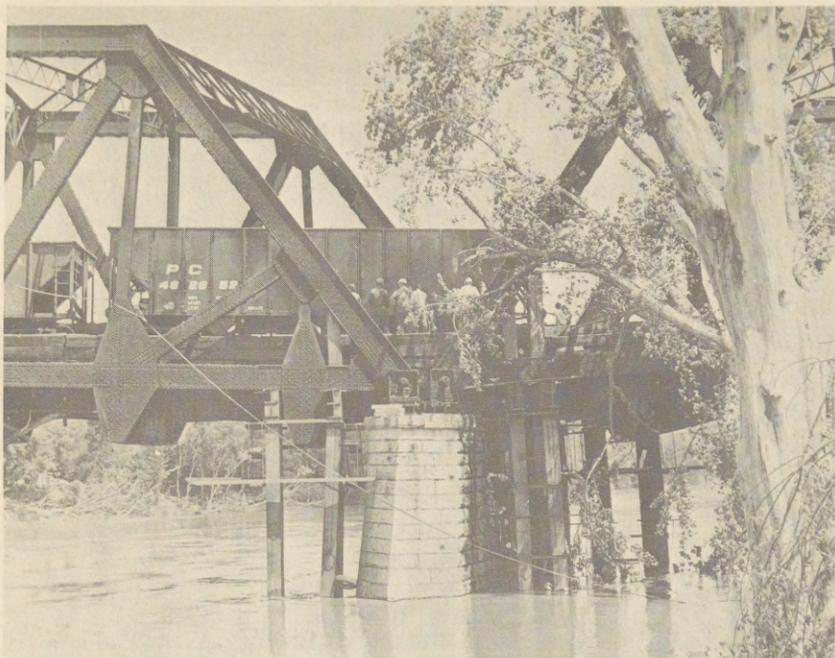
Athens, Pa.—Bridge 269 on main line



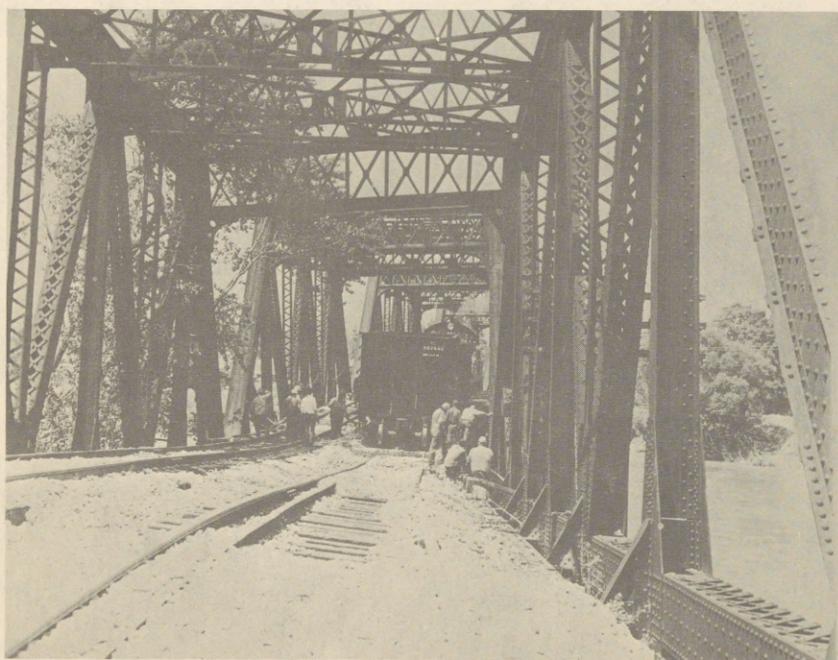
Athens, Pa.—Bridge 269 on main line



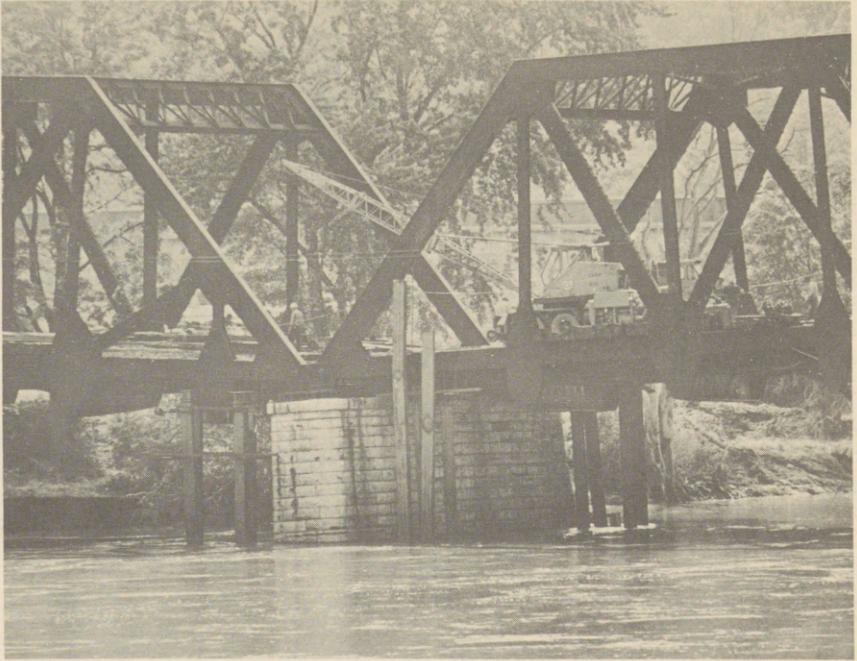
Athens, Pa.—Bridge 269 on main line



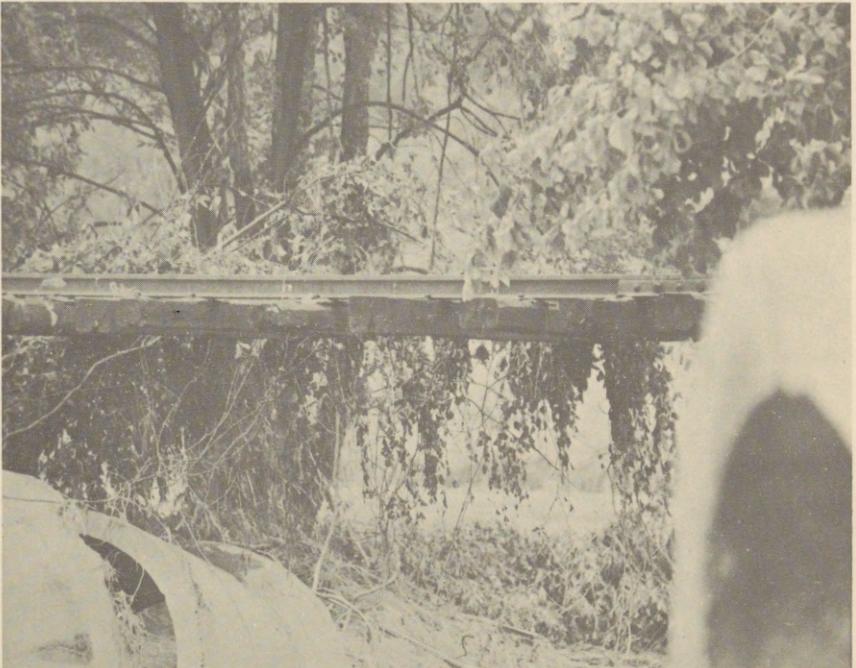
Athens, Pa.—Bridge 269 on main line



Athens, Pa.—Bridge 269 on main line



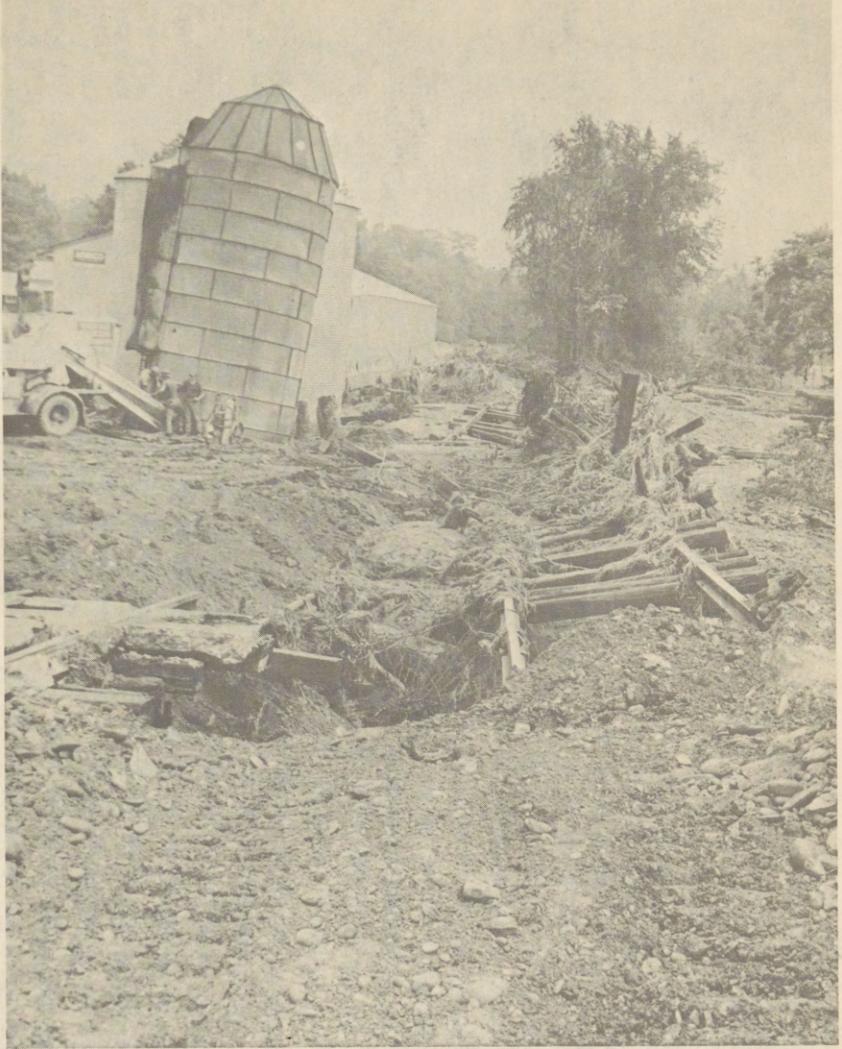
Athens, Pa.—Bridge 269 on main line



State Line and Sullivan Branch.—Washout between Monroeton and South Towanda



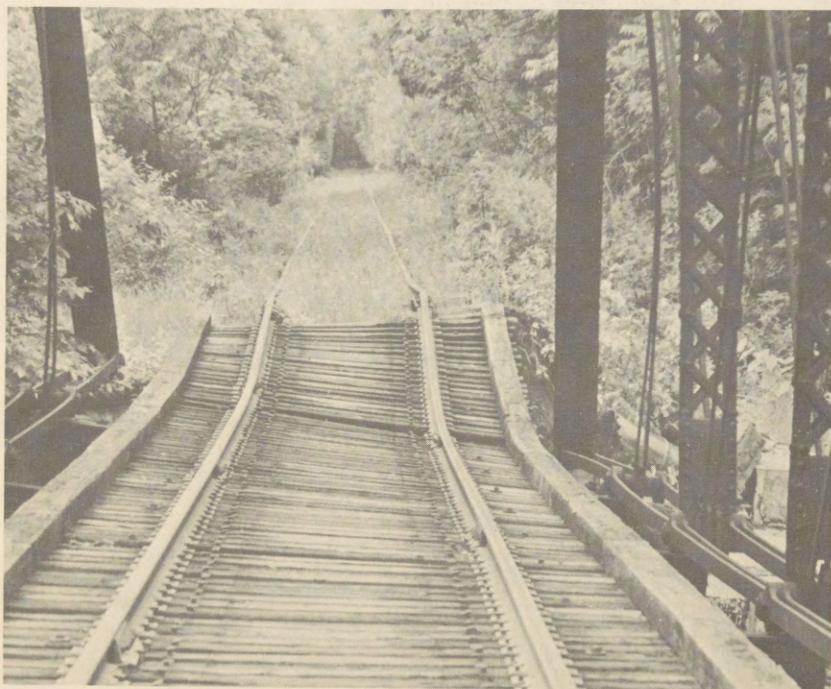
State Line and Sullivan Branch.—Washout between Monroeton and South Towanda



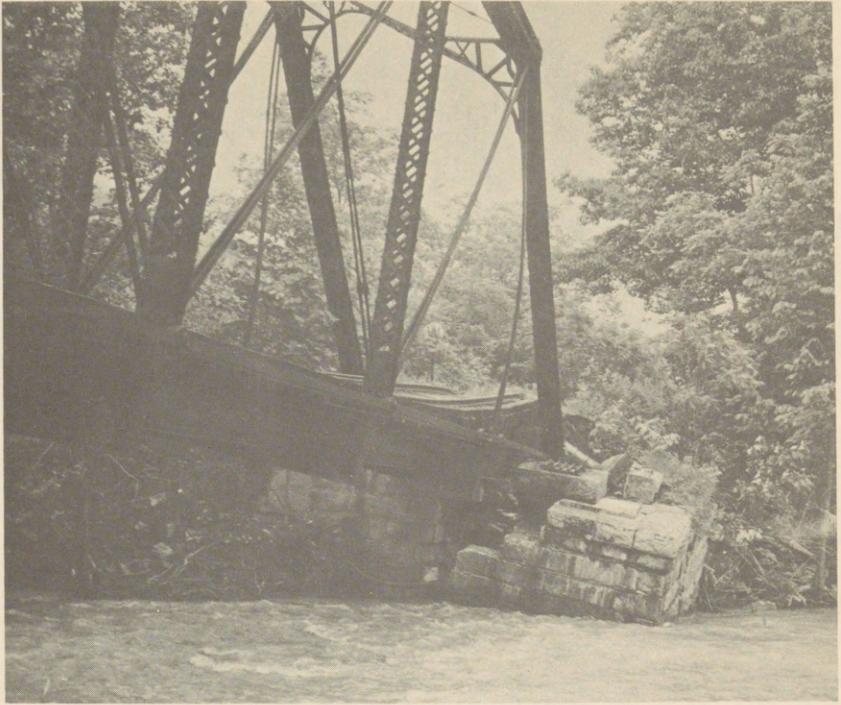
State Line and Sullivan Branch.—South end of Monroeton at Shaffer Feed Mill



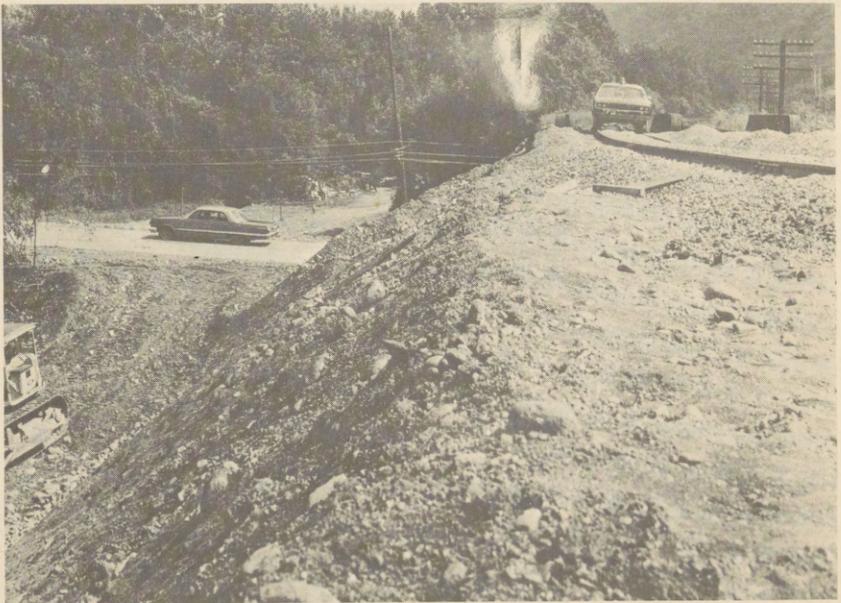
State Line and Sullivan Branch.—Shaffer Feed Mill



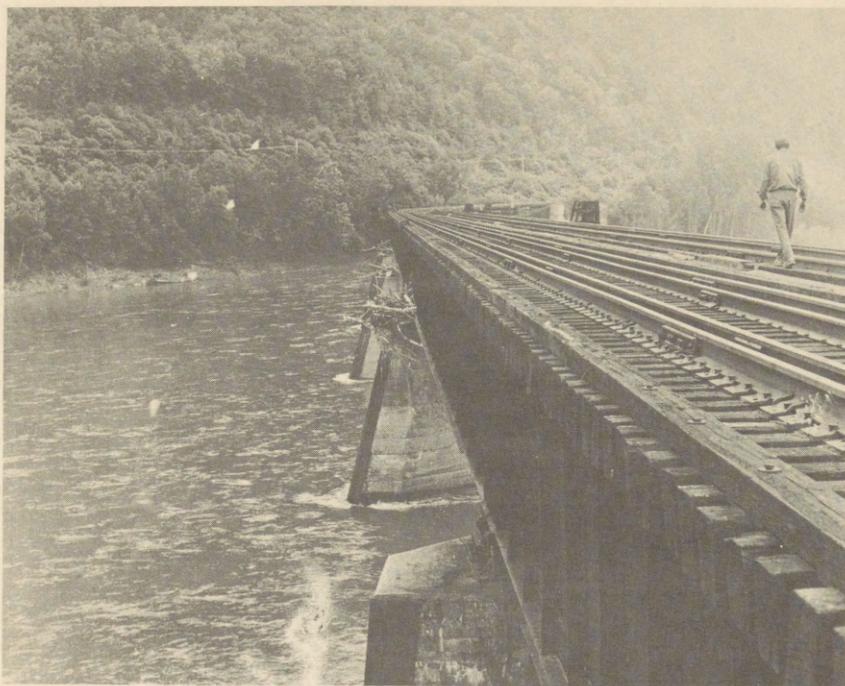
State Line and Sullivan Branch—Bridge 247 near Maple Leaf



