

TESTIMONY OF
RONALD GORDON RUSS

Stanley E. G. Hillman, Trustee of
the Property of Chicago, Milwaukee,
St. Paul and Pacific Railroad Company-
Abandonment Portions of Pacific Coast
Extension in Montana, Idaho, Washington
and Oregon

ICC Docket No. AB7
Sub-No. 86F

Submitted in Seattle, Washington
at Secondary Hearings on October 3, 1979

RONALD GORDON RUSS

My name is Ronald G. Russ. I reside at 3711 27th Place West, Apartment No. 102, Seattle, Washington 98199. I am an employee of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company (Milwaukee). I have been employed as a clerk on the Milwaukee since March 4, 1976. I am the Local Chairman of the Protective Committee of Olympian Lodge No. 792 of the Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees (BRAC). I have served in this capacity since July 28, 1978.

I am the third generation of the Russ family to work on the Milwaukee. My grandfather hired on the old Tacoma and Eastern Railway Company in Tacoma as a locomotive engineer in 1905. He retired off the Milwaukee in 1947 and was a 75 year member of the United Transportation Union. My father is employed as a locomotive engineer on the Milwaukee. He first hired on the Milwaukee in 1937 and is the former General Chairman of the System Board of Adjustment for the Brotherhood of Locomotive Engineers (B of LE) for Lines West of Mobridge, South Dakota and he is a 30 year member of the B of LE.

In my service as a clerk with Milwaukee, I have worked on and have experience on the following jobs:

Agent: Port Angeles
Time Revisor Washington Division: Tacoma
Car Distributor Washington Division: Tacoma
Chief Yard Clerk: Seattle, Tacoma
Asst. Chief Yard Clerk: Seattle, Tacoma
Train Order Operator: Tacoma, Kent, Othello, Port Angeles

Crew Dispatcher: Tacoma, Seattle, Othello, Port Angeles
Clerk: Tacoma, Seattle, Kent, Othello, Spokane, Port Angeles
Perishable Freight Inspector: Seattle.

This wide variety of jobs at equally varied localities in the former Washington Division of the Milwaukee and my duties with BRAC have given me the opportunity to monitor various activities on the system.

I would like to address my testimony in these proceedings to two particular concerns.

1. Labor Protection. The ICC must require adequate labor protection for the employees as a condition precedent to any abandonment. As the representative of my Local in BRAC, I am constantly being made aware of my constituents' concern over the apparent likelihood that they will be adversely affected by an abandonment/partial reorganization of the sort sought by the Trustee. By this I mean that they would be placed in significantly worse employment positions should the ICC approve the Trustee's application for abandonment then is presently the case. As can be seen from my Exhibit No. 1, the demographics of my lodge's membership show that 50% of my membership is 45 years of age or over and has more than 10 years of service. This means that 50% of my membership is vested in the Railroad Retirement System.

Exhibit No. 1 also points out that 74% of my membership is 35 years of age or over. Most clerks that I represent are highly skilled in very specialized areas, i.e. rate clerks, communication technicians, etc. Because of these two facts my constituents would have severe hardship in securing alternative employment

should the Milwaukee be granted this abandonment. The Trustee has stated in his Reorganization Plan, dated August 10, 1979, page 38, that 770 Milwaukee employees would be offered employment with carriers buying lines from the Milwaukee after approval of abandonment. To my knowledge there has been no offer made to our organization. Moreover, of these 770 supposed jobs, we have no present assurance, or reason to believe, that any would be clerical jobs for the clerks I represent in the former Washington Division.

I urge the ICC to not allow the Milwaukee to abandon lines west of Miles City. If the Commission were to find otherwise, however, I urge the ICC to implement adequate labor protection for the affected employees before any decision that would allow the Milwaukee to abandon. The employees would be adversely affected immediately by the abandonment and should not have to wait for the reorganized company to pay labor protection claims, which the Trustee contends are legal but of low priority in settlement. (Reorganization Plan, page 44.) Moreover, the likely future of the Trustee's proposed "Milwaukee II" system is so bleak -- since the system is only tenuously viable at best -- that we have no assurance that our members will ever be paid their payments if the Trustee is permitted to treat these as an obligation not falling due until sometime well after this abandonment is approved.

2. The Present Management Has Deliberately Attempted to Divert Traffic Away From the Milwaukee's Western Lines. As a Result, Historical Data Since 1977 Is a Grossly Unreliable Indicator of the Potential for Viable Operations on the Lines Subject to This Application.

The present management has pursued a deliberate policy of induced losses in the Western Region. The ICC should be made aware of the conscious attempt to circumvent the regulatory processes of this government. The following section of my testimony, i). and ii), will show a reduction in the level of service since 1976 for 50' boxcars and covered hoppers. The third section will reveal that the above reports are part of a deliberate management plan to make the lines west of Miles City, Montana to appear as not self-sustaining.

(i) Boxcar Availability in the West Since 1976

Exhibits No. 2 and No. 3 are studies done by myself at the Division Headquarters of the Milwaukee in Tacoma in the spring of 1979. These studies are derived directly from affirmed railroad company reports including CCR 1, Code 32, and Carscope summaries.

