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INCORPORATORS MEETING SUMMARIES

NATIONAL RAILROAD PASSENGER CORPORATION

December 22, 1970 - March 30, 1971

For The Personal Files Of:

General Frank S. Besson, Jr.

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## INCORPORATORS MEETING

DOT Building

Washington, D. C.

December 22, 1970

Attendees: Messrs. Besson, Bradshaw, Lewis, Kendall, Gilhooley, Olsson

### Summary

Secretary, Under Secretary, FRA Acting Administrator, FRA and Deputy Under Secretary's staff briefed incorporators on basic network selection process, Public Law 91-518, responsibilities of Corporation, basic system reports and major critical issues. Incorporators then held separate organizational meeting and began preparations for confirmation hearings scheduled for the morning of December 29.

### Actions Taken

1. John Olsson agreed to serve as temporary chairman pending election of a permanent chairman.
2. Set up special Law-Subcommittee (Kendall (Chairman), Bradshaw, Gilhooley) to recommend law firms to Board of Incorporators for handling Corporation's immediate legal needs. Those recommended will be screened by Incorporators as soon as possible.
3. Set up special Personnel Subcommittee (Lewis (Chairman), Olsson, Besson) to (1) contact executive recruiting companies, and (2) plan subsequent screening process for President and first-line executives.
4. Requested DOT to broaden its contract with McKinsey to include organizational and job/salary schedules. Incorporators are to consider criteria and role of chief executive post for next meeting.
5. Requested DOT to submit list of outside accounting firms for Board's consideration
6. Recommended early contact and liaison with chairman of Financial Advisory Panel to coordinate planning.

7. Requested Mr. Lyon to contact Mr. Luna and Mrs. Bedell and inform them of confirmation hearing date and next meeting.

8. Incorporators were requested to have financial statements and final biographical information ready by morning of December 28 for confirmation hearing December 29.

Next Scheduled Meetings

December 28 - 10:00 a. m. - Management Information Center, DOT, Room 10214

December 29 - 2:00 p. m. (tentative) - Management Information Center, DOT, Room 10214

## INCORPORATORS MEETINGS

DOT Building

Washington, D. C.

December 28 and 29, 1970

Attendees: Messrs. Besson, Bradshaw, Gilhooley, Kendall, Lewis,  
Luna, Olsson

SummaryDecember 28:

Legal and Personnel Committees reported on contacts made of potential firms to assist the Corporation and DOT reported it is continuing background review of major accounting firms. DOT's Congressional Liaison Officer briefed Incorporators for December 29 confirmation hearing and arranged for a 2:00 p. m. introductory meeting with Sen. Hartke December 28. Mr. James McCormack, former president and chief executive officer of Comsat, reviewed that Corporation's start-up problems. Discussions were begun on the rail passenger equipment problem.

December 29:

Attended confirmation hearing chaired by Senator Hartke and attended by Senators Prouty, Pastore, Griffin and Percy. At the afternoon session, a preliminary briefing on corporate organization and executive salary schedules was given by representatives of McKinsey and Company. Following a discussion period, the incorporators toured available office space at L'Enfant Plaza.

Actions

1. Requested McKinsey Co. to return January 5 at 10:30 a. m. for final briefing on organization structure and salary levels.
2. Decided to interview executive search firms on January 7.
3. Decided that all formal presentations to Board be transcribed for use of absent members and review documents.



4. Agreed on a tentative working schedule to meet Tuesday, Wednesday and Thursday of each week. Committee chairmen to set individual schedules.
5. Requested Jim McClellan of FRA to supply further breakdown of equipment availability and recommend three firms with field capability to evaluate equipment condition and value.
6. Requested the Executive Assistant to prepare checklist of "housekeeping" requirements.
7. Requested Mr. Olsson to arrange for a briefing by AAR Ad Hoc Committee.

Next Meetings

January 5-7 10:00 a. m. , Management Information Center, DOT Building

INCORPORATORS MEETINGS

DOT BUILDING

WASHINGTON, D. C.