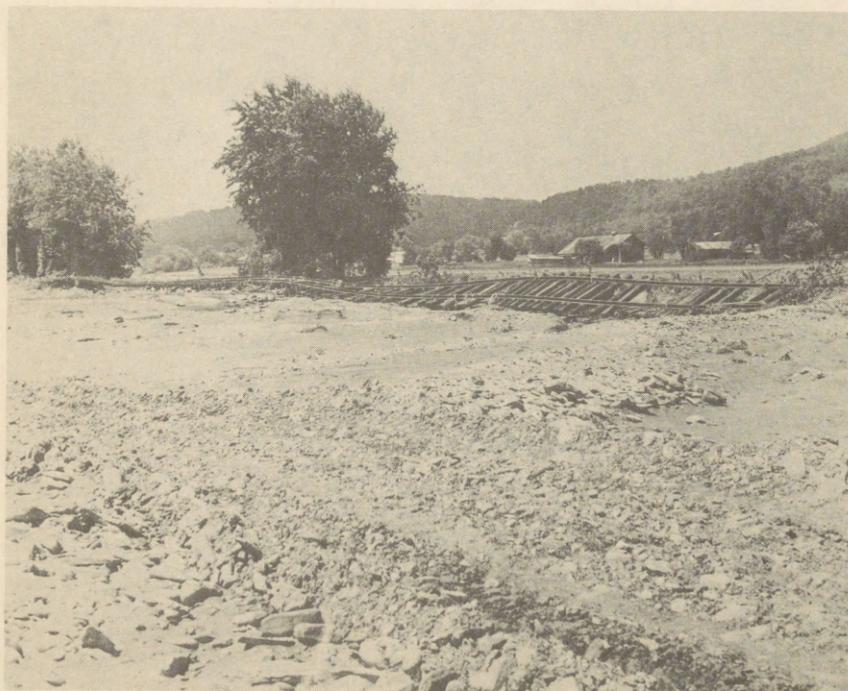
State Line and Sullivan Branch—Bridge 247 near Maple Leaf



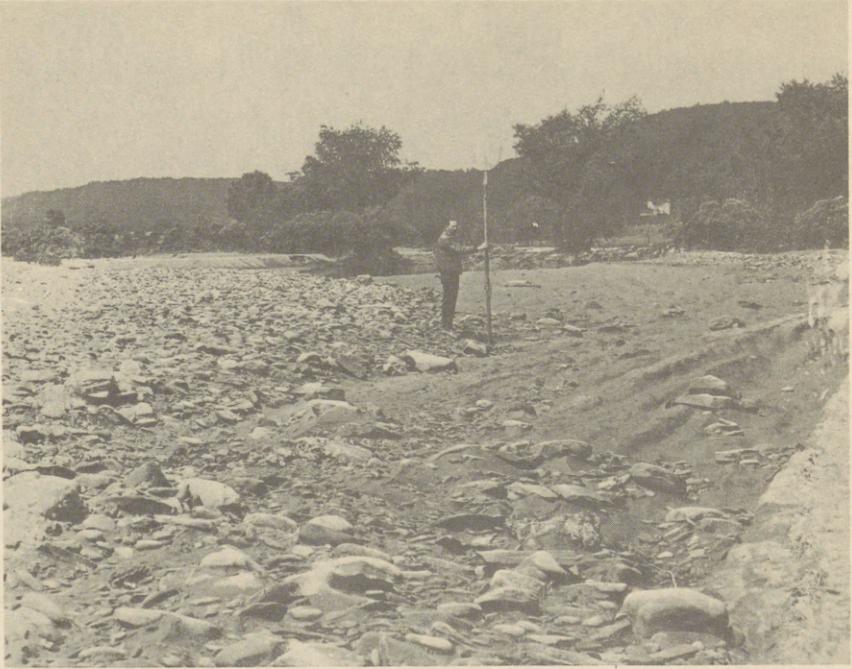
State Line and Sullivan Branch.—Rail bridge at East Towanda, Pa.



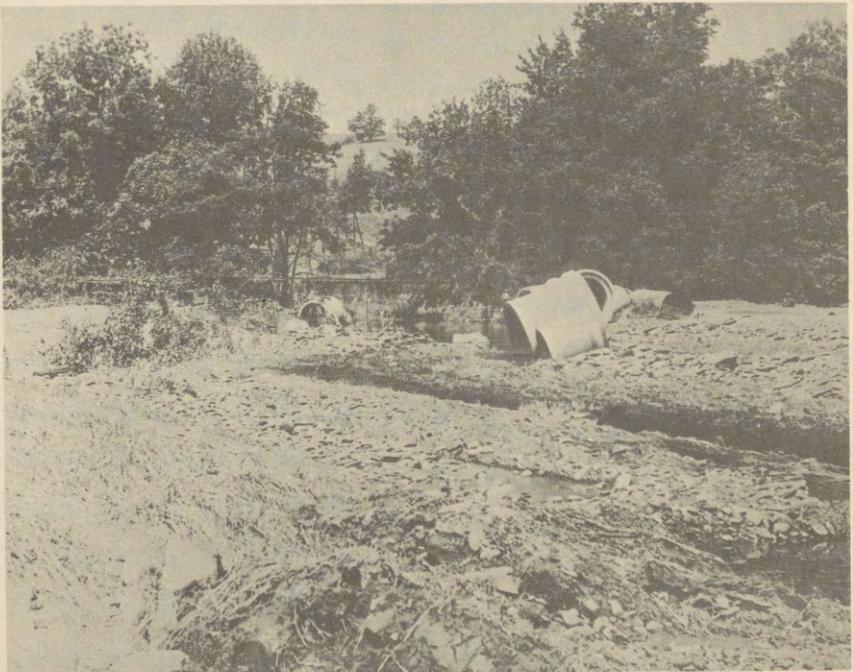
Towanda, Pa.—Bridge 254 on main line



State Line and Sullivan Branch.—Washout near MP 251



State Line and Sullivan Branch.—Whistle sign found 81 yards from track location



State Line and Sullivan Branch.—Washout at MP 252



State Line and Sullivan Branch.—Washout at MP 240

STATEMENT OF GREGORY W. MAXWELL, PRESIDENT AND CHIEF EXECUTIVE OFFICER,  
ERIE LACKAWANNA RAILWAY CO.

I am Gregory W. Maxwell, president and chief executive officer of Erie Lackawanna Railway Co. My purpose in appearing today before the Surface Transportation Subcommittee of the Senate Commerce Committee is to urge the enactment of Senate bill 3843, the "Emergency Rail Facilities Restoration Act". Under that act, emergency Federal assistance would be available to Erie Lackawanna to restore or replace essential facilities and equipment damaged or destroyed as a result of the flooding conditions occasioned by Hurricane Agnes during the latter part of June.

Such Federal assistance is essential if Erie Lackawanna is to restore full rail service to its shippers and pay the repair costs and meet the additional expenses which have been and are now being incurred as a result of the effects of Hurricane Agnes.

GENERAL EFFECTS OF STORM DAMAGES

Hurricane Agnes caused extensive damage to Erie Lackawanna's tracks, structures, signals, communications, and equipment. In addition, the flooding conditions occasioned by the storm have resulted in continuing losses of revenue and increased operating expenses. The devastating financial impact of these effects is shown below:

Cost of repairing damage.....	\$4,900,000
Detour expenses.....	1,080,000
Additional per diem expenses.....	650,000
Loss of revenue.....	4,500,000
Total .....	11,130,000

When this total impact is related to annual gross revenues, we believe that Erie Lackawanna suffered a loss from Hurricane Agnes proportionately greater than any other railroad.

In introducing the "Emergency Rail Facilities Restoration Act" on July 24, Senator Scott of Pennsylvania emphasized that the railroads suffering from the effects of Hurricane Agnes face a dual dilemma. On the one hand they are unable to provide full revenue service because of loss of tracks, rolling stock, and other related operating facilities. On the other hand, major industries which normally provide freight revenues to the railroads are themselves shut down, some perhaps permanently. Senator Scott also pointed out that a number of industries not directly affected by the flooding themselves have nevertheless had to suspend or curtail production because of interrupted rail service. This is a precise description of the dilemma facing Erie Lackawanna.

#### SPECIFIC EFFECTS OF STORM DAMAGES

Detailed information concerning the damage to Erie Lackawanna's plant and equipment was set forth in a memorandum prepared on July 7 for the Federal Railroad Administration in support of emergency Federal assistance. A copy of that memorandum is attached to and will be submitted with this statement. My purpose here is to summarize and update the information contained in that memorandum.

#### *Location of damage*

The flooding conditions which began on June 21 caused heavy damages to the following properties:

Erie Lackawanna mainline between Owego and Salamanca, N.Y., a distance of 186 miles.

Buffalo Division between Washington Hunt (River Junction) and Rock Glen, N.Y., a distance of 13 miles.

Former Erie Lackawanna mainline between Hornell and Cuba, N.Y., a distance of 52 miles.

Wayland Branch from Painted Post to Bath, N.Y., a distance of 18 miles.

Bloomsburg Branch from west of West Pittston, Pa., to east of Northumberland, Pa., a distance of 69 miles.

Tioga Branch from south of Lawrenceville, Pa., to Blossburg, Pa., a distance of 26 miles.

Bradford Branch from Carrollton, N.Y., to Bradford, Pa. a distance of 11 miles.

In addition minor damage was caused to the following properties:

Utica Branch south of Norwich, N.Y.

Syracuse Branch north and south of Cortland, N.Y.

Attica Branch east of Batavia, N.Y., to west of Avon, N.Y.

Buffalo and Southwestern Branch north of Dayton, N.Y.

#### *Track and roadway*

In the heavy damage area, through-line railroad service on Erie Lackawanna's mainline through the southern tier of New York was completely disrupted from June 21 through July 11, a period of twenty-one days. Partial service was restored on July 11 coupled with numerous slow orders through the flood damaged area. Double-track service was not restored and the detouring of trains therefore not ended until July 16, twenty-five days after the flooding commenced.

In the areas most affected, there was extensive damage to track and roadway. For example, on the mainline between Owego and Salamanca, New York, there were 120 washouts ranging in depth from 2 feet to 30 feet and in length from 80 feet to 4,000 feet. On the other affected lines there were over 230 additional washouts ranging in depth up to 12 feet and in length up to 1,000 feet. On all of the affected lines there were large quantities of debris deposited on Erie Lackawanna's track, structures and right of way which required removal in order to permit safe rail operation.

#### *Structures*

On the mainline seven bridges were damaged. On the other division and branch lines an additional nine bridges were damaged or destroyed. In some instances abutments were destroyed or damaged. In others the bridges were completely destroyed.

### *Signals*

There was extensive damage to signal equipment both on the mainline in southern New York and at other locations in New York. This included demolished pole lines, loss of highway flashing lights and damage to other signal materials.

### *Communications*

The principal damage to communications facilities occurred in New York on the mainline between Binghamton and Salamanca and in the area between Hornell and Buffalo. Approximately 300 poles were either broken or washed out and over 300 spans of wire were placed out of service. There was additional damage to land-based radio stations, wayside telephone locations and hot box detectors. There were also numerous instances of broken wires and crossarms, destroyed cables and trees and debris on communication lines.

### *Equipment*

The flood damage to equipment was extensive. Four locomotive units sustained damage of approximately \$48,000 while 759 freight cars and 19 trailers sustained damage aggregating approximately \$730,000. We do not expect to be able to return all of these freight cars to service until the end of October.

### *Additional operating problems*

Some idea of the magnitude of the operating problems caused by the flooding conditions is suggested by the fact that during the period from June 21 through July 16 we operated 592 trains on a detour basis just under 113,000 train miles.

### *Restoration of service*

Immediately after having assessed the extent of the damage to Erie Lackawanna's plant and equipment, the management of Erie Lackawanna determined that it was necessary to initiate repairs to restore through-line railroad service to our shippers. Arrangements were made promptly under contract and with company forces to effect the necessary repairs both of a temporary and a permanent nature. The decision to incur liabilities relating to this restoration work was made with the full intention of meeting the additional obligations arising out of the performance of this work, although it was clear and continues to remain clear to the management of Erie Lackawanna that its cash position precludes any accurate determination being made of a time schedule for payment of the additional costs and expenses incurred. Erie Lackawanna has at this time incurred approximately \$1.2 million in effecting repairs to its damaged plant and equipment.

## EFFECTS ON ERIE LACKAWANNA'S FINANCIAL ABILITY

### *Erie Lackawanna in reorganization*

The devastating financial impact of Hurricane Agnes on Erie Lackawanna was one of the major factors precipitating the filing by Erie Lackawanna on June 26 of a petition seeking reorganization under Section 77 of the Bankruptcy Act. In that petition we pointed out that Hurricane Agnes had inflicted heavy damage on Erie Lackawanna's properties, had interrupted its traffic flow and had seriously impaired operations of some of its shippers.

### *Effect on income*

As I have noted, the adverse financial impact of Hurricane Agnes on Erie Lackawanna is in excess of \$11 million. The effect of this magnitude of additional expense and loss of revenue may be indicated in the context of Erie Lackawanna's income forecasts prepared both prior to and after the flooding conditions in June. The income forecast prepared prior to June 21 indicates that operations for the year would be near a break-even point. Taking into account the estimated loss of revenues and additional expenses resulting from Hurricane Agnes and a continuing revenue decline, Erie Lackawanna's revised income forecast reflects a loss for the year 1972 of just under \$20 million.

### *Effect on cash*

Considering cash on hand on July 1 and projecting cash changes from Erie Lackawanna's cash forecast prepared prior to the flooding conditions in June, the cash balance at December 31 of this year would have been approximately \$10.4 million. Giving weight to the downward trend of freight revenues and to the cash effect during the remainder of this year of the previously detailed loss of revenues and increased expenses resulting from Hurricane Agnes, Erie

Lackawanna is now expected to experience a cash deficit of approximately \$4 million at the end of this year. This projected cash deficit, which is directly attributable to the effects of Hurricane Agnes on Erie Lackawanna, is the most compelling argument I can make for emergency Federal assistance under the "Emergency Rail Facilities Restoration Act" in order that we may provide essential rail service.

#### OTHER POSSIBLE SOURCES OF ASSISTANCE

Consideration has already been given to other possible sources of assistance.

##### *State assistance*

Erie Lackawanna was approached by both the New York Department of Transportation and the Pennsylvania Department of Transportation concerning its damages. It was clear, however, that any funds these agencies had for emergency assistance were not available to Erie Lackawanna or other railroads.

##### *Federal assistance*

Consideration has been given to the possibility of obtaining a loan from the Small Business Administration under Section 4456 of Title 42 of the U.S. Code. Erie Lackawanna's examination of the law and proposed SBA regulations suggests that we cannot satisfy the requirements for such a loan, since the funds available are intended for small enterprises involving loss of employment and are not intended to cover our situation.

The only other source of assistance of which Erie Lackawanna is aware is that provided in Section 3(a) of the Emergency Rail Services Act of 1970 (P.L. 91-663), where authorization is granted to the trustees of any railroad undergoing reorganization under Section 77 of the Bankruptcy Act to apply to the Secretary of Transportation for the guarantee of certificates issued by the trustees pursuant to Section 77(c)(3) of the Bankruptcy Act for cash, property or other consideration approved by the reorganization court.

The Secretary of Transportation must consult with the Interstate Commerce Commission and is authorized to guarantee such certificates only after having made certain findings in writing, including among others that "the railroad can reasonably be expected to become self-sustaining" and "the probable value of the assets of the railroad in the event of liquidation provides reasonable protection to the United States."

Trustees of the property of Erie Lackawanna were appointed on July 31, subject to confirmation by the the Interstate Commerce Commission. Even after that confirmation is received, the making of an application pursuant to the Emergency Rail Services Act of 1970 would be difficult and lengthy and would necessitate arrangements being made by the trustees with one or more financial institutions to market the certificates. Moreover, while at some future date a successful application might be progressed with the Secretary of Transportation, Erie Lackawanna's need for assistance is immediate and is truly of an emergency nature.

#### CONCLUSION

We believe Erie Lackawanna must have emergency Federal assistance in order to be able to pay its current expenses, including payroll and other costs related to its normal operations, and the additional expenses and costs incurred as a result of the effects of Hurricane Agnes. Moreover, Order No. 1 of our Reorganization Court directs payment of current expenses and costs necessarily incurred in operating, maintaining and preserving Erie Lackawanna's railroad and other properties. Our major suppliers and other creditors are aware of this mandate. In order to maintain confidence in Erie Lackawanna's ability to pay its current expenses and to conduct its normal operations, it has become increasingly important that timely payments be made to Erie Lackawanna's suppliers in order to preserve essential rail service.

