

# U. S. Department of Transportation news:



Office of Assistant Secretary for Governmental and Public Affairs  
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## STATEMENT OF SECRETARY OF TRANSPORTATION NEIL GOLDSCHMIDT ON THE ROCK ISLAND SITUATION, SEPTEMBER 20, 1979.

The action taken today by President Carter is a vital step toward restoring railroad service in the states and communities served by the Rock Island in time for the upcoming grain harvest.

Service on the Rock Island's lines is needed for several reasons:

- Fifteen percent (1,680) of the nation's grain elevators currently are without service.
- Grain elevators are already full or close to being full, forcing the direct shipment of grain from the farm to market.
- A record harvest of corn, milo and soybeans -- found throughout the Rock Island's service area -- is due in two or three weeks. This will come on top of already strained storage capacity and economic disruption due to inability to contract for sales of grain which must be transported by rail.
- Interior flour mills are operating at 50 percent of capacity and at substantially increased costs because millers cannot get grain shipped by the Rock Island.
- Rail cars stranded on the Rock Island serve to aggravate the current national rail car shortage.
- U.S. grain exports have been reduced over the last three weeks due in part to the lack of Rock Island service.

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Two weeks ago, the President directed Stu Eizenstat to head a group comprising myself, Secretary of Labor Marshall, Secretary of Agriculture Bergland, ICC Chairman O'Neal, Jim McIntyre, head of the Office of Management and Budget, and Robert Harris, chairman of the National Mediation Board, to seek early resolution of the shutdown of the Rock Island. The action taken today results from the recommendation of that group.

There have been several meetings with representatives of the Rock Island and the striking unions, as well as many interested members of Congress. Federal Railroad Administrator Sullivan met last Friday in Chicago with Judge McGarr, who is presiding over the railroad's bankruptcy, and other Federal officials, representatives of the Rock Island Trustee, and the railroad's creditors. I also must emphasize that the states and individual shippers served by the Rock Island have been telling us of their concerns.

Let me describe briefly what the President's action will mean in the immediate future. First, it will return Rock Island employees to work. Second, in the event the railroad cannot restart on its own, it looks to the Interstate Commerce Commission, by issuing directed service orders, to ensure railroad service to grain shippers during the peak harvest period. Third, it provides an additional 60 days for Rock Island management and labor to agree on a contract.

In the event of directed service orders, I hope that a way can be found to insure that Rock Island employees receive the prevailing national wage. This will help insure progress on the outstanding labor-management issues.

The problems of the Rock Island extend far beyond the immediate strike and resulting grain transportation problem, however. As you know, the railroad has been in bankruptcy for four and one half years. During this time, concrete plans to begin the desperately needed reorganization and rationalization of the railroad have not been forthcoming. As a result, both financially and physically, the Rock Island has deteriorated to the point that even if the strike had not occurred, the railroad could not have survived the winter without a large infusion of government funds.

The Rock Island situation continues to illustrate the bleak future the nation's railroads face unless strong measures are taken. A major part of the long-run solution to the nation's railroad problems is regulatory reform of the industry. The Administration's deregulation proposal provides a groundwork for moving forward and we are willing to work with Congress, the railroads, labor and shippers to get a bill which will meet the concerns of those involved.

Within two weeks I intend to have further word for you on actions I will take in concert with involved parties to move toward a restructuring of the Rock Island and toward steps to avoid more cases such as the Rock Island. We will be working closely within the Cabinet to coordinate these actions.