

RATIONALIZATION OF PLANT

STUDY OF
KANSAS CITY, COUNCIL BLUFFS, LOUISVILLE
GATEWAYS
AND THE LINE
CHICAGO TO LOUISVILLE

September 8, 1977

INTRODUCTION

A study directed toward "Rationalization of Plant" should have as one objective identifying the relative significance of each major segment of the company's lines of road. Significance necessarily has to be based on present traffic regardless of how it is measured -- contribution, return on assets required, or whatever. A second and more important objective is to develop strategies to strengthen the overall viability of the company by indentifying those segments that have potential for improved significance and highlighting other segments with no significance and no foreseeable future potential.

The Light Density Line study analyzed 3,670 miles of road with 117,000 total carloads -- 36% of the total miles operated and 13% of the total carloads handled in 1976. Based on this study, approximately 3,000 miles of road were listed to the Interstate Commerce Commission under the 4R Act of 1976 as candidates for abandonment or to be continued under study for abandonment.

The analyses that follow evaluate the significance of three major gateways - Kansas City, Council Bluffs and Louisville. Also included in this report is an evaluation of the present significance of the entire line - Faithhorn to Louisville.

GENERAL

Historically overall evaluations of major parts of the railroad system have been based on readily available statistics such as carloads, revenue dollars, ton-miles or other statistical data that are normally available or required for regulatory reporting. This study will develop the contribution -- the difference between revenues and the variable cost of producing those revenues -- of certain segments of the railroad and also of all the various types traffic directly related to each segment.

To assist in evaluating the parts of the system the railroad was divided into 60 major parts or segments. For example, each major gateway for the interchange of interline

traffic -- Kansas City, Council Bluffs, Louisville, Chicago, Twin Cities, Duluth, etc. -- was designated as a segment. Other segments relate to major subdivisions of lines -- Chicago to Milwaukee, Bensenville to Savanna, New Lisbon to Heafford Junction, etc. A list of all segments is provided in Appendix A. Additionally, in order to breakdown the railroad's off-line and on-line markets into manageable sections, the United States and Canadian Provinces were divided into nine major areas by groups of states. The map labeled Exhibit A shows the nine major areas.

METHOD OF COSTING

Conclusions to be reached, strategies to be evaluated, and decisions to be made as a result of this and other similar studies should be related to the long run future of the company. Cost factors used to determine contribution must also reflect long run variable costs as much as possible. With this in mind, the Economics and Cost Analysis department developed the cost elements used in this study. The major elements of variable cost include:

Line Haul

"Capacity" cost models are used for line haul unit costs. In this method, costs are developed from the economic capacity of trains rather than historical average trailing tons. Economic capacity is the train size that operating personnel feel can be efficiently handled with normal locomotive power assignment and meet schedule requirements.

Components of line haul unit costs include train crew wages based on actual costs including payroll additives. Fuel costs are based on computer simulation runs with economic capacity at scheduled speeds. Locomotive costs include investment based on current replacement costs at 10% capital cost, normalized repairs based on manufacturer's recommended maintenance practices over the economic life of a unit, and servicing on a system average. Maintenance of way costs cover normalized maintenance for 1973 traffic density on each line segment. Line haul joint facility costs are included as a part of gross ton mile unit costs.

Terminal

Terminal (including joint facilities), station and other similar expenses are based on system average costs per movement. Terminal costs are related to

types of traffic, i.e., local, interline forwarded, interline received, overhead or bridge, and include road train to industry or vice versa, interchange, and inter/intra train activities.

Freight Car Costs

The philosophy related to car cost maintains that the variable cost should cover the replacement of cars at current replacement values. System and foreign cars are treated alike assuming that time-mileage costs are equivalent to replacement costs. Car costs for movements in private ownership are based on current mileage rates.

All railroad owned AAR car types are summarized into 12 classifications weighted on cost of replacement and daily ownership costs developed for each class. Repair costs per mile are developed for each class giving recognition to normalized level of repairs and system average annual miles.

Total car days developed for each load includes three days at origin, four days at destination, one-half day for interchange, 600 miles per day for transit time, inter/intra train switching every 400 miles. Empty car days are determined by applying empty return ratios by car type to total loaded car days previously determined. It is assumed that empties generally move half as fast as loads, except for autos, TOFC and refrigerated equipment which are assumed to move as fast as loads.

Other Costs

Train supplies, car inspection and other miscellaneous expenses are applied to car miles using system average unit costs. Accessorial charges, such as auto unloading, pickup and delivery on TOFC, barge expenses, are charged to appropriate movements.

Variable Costs Excluded

Expenses related to loss and damage, gross earnings taxes, accessorial charges other than those mentioned above, such as car cleaning or grain doors, mechanical protection service, are excluded because of inability to properly apply them through computer programming.

Computer programs have been developed to apply unit costs to each individual shipment involved in a particular evaluation. The Economics and Cost Analysis department developed unit line haul costs for each major segment of the railroad and then further developed total unit costs between a segment under study and all other segments on the system. For example, in costing traffic through Kansas City unit line haul costs factors were developed to cover movements between that gateway and each of the other 59 segments on the system.

The cost factors can be accepted as valid long range costs for evaluating types of traffic, and general movements between areas and origins-destinations segments. As more detailed analyses related to individual point to point movements by commodities are required further refinement in the costing process should be considered -- depending on the type of decision to be made.

EVALUATION CRITERIA

To evaluate a segment, a type of traffic, or an individual shipment for that matter, a measure is needed both to determine absolute value and to make comparisons. For this report, the factor "Percent of Contribution Over Cost" will be used. To illustrate, assume a movement has \$300 revenues and variable costs of \$200. Contribution is \$100 and percent contribution over cost is 100 divided by 200 or 50%.

How should the selected measure of value be used? The "cost" in this study as previously explained is long run variable. In general, it represents approximately two-thirds of both variable and constant or overhead costs or fully allocated costs. In the illustration used above, if variable cost of \$200 represents two-thirds of a fully allocated cost then full cost is \$300. Stating it another way, a movement with contribution of 50% over cost can be considered as carrying its share of constant or overhead costs.

It cannot be assumed that any traffic with contribution of less than 50% over cost is "no good" and should be given up. If the traffic provides any contribution over cost, the railroad is better off with it than without it as long as constant costs cannot be reduced in direct proportion to the contribution that would be lost.

Percent of contribution can be used to evaluate and compare. It will show what traffic is over or under the 50% level. The question is what can be done to improve traffic with poor percent of contribution and to develop a greater share of traffic with good percent of contribution.

All subsequent references to the factor "percent of contribution over cost" in this report will be called COC in the interest of brevity.

GATEWAY ANALYSES

Evaluation was made of interline traffic through Kansas City, Council Bluffs and Louisville and also the traffic originating and terminating at each of those locations. Traffic data for the year 1976 was used in the study.

A series of exhibits prepared for each gateway from the data developed through the computer costing programs are included in this report. All exhibits have the same general formats so that absolute comparisons of carloads, freight, revenues, costs and contribution are available. A column on each exhibit labeled "Revenue % Freight" provides a relative measure of the railroad's division of freight charges. The relative measure of value - COC - previously discussed under Evaluation Criteria is shown in the last column at the right of each exhibit.

Exhibit S-1, Gateway Comparison. This exhibit compares the three gateways studied. Some of the significant features of this exhibit are as follows:

- Although total Contribution is \$25,595,000 total COC (35%) is less than a full share of constant cost of 50%.
- All gateways have less than 50% total COC with Council Bluffs having the highest (41%) and Louisville the lowest (28%).
- Interchange traffic through each gateway has a lower COC than Originating-Terminating traffic.
- Council Bluffs interchange traffic with the lowest average division (25% Revenue over freight) has the highest COC of 39%.