In summary, it is my firm belief that Hurricane Agnes has placed Erie Lackawanna in an emergency situation which requires emergency action by the Congress. The "Emergency Rail Facilities Restoration Act" would authorize up to \$40 million in long-term Federal loans for the restoration or replacement of essential railroad facilities damaged or destroyed during the flooding conditions in June. Erie Lackawanna does not have the funds which are required to restore essential rail service nor is it aware of any existing Federal program under which assistance can be made available to it to meet this emer-

gency situation. Accordingly, I urge the Surface Transportation Subcommittee to report Senate Bill 3843 favorably to the Senate Commerce Committee and to work for its enactment by the Congress.

MEMORANDUM IN SUPPORT OF EMERGENCY FEDERAL ASSISTANCE TO ERIE LACKAWANNA RAILWAY TO RESTORE PLANT AND EQUIPMENT DAMAGED AS A RESULT OF HURRICANE AGNES

INTRODUCTION

This memorandum was prepared for the Federal Railroad Administration of the United States Department of Transportation and is submitted in support of emergency Federal assistance to Erie Lackawanna Railway Company under the proposed "Emergency Transportation Facilities Restoration Act". Such assistance would be used to restore EL's plant and equipment damaged as a result of Hurricane Agnes.

Hurricane Agnes caused extensive damage to EL's tracks, structures, equipment and other properties, particularly in the State of New York. The cost of repairing that damage is now estimated at approximately \$4,900,000. In addition loss of revenues and increased expenses resulting from the effects of Hurricane Agnes are now estimated at approximately \$6,200,000. Detailed information concerning this damage and its resulting effects on EL's plant and equipment, on the industries and communities served by EL and on EL's financial ability is set forth in detail below.

EL IN REORGANIZATION

The devastating effect of Hurricane Agnes on EL was one of the major factors precipitating the filing by EL on June 26, 1972, of a petition seeking reorganization under Section 77 of the Bankruptcy Act. In that petition EL pointed out that Hurricane Agnes inflicted heavy damages on EL's properties, interrupted its traffic flow and seriously impaired operations of its shippers.

ACTION TO RESTORE SERVICE

Immediately after having assessed the extent of the damage to EL's plant and equipment, the management of EL determined that it was necessary to initiate repairs in order to restore through-line railroad service to EL's shippers. It was determined that this action was essential in order to restore EL's revenue generating power as well as to offset detour costs and other increased expenses being incurred as a result of the disruption of railroad operations caused by Hurricane Agnes.

Moreover the Reorganization Court (United States District Court for the Northern District of Ohio, Eastern Division) in its Order No. 1 dated June 26, 1972 directed EL "to run, manage, operate, maintain, preserve and keep in proper condition and repair the railroad and properties, including leased railroads and properties, of the Debtor (EL) and railroads operated by the Debtor under operating agreements, wherever situated . . . and to manage, operate and conduct its business. . . ."

Through-line railroad service, therefore, must be restored not only for the purpose of providing service to EL's shippers but also because EL is under court mandate to repair its railroad and other properties and to operate and conduct its business. Accordingly, arrangements have been made under contract and with company forces to effect the necessary repairs both of a temporary and a permanent nature. The decision to incur liabilities relating to this restoration work was made with the full intent to meet the additional obligations arising out of the performance of this work, although it was clear to the management of EL that EL's cash position precluded any accurate determination being made of a time schedule for payment of the additional costs and expenses incurred.

Order No. 1 referred to above also directs EL to pay "current expenses and costs hereafter necessarily incurred in operating, maintaining and preserving its railroad and other properties." EL clearly must have emergency Federal assistance in order to be able to pay, on the one hand, its current expenses and costs related to its normal operations as they become due and, on the other hand, the additional expenses and costs incurred as a result of the effect of Hurricane Agnes as those expenses and costs become due.

## OTHER SOURCES OF ASSISTANCE

Consideration has been given to other possible sources of assistance in the event that emergency Federal assistance were not forthcoming under the proposed "Emergency Transportation Facilities Restoration Act."

Even though EL has been approached by both the New York Department of Transportation and the Pennsylvania Department of Transportation concerning possible assistance, EL understands that the funds available to those agencies for emergency assistance are quite meager and that EL's share of any such assistance in any event would be minimal in view of the potential demands that will be made on those agencies by other railroads subject to their jurisdiction.

Consideration has also been given to the possibility of obtaining a loan from the Small Business Administration under Section 4456 of Title 42 of the U.S. Code. EL's examination of the law and proposed regulations thereunder just published in the Federal Register on June 30, 1972, suggests that it may be impossible for EL to satisfy the SBA's requirements for such a loan, unless the SBA's proposed regulations are clarified, amended and supplemented to cover a situation like EL's.

The only other possible source of assistance of which EL is aware is that provided in Section 3(a) of the Emergency Rail Services Act of 1970 (P.L. 91-663), where authorization is granted to the trustees of any railroad undergoing reorganization under Section 77 of the Bankruptcy Act to apply to the Secretary of Transportation for the guarantee of certificates issued by such trustees pursuant to Section 77(c)(3) of the Bankruptcy Act for cash, property or other consideration approved by the Reorganization Court.

The Secretary of Transportation must consult with the Interstate Commerce Commission and is authorized to guarantee such certificates only after having made certain findings in writing, including among others that "the railroad can reasonably be expected to become self-sustaining" and "the probable value of the assets of the railroad in the event of liquidation provides reasonable protection to the United States."

Trustees of the property of EL have not been appointed and are not expected to be appointed until later in July. Moreover, even after the trustees are appointed, the making of such an application pursuant to the Emergency Rail Services Act of 1970 would be difficult and lengthy, and no immediate assistance could be anticipated even if a successful application were progressed with the Secretary of Transportation.

## DAMAGE TO THE PHYSICAL PLANT

The hurricane "Agnes" and the resulting high water and flooding commencing June 21, 1972 caused damage on the Main Line on the Erie Lackawanna Railway between Owego, N.Y. and Salamanca, N.Y., on the Buffalo Division between Washington Hunt (River Jct.), N.Y. and Rock Glen, N.Y. and the Old Main Line between Hornell, N.Y. and Cuba, N.Y. The following branch lines also received heavy damage from the storm and resulting flood:

Bloomsburg Branch from west of West Pittston, Pa. to just east of Northumberland, Pa., Wayland Branch from Painted Post, N.Y. to Bath, N.Y., Tioga Branch from south of Lawrenceville to Blossburg, Pa., and Bradford Branch from Carrollton, N.Y. to Bradford, Pa.

There were also minor washouts on the Utica Branch south of Norwich, N.Y. and on the Syracuse Branch, north and south of Cortland, N.Y., Attica Branch from east of Batavia, N.Y. to west of Avon, N.Y. and Buffalo and Southwestern Branch north of Dayton, N.Y.

## TRACK AND ROADWAY

On the main line between Owego and Hornell there were 100 washouts from 2 feet to 15 feet deep and from 80 feet to 4,000 feet long.

Between River Junction and Salamanca there were 20 washouts from 2 feet to 30 feet deep and from 100 feet to 200 feet long.

On the Buffalo Division there were 8 washouts from 2 feet to 8 feet deep and from 80 feet to 1,000 feet long.

On the Old Main between Hornell to Cuba there were 55 washouts from 1 foot to 10 feet deep and from 10 feet to 1,000 feet long.

On the Bloomsburg Branch there were 116 washouts from 3 feet to 12 feet deep and from 10 feet to 1,500 feet long.

On the Attica Branch there were 3 washouts from 1 foot to 4 feet deep and from 40 feet to 200 feet long.

On the Tioga Branch there were 30 washouts from ½ foot to 10 feet deep and from 80 feet to 2,640 feet long.

On the Bradford Branch there were 10 washouts from 2 feet to 5 feet deep and from 20 feet to 800 feet long.

On the Wayland Branch there were 10 washouts from 1 foot to 10 feet deep and from 40 feet to 480 feet long.

In addition to the above identified areas of extensive damage, large quantities of debris were deposited on our tracks, structures and right-of-way, requiring removal to permit safe operation of the railroad.

#### STRUCTURES

##### *Main line*

Bridge 233.32 over Sawyers Creek, Owego, N.Y.—74' thru plate girder—west abutment settling and crumbling.

Bridge 265.93—5' corrugated metal pipe culvert at Wellsburg, N.Y.—roadbed fill washed out.

Bridge 266.09 over Bently Creek, Wellsburg, N.Y.—2 spans of 53' thru plate girder—south end of pier from center line of eastbound track washed out.

Bridge 268.88, a 5.7' clear span concrete flattop at Wellsburg, N.Y.—portion of culvert under eastbound track completely washed out and portion under westbound track weakened.

Bridge 271.90 over Pennsylvania Ave., Southport, N.Y.—3 span 98' long ballast floor thru plate girder—20' of east abutment and N.E. wingwall tipped over; 11' of balance of east abutment undercut; steel pier (encased in concrete) at east curb line has 2 columns tipped over and strut broken; S.W. wingwall tipped over; and steelwork hanging.

Bridge 282.83 over Canal St., Big Flats, N.Y.—53' thru plate girder—west abutment north of centerline of westbound track and N.W. wingwall destroyed.

Bridge 283.81 over Farm Crossing, Big Flats, N.Y.—35' thru plate girder—both abutments destroyed and steelwork laying in opening.

##### *Buffalo division*

Bridge 361.66 (Portage Viaduct)—818' long deck plate girder and deck pin truss structure 235' high above bed of Genesee River—portion of footing of pier #7 undercut and north end of pier #8 undercut, resulting in 4 ft. hole under and of pier and extending to falls in river approximately 15 to 20 feet downstream.

##### *Bloomsburg branch*

Bridge 166.77 over waterway, Shickshinny, Pa.—62' thru plate girder—north wingwalls of both abutments destroyed; 60 to 80 percent of face stones of east abutment, below concrete bridge seat, washed out and irregular stone of backing disturbed; irregular backing stones of west abutment disturbed due to complete washout of fill.

Bridge 207.66—a 5' stone arch culvert at Cameron, Pa.—completely destroyed.

##### *Tioga branch*

Bridge 28.05—a 2'×2' stone box culvert at Tioga, Pa.—completely destroyed.

Bridge 29.70 over Mill Creek, Tioga, Pa.—74' thru plate girder—both abutments, including wingwalls, destroyed and steelwork in creek bed 30 ft. downstream.

Bridge 37.16—a 2'×3' stone box culvert at Canoe Camp, Pa.—completely destroyed.

Bridge 41.46—an 8½' clear span timber structure over Smith Creek, Covington, Pa.—completely destroyed.

Bridge 45.73 over Tioga River, Blossburg, Pa.—a 125' timber pile trussle and 3 spans of 56' thru plate girder—all but 3 pile bents of trestle destroyed and timber stringers hanging; stone pier at east end of easterly steel span destroyed and steel is hanging; and pier at west end of easterly steel span is undercut.

##### *Wayland branch*

Bridge 274.88 over Cohocton River, Coopers, N.Y.—2 spans of 146 thru riveted truss on a 45 degree skew. South 20 feet of east abutment and south wingwall destroyed; bridge seat washed out under north pair of stringers; and east end of south truss hanging with roller bearing missing.

## SIGNALS

The Signal Department had switch machines under water at interlocking plant. West Salamanca, N.Y., motors and switch relays had to be replaced. All signal locations, battery boxes, hand throw switch machines, switch circuit controllers and relay housings were flooded between Mile Post 412, east of Salamanca, N.Y., and Mile Post 405 east of Carrollton, N.Y., requiring replacement or cleaning of relays, batteries, and all other signal apparatus; in the same area twenty spans of pole line were demolished. West of Belfast, N.Y. on the River Line the pole line was washed out at the Genesee River and has been temporarily replaced with cable over the Belfast Viaduct.

The signal system on the Old Main Line between Cuba, N.Y. and Hornell, N.Y. sustained damage to the pole line at various locations, one highway flashing light signal was washed out, one signal at Andover, N.Y. was washed out and tipped over. Various signal locations, battery boxes, hand throw switch machines and relay housings were flooded in the area requiring replacement or cleaning of signal apparatus.

Signal locations from Mile Post 328 east of Hornell, N.Y. to Mile Post 296, Erwins, N.Y. were flooded, including highway flashing light signal located at Whites Crossing, Cameron, N.Y., which was washed out and incurred extensive damage; in this area the pole line was demolished in four locations. The interlocking plant at west end of Gang Mills, N.Y. yard was completely destroyed and signal locations at the east end of Gang Mills, N.Y. yard were flooded, requiring replacement or cleaning of all signal apparatus. Several signal locations between Mile Post 286, East Corning, N.Y., and Mile Post 277, west of Horseheads, N.Y. were flooded, requiring replacement or cleaning of signal apparatus.

Signal material stored on ground floor at Elmira Station for use on Elmira Heights Grade Elimination Project was flooded and will require cleaning and repair. The west end of crossover switch at Southport, N.Y., interlocking plant was washed out and switch layout exposed but still intact, and can be restored.

Signal locations from Mile Post 269 east of Southport, N.Y. to Mile Post 260, Chemung, N.Y. were flooded, including automatic highway gate locations at Coffeys Crossing and Main Street, Wellsburg, N.Y. and will require cleaning or replacement of signal apparatus. The signal pole line was also extensively damaged in this area.

On the Bloomsburg Branch from Mile Post 147, Kingston, Pa., to Mile Post 202, Danville, Pa., sixteen (16) sets of automatic highway crossing protection locations were flooded and extensively damaged, requiring cleaning and replacement of signal apparatus.

## COMMUNICATIONS

The principal damage to communication facilities in the areas Hornell to Buffalo; Salamanca to Hornell; River Line; Hornell to Binghamton and Kingston to Northumberland consisted of approximately 300 poles down (either broken or washed out), in excess of 300 spans of wire (from 6 to 14 wires per span) out of service, 28 land based radio stations out of service, 17 wayside telephone locations completely destroyed and 9 hot box detectors to restore, 3 of which were damaged by water. There were also numerous locations of broken wires, broken crossarms, trees and debris in line. Through the Elmira area in excess of 5,000 feet of cable was destroyed and at Kingston in excess of 600 feet of cable was destroyed. These cables must be replaced.

Telephone and test equipment at Gang Mills Yard, Elmira depot and Kingston depot was destroyed and must be replaced.

Train Dispatcher, Division Message and Radio Control Circuits have been temporarily restored by means of twisted pair wire.

## DAMAGE TO EQUIPMENT

A total of four locomotive units received flood damage amounting to \$47,700. One unit will be repaired and restored to service on July 20, 1972, the second unit will be restored to service on July 14, 1972, the third unit on July 6, 1972 and the fourth unit, which is isolated with track structure washed out on both sides, will be restored to service approximately two weeks after track is repaired. In addition to these four units we have a total of thirteen other units which are not damaged by flood but which are isolated and unavailable for service account track structure washed away on both sides of the unit.

A total of 759 freight cars and 19 trailers have been damaged by the flood in the amount of \$729,700. We estimate that all of these cars will be returned to service by October 31, 1972 with the exception of some cars which were stored unserviceable awaiting shopping at the time of the flood.

Our Locomotive and Car Shop at Gang Mills, N.Y., sustained flood damage in the amount of \$7,300 which damage related to water damage to fueling station, air compressor, heaters and shop tools and we anticipate restoring this facility to an operative condition by July 14th.

A total of four trucks, two air compressors and several other small track machines were damaged on the Bloomsburg Branch, two trucks, one automobile, one track mounted weed burner and several other small track machines were damaged on the Susquehanna Division and two air compressors and several track machines were damaged on the Mahoning Division. The estimated cost of repairs is \$30,600.

#### ERIE LACKAWANNA RAILWAY

##### OPERATING PROBLEMS

The best possible way to show the adverse affect of the detouring made necessary in the wake of storm "Agnes" is to show what we are now doing with four of our fastest trains or compared to normal operation of these trains prior to the storm—Trains NE 74, 2/100, NY 99 and CX 99 are the trains.

Rerouting of these trains was accomplished via four routes. The Canadian National, Canadian Pacific, Penn Central and Lehigh Valley were used to maximize opportunity to reduce delay.

The Canadian operation for NE 74 resulted in an increase of 49'30" for runs via the Canadian Pacific and of 40'08" for those via the Canadian National over normal running time. Base points Chicago to Port Jervis.

The Lehigh Valley operation of 2/100 resulted in an increase of 12'33" and the Penn Central operation of this train resulted in an increase of 14'03" over normal running time. Base points Chicago to Croxton.

The Penn Central operation of NY 99 resulted in an increase of 18'07" and the Lehigh Valley operation of this train resulted in an increase of 13'51" over normal running time. Base points Croxton to Chicago.

The Penn Central operation of CX 99 resulted in an increase of 16'09" and the Lehigh Valley operation of this train resulted in an increase of 16'36" over normal running time. Base points Croxton to Chicago.

The significant point is that for a long period of time before the storm all of the trains mentioned here were excellent performers. NE 74 for example for over 8 months averaged 25'40" between Chicago and Port Jervis—scheduled time is 26'00", CX 99 averaged 28'30" for over 6 months between Croxton and Chicago—scheduled time 29'30".

