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"KEEP IT MOVING"

CHICAGO - February 18, 1977

File: R-29 - Board Report

Mr. Worthington L. Smith:

Following is the equipment situation for the month of January and thus far for February 1977.

BOX CARS AND COVERED HOPPERS

During the month of January and continuing to the present time, our supply of box cars has been inadequate to meet demand. The box car shortage is attributed to the disruption in normal rail movements by the severity and duration of winter weather that plagued the Northeast quarter of the United States. The disruption resulted in a higher percentage of MILW box cars being off-line than normal. The number of foreign box cars on-line during this period remains approximately the same, however, this number was insufficient to meet demand and our efforts to seek equipment from other carriers was to no avail, as they were suffering with the same problems. The impact to the western region of the railroad was minimized, as distribution priorities were established to ensure as much equipment as available was forwarded to the western region upon request. In addition, numerous new box cars releasing at FMC, Portland were utilized to supplement our equipment shortfall. Equipment shortages will begin to increase in the western region for the next several weeks as the equipment supply from FMC at Portland has now been exhausted, and we do not expect our system inventory of empty equipment to return to normal for approximately the next 30 days. The paper shipping areas of Wisconsin have been especially hard hit by this freight car shortage. Our car supply for this region continues to be critical. We have placed our 50-ft. box cars on a Car Assistance Directive thru the AAR and are using every 50-ft. box car available to us at this time. We do not expect the car supply situation to moderate for the next several weeks, due to the fact that even while the weather has moderated, the percentage of MILW 50-ft. box cars off-line appears to have leveled off at approximately 60% of ownership. This is 18% higher than normal. The present car condition status report indicates about 400 of our 50-ft. box cars inactive due to not being fit for loading.

Lumber Loading:

January 1977 . . . . .	4,565 cars	
January 1976 . . . . .	<u>4,326</u> "	
Increase . . . . .	239 "	or 5.5%
First fourteen days of February 1977 . . . . .	2,139 cars	
First fourteen days of February 1976 . . . . .	<u>2,308</u> "	
Decrease . . . . .	169 "	or - 7.3%

The demand for covered hoppers for grain loading skyrocketed with the announcement that the Mississippi River would be closed to navigation between St. Louis and Cairo, Illinois on January 14. By January 31, the shortage of grain hoppers was well over 1,000 cars and continues at that level to the present time. Approximately two weeks

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BOX CARS AND COVERED HOPPERS (continued)

later, around the first of February when it became quite apparent to many of the elevator operators that it would be difficult to obtain covered hoppers, our orders for 40-ft. grain box began to increase substantially and today we have outstanding orders for 950 40-ft. box cars for the next 7 days, and we currently have 400 empties available to meet this need. The Aberdeen Division is currently upgrading 15 cars a day to help meet their local orders. Today's car condition report shows 780 40-ft. narrow door box cars out-of-service due to being unfit for loading.

The first of January there were 4 unit grain trains operating on our railroad, with a total equipment commitment of 142 privates and 8 systems. Today we are operating 11 grain trains with equipment commitments of 161 systems, 45 foreigners and 197 privates. Grain rate reductions are going into effect on February 19 in the State of Montana and latest estimates indicate that 765 carloads of grain will be available to us during this period. The western region currently has 450 covered hoppers available to them to protect all West Coast loading. As a result, we are in the process of shifting approximately 100 cars from the eastern region of the railroad to the west in order to protect this high revenue business. Needless to say, this will further aggravate our car shortage in the eastern region. The disruption of the barge traffic has created unusually high orders for equipment and the affect has been felt by all Midwest and Southwestern carriers. As a result, we have been unable to borrow any additional grain carrying capacity cars either in the form of covered hoppers or box cars from our traditional sources, as they have been hard pressed to meet demands for local orders on their own line. We have also had trouble getting cars moved to and from loading points on our railroad due to the severe weather.

The total grain loading for the month of February 1976 was 6,201 carloads, and we estimate that in February 1977 we will load about 4,400 carloads.