January 5, 6 and 7, 1971

Attendees: Messrs. Besson, Gilhooley, Kendall, Lewis, Luna  
and Olsson

SUMMARY

Meetings by both the Board and Subcommittees throughout the week keyed on executive organization, legal matters, personnel recruitment and initial housekeeping problems.

McKinsey and Co. continued to work with the Personnel Subcommittee on a corporate organizational structure and executive pay schedule. The Legal Subcommittee briefed ten law firms on the Corporation's legal problems and began making initial assignments. Three executive search firms made presentations and described options open to the Corporation in fulfilling staffing needs. Presentations also were made to the Board by one engineering consulting firm and the Ad Hoc Committee on Railpax of the Association of American Railroads. The Accounting Subcommittee met with eight accounting firms. Preliminary discussions were held on office space needs, headquarters location, and the problems of public relations, advertising and corporate identity. The Board also met with the chairman and two members of the Financial Advisory Panel to discuss activities and ways to solve mutual problems.

ACTIONS TAKEN

1. Agreed tentatively on an organizational and pay structure for key executives.
2. Agreed to hire Louis T. Klauder and Associates to perform engineering services regarding the inspection of available passenger cars and locomotives and a study of major passenger terminals. Bill Edson, an engineer, attached to FRA's Office of Policy and Planning, was asked to act as liaison officer for the Board. The Klauder proposal was made subject to legal review prior to final approval.



3. Requested the Chairman of the Financial Panel to provide advice on the Corporation's banking relationships and possible additional financing available.
4. The Legal Subcommittee concluded that it may be desirable to meet with (a) the Interstate Commerce Commission on possible problems created under the Passenger Corporation Act, and (b) Penn Central Trustees (or counsel) regarding the carrier's special problems regarding its joining the Corporation.
5. Messrs. Lewis, Olsson and Gilhooley agreed to serve on the Subcommittee on Advertising, Public Relations and Corporate identity.
6. Requested the Executive Assistant to propose alternatives for possible rail inspection trips by Board starting in late January. Working space enroute was requested to be provided.
7. Requested the Executive Assistant to act as the Board's liaison with the AAR's Ad Hoc Committee.
8. Concluded that the recruitment of the 24 top positions of Corporation -- as set forth in the McKinsey organization study -- should be divided among two executive search firms (Ward Howell & Associates, Heydrick & Struggles) with the appropriate assignments of categories to be worked out by Mr. Lewis and both firms to work on the CEO position. It was also decided that the two firms participate in the search for a President and Chief Executive Officer with a clear guideline for an equitable fee arrangement.

Next Meeting

January 12	9:30 a.m., Secretary's Conference Room, DOT Building
January 13-14	10:00 a.m., Management Information Center, DOT Building

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## INCORPORATORS MEETING

DOT BUILDING

January 12, 13 and 14, 1971

Attendees: Messrs. Besson, Bradshaw, Gilhooley, Kendall, Olsson, Lewis (1/12 only), May (1/13 and 1/14 only)

### Summary

Efforts continued to center on critical organizational matters. McKinsey & Co. representatives briefed the Board on its completed "Issues Study" contracted for by the Federal Railroad Administration. McKinsey also submitted a proposal to provide interim staff support to the Board and be available for special projects as needed. The personnel Subcommittee Chairman (Mr. Lewis) reviewed executive search activities and recommended a course of action. Mr. Olsson summarized the activities of the Subcommittee on Accounting and presented that group's recommendations on selection of accounting firms. Special meetings were held subsequently with Price, Waterhouse and Arthur Anderson. The Advertising/Public Relations Subcommittee Chairman (Mr. Lewis) reported on initial activities and recommended a selection plan. Special meetings were held with the Board's legal representatives and the Chairman of the Interstate Commerce Commission. General housekeeping matters -- including office space, special personnel needs and funding procedures -- were discussed at various times during the week.