The two days added to NE 74's time and one day added to CX 99 is more than sufficient for the train to lose all competitive potential.

No semblance of regular service is now being given by these trains whereas it was almost perfect before the storm.

The effect on trains other than those mentioned herein is substantially worse. Three to five days would not be unreasonable delay to expect.

Locomotive operation has been most severely affected. Engines on NE 74, NX 99, CX 99 and 2/100 are turned on a 72 hour cycle between Chicago and Croxton or Port Jervis. The engines now are turning at best on a 96 hour basis but more often on a 120 hour cycle. This means simply that where we formerly needed 3 locomotives for a pair of trains we now need 4 or 5.

All of the events mentioned herein are magnified in respect to our other trains. We simply cannot perform on a dependable basis and therefore cannot produce a marketable product. What is worse we cannot perform dependably to provide essential public service.

The length of the various detours themselves are as follows:

	<i>Miles</i>
Via Canadian National-----	832
Canadian Pacific-----	818
Penn Central-----	290
Lehigh Valley-----	227

These figures include EL mileage from the Main Line points to the connections and also D&H and other railroad mileage necessary to complete the route.

Excess train miles operated due to these detours as of July 7th were as follows :

Canadian National.....	20,300
Canadian Pacific.....	16,414
Penn Central.....	6,420
Lehigh Valley.....	2,183
<b>Total .....</b>	<b>45,317</b>

As a result of the numerous and lengthy detours caused by this storm and resultant flooding, many of our large customers were seriously delayed in their switching service because of the additional time required to cover the detour routes. In the washed out areas many industries were entirely without switching service and are still awaiting the restoration of track and road bed so that at least partial service can be resumed. This includes industries such as United States Steel Corp., Air Preheater Co., Corning Glass Co., Ingersoll Rand Co., Mobil Oil Co., Beacon Milling Co., A&P Tea Co., Watkins Salt Co., International Salt Co., General Electric Co., Kennedy Valve Co., Thatcher Glass Co., American La France Co., Moore Business Forms.

Diversion of traffic to other lines due to lengthy detours, while difficult to measure, has certainly taken place and may continue even after our Main Line and branch lines are restored to service.

#### EFFECT ON ERIE LACKAWANNA INDUSTRIES IN FLOOD AREA

*Wellsville to Hornell (including the WAG)*—estimated revenue loss from industries located in this area of the railroad is \$84,000.

Information relating to communities and firms in this section of track is shown below :

*Alfred, N.Y.*—Nothing.

*Andover, N.Y.*—*D&L Feeds* on Erie teamtrack. No track damage to Erie track. Water damage to graining mill. Motor unit burned out. Lost 577 tons of lime that was stored on leased property adjacent to EL track. Previously feed moved in by rail from Ralston Purina, Oneonta, N.Y. Temporarily trucking from Austin Milling at South Dayton. They will start in business just as soon as Erie gets back in business. They will re-order 577 tons via rail. Will stay in business. No estimate of damage yet.

*Wellsville, N.Y.*

*Air Preheater.*—No damage to industrial tracks. Plant #1 was closed for 1½ weeks due to water. Plants #2, #3 and #4 were not affected. No personnel laid off. They used all plant personnel to clean up and work around other plants. They manufacture on regular schedule as they bill they start. To date only shipped three truckloads out for emergency. Estimate damage not known yet. EL bridge being repaired.

*Worthington Corporation.*—No damage to plant tracks. Plant closed 3 days account water (June 21, 22 and 23) 850 people laid off during this period. Now in full production and we resumed all their business.

*Agway.*—Located on WAG teamtrack. Was closed June 20. Will not be open until July 8. \$35,000 lost in inventory. Track adjacent. Plant is OK but washed out between this plant and bridge on the WAG.

*Collins Builders Supply.*—They use same track WAG teamtrack. Plant is closed indefinitely. Closed June 21 and will come in next week to see. Lost \$20,000 of stock. Unloaded two cars of lumber. Went down the river. Track adjacent to this plant. Plant OK. WAG washed out between plant and bridge.

*Ben Smith.*—WAG siding—office building and track under water. Closed June 21, 22, 23 and 24 to clean up. No loss of inventory—scrap iron. Track not in good shape, needs ballast. Remain in operation. No interchange between WAG and EL account track conditions.

*Mapes Woodworking.*—Located on WAG. Have private siding. Whole plant under water \$200,000 damage. Will resume business. Will operate on limited basis in week and full production August 1. Private track looks OK.

*WAG R.R.*—Presently not operable to interchange cars to the EL or between EL and WAG and future is unknown. Service from Wellsville to Galetton, Pa., is closed. Service Ansonia with PC not in operation account PC bridge at Corning, N.Y., went down the river.

*Lunn Lumber Company.*—Had no siding. Used either WAG or EL teamtrack. No trouble. No water. Still in operation.

*Belmont, N.Y.*

*Wayne Feeds.*—EL teamtrack. Looks like it will be OK. No water at plant or mill. Closed June 21, 22 and 23 account employees absent (their homes washed out). Temporarily trucking in feed from Buffalo until rail service is returned. Will remain in business.

*Harrison Home Center.*—Unload at EL teamtrack. Have coal sheds on leased property. Building was not under water. Will remain in service as soon as railroad OK.

*Belvidere, N.Y.*—EL teamtrack.—Teamtrack OK.

*Angelica, N.Y.*—*Agway.*—Use teamtrack to unload. No water at Angelica Agway plant in operation as before.

*Friendship, N.Y.*—*Macler Industries.*—Have own private siding on EL. No damage. No water damage at plant just a little. Plant closed June 20–26 account electrical power failures. Cannot operate electric furnaces. Employs 120 people and only 20 showed up for work account homes washed out. Estimate lost in production \$50,000. Presently in full production.

*Jones Chemical*—On EL siding. No water. No damage. Plant closed June 21, 22 and 23 account employees. Hired 12 people; will continue in production.

*Olean, N.Y.*

*Felmont Oil.*—Plant closed down June 20 and start operation July 12. Flood filled gas wells and shorted out all electrical and motor units. Gas pipe broke in plant. Flood caused no damage at plant. No water in that area. Since the EL was in trouble they will close plant for annual maintenance. Motors were bad and had broken gas. Plant usually closes down in August or September.

*Air Reduction.*—Affected Felmont Oil Company closed affected Air Reduction because they supply Air Reduction with CO<sub>2</sub>. Air Reduction closed on June 20 and will open July 12. No water damage to plant or track. Fleet of leased cars (tank) were forwarded to their Lima, Ohio, plant and service to their customers from Lima, Ohio. Will start ordering their cars back July 7.

*Agway.*—No water damage. Flood did not reach this area. Closed down June 20 account Felmont Oil down. Felmont Oil supplies their raw materials. Closed plant on vacation and will do maintenance on their plant because it was good time to do it. Will start production July 12.

*Clark Bros.*—On the PC. No water damage. Closed one day. 2,000 people because of flooded area.

*Olean Tile.*—On PC. Not affected by water.

*Hysol.*—On the EL. Not affected by flood.

*Ralston Purina.*—On the EL. Not affected by flood. *Cuba, N.Y.*—on the EL. *Cuba Cheese*—No water. Track OK. Not affected by flood.

*Farmsworth Cookies.*—Use Cuba Cheese siding to unload; plant was not affected by flood.

*Salamanca, N.Y.*—*Forbush Lumber Co.*—EL siding—Siding seems to be OK. Plant was completely under water. Closed on June 20 and will open June 25. Estimate—\$100,000 damage. Stored their lumber and plywood in the basement. Storage space was filled with water. Will be in operation September or October. Have about 20 employees.

*Main Line Between Hornell and Owego*—estimated revenue loss from firms in this area is \$557,000.

Information relating to communities and firms in this section of track is shown below:

*Hornell, N.Y.*—All firms report no sidetrack damage and are operating.

*Canestee, N.Y.*—*Agway.*—No problems.

*Cameron Mills, N.Y.*—*N.Y. Highway Dept.*—No sidetrack damage.

*Addison, N.Y.*—*Agway*—No sidetrack damage. *Wates Coal*—No sidetrack damage.

*Erwins, N.Y.*—*Agway*—No problems.

*Painted Post 4 firms—2 "A" firms*

*Ingersoll Rand*—Heavy sidetrack damage.

*Corning Packaging*—Sidetrack completely out and plant damaged.

*Riverside Lumber*—Lead to sidetrack damaged.

*Corning Leader*—Paper now being published in Hornell.

All plants at Painted Post closed.

*Corning, N.Y.*—*Callahan Lime*—Sidetrack OK—Plant shut down. *Corning Glass*—Extensive damage to PC industrial tracks.

No interchange with PC at Corning.

*Gibson, N.Y.*—*Corning Materials*—Operating and using truck—No sidetrack damage.

*Atlantic Switch—Arco Refining*—Cannot contact this firm. *Hickling Station* (N.Y. Gas & Electric)—We do little business via EL—Their sidetrack has been extensively damaged.

*Big Flats, N.Y.*—Four industries—3 are working—None report EL sidetrack damage—*Agway* (A)—PC bridge on the lead to PC sidetrack is damaged.

*Horseheads, N.Y.*—*Westinghouse Electric* (A)—No sidetrack damage—Using truck and P/B—*A&P* (A)—No sidetrack damage—Using truck and P/B.

*Elmira, Elmira Heights, N.Y.* 7 "A"

*McMullin Bladell* (A); *American Bridge* (A); *Thatcher Glass* (A); *General Electric* (A); *Ralston Purina* (A); *Flickinger* (A); *Kennedy Valve* (A); all sidetracks OK.

*American LeFrance*—Leads to sidetrack in bad shape.

*Chemung Foundry*—Leads to sidetrack in bad shape.

Plants closed:

Grayor Products  
Chemung Foundry  
American LaFrance  
Kennedy Valve

Plants partly open:

Moore Business Forms  
Hilliard Corp.  
Rose-Kimball-Baxter

*Hygea Refrigeration* will close on permanent basis due to severe flood damage; this firm does business with A&P, Curtiss Candy, Flickinger, Frosted Foods.

*Owego-Waverly, N.Y.*—2 communities and 11 industries.

All industries report no sidetrack damage and all have been operating since July 1st. The major firms are:

*Agway, Waverly* (A)  
*Grand Union, Waverly* (A)  
*Tioga Mills, Waverly* (A)  
*Ward Van Scoy, Owega* (A)

All firms operating and we are giving service from the east end. Also, firms using trucks.

NOTE.—Firms with 15 or more units of traffic per month designated "(A)".

*Wayland Branch*—estimated revenue loss from firms in this area is \$78,000.

Information relating to communities and firms in this section of track is shown below:

Ten Communities—ten Industries—No problem with any of the sidetracks; however, only contact is via phone.

*Goodrich Co., Avoca, N.Y.*—Operating and using trucks.

*Bath & Hammondsport R R.*—Embargoed.

*Hammondsport Wineries*—Using truck and P/B.

*Mobil Oil, Bath, N.Y.* (A)—No sidetrack damage and operating

*Gunlock Chair, Wayland, N.Y.* (A)—Some out of stock via truck.

*Tioga Branch*—estimated revenue loss from firms in this area is \$62,000.

Information relating to communities and firms in this section of track is shown below:

We have four active sidetracks on the Branch.

*Armco Steel, Mansfield, N.Y.*

*Checkerboard Feed, Mansfield, N.Y.*

*J P. Ward, Blossburg, N.Y.* (A)

All firms operating and no sidetrack damage.

*Watkins Glen Branch* (PC Trackage)—estimated revenue loss from firms in this area is \$66,000.

Information relating to communities and firms in this section of track is shown below:

Four Communities—Twelve Industries—8 of the industries are located at *Horseheads Holding Center*

*International Salt* (A)

*Corning Glass* (A)

*Thatcher Glass* (A)

*Metro Glass* (A)

*Westinghouse Electric* (A)

*Charmin Paper* (A)

*Teeters Floral Products* (A)

*Kellogg* (A)

*Watkins Glen, N.Y.*

*International Salt (A)*—Operating—PC is giving rail service via their Himrod Branch.

*Watkins Salt (A)*—(same).

*Bloomsburg Branch*—estimated revenue loss from firms in this area is \$319,000.

Information relating to communities and firms in this section of track is shown below: 22 Firms—8 Communities (13 firms—Unable to reach)

*Nine firms checked*

2 firms closed for vacation—Reopening July 10.

1 firm closed down account Flood (Interstate Bakery—will not reopen).

6 firms open and shipping via truck (171 cars in 1971).

These 9 firms do not need any assistance for sidetracks:

*Simpson Lumber, Kingston (A)*

*Champion Valley Farms (Carna. Milk)*

*Interstate Bakery, Kingston (A)*

*Bloomsburg Craftsman (A)*

*Berwick Forge, Berwick (A)*

*Kennedy Van Saun (A)*

*U.S. Steel, Berwick (A)*

*Cabinet Industries (A)*

*Wise Foods (Div. Borden) (A)*

NOTE.—Firms with 15 or more units of traffic per month designated "(A)".

In addition to the revenue loss shown above, there is an additional \$3,342,000 revenue loss on traffic which did not originate or terminate in these areas.

## NUMBER OF EMPLOYEES OF INDUSTRIES IN FLOOD AREA

City and industries	Number of employees
Owego, N.Y.:	
International Business Machines	5,000
Tioga Foundry Corp.	118
Elmira N.Y.:	
American Bridge	620
Thatcher Glass	1,200
General Electric	500
American LaFrance	700
Kennedy Valve	970
Hankens Container	140
Eclipse Machine	1,000
Ward LaFrance Corp.	322
Horseheads, N.Y.:	
Great A. & P. Tea Co.	2,300
Corning Glass (Big Flats)	595
Westinghouse Electric Co.	1,900
National Homes	350
Watkins Glen, N.Y.:	
International Salt Co.	320
Watkins Salt Co.	120
Blossburg branch, Ward Foundries	450
Wayland branch, Taylor Wine Co.	307
Corning, N.Y.: Corning Glass Works	6,497
Wellsville, N.Y.: Air Preheater Co.	1,048

## EFFECTS ON EL'S FINANCIAL ABILITY

## ANTICIPATED LOSS OF REVENUES RESULTING FROM INABILITY TO PROVIDE NORMAL SERVICE

It is estimated that EL's loss of revenues will be approximately \$4,500,000. This estimate includes consideration of industry being curtailed or affected by Hurricane Agnes as well as EL's inability to reach certain industries.

## ADDITIONAL COSTS REQUIRED TO PROVIDE SERVICE UNDER ABNORMAL OPERATING CONDITIONS

The additional costs under this category consist basically of detouring costs and additional per diem expenses. It is estimated that this cost will be approximately \$1,734,000.

### Income forecast

Based upon the results of the first five months of 1972 and EL's income forecast for the remaining months of the year prepared prior to the flooding conditions in June, it was expected that operations for the year would be near a break-even point. However, this projection should be adjusted due to the failure of the Interstate Commerce Commission to grant the railroad industry a requested 4% freight rate increase, which is now under suspension by the ICC. There is no present prospect of favorable action on this freight rate increase. With the elimination of this anticipated freight rate increase, EL would then project a loss for the year of approximately \$3,000,000. With the estimated loss of revenues and additional expenses resulting from Hurricane Agnes of approximately \$11,100,000, EL's revised estimate of the loss for the year 1972 would be approximately \$14,100,000.

### Cash forecast

Considering the cash on hand at July 1, 1972 and projecting cash changes from EL's cash forecast prepared prior to the flooding conditions in June, the cash balance at December 31, 1972 would be approximately \$10,400,000. However, eliminating the effect of the freight rate increase being sought, as mentioned above, this balance would be reduced to approximately \$7,500,000. Giving weight to the cash effect in 1972 of the previously-detailed loss of revenues and increased expenses resulting from Hurricane Agnes, EL would experience a cash deficit of almost \$2,100,000. The only present alternative available to eliminate this deficit as well as to provide the necessary minimum working cash level of \$2,500,000 would be to defer payment of other obligations.