Grain and Soybean Loading:

January 1977 . . . . .	3,844 cars	
January 1976 . . . . .	5,820 "	
Decrease . . . . .	1,976 "	or -33.9%
First fourteen days of February 1977 . . . . .	2,212 cars	
First fourteen days of February 1976 . . . . .	3,309 "	
Decrease . . . . .	1,097 "	or -33.1%

The demand for covered hoppers for sand loading continues to be at a high level. Car shortages did exist at Portage, Wisconsin during the month of January due to the slowdown in turn-around times on assigned equipment and also due to increased orders placed at Portage resulting from a plant shutdown at their Oregon, Illinois plant. In addition, the 3M plant at Wausau, Wisconsin placed additional orders due to a California plant strike and is loading heavier than normal. The car supply shortage for the sand loading has improved in the past several days due to receiving cars back from connecting lines and also the sandblasting program at Mason City, Iowa has resumed. A total of 85 cars have been completed, and

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BOX CARS AND COVERED HOPPERS (continued)

the balance of 15 cars to complete the program should be completed by the end of this week.

FLAT CARS

The demand for chain tie-down flat cars in the Quad Cities area for implement loading has maintained a seasonally high level. Our ability to supply chain tie-down flat cars has been severely hampered, here again, by the slow movement of equipment back to the Quad Cities area. However, due to the extreme shortage of chain tie-down flat cars, both John Deere Company and International Harvester have been agreeable to loading plain deck flat cars. We are using all available serviceable plain flats. We are receiving assistance from numerous sources at the present time for additional flat cars to handle any shortages, and we intend to exhaust these sources before requesting any redecking programs.

Machinery (includes electrical) Loading:

January 1977 . . . . .	1,396 cars	
January 1976 . . . . .	<u>1,783</u> "	
Decrease . . . . .	387 "	or -21.7%
First fourteen days of February 1977 . . . . .	798 cars	
First fourteen days of February 1976 . . . . .	<u>992</u> "	
Decrease . . . . .	194 "	or -19.5%

MULTI-LEVEL AUTOMOBILE EQUIPMENT

For the month of January we loaded 58 tri-levels and 72 bi-levels of Chrysler automobiles from Galewood to western destinations. During the same period we loaded 116 tri-levels of import automobiles from Portland and Tacoma to Midwest destinations. We currently have 68 orders on the Pacific Coast for import shipments and the cars are readily available. Our supply of bi-level equipment for loading at Galewood to the West Coast continues to remain extremely tight. Weather again played a decisive role in reducing the number of multi-level flat cars shipped with automobiles during this period, with all automotive manufacturers reporting severe car shortages due to the disruption of normal car flow. It is expected that all automotive manufacturers will now make efforts during the months of February and March to accelerate production in order to make up these losses.

Motor Vehicle Loading:

January 1977 . . . . .	2,150 cars	
January 1976 . . . . .	<u>2,296</u> "	
Decrease . . . . .	146 "	or -6.3%
First fourteen days of February 1977 . . . . .	1,195 cars	
First fourteen days of February 1976 . . . . .	<u>1,300</u> "	
Decrease . . . . .	105 "	or -8.0%

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OPEN TOP HOPPER EQUIPMENT

Coal and Coke Loaded and Received:

January 1977 . . . . .	7,794	cars	
January 1976 . . . . .	<u>8,963</u>	"	
Decrease . . . . .	1,169	"	or -13.0%
First fourteen days of February 1977 . . . . .	4,310	cars	
First fourteen days of February 1976 . . . . .	<u>4,029</u>	"	
Increase . . . . .	281	"	or 6.9%

The Indiana Power and Light unit train on the Terre Haute Division operated 11 trains during the month of January, with a total of 480 cars, and the Public Service Fayette shuttle train ran 29 trains carrying 1,431 cars during January.

We continue to have a surplus of approximately 600 open top hoppers. The Interstate Commerce Commission did issue an order allowing the loading of open top hoppers with grain, but to date we have been successful in loading only 60 of these cars by Pillsbury Company at Davenport, Iowa.

The Gascoyne Big Stone City unit coal train operation operated at a level of 6 trains per week during the month of January with a total of 26 trains operated. The Colstrip Columbia unit train made a total of 12 trips during the month of January, but since the first week of February, have been operating with three train sets. This train did not operate three sets of equipment during the month of January due to the large number of WISX cars that had been bad ordered, principally due to derailments. The Burlington Northern has now supplemented this operation with 11 of their 100-ton cars and we can expect 4 trains per week during the month of February.

GONDOLA EQUIPMENT

The demand for coil gondolas, bulkhead covered gondolas and ordinary covered gondolas remain strong, and our car supply is extremely tight. We are failing to fill some orders.

Regular gondola orders remain high and we are short of this equipment. Our supply problem is being compounded by the fact that numerous eastern roads are placing their gondolas on Car Service Orders in order to get them returned to their line so that they can handle their increased orders as a result of the moderating weather conditions.