Exhibit No. 2 is a study of the fifty-foot boxcar status in the region west of and including Missoula, Montana from a period beginning in January 1977 through February 1979. I also include partial data, i.e., cars loaded and loads available from September

1976 to December 1976. "Loads available" indicates shippers orders for 50' boxcars. This study is broken down into monthly periods as follows: Column A is a figure representing the number of boxcars ordered by shippers in this region. In Column B, I have broken down this figure (from Column A) into a daily average figure for that month. Column C is the average number of empties in the entire Milwaukee system destined to or traveling in this area (the "Montana-Washington Division," which covers the states of Washington, Idaho, Montana and Oregon), available each day in that particular month. Column D is the figure of boxcars actually loaded in the month. Column E is the figure of orders left unfilled, i.e. lost revenue, which is calculated by subtracting Column D from Column A.

Summarizing some of the results, the obvious fact is that significant amounts of revenue were lost due to lack of boxcar availability. The figures in Columns C and D show a steady decline since the announcement of the bankruptcy proceedings. This decline was due to reduced availability of cars in the western region. This occurred, in large part, because transcontinental train No. 205 discontinued operations during the beginning of 1978. No. 205 train was the Milwaukee's vehicle for empty car movement into the Western region.

Assuming an average car load revenue figure of \$1,500 for the region, this exhibit shows that in 1977 (546 lost car loads

per month) the Milwaukee lost out on \$819,000 per month. In 1978 (715 car loads per month) the railroad failed to carry approximately \$1,072,500 of available traffic per month.

(ii) Covered Hopper Availability in the West Since 1976.

Exhibit 3 is a study of the covered jumbo hopper status in a region encompassed by the former Montana Division of the Milwaukee. The Milwaukee Road has approximately 2500 jumbo covered hoppers of 200 ton capacity with various unloading arrangements system wide. Column A of this exhibit shows the average number of covered hoppers (loads and empties) in the Western Region, i.e. the Montana-Washington Division, each day. Column B shows the total number of cars loaded each month. Column C shows resulting shortages on specific days. Grain loading is traditionally a seasonal operation and generally August through October are the heaviest loading months. Thus in Column D, I note various events which could explain some of the figures.

Just as in the boxcar study, the grain hopper availability has been seriously eroded since the announcement of bankruptcy proceedings. Specifically, in late August 1976 over 1200 hoppers were in the region and in that month 1052 were loaded. In August 1978 these figures had been reduced to 572 and 579 for the month respectively. The first shortages appeared in October 1977 and have continued to the present time. There are no shortage figures available to me from July 1978 until May 1979.

It is very important to notice that the car levels in the Western Region reflect a continual drain of the available car supply to the Eastern end of the system. Supply of those cars in the west was cut by about 50% from August 1976 to August 1978. These two studies point out serious problems in car availability for loading. These shortages substantially reduce revenues generated on the Milwaukee's western lines. Moreover, both studies show striking declines after the bankruptcy proceedings had been instituted.

I urge the ICC to carefully consider this circumstance when it makes a determination on the abandonment based on revenues generated by operations on the Milwaukee Railroad during 1977 and 1978. It is my hope that the ICC will also analyze figures for the years 1970 through 1976 to get an accurate picture of what transpired during this time. An overall view of this period of time would present a much more balanced picture of these lines' true potential. Specifically, it would show that the operations on the Milwaukee during 1970-76 were at totally different -- significantly higher -- levels as compared with 1977-79.

(iii) Causes of the Service Decline in the West Since Reorganization. The above figures show that car availability, and therefore revenues, declined substantially on the western lines since the railroad filed for reorganization in 1977.

The primary reason why the railroad did not carry more western traffic in 1977-79 period is that management pursued a course of action designed to discourage traffic from moving on its western lines. This is supported by certain astonishing documents generated by management. In the unique position I hold with the Milwaukee and with BRAC I frequently see documents that are distributed to employees in a variety of positions within the company. In the course of performing my duties I received copies of the documents that are attached as Exhibits 4-6. These are:

-- The Marketing Plan for the Maximization of Revenues, attached as Exhibit No. 4. This document was reviewed and approved by President W. L. Smith of the Milwaukee on June 27, 1979, as described in a letter from G. H. Kronberg, Vice-President Operations, Exhibit No. 5, describing the "plan." The "plan" is again identified by G. H. Kronberg in a letter dated August 14, 1979, to P. C. White, Vice-President Planning, Exhibit No. 6, describing the successes of the "plan" since its implementation into the operations of the Milwaukee.

Basically, "the plan" was intended to discourage business in the Western region of the Milwaukee, so that all traffic would be handled on one train a day to the east. This in turn reduced revenues on the west end and thereby allows the Milwaukee to go to the Reorganization Court and the ICC saying the lines west of Miles City are not self-supporting.