### ERIE LACKAWANNA RY. CO.—ESTIMATED COST OF STORM DAMAGE—"AGNES," COMMENCING JUNE 21, 1972

Territory	Track	B. & B.	Structures	Signals	Communi- cations	Totals
Scranton division:						
Bloomsburg branch.....	\$357,900	\$7,000	\$134,600	\$104,300	\$11,500	\$615,300
Hanover-Newport branch.....			25,000			25,000
Susquehanna division:						
Main line (Binghamton to Hornell).....	966,100	25,200	482,800	278,000	72,670	1,824,770
Tioga branch.....	165,400		133,900			299,300
Wayland branch.....	100,000		207,700			307,700
Buffalo division:						
Main line (Hornell to Buffalo).....	53,500		80,700	1,700	1,270	137,170
Attica branch.....	14,500					14,500
B. & S. W.....	20,300					20,300
Mahoning division:						
Main line (Cuba Junction to Salamanca) ..	21,800			25,000	1,800	48,600
River line.....	9,500			23,600	7,800	40,900
Old main line.....	624,300		9,000	50,800	50,960	735,060
Bradford branch.....	4,600		700			5,300
Dunkirk branch.....	1,400					1,400
<b>Total.....</b>	<b>2,339,300</b>	<b>32,200</b>	<b>1,074,400</b>	<b>483,400</b>	<b>146,000</b>	<b>4,075,300</b>

### SCRANTON DIVISION

To restore service:						
Bloomsburg branch:						
Short term:						
Labor.....	\$188,200		\$2,700	\$40,200	\$2,420	\$233,520
Material.....	146,700		4,900	38,000	880	190,480
Contract.....	23,000		127,000			150,000
<b>Total.....</b>	<b>357,900</b>		<b>134,600</b>	<b>78,200</b>	<b>3,300</b>	<b>574,000</b>
Long term:						
Labor.....		\$5,000		13,400	4,080	22,480
Material.....		2,000		12,700	3,920	18,620
Contract.....					200	200
<b>Total.....</b>		<b>7,000</b>		<b>26,100</b>	<b>8,200</b>	<b>41,300</b>
Hanover-Newport branch: Short term:						
Labor.....			25,000			25,000
<b>Total.....</b>	<b>357,900</b>	<b>7,000</b>	<b>159,600</b>	<b>104,300</b>	<b>11,500</b>	<b>640,300</b>

## ERIE LACKAWANNA RY. CO.—ESTIMATED COST OF STORM DAMAGE—"AGNES," COMMENCING JUNE 21, 1972—Con.

## SUSQUEHANNA DIVISION

Territory	Track	B. & B.	Structures	Signals	Communi- cations	Totals
To restore services:						
Main line (Binghamton to Hornell):						
Short term:						
Labor.....	\$589,100	\$9,200	\$53,000	\$79,100	\$11,100	\$742,400
Material.....	197,700		33,600	88,400	3,630	323,330
Contract.....	116,400		315,800			432,260
Total.....	903,200	9,200	403,300	167,500	14,730	1,497,930
Long term:						
Labor.....	10,000	10,000		45,900	33,960	99,860
Material.....	20,000	6,000		64,600	32,980	114,580
Contract.....	32,900		79,500			112,400
Total.....	62,900	16,000	79,500	110,500	57,940	326,840
Tioga branch:						
Short term:						
Labor.....	56,800		57,050			113,850
Material.....	84,300		55,000			139,300
Contract.....	24,300		21,850			46,150
Total.....	165,400		133,900			299,300
Long term:						
Labor.....						
Material.....						
Contract.....						
Total.....						
Wayland branch:						
Short term:						
Labor.....	50,000		5,700			55,700
Material.....	40,000		2,000			42,000
Contract.....	10,000		200,000			210,000
Total.....	100,000		207,700			307,700
Long term:						
Labor.....						
Material.....						
Contract.....						
Total.....						
Total.....	1,231,500	25,200	824,400	278,000	72,670	2,431,770

## BUFFALO DIVISION

To restore to service:						
Main line:						
Short term:						
Labor.....	\$43,500		\$23,300	\$1,100		\$67,900
Material.....	4,700		2,900	600		8,200
Contract.....	1,800		16,500			18,300
Total.....	50,000		42,700	1,700		94,400
Long term:						
Labor.....					1,270	1,270
Material.....						
Contract.....	3,500		38,000			41,500
Total.....	3,500		38,000		1,270	42,770
Attica branch:						
Short term:						
Labor.....	13,900					13,900
Material.....	600					600
Contract.....						
Total.....	14,500					14,500

## ERIE LACKAWANNA RY. CO.—ESTIMATED COST OF STORM DAMAGE—"AGNES," COMMENCING JUNE 21, 1972—Con.

## BUFFALO DIVISION—Continued

Territory	Track	B. & B.	Structures	Signals	Communi- cations	Totals
To restore service:						
Attica branch—Continued						
Long term:						
Labor.....						
Material.....						
Contract.....						
Total.....						
B. & S.W.:						
Short term:						
Labor.....	\$17,800					\$17,800
Material.....	1,500					1,500
Contract.....	1,000					1,000
Total.....	20,300					20,300
Long term:						
Labor.....						
Material.....						
Contract.....						
Total.....						
Total.....	88,300		\$80,700	\$1,700	\$1,270	171,970

## MAHONING DIVISION

To restore service:						
Main line (CB to Salamanca):						
Short term:						
Labor.....	\$16,600			\$7,580	\$1,000	\$25,180
Material.....	2,400			9,420		11,820
Contract.....						
Total.....	19,000			17,000	1,000	37,000
Long term:						
Labor.....	1,000			6,180	600	7,780
Material.....	1,800			1,820	200	3,820
Contract.....						
Total.....	2,800			8,000	800	11,600
River line:						
Short term:						
Labor.....	4,900			3,806	800	9,506
Material.....	4,600			10,836	700	16,136
Contract.....						
Total.....	9,500			14,642	1,500	25,642
Long term:						
Labor.....				6,188	3,670	9,858
Material.....				2,770	2,630	5,400
Contract.....						
Total.....				8,958	6,300	15,258
Old main line:						
Short term:						
Labor.....	246,300			21,655	12,870	280,825
Material.....	126,000			5,175	2,710	133,885
Contract.....	230,000					230,000
Total.....	602,300			26,830	15,580	644,710
Long term:						
Labor.....	7,500			14,014	19,950	41,464
Material.....	7,500			9,956	15,430	32,886
Contract.....	7,000		\$9,000			16,000
Total.....	22,000		9,000	23,970	35,380	90,350

ERIE LACKAWANNA RY. CO.—ESTIMATED COST OF STORM DAMAGE—"AGNES," COMMENCING JUNE 21, 1972—Con.  
 MAHONING DIVISION—Continued

Territory	Track	B. & B.	Structures	Signals	Communica- tions	Totals
To restore service:						
Bradford branch:						
Short term:						
Labor.....	\$2,900		\$500			\$3,400
Material.....	1,700		200			1,900
Contract.....						
Total.....	4,600		700			5,300
Long term:						
Labor.....						
Material.....						
Contract.....						
Total.....						
Dunkirk branch:						
Short term:						
Labor.....	1,100					1,100
Material.....	300					300
Contract.....						
Total.....	1,400					1,400
Long term:						
Labor.....						
Material.....						
Contract.....						
Total.....	661,600		9,700	\$99,400	\$60,560	831,260

TIME ESTIMATES TO RESTORE SERVICE

Territory	Track		B. & B.		Structures		Signals		Communications	
	Temporary	Permanent	Track	Permanent	Temporary	Permanent	Temporary	Permanent	Temporary	Permanent
Saratoga division:										
Bloomersburg branch	Aug. 17, 1972	Oct. 31, 1972	July 30, 1972	Oct. 31, 1972		Aug. 15, 1972	July 28, 1972	Aug. 31, 1972	July 7, 1972	Aug. 15, 1972
Hanover-Newport branch										
Susquehanna division:										
Main line (Binghamton to Hornell)	July 28, 1972	Oct. 31, 1972	July 14, 1972	Oct. 31, 1972		July 28, 1972	July 28, 1972	Jan. 31, 1973	July 7, 1972	Oct. 20, 1972
Tioga branch	?	?			?	Oct. 7, 1972				
Wayland branch	Sept. 15, 1972	Oct. 31, 1972						June 27, 1972		
Buffalo division:										
Main line	June 27, 1972	do.	June 27, 1972	Aug. 31, 1972				do.		July 3, 1972
Attica branch	do.	do.								
B. & S. W.	June 23, 1972	do.								
Mahoning division:										
Main line (CB to Salamanca)	June 27, 1972	July 31, 1972					June 28, 1972	July 31, 1972	July 1, 1972	July 21, 1972
River line	do.	do.					June 22, 1972	do.	July 2, 1972	Aug. 15, 1972
Old main line	July 28, 1972	Oct. 31, 1972					Aug. 11, 1972	Sept. 15, 1972	July 7, 1972	Oct. 2, 1972
Bradford branch	July 5, 1972	do.								
Dunkirk branch	June 29, 1972	do.								

## SUMMARY

Track and structures:	
Scranton division.....	\$524, 500
Susquehanna division.....	2, 081, 100
Buffalo division.....	169, 000
Mahoning division.....	671, 300
Total.....	3, 445, 900
Signals and communications:	
Signals.....	483, 400
Communications.....	146, 000
Total.....	629, 400
Other M/W items: Work equipment and small machines damaged by high water.....	30, 600
Detour costs.....	1, 080, 000
Mechanical department:	
Locomotives.....	47, 700
Cars.....	729, 700
Shops.....	7, 300
Total.....	784, 700
Loss of revenue: Interruption of service.....	4, 500, 000
Per diem.....	653, 800
Grand total.....	11, 124, 400
New York State.....	9, 677, 000
Pennsylvania.....	1, 447, 400
Grand total.....	11, 124, 400

Source: Office of Chief Engineer, Cleveland, Ohio, July 7, 1972.

## STATEMENT OF WILLIAM H. MOORE, PRESIDENT, PENN CENTRAL TRANSPORTATION CO.

Mr. Chairman and Gentlemen of the Committee: I am William H. Moore, President of Penn Central Transportation Company. I am grateful for this opportunity to appear before you in support of the Emergency Rail Facilities Restoration Act (S. 3843).

The purpose of my testimony is to describe briefly the damage done to the track and structures of Penn Central by Tropical Storm "Agnes" on June 22 and 23, and our urgent need for funds to rebuild or replace rail facilities and equipment in order that we may completely restore vital transportation services to a large and important section of the country.

Attached to my prepared statement is a map and a series of photographs with which I shall illustrate the devastating effect that the storm has had on our operation. For your convenience in following this discussion, I have in the hearing room an enlargement of the map, which shows all of Penn Central lines east of the Ohio border.

Our main traffic artery connecting this entire territory to points in the mid-west is this line which runs east from a major classification yard near Pittsburgh through Altoona to Enola—another large yard just across the river from Harrisburg—where freight is reclassified for distribution along these radiating lines serving the entire eastern seaboard south of New York City.

Traffic to and from New England moves over the northern route running through Buffalo, Syracuse and Albany. Freight from this area destined south of New York moves over these two North-South lines which also converge at Enola, near Harrisburg.

The central path of the storm was right through the area where all these lines converge—beginning at Washington, then Harrisburg, Williamsport and Wilkes Barre, through Corning and Elmira and on north. The lines colored in red are those which were damaged, with operations halted or seriously impaired, by the flooding.

The effect on the northern line was not too severe, but on the main lines and branch lines which criss-cross the remainder of this area it was devastating. To illustrate, I invite your attention to the photographs attached to my statement, which will also be shown on the screen.

*Harrisburg.*—This is a picture of the view of the Harrisburg passenger station when I flew over on an inspection trip during the flood. At its crest the Susquehanna was more than 17 feet above flood level. There was 8 feet of water over the tracks, with considerable damage to the signal system as well as a number of cars and locomotives which were submerged.

*Steelton.*—This is the Steelton plant of Bethlehem Steel Company, which extinguished its fires for the first time in its history of more than 10 years. The curtailment of traffic to and from many industries, which were also shut down because of the flood, has had a detrimental effect on Penn Central revenues amounting to approximately \$10 million.

*Frederick.*—The third picture shows what remains of a two-span bridge at Frederick, Maryland. Note the distance that one of the spans was moved downstream by the tremendous force of the water.

*Pequea.*—Next is a photograph of our Columbia & Port Deposit Branch, at Pequea, Pennsylvania. This is our main freight and passenger route for east-west movements from Washington and Baltimore connecting at Harrisburg. Ten miles of this branch looked just like this until the water subsided and we discovered that the roadbed has been washed away at numerous locations. Emergency repairs have since been made and service partially restored (at a cost to date of \$350,000), but much remains to be done before we can resume normal operations.

*Glen Rock.*—This photograph shows the double track bridge at Glen Rock, Pennsylvania, which collapsed, leaving the track suspended, piled high with debris. This is typical of conditions found throughout central Pennsylvania and lower New York State. Altogether we have had 25 bridges destroyed, and have identified 23 others which have been seriously weakened and must be promptly repaired.

What these pictures do not show are the hundreds of miles of eroded and under-mined road bed, plugged culverts and similar damage which occurred along every line of railroad shown in red. Such conditions are a constant threat to the operation and it is imperative that they be promptly restored to safe condition.

*South Danville.*—The next two slides show the results of a derailment which occurred at South Danville, Pennsylvania, when the track gave way under the weight of the train. The first picture shows two locomotive units, one lying on its side in the mud.

The second photograph shows some of the track and equipment damaged by this derailment.

Altogether twenty diesel and two electric locomotives were heavily damaged and hundreds of others suffered lesser water damage. About 2300 cars were damaged or destroyed. Our equipment losses will exceed \$2,400,000.

*Tioga.*—This is a photograph of a bridge near Tioga, Pennsylvania, whose abutments were eroded by rushing water causing it to collapse onto the highway below. Fortunately, we may not have to restore this as an overhead structure as the Highway Department has indicated that rather than repair the damage to the road at this point, they may relocate it.

*Corning.*—The next two photographs show the remains of the Penn Central bridge which formerly spanned the Chemung River at Corning, New York. (In the distance you can see a highway bridge that is still standing). This is our primary route connecting the east-west line which runs through Buffalo and Syracuse with Harrisburg on the south. We have already begun to reconstruct this bridge at an estimated cost of \$910,000, but it will be at least a month before the work can be completed.

*Shocks Bridge.*—I have left to the last a discussion of the Shocks Mill Bridge, a stone arch bridge 2209 feet long built in 1904, which crosses the Susquehanna River just below Harrisburg.

The day after the river crested the weight of a train passing over Shocks Bridge depressed one of the piers, producing the track condition shown in the next photograph. The bridge was immediately taken out of service. A subsequent inspection indicated that the water had seriously undermined the structure and, a few days later, six arches of the bridge collapsed, leaving exposed the piers shown in the next photograph.

Shocks Bridge is a vital link because it provides the means for east-west freight traffic to by-pass the City of Harrisburg in reaching our large classification yard at Enola. Its loss has deprived us of up to 75% of our operating capacity at this critical location on our system. The result has been an operating nightmare that we have been able to handle with only modest impairment in service, only because of the unusually low level of freight moving at this time. Even so, we are incurring excess transportation costs by the rerouting of freight, classification of cars at remote locations, and other inefficiencies which are the direct result of the storm. Without this bridge we will find it extremely difficult to maintain an acceptable quality of service with an appreciable increase in traffic volume. I am also concerned about the prospect of going into winter with our

major east-west route seriously disabled, making it necessary to divert a large amount of tonnage for movement over the northern line. This is going to present a major problem, even under the most favorable of circumstances, but a recurrence of the severe weather of 1969-70, which paralyzed our northern route, could bring Penn Central to a standstill. Nevertheless, work has not yet begun on Shocks Bridge because the estimated restoration cost is \$4.5 million and we simply do not have the funds.

This brings me to a discussion of the importance of this legislation in the preservation of vital transportation services performed by Penn Central.

In the reports to the Reorganization Court, the Trustees have taken a position of guarded optimism, saying that Penn Central can be reorganized provided four conditions which in the past have prevented profitable operations are changed. These problems are being vigorously attacked and some of the projected results are encouraging. Tropical Storm Agnes, however, superimposed a more immediate problem by depriving us of cash necessary to maintain a high-quality service and improve the plant until the plan for reorganization is put into effect.

I had thought, and said so on several occasions, that our cash position through July and August and into September of this year would be extremely tight because of the added expenses of retroactive wage increases, the failure to secure the full measure of rate increases sought, and the decline in our traffic which because of the slow recovery of many of the industries we serve has been running 2.9% below last year. But our forecast indicated that we could make it through the summer without drawing down the remaining \$15 million of the loan received under the Emergency Rail Service Act of 1971 and that during the last quarter our cash position would be improved somewhat by the seasonal increase in traffic volume. Hurricane Agnes drastically changed the cash picture. Despite putting into effect the most stringent economies, including the layoff of about 1,000 employees, on Monday of this week we found it necessary to ask Judge Fullam for approval to use the remaining \$15 million.

Even with these additional funds, our cash position will still be such that we shall have to defer programed capital improvements, as well as completion of the flood restoration.

Let me explain the reasons for this. Revenue losses due to destruction of railroad facilities and damage to our customers' plants are expected to aggregate \$10 million before we are back in full operation.

The damage to our tracks and bridges exceeds \$14.4 million and the damage to our locomotives and cars exceeds \$2.4 million. These figures must be increased by a minimum of \$2.8 million for added transportation expenses for the delay and detouring of traffic and other disruptions caused by the storm. Thus we are faced with added expenses of about \$19.7 million with revenues depleted by about \$10 million, or an unfavorable revenue-expense swing of more than \$29 million.

We have already spent about \$6.8 million to restore vital links. This has been done by diverting our own labor force and our own materials from other essential projects which the Reorganization Court has approved only after detailed consideration. To complete the restoration of our plant, \$12.9 million of work remains to be done. The only way this can be accomplished is to defer additional capital improvements already programed.

The result of deferring these capital improvements and the restoration of the Shocks Mill Bridge and other storm-damaged tracks and bridges will be a serious deterioration in freight service to a large number of customers, a thing that we have worked hard to correct and upon which great progress has been made; and added expenses in handling traffic over inefficient routes—something we can ill afford at this stage of our reorganization efforts.