### Actions Taken

1. Elected David Kendall as Chairman of the Board of Incorporators.
2. Agreed to hire McKinsey & Co. to provide interim staff support and be available for special projects. Agreement was decided to be open-ended to afford the Board flexibility.
3. Decided to hire Arthur Anderson Co. as the lead accounting firm with the selection of a second firm to be decided during the week of January 18.
4. Agreed to meet with the Penn Central Trustees on January 19 in Washington.
5. Decided that two executive search firms be hired and agreed to have specific search responsibilities assigned to each.



INCORPORATORS MEETINGS  
WASHINGTON, D. C.

January 19, 20 and 21, 1971

Attendees: Messrs. Bedell, Besson, Bradshaw, Gilhooley, Kendall,  
Lewis, Luna, Olsson

Summary

Organizational matters and preparation for contract negotiations continued to receive the bulk of the Board's attention. Special sessions were held with McKinsey and Co. on corporate organization, NRPC attorneys on contract strategy, and Arthur Anderson representatives on their proposed accounting plan. Penn Central Trustees Wirtz, Baker and Langdon met with the Board to discuss that carrier's unique situation and its relationship with the Corporation. A special presentation was made by American Airlines (Mr. Spater and staff) on support services available from that company. The two executive search firms - Heidrick & Struggles and Ward Howell - reviewed possible candidates for President and chief executive officer. The full Board briefed key staff members of the House and Senate Commerce Committees. Board members continued individual activities on special projects already underway regarding advertising public relations, equipment and Congressional relations.

Actions Taken

1. Elected General Frank Besson as Vice Chairman of the Board of Incorporators.
2. Agreed on a Corporate cost philosophy regarding contracts.
3. Asked American Airlines to return January 27 and submit a proposal on a ticketing/reservation plan.
4. Agreed to keep appropriate Senate/House committees currently informed on Board's activities.
5. Authorized Chairman Kendall and Vice Chairman Besson to act on behalf of the Board in setting up a Corporate bank account and disburse funds.
6. Chairman Kendall designated areas of responsibility as follows:  
Lewis - advertising, public relations, corporate identity, personnel;



Olsson - financial, accounting; Bedell - consumer matters, congressional, office management; Bradshaw - legal, insurance liability; Luna - new business, rail operations/contracts; Besson - rail operations, equipment; Gilhooley - legal, equipment.

Upcoming Meetings

January 26 - Headquarters Offices, L'Enfant Plaza

January 27 - " " " "

January 28 - 10:00 a. m. , M. I. C. Room, DOT  
2:00 p. m. Headquarters Offices

January 29 - Headquarters Offices, L'Enfant Plaza

January 21, 1971



The incorporators of National Railroad Passenger Corporation hereby authorize either Chairman David W. Kendall or Vice Chairman Frank F. Besson, Jr., to do the following on behalf of all of them:

1. Take or authorize to be taken such action as either of them may deem necessary or desirable to (a) establish a commercial bank checking account in the name of the incorporators for deposit and disbursement of funds granted to the incorporators by the Secretary of Transportation under Section 601 of the Rail Passenger Service Act of 1970, and (b) make or approve disbursements of funds from such account for payment of (i) expenses incurred for or in connection with the establishment, organization and operation of the Corporation, (ii) compensation and expenses of persons and firms performing services authorized by a majority of the incorporators in furtherance of the purposes for which the Corporation is to be established, (iii) compensation and reimbursement of expenses of the incorporators, and (iv) other expenses approved by a majority of the incorporators; and

2. Sign such letters of intent and other documents as either of them may deem necessary or desirable to evidence or to carry out actions taken or authorized by the incorporators.

David W. Kendall  
Frank F. Besson, Jr.  
John H. ...  
Donald E. ...

Charles ...  
H. ...  
Catherine ...  
...

(To be signed by the incorporators)

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Incorporators Meeting  
Washington, D. C.

