



# D&H: 150 years old and still solvent

A big birthday for the  
last kid on the block with money

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**I** UNDERSTATED, railroading in the Northeast is not an easy life these days. The sour refrain of redundant branch lines, deferred maintenance, commuter-service red ink, inability to meet highway freight competition, *et al.*, for seven Class 1 roads has resulted in the same chorus: reorganization under Section 77. Members of this chorus line do not stand on two feet and certainly cannot be counted on to kick their heels high.

The chorus line is long — more than 27,000 miles' worth of Boston & Maine, Jersey Central, Erie Lackawanna, Lehigh Valley, Lehigh & Hudson River, Penn Central, and Reading. Few showgirls are left, but one key Northeast railroad still is in the black: Delaware & Hudson. The 718-mile carrier is the only Class 1 in the black between Central Vermont and Bessemer & Lake Erie.

The bridge is still solid — it's the approaches that are collapsing. D&H, which accurately bills itself as "The Bridge Line Linking New England and Canada with the South and West," has five principal interchange connections on the above list of bankrupts. And when you are in an industry based on interdependency and generate 65 per cent of your revenue by overhead traffic, the condition of your neighbors is of the utmost concern.

ALTHOUGH on April 23, 1973, the Delaware & Hudson will celebrate its 150th anniversary, today's D&H is only 5 years old. Confusing? The railroad which proclaims itself to be America's oldest continuously operated transportation business firm traces its origin to the chartering of the Delaware & Hudson Canal Company in 1823. The company went into the railroad business in 1829 with a gravity line, but the first corporate name including both "D&H" and "railroad" dates from a century later in 1930, when the Delaware & Hudson Railroad Corporation was

D&H symbol freight MB6 fights upgrade behind U30C trio. Jim Shaughnessy photo.

set up to take over the various rail properties formerly operated by the D&H Company. The history of the D&H is well documented in Jim Shaughnessy's book *Delaware & Hudson* [Howell-North Books, 1967].

Although a considered merger of D&H; Erie; and Delaware, Lackawanna & Western in 1957 was rejected because of D&H's stability and the debt structures of the others, D&H was not intent on going it alone forever. The merger proposal in 1961 of Pennsylvania and New York Central started a series of reactions by D&H (as well as by other small Eastern roads) in which it sought protection from the effects of the proposed Penn Central by inclusion in Norfolk & Western's merger plans. The N&W's merger with Nickel Plate and Wabash in 1964, plus the PC proceedings, ultimately resulted in the ICC-ordered formation of Dereco, Inc., a holding company controlled 81 per cent by N&W. Dereco in 1968 absorbed first the Erie Lackawanna and then on July 1, the D&H. The Delaware & Hudson Railway Company, which today operates the railroad, acquired the rail assets of the D&H Company and the D&H Railroad Corporation. The corporate shell of the old D&H — including working capital of more than 7 million dollars — survived as the Champlain National Corporation and has diversified in the same manner as did the surviving structure of the old Minneapolis & St. Louis railroad which became MSL Industries in 1960 when the rail assets were acquired by Chicago & North Western.

As indirect subsidiaries of N&W through Dereco, EL and D&H had been gravitating toward a consolidated operation under a common top management headquartered in Cleveland. But tropical storm Agnes washed away the EL flavor which D&H had been acquiring. On June 26, 1972, Erie Lackawanna, burdened with a heavy debt structure and the other problems typical of Eastern railroads, and facing a big repair bill and loss



of revenue because of Agnes, filed a Section 77 petition for bankruptcy reorganization. Gregory W. Maxwell, president and chief executive officer of both roads, resigned the D&H position to remain with his EL. Carl B. Sterzing Jr., 39, formerly general counsel of D&H and before that a member of N&W's legal staff, was named as Maxwell's successor.