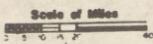
In sum, if we are to make progress toward a successful reorganization and if we are not to take drastically backward steps in the achievement of quality rail service to the public, we need additional sources of cash sufficient to permit the early restoration of our plant. S. 3843, which would provide loans, could therefore be an important ingredient in our survival. But I must again point out that while the loans would cover the damage to our tracks, bridges and equipment, a substantial part of the other losses which I have described would still have to be borne by us without assistance.

Mr. Chairman and gentlemen of this Committee, I want to thank you for your great interest in our problem. My hope, and the hope of all our people, is that this legislation will not only be enacted but will be enacted as quickly as the processes of government will permit.



**PENN CENTRAL LINES**  
 Affected By  
**FLOOD DAMAGE**

Office of Chief Engineer  
 Philadelphia, Pa.



T. N. Kellogg  
 7-21-72

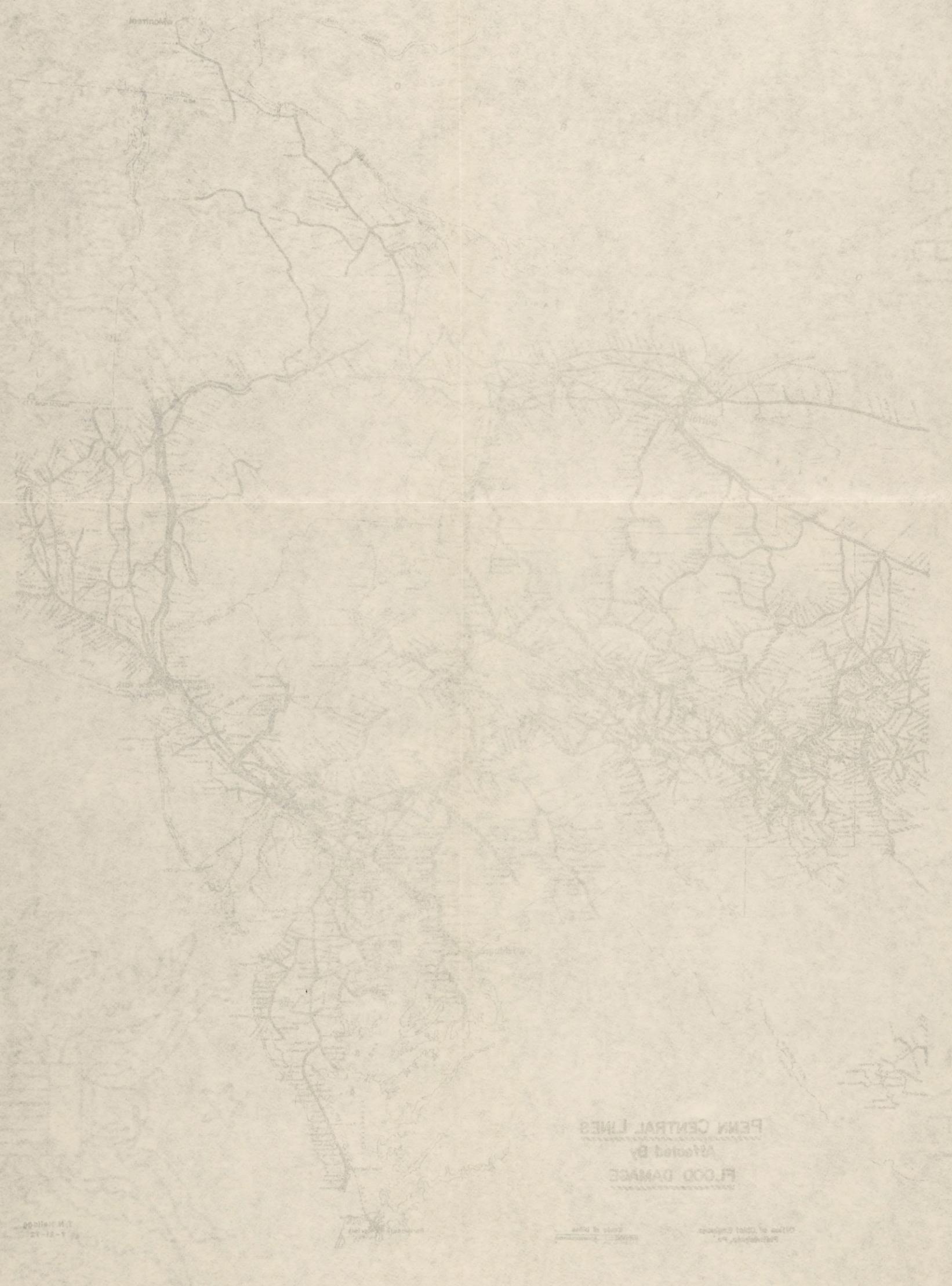
PENN CENTRAL LINES  
Affected By  
FLOOD DAMAGE

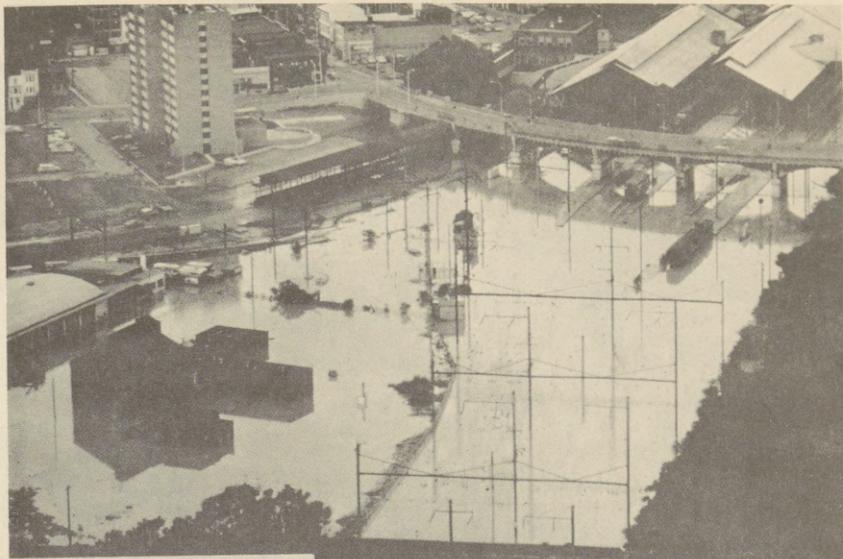
Office of Coast Engineers  
Philadelphia, Pa.

Scale of Miles  
1:50,000

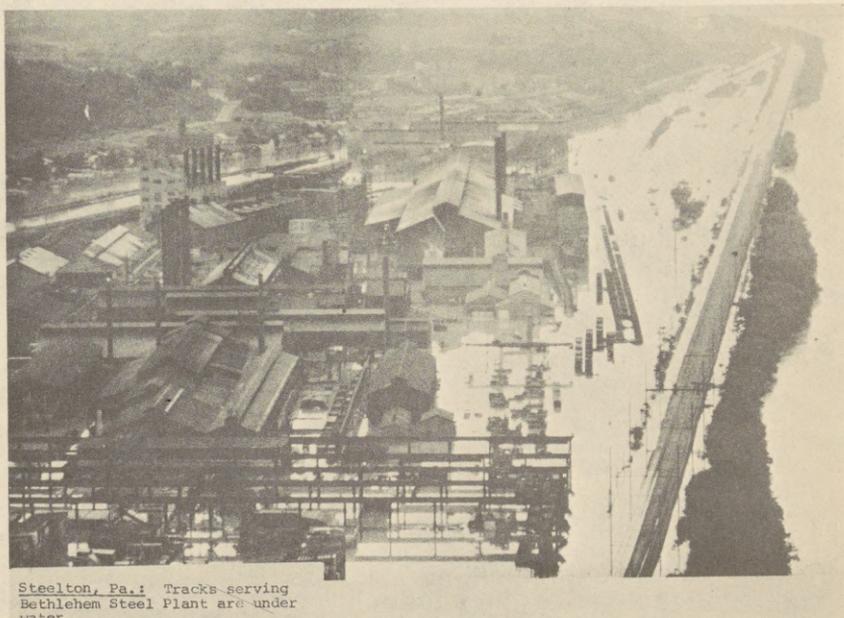
Copyright 1912  
United States Government

U.S. GEOLOGICAL SURVEY  
WASHINGTON, D.C.

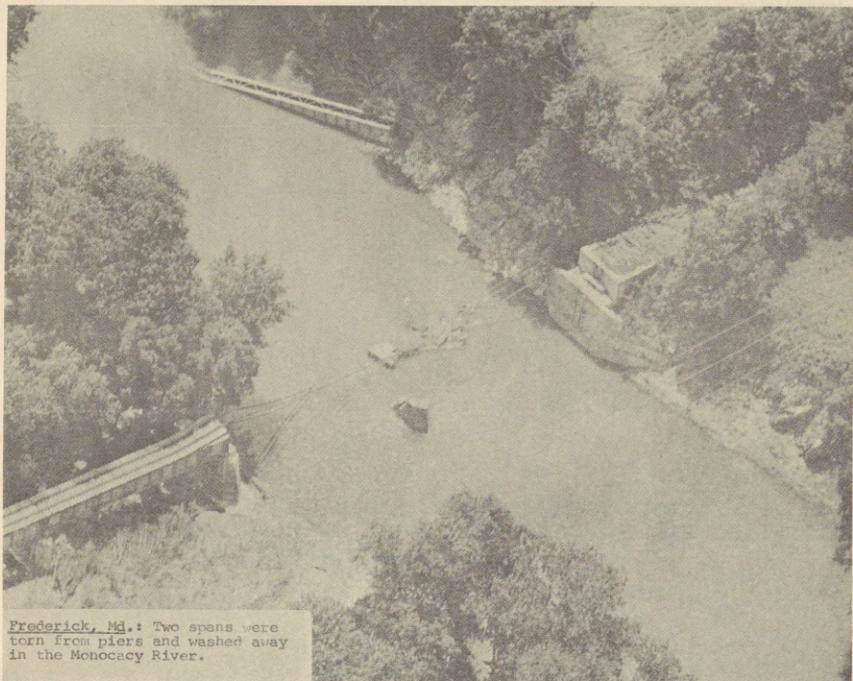




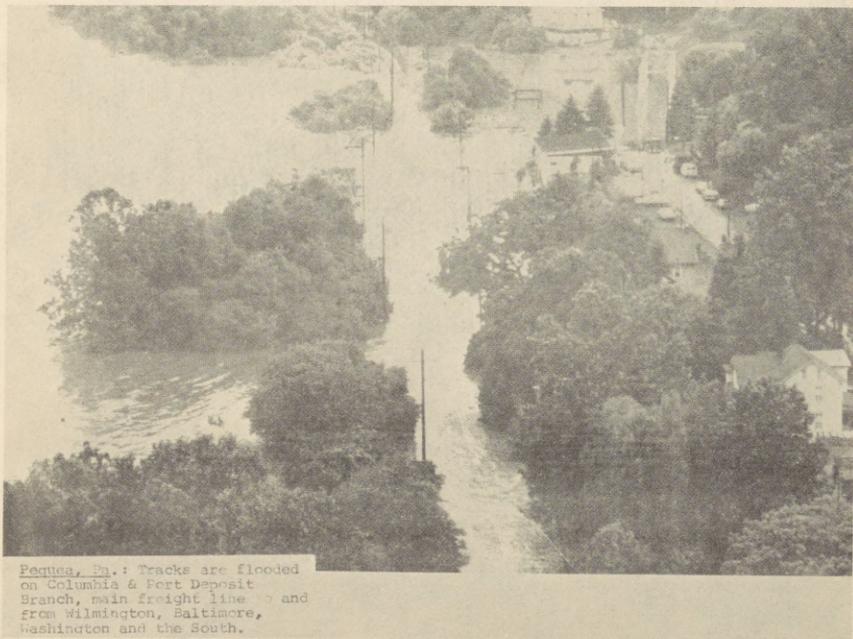
Harrisburg, Pa.: The flood submerges all the tracks at the passenger station. Water was eight feet above track level.



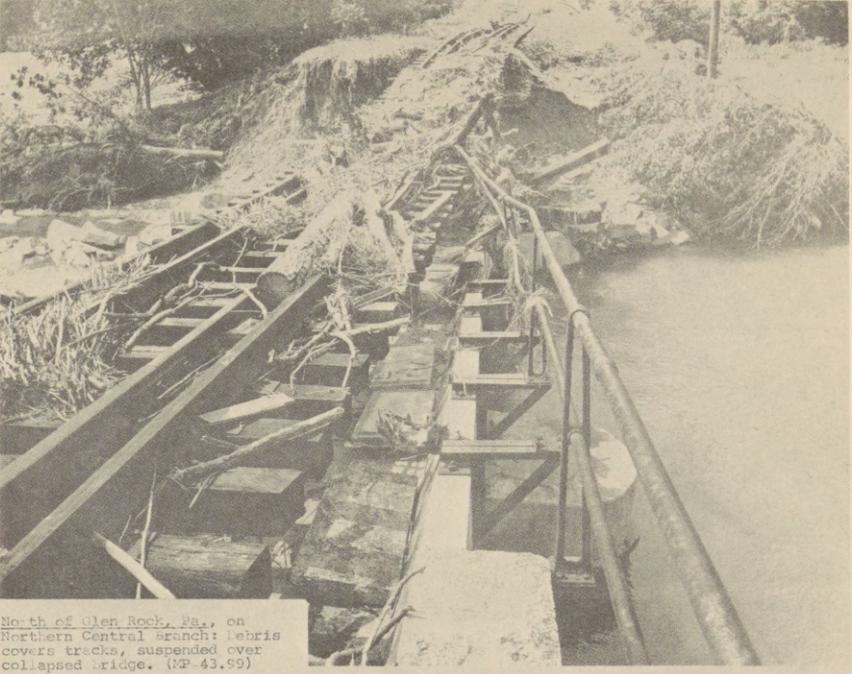
Steelton, Pa.: Tracks serving Bethlehem Steel Plant are under water.



Frederick, Md.: Two spans were torn from piers and washed away in the Monocacy River.



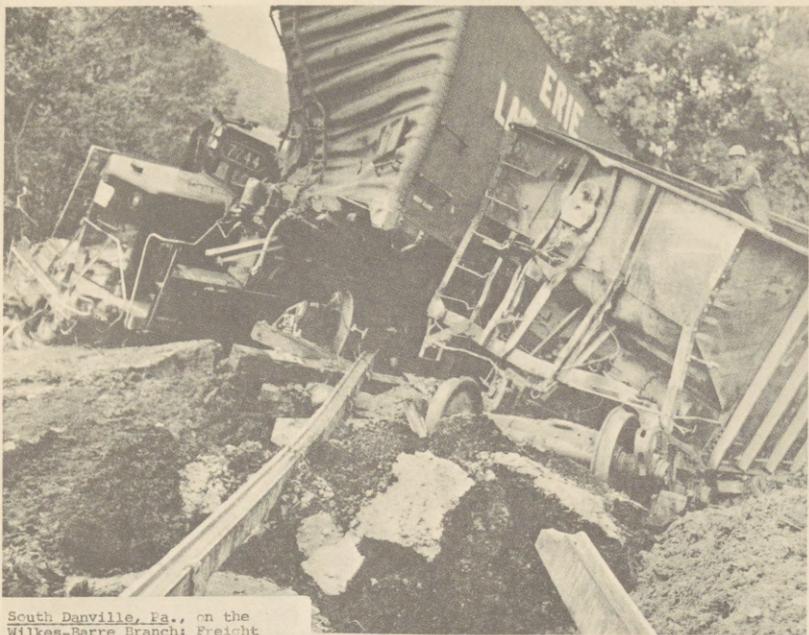
Pequea, Pa.: Tracks are flooded on Columbia & Port Deposit Branch, main freight line to and from Wilmington, Baltimore, Washington and the South.



North of Glen Rock, Pa., on Northern Central Branch: debris covers tracks, suspended over collapsed bridge. (MP-43.99)



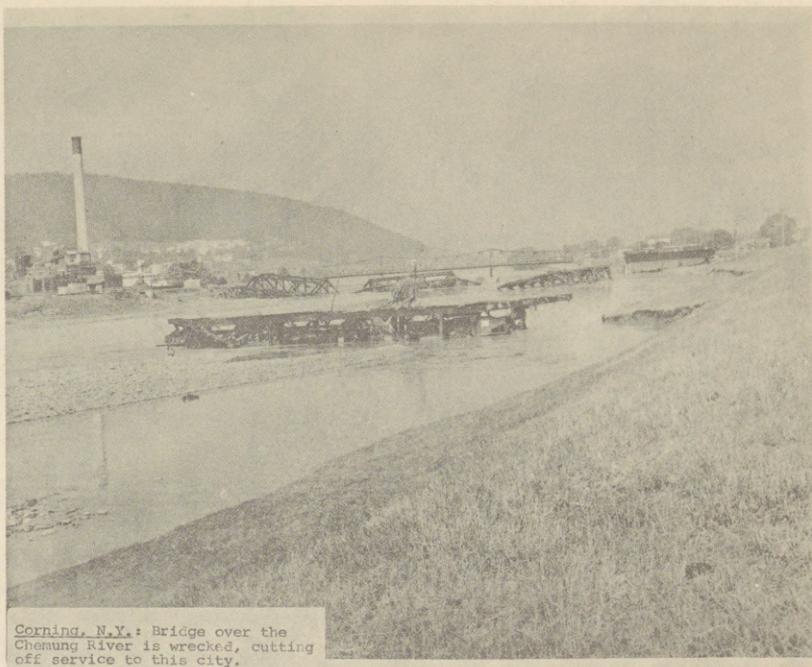
South Danville, Pa., on the Wilkes-Barre Branch: Washout and deraiment at Bridge 5.02.



