

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY
874 UNION STATION BUILDING
CHICAGO, ILLINOIS 60606

WILLIAM J. QUINN
CHAIRMAN OF THE BOARD
AND
CHIEF EXECUTIVE OFFICER

November 13, 1973

The Honorable Warren G. Magnuson
Chairman, Committee on Commerce
United States Senate
Senate Office Building
Washington, D.C. 20510

Dear Senator Magnuson:

I am replying to your letter of November 5, 1973, in which you express an interest in our reasons for discontinuing our electrified operation in Montana, Idaho and Washington, and removing the existing catenary system.

Our decision to discontinue this operation and remove the catenary system was reached only after several studies, the most recent of which extended over a period of 16 months. As you know, the Milwaukee is not a wealthy railroad. It must carefully conserve its funds in order to meet the demands for transportation of the growing population in the territory it serves, including the State of Washington, and must carefully budget its funds for equipment and facilities to satisfy the most pressing needs.

Our studies showed that if we were to continue our electrified operations, it would be necessary to electrify the present gap between Avery, Idaho and Othello, Washington, a distance of 227 miles, acquire 45 new electric locomotives, and install new substations and replace others in the presently electrified territory. The total cost for improvement and construction of facilities was \$24,742,300, plus \$20,250,000 for locomotives, a total of approximately \$45,000,000. Needless to say, the Milwaukee, with its many other more immediate needs, could not justify an expenditure or incur a debt in this amount.

Further, this expenditure would result in the extension and continued operation of a DC electrification which, at the time of installation some 60 years ago, was considered the best for our purposes. The installations under study in this country and those in Europe, to which you refer in your letter, are modern AC electrifications. Were we to change to AC electrification, the costs estimated above would be much greater.

If the Milwaukee were to lease the improvements and locomotives, it could avoid the foregoing cash outlay, but would still suffer a cumulative negative cash flow, compared to diesel operation, for 11 out of 14 years. If the cost of lease financing exceeded the 6% rate per year used in our cost estimates, the deficit in cash flow would be greater.

To permit our catenary system to remain in place would invite loss by theft of the copper wire, or would prevent its being salvaged despite the present critical need in this country for copper. Further, the funds which we are receiving from its sale will enable us better to maintain and improve our railroad, car and locomotive supply. You have undoubtedly received, and will continue to receive, objections to our de-electrification from electric railroad buffs with sentimental attachments for electrified rail operation. We can understand and share their feelings, but we are convinced, after our careful and exhaustive analysis, that it is in the interest of the shippers and territory we serve and of this Railroad to adopt a 100% diesel operation with its greater flexibility and conservation of our working capital.

Sincerely,