Sterzing is the type of young, enthusiastic, energetic executive who, in the opinion of many who see a future for U. S. railroading, should be overseeing every road. He has spearheaded a "Program for Survival"—a concerted effort to spur the personal participation of D&H'ers in keeping their company in the black. The resulting uplift in morale has been caused in no small part by the return of D&H management to The Plaza in the "Cathedral of Albany." Once again D&H employees know the folks who say yes or no to their suggestions and sign their paychecks. Among the traditions reinstated under Sterzing are a monthly newsletter and the annual board of directors inspection trip (which was made last November 28-30). Both serve to keep the lines of communication open between management, rank-and-file employees, shippers, and interested citizens. The hypodermic effect of the D&H's regained independence has not been at the expense of a working relationship with EL, however.

THE METAMORPHOSIS D&H has undergone has not been limited to the corporate history after 1968 or the management changes of last year. Although the railroad is free of many of the burdens that its Eastern neighbors must bear, its traffic pattern has changed drastically. During the Sixties, freight revenues of D&H showed little growth. Rate increases were offset by a decline in traffic volume, and increased costs hindered its profit margins.

The most significant factor in the traffic-pattern change has been the loss of a market for anthracite coal. Historically D&H was known as a coal road—indeed, the D&H Canal was built to haul Pennsylvania "black diamonds" to the Hudson River. Two decades ago coal accounted for almost half of D&H's freight revenues, but in 1964 coal's share was down to 15.7 cents of every D&H revenue dollar, and by 1971 the figure was 4.6 cents.

The hills of northeastern Pennsylvania still are full of coal, but the demand for anthracite and the costs of mining and processing it have made most such activity uneconomical. One coal breaker in the Carbondale area is operating now, and a new breaker is scheduled to begin operation this fall. It will produce 20 to 25 carloads per day. The loss of coal traffic on D&H has not been confined to minemouth-originated traffic—many firms in the East have converted from coal-fired plants to oil-fired, and the D&H alone lost five big on-line coal consumers in 1970-1971.

Other mineral traffic also has declined. A recent strike at the MacIntire Operation titanium plant of National Lead on Sanford Lake in upstate New York resulted in a million-dollar loss to D&H in ilmenite ore traffic. The closing of the mining operation of Republic Steel at Port Henry has meant another 4-million-dollar loss.

Paper has become the backbone of originated traffic on D&H. North of the Mechanicville-Mohawk Yard (D&H's most important facility near Schenectady) area, seven local freights prowl the old Saratoga Division trackage. One of these is the Adirondack Branch train, a run that continues north from North Lake up the Tahawus line of National Lead to Sanford Lake ["Better Late Than Never," page 40, January 1959 TRAINS]. The other locals exist mostly to serve paper and pulp mills, of which there are more than 30 on line. The through train from Rouses Point to Mohawk—RW6 (designated as a Rouses Point-Wilkes-Barre run)—largely moves Canadian newsprint and other paper which has been delivered by CP Rail at Delson, Que., to D&H subsidiary

Napierville Junction and by Canadian National at Rouses Point.

In 1964 paper, pulp, and allied products accounted for one-quarter of D&H freight revenue; by 1971 the proportion had climbed to one-third. Paper traffic has been of such volume that the road has faced a shortage of wide-door box cars necessary to accommodate the demand.

Despite the healthy state of paper traffic and the continuing effort by the D&H to attract new on-line shippers (development of a new industrial park in Albany exemplifies such attempts), the bread and butter of the road continues to be bridge traffic. The largest single connection is with the Boston & Maine at Mechanicville—so the question is moot whether bankrupt B&M needs the D&H gateway more than solvent D&H needs an independent B&M.

Second-largest connection is the Binghamton gateway with Erie Lackawanna, which in addition to furnishing bridge traffic for New England, provides an attractive amount of terminating loads in the form of automobiles destined for D&H's transshipping facility at Albany. Lehigh Valley also provides an interchange through Binghamton at Owego, N. Y. D&H has trackage rights over EL between those cities, and LV and D&H both run a daily turn via that trackage to deliver and accept interchange cars.