South Danville, Pa., on the  
Wilkes-Barre Branch: Freight  
cars piled up at washout and  
derailment at Bridge 5.02.



Ticoga, Pa., on the Corning  
Branch: Bridge structure  
is destroyed.  
(Bridge 88)



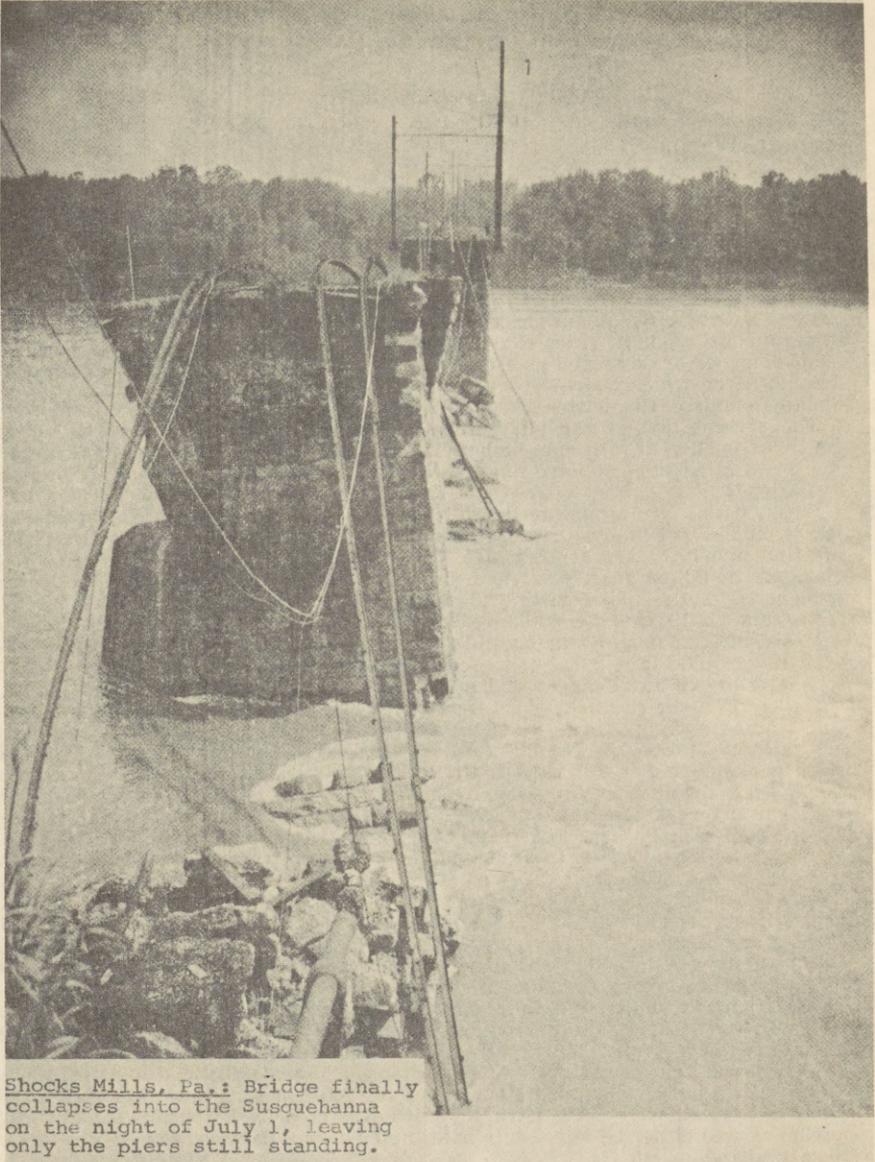
Corning, N.Y.: Bridge over the Chemung River is wrecked, cutting off service to this city.



Corning, N.Y.: Inspection is made of the fallen spans.



Shocks Mills, Pa.: Bridge tracks  
begin to sag. This bridge over  
the Susquehanna is the main  
freight links from all Eastern and  
Southern points to Enola Yard.



Shocks Mills, Pa.: Bridge finally collapses into the Susquehanna on the night of July 1, leaving only the piers still standing.

Senator HARTKE. There are some estimates I would like to submit for the record, the statement of William T. Frazier, president of New York Susquehanna Railroad, the statement of Gordon P. MacDougall, special assistant attorney general, Commonwealth of Pennsylvania, and the statement of Mr. Sven A. Johnson, systems development, Renton, Wash.

(The statements follow :)

STATEMENT OF WILLIAM T. FRAZIER, PRESIDENT, NEW YORK, SUSQUEHANNA,  
AND WESTERN RAILROAD CO., EDGEWATER, N.J.

New York, Susquehanna, and Western Railroad Company, and the New Jersey communities and shippers that it serves, respectfully request your assistance regarding S. 3843, a bill to authorize the Secretary of Transportation to make loans to certain railroads in order to restore or replace essential facilities and equipment damaged or destroyed as a result of natural disasters during the month of June 1972, on which hearings now are being held before a subcommittee of the Senate Commerce Committee.

The present text of the bill authorizes the Secretary of Transportation to make loans only to railroads undergoing reorganization under the Bankruptcy Act, or to railroads who have reported a deficit net income for either of the last two calendar years.

Susquehanna is a small railroad which lost money consistently during the 1960's, and showed only marginal profits in 1970 and 1971. It is not in reorganization under the Bankruptcy Act. Under S. 3843, as presently written, Susquehanna could not qualify for financial assistance to help it cope with the losses it incurred as a result of natural disasters during the month of June 1972.

On June 23, 1972, and succeeding days, flood waters resulting from Hurricane Agnes severely damaged our main-line railroad bridge that crosses the Hackensack River, making it unsafe for Susquehanna to move locomotives and loaded cars in ordinary trains across that bridge. Flood water also adamaged our tracks, signals, and other railroad structures throughout large portions of our system. Our studied estimate for the repair of damage caused by Hurricane Agnes to our railroad is \$485,000. If some form of financial assistance is not made available to Susquehanna, we will be forced to apply to the Interstate Commerce Commission for authority to abandon some 22 miles of our railroad trackage, or forced into reorganization. Approximately 300 shippers or receivers of freight, located in Morris, Passaic, Essex, and Bergen counties, will be without rail service as a result. Employees of the railroad that maintain these tracks, and operate trains thereover, will have to be furloughed.

Susquehanna has sought financial assistance for these disasters under several non-railroad oriented disaster loan programs, but so far without success and without any real hope of receiving such assistance.

We strongly believe that the present language of S. 3843 improperly, inequitably, and dangerously excludes this railroad, and probably others similarly situated, from any ability to obtain relief. In 1970, Susquehanna had a net income of \$386,470. In 1971, its net income was \$34,847. The estimated cost of \$485,000 to Susquehanna of making repairs to tracks, bridges, and so forth damaged by Hurricane Agnes clearly would exceed Susquehanna's financial means. Unless S. 3843 is amended so as to provide relief for Susquehanna, and for other marginal railroads not yet in bankruptcy but devastated by Hurricane Agnes, Susquehanna will either be forced into bankruptcy or will have to take the dire steps toward abandonment.

Susquehanna, on behalf of itself and its shippers, accordingly requests your assistance in attempting to amend the provisions of S. 3843 so as to make railroads such as Susquehanna eligible for relief thereunder. Specifically, we urge that Section 3 of the bill be amended so as to make the provisions of the bill available to "railroads whose certified damage to railroad facilities or equipment as a result of the natural disasters which occurred during the month of June 1972 exceed their net income for either of the last two calendar years."

STATEMENT OF GORDON P. MACDOUGALL, SPECIAL ASSISTANT ATTORNEY  
GENERAL, COMMONWEALTH OF PENNSYLVANIA

Mr. Chairman, and members of the Subcommittee, my name is Gordon P. MacDougall. I serve as a Special Assistant Attorney General for the Commonwealth of Pennsylvania, with offices at 705 Ring Building, Washington, D.C. 20036.

I appear here today on behalf of the Governor of Pennsylvania, Milton J. Shapp, in general support of S. 3843. The proposed legislation would authorize direct Government loans to certain railroads for the purpose of restoring or replacing railroad facilities, equipment, or services which are determined to be essential to public service damaged or destroyed as a result of the June, 1972 floods. The aggregate amount of such loans would not exceed \$40 million. Qualifying railroads would be those railroads undergoing reorganization under Section 77 of the Bankruptcy Act (11 U.S.C. 205), and railroads which have had a deficit net income for either of the last two calendar years. The loan applications must be approved no later than six months from enactment.

Our general support for S. 3843 is based upon the particularly severe impact that Hurricane Agnes has visited upon railroad serving Pennsylvania. Many miles of railroad right-of-way are constructed parallel to rivers because of easier grades, and also because of population centers located along waterways.

The Pennsylvania Department of Transportation estimates a total of \$35,000,000 in flood damage to railroad property in Pennsylvania. Of course, railroads serving Pennsylvania have suffered an even greater amount of total damage because they operate in other states as well as in Pennsylvania.

Railroads serving Pennsylvania which presently are undergoing reorganization include Penn Central Transportation Company, Lehigh Valley Railroad Company, Reading Company, Erie-Lackawanna Railway Company, Lehigh & Hudson River Railroad Company and New Hope & Ivyland Railroad Company.

The damage to railroad property in Pennsylvania should be of national concern, because interstate commerce has been disrupted. Commodities may be fabricated in one state, further processed in another state, and sold in a third state.

We are disappointed with the ceiling of \$40 million which would be authorized under S. 3843. It is clear that \$40 million will not do the job. A higher amount—\$60 million—was initially proposed in S. 3782. The inadequacy in funding raises a question of priorities. A restoration project may be desired by a railroad, yet the "public convenience and necessity" may dictate a priority for a different project of the same railroad, or that the priority be for a project on an entirely different railroad, yet all of the projects might be "essential" within the meaning of S. 3843. As a possible or theoretical example, I point out the State Line and Sullivan branch of the Lehigh Valley, extending between Dushore and Towanda, Pa. The railroad has twice in recent years sought to abandon this line, the most recent denial of its application by the Interstate Commerce Commission was on February 28, 1972. *Lehigh Valley Railroad Company Abandonment*, 338 I.C.C. 793. Lehigh Valley has announced a new intention to abandon this branch because of flood damage. The question of relative priorities is raised. As a condition of a loan for one project, should a railroad be required to include another project? Is the Interstate Commerce Commission to have any say in the matter? What about the Governors and the various state regulatory agencies?

These are only some of the problems caused by insufficient funding. I could bring forward other examples in both freight and passenger service. Special problems are foreseen where a railroad had an application for abandonment pending with the Interstate Commerce Commission prior to Hurricane Agnes, and does not desire to restore service where the flood has damaged the line. Restoration pending agency determination has sometimes proven difficult. *Meyers v. Arkansas & Ozark Ry. Corp.*, 185 F. Supp. 36 (D. Ark. 1960); *Asbury v. Chesapeake & Ohio Ry. Co.*, 264 F. Supp. 437 (D. Col. 1967).

The answer would seem to be more adequate sums of money. The Commonwealth of Pennsylvania stands ready to assist the Subcommittee in providing any technical or statistical help in connection with S. 3843. We believe that immediate assistance for railroads serving Pennsylvania is imperative if the local and national economy is not to suffer extensive further damage.

In conclusion, I wish to thank you for giving the Commonwealth of Pennsylvania the opportunity to be here today, and to present the views of Governor Milton J. Shapp.

STATEMENT OF SVEN A. JOHNSON, JOHNSON SYSTEMS DEVELOPMENT,  
RENTON, WASH.

Mr. Chairman and Members of the Committee :

Please accept this hand-written treatise of concern for disaster repair, and/or recovery, as disaster is but one major facet that touches society.

Disaster does not announce its time of arrival or its scope of effect, as disaster in the making, takes on all levels of performance that have occurred in the area where disaster is building, be it flood, wind, or man made.

The combined expressions of the committee strengthen the need for effort in recovery for all disaster victims—"regionally"—in order to assure equal distribution of disaster funding, our study has learned that it may be more economical to rebuild and reconstruct the region—as Senator Stevens suggests, recover the area, to resolve hardship in the shortest possible time.

Why?

In order to minimize disaster—not compound it.

Minimizing disaster is far more possible before the dam breaks than after it breaks. It really boils down to anticipating, thinking and evaluating, during the time of our being, during the time of our action, what the net result may be. Certainly to require anyone to foresee eventualities in the days ahead is not realistic, but is it folly for us to examine what we have done for the simple reason to preclude that we may be repeating earlier errors?

Johnson systems, exhibited at Transpo 72, such a reasoning type study. This Congressional Record would stagger under the treatise of examination that has occurred in order to make an in-road into the expressions of need, simultaneously contending with criticism and/or complement of that which has been done. Our study is predicated, finally, on total impact, attempting not to slight any facet of a total of economies. In some respects it is total disaster *recovery* planning.

Our exhibit at Transpo 72, in a way meant to stress that we need to try, and try very hard, to prevent major or even minor disaster from occurring. And we can!!

Each of us can point out how we have achieved more and more systems that are now obsolete. Senator Cotton has an express and justifiable fear of anything "temporary". This is a perfect analysis of our history.

Our exhibit, most of all, attempted to describe a way to bring all aspects of society and agencies together in a learning mode, and we have strenuously detailed the need for totally integrated, balanced, safe, flexible, expandable, ecologically oriented systems. As important as all the functions within a human body system are to the individual, we have attempted to display those needs within a total environment, without eliminating or prioritizing any facet over another, leaving that to right of choice.

May 26, 1972 and again on Congress Day in the following days of Transpo 72, we hoped to communicate total systems as anyone would question any aspect from cost, to why, and to where do we get the right.

Transpo 72 was an education for us, though some would say that Transpo 72 was a disaster—so it is appropriate to recognize that disaster, too, requires definition.

Our effort continues to get across to the law-makers, that there is an effort to perform in the areas of new approaches to solve problems of cities, and surely any city is susceptible to disaster.

Transportation and communication most nearly regionalize anything. Consequently, transportation is the main line of our effort.

Senator Warren Magnuson, long-ago introduced our total systems to department of transportation.

Out of respect for this learned capability and concern for national transportation, we have tried to transmit the total information that we have examined, but small personal efforts are limited, until we come face to face with disaster, and then, any flotsam is welcome.

Our total systems approach is that flotsam, in this time that our concerns are directed to the facts about environment, and our use of resources. Surely depletion of a resource can emerge as disaster, so in Johnson systems we are trying to face it head on, as so many of this committee call for each of us to do.

Foreign interest and inquiry, alone, at Transpo 72, assure us that the transportation, environmental crisis demands the strongest sense of effort to formulate our capabilities as a nation to cope the toughest disaster, before it becomes a disaster.

The critical point that must be made is that communication is not readily available, on a broad enough base, to assure full cognizance of those who need to know, but more importantly those who need to communicate their problem into proper attention for solution.

Our effort at present is being examined by Mr. Robert C. McFarlane, executive White House, for direction, as we are convinced that a generation of peace is our best opportunity to examine what we must change and/or preserve in our dealing with the one environment that is our earth.

Our effort is intended to create a learning mode, not a criticism. If there is a transportation crisis, we intend to resolve it, by showing that all factions have a way to make their individual input, as they concern themselves with all others that are affected.

We understand that portions of our interstate highway system is in litigation or impase to resolve.

Our national defense, our national economy, balance of payments, and need to resolve the environmental problems of earth, all depend on immediate resolution of not only disaster, but employment, land-use, resources, on the basis of total national concern.

Disaster repair and recovery is our national priority, and now is the time to investigate how we might approach the prevention of future disaster on the basis of the bitter experience that our nation has already endured.

This is the time of unified action, in order to reassemble the United States of America, our land of opportunity.

(Whereupon, at 3 :27 p.m., the hearing was adjourned.)

DELAWARE AND HUDSON RAILWAY CO.,  
*Albany, N.Y., August 4, 1972.*

HON. VANCE HARTKE,  
*Chairman, Senate Commerce Committee,  
Senate Office Building, Washington, D.C.*

DEAR SENATOR HARTKE: Our Treasurer, J. A. Deans, was Delaware and Hudson Railway's representative at the hearing before the Senate Commerce Committee in Washington, August 2, 1972, to consider S. 3843, a bill to provide financial assistance to certain railroads for the restoration of essential railroad facilities or services which were damaged as a result of Tropical Storm Agnes and the flood in the Rapid City area. D&H, as you know, is surrounded by bankrupt railroads and is presently engaged in a real crusade for survival under extremely adverse economic conditions.

In that connection, Mr. Deans informed me that you had suggested a very wise proviso to be added to the bill that would stipulate that any railroad receiving such aid would be required to restore *all* the facilities that existed prior to these disasters, including connections with other carriers. I fully concur in your thinking, and it is my understanding the Secretary Volpe and several other of the witnesses, including Messrs. Maxwell, Bertrand and Nash, agreed that such was their railroads' intention. However, apparently Mr. Moore of Penn Central did not offer such agreement. In fact it would appear that Penn Central has used Tropical Storm Agnes as a convenient means to deprive our little railroad of a tremendous volume of traffic, generating revenues vital to our continued solvency.