More specifically, the refusal to carry BCOL lumber business and TOFC-COFC import traffic in Seattle coupled with the low priority of the Port Angeles traffic was intended to allow the Milwaukee management to argue that the Seattle terminal was not a positive revenue generator on the Milwaukee system.

The management "plan" is so destructive to Western region business that the basic points must be brought out in my testimony. As a result of the "plan," the Milwaukee

- 1) Does not solicit BCOL lumber business
- 2) Established a prohibitive surcharge on BCOL lumber
- 3) Does not solicit import traffic
- 4) Does not allow any inbound BC transit
- 5) Established a prohibitive surcharge on Port Angeles traffic
- 6) Restricted movement of empty equipment to Port Angeles traffic
- 7) Restricted movement of empties over the entire Western region.

This is a deliberate effort on the part of management to ruin traffic in the Western region.

I can list many examples of poor management decisions unrelated to the above, in particular the closing of the Seattle Pricing Department in December 1977. The Seattle office used to quote rates and tariffs to shippers in 15 to 45 minutes. With the closing of the office, these duties were transferred back to

Chicago Union Station. Now if a shipper wishes the Milwaukee to quote him a rate on a certain commodity he must call a 800 WATS number to Chicago. The response time in Chicago is generally 24 hours to 48 hours. This of course discourages business and in discussions with Mr. Peary Beck, a former Milwaukee employee, who worked in the Pricing Department in Chicago during this period of time, that the business on the Western region was to receive the lowest priority in his office. Again, this discourages business, destroys revenues and the Milwaukee would then have a non-selfsupporting segment west of Miles City, Montana. The management of the Milwaukee has undertaken a deliberate plan of self-induced losses on lines West of Miles City to circumvent the regulatory processes of the government. The ICC must realize that this attempt to abandon the Pacific extension is based on data brought about by deliberate corporate actions.

I urge the ICC to decline the Trustee's application for abandonment. This nation cannot afford to lose a national resource like the Milwaukee's Pacific Coast Extension.

EXHIBIT No. 1

MEMBERSHIP PROFILE

BRAC LODGE 792

MORE THAN <u>10 YRS</u>	5 TO 10 YRS	LESS THAN <u>5 YRS</u>	LESS THAN <u>4 YRS</u>	LESS THAN <u>3 YRS</u>	LESS THAN <u>2 YRS</u>	LESS THAN <u>1 YR</u>	TOTAL
80	55	5	10	6	2	2	160
0							
OVER AGE <u>50</u>	<u>45-50</u>	<u>40-44</u>	<u>35-39</u>	<u>30-34</u>	<u>25-29</u>	<u>20-24</u>	<u>TOTAL</u>
58	23	17	16	24	19	3	160

Exhibit No. 2

FIFTY FOOT BOX CAR STUDY

January 1977 through February 1979

YEAR/ MONTH	<u>A</u> LOADS AVAILABLE	<u>B</u> DAILY AVERAGE	<u>C</u> EMPTIES AVAILABLE	<u>D</u> ACTUALLY LOADED	<u>E</u> LOADS LOST	REMARKS
Sept. 76	1584	72	No Data	1458	No Data	
Oct. 76	1449	66	No Data	1034	No Data	
Nov. 76	1794	82	No Data	1170	No Data	
Dec. 76	1355	62	No Data	1427	No Data	
Jan. 77	1829	83	446	1140	689	75 new cars
Feb. 77	1558	71	284	1106	452	75 new cars
Mar. 77	1547	71	378	1203	344	118 new cars
Apr. 77	1686	77	469	942	744	
May 77	2044	93	570	626*	1418	415 new cars
June 77	1729	79	548	1462	267	
July 77	1420	65	503	1076	344	255 new cars
Aug. 77	1435	66	460	1409	26	
Sept. 77	1754	80	510	1142	612	
Oct. 77	2129	97	356	1186	943	78 new cars
Nov. 77	1039	48**	306	1408	+ 369	130 new cars
Dec. 77	1203	55**	352	855	348	19 new cars
Jan. 78	2000	91	324	803	1197	244 new cars
Feb. 78	1677	77	210	577	1100	100 new cars
Mar. 78	1158	53	168	742	416	150 new cars
Apr. 78	1536	70	255	717	819	
May 78	2142	98	278	1062	1080	120 new cars
June 78	1680	77	413	1027	653	243 new cars
July 78	1526	70	670	842	684	
Aug. 78	1481	68	435	1141	340	
Sept. 78	1595	73	398	898	697	125 new cars
Oct. 78	1515	69	362	987	528	
Nov. 78	1624	74	377	1030	594	375 new cars
Dec. 78	1359	62	412	887	472	111 new cars
Jan. 79	1691	77	251	904	787	
Feb. 79	1368	63	178	587	781	
Mar. 79						
Apr. 79						