REFRIGERATOR AND DF CARS

We have had an inadequate supply of mechanical refrigerators to fill all orders during January and up to the present time. In the Columbia Basin on the West Coast we loaded in the month of January, 258 carloads of perishables which were 135 carloads less than 1976. We continue to use foreign line equipment, when available and expedite the movement of our system mechanical refrigerators to meet demand. Nevertheless, we have been informed that effective the 22nd of February, customers will commence trucking of fresh potatoes from Othello to

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REFRIGERATOR AND DF CARS (continued)

the Burlington Northern at Warden, Washington in order to load this commodity in BN mechanical refrigerators for an export movement going to Florida. This movement is over and above their normal shipping requirements and has been involving 50 to 60 carloads per week.

Beer Loading in Milwaukee:

January 1977 . . . . .	1,133 cars
January 1976 . . . . .	<u>1,574</u> "
Decrease . . . . .	441 " or -29%

The loading via all lines for beer in Milwaukee decreased by 561 carloads in January 1977, compared to January 1976, and of this reduction The Milwaukee Road's share was 441 lower. The Soo Line's decrease was 96 cars lower. Our major decreases took place at Miller Brewing, as a result of much of their assigned fleet was tied up on ConRail and at other points in the east during January and early February. In addition, they did lose several days production at Milwaukee due to the inability to receive new bottles by truck. This week Miller Brewing Company has had a decent car supply and hopefully normal shipping from this firm will be maintained.

AIRSLIDE COVERED HOPPERS

The Renville, Minnesota sugar loading has slacked off and the cars are being forwarded to Billings and Othello, Washington to handle loadings by U&I Sugar at Scalley and Great Western Sugar at Billings, where some demand still exists for airslide cars. The flour and the starch cars continue to be loaded with no apparent excess or shortage of equipment.

PIGGYBACK LOADING

January 1977 . . . . .	6,356 cars
January 1976 . . . . .	<u>7,263</u> "
Decrease . . . . .	907 " or -12.4%

Again weather was a key factor on our ability to supply piggyback equipment for TOFC/COFC loading. At one point virtually all carriers in the eastern half of the United States were rubbering all trailers and containers possible to other carriers in lieu of giving up their flat cars in interchange for fear of running out of flat cars in order to protect on-line loadings.

First fourteen days of February 1977 . . . . .	3,193 cars
First fourteen days of February 1976 . . . . .	<u>3,614</u> "
Decrease . . . . .	421 " or -11.6%

TOTAL REVENUE FREIGHT LOADING

January 1977 . . . . .	65,760 cars
January 1976 . . . . .	<u>73,326</u> "
Decrease . . . . .	7,566 " or -10.3%

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TOTAL REVENUE FREIGHT LOADING (continued)

Obviously we missed our prediction for January loadings by a substantial 10%. In retrospect when we were writing you last month's letter of January 14th, we should have had a deeper appreciation of the affect that the severe winter was having on the movement of rail equipment throughout the country, as well as to our own system. It should be noted, however, that actual cars received from connections in January were down only 1,870 from the previous year. The most disturbing factor was the 5,696 car decrease that we had in originating loading. Eighteen hundred and thirty cars that made up this decrease was in originating grain and soybeans, and in the fact of strong demand for this equipment beginning in the middle of January, we find this quite discouraging. On the surface we would have to say that the freeze-up of the river actually hurt our ability to load grain. Our normal sources for car supply to supplement our grain loading capacity were not available this year due to the upsurge of local orders that many of these carriers had received. Secondly, many of the private covered hoppers that we had been able to use in the past were being used elsewhere by the grain companies, or in some instances had been leased on short term leases to other operations, such as Canadian potash movement; and therefore, preempted even the grain companies from being able to use these cars.

First fourteen days of February 1977 . . . . .	33,629 cars
First fourteen days of February 1976 . . . . .	<u>36,784</u> "
Decrease . . . . .	3,155 " or -8.5%

In February 1977 there are 19 working days, compared to the same number of working days in February 1976. The total number of carloads for the month of February 1976 was 73,218, and we estimate that the carloading for the month of February 1977 will be 67,500 carloads.

*A. D. ...*  
 General Superintendent Transportation

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|------------------------------|------------------|---------------|
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bcc: Messrs. L. L. Struble, Superintendent Transportation, Tacoma  
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CRS/mlm