January 26, 1971

Attendees: Mrs. Bedell and Messrs. Besson, Bradshaw, Gilhooley,  
Kendall Lewis, Luna, Olsson

Summary

The entire day was spent in discussion of the approach NRPC would take in negotiating contracts with the railroads. Arthur Andersen identified the fact that NRPC's assumption of responsibility for rail service provided the railroads a substantial improve in profits.

MEETING SUMMARYWednesday, January 27, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Wednesday, January 27, 1971, with the following members present:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David E. Bradshaw  
Mr. John J. Gilhooley  
Mr. Arthur D. Lewis  
Mr. Charles Luna  
Mr. John P. Olsson.

The Chairman opened the meeting and brought members up-to-date on the following items:

1. Breakfast meeting was held earlier in the morning with Mr. Hofgren of the Financial Investment Advisory Panel (FIAP) appointed by the President to advise the NRPC. The Chairman and Mr. Hofgren agreed to meet for breakfast each Wednesday to discuss NRPC progress. In addition, they agreed to a meeting with the FIAP on February 8.
2. Discussions with Mr. Steven Ailes of the AAR on Tuesday, January 26, 1971, had been productive. Mr. Ailes appeared favorable to NRPC's approach to negotiations.

Members next reviewed five items of group interest:

1. The previous day's New York Times editorial on the fate of rail passenger service was discussed. The Incorporators resolved a meeting should be set up in the near future to discuss NRPC objectives with key editors of major newspapers.
2. The composition of the negotiating teams was also discussed. The Incorporators resolved that Mr. Neuschel of McKinsey & Co., Inc. should try to identify an experienced railroad operations man who could work with the legal and accounting personnel assigned to this team.



3. Mr. Lewis and Mr. Gilhooley were identified as responsible for pre-screening advertising and public relations firms this week who could serve the NRPC. The Incorporators would select from a couple of firms of each type who were referred to them by Messrs. Lewis and Gilhooley.
4. Because of the need for meeting minutes and the present absence of anyone who could take them, the Incorporators resolved Mr. Rethore of McKinsey should keep minutes of meetings until and unless an alternative procedure were developed to meet requirements for meeting documentation.

The major new business of the morning was a presentation by the firm of Lippincott and Margulies (L & M). This presentation reviewed the role of an "image" firm in shaping corporate communications and spelled out their qualifications to serve NRPC. Questions raised by Incorporators were:

1. Relationships between L & M and NRPC advertising and public relations firms - L & M indicated it would coordinate and direct their efforts by specifying the communication objectives for all participants.
2. Approach to defining needed "image" - L & M indicated they typically: (1) learned about corporate objectives from management; (2) surveyed perceptions of the public and outsiders; and (3) developed a program to fill gaps between objectives and their perception. Further, they indicated they could conduct the survey quickly by building on previous work. Thus, they could start early to define a corporate communications philosophy and present it to advertising and public relations firms.
3. Timing and cost of work - L & M said they could be ready with a corporate "image," including name, logo, distinctive colors by April 1, 1971 (but with great effort). Cost estimates had not yet been worked out but would range from \$50,000 to \$200,000.

After this presentation, the Incorporators resolved to employ L & M and charge them to present a plan of action and complete cost estimate on Thursday, February 4, 1971.

In the afternoon session, chaired by General Besson, the major business was review of American Airlines' proposal for developing a reservations and ticketing system and examining ways to improve food service. Highlights of this session were:

1. American Airlines personnel - headed by Mr. George Spater, President - proposed a 3-project effort to develop short- and longer term approaches to handling reservations. In addition, they proposed one demonstration project on food service.
2. However, based on ensuing discussion and comments raised by FRA personnel present, the Incorporators resolved to change American's mandate and requested a revised plan and cost estimate. The thrust of this decision was to: (a) not attempt to install a new system on the Washington-New York run before May 1, and (b) instead task American to perform a nationwide evaluation of reservations and ticketing for presentation to the Incorporators on April 15.
3. American was thus directed by the Incorporators to assess NRPC needs, present capabilities including those of American Airlines to meet those needs, and make cost-based recommendations to NRPC for action as prudent businessmen concerned with the public interest.

