

New Chief for a Yankee Railroad



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Alan G. Dustin of the Boston & Maine

By ROBERT E. BEDINGFIELD

BOSTON—Alan G. Dustin's route to the executive suite has been strictly old-railroad. He started by heaving baggage during the summer of 1947 at Ticonderoga,

ates the former Penn Central lines under contract. The B. & M. will also continue to operate commuter service for the M.B.T.A. under a five-year contract. It will receive its full costs plus an incentive of 10 cents for each paying passenger riding the trains.

almost two derailments a month on a routine basis—extensive derailments.

"But when I came down here and spent a couple of months and looked over the operations, I felt there were so many things that could be done to improve the situation, that perhaps it wasn't a hopeless

N.Y., in the Lake Champlain resort area, and studying Morse at night to qualify for a telegrapher's job on the Delaware & Hudson Railway.

Today, having worked his way up on the D. & H., the Erie Lackawanna Railway and the Bangor & Aroostock Railroad, rising from clerk to train dispatcher to executive vice president of operations, he is president of the Boston & Maine Railroad—with no stops along the way at the Harvard Business School or even college.

When Mr. Dustin was in high school in Rouse's Point near Ticonderoga, his father died, so he had to substitute learning on the job for formal education.

Nevertheless, at least one of Mr. Dustin's ideas about running a railroad must seem disturbingly new-breed to his peers in the Eastern Railroad Association, the New England Railroad Club and other groups in which heads of the tradition-prone railroad industry meet. Mr. Dustin, 47 years old and one of the younger chief executive officers in the railroad industry, sees no problem with government ownership of the right of way and track on which the B. & M. runs its trains.

In fact, he recently sold 270 miles of his line in northeastern Massachusetts to the Massachusetts Bay Transportation Authority, the public agency that has taken over commuter railroad service in the Boston area, although only 140 miles of the 270 are in commuter service. And in a recent interview he said he would be happy to sell the rest of the road's trackage to the Federal Government or any other public body, if he could get as good a deal as the railroad got from the M.B.T.A.

Mr. Dustin's colleagues, after years of urging by such nontraditionalists as George Alpert, the former president of the New Haven line and Ben W. Heineman, the former chief executive officer of the Chicago and Northwestern Railway, have grown reconciled to selling commuter-line trackage to state agencies. But contrary to their trucking competitors, who happily roll their tractors and trailers on rights of way provided by the taxpayers, railroad presidents generally balk at handing over their rights of way and track to governmental agencies. They fear it would lead to the Government's swallowing their whole railroads, executive jobs and all.

The sale agreement with M.B.T.A. gave the Boston and Maine, now almost entirely a freight carrier—it still operates one passenger train a day between Springfield, Mass., and White River Junction, Vt., for Amtrak—free use of the rails and facilities it formerly owned, including the road's executive offices, housed in a two-story warehouse, and a repair shop in Billerica, Mass., outside Boston.

The M.B.T.A. pays the major share of the upkeep on the portion of the line it uses for commuter operations, the railroad maintains the track used solely for freight, and the line pays for track maintenance on the basis of ton miles (one ton moved one mile) of freight on lines used jointly for passenger and freight traffic.

"It is a small amount for us," said Mr. Dustin. "We just pay a maintenance fee based on what it costs us to maintain the rest of the railroad. On the lines the M.B.T.A. has bought it is going to do a tremendous improvement job. They are going to rebuild the roadway, install welded rail, new ties and ballast. We don't pay for that. And they are going to have Federal help."

The \$39.5 million that the M.B.T.A. paid for the Boston & Maine's 270 miles and 84 Budd diesel commuter coaches was Federally funded.

Penn Central's successor, Conrail, oper-

"We figure we have between 4.5 million and 5 million riders a year," said Mr. Dustin, "so we should collect maybe \$500,000 extra above our costs." The B. & M. had been providing the M.B.T.A. commuter service on its lines for several years before the outright sale, but the new contract will gross the road about \$1.5 million more than it had been paid under the old arrangement.

"The big thing is we are going to be operating on a much improved plant," the B. & M. executive stressed.

The Boston & Maine has been operating under Section 77 of the Federal Bankruptcy Act since March 1970, three months before the Penn Central Railroad filed for reorganization under that same act. The funds

Boston & Maine Corp.		
—At a Glance		
Year ended		
Dec. 31	1976	1975
Revenues.....	\$99,976,964.....	\$88,582,273
Net Railway		
operating loss.....	6,436,811.....	10,648,867
Ordinary loss.....	9,120,219.....	12,649,023
Net loss*.....	22,638,432.....	13,536,869
Assets, Dec. 31, 1976.....	\$201,496,274	
Employees, Dec. 31, 1976.....	2,969	
Includes extraordinary loss in 1976 of \$13,536,869 and in 1975 of \$842,847.		

turned over for the commuter lines aren't available for much needed general operating purposes, but have been deposited with the Federal District Court here in charge of the bankruptcy. The courts already held about \$15 million from previous property sales.

