

INDEX—RAILROAD REORGANIZATION

ABANDONMENTS

proposal to charge, against new reorganization adjustment account, 440-1; jurisdiction of ICC and state commissions over, 497-8; proceedings for, in connection with Old Colony reorganization, 501-2; propriety of use of segregation formula in, 503-4; efforts of Old Colony Commuters & Shippers League to prevent, 505.

ACCOUNTING PRACTISES

of railroads: terms relating to income defined, 367-8; difficulty of developing consolidated balance sheets for railroad systems, 375-6; need to show book value of properties despite lower capitalization in reorganization, 438-42; proposal to set up reorganization adjustment account and charge abandonments against it, 440-1; treatment of joint facility and equipment rentals in, 443-5.

ADJUSTMENTS OF RAILROAD OBLIGATIONS

voluntary, prior to Ch. XV, 519-20; procedure for, under Ch. XV, 521-6; high-pressure character of, under Ch. XV, 525-6; characteristics of plans for, under Ch. XV, 526-8; advisability of, in lieu of reorganization for marginal railroads questioned, 528-30, except for plans permanently reducing debt, 531; provisions indicated for new legislation for, 531. See RAILROAD ADJUSTMENT ACT.

BOYD CASE DOCTRINE

(*Northern Pacific Ry. v. Boyd*) stated, 382-3, 420; steps taken to meet, 383; applied in §77 cases by ICC, 395, 411-2, 422-3; application of, to creditors, 422-3; not applied in Ch. XV proceedings, 522, 528.

Case v. Los Angeles Lumber Products Co., 412, 423, 424, 522, 528.

CONSOLIDATIONS

importance of, to achieve railroad economies, 451, 464; opposition to, by railroad labor, 451, 464, and executives, 451; impracticable in course of reorganization, 452; tendency of, to result in concentration of traffic, 496, 498-9.

CONSTITUTIONAL LAW

question whether railroad reorganization court could propose plan, 462, 470.

CORPORATE STRUCTURE

of railroads: complexity of, 367; devices for controlling use of property not owned, 368; relation of, to financial structure, 368; of 20 largest railway systems, 370 (table); place of proprietary companies in, 371-2, of subsidiary or affiliate companies in, 372, of lessor companies in, 372-3, of trackage and joint facility contracts in, 373, of non-carrier affiliates in, 373-4; independent and controlled Class I railroads, 374 (table); difficulty in simplifying, 374-5, need for, 376; effect of

complex, on income statements and balance sheets, 375-6.

EARNINGS

of railroads: terms relating to income, defined, 367-8; unrealistic expectations as to, as cause of reorganization delay, 407-10; belief that reorganization impossible where, low, criticized, 410-1; effect of low, on severity of reorganizations, 420-1; need to consider enterprise broadly in gauging, 442; effect of variable maintenance on, 442-3; effect of fixed character of joint facility rentals on, 443-5, as compared with equipment rentals, 445; economic causes of lowered, 450-1; use of average, for twelve years as basis of capitalization under S.1869, 454, 468-9, 491; trends in, as indicating undesirability of moratoria for marginal carriers, 528-30.

EASTMAN, JOSEPH B.

ICC commissioner, quoted, on reorganizations when earnings low, 411, on use of valueless securities to control railroads, 489, on beneficiaries of unsound reorganizations, 492.

EQUITY RECEIVERSHIPS

of railroads: reorganization practices antedating use of, 377-8; early form of (1850-1884), 378; 1884 innovations in, 378-9; development of friendly, in federal courts, 379-80; development of protective committee system in, 380-2, 474-5; foreclosure sale at upset price in, 382; doctrine of *Boyd* case in, 382-3; criticisms of processes of, 383-4; delays in, since 1933, 395-6; developments in, proceedings since 1933, 419 (table); number and classes of companies in, 403-4; courts having jurisdiction of, 403; ICC supervision of, through security issue control, 404-5; advisory function of ICC in, 405-6; advantages of §77 proceedings over, 406-7; effect of *fait accompli* in, 404-5; less severe than §77 reorganizations, 420-1.

FRANCHISES

limitations in grants of, as source of railroad service requirement, 496-7; duties under, defined by administrative agencies, 497; transfer of Old Colony, to New Haven, 499.

INSTITUTIONAL INVESTORS

position taken by, in Chicago & N. W. reorganization, 408-10; representation of, in §77 reorganizations, 483-4.