EXHIBIT S-1

GATEWAY COMPARISON

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERCHANGE</u>								
Kansas City	69,523	\$ 93,481.8	\$ 38,378.4	\$ 29,615.9	\$ 8,762.4	41%	\$126	30%
Council Bluffs	54,539	97,237.2	24,454.2	17,597.3	6,856.9	25%	126	39%
Louisville	40,030	45,682.6	20,531.2	16,583.7	3,947.5	45%	99	24%
<u>ORIGINATING-TERMINATING</u>								
Kansas City	12,661	\$ 10,011.0	\$ 8,895.0	\$ 5,584.9	\$ 3,310.1	89%	\$264	59%
Council Bluffs	7,926	6,076.4	4,192.2	2,683.8	1,508.4	69%	190	56%
Louisville	5,453	3,810.7	3,286.5	2,076.7	1,209.8	86%	222	58%
<u>TOTAL GATEWAY</u>								
Kansas City	82,184	\$103,492.8	\$ 47,273.4	\$ 35,200.8	\$ 12,072.5		\$147	34%
Council Bluffs	62,465	103,313.6	28,646.4	20,281.1	8,365.3		134	41%
Louisville	45,483	49,493.3	23,817.7	18,660.4	5,157.3		113	28%
<u>GRAND TOTAL</u>	190,132	\$256,289.7	\$ 99,737.5	\$ 74,142.3	\$ 25,595.1		\$135	35%

Exhibits KC-1, CB-1, L-1. Summary for each gateway. These exhibits summarize the general types of traffic at each gateway. Interchange traffic is separated between received and forwarded at the Gateway and further divided to separate intermediate (overhead) traffic. Traffic related to the interchange city is separated between the two types of originating and terminating. These exhibits can be analyzed individually and also used for comparison. It can be noted that:

- Exhibit KC-1 shows a significant difference at Kansas City in the COC for interchange traffic originating off line (interline received) and interchange traffic originating on line (interline forwarded) - 46% versus 22%. The same is true of intermediate traffic.
- Exhibits CB-1 shows a similar relationship at Council Bluffs - 47% for interline received and 31% for interline forwarded. As shown in L-1 the same is not true for Louisville - 24% versus 23%.
- At both Kansas City and Louisville there is a considerable imbalance of carloads delivered to connecting lines compared to carloads received from them.
- The COC for originating-terminating traffic does not show comparable patterns. At Kansas interline traffic has a higher COC than traffic strictly local to the railroad. Council Bluffs and Louisville seem to have their own individual patterns which is probably not unexpected.

Exhibits KC-2, CB-2, L-2. Interline Traffic Forwarded by Major Destination Areas. These exhibits segregate interline forwarded and intermediate traffic by off-line destinations in the nine United States and Canadian major areas. The exhibits show which major areas and to what degree, each gateway serves. They also can be used to compare both absolute and relative importance of the major areas for interline forwarded traffic. It can be noted:

- Kansas City traffic is predominately to the Southwest with some to the West area. Louisville traffic is almost exclusively to the South. Council Bluffs traffic is more diffused moving in some quantity to four general western areas.
- Traffic to the Northwest through Council Bluffs has negative contribution.

KANSAS CITY SUMMARY

EXHIBIT KC-1

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERCHANGE</u>								
Interline Received On	22,274	\$ 30,332.8	\$ 12,609.5	\$ 8,658.1	\$ 3,951.3	42%	\$177	46%
Intermediate On	4,328	7,084.9	2,027.0	1,450.5	576.5	29%	133	40%
Total On	26,602	\$ 37,417.7	\$ 14,636.5	\$ 10,108.6	\$ 4,527.8	39%	\$170	45%
Interline								
Forwarded Off	38,511	\$ 47,962.3	\$ 21,076.2	\$ 17,223.3	\$ 3,852.9	44%	\$100	22%
Intermediate Off	4,410	8,101.8	2,665.7	2,284.0	381.7	33%	87	17%
Total Off	42,921	\$ 56,064.1	\$ 23,741.9	\$ 19,507.3	\$ 4,234.6	42%	\$ 99	22%
Total Interchange	69,523	\$ 93,481.8	\$ 38,378.4	\$ 29,615.9	\$ 8,762.4	41%	\$126	30%
<u>ORIGINATING-TERMINATING</u>								
Local Originating	3,516	\$ 1,904.4	\$ 1,904.4	\$ 1,258.8	\$ 645.6		\$186	51%
Interline Originating	1,077	1,043.4	543.6	336.8	206.8	52%	191	61%
Total Originating	4,593	\$ 2,947.8	\$ 2,448.0	\$ 1,595.6	\$ 852.4		\$187	53%
Local Terminating	6,991	\$ 5,689.0	\$ 5,689.0	\$ 3,563.7	\$ 2,125.3		\$308	60%
Interline Terminating	1,077	1,374.2	758.0	425.6	332.4	55%	312	78%
Total Terminating	8,068	\$ 7,063.2	\$ 6,447.0	\$ 3,989.3	\$ 2,457.7		\$308	62%
TOTAL ORIGINATING-TERMINATING	12,661	\$ 10,011.0	\$ 8,895.0	\$ 5,584.9	\$ 3,310.1		\$264	59%
TOTAL GATEWAY	82,184	\$103,492.8	\$ 47,273.4	\$ 35,200.8	\$ 12,072.5		\$147	34%

EXHIBIT CB-1

COUNCIL BLUFFS SUMMARY

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERCHANGE</u>								
Interline Received On	22,952	\$ 40,912.4	\$ 11,921.5	\$ 8,117.4	\$ 3,804.1	29%	\$166	47%
Intermediate On	10,281	23,632.3	4,221.4	3,079.4	1,142.0	18%	111	37%
Total On	33,233	\$ 64,544.7	\$ 16,142.9	\$ 11,196.8	\$ 4,946.1	25%	\$149	44%
Interline Forwarded Off	16,231	\$ 23,333.5	\$ 6,579.6	\$ 5,006.5	\$ 1,573.1	28%	\$ 97	31%
Intermediate Off	5,075	9,359.0	1,731.7	1,394.0	337.7	19%	67	22%
Total Off	21,306	\$ 32,692.5	\$ 8,311.3	\$ 6,400.5	\$ 1,910.8	25%	\$ 90	29%
Total Interchange	54,539	\$ 97,237.2	\$ 24,454.2	\$ 17,597.3	\$ 6,856.9	25%	\$126	39%
<u>ORIGINATING-TERMINATING</u>								
Local Originating	1,049	\$ 573.8	\$ 573.8	\$ 350.5	\$ 223.3	46%	\$213	64%
Interline Originating	244	178.4	82.8	52.7	30.1		123	57%
Total Originating	1,293	\$ 752.2	\$ 656.6	\$ 403.2	\$ 253.4		\$196	63%
Local Terminating	3,485	\$ 1,419.1	\$ 1,419.1	\$ 1,009.6	\$ 409.5	54%	\$118	41%
Interline Terminating	3,148	3,905.1	2,116.5	1,271.0	845.5		269	67%
Total Terminating	6,633	\$ 5,324.2	\$ 3,535.6	\$ 2,280.6	\$ 1,255.0		\$190	55%
TOTAL ORIGINATING- TERMINATING	7,926	\$ 6,076.4	\$ 4,192.2	\$ 2,683.8	\$ 1,508.4		\$190	56%
TOTAL GATEWAY	62,465	\$103,313.6	\$ 28,646.4	\$ 20,281.1	\$ 8,365.3		\$134	41%