* Incomplete data on loads available

* Incomplete data on the cars actually loaded

Exhibit No. 3

MONTANA GRAIN HOPPER STUDY
July 1976 through May 1979

A * CAR SUPPLY Average No. Car Hoppers on West Region Each Day	B TOTAL CARS LOADED Each Month	C SHORT	D REMARKS
July 23-30 = 546	July 512	<u>1976</u> 7/ - 0	
August 2-13 = 767	August 1,052	8/23 - 96	(329 moved empty from east end)
August 16-30 = 1,208			
September 1-13 = 1,260	September 881	9/17 - 94	
September 20 = 1,216			
October 1-14 = 724	October 611	10/4 - 157	Empties Directed to St. Paul
October 19-29 = 629		10/21 - 0	
November 1-15 = 569	November 475	11/4 - 82	
November 16-30 = 495		11/10 - 3	
December 1-15 = 481	December 409	12/2 - 4	(Surplus grain hoppers til 1/7/77)
December 16-31 = 496		12/30 - 41	
January 1-15 = 530	January 293	<u>1977</u> 1/7 - 1	(1/25 east end starts getting short and Western loadings dropping off)
January 16-31 = 557			
February 1-15 = 439	February 358	2/2 - 58, 2/7 - 4	(2/3 stop moving equipment east empty)
February 16-30 = 459		2/22 - 77, 2/24 - 147	
March 1-15 = 593	March 732	3/1 - 189, 3/21 - 120	(Incentive Rate Reduction Effective 2/19/77) Short - None 3/30 in account of bad weather
March 16-31 = 766		3/30 - 0	

* These figures include
Bad Order cars

April 1-15 = 690
 April 16-30 = 628
 May 1-15 = 502
 May 16-30 = 510
 June 1-15 = 452
 June 16-30 = 405
 July 1-15 = 388
 July 16-30 = 423
 August 1-15 = 640
 August 16-30 = 865
 September 1-15 = 876
 September 16-30 = 665
 October 1-15 = 519
 October 16-30 = 550

 November 1-15 = 622
 November 16-30 = 656
 December 1-15 = 681
 December 16-30 = 672

 January 1-15 = 690
 January 16-31 = 666
 February 1-15 = 639

April 488

 May 228

 June 151

 July 403

 August 917

 September 476

 October 450

 November 460

 December 499

 January 321

 February 218

4/12 - 0, 4/28 - 0

 6/9 - 17, 6/13 - 0

 7/19 - 73, 7/27 - 39
 8/4 - 60, 8/16 - 10
 8/31 - 3

 9/28 - 160

 10/10 - 47, 10/13 - 17,
 10/19 - 169
 11/1 - 273, 11/14 - 459
 11/23 - 438, 11/29 - 258
 12/6 - 376, 12/9 - 425
 12/14 - 529, 12/29 - 600

1978 1/3 - 625, 1/9 - 518
 1/27 - 583
 2/6 - 898, 2/8 - 923

(5/5 Cancel Incentive Rate)

Big Shortage Starts

11/24 orders fell off

12/6 orders pick up

Bad weather

February 16-28 = 602

March 1-15 = 596

March 16-31 = 584

April 1-15 = 538

April 16-30 = 615

May 1-15 = 741

May 16-30 = 562**

June 1-15 = 480

June 16-30 = 443

July 1-15 = 435

July 16-30 = 431

August 1-15 = 447

August 16-30 = 572

September 1-15 = 622

September 16-30 = 655

October 1-15 = 648

October 16-30 = 619

November 1-15 = 654

November 16-30 = 651

March 463

April 379

May 405

June 433

July 449

August 579

September 556

October 569

November 460

2/23 - 910, 2/28 - 842

3/8 - 826, 3/14 - 551

3/16 - 656, 3/21 - 710,
3/28 - 857

4/8 - 782, 4/20 - 915

4/27 - 914

5/11 - 827

5/23 - 747, 5/31 - 754

6/13 - 620, 6/22 - 646

7/3 - 629, 7/13 - 609

3/13 Large order cancelled

3/16 Large order - cars order to Aberdeen, SD

4/28 632 Total, 253 empty, (75 BO, 18 east)=
160 Serviceable empty and 370 loads

5/4 634 Total, 262 empty, (76 BO empty) =
186 Serviceable

5/19 613 Total, 200 Serviceable **5/23 Removed
Bad Order Cars from Computer Lists

6/1 493 Total, 186 empty

11/6 651 Total, 191 empty; 11/15 647 Total,
452 loads and 195 empty

11/28 642 Total, 232 empty and 410 loads

December 1-15 = 671
 December 16-30 = 658

December 499

January 1-15 = 614

January 110

1979

January 16-31 = 471

February 223

February 1-15 = 473

February 16-30 = 348

March 241

March 1-15 = 327

March 16-31 = 332

April 309

April 1-15 = 357

April 16-30 = 374

May 1-7 = 378

May 92

5/8 - 674

12/6 663 Total, 215 empty and 448 loads

Pneumatics assigned Back Order to St. Paul empty

1/4 619 Total, 206 empty and 413 loads;

1/8 592 Total, 183 empty and 409 loads

1/18 600 Total, 253 empty and 347 loads

2/5 468 Total, 155 empty and 313 loads

2/20-22 85 empty to Canada (Potash)

3/31 Cancel Incentive Rate on Grain (Iowa Corn \$.94)

4/20 20 empty to Canada 4/30 10 empty to
 Canada (Potash)

5/3 10 empty to Canada 5/11 10 empty to
 Canada (Potash)

MARKETING PLAN FORMAXIMIZATION OF REVENUESI. Transcontinental Line (One Train Per Day)

A. Maximize revenue through control of train capacity and car supply:

1.. Selectively solicit type of traffic as to commodity and desired destination market. Solicit only those commodities from the stations listed in Exhibit I and solicit the commodities only to the East, Southeast, or Midwest Markets.