The third major gateway is the Wilkes-Barre area. EL provides a minor interchange at Plymouth Junction on the D&H-owned Wilkes-Barre Connecting, a quasi-belt line. Until recently, D&H and LV had a substantial interchange in Wilkes-Barre proper, but on January 3, 1973, the roads officially opened their new direct interchange connection at Dupont just south of Scranton. Principal service via this interchange is provided by a pair of pre-blocked symbol freights, NE87 southbound and NE84 northbound, which operate between Portland, Me., and Potomac Yard in Alexandria, Va., via B&M, D&H, LV, Reading, and B&O.

The above route lends itself to labeling by wags ("The Northeast Alphabet Route," for example), but it is a viable service route. More important, it is symbolic of a dilemma which confronts not only D&H but the other small members of the Northeast railroad community: How does Penn Central fit into their future?

THE CRUX of Delaware & Hudson's problem with Penn Central concerns the Buttonwood Yard case [page 2b, November 1972 TRAINS]. The former Pennsy interchange at Buttonwood in Wilkes-Barre is No. 3 for D&H, and the million-dollar-plus annual business accepted there is crucial to D&H's solvency. When flooding caused by tropical storm Agnes closed PC's line on the east bank of the Susquehanna River between Sunbury and Wilkes-Barre, the big bankrupt opted not to reopen the line and sought to abandon it, instead delivering D&H traffic at Schenectady, N. Y., and thus cutting D&H's haul by 200 miles. D&H offered to give \$100,000 to PC toward rebuilding the line, but PC declined. D&H then successfully petitioned the ICC to order Penn Central to open the Buttonwood gateway, but the interchange has taken place via Erie Lackawanna trackage on the west bank of the river between Plymouth Junction and Northumberland (near Sunbury). PC is required to pay the D&H's costs of the makeshift operation, but D&H regards the situation as a temporary detour unacceptable as a permanent solution. The 62-mile EL line is in such condition that it permits only slow speeds on the single track which is minus signaling and passing sidings, and crews on the five-unit set of GE U23B's normally assigned to the operation often run afoul of the Hours of Service Law.

D&H would like to see PC's Buttonwood-Sunbury line reopened. But Penn Central has been so determined to close the interchange by abandoning the line that it has



refrained from applying for Federal loans for restoration of flood-damaged facilities — of which PC has many others. A special law providing 48 million dollars for that purpose was amended to require restoration of the 51-mile Buttonwood line. At this writing the ICC had extended to February 28, 1973, its order requiring PC to restore Buttonwood gateway service and authorizing the temporary EL trackage rights by D&H pending completion of a study to determine the feasibility of the EL route as a permanent one.

Regardless of the outcome of the Buttonwood case, D&H faces a tough struggle to remain on the black side of the ledger in red-ink country. To help focus attention on its situation, the railroad is using the occurrence this year of its 150th anniversary as a continuing transportation enterprise as a rallying point for a giant public-relations effort.

A historical-exhibit display train has been scheduled to tour the system beginning in April to inform the populace of the road's historical significance as well as to promote the service which the D&H of today offers. To be included in the sesquicentennial train were baggage cars fitted with displays and — on a flat car — the full-size working replica of the *Stourbridge Lion*, first railroad steam locomotive to operate in the U.S. The new *Lion*, built by Colonie shop forces in 1933 for the Century of Progress exposition in Chicago, has been on loan to the Wayne County Museum at Honesdale, Pa., since the *Lion's* last public appearance at the Chicago Railroad Fair in 1948. Honesdale was where the original *Lion* first was used; what remains of that locomotive is in the Smithsonian Institution.

The display train was scheduled to be powered by the two operable Alco PA1 diesels of the three D&H has on hand. The ex-Santa Fe cabs, the only carbody diesels D&H has ever owned, are special favorites of President Sterzing's. Under consolidated EL/D&H control, Nos. 17 and 19 had been sold to GE for future trade-in consideration, and Nos. 16 and 18 had been leased to Steam Tours. When the excursion group was unable to continue payments on its lease-purchase agreement, Nos. 16 and 18 were returned to the D&H. But because two units were needed to power the directors' special and for other possible passenger movements, and No. 16 was inoperable, No. 19 was repurchased from GE.

