

Milwaukee needed, say port people

A permanent shutdown of the Milwaukee Road's transcontinental service between Seattle-Tacoma and Chicago could divert some Oriental imports to California ports, say Puget Sound port officials and other maritime-industry people.

These concerns are based on the premise that having two rather than three transcontinental lines serving Puget Sound would lessen competition



and result in higher rail rates and poorer service.

Keen rail competition exists in California and cargo could be diverted there, even though Puget Sound is one to two days closer to the Far East on the Great Circle route, port officials here say.

A deterioration of service rather than an abnormal increase in rail rates is the main concern of the Port of Seattle, said David Rystrom, that port's deputy director of marketing.

THERE'S NO QUESTION that the Burlington Northern and Union Pacific, Milwaukee's two transcontinental competitors here, are capable of furnishing the number of flatcars needed for carrying Milwaukee business should that company's line be shut down, Rystrom said.

"But we're concerned about the carriers' willingness to purchase (or lease) the right kinds of equipment," he said.

The remaining two railroads eventually may limit the number of container-carrying flatcars and invest in equipment that can generate more revenue to those carriers, Rystrom said.

"UP and BN both have assured us they will provide us with the new equipment we need for future service," he said.

"But a year from now, the UP and BN could forget about the promises they're making now. It's good to have a third railroad to keep the pot stirred."

Richard Dale Smith, Port of Tacoma executive director, agrees that future rail-car availability would be the key factor determining whether Puget Sound ports lose some cargo to California ports.

"I presume California ports might tend to gain" from a permanent shutdown of the Milwaukee's transcontinental system, he said.

PUGET SOUND has the advantage of greater proximity to the Orient and less port congestion compared to California, he said. But these advantages could be offset if a shortage of cars slowed inland movement of the cargo, he noted.

"Our preference certainly would be to have a viable, first-class third carrier," Smith said.

Compared to Seattle, few containers flow through Tacoma for points east of the Rockies. But Tacoma's port officials are concerned about California competition because significant container-shipping development is planned here.

The Port is just completing its second container terminal, which officials hope will attract goods moving to the Midwest.

And a third, even larger container terminal is planned where Milwaukee now has its waterfront rail yard. The Port recently bought that land from the Milwaukee and if the railroad's transcontinental service survives, a new rail yard is planned at Fife.

FUTURE MOVEMENT of containerized imports doesn't account for all of Tacoma's concerns, though. Other cargoes already moving through here could be adversely affected by a lessening of transcontinental rail compe-

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tion.

Grade rubber coming here from Malaysia is particularly vulnerable, Smith noted. A slight upward shift in rail rates, could divert much of this Midwest-bound freight to New Orleans and Norfolk, Tacoma's arch rivals in the rubber trade.

Smith said it's unlikely that the BN or UP would hike those rates and lose this commodity to railroads serving competing ports on the other two coasts. Nevertheless, he said Port officials are concerned about anything (in this case, a Milwaukee shutdown) that conceivably could hurt that rubber trade, he said.

A SIMILAR CONCERN was expressed by Ted Kennard, president of B. A. McKenzie & Co., a Tacoma firm which serves as a forwarder of import rubber.

"I don't think there's any question if you take away competition, you don't become as viable for setting up competitive rates," he said.

If Milwaukee doesn't get upgraded and the carrier's transcontinental line is permanently shut down, "this will have a very adverse effect on our port area," Kennard maintained.

He said he's concerned that the remaining railroads eventually could decide it's not worth the investment to furnish additional equipment to handle the growth in trade.

That same concern was expressed by J. W. Hansford, president of George Bush & Co., a freight forwarding firm in Seattle.

"Railroads are run rather bureaucratically because of their sheer size," he said. "With a lack of competition, they become blasé with the handling of their service."

"Any time you have competition, you have better service and better rates," Hansford said.

UNDERSTANDABLY, officials at the UP and BN have a different viewpoint than the one being expressed by the port and other maritime people.

"It seems inconceivable to me" that rail rates would go up because of the Milwaukee terminating transcontinental service, said George Storany, UP's public relations director in Portland.

"It's most unlikely that either the UP or BN would not provide excellent service at reasonable rates to the Port of Seattle," he said.

"We want the export-import business. We're not about to give the Port of Seattle poor service. We want our share of what the Milwaukee was carrying."

A passing of Milwaukee from the transcontinental scene wouldn't have any impact on rates or rail-car supply, said Richard A. Beulke, BN's Seattle regional vice president.

"I SEE NO REASON why a change in the transportation pattern would call for our increasing rates above or beyond what would be due to other factors," he said.

BN and UP have a history of being highly competitive, Beulke maintained. BN has no intentions of being less aggressive with Milwaukee out of the picture, he said.

As for car supply, Beulke said both the BN and UP have a sophisticated system of distributing railcars.

"We're getting better turnaround of our equipment than we have ever had before," he said. "We should have an adequate car supply to meet the demand."

Virtually everyone advocating survival of the Milwaukee's transcontinental system believes it will take federal-government assistance for the railroad to survive as a safe, reliable transcontinental carrier.

"The Milwaukee has to be put back into a first-class condition to be a viable operator," Smith maintained.

Otherwise, port people say, service will continue to be so slow that importers and most domestic shippers

will route their goods via BN and UP — and possibly the lines serving California.

A PROPOSAL FOR federal loan guarantees to upgrade the Milwaukee's western track and rolling stock is a key element in a plan now being drafted by New Milwaukee Lines, a coalition of Milwaukee employees and shippers wanting to take over operation of the railroad's transcontinental service.

By the end of this week, the coalition is due to submit its plan to the Interstate Commerce Commission. If the ICC determines that the plan is feasible, a federal bankruptcy judge in Chicago will be asked to approve the New Milwaukee Lines proposal.

That plan would include means by which participating railroad employees and shippers would pay off Milwaukee creditors, whose rights are being protected by the bankruptcy court and the court-appointed trustee overseeing the railroad's operation.

Already the trustee has proposed — and the court has accepted — a plan for terminating transcontinental service and a number of branch lines now operated by the Milwaukee.

Dropped would be the western segment from eastern Montana to Tacoma-Seattle. The creditors' intent is to produce a profitable Milwaukee Road with service limited within the Midwest.

For three days early this month, the Milwaukee terminated service on its western system — in compliance with the bankruptcy court's ruling to do so.

But service was restored — at least temporarily — after Congress passed legislation providing \$15 million per

month in federal loan guarantees to give New Milwaukee Lines more time to save the transcontinental service.

Most maritime-industry people now feel there's a remote chance of saving that service.

But particularly with the Chrysler proposal seemingly moving ahead, the port and other industry people are holding out hope that federal loan guarantees will be provided to New Milwaukee Lines — or whatever entity might wind up running a continued service.

"IT ALL DEPENDS on the mood of Congress," Rystrom said. If Congress is in the mood to reduce federal funding, there's no chance Milwaukee's western system will survive, he believes.

If Congress decides federal funds should be committed to protect jobs and safeguard transportation efficiency, a viable Milwaukee service may be bankrolled.

Ironically, the threatened permanent shutdown of Milwaukee's transcontinental service is coming precisely when trans-Pacific trade is booming and cargo is being diverted away from an all-water route through the Panama Canal.

For the first time since the Milwaukee inaugurated service to Tacoma in 1909, the railroad probably could make money on a long-term basis if transcontinental service were maintained, some observers feel.

But the Milwaukee would turn a profit only if the federal government furnishes money to put the line back into first-class shape. And nobody appears to be taking odds whether that will happen.

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