A. Do not solicit BCOL lumber and restrict Milw. owned, leased, or controlled cars from moving into British Columbia.

B. Further discourage BCOL lumber via Milw. Western Gateways by publishing a surcharge equal to the water division paid F.L.T. This surcharge will accrue in total to Milwaukee Road.

C. Do not solicit import traffic except import automobiles.

D. Amend transit tariffs so that transit will not apply on traffic originating in Canada (eg. Veneer from B.C. to Washington for plywood transit).

E. Port Angeles Traffic - Publish surcharge equal to the contract water charge paid F.L.T. (on a per car basis). This surcharge will accrue in total to Milwaukee Road.

F. Port Angeles Traffic - Supply empty equipment for barge as a last priority and only if excess equipment is available.

G. Restrict Milwaukee owned, leased or controlled cars and do not allow their use for traffic moving from Washington, Idaho, or Montana to Oregon or California. Use and control specified foreign line cars only for these markets. (eg. Sanitary Paper from Bellingham to California should never move in Milwaukee equipment but rather in S.P. or other available foreign line cars returning empty to or via connections at Portland.

2. Through selective solicitation, control of car supply and train capacity, control the volume of traffic to be handled from each transcontinental origin territory so that service is somewhat uniform for all origin areas and use of available locomotive power and realization of potential revenues

are maximized. (i.e., The Washington, Idaho and Montana transcontinental origin territory must be served by one train per day. Through control of car supply and selective solicitation attempt to secure only the best traffic from each area. Coming out of Tacoma with the train at capacity and with low revenue commodities such as BCOL lumber and import traffic (except automobiles) only defeats the purpose of maximizing revenue.)

- B. Change car assignments and/or pools so that system cars have the opportunity to earn the highest available revenue. (e.g. Take the 4500-series Hi-Cubes assigned to Crown Zellerbach at Portland and re-assign to Longview Fiber at Longview, Wa.) In addition, all assigned cars and/or pools must be monitored and controlled on a daily basis by the Transportation Department to insure cars are being returned to their assignments.
- C. Work with foreign line carriers on supplying cars for movement from various origin territories to selective markets. (e.g. Request U.P. cars to Missoula for the movement of lumber to the Colorado/Utah markets via Silver Bow Gateway.)
- D. Allow only lumber and rough grade 40 & 50 ft. box cars to move west empty to protect select traffic from Washington, Idaho and Montana. Assign required number of 40 ft. XP box cars, released from 511 program, to select shippers to protect profitable woodpulp movements. Protect rubber, pulpboard, wrapping paper, and aluminum on transcontinental movements with available 60 ft. box cars and 50 ft. Hi-Cubes. (50 ft. Hi-Cubes, Milw. 4500 series, must be reassigned from Crown Zellerbach, Portland, to Longview Fiber, Longview, Washington.)
- E. Work with BN to establish Miles City routes on all commodities to relieve some of the pressure on our locomotive fleet and improve our overall transcontinental service.

Protection of Core Business

- A. A required base controllable paper grade 50 ft. box car fleet designated XP of approximately 2000 cars necessary to protect projected Core revenues. A base car fleet is required to protect shippers in that it provides them with a continuous and dependable base car supply. This is being pursued by our Transportation and Mechanical Departments.
- B. Pursue vigorously all avenues for Core shippers financing for rehabilitation of out of service equipment to supplement present serviceable car fleet.

- C. Analyze and respond quickly to shippers request to place short-line marked cars in their assigned service. Milwaukee acceptance of such short-line marked cars should be based upon the level equipment required to meet shipper demand and the profitability of the movements for which the cars will be used. Initiate restrictions on the use of such cars or publish surcharges (to accrue only to the Milwaukee) for the use of such cars via Milwaukee Road if such action is required to protect profitability.
- D. Selectively solicit traffic originating, terminating, or moving via the Core to the various markets based on profitability.
- E. Develop new leverage business particularly from shippers located in the Core. In most cases the highly profitable leverage business such as inbound woodpulp to Wisconsin paper mills is predicted on the carriers performance in supplying equipment for the outbound product. (e.g. Woodpulp and chemicals into Procter & Gamble in Green Bay or Weyerhaeuser in Rothchild, Wisconsin, etc.)
- F. Analyze and respond quickly to shipper requests for pricing or service adjustments to protect existing Core business or to generate new business from, to, or via the Core. (e.g. T.O.F.C. rates on Scrap Paper, new rate scale on Southwestern Woodpulp, service via Louisville Gateway, etc.)
- G. Immediately restrict the application of the 75 car unit-train grain rates to the Gulf as not to apply in Milwaukee owned or leased 100-ton covered hopper cars. Such action will free Milwaukee owned or leased covered hoppers for more lucrative Core business. Available Core business for which covered hopper cars are not available at this time is in excess of 12.5 million dollars annually. (e.g. Malt from Minneapolis to Milwaukee at \$1,100.00 per car revenue.)
- H. Evaluate all Milwaukee Road switching charges and increase to the maximum level possible. In addition pursue through legal channels switching charges paid by Milwaukee Road to other carriers which are deemed illegal (e.g. Switching charge paid by Milwaukee Road to CNW at Fort Howard Paper Company, Green Bay, Wisconsin.)
- I. Pursue through legal channels the level of divisions paid to the M.T.W. on traffic originating or terminating at Wisconsin Dam, Wisconsin and moving via Tomahawk, Wisconsin.

