

Milwaukee Road Claims It's Broke

CHICAGO (AP) — The board of directors of the Chicago, Milwaukee, St. Paul and Pacific Railroad Co. voted Monday to file for financial reorganization under the Federal Bankruptcy Act.

A statement issued by the company said the move was made because bad weather has reduced income to the point where operating expenses cannot be met. It said the line will not be able to meet its financial obligations in the next few months.

The 10,000-mile railroad connects Chicago with major cities in the upper Midwest and the Pacific Northwest as well as with Kansas City, Omaha and Louisville. Grain and other farm products are its main cargo. It also handles lumber, paper and coal.

The firm's parent company, Chicago

Milwaukee Corp., and its non-rail subsidiaries will not be parties to the action.

Filing under Section 77 of the bankruptcy act, the company said, means that ordinary operations of the Milwaukee Road will be continued under the supervision of trustees appointed by the U.S. District Court in Chicago. The trustees would run the line until it is reorganized and put back on its feet.

The line said it expects to continue normal operations without interruption, including freight shipments as well as passenger and commuter services provided under contract to Amtrak and the Regional Transportation Authority in northeastern Illinois.

"Revenues have been adversely affected by a number of factors, including reduced grain and lumber shipments caused by the drought in the third quarter and severe weather during the fourth quarter of 1977," said William J. Quinn, chairman of the board and chief executive officer.

"In recent weeks," Quinn said in a statement, "early winter storms in the central plains and Pacific Northwest have seriously disrupted the railroad's operations, reducing its anticipated cash flow. Operating expenses could not be reduced sufficiently to offset the reduction in revenues."

Although there has been a cutback in personnel, Quinn said, there is little potential for further cost-cutting without seriously hampering service on the nation's fifth largest railroad.

Some 900 track workers across the country and 143 shop workers in Milwaukee were laid off this fall. The line now has 11,400 employees.

"The Milwaukee is anticipating substantial operating losses for 1977," Quinn said. "Projections of revenues and expenses for 1978 indicate continued loss with the inability to prevent further cash erosion."

The line received \$9.3 million in August under the Railroad Revitalization and Regulatory Reform Act and has applied for some \$19 million more.

Founded in 1847, the line was one of the first in the Midwest and began operations between Milwaukee and Waukesha in southern Wisconsin.