

U. S. Department of Transportation news:



Office of Assistant Secretary for Governmental and Public Affairs
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STATEMENT OF SECRETARY OF TRANSPORTATION BROCK ADAMS ON THE MILWAUKEE RAILROAD, MAY 24, 1979.

The full Senate and the Committee of the House of Representatives have now passed different joint resolutions that would require the Milwaukee railroad to continue operations for 45 or 60 days. Deficits would be funded through a loan guaranteed by the Federal Government.

The Congressional action comes just as the Reorganization Court in Chicago is about to announce its decision whether to grant the request of the Milwaukee Trustee to embargo about 7,500 of the system's 10,000 route miles.

The Department has met with the parties interested in the Milwaukee and has indicated a willingness to help, but we cannot impose a private sector solution. Once the Court acts, we are prepared to assist the parties to reach such a solution, through both our good offices and judicious use of Federal funds.

I have also previously indicated that the Department is willing to assist the process before the Court by guaranteeing, under the Emergency Rail Services Act of 1970, \$20 million of loans to be available to the Trustee for the entire Milwaukee system as it moves toward a viable railroad approved by the Court. We are currently processing the Trustee's application for such funds. We also supported a delay of the May 8 embargo by the Court so alternative proposals could be developed -- a delay that was granted.

I am deeply concerned that governmental action before a decision by the Court on the future of the system could lead to another situation comparable to that we faced in the Northeast. Federal bail-outs can easily become a habit, but they do not solve the transportation problem. They could require hundreds of millions of Federal dollars for operating subsidies, imprudent rehabilitation of lightly used lines for which alternative service is available, and labor protection payments that the Milwaukee estate should satisfy. We could be creating a constantly growing subsidy program for a number of railroads that cannot live within their existing structures.

The railroad system as a whole is in financial difficulty even though some parts of it are healthy. The Administration's efforts are directed toward having the railroads survive in the private sector through the dual processes of restructuring rail lines and reducing regulation. The private railroad system must be able to become competitive with other forms of transportation if they are to survive as a vital part of our transportation system.

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