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EXHIBIT L-1

LOUISVILLE SUMMARY

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERCHANGE</u>								
Interline Received On	13,553	\$ 13,885.1	\$ 6,440.6	\$ 5,183.9	\$ 1,256.7	46%	\$ 92	24%
Intermediate On	2,110	3,113.3	1,110.3	701.3	409.0	36%	194	58%
Total On	15,663	\$ 16,998.4	\$ 7,550.9	\$ 5,885.2	\$ 1,665.7	44%	\$106	28%
Interline Forwarded Off	20,495	\$ 20,490.4	\$ 10,255.3	\$ 8,353.0	\$ 1,902.3	50%	\$ 93	23%
Intermediate Off	3,872	8,193.7	2,725.2	2,345.8	379.4	33%	98	16%
Total Off	24,367	\$ 28,684.1	\$ 12,980.5	\$ 10,698.8	\$ 2,281.7	45%	\$ 94	21%
Total Interchange	40,030	\$ 45,682.5	\$ 20,531.4	\$ 16,584.0	\$ 3,947.4	45%	\$ 99	24%
<u>ORIGINATING-TERMINATING</u>								
Local Originating	2,445	\$ 1,580.9	\$ 1,580.9	\$ 879.6	\$ 701.3		\$287	80%
Interline Originating	457	640.4	314.6	176.9	137.7		301	78%
Total Originating	2,902	\$ 2,221.3	\$ 1,895.5	\$ 1,056.5	\$ 839.0		\$289	79%
Local Terminating	2,050	\$ 1,150.3	\$ 1,150.3	\$ 848.4	\$ 301.9		\$147	36%
Interline Terminating	501	539.1	240.7	171.8	68.9		138	40%
Total Terminating	2,551	\$ 1,689.4	\$ 1,391.0	\$ 1,020.2	\$ 370.8		\$145	36%
TOTAL ORIGINATING- TERMINATING	5,453	\$ 3,810.7	\$ 3,286.5	\$ 2,076.7	\$ 1,209.8		\$222	58%
TOTAL GATEWAY	45,483	\$ 49,493.2	\$ 23,817.9	\$ 18,660.7	\$ 5,157.2		\$113	28%

EXHIBIT KC-2

KANSAS CITY
INTERLINE TRAFFIC FORWARDED BY DESTINATION AREAS

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERLINE FORWARDED</u>								
Northwest	165	\$ 202.6	\$ 39.3	\$ 55.0	\$ (15.7)	19%	\$(95)	---
West	5,644	9,703.2	1,919.5	1,718.6	200.9	20%	36	12%
North Central	3	4.9	2.4	2.6	(.2)	---	---	---
West Central	3,438	3,947.8	2,287.6	1,548.4	739.2	58%	215	48%
Southwest	22,296	26,487.9	12,124.5	9,937.5	2,187.0	46%	98	22%
Central	4,416	3,970.6	2,838.2	2,139.9	698.3	71%	158	33%
South	2,407	3,406.2	1,725.1	1,693.5	31.6	51%	13	2%
East	117	195.7	116.3	107.1	9.2	59%	79	9
Northeast	25	43.4	23.3	20.7	2.6	---	---	---
Total	38,511	\$ 47,962.3	\$ 21,076.2	\$ 17,223.3	\$ 3,852.9	44%	\$100	22%
<u>INTERMEDIATE OFF</u>								
Northwest	8	\$ 10.9	\$ 1.6	\$ 2.7	\$ (1.1)	---	---	---
West	136	286.2	41.2	44.0	(2.8)	14%	\$(21)	---
North Central	1	2.3	.4	.3	.1	---	---	---
West Central	475	930.5	371.0	242.3	128.7	40%	271	53%
Southwest	3,028	5,333.8	1,634.7	1,429.9	204.8	31%	68	14%
Central	443	839.6	351.4	293.7	57.7	42%	130	20%
South	310	679.9	258.4	263.2	(4.8)	38%	(15)	---
East	5	10.6	5.4	5.6	(.2)	---	---	---
Northeast	4	8.0	1.6	2.3	(.7)	---	---	---
Total	4,410	\$ 8,101.8	\$ 2,665.7	\$ 2,284.0	\$ 381.7	33%	\$ 87	17%
<u>TOTAL OFF</u>	42,921	\$ 56,064.1	\$ 23,741.9	\$ 19,507.3	\$ 4,234.6	42%	\$ 99	22%

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EXHIBIT CB-2

COUNCIL BLUFFS
INTERLINE TRAFFIC FORWARDED BY DESTINATION AREAS

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERLINE FORWARDED</u>								
Northwest	1,784	\$ 2,182.1	\$ 476.4	\$ 506.7	\$ (30.3)	22%	\$(17)	---
West	6,774	12,523.2	2,492.5	2,088.9	403.6	20%	60	19%
North Central	15	22.5	6.5	4.6	1.9	---	---	---
West Central	5,195	5,809.0	2,528.5	1,633.9	894.6	44%	172	55%
Southwest	1,816	2,184.1	706.9	554.0	152.9	32%	84	28%
Central	542	512.9	326.6	188.2	138.4	64%	255	74%
South	51	37.5	13.6	11.9	1.7	---	---	---
East	21	32.5	12.4	7.4	5.0	---	---	---
Northeast	33	29.7	16.2	10.9	5.3	---	---	---
Total	16,231	\$ 23,333.5	\$ 6,579.6	\$ 5,006.5	\$ 1,573.1	28%	\$ 97	31%
<u>INTERMEDIATE OFF</u>								
Northwest	1,818	\$ 2,962.1	\$ 418.6	\$ 530.0	\$ (111.4)	14%	\$(61)	---
West	1,583	3,270.8	475.1	407.8	67.3	15%	43	17%
North Central	24	47.1	10.2	7.6	2.6	---	---	---
West Central	1,625	3,030.5	810.7	437.1	373.6	27%	230	85%
Southwest	5	9.8	3.5	2.2	1.3	---	---	---
Central	15	24.5	10.6	7.1	3.5	---	---	---
South	2	5.2	.8	.6	.2	---	---	---
East	3	8.0	2.2	1.6	.6	---	---	---
Northeast	---	---	---	---	---	---	---	---
Total	5,075	\$ 9,359.0	\$ 1,731.7	\$ 1,394.0	\$ 337.7	19%	\$ 67	22%
TOTAL OFF	21,306	\$ 32,692.5	\$ 8,311.3	\$ 6,400.5	\$ 1,910.8	25%	\$ 90	29%

LOUISVILLE
INTERLINE TRAFFIC FORWARDED BY DESTINATION AREAS

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERLINE FORWARDED</u>								
Northwest	3	\$ 4.7	\$ 1.9	\$ 3.7	\$ (1.8)	---	---	---
West	8	9.0	3.1	2.2	.9	---	---	---
North Central	3	3.7	.9	1.5	(.6)	---	---	---
West Central	1	1.7	.2	.3	(.1)	---	---	---
Southwest	562	558.1	228.3	193.1	35.2	41%	\$ 63	18%
Central	334	320.9	228.4	121.6	106.8	71%	320	88%
South	19,059	18,991.5	9,494.8	7,797.3	1,697.5	50%	89	22%
East	508	581.8	289.7	226.5	63.2	50%	124	28%
Northeast	17	19.0	8.0	6.8	1.2	---	---	---
Total	20,495	\$ 20,490.4	\$ 10,255.3	\$ 8,353.0	\$ 1,902.3	50%	\$ 93	23%
<u>INTERMEDIATE OFF</u>								
Northwest	1	\$ 2.2	\$.3	\$.5	\$ (.2)	---	---	---
West	---	---	---	---	---	---	---	---
North Central	7	17.3	5.3	4.8	.5	---	---	---
West Central	3	3.7	1.0	.5	.5	---	---	---
Southwest	50	68.7	20.4	16.5	3.9	---	---	---
Central	36	83.3	32.1	22.7	9.4	---	---	---
South	3,664	7,813.1	2,613.2	2,253.9	359.3	33%	\$ 98	16%
East	108	197.6	51.1	44.9	6.2	---	---	---
Northeast	3	7.8	1.8	2.0	(.2)	---	---	---
Total	3,872	\$ 8,193.7	\$ 2,725.2	\$ 2,345.8	\$ 379.4	33%	\$ 98	16%
<u>TOTAL OFF</u>	24,367	\$ 28,684.1	\$ 12,980.5	\$ 10,698.8	\$ 2,281.7	45%	\$ 94	21%