INTERSTATE COMMERCE COMMISSION

authority of, over issuance of securities, 382, 384; functions of, in reorganizations under §77 as enacted in 1933, generally, 384-8, 465; rulings by, on plans filed under §77, 397-8; procedure before, on §77 plans, 398-9; report of, on §77 plans, 399-400; weight given by courts to plan approvals by,

400; conduct of voting on plans by, 402; supervision of receiverships by, through security issue control, 404-5, and advisory opinions, 405-6; change in views of, as to economic situation, 407, 411; application of rule in *Boyd* case by, 411-2, 422-3; inadequacy of personnel of, in reorganization proceedings, 414-5; need for increased appropriation for reorganization work of, 414-5; need for more control by, to speed reorganization cases, 415-6; increased tempo of reorganization work of, 416-7; general principles governing distribution of securities in reorganization adopted by, 422-5; policy of, favoring simple capital structures, 426-7; factors weighed by, in allocating securities to divisional mortgage and leased line security holders, 427-34; treatment by, of claims secured by collateral, 435-7; conclusiveness of value findings by, uncertain, 455-6; risk of shuttling of cases between courts and, 456-7; hampered by lack of established precedents, 458-9; functions of, under bills proposing to amend §77: S.1869, 466, Chandler draft, 466-7, H. R. 9447, 467; retention by, of power to allocate securities on reorganization, urged, 471-2; regulation of protective committees by, under §77, 477-81; control over line abandonments by, 497; proceedings before, in New Haven-Old Colony reorganizations, 500-2; function of, as arbiter, 506; proposal that special users' counsel be appointed by, 507-8; consideration by, of adjustment plans under Ch. XV, 522-4.

LABOR

opposition of railroad, to consolidations, 451, 464; effect on, of unsound reorganizations, 487, 493.

LEASES

of railroads: advantages and disadvantages of, 372-3; pressures upon, in new reorganizations as exemplified in Old Colony case, 499-503; as affected by current reorganizations, 509; character of, 510; power of lessee's trustee to reject, 511; problems in the operation of lines after rejection of, 499-500, 512-3; claims against lessee arising upon rejection of, 513-6, basis for computing, 514-5; place of, in lessee's plan of reorganization, 516-8.

LOWENTHAL, MAX

drafted bill to create railroad reorganization court, 468; quoted on bill, 469-70.

Munn v. Illinois, 496.

New York, New Haven & Hartford R. R. Reorg., 397, 428, 431, 433, 435, 457, relations with Old Colony R. R. before and during, 498-503.

Northern Pacific Ry. v. Boyd, 382, 383, 395, 411-12, 420, 422, 459, 522, 525. See *BOYD CASE DOCTRINE*.

OLD COLONY COMMUTERS & SHIPPERS LEAGUE

formation of, 504; program and activities of, 504-6; handicaps on groups like, in reorganizations, 507.

Old Colony R. R. Reorganization

history of Old Colony R. R. prior to, 498-9; steps in, and New Haven reorganization, enumerated, 499-502; legal issues raised in, 503-4; activities of Old Colony Commuters & Shippers League in, 504-6.

PRIORITIES

see **SECURITIES IN §77 REORGANIZATIONS.**

PROTECTIVE COMMITTEES

functions of, in equity reorganization, 380-2; regulation of, by §77 as enacted in 1933, 387, and amended in 1935, 391; role of, under §77 compared to role in equity receiverships, 474-6; regulation of, by SEC and ICC, compared, 477-9; effect of §77 regulation on use of, 479, on deposit of securities with, 480, on powers, compensation and expenses of, 480, on withdrawals from, 480-1, on solicitation of proxies by, 481-2; use of institutional groups in lieu of, 483-4; need for amendment permitting compensation to, 485.

PUBLIC INTEREST

limited effect on, of past railroad reorganizations, 495; as basis of railroad obligation to serve, 496-7; protection of, by franchises and administrative agencies, 496-8; Old Colony-New Haven case as exemplifying hazards to, in new reorganizations, 498-502; difficulties in protection of, by state officials, 504; efforts of Old Colony Commuters & Shippers League to protect, 504-6; proposal that ICC appoint special counsel to protect, 506-8.

PUBLIC UTILITY HOLDING COMPANY ACT

SEC protective committee regulation under, compared to ICC regulation under §77, 477-9.

PURCHASE OF RAILROAD OBLIGATIONS

bill to authorize RFC loans for, by railroad obligors, 532-3; availability of bonds at low prices for, questioned, 533; attractiveness of investment, questioned, 534; status of bonds purchased if pledged for proposed loan, under common law, 535-7, under pending bill, 537-9; pledge provisions of pending bill, criticized as unfair, 537-9.

RAILROAD ADJUSTMENT ACT

provisions of, summarized, 396; enactment of, as Ch. XV of Bankruptcy Act, 520-1; proposal of plans under, 521-2, their consideration by ICC, 522-4, by three-judge court, 524; provisions of, for expenses, 524-5; plans approved under, 526-8; proposals for changes in, if reenacted, 531. See **ADJUSTMENT OF RAILROAD OBLIGATIONS.**

RAILROAD COMPANIES

number of, by classes and with mileage, 369 (table); great number of, in American railway history, 370; included in largest railway systems, 370 (table); independent and controlled Class I, 374 (table); number of, with class and mileage, in §77 proceedings, 393-4, 418 (table), in receivership proceedings, 395-6, 419 (table), 403.