These funds even today must be used toward paying off the B. & M.'s pre-bankruptcy creditors, including the holders of the railroad's \$46.3 million of first-mortgage 6 percent bonds, which matured in 1970. Some \$23 million of interest has accrued on them. The trustees of the B. & M. have filed a plan of reorganization with the bankruptcy court and the Interstate Commerce Commission under which the railroad could emerge as debt-free carrier—a unique situation in the railroad industry.

Until now the B.&M. has not been the direct beneficiary of the millions of dollars in grants that the Federal Government has made to Conrail and earlier to its chief predecessor, the Penn Central Railroad. But the B. & M.'s trustees and Mr. Dustin, met with the officials of the Federal Railroad Administration late last year and are preparing an application for Government help in financing a \$30 million capital improvement program.

"Such a program is long overdue," said Mr. Dustin. "You have to realize that this railroad hasn't operated in the black since 1967 and was operated from 1960 until 1973 with maintenance deferred. Mr. Dustin, who joined the B.&M. in mid-1973, traced much of the road's difficulties to years of mismanagement before the bankruptcy. A chairman of the board and a president of the railroad even went to jail for illegally selling equipment for their own benefit.

"I might say when I first came here and looked at the B.&M. as an outsider from another railroad [he was executive vice president and chief operating officer of the Bangor & Aroostock], I felt that if there were ever a hopeless case in railroads, the B.&M. epitomized it. They had

case after all.

"The basic problem was the roadbed. During the last four years the trustees have spent in excess of \$15 million of the railroad's limited revenue income on new ties and rail and resurfacing the equivalent of more than 50 percent of the track.

"There was no integrity in the equipment condition reports that the road filed with the Interstate Commerce Commission until 1973. There wasn't any program for rebuilding locomotives.

Now, he said, the line has made "substantial improvements," rebuilding 33 yard engines and 46 road engines—almost half the fleet—and repairing 1,100 freight cars.

Four years ago there was hardly a mile on the B.&M. where an engineer could have safely run full throttle. There still are hundreds of miles of track where this is impossible yet—even where the trains are restricted to speeds of less than 10 miles an hour—but the line is upgrading those sections as quickly as it can finance it.

Mr. Dustin stressed that the road's ability to finance its repair and rebuilding program was hard hit by the recession of 1975-76. The B. & M.'s traffic in 1975 fell to the lowest level of the century and for most of last year dropped further.

"There still are no signs of a substantial return in our business," Mr. Dustin said. "The economy of the area we serve is not healthy because of the cost of energy and crippling taxes. Unlike some industries, which have moved out of New England, we can't pick up our tracks and do business somewhere else."

However, Mr. Dustin also reported that the system had lost traffic to truckers. Railway freight-rates have increased to the point that some trucking schedules are now even lower than the rails, he said, "and their service in a number of cases is better."

Mr. Dustin, who is 5 feet 10 inches tall, keeps his weight to a trim 150 pounds. His staff attributes this in part to his habit of keeping long hours—he often arrives at the railroad's headquarters before 6 A.M. and generally remains until well after 5 P.M.—and to his preference for a lunch of a sandwich and a soft drink at his desk. His positive manner adds to the impression he gives of tremendous energy.

Like many of the classic through-the-ranks rises in the railroad industry, Mr. Dustin's career has benefited from the sponsorship of an elder patron. In 1968, when Frederic C. Dumaine, the 74-year-old New England financier served as president of the Delaware & Hudson Railroad, Mr. Dustin after 20 years in the operating department held the title of assistant to the president.

Mr. Dumaine conducted much of his duties as chief executive officer of the D. & H. from his own Boston offices, Mr. Dustin recalled and depended heavily on Mr. Dustin in the line's Albany headquarters, to carry through his orders.

Mr. Dumaine has kept in close contact with Mr. Dustin. They share the view that New England's three major railroads—the Boston & Maine, the Maine Central and the Bangor & Aroostock—should merge into an end-to-end system. So far, the management of the Maine Central has resisted all consolidation moves, but Mr. Dustin argues that once the B.&M. is discharged from bankruptcy it will be only a matter of time until the three systems operate as one.

Robert E. Bedingfield is retired from the financial news department of The New York Times, where he reported on transportation.