- Traffic to the West has better COC through Council Bluffs (19%) than through Kansas City (12%). The COC on traffic to the West is below average, and well below 50%, through both gateways.
- West Central traffic is relatively good through both Kansas City and Council Bluffs.
- The small amount of traffic through Kansas City to the South has practically no contribution.

Exhibits KC-4, CB-4, L-4. Interline Forwarded Traffic by States of Destination. These three exhibits make a further breakdown by states of destination for those areas having significant amounts of carloads. The intent is to provide more detailed insight into the major areas. The exhibits show that:

- For traffic through Council Bluffs to Northwest destinations all states, except Idaho, show no contribution.
- As would be expected, most of the traffic to the West moves through Kansas City and Council Bluffs. The Kansas City traffic to California, with only a 7% COC, looks less desirable than California traffic through Council Bluffs.
- Traffic in all states in the West Central through Kansas City and Council Bluffs has relatively attractive COC.
- Texas destinations predominate in the Southwest through Kansas City -- nearly half of all interline forwarded terminates in that state. COC for Texas destinations is relatively low -- other states in that area are worse.
- On traffic through Louisville to the South COC for all states is low with Florida, Mississippi and Tennessee below the gateway average. However, by comparison, traffic through Kansas City to the same states in the South compares unfavorably with Louisville.

The preceding exhibits have dealt in some detail with interchange traffic delivered to connecting lines at each of the three gateways studied. A similar series of exhibits, prepared for interchange traffic received from connecting lines, are offered without further comments.

EXHIBIT KC-4

KANSAS CITY
INTERLINE FORWARDED BY STATE OF DESTINATION

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
West								
Arizona	421	\$ 910.9	\$ 220.8	\$ 138.2	\$ 82.6	24%	\$196	60%
California	5,206	8,762.1	1,691.2	1,575.0	116.2	19%	22	7%
Nevada	17	30.2	7.5	5.4	2.1	---	---	---
Total West	5,644	\$ 9,703.2	\$ 1,919.5	\$ 1,718.6	\$ 200.9	20%	\$ 36	12%
West Central								
Colorado	863	\$ 1,204.6	\$ 489.1	\$ 315.8	\$ 173.3	41%	\$201	55%
Kansas	2,433	2,511.0	1,734.8	1,190.5	544.3	69%	224	46%
Nebraska-Utah-Wyoming	142	232.2	63.7	42.1	21.6	---	---	---
Total West Central	3,438	\$ 3,947.8	\$ 2,287.6	\$ 1,548.4	\$ 739.2	58%	\$215	48%
Southwest								
Arkansas	1,245	\$ 1,187.4	\$ 620.2	\$ 538.8	\$ 81.4	52%	\$ 65	15%
Louisiana	1,817	2,322.9	1,019.0	853.5	165.5	44%	91	19%
Oklahoma	2,846	2,785.8	1,653.3	1,416.5	236.8	59%	83	17%
Texas	16,091	19,796.2	8,719.8	7,024.8	1,695.0	44%	105	24%
New Mexico	297	395.6	112.2	103.9	8.3	28%	28	8%
Total Southwest	22,296	\$ 26,487.9	\$ 12,124.5	\$ 9,937.5	\$ 2,187.0	46%	\$ 98	22%
Central								
Missouri	4,239	\$ 3,712.6	\$ 2,659.1	\$ 1,978.1	\$ 681.0	72%	\$161	34%
Other	177	258.0	179.1	161.8	17.3	---	---	---
Total Central	4,416	\$ 3,970.6	\$ 2,838.2	\$ 2,139.9	\$ 698.3	71%	\$158	33%
South								
Alabama	366	\$ 425.3	\$ 209.9	\$ 216.5	\$ (6.6)	49%	\$(18)	---
Florida	417	801.8	357.1	401.1	(44.0)	45%	(106)	---
Mississippi	405	523.0	219.6	236.2	(16.6)	42%	(41)	---
Tennessee	905	1,000.0	552.0	509.0	43.0	55%	48	8%
Other	314	656.1	386.5	330.7	55.8	59%	178	17%
Total South	2,407	\$ 3,406.2	\$ 1,725.1	\$ 1,693.5	\$ 31.6	51%	\$ 13	2%
All Other	310	446.6	181.3	185.4	(4.1)	---	---	---
Total Interline Forwarded	38,511	\$ 47,962.3	\$ 21,076.2	\$ 17,223.3	\$ 3,852.9	44%	\$100	22%

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COUNCIL BLUFFS
INTERLINE FORWARDED BY DESTINATION STATES

EXHIBIT CB-4

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
Northwest								
Idaho	326	\$ 545.3	\$ 133.6	\$ 103.1	\$ 30.5	25%	\$ 94	30%
Oregon	595	819.8	173.5	170.8	2.7	21%	5	2%
Washington	858	806.5	167.0	231.3	(64.3)	21%	(75)	---
British Columbia	5	10.5	2.4	1.6	.8	---	---	---
Total Northwest	1,784	\$ 2,182.1	\$ 476.4	\$ 506.8	\$ (30.3)	22%	\$ (2)	---
West								
California	6,558	\$ 12,214.5	\$ 2,425.0	\$ 2,037.0	\$ 388.0	20%	\$ 59	19%
Arizona-Nevada	216	308.7	67.5	51.9	15.6	22%	72	30%
Total West	6,774	\$ 12,523.2	\$ 2,492.5	\$ 2,088.9	\$ 403.6	20%	\$ 60	19%
West Central								
Colorado	2,224	\$ 2,022.2	\$ 814.5	\$ 592.2	\$ 222.3	40%	\$100	38%
Kansas	485	517.5	347.4	207.2	140.2	67%	289	68%
Nebraska	1,360	1,107.0	734.5	473.0	261.5	66%	192	55%
Utah	849	1,769.3	499.8	271.2	228.6	28%	269	84%
Wyoming-South Dakota	277	393.0	132.3	90.4	41.9	34%	151	46%
Total West Central	5,195	\$ 5,809.0	\$ 2,528.5	\$ 1,634.0	\$ 894.5	44%	\$172	55%
Southwest								
Louisiana	420	\$ 555.6	\$ 171.0	\$ 134.5	\$ 36.5	31%	\$ 87	27%
Texas	1,338	1,571.1	508.9	396.2	112.7	32%	84	28%
Arkansas-Oklahoma-								
New Mexico	58	57.4	27.0	23.3	3.7	---	---	---
Total Southwest	1,816	\$ 2,184.1	\$ 706.9	\$ 554.0	\$ 152.9	32%	\$ 84	28%
Central								
Missouri	486	\$ 450.7	\$ 285.8	\$ 158.7	\$ 127.1	63%	\$262	80%
Other	56	62.2	40.8	29.5	11.3	---	---	---
Total Central	542	\$ 512.9	\$ 326.6	\$ 188.2	\$ 138.4	64%	\$255	74%
All Other	120	122.2	48.7	34.8	13.9	---	---	---
Interline Forwarded	16,231	\$ 23,333.5	\$ 6,579.6	\$ 5,006.5	\$ 1,573.1	28%	\$ 97	31%

