

Railroads wary of 4-line merger

By AL LAWRENCE

Four Northeastern railroads are receptive but cautious on a proposal this week by the U.S. Railway Administration (USRA) that they consider merger in hopes of easing their financial troubles.

Among them is the Albany-based Delaware & Hudson Railway, which has been burdened with operating deficits for the past two years and has heavy financial obligations to the federal government.

The USRA suggested this week that the D&H might consider consolidation with the Boston and Maine Railroad, which went bankrupt in 1970, the Maine Central, said to be operating with "marginal profits," and the Bangor and Aroostock Railroad in northern Maine, which its president says is now "modestly profitable."

The nation's railroads have been losing freight and passenger business for years, and many of them have been taken over by government-operated systems, such as Amtrak and ConRail. The D&H said Wednesday, "We're willing to look into any kind of merger, but it's too early to make a comment right now."

And the president of the B&M, which has lines from Scotia to Massachusetts, Vermont, New Hampshire and Maine, said Friday he would "certainly look favorably on a merger study, and depending on what the study would disclose, our course of action would be determined."

But the two railroads still operating in the black aren't that eager to consider consolidation. An executive of the Maine Central, headquartered in Portland, Me., was the most negative of the four. "A marginally profitable railroad, such as the Maine Central, cannot prudently consider merger with a losing railroad or railroads — one of which is bankrupt and another which is losing huge amounts of money," said Bradley Peters, assistant to the company's president.

Peters did not go so far as to rule out consideration of a merger but said, "We're not terribly anxious; we're not out searching

The president of the Bangor and Aroostock Railroad, Walter E. Travis, was also skeptical. Travis, who worked for the D&H for 10 years, said his parent company once considered buying the Albany-based line and others in the Northeast. "But I don't want to indicate interest now," he said. "The D&H has changed significantly since then. It has extended its lines — nearly doubled them, and it has become deeply involved with the federal government. At this point, it has drastically changed from what it was then. Any interest we might have had would be very, very carefully reviewed."

The D&H had a net loss of \$3.8 million in 1976 and shows a deficit of nearly \$6 million so far this year, according to a spokesman. The USRA loaned the troubled line \$28 million last year and had to extend the \$1.1 million interest payment due next month on that money. The D&H has asked for another \$2 million from the government.

The Maine Central's Peters claims those figures make a merger seem unappealing to his firm, which showed net earnings of \$270,000 in 1976 and \$233,000 the year before. Nor is the Maine Central excited about the possibility of merger with the Boston and Maine, which has been operated by federal district court since it went bankrupt in 1970.

His railroad's profits, which he called "nothing to crow about," wouldn't "make a dent in the millions of dollars" owed by the other lines, Peter insisted. "The bucks aren't there for us to bail them out."

Further, he contends, railroad mergers of the past haven't proved successful for financially hurting lines.

Travis, however, called the Maine Central's figures on past mergers "a cursory survey," and Alan Dustin, president of the B&M, said, "I think you have to look at them in terms of what might have happened if they hadn't merged. There have been some successful mergers, and some that merged ultimately went bankrupt. But I think they would have gone bankrupt much earlier individually if they hadn't merged."