Delaware and Hudson connects with Penn Central at Wilkes-Barre by means of a small, jointly owned connecting railroad. Both our line at Hudson, Pennsylvania, and Penn Central's line at Buttonwood, Pennsylvania, were several hit by the storm. D&H forces have made herculean efforts to repair our damaged facilities. Such is not the case with Penn Central. In fact, they have instructed their forces in and around Buttonwood to seek employment in other areas. They have taken advantage of Pfahler's ICC Car Service Order No. 71 to re-route traffic around Wilkes-Barre and D&H Railway, thus avoiding interchange of traffic destined to New England and routed Wilkes-Barre-D&H. Thus re-routing has been in the order of magnitude of 8,000 cars a month, or an average volume of 20 trains a week of approximately 100 cars each. This decreased volume will substantially affect the number of crews we operate and cars classified, and this loss of employment is having and will continue to have catastrophic effect on the economy of Wilkes-Barre, as well as on the fortunes of D&H (see attached news clipping).

It is in the public interest that this vital interchange point be restored at the earliest possible time and Penn Central's failure to even begin this restoration deprives shippers of a vital service route between the South and West, on the one hand, and New England and Eastern Canada, on the other.

Not alone am I concerned about the approval of S. 3843 by Congress because of our own substantial losses, but that borrowers be required to reestablish *all* facilities damaged and out of service to the extent that, as is the case with the D&H-Penn Central interchange at Wilkes-Barre, there are vital connecting links in the national rail network which have been left out of service for self-serving purposes. Your continued leadership and support in this regard may well, therefore, mean the difference between bankruptcy and reasonable viability for this railroad which forms a vital link between Northeastern Pennsylvania, on the one hand, and New England and Eastern Canada, on the other.

I am, with very best wishes,

Sincerely yours,

CARL B. STERLING, JR.,  
*President.*

Enclosure.

[From the Wilkes-Barre, Pa., Times-Leader, the Evening News, Wilkes-Barre Record, Aug. 1, 1972]

ONE HUNDRED TWENTY-FIVE PENN CENTRAL EMPLOYEES TOLD TO HUNT JOBS  
ELSEWHERE AS BUTTWOOD YARD CLOSED

Penn Central Transportation Company appears to have abandoned its Buttonwood Yard in Hanover Township with a loss of jobs, practically all male.

A notice posted on the company's bulletin board Monday informed the employees the yard had been closed and that the employees could exercise their seniority by bidding for jobs in Philadelphia, Northumberland and Lewistown.

A railroader employed estimated the number of men affected at 125. A Penn Central spokesman in Philadelphia said the number affected was closer to 50. He said the railroad suffered extensive flood damage at South Danville and at Buttonwood and has not been able to operate efficiently since. He was not prepared to say whether the line would be abandoned permanently, but indicated the yard probably would be out of business for some time.

There had been no advance notice to the customers served by the railroad, but the railroad had been pleading that it was due to abandon about one-third of the total trackage in existence at the time the Pennsylvania and New York Central Railroads were merged.

A number of Wyoming Valley industries, employing thousands of persons, would be affected because they would lose the use of tracks into their establishments. These industries include Air Products in Hanover Township, Economy Store warehouse in Breslau, Wyoming Valley Sanitary Authority plant in Breslau, Louis Cohen junk yard, Sanitary Wiping Cloth, Johns Manville, Frank Henry, Vulcan Iron Worker, Builders Supply Company, and Rinari Brothers.

According to reports, about 15 cars remained in the yard Monday night. These, reportedly, contained newsprint and were being unloaded.

Other industries in the approximately 50 miles to Sunbury would be affected.

The Wilkes-Barre Connecting Railroad also would be eliminated or there would be curtailment of freight interchange with the Delaware and Hudson trains. The Penn Central heretofore has carried freight to the Hudson Yards of the Delaware and Hudson and the Delaware and Hudson has carried freight to the Buttonwood Yards.

The operators of the Delaware and Hudson said the financial fate of that road would depend upon it being operated at a profit this year.

Abandonment of the Connecting Railroad would provide, possibly, a traffic bridge across the Susquehanna River. The railroad has a bridge running from the Plains-Wilkes-Barre line to Kingston at a point near Green Acres. But the bridge is narrow and has no guard rails, but could possibly offer engineering possibilities.

Thomas Cook, grievance chairman for the United Transportation Union, said the affected persons include 45 trainmen, quite a few brakemen, 10 engineers, about 20 shop craftsmen, trackmen, clerks and supervisors.

He said the annual payroll from work at the Buttonwood Yard amounted to about \$1,000,000 a year and that the unions had been cooperating with the railroad in an attempt to keep the Sunbury branch financially profitable.

He said the Penn Central improved the right of way to South Danville for the convenience of the Merck plant and to Nescopeck for a large shipper of petroleum, but that little or no work had been done in the area between Buttonwood and Nescopeck.

A representative of the public relations office of the Penn Central at Philadelphia said he would check into the matter and said he considered the Buttonwood Yard operation important but was not aware that the yard had been ordered closed.

U.S. Senator Hugh Scott (R-Pa.) has urged prompt hearings on legislation which he introduced earlier last week to provide \$40 million in long term federal loan assistance for the restoration or replacement of essential railroad services lost during Tropical Storm Agnes.

Senator Scott said that he has asked Senator Warren G. Magnuson (D-Wash.), chairman of the Senate Commerce Committee and the committee's ranking Republican member, Senator Norris Cotton (R-N.H.) to schedule hearings this week.

Senator Scott noted that his bill, "The Emergency Rail Facilities Restoration Act," is endorsed by the Nixon Administration. He said Transportation Secretary John A. Volpe and officials of the railroads involved "are ready and anxious to present data in support of this proposal."

Under the Scott bill, the Secretary of Transportation could grant up to \$40 million in long term loans to assist railroads in bankruptcy reorganization or those which have shown a net operating deficit in either of the last two calendar years. The loans would be used for replacements or repairs to railroad rolling stock, tracks, bridges and other related equipment damaged by the severe floods that followed Tropical Storm Agnes.

To qualify, applying railroads would have to pledge to carry out needed repairs or replacements "without undue delay."

"Unfortunately, the railroads hardest hit by last month's floods included five major carriers already in bankruptcy receivership, others that are on the verge of imminent financial collapse, and numerous short line carriers which are also in poor financial condition," the Senate Republican Leader emphasized. "These railroads simply do not have the funds which are needed for replacements and repairs, nor is there any existing Federal program under which assistance to these railroads to meet this unexpected and unpreventable emergency situation can be extended.

Senator Scott said his bill would establish such a program. "The need for this legislation is further underscored by two-fold nature of the dilemma which these railroads now face," Scott continued. "On the one hand, railroads are unable to provide full revenue services because of losses of operating facilities; on the other hand, major industries which normally provide customer revenues to the railroads are themselves shut down, some perhaps permanently."

Senator Scott's action in urging prompt hearings came as the Penn Central Railroad announced the furlough of 1,000 employes.

Trustees said that action was the direct result of property and revenue losses suffered because of last month's flood.

Earlier, Lehigh Valley trustees indicated that plans for the reorganization of that railroad are contingent upon either Federal or State assistance covering a "substantial portion" of the Lehigh's estimated \$4.8 million loss resulting from Tropical Storm Agnes.

"I believe the title of my bill, the 'Emergency Rail Facilities Restoration Act,' speaks for itself," Senator Scott declared. "In my opinion, this is indeed an emergency situation which requires action by Congress in that light."

Legislation identical to the Scott bill has been introduced in the House of Representatives by Congressman Fred B. Rooney (D-Pa.) with wide bipartisan sponsorship.

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INTERSTATE COMMERCE COMMISSION,  
*Washington, D.C. August 15, 1972.*

HON. VANCE HARTKE,  
*Chairman, Subcommittee on Surface Transportation,*  
*U.S. Senate,*  
*Washington, D.C.*

DEAR CHAIRMAN HARTKE: In the Commission's statement dated August 2, 1972, on S. 3843, submitted to your Committee, we promised to "prepare a list of all railroads, regardless of size, that are in reorganization or have experienced a net deficit income for one of the last two calendar years."

Therefore, I am enclosing a list of Class II carriers with a net income deficit in calendar year 1970 and 1971 to supplement the list of Class I carriers attached to my original statement.

If I can be of further assistance, please let me know.

Sincerely yours,

GEORGE M. STAFFORD,  
*Chairman.*

Enclosure.

CLASS II RAILROADS WITH A NET INCOME DEFICIT FOR CALENDAR YEARS 1970 OR 1971 <sup>1</sup>

[In thousands of dollars]

	Net income	
	1971	1970
LINE-HAUL		
Eastern district:		
1. Baltimore & Eastern .....	100	-145
2. Bath & Hammondsport .....	21	-1
3. Beech Mountain .....	-1	-10
4. Belfast & Moosehead Lake .....	99	-15
5. Bellefonte Central .....	-3	23
6. Boyne City .....	-35	-14
7. Buffalo Creek & Gauley <sup>2</sup> .....	-39	-
8. S. Cadillac & Lake City .....	-3	-9
9. Cheswick & Harmar .....	-17	-2
10. Claremont & Concord .....	10	-2
11. Clarendon & Pittsford .....	-43	-47
12. Coudersport & Port Allegany .....	-9	-10
13. Delaware Otsego <sup>3</sup> .....	-	-43
14. Everett .....	-6	-2
15. Ferdinand .....	1	-3
16. Fonda, Johnstown, & Gloversville .....	-14	2
17. Gafton & Upton .....	-6	-13
18. Green Mountain .....	10	-3
19. Greenwich & Johnsonville .....	51	-3
20. Hoosac Tunnel & Wilmington <sup>4</sup> .....	-	-2
21. Jefferson Southwestern .....	-6	-5
22. Kanawha Central .....	-7	-3
23. Kelley's Creek & Northwestern .....	-60	43
24. Lackawanna & Wyoming Valley .....	-41	-78
25. Lehigh & Hudson River .....	-478	-232
26. Livonia, Avon & Lakeville .....	-43	-51
27. Lorain & West Virginia .....	-115	45
28. Louisville, New Albany & Corydon .....	36	-4
29. Lowville & Beaver River .....	-27	8
30. Marquette & Huron Mountain .....	109	-23
31. Maryland & Pennsylvania .....	-152	25
32. Middle Fork .....	-2	-2
33. Midway .....	-22	-3
34. Morristown & Erie .....	90	-94
35. Northampton & Bath .....	-39	-37
36. Norwood & St. Lawrence .....	-41	-43
37. St. Johnsbur & Lamoille County .....	-63	-109
38. Skaneateles Short Line .....	-23	3
39. Springfield Terminal .....	12	-2
40. Staten Island .....	-2,392	-1,053
41. Stewartstown .....	-6	-10
42. Strasburg .....	44	-3
43. Toledo, Angola & Western .....	-2	-22
44. Trenton-Princeton Traction .....	1	-15
45. Virginia Blue Ridge .....	65	-7
46. Virginia Central .....	1	-5
47. Warwick .....	-14	-18
48. Waynesburg & Washington .....	-59	-89
49. West Pittston-Exeter .....	-51	4
50. West Virginia Northern .....	-18	-16
51. Winchester & Western .....	-7	7
52. Youngstown & Southern .....	-84	16
Southern district:		
1. Albany & Northern .....	-65	-62
2. Atlantic & Western .....	-15	-27
3. Columbus & Greenville .....	-164	129
4. Georgia & Florida <sup>3</sup> .....	-	-119
5. Georgia, Ashburn, Sylvester & Camilla .....	-256	-120
6. Georgia Northern .....	134	-175
7. Hartford & Slocomb .....	-138	6
8. Kentucky & Tennessee .....	191	-66
9. Louisville & Wadley .....	-5	-2
10. Millstead <sup>4</sup> .....	-	-1
11. Mississippian .....	27	-57
12. Morehead & North Fork .....	-25	-2
13. Pearl River Valley .....	-1	-1
14. Pickens .....	2	-1
15. South Georgia .....	-201	-28
16. Tennessee .....	-15	-24
17. Warrenton .....	-5	-6
18. Wrightsville & Tennille <sup>3</sup> .....	-	-16
19. Yancey .....	-16	7

Footnotes at end of table, p. 100.

## CLASS II RAILROADS WITH A NET INCOME DEFICIT FOR CALENDAR YEARS 1970 OR 1971 —Continued

[In thousands of dollars]

	Net income	
	1971	1970
Western district:		
1. Abilene & Southern	-299	-215
2. Ahnapee & Western <sup>4</sup>	-142	-142
3. Augusta	-2	-1
4. Bevier & Southern	-7	3
5. Butte, Anaconda & Pacific	-838	157
6. Copper Range	-177	-136
7. Doniphan, Kensett & Searcy	-17	32
8. Escanaba & Lake Superior	-38	-4
9. Hillsboro & North Eastern	3	+7
10. Hollis & Eastern	-61	-4
11. Klamath Northern	-15	1
12. Laona & Northern	-1	-12
13. Louisiana & North West	-44	22
14. Magna Arizona	-6	-68
15. Midland Continental <sup>3</sup>	-5	-1,375
16. Minneapolis, Anoka, & Cuyuna Range	95	-6
17. Oregon Pacific & Eastern	183	-163
18. Pecos Valley Southern	-2	-8
19. Petaluma & Santa Rosa	45	77
20. Port Townsend	25	-4
21. Prescott & Northwestern	-67	-1
22. Reader	21	-64
23. Salt Lake, Garfield & Western	-14	-4
24. San Luis Central	-19	3
25. Sierra	1	29
26. Southern San Luis Valley	-24	-1
27. Texas Central	-21	-73
28. Tooele Valley	-1	10
29. Union RR. of Oregon	-2	5
30. Warren & Ouachita Valley	-6	2
31. Warren & Saline River	-15	-2
32. Weatherford, Mineral Wells & Northwestern	-22	-55
33. White Sulphur Springs & Yellowstone Park	-39	-6
34. Yreka Western		5
SWITCHING AND TERMINAL		
Eastern district:		
1. Boston Terminal	-98	-92
2. Brooklyn Eastern District Terminal	-9	69
3. Bush Terminal	-524	-787
4. Canton	-339	-46
5. Chicago & Western Indiana	-1,659	-33
6. Curtis Bay	-31	-42
7. Detroit Terminal	-118	-458
8. East Jersey RR. & Terminal	-40	-52
9. East St. Louis Junction	-15	12
10. Fort Wayne Union	15	-13
11. Harlem Transfer	-62	-54
12. Hoboken Shore <sup>4</sup>	-222	-16
13. Lake Erie & Eastern	-36	-47
14. Muncie & Western	151	-9
15. New York Dock	19	-31
16. Norfolk & Portsmouth Belt Line	-41	-27
17. Owasco River	4	-1
18. Pittsburgh, Allegheny & McKees Rocks	-6	-1
19. Southern New York	326	-17
20. Union Freight	-1	-159
21. Van Buren Bridge	56	2
22. Wyandotte Terminal	-193	-24
23. Youngstown & Northern		206
Southern district:		
1. Manatee County Port Authority <sup>2</sup>	-18	-193
2. New Orleans Public Belt	0	-2
3. New Orleans Terminal	-83	-86
4. Port Terminal RR. of South Carolina	-28	-40
5. Port Utilities Commission of Charleston, S.C.	-374	0
6. Terminal Ry. Alabama State Docks		

Footnotes at end of table, p. 100.

## CLASS II RAILROADS WITH A NET INCOME DEFICIT FOR CALENDAR YEARS 1970 OR 1971 —Continued

[In thousands of dollars]

	Net income	
	1971	1970
SWITCHING AND TERMINAL—Continued		
Western district:		
1. Atchison Bridge.....	4	-53
2. Chicago River & Indiana.....	392	-351
3. Denver Union.....	12	-5
4. Duluth Union Depot & Transfer.....	0	-118
5. Fort Worth Belt.....	30	-26
6. Fort Worth Livestock Handling <sup>4</sup> .....		-1
7. Board of Trustees of Galveston Wharves.....	-279	-35
8. Great Southwest.....	-29	-62
9. Howard Terminal.....	-6	20
10. Illinois Northern.....	-144	-280
11. Iowa Transfer.....	5	-11
12. Kansas & Missouri Ry. & Terminal.....	104	-1
13. Kansas City, Shreveport & Gulf <sup>3</sup> .....		-320
14. Minneapolis Eastern.....	-54	-18
15. Texas City Terminal.....	344	-65
16. Texas Transportation.....	-27	-26
17. Union Stock Yard & Transit Co. of Chicago <sup>4</sup> .....		-10
18. Western Stock Yards.....	12	-24
19. Ogden Union Stock Yards <sup>3</sup> .....		-10
20. Oklahoma National Stock Yards.....	-6	-5
21. Parr Terminal.....	-2	13
22. Peoria Terminal.....	-23	-80
23. Peoria Union Stock Yards.....	-1	-1
24. St. Joseph Belt.....	-106	-60
25. Sioux City Terminal.....	-265	-121
26. South Omaha Terminal.....	-233	-141

<sup>1</sup> List does not include carriers passing net income on to other carriers.<sup>2</sup> Did not operate in 1970.<sup>3</sup> Did not operate in 1971.<sup>4</sup> Annual Report for 1971 not filed to date.