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LOUISVILLE
INTERLINE TRAFFIC FORWARDED BY DESTINATION STATES

INTERLINE FORWARDED	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>Southwest</u>								
Louisiana	526	\$ 530.0	\$ 215.7	\$ 182.1	\$ 33.6	41%	\$ 64	18%
Other	36	28.1	12.6	11.0	1.6	45%	44	15%
Total	562	\$ 558.1	\$ 228.3	\$ 193.1	\$ 35.2	41%	\$ 63	18%
<u>South</u>								
Alabama	1,569	\$ 2,020.0	\$ 1,275.7	\$ 1,000.6	\$ 275.1	63%	\$175	27%
Florida	3,295	4,331.6	1,735.6	1,468.4	267.2	40%	81	18%
Georgia	4,557	4,329.5	2,176.5	1,754.3	422.2	50%	93	24%
Kentucky	779	681.0	498.2	379.5	118.7	73%	152	31%
Mississippi	651	517.8	228.9	208.9	20.0	44%	31	10%
North Carolina	3,693	3,146.5	1,470.3	1,219.6	250.7	47%	68	21%
South Carolina	1,055	1,184.7	573.7	466.0	107.7	48%	102	23%
Tennessee	3,460	2,780.4	1,535.7	1,299.8	235.9	55%	68	18%
Total	19,059	\$ 18,991.5	\$ 9,494.8	\$ 7,797.3	\$ 1,697.5	50%	\$ 89	22%
Other areas	874	941.3	532.2	362.3	169.9	57%	194	47
TOTAL INTERLINE FORWARDED	20,495	\$ 20,490.9	\$ 10,255.3	\$ 8,352.7	\$ 1,902.6	50%	\$ 93	23%
<u>INTERMEDIATE OFF</u>								
<u>South</u>								
Alabama	277	\$ 549.4	\$ 207.7	\$ 164.4	\$ 43.3	38%	\$156	26%
Florida	494	1,012.6	274.9	271.5	3.4	27%	7	1%
Georgia	1,249	2,890.6	914.1	777.0	137.1	32%	110	18%
Kentucky	297	521.8	212.9	149.9	63.0	41%	212	42%
North Carolina	665	1,441.9	468.3	436.1	32.2	32%	48	7%
South Carolina	266	570.8	216.4	178.2	38.2	38%	144	21%
Tennessee	352	695.7	269.3	228.3	41.0	39%	116	18%
Other	64	130.3	49.6	48.5	1.1	38%	17	2%
Total	3,664	\$ 7,813.1	\$ 2,613.2	\$ 2,253.9	\$ 359.3	33%	\$ 98	16%
Other areas	210	380.6	112.0	91.7	20.3	29%	97	22%
TOTAL INTERMEDIATE OFF	3,872	\$ 8,193.7	\$ 2,725.2	\$ 2,345.6	\$ 379.6	33%	\$ 98	16%
TOTAL INTERLINE OFF	24,367	\$ 28,684.6	\$ 12,980.5	\$ 10,698.3	\$ 2,282.2	45%	\$ 94	21%

EXHIBIT KC-3

KANSAS CITY
INTERLINE TRAFFIC RECEIVED BY ORIGIN AREAS

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERLINE RECEIVED</u>								
Northwest	299	\$ 644.7	\$ 189.7	\$ 100.6	\$ 89.1	29%	\$338	89%
West	2,756	5,539.0	1,380.5	981.0	399.5	25%	145	41%
North Central	5	11.0	4.2	1.4	2.8	---	---	---
West Central	2,520	2,252.6	1,309.0	924.0	385.0	58%	153	42%
Southwest	12,328	17,224.8	6,969.9	4,537.4	2,432.5	40%	197	54%
Central	3,093	3,140.0	2,215.6	1,606.7	608.9	71%	197	38%
South	1,251	1,478.8	520.4	492.1	28.3	35%	23	6%
East	13	29.2	15.9	10.7	5.2	---	---	---
Northeast	9	12.7	4.4	4.5	(.1)	---	---	---
Total	22,274	\$ 30,332.8	\$ 12,609.6	\$ 8,658.4	\$ 3,951.2	42%	\$177	46%
<u>INTERMEDIATE ON</u>								
Northwest	72	\$ 163.3	\$ 24.0	\$ 21.7	\$ 2.3	---	---	---
West	256	585.9	79.8	86.9	(7.1)	14%	\$(28)	---
North Central	---	---	---	---	---	---	---	---
West Central	539	750.1	312.8	199.6	113.2	42%	210	57%
Southwest	3,068	4,939.5	1,408.1	991.1	417.0	29%	136	42%
Central	233	304.9	132.3	86.5	45.8	43%	197	53%
South	159	339.1	69.4	64.4	5.0	20%	31	8%
East	1	2.1	.6	.3	.3	---	---	---
Northeast	---	---	---	---	---	---	---	---
Total	4,328	\$ 7,084.9	\$ 2,027.0	\$ 1,450.5	\$ 576.5	29%	\$133	40%
<u>TOTAL ON</u>	26,602	\$ 37,417.7	\$ 14,636.5	\$ 10,108.6	\$ 4,527.8	39%	\$170	45%

EXHIBIT CB-3

COUNCIL BLUFFS
INTERLINE TRAFFIC RECEIVED BY ORIGIN AREAS

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERLINE RECEIVED</u>								
Northwest	7,983	\$ 16,733.2	\$ 3,978.9	\$ 2,742.7	\$ 1,236.2	24%	\$155	45%
West	5,726	11,101.8	2,522.7	1,918.4	604.3	23%	106	32%
North Central	124	270.6	75.9	45.2	30.7	---	---	---
West Central	8,266	11,828.2	4,904.6	3,119.8	1,784.8	41%	216	57%
Southwest	201	277.6	95.6	72.9	22.7	34%	113	31%
Central	596	598.3	304.8	194.4	110.4	51%	185	57%
South	52	99.5	37.8	23.0	14.8	---	---	---
East	2	1.9	.7	.7	---	---	---	---
Northeast	2	1.3	.5	.3	.2	---	---	---
Total	22,952	\$ 40,912.4	\$ 11,921.5	\$ 8,117.4	\$ 3,804.1	29%	\$166	47%
<u>INTERMEDIATE ON</u>								
Northwest	4,387	\$ 10,249.4	\$ 1,655.2	\$ 1,255.8	\$ 399.4	16%	\$ 91	32%
West	3,104	7,468.2	1,105.5	924.5	181.0	15%	58	20%
North Central	166	258.4	53.9	43.6	10.3	---	---	---
West Central	2,565	5,572.3	1,385.0	836.5	548.5	25%	214	66%
Southwest	14	30.6	6.0	3.9	2.1	---	---	---
Central	38	40.1	13.0	10.3	2.7	---	---	---
South	2	2.8	.4	1.1	(.7)	---	---	---
East	5	10.5	2.4	3.7	(1.3)	---	---	---
Northeast	---	---	---	---	---	---	---	---
Total	10,281	\$ 23,632.3	\$ 4,221.4	\$ 3,079.4	\$ 1,142.0	18%	\$111	37%
<u>TOTAL ON</u>	33,233	\$ 64,544.7	\$ 16,142.9	\$ 11,196.8	\$ 4,946.1	25%	\$149	44%

