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November 14, 1975

Mr. T. J. O'Neill
 Corporate Director-Transportation
 Diamond International
 733 Third Avenue
 New York, New York 10017

Dear Tim:

You will certainly recall that the Idaho Commission has refused to grant the Milwaukee Road the 7% increase in lieu of X-305 until such time as they consider it formally. Indications are that the Commission will consider the matter at a hearing to be held at one of their regular meetings some time in December, possibly the 17th. We do not yet have a confirmed date.

It is now our opinion that the only way that Idaho will put their blessing on the increase will be for us to enter cost evidence and let it speak for itself. We have costs prepared that are specifically tailored to the operation in the St. Maries area and do plan to introduce them to the Idaho Commission. I am sure, however, that your firm will object to the costs and will insist that they be subjected to examination in detail.

Our examination of the cost-revenue relationships would indicate that the Milwaukee Road needs an increase of approximately 30% simply to break even. This is a considerably more serious problem than I originally thought it to be and I am sure you will be of the same mind. Our plan at this time is to place the costs before the Idaho Commission to determine their reaction to them. We feel that the Commission cannot continue to insist that other rail business cross-subsidize local log traffic.

The costs should be ready by December 1, 1975 and I will see that you get a copy for your use.

Yours very truly,
 (Signed, P. C. WHITE
 Assistant Vice President

- cc-Mr. J. J. Negle, Chicago
- Mr. J. F. Simpson, Seattle
- Mr. Q. W. Torpin, Seattle
- Mr. S. J. Barry, Tacoma
- Mr. J. S. Stuckey, Tacoma
- Mr. D. A. Kaller, Seattle
- Mr. C. M. Barnard, Spokane
- Mr. G. V. Valley, New York

November 14, 1975

Mr. G. W. McGraw
General Traffic Manager
Potlatch Corporation
P. O. Box 1016
Lewiston, Idaho 83501

Dear Glenn:

You will certainly recall that the Idaho Commission has refused to grant the Milwaukee Road the 7% increase in lieu of X-305 until such time as they consider it formally. Indications are that the Commission will consider the matter at a hearing to be held at one of their regular meetings some time in December, possibly the 17th. We do not yet have a confirmed date.

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Our examination of the cost-revenue relationships would indicate that the Milwaukee Road needs an increase of approximately 80% simply to break even. This is a considerably more serious problem than I originally thought it to be and I am sure you are of the same mind. Our plan at this time is to place the costs before the Idaho Commission to determine their reaction to them. We feel that the Commission cannot continue to insist that other rail business cross-subsidize local log traffic.

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Mr. Q. W. Torpin, Seattle
Mr. S. J. Barry, Tacoma
Mr. J. S. Stuckey, Tacoma
Mr. D. A. Keller, Seattle
Mr. C. M. Bernard, Spokane
Mr. G. V. Valley, New York

Repeat above letter

November 14, 1975

Mr. R. J. DeArmond
President
Idaho Forest Industries
P. O. Box 1030
Coeur d'Alene, Idaho 83814

Dear Mr. DeArmond:

You will certainly recall that the Idaho Commission has refused to grant the Milwaukee Road the 7% increase in lieu of X-305 until such time as they consider it formally. Indications are that the Commission will consider the matter at a hearing to be held at one of their regular meetings some time in December, possibly the 17th. We do not yet have a confirmed date.

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Mr. C. H. Barnard, Spokane
Mr. G. V. Valley, New York

Repeat above letter