

MEETING NOTES: NEW MILWAUKEE LINES, WEDNESDAY MARCH 26, 1958, 7:00 p.m., at Fife High School, Tacoma, Washington

By Gordon Rogers

Estimated Attendance: About 400 people.

Bill Arnold (President of New Milwaukee Lines) called meeting to order. Said "The Credit Union's doin' good." Introduced Fred Simpson.

Fred Simpson: (1) The ICC didn't find anything good about the creditors' proposal, which was liquidation. The trustee's proposal was worse than New Milwaukee's. The ICC said the potential revenue was much less than New Mil claimed, being extremely conservative in its estimates.

(2) The ICC imposed a new criterion for approval of a reorganization plan, which is that the plan must predict at least 11 percent return on the invested capital. However, the FRA testified that only two railroads in the United States pay 11%; therefore the criterion is unrealistic. No reorganized railroad could possibly pay that well at the outset. Also the ICC said neither plan is equitable to the creditors. Yet the creditors thought the NewMil plan was good. Therefore Simpson feels that the ICC simply does not want reorganization, and the FRA takes the same position. The ICC found that the NewMil plan would meet traditional criteria. The whole proceeding shows that New Mil has been right all along and that the trustee cannot possibly reorganize the line as he wishes.

(3) BN's offer of \$21 million for the lines in Washington State is scrap value. The Milwaukee can withdraw from the Inclusion case (merger) within 7 days and destroy all the records. It is also agreed that the Miles City gateway will be closed. Therefore the line between Miles City and Twin Cities can never be profitable.

(4) The trustee said the ICC's decision was unreasonable and he would look hard at his plan and revise it. Loftus of the FRA thought the trustee was doing a "great job" and the FRA is prepared to lend him \$30 and later \$50 million to continue operations. Creditors cross-examined Loftus and he could not support his bias toward the eastern part of the system. Creditors said they will appeal if FRA loans the money. Meanwhile the trustee will continue to operate.

(5) Abandonment is no longer in the hands of the ICC, per the Milwaukee Restructuring Act. The court can make the final decision. The ICC said Lines West cannot be reorganized and recommended that it be abandoned. The judge has not signed the abandonment order yet. (Evidently this means the line is up for sale.)

(6) The States of Montana and So. Dakota have been very active in trying to preserve Lines West. So. Dak. legislature passed a sales tax to buy the Milw. lines in their state. Montana has supported NewMil and has got several million \$ of support. They propose to buy the lines from Miles City to Marengo including all the branch lines in Montana.

(7) Dixy Lee Ray and Jimmy Carter have done a great deal of harm to New Mil, while Senators Magnuson and Jackson have done an outstanding job in our favor.

(8) The Restructuring Act was not what we wanted, but it gave us a preferred position.

(9) Employees raised over \$200,000 in a year and a half.

(10) Simpson thinks trustee Hillman resigned because he saw the can of worms that was being opened.... Ogilve has acted in complete oblivion, ignoring all opposition.

(11) The final ICC decision (78 pages I think he said) is a "patchwork" of bits and pieces from various hearings as though it were written by different people. I interpret him as meaning that they didn't follow all the notes they took at various hearings, wrote a rather incoherent document.

(12) The Milw. is worth \$900 million and debts are \$400 million; and if it is ripped up

and sold for scrap, the employees should have "a piece of action." "The creditors are licking their chops for a piece of gold."

(13) He thinks the performance of our government in this matter has been "disgraceful."

Bill Brodsky: (1) Agrees with Simpson. Commends employees and gov't leaders who helped.

(2) The only way to get the railroad on its feet is for us to buy it. He thinks the employees can take out a loan and that shippers will participate; State of So. Dak. will participate; and that we can buy the railroad west of St. Paul. A major development in the financing program is the interest shown by Seafirst Bank and Lazard Freres. He thinks we can put together a package in which they can participate. We will be looking at that in the next two weeks. The Board of Directors voted unanimously to continue the effort and to try to acquire the railroad.

Simpson: He thinks labor protection is not inconsistent with purchasing the railroad. The sale to BN has to be approved by the Bankruptcy Court and the ICC. The court has approved it, but the ICC may take a long time to act on it.

My question: How can New Milwaukee get approval to buy the RR in preference to the BN?

Answer: (by Simpson) "If any group comes in with money they can get approval."

Simpson: Under the BN merger Milw. was to get additional traffic and "condition 33". If the conditions didn't work out, in 5 years the Milw could petition to join BN or to get additional concessions. ICC refused the appeal which was made in 5 years and it is still pending. As a condition of this sale, the trustee has agreed to drop that petition.

The ICC decision took everybody by surprise. Everybody expected either approval of NewMil or liquidation. The thing is in flux and some developments are coming in the next few days.

Q: Why is UP dumping gravel on Milw property on the north side of our new yard at Fife?

A: (By Simpson) They are working on the joint right-of-way. The asker insisted it was on Milw property and Simpson says no, but that UP is expecting some day to take it over.

Q: Re. employees' role in purchasing the RR: Answer: Simpson doubts that the employees have the wherewithal to help purchase the RR; therefore they should try to get the best possible settlement. "If we acquire the RR, I assure you the employees will get your jobs back."

Q: Are we supposed to support a new railroad that will start all over from scratch and we lose our seniority? Answer: apparently was that if an employee takes severance pay he severs connection with the Milw and loses his seniority. The law says you have to go to Judge McMillen and demand your money; but he will refuse, and you will have to appeal to another court and it will go on for years.

Simpson thinks we will have an indication in a few weeks whether the sale will go through; but finalization may take a year. The purchase price (per Brodsky's calculation) is about \$200 million; but it is negotiable. If we had the time and resources to fight, we could make a case out of the ICC's adoption of new criteria; but we don't.

Privately after the meeting: I remarked to Bill Arnold that what Simpson said about the decision confirmed my suspicion that the whole development has been a conspiracy, but I wasn't sure whether the creditors or the BN was behind it. He said he felt no doubt that the BN was behind it. I said we should at least file a complaint and scream bloody murder in public. He said in a few days you will hear some big news, and then excused himself and walked away quickly as though he had begun to spill some beans. Then I asked another official if there were some secret development in our favor. He said yes, there is something very big brewing that we should be hearing about soon, and quickly excused himself from further discussion.