LOUISVILLE
INTERLINE TRAFFIC RECEIVED BY ORIGINATING AREAS

EXHIBIT L-3

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERLINE RECEIVED</u>								
Northwest	1	\$ 3.2	\$ 1.2	\$.2	\$ 1.0	---	---	---
West	2	3.0	1.2	.2	1.0	---	---	---
North Central	---	---	---	---	---	---	---	---
West Central	1	.7	.4	.3	.1	---	---	---
Southwest	106	133.5	49.8	37.6	12.2	---	---	---
Central	582	544.8	363.6	226.8	136.8	67%	\$235	60%
South	12,675	13,005.0	5,933.9	4,849.4	1,084.5	46%	86	22%
East	186	195.0	90.3	69.1	21.2	46%	114	31%
Northeast	---	---	---	---	---	---	---	---
Total	13,553	\$ 13,885.2	\$ 6,440.4	\$ 5,183.6	\$ 1,256.8	46%	\$ 93	24%
<u>INTERMEDIATE ON</u>								
Northwest	2	\$ 4.1	\$ 1.8	\$.1	\$ 1.7	---	---	---
West	---	---	---	---	---	---	---	---
North Central	3	5.1	1.6	.8	.8	---	---	---
West Central	---	---	---	---	---	---	---	---
Southwest	11	13.7	3.7	1.9	1.8	---	---	---
Central	89	70.2	36.2	26.3	9.9	---	---	---
South	1,963	2,940.4	1,047.8	660.0	387.8	36%	\$198	59%
East	42	79.8	19.2	12.2	7.0	---	---	---
Northeast	---	---	---	---	---	---	---	---
Total	2,110	\$ 3,113.3	\$ 1,110.3	\$ 701.3	\$ 409.0	36%	\$194	58%
<u>TOTAL ON</u>	15,663	\$ 16,998.5	\$ 7,550.7	\$ 5,884.9	\$ 1,665.8	44%	\$106	28%

EXHIBIT KC-5

KANSAS CITY
INTERLINE RECEIVED BY STATE OF ORIGIN

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
West								
California	2,592	\$ 5,199.8	\$ 1,272.3	\$ 914.5	\$ 357.8	24%	\$138	39%
Arizona-Nevada	164	339.2	108.2	66.5	41.7	32%	254	63%
Total West	2,756	\$ 5,539.0	\$ 1,380.5	\$ 981.0	\$ 399.5	25%	\$145	41%
West Central								
Colorado	298	301.2	116.8	111.4	5.4	39%	\$ 18	5%
Kansas	2,104	1,737.4	1,122.6	771.6	351.0	65%	167	45%
Nebraska-Utah-Wyoming	118	214.0	69.6	41.0	28.6	---	---	---
Total West Central	2,520	\$ 2,252.6	\$ 1,309.0	\$ 924.0	\$ 385.0	58%	\$153	42%
Southwest								
Arkansas	1,566	\$ 1,691.6	\$ 736.2	\$ 563.5	\$ 172.7	44%	\$110	31%
Louisiana	2,565	3,617.4	1,435.6	1,039.3	396.3	40%	155	38%
New Mexico	365	727.6	241.3	154.0	87.3	33%	239	57%
Oklahoma	1,914	1,799.1	881.0	652.0	229.0	49%	120	35%
Texas	5,918	9,389.1	3,675.8	2,128.6	1,547.2	39%	261	73%
Total Southwest	12,328	\$ 17,224.8	\$ 6,969.9	\$ 4,537.4	\$ 2,432.5	40%	\$197	54%
Central								
Missouri	3,054	\$ 3,088.5	\$ 2,188.6	\$ 1,578.2	\$ 610.4	71%	\$200	39%
Other	39	51.5	27.0	28.5	(1.5)	---	---	---
Total Central	3,093	\$ 3,140.0	\$ 2,215.6	\$ 1,606.7	\$ 608.9	71%	\$197	38%
South								
Alabama	215	\$ 246.7	\$ 96.1	\$ 93.1	\$ 3.0	39%	\$ 14	3%
Florida	479	731.1	219.4	195.3	24.1	30%	50	12%
Georgia	175	191.1	56.5	50.4	6.1	30%	35	12%
Tennessee	248	180.3	92.0	98.5	(6.5)	51%	(26)	---
Other	134	129.6	56.4	54.8	1.6	---	---	---
Total South	1,251	\$ 1,478.8	\$ 520.4	\$ 492.1	\$ 28.3	35%	\$ 23	6%
All Other Areas	326	697.6	214.2	117.2	97.0	31%	298	83%
Total Interline Received	22,274	\$ 30,332.8	\$ 12,609.6	\$ 8,658.4	\$ 3,951.2	42%	\$177	46%

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COUNCIL BLUFFS
INTERLINE RECEIVED BY STATES OF ORIGIN

	(000)					Revenue %	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	Freight	Per Car	% Cost
Northwest								
Washington-								
British Columbia	463	\$ 952.0	\$ 233.5	\$ 153.6	\$ 79.9	25%	\$173	52%
Idaho	2,607	5,166.3	1,287.9	982.5	305.4	25%	117	31%
Oregon	4,913	10,614.9	2,457.5	1,606.6	850.9	23%	173	53%
Total Northwest	<u>7,983</u>	<u>\$ 16,733.2</u>	<u>\$ 3,978.9</u>	<u>\$ 2,742.7</u>	<u>\$ 1,236.2</u>	24%	<u>\$155</u>	<u>45%</u>
West								
California	5,563	\$ 10,749.8	\$ 2,434.6	\$ 1,866.6	\$ 568.0	23%	\$102	30%
Arizona-Nevada	163	352.0	88.1	51.8	36.3	---	---	---
Total West	<u>5,726</u>	<u>\$ 11,101.8</u>	<u>\$ 2,522.7</u>	<u>\$ 1,918.4</u>	<u>\$ 604.3</u>	23%	<u>\$105</u>	<u>31%</u>
West Central								
Colorado	857	\$ 1,133.4	\$ 458.2	\$ 308.5	\$ 149.7	40%	\$175	48%
Kansas	1,043	722.0	361.2	333.6	27.6	50%	26	8%
Nebraska	2,902	2,654.4	1,597.7	1,031.2	566.5	60%	195	55%
Wyoming	3,030	6,533.7	2,265.4	1,292.2	973.2	35%	321	75%
South Dakota-Utah	434	784.7	222.1	154.3	67.8	28%	156	44%
Total	<u>8,266</u>	<u>\$ 11,828.2</u>	<u>\$ 4,904.6</u>	<u>\$ 3,119.8</u>	<u>\$ 1,784.8</u>	41%	<u>\$216</u>	<u>57%</u>
All Other	977	1,249.3	515.3	336.5	178.8	41%	\$183	53%
Total Interline Received	22,952	\$ 40,912.5	\$ 11,921.5	\$ 8,117.4	\$ 3,804.1	29%	\$166	47%