II. Off-Line Opportunities

- A. Develop potential business for off-line car assignments based on profitability and leverage. (e.g. Off-Line assignments for bulkhead flat cars and A-frames.)

Service

- A. Concentrate service improvements based on projected Core business and flows. (e.g. Louisville line, Green Bay line, etc.)
- B. Develop and implement run through service with various carriers to and from selective markets based on overall profitability.
- C. Implement immediate control of IHB to guarantee the level of service required by the Milwaukee Road.

TRANSCONTINENTAL BUSINESS DEPARTMENT 11/10/1916

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ORIGIN STATION	BOUNDARY	RAILROAD	MILES	CARS	DAYS	AVERAGE REVENUE PER CAR					TOTAL REVENUE PER CAR	NOTES
						BASED ON MONTH BREAKDOWN						
						NORTHWEST	SOUTHWEST	EAST	WEST			
MONTANA												
DEWTON	BARLEY	L151	90	9	2	3024	100%	-	-	-	37216	7 May - Nov. 1100 SICKLES CAR
FAIRFIELD	"	L152	78	10		2621	100%	-	-	-	73388	
HIS-WOOD	"	L151	90	4		1024	100%	-	-	-	12096	
GREAT FALLS	BARLEY	B-209	95	4		1865	75%	25%	-	-	7400	
JING LIAU	BARLEY	L152	78	5		2621	100%	-	-	-	17105	
BUTTE (EAGLE CAR)	ACID	TRIN JARS	100	4		2216	-	100%	-	-	8847	
DEER LODGE	LUNDA	B-209	44	5		1388	232/19%	3132/15%	14%	34%	6440	
BOUNCE	LUNDA	B-209	44	5		1594	202/38%	1831/41%	9%	12%	7470	
		F-232	40	5		1444	2160/13%	1824/31%	2%	32%	7230	
		B-209	47	5		1444	2160/13%	1824/31%	2%	32%	7230	
MISSEOLA	LUNDA	E-209	44	3		1420	2120/15%	1734/15%	9%	6%	7100	
		B-209	60	2		2900	-	-	-	-	1243	WATERBURY BILLINGS FROM CHICAGO
PRIMROSE	BARLEY	L151	78	3		2900	-	-	-	-	1243	
DEWTON	BARLEY	B-209	45	10		1981	4716/54%	1556/18%	3%	24%/40%	11172	
		B-209	72	2		1913	2004/77%	702/15%	3%	-	3876	
		B-109	61	2								
NORTHERN IDAHO												
ST MARIES, IDAHO	OLYWOOD	B-209	45	4		1751	2015/20%	1181/15%	32%	2%	12357	
	LUNDA	B-109	38	4								
BOISE LINE (IDAHO)												
JIM'S STAIR		B-109	40	3	new	1507	2246/40%	231/15%	11%	7%	4761	
		B-209	40	3								
POULSON		B-209	31	4		1197	1878/15%	1144/15%	6%	36%	7182	CALL CHARGE BY DEWTON WAGON WE DON'T PULL IN
		ARCHE	50	2								
POLLATCH		B-109	37	3		1542	1278/15%	1144/15%	4%	-	9252	
		B-209	45	3								
STONIA (ALCANTARA)	ALUMINA	B-109	70	1		2800	100%	-	-	-	2800	
BOISE TRUNK LINE (IDAHO)												
POST FALLS	LUNDA	B-209	44	4		1111	1821/15%	1609/15%	4%	42%	5555	
		ARCHE	45	4								
HEWITZER		B-209	44	5		1547	2628/10%	194/15%	13%	2%	9382	
		F-232	48	2		1234	1694/10%	1481/15%	8%	32%	2718	
ATLAS		B-209	44	2								
GIBBS		B-209	44	4		11600	2012/10%	1774/15%	2%	4%	4850	
		F-232	49	4								
COCA D'ALBUE		B-109	49	8		1542	494/18%	1782/14%	6%	-	12336	
		B-209	49	8								
		F-232	48	8		1193	2180/17%	1721/15%	9%	33%	4736	THREE TAPS PER WEEK
		F-232	51	8								
OTHELLO, WA.												
MESSES LAKE LINE W.N.	FEDERAL	B-109	10	8		3700	5%	40%	45%	40%	21600	
DEALAY	ALUMINA	B-109	95	8		4300	100%	-	-	-	9300	
MIDWAY	ALUMINA	B-109	30	8		1700	100%	-	-	-	731	
MESSES LAKE	ALUMINA	B-109	45	5		3800	65%	35%	-	-	14000	
											GRAND TOTAL	312,136

Chicago August 9, 1979

Mr. W. F. Plattenberger:

Reference our previous conversations concerning the Marketing Department establishing Sales Coordinators on each of the divisions and the need to utilize our assets in a way that will maximize our revenues.