In the final business of the afternoon, Mr. Herb Hansell identified several items of interest arising in the legal area and Incorporators raised questions for him. No specific decisions were made on any issues raised.

With no further business for the day, the acting chairman adjourned the meeting.

MEETING SUMMARY

Thursday, January 28, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Thursday, January 28, 1971, with the following members present:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David E. Bradshaw  
Mr. Charles Luna  
Mr. David Oberlin (representing the Secretary).

The Chairman opened the meeting and initiated discussion of the need for administrative support. In this discussion the Incorporators resolved that:

1. The NRPC headquarters must be set up promptly with additional telephone lines
2. Meeting minutes must be prepared and issued to all members
3. A revised meeting schedule should be adopted to expedite business before the Board.

Mr. McIsaac of McKinsey volunteered to provide a temporary office manager who would coordinate administrative tasks and locate a full-time office manager.

In addition, discussion of these other items of business took place:

1. Mr. Neuschel presented a proposed statement of initial NRPC performance objectives. The Incorporators resolved to adopt this statement with minor revision. Further, they resolved this statement could be used as a guide in discussing NRPC objectives with the press and others.
2. The Chairman indicated he and Mr. Edel of FRA had written a statement commenting on the basic rail transportation system city-pairs announced earlier in the day by the Secretary, DOT.





3. Mr. Neuschel of McKinsey announced that the service package development team would hold an initial working session with Gen. Besson on Tuesday morning, February 2. Other Incorporators were invited to attend if they so desired.
4. Elements of the McKinsey plan for coordinating the NRPC start-up program were discussed. The Incorporators resolved McKinsey should work with other staff groups to ensure the plan was met and progress reported weekly on Tuesday mornings.

The major discussion of the day was a review by FRA personnel of data elements they would make available to NRPC to define service packages and the working relationships between FRA and McKinsey and other staff to the Incorporators. In summary, FRA indicated they would: (a) make available the store of data they did have; (b) help fill gaps in data NRPC needed as appropriate; and (c) work closely and fully up to 50 percent of their time with McKinsey, Arthur Andersen, and other NRPC staff.

In addition, FRA personnel reviewed the background facts that underlie the Secretary, DOT's announcement that net mail revenues could provide \$10-15 million per year.

With no further business for the day, the Chairman adjourned the meeting.

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MEETING SUMMARY

Friday, January 29, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Friday, January 29, 1971, with the following members present:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Oberlin (representing the Secretary).

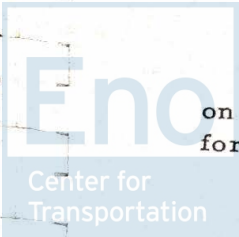
The Chairman opened the meeting and brought members up-to-date on the following items:

1. The draft Articles of Incorporation will be ready next week.
2. Mr. Lewis has screened several advertising and public relations firms in New York, as planned.

General Besson proposed and the Incorporators resolved that initial presentations on progress be made to members of Congress - advising them of action plans and expected cost. The Incorporators further resolved that Mrs. Bedell would coordinate this effort and schedule meetings with legislators in the immediate future. McKinsey was asked to furnish a start-up cost summary and plan.

Mr. Neuschel of McKinsey reported on a meeting of McKinsey and FRA representatives earlier in the morning. He stated the meeting had been a success with both groups agreeing to work together fully and agree to a specific plan for developing service packages for each route.

The Incorporators also met Mr. Roland Beasley who was designated to serve as interim Office Manager. The Incorporators resolved Mr. Beasley would serve in this capacity and in close coordination with Mr. Edel, the Executive Secretary to the Board. They further resolved Mr. Edel would coordinate office management and administrative arrangements.



Mr. Oberlin agreed to work with DOT in order to reach a final understanding on the provision under which DOT would provide the initial \$800,000 to NRPC for start-up.