LOUISVILLE
INTERLINE TRAFFIC ON BY ORIGIN STATES

EXHIBIT L-5

	(000)					Revenue	Contribution	
	<u>Cars</u>	<u>Freight</u>	<u>Revenue</u>	<u>Cost</u>	<u>Contribution</u>	<u>Freight</u> %	<u>Per Car</u>	<u>% Cost</u>
<u>INTERLINE RECEIVED</u>								
Southwest								
Louisiana	104	\$ 132.2	\$ 49.3	\$ 37.2	\$ 12.1	37%	\$116	32.5%
Other	2	1.3	.5	.4	.1	---	---	---
Total	106	\$ 133.5	\$ 49.8	\$ 37.6	\$ 12.2			
South								
Alabama	1,804	\$ 1,747.3	\$ 825.2	\$ 679.5	\$ 145.7	47%	\$ 81	21 %
Florida	2,425	3,842.4	1,535.0	1,209.5	325.5	40%	134	27 %
Georgia	3,105	3,023.0	1,475.4	1,136.6	338.8	49%	109	30 %
Kentucky	425	305.7	179.1	154.3	24.8	50%	58	16 %
Mississippi	413	336.6	153.4	157.8	(4.4)	46%	---	---
North Carolina	2,154	1,960.1	886.9	771.7	115.2	45%	53	15 %
South Carolina	648	563.1	246.1	194.4	51.7	44%	80	27 %
Tennessee	1,701	1,226.8	632.8	545.8	87.0	52%	51	16 %
Total	12,675	\$ 13,005.0	\$ 5,933.9	\$ 4,849.6	\$ 1,084.3	46%	\$ 98	27 %
All Other	772	746.6	456.9	296.7	160.2	74.5%	208	41 %
TOTAL INTERLINE RECEIVED	13,553	\$ 13,885.1	\$ 6,440.6	\$ 5,183.9	\$ 1,256.7	50 %	\$ 93	24 %
<u>INTERMEDIATE ON</u>								
South								
Alabama	163	\$ 221.7	\$ 73.8	\$ 44.5	\$ 29.3	33%	\$180	66%
Florida	105	150.6	37.8	30.1	7.7	25%	73	26%
Georgia	1,090	1,928.7	750.8	441.4	309.4	39%	284	70%
North Carolina	351	391.4	105.7	81.9	23.8	27%	68	29%
All Other	254	248.0	79.7	62.1	17.6	32%	69	28%
Total	1,963	\$ 2,940.4	\$ 1,047.8	\$ 660.0	\$ 387.8	36%	\$198	59%
Other Areas	147	172.9	62.5	41.3	21.2	36%	144	51%
Total	2,110	\$ 3,113.3	\$ 1,110.3	\$ 701.3	\$ 409.0	36%	\$194	58%
TOTAL INTERLINE ON	15,663	\$ 16,998.5	\$ 7,550.7	\$ 5,884.9	\$ 1,665.8	44%	\$106	28%

KC-3, CB-3, L-3. Interline received by major origin areas.

KC-5, CB-5, L-5. Interline received by states of origin.

Summary

The analyses show that the traffic through Kansas City, Council Bluffs and Louisville gateways does have a COC in general. The analyses also shows that there is a need to develop strategies to improve the COC for all three gateways.

This study does not pretend to offer solutions to resolve the need for improved COC nor does it go far enough to suggest specific strategies. This requires much more detailed analyses by market research, pricing and divisions personnel in order to delineate more clearly where opportunities might be, what alternatives are available, and how the gateway traffic can be improved and expanded. Additional data can be made available from this study to assist in expanding the analyses of each gateway into much greater detail.

ANALYSIS OF LINE - FAITHORN TO LOUISVILLE

In making this evaluation, traffic on the line between Faithorn and Louisville was divided into the following four segments:

- Louisville and Bedford (including Oolitic) originating, terminating and interchange traffic. Interchange traffic only through Seymour was also included assuming that, if the line between Bedford and Seymour were retired, this interchange traffic would not be lost.
- Coal originating at Latta for movement in unit trains to Fayette or interchanged with the ICG at Linton for movement to Indianapolis. Separate costs were developed for these large volume movements.
- Fayette to Crane originating, terminating and interchange traffic except the coal to Fayette and Linton.
- Faithorn to Bradshaw originating, terminating and interchange traffic. This segment also includes all traffic originating, terminating and interchanged at Momenca.

Separate exhibits have been prepared with the same format as exhibits used in the evaluation of the three gateways.

Exhibit TH-1. Summary Terre Haute Line. This exhibit summarizes data for each of the four segments of the line. The exhibit shows:

- Total contribution for all traffic is \$10,314,000 with a COC of 36%.
- Although half the contribution on the line comes from Bedford-Louisville (\$5,568,600), COC of 29% is considerably less than that for each of the other three segments.
- Between Fayette and Crane the major part of the contribution is generated by originating-terminating traffic. The coal to Fayette and Indianapolis provides nearly 30% of the total contribution on this segment -- \$670,000 versus a total of \$2,337,000.
- Between Faithorn and Bradshaw \$2,211,600 or more than 90% of the total contribution comes from interchange traffic and the COC of 53% is comparatively more attractive than most other types.

Exhibits TH-2, TH-3, TH-4. Prepared to show some additional detail on both the interchange and the originating-terminating traffic on all individual segments except the unit coal movements. They are offered as added information.

Summary

This preliminary evaluation indicates that the line between Faithorn and Louisville does provide a contribution and that the general strategy of the company should be directed toward means of strengthening certain parts of the line rather than ultimately abandoning the entire operation.

Because of the present condition of the line and probable expenditures needed to improve or even to continue present service, a series of alternative strategies should be evaluated. Some to be considered are listed below. There may be other or perhaps variations of those shown.

1. Continue present operation to Bedford and Louisville.
2. Use L&N Chicago to Louisville, continue present operation short of Bedford.
3. Use L&N Chicago-Louisville, move Webster-Humrick-West Dana interchanges to L&N, serve Bedford-Fayette out of Bedford, abandon Faithorn-Fayette.
4. Same as (3) except sell all of Bedford-Fayette to L&N or any part they might have an interest in acquiring.
5. Give up Bedford-Louisville operation, interchange Louisville traffic at Chicago, continue present operation to Bedford or Latta or Linton.
6. Move toward abandonment of all operations on line.

CONCLUSIONS

This report, covering an evaluation of three gateways and 260 miles of line maintained between Faithorn and Louisville, does not provide nor was it intended to provide final answers. The report does provide a preliminary evaluation of several major segments of the railroad's operation in sufficient depth to conclude that those segments have significant importance to the company but that further study is needed to develop strategies to improve and expand their contribution.

The approach used in developing the analyses included in this report also provides a method of evaluation of elements of the present markets to assist in identifying the relative significance of all major segments of the railroad. Additional studies are needed to:

--Expand analysis of interline traffic through the gateways studies to cover on line origin and destination areas and states, connecting carriers, major commodities, and possibly major origin-destination station pairs. Objective should be to categorize significant traffic movements by relative contribution in order to develop strategies to

1. Improve contribution on movements with relatively low current contribution.
2. Improve present participation in more desirable markets.

--Make similar analysis of other major gateways, i.e., Chicago, Twin Cities, Duluth, Portland. Objective should be to evaluate all interline traffic to

1. Develop strategies on interline division or rate changes.
2. Provide assistance in directing market research activities related to interline traffic.
3. Provide a base for evaluating and revising the sales organization and directing sales efforts.

--Develop comparable analysis of all traffic local to the railroad with objectives comparable to those outlined for interline traffic.

--Combine analysis of both local and interline traffic to assist in evaluating various components and segments of the railroad plant.

