



CONGRESS OF THE UNITED STATES

HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

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September 12, 1979

The Honorable Neil Goldschmidt
Secretary of Transportation
Department of Transportation
400 7th Street, SW
Washington, D.C. 20590

Dear Mr. Secretary:

I know that President Carter has recently expressed great concern about the effect on grain shipments of the strike against the Rock Island Railroad, and by the grain millers in Duluth, and that he has directed cabinet level attention to this problem. I suggest that our current difficulties should be examined in the context of the entire transportation situation in the West, and that this evaluation must include the Milwaukee Railroad.

I was very encouraged to hear from Governor Tom Judge that you do not feel bound by the policies of previous Secretaries of your Department with regard to the Milwaukee Railroad. It is my understanding that you will be meeting with Senator Baucus on Thursday morning and I know that the Milwaukee will be discussed. I would like to suggest that you meet with the entire Montana delegation, including Senator Melcher, Senator Baucus, Representative Marlenee and me in the immediate future to discuss this situation further.

As you of course know, the Federal government, through land grants, played an integral role in the creation of the rail system in the West. It was only when the populous markets of the East and Midwest were linked by transcontinental rail lines to the Great Plains and Rocky Mountains regions that agriculture, timber, mining and tourism industries could develop. Today, those industries in Montana and other western states are no less dependent on rail transportation than in the past. But as public officials, you and I must look not to the past or even present, but to the future, when determining policies this government ought to pursue. I believe that future is clear: western railroads will assume an ever greater role in the transportation of vitally needed commodities.

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Right now, the Milwaukee Railroad is presenting its case for abandonment to the ICC in my hometown of Butte, Montana. Similarly, in a federal court in Chicago, the Milwaukee is seeking to embargo its operations west of Miles City, effective September 17. If that embargo is granted, and the ICC relieves the Milwaukee of its responsibility to operate its system west of Miles City, the Burlington Northern Railroad will have a virtual monopoly on rail service in Montana.

Last year, 10 million tons of coal could not be shipped from Montana mines because of a lack of rail transportation--coal vital to our efforts to lessen our dependence on foreign energy sources. Today, 8,000 orders for grain cars in Montana are not being met because of a lack of adequate rail transportation--grain vital to our efforts to reduce our balance of payment deficit. I believe it is unreasonable for our government to allow a further erosion of our rail freight capability at precisely the time when coal and grain are increasingly important to our economy.

The Milwaukee Railroad argues that it should be allowed to operate a core system in the Midwest, because that has the greatest chance of financial stability. And yet there are five other railroads serving that part of the country, some of which face financial difficulties similar to Milwaukee's. There is considerable competition from trucks and barges to the Milwaukee in the Midwest--the type of competition that Milwaukee does not face on a large part of its transcontinental line. Further, the Milwaukee's own Booz-Allen study found that the greatest long-term revenue potential for the line lies in operating a transcontinental railroad.

To date, the DOT has fully supported the Milwaukee position. On July 31, Acting Secretary of Transportation W. Graham Claytor transmitted four studies to House Commerce Committee Chairman Harley O. Staggers. In a letter accompanying the studies, Secretary Claytor defined a worst case scenario for Milwaukee, and concluded that no additional funds would be made available for the operation of the entire Milwaukee system. The Secretary also endorsed the legislation that would allow a bankruptcy judge to authorize abandonments, and the Administration's railroad deregulation proposal.

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I am very disturbed that the transmittal letter does not accurately reflect the content of the reports. The policies advocated by DOT are not only shortsighted, in view of the impact of coal and grain on the nation's economy, but promote an unregulated rail monopoly by Burlington Northern in Montana.

Also, we should all question public policy that allows a judge, based on information gathered in a court proceeding closed to the public, to grant abandonments instead of requiring the ICC process which guarantees full public participation to proceed.

There is an effort underway to develop an alternative to Trustee Richard Ogilvie's reorganization proposal. An organization called the New Milwaukee Lines Corporation, composed of shippers, employees and affected states, will present an employee/shipper stock ownership plan to the bankruptcy court by December 1.

Combinations of private and public funding sources, including EDA and FmHA, are being explored by New Milwaukee. Because of the potential long-term consequences of the loss of this transcontinental rail corridor, I believe New Milwaukee's efforts to maintain that corridor must be encouraged rather than hindered by federal policy. There is legislation being developed to allow New Milwaukee an adequate opportunity to construct and implement a viable reorganization plan. I believe it is clearly in the public interest for the Administration to support this legislation. The legislation is strongly supported by the Montana delegation, and the State of Montana, by the Rail Labor Executives Association, and by shippers and concerned citizens along the Milwaukee Road.

A local Washington paper recently reported, "The crisis in the nation's railroads spread west this summer, carrying a threat of economic dislocations on a scale difficult for Easterners to comprehend...the fortunes of hundreds of communities between Chicago and Seattle are bound up with the

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Milwaukee, and some might not survive its demise." Communities which suffered a long train of abuses and usurpations by railroad barons may soon have no trains because of the insensitivity of federal bureaucrats. I know this is not in the interest of the people of Montana--I fear that too late others will come to the realization that it was not in our nation's interest either.

Again, Mr. Secretary, I look forward to the possibility of meeting with you on this issue in the very near future.

Best regards.

Sincerely,

A handwritten signature in cursive script that reads "Pat Williams". The signature is written in dark ink and is positioned above the typed name.

Pat Williams