These positions were established on a division level as a direct result from the June 27 meeting at which time Mr. W. L. Smith reviewed and approved the new Marketing Plan for the Maximization of Revenues.

The Sales Coordinator is the liaison between Field Sales and Division Car Controllers in all matters pertaining to equipment needs. This will eliminate the numerous phone calls the Division people have experienced from Field Sales, allowing them more time to dedicate toward their responsibilities. Initially, the Field Sales offices on each division formulated a list of their key accounts by origin, car-type requirements, and average revenue. The prepared list was given to each Sales Coordinator as a guide in educating the Division Car Controllers to recognize the key accounts on each division. The Sales Coordinator works closely with the Division Car Controller to insure the key accounts are protected, providing feedback to the concerned Sales offices as to our ability to provide the required equipment.

A major benefit from such a coordination would be the identification of what business is in our revenue forecast and how we can best achieve it. Our 1980 revenue forecast is being designed so as to make compatible the field district office forecast with operating division boundaries. While there are instances of our field sales boundaries overlapping divisions, we are setting up our forecast as well as identifying the responsibilities of the Sales Coordinators to conform to division boundaries. Any future plans of realigning the Field Sales Department will certainly take into consideration the Operating division territories. Our ultimate goal would be to have the Operating divisions provided a copy of the revenue forecast so that as the Sales Coordinator and the Division Car Controllers respond to demand, they can evaluate the impact on attaining the revenue forecast.

When equipment availability is less than the forecast projections, the Sales Coordinator will communicate to the Sales offices the type of equipment shortages that exist so they may initiate selective solicitation, recognizing that during periods of car shortages we will not be able to please all customers in providing their equipment demands. Therefore, we will effectively maximize the revenues in the equipment available. But, when equipment availability exceeds the forecast projections, the Sales Coordinator will advise the Sales offices the type of equipment available, allowing them to sell capacity.

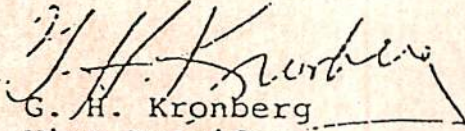
We expect the Division Car Controller will advise the Coordinator on a daily basis, by car number and location, the foreign equipment that will be available to reload. It will be necessary that we be given at least a 24-hour advance notice on all the foreign equipment. The Coordinator will disseminate this information to Field Sales to determine if a demand exists for that particular car-type and ownership, and, where necessary, request a shipper to change established routes to accommodate available foreign line equipment.

In addition, there are certain key competitive points at which specific traffic must be protected even during times of car shortages in preventing the erosion of highly attractive revenue. Each individual Coordinator is cognizant of these particular shippers and will handle with the Division Car Controllers to protect this traffic.

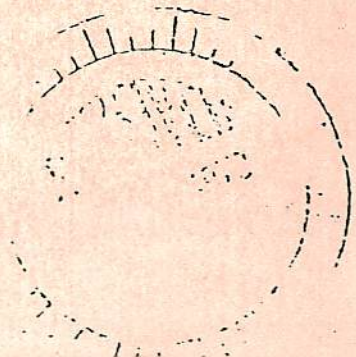
We are in the final stages of establishing car-type revenue standards by divisions. This information will be given to our Field Sales offices as a tool in determining which traffic they should selectively solicit. It must be understood that the standards will be considered only when soliciting on a one-for-one basis where leverage traffic is not involved.

Customer Services will have a conference call with the Sales Coordinators on Fridays to discuss items having major impact on the car supply within the division, i.e., strikes, plant shutdowns, new profitable business opportunities, major market changes (grain), etc. When these aforementioned problems arise during mid-week and would affect the present flow of equipment from the major interchange points, the local salespeople will notify the Sales Coordinator, who in turn advises the Division Car Controller regarding the equipment within the division and the Director of Equipment within the Customer Services Department. The Director of Equipment will immediately notify the Director of Car Service in Transportation for corrective action.

This Marketing Plan requires the full cooperation of the Division personnel as well as the Transportation Department if we are to fulfill our goal of maximizing our revenues with our limited resources.


G. H. Kronberg
Vice President
Marketing

cc: Messrs. W. L. Smith
P. F. Cruikshank - Yours of July 18.
P. C. White
F. B. Cederholm - Yours of August 3.