EXHIBIT TH-2

BEDFORD - LOUISVILLE & SEYMOUR CONNECTING LINES

	(000)					Revenue	Contribution	
	<u>Cars</u>	<u>Freight</u>	<u>Revenue</u>	<u>Cost</u>	<u>Contribution</u>	<u>% Freight</u>	<u>Per Car</u>	<u>% Cost</u>
<u>INTERCHANGE</u>								
Interline Received	13,542	\$ 13,882.3	\$ 6,450.6	\$ 5,054.4	\$ 1,396.2	46%	\$103	28%
Intermediate On	3,446	7,189.4	2,396.1	2,156.6	239.5	33%	70	11%
Total	16,9	21,071.7	8,846.7	7,211.0	1,635.7	42%	96	23%
Interline Forwarded	19,724	19,875.2	10,046.3	7,962.5	2,083.8	51%	106	26%
Intermediate Off	1,604	2,437.8	878.4	629.3	249.1	36%	155	40%
Total	21,328	22,313.0	10,924.7	8,591.8	2,332.9	49%	109	27%
29 TOTAL INTERCHANGE	38,316	\$ 43,384.7	\$ 19,771.4	\$ 15,802.8	\$ 3,968.6	46%	\$104	25%
<u>ORIGINATING-TERMINATING</u>								
Local Originating	2,751	\$ 1,636.5	\$ 1,636.5	\$ 928.1	\$ 708.4		\$258	76%
Interline Forwarded								
Originating	4,161	2,849.9	1,277.5	991.1	286.4	45%	69	29%
Total	6,912	4,486.4	2,914.0	1,919.2	994.8		144	52%
Local Terminating	2,029	1,142.0	1,142.0	822.3	319.7		158	39%
Interline Received								
Terminating	1,353	1,967.6	754.7	469.2	285.5	38%	211	61%
Total	3,382	3,109.6	1,896.7	1,291.5	605.2		179	47%
TOTAL ORIGINATING-TERMINATING	10,294	\$ 7,596.0	\$ 4,810.7	\$ 3,210.7	\$ 1,600.0		\$155	50%
<u>TOTAL SEGMENT</u>	48,610	\$ 50,980.7	\$ 24,582.1	\$ 19,013.5	\$ 5,568.6		\$115	29%

EXHIBIT TH-3

FAYETTE - CRANE EXCEPT UNIT COAL

	(000)					Revenue	Contribution	
	Cars	Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERCHANGE</u>								
Interline Received	478	\$ 466.5	\$ 175.4	\$ 125.1	\$ 50.3	38%	\$105	40%
Intermediate On	.7	11.2	2.3	1.6	.7		---	
Total	485	477.7	177.7	126.7	51.0	38%	105	40%
Interline Forwarded	2,094	2,311.8	1,133.0	784.8	348.2	49%	166	44%
Intermediate Off	640	1,342.5	339.5	284.1	55.4	25%	87	20%
Total	2,734	3,654.3	1,472.5	1,068.9	403.6	40%	148	38%
Total Interchange	3,219	\$ 4,132.0	\$ 1,650.2	\$ 1,195.6	\$ 454.6	40%	\$141	38%
<u>ORIGINATING-TERMINATING</u>								
Local Originating	962	\$ 530.8	\$ 530.8	\$ 317.0	\$ 213.8		\$222	67%
Interline Forwarded								
Originating	3,257	2,850.0	1,058.7	746.9	311.8	37%	96	42%
Total	4,219	3,380.8	1,589.5	1,063.9	525.6	---	125	49%
Local Terminating	286	203.2	203.2	109.7	93.5		327	85%
Interline Received								
Terminating	4,152	4,712.5	1,474.7	881.1	593.6	31%	143	67%
Total	4,438	4,915.7	1,677.9	990.8	687.1	---	155	69%
TOTAL ORIGINATING- TERMINATING	8,657	8,296.5	3,267.4	2,054.7	1,212.7		140	59%
<u>TOTAL SEGMENT</u>	11,876	\$ 12,428.5	\$ 4,917.6	\$ 3,250.3	\$ 1,667.3		\$140	51%

EXHIBIT TH-4

FAITHORN - BRADSHAW AND MOMENCE

	Cars	(000)				Revenue	Contribution	
		Freight	Revenue	Cost	Contribution	% Freight	Per Car	% Cost
<u>INTERCHANGE</u>								
Interline Received On	5,858	\$ 3,917.6	\$ 2,244.9	\$ 1,627.7	\$ 617.2	57%	\$105	38%
Intermediate On	83	99.7	30.8	18.0	12.8	---	---	---
Total	5,941	4,017.3	2,275.7	1,645.7	630.0	57%	106	38%
Interline Forwarded Off	8,116	8,373.5	3,857.0	2,345.0	1,512.0	46%	186	64
Intermediate Off	736	868.5	267.2	197.6	69.6	31%	95	35%
Total	8,852	9,242.0	4,124.2	2,542.6	1,581.6	45%	179	62%
Total Interchange	14,793	\$ 13,259.3	\$ 6,399.9	\$ 4,188.3	\$ 2,211.6	48%	\$150	53%
<u>ORIGINATING-TERMINATING</u>								
Local Forwarded	127	\$ 53.4	\$ 53.4	\$ 28.9	\$ 24.5		\$193	85%
Interline Forwarded	640	472.2	191.9	186.8	5.1	41%	8	3%
Total	767	525.6	245.3	215.7	29.6		39	14%
Local Received	30	34.3	34.3	24.2	10.1		336	42%
Interline Received	564	995.9	348.8	192.0	156.8	35%	278	82%
Total	594	1,030.2	383.1	216.2	166.9		313	80%
TOTAL ORIGINATING- TERMINATING	1,361	1,555.8	628.4	431.9	196.5		144	45%
<u>TOTAL SEGMENT</u>	16,154	\$ 14,815.1	\$ 7,028.3	\$ 4,620.2	\$ 2,408.1		\$149	52%

APPENDIX A
MAJOR LINE SEGMENTS

<u>Number</u>	<u>Name</u>	<u>Number</u>	<u>Name</u>
10	Portland	270	*Marquette-Mason City
20	*Portland-Tacoma*	280	*Calmar-Austin
30	Tacoma-Seattle	290	*Green Island-River Junction
40	*Renton-Sumas	300	LaCrosse-Portage*
41	Port Angeles Line	310	*New Lisbon-Heafford Junction
50	Black River-Othello*	320	*Madison-Prairie du Chien
60	Othello-St. Maries	330	Portage-Milwaukee*
70	Plummer-Spokane	340	*North Milwaukee-Oshkosh
80	*St. Maries-Deer Lodge*	350	*North Milwaukee-Green Bay
90	Deer Lodge-Harlowton*	360	*Green Bay-Ontonagon
100	*Harlowton-Great Falls	370	Milwaukee Terminals
110	Harlowton-Miles City*	380	*Rondout-Madison
120	Miles City-Mobridge*	390	*Sturtevant-Kittredge*
130	Mobridge-Ortonville*	400	*Janesville-Oglesby
140	*Aberdeen-Mitchell*	410	*Elgin-Savanna
150	*Mitchell-Rapid City	420	*Deerfield-Milwaukee*
160	*Sioux City-Mitchell*	430	Chicago Terminals
160	Sioux City-Canton	440	*Savanna-Nahant
160	Canton-Mitchell	450	*Savanna-Atkins*
170	*Jackson-Madison	460	*Nahant-Kansas City*
180	*Ortonville-Fargo	470	Kansas City
190	Ortonville-Minneapolis*	480	Atkins-Perry
200	Minneapolis-St. Paul	490	*Herndon-Des Moines
210	Duluth Line	500	*Perry-Council Bluffs*
220	*Ramsey-Jackson	510	Council Bluffs-Omaha
230	*St. Paul-Austin	520	*Herndon-Spencer*
231	Shakopee-Mankato	530	*Manilla-Sioux City
240	*St. Paul-LaCrosse*	540	Faithorn-Fayette*
241	Eau Claire-Durand	541	Fayette-Latta
250	LaCrescent-Ramsey	550	*Latta-Bedford
260	*Mason City-Sioux Falls	560	Louisville

*Indicates Station is NOT included in the segment described.

Branch lines are included in the segments containing their junction stations.