For most railfans, the highlight of the sesquicentennial celebration will be the steam-powered excursion scheduled for April 28-29 from Albany to Montreal and return behind Steamtown U.S.A.'s ex-Canadian Pacific 4-6-2 No. 127, which was sent to Colonie for repairs during the winter. D&H forces were to customize the Pacific to resemble D&H's distinctive 4-6-2's for the run.

AFTER the sesquicentennial celebration, D&H will return to concentrating on day-to-day operation; and the routine of railroading on D&H takes place on a modern physical plant with a very young motive-power fleet.

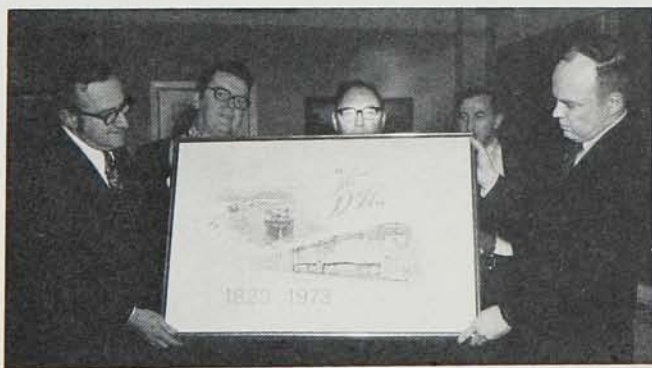
D&H's main lines all are under remote-control signal operation. Its first CTC installation was made south of Nineveh, N. Y., in October 1930. The completion of a 1.1-mile connection near Ballston Spa, N. Y., in 1964 put the entire 744-mile Rouses Point/Wilkes-Barre main under CTC. Except for two short stretches, all control is centered at Albany.

Dieselization of D&H was accomplished on July 21, 1953, and the roster was 100 per cent built by on-line Alco at Schenectady. The diesel list topped out at 179 units in 1955; in that year 5 of the 1000 h.p. S2's (the first model bought by D&H, in 1944) were sold. Fifty-one S2's and S4's eventually saw service, but all were off the property by 1971.

Of 110 diesels rostered in December 1972, three-quarters were 8 years old or younger and the average age was 11 years. Only 26 RS3 units remained from the original 128 (plus 2 Montreal-built RS2's for the Napierville Junction) RS2 and RS3 road-switchers which accomplished dieselization, and the survivors were confined to yard and local work around Albany and on the north end. Five RS3's (and some cabooses) were leased in January 1973 to the newly independent short line Providence & Worcester.

The second generation of diesels came to D&H beginning in 1961 when the first of 24 1800 h.p. Alco road-switchers were delivered; 18 2750 h.p. C628's followed in 1964 and 1965. In 1967 D&H abandoned Alco motive power for the first time in more than 50 years when it purchased 6 U30C's from GE. The roster now includes 38 U-boats (1 U23B has been scrapped) ranging from 2250 h.p. to 3300. Three EMD SD45 demonstrators were purchased in 1967, but in an effort toward standardization while D&H was under consolidated management, the units were swapped to Erie Lackawanna in 1969 for 3 U33C's.

One could speculate indefinitely on the future of the D&H. Merger? Status quo? Bankruptcy? Each is a possibility. In 1972, after showing at midyear a net loss of 2 million dollars, D&H accomplished a positive swing of 3 million to wind up 1972 with a net income of more than 1 million. The road is exploring every possible avenue that could generate new traffic, and it has a tight grip on its throttle. Given the state of the railroad art, it is doubtful that a D&H railroad as we know it will be around to celebrate anniversary No. 300. But a Delaware & Hudson still engaged in the transportation business — well, don't count that out. **I**



**ARTIST** Manville B. Wakefield (left) presents the official sesquicentennial painting to D&H officers (from right) C. B. Sterzing Jr., president and executive officer; J. D. Connery, chief of reproduction; D. M. Huggins, chief mechanical officer; and T. E. O'Brien, sesquicentennial chairman and assistant vice-president — sales.



J. J. Young Jr.

**ANNUAL** inspection train for D&H officials and directors rolls through Thompson, Pa., on November 28, 1972, behind PA1's 18 and 19.