Chicago - August 14, 1979

Mr. P. C. White:

Referring to yours of August 2 asking for a progress report on the Marketing Plan for Maximization of Revenues reviewed by various departments.

Our first objective was to assess the traffic we are handling on our one transcontinental train per day, developing plans to maximize revenue on this limited service. Through the joint efforts of Marketing and Transportation, we have been able to solicit business and direct our equipment for the purpose of showing an enrichment in the consist of particularly our Train No. 200 eastbound. As an example, comparing the second half of July to the first, we show a revenue increase of \$140,000. Specific accomplishments are as follows:

1: Through an agreement with the BCOL, they have discouraged shippers routing lumber from British Columbia origins via the BCOL-FL&T for our transcontinental movement. It was decided that this agreement could accomplish the same objective that we had hoped to see if we were to take tariff action to impose a surcharge. For the first 12 days of July we had handled 91 cars of BCOL lumber, and for the next 12 days the figure dropped to 32, and since that time the business has practically dropped off completely. The benefit has resulted in an increase in plywood and lumber loadings in our own industries in Washington, Idaho, and Montana, as well as improvement in our pulp, copper, aluminum, and crude rubber loadings.

2. In the area of import traffic, we have limited the amount of empty flat cars going west on Train No. 201 to no more than 12 a day so that our eastbound capacity could be better utilized. This has required no tariff action and is being managed through car distribution. I might mention that the general demand for COFC flat cars has increased, particularly on the South Coast.

3. We elected to go the bureau route in establishing the surcharge on traffic originating on the Peninsula that does not move through Moberly. Not unexpectedly, the docket failed of approval, and it is our intent to file independent notice so as to give us additional compensation should shippers on the Peninsula utilize our equipment for short-haul traffic to California, particularly.

In the general area of attempting to assess our pool assignments, utilizing foreign equipment, and restricting the movement of certain types of system empties, we are making progress. All of this is a part of our systemwide program of establishing Sales Coordinators in our Operating division offices to inform and assist the Division Car Controllers in distribution of equipment. This program has just been started, and we are finding many areas of opportunity in attaining the freight revenue forecast, acquainting our Operating people with our key accounts, and in turn informing our Field salespeople for their handling with our customers. We are relaying to the Distributors the oncoming demands from our major firms. We are also relaying back to the Field the knowledge of the Transportation Department on present and anticipated equipment situations. It is a two-way street whereby an inability to come up to demand is made known to the customer, but more importantly, when we learn of a surplus of a particular car ownership, we have a sales tool that we can go back and attempt to have customers change routes or find uses for known car-type availabilities. In essence, we are trying to get a better management of our assets, and at first we are zeroing in on equipment, and we intend to expand this into train service as well.

The final item that involved our transcontinental line refers to the establishment of Miles City routes with the Burlington Northern, and this subject is one with which you are familiar. There is nothing of significance to report at this time.

A few other loose ends in this matter involve our giving a progress report on the audit of our pool assignments, and it was agreed that after the first of September we will be in a position to re-assess our procedure for providing computerized revenue standard assessments.

We are continuing our programs of securing shipper funding for the repair and modification of equipment. We just recently had two of our River millers provide funds for modifying 40-foot flour boxes to become XF's so that they could be assigned.

We are in negotiations with our sanitary paper shippers in their coming up with some low-cost boxcars under a short-term leasing arrangement for assignment as XP cars on our railroad.

We recently assigned 100 jumbo hoppers to the potash industry in Canada, so as to indicate our interest in the long-term identity in potash moving through the Duluth Gateway.

- 3 -

Several of the subjects presented have yet to be addressed, and we intend getting into developing run-through services with preferred connections as we move toward establishment of the core. The decision of assigning our equipment outside of the core because of the leverage effect has yet to be determined.

We have not chosen to act on the restriction of the application of 75-car unit grain trains; rather, preferring to assess a \$50 surcharge between August 20 and October 31 for the use of our covered hoppers at stations on our line.

We did not particularly address the matter of locomotive utilization, but subsequent to our report, it developed that with certain conservations because of the fuel crunch, the Operating Department could move locomotive power from the eastern end of the railroad to Montana so as to run some grain trains from the Northern Montana line to our North Pacific ports. Thus far we have had eight such trains move, averaging 45 to 50 cars of wheat and barley, producing approximately \$120,000 in revenue. This program has had many benefits. We have captured business that had been taken from our line to the Burlington Northern. The commitment of consistent service resulted in some private cars coming back to our line, and most importantly, we have been taking covered hoppers and turning them from Harlowton to the Coast and back in eight days, when formerly it took as much as 50 days moving in our regular train service.

In summation, I feel that many of the opportunities identified in our original outline are being addressed, and I intend providing further reports of our progress.

(Signed) G. H. KRONBERG

G. H. Kronberg
Vice President
Marketing

cc: Messrs. W. L. Smith
P. F. Cruikshank
J. W. Rowe
D. M. Wiseman
G. F. Reynolds

bc: Messrs. W. R. Bickley
D. W. Cooksy
D. A. Keller

B/DMW:gp

