New Chief for a Yankee Railroad

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, N.Y., and rose to the top when the Boston & Maine line began operations the year before.

The B. & M. now operates 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.

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
"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 the line for several years before the outbreak 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 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 $43,947,000 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 its lines for federal support this year to 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 1965. The road was in a $4.9 million first-mortgage loan with 6 percent interest deferred through 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 was found guilty of 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 & Aroostook], 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 track 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 before 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 railroad that could run above carried 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 and in fact is almost entirely free of contracts.

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 the year the road was losing money, he said, "and their service in a number of cases is better."

Mr. Dustin, who is 5 feet 10 inches tall, keeps the weight down to a trim 150 pounds. His diet 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 "something light, like a salad." 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 friendship of an elder patron. In 1968, when Frederic C. Dumasine, 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. Dumasine 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. Dumasine when he took over the D.&H. headquarters, to carry through his orders.

Mr. Dumasine has kept in close contact with Mr. Dustin. They share the view that New England’s three major railroads—the Boston & Maine, the Bangor & Aroostook—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 the bankruptcy court, New England might have a year or two of time until the three systems operate as one.

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