RAILROAD REORGANIZATION

inadequacy of, prior to §77, 384; effect of being in, on operation of railroad, 452; national public interest in, 486-7; effect of unsound, on operation of railroads, 487-8, 493, on security holders, 488, on future financing, 401, on railroad labor, 487, 493; use of valueless securities issued in, as means of controlling railroads, 490-1; distraction of managements by, 487-8, 494; relative severity of recent, 420, 468, 495; effect of severe, on users' interest, 495-8.

RAILROAD REORGANIZATION COURT

background of proposal to create special, 452-3; creation as means to: secure better judicial consideration of reorganizations, 454-5, 492-3, promote closer administrative-judicial relations, 455, to minimize dual litigation, 456-7, to expedite cases by deciding unsettled legal issues, 457-9; arguments against, stated, with answers, 459-62; alternatives to creation of, proposed in Chandler and McLaughlin bills, 466-7, 470-2; necessity for, at this time, denied, 467-8; objectivity of court proposed in S.1869, questioned, 468-70; validity of conferring power to propose plans on, 462, 470; basic importance of personnel, 468, 473.

RECEIVERSHIPS

see **EQUITY RECEIVERSHIPS**

RECONSTRUCTION FINANCE CORPORATION

position taken by, in Chicago & N. W. reorganization, 408; policy of, concerning reorganization loans, 410; treatment of claims of, secured by collateral under §77, 436-7; bill to permit loans by, to railroads for purchase of their obligations, 532-3, 534; proposed enlargement of rights of, as pledgee under bill, criticized as unfair, 534-9.

REORGANIZATION PROCEEDINGS UNDER §77

progress in, summarized, 393-4, 402, 418 (table); major controversies affecting, 395; delays in, compared to equity receiverships since 1933, 395-6; filing of debtors' plans in, 396-8; procedures on plans in, before ICC, 398-400; court approval of plans in, 400; security holders' votes on plans in, 401-2; steps for completion of, 402; delays in, caused by: unrealistic view of economic situation, 407-10, low earnings, 410-11; unsolved legal questions, 411-13, 458-9, overburdened ICC staff, 413-16; volume of litigation arising out of, 413; centralization of, in two federal courts, 460; technical character of questions arising in, 465; economic importance of, 486-7. See **SECTION 77 OF BANKRUPTCY ACT, SECURITIES IN §77 REORGANIZATIONS.**

ROOSEVELT, FRANKLIN D.

Special Message of, 451.

SECTION 77 OF BANKRUPTCY ACT

provisions of, as enacted in 1933, concerning: institution of proceedings and control of properties, 384-5, procedure for forming reorganization plans,

385, security holder acceptance, 386, confirmation and consummation of plans, 386-7, protective committees, 387, compensation, claims, etc., 388; general scheme of 1935 amendments of, 388-9; 1935 changes in valuation and upset price provisions of 1933 Act, 389-90; 1935 "cram-down" provisions of, 390, 412; 1935 classification provisions of, 390-1; 1935 changes affecting protective committees, 391, compensation, 391; applicability of rule in *Boyd* case to, 395, 411-12; superficial nature of reforms effected by, 453; pending legislation to amend, 394, 454; methods of representing security holders under, 476.

SECURITIES IN §77 REORGANIZATIONS

common stocks held valueless, 397; change in securities affected by, 420-2; applicability of rule in *Boyd* case to, 395, 411-12, 422-3; principle of absolute priority applied to, 423; "paper" satisfaction of priorities of, 423-5; simplified capital structures sought by ICC, 426-7; factors employed to determine value of claims of divisional mortgage and leased line security holders, generally, 427-30, in New Haven reorganization, 431, in Chicago & N. W., 431-2, 433, in Eric, 432-3, 434, in Denver & R. G. W., 433-4, in Milwaukee, 434; treatment of claims secured by collateral, 435-7; relative merits for issuance in reorganization, of income bonds and preferred stock, 445-7, of preferred and common stocks, 447-9; tax savings on issue of income bonds, 446; advantage of convertible preferred stock, 448.

SEGREGATION FORMULA

use of, in allocating securities to leased lines and divisional mortgages, 428-32, 513; qualified by severance and contributed traffic studies, 429, by traffic density and "strategic value," 429, by physical value, 430; use of, in *Old Colony* case, 500, 502, questioned, 503-4.

St. Louis & O'Fallon Ry. v. U. S., 456.

USER INTEREST

see **PUBLIC INTEREST.**

VALUE

provisions for determining, in §77 in 1933, 389, in 1935, 390, 439; determination of, as basis for deciding securities' participation, 426; need to show book, despite lower capitalization after reorganization, 438-42; risk of extended litigation as to, in §77 cases, 455-6; opposition to rules for determining, 492.

WHEELER, BURTON K.

U. S. Senator, 453; report on S.1869 submitted by, quoted, 486-7; declares railroads wasteful, 493.

WHITE HOUSE CONFERENCE ON TRANSPORTATION

considered railroad problem, 451; special reorganization court recommended at, 453.