With no further business for the day, the Chairman adjourned the meeting.



MEETING SUMMARY

Tuesday, February 2, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Tuesday, February 2, 1971, at 955 L'Enfant Plaza, Washington, D.C., with the following members present:

Mr. David W. Kendall, Chairman  
Gen. Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David P. Bradshaw  
Mr. Charles Luna  
Mr. David Oberlin (representing the Secretary).

The Chairman opened the meeting and introduced Mr. Neuschel of McKinsey who reported the progress of each participating firm in the previous week. Further, Mr. Neuschel recommended that:

1. Memorandums be prepared to document the procedures followed and reasons for selection of each firm NRPC has engaged to serve the corporation.
2. Proposals be obtained from all firms NRPC considers employing, to describe the nature of their proposed service to NRPC and expected costs.
3. All firms NRPC engages provide work plans that expand on their original proposals and reflect any guidance provided by the Incorporators when the firm is engaged. These proposals should identify, at a minimum, the milestone products and services the firm will provide, dates these will be provided, expected cost of their work, and the basis for that cost.
4. Specifications be set by Arthur Andersen for the information each firm must provide to support its bills for services rendered, as well as a procedure for receiving and paying such bills.
5. All contractor firms report highlights of progress to the McKinsey staff support group on a weekly basis for summary presentation to the Board on Tuesday mornings.

The Incorporators resolved that Mr. Neuschel should ensure these tasks were accomplished. They further resolved that Mr. Bradshaw be responsible among the Incorporators to review Mr. Neuschel's project/contract control recommendations and direct that all participating firms comply with them.

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Mr. Bradshaw stated for the record that he was concerned that: (a) the Incorporation process was proceeding too slowly; (b) the Incorporators were not being asked for guidance on specific issues of incorporation; and (c) inadequate communication existed thus far with the Financial Investment Advisory Panel. Further, he stated that the legal staff should report progress each week just as other staff groups must. Mr. Rethore of McKinsey stated that Mr. Herb Hansell of the legal staff would review progress with the Incorporators on February 3, 1971.

General Besson stated that he would be reviewing proposals from professional firms who could assist in evaluating a possible purchase by the corporation of 10 Metroliner passenger cars.

The following points arose about Board organization and procedures:

1. The Incorporators present expressed concern about the procedure for selecting a chief executive officer. They resolved to raise the subject with the full Board on February 3, 1971, to clarify next steps in the selection process.
2. Mrs. Bedell proposed that one or more days each week be set aside for all Incorporators to meet together. Mrs. Bedell further proposed that no committee work be conducted on those days.
3. Mr. Rethore of McKinsey proposed that the Board could use its subcommittees more effectively and economize on the time of each member by:
  - a. Defining the scope of each subcommittee area of responsibility
  - b. Providing appropriate guidance to each committee and entering the guidance into the record
  - c. Scheduling subcommittee activities in the agenda, and
  - d. Requesting subcommittees to report to the Board as a whole each week.

The Incorporators endorsed this proposal for further discussion later. General Besson reported that the review by McKinsey and FRA staff of the initial service package analysis earlier in the morning was very helpful. He proposed that all Incorporators receive copies of the handout summarizing the approach and be briefed in the near future.

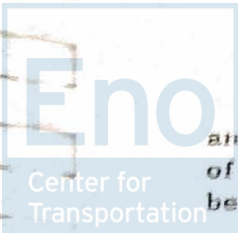
Mr. Edel reported on the work of Mrs. Bedell's subcommittee on administration. In the discussion that followed the Incorporators resolved that Mr. Conlin, FRA, of Mr. Edel's staff, be responsible for receiving, answering, and filing inquiries from potential contractors. They further resolved that FRA continue to handle general public inquiries until March 1, 1971, and that they prepare response letters to special interest groups like the Congress, after review of each document within NRPC. Mr. Conlin was assigned to supervise development of responses to these parties and to obtain Incorporator review and signature for each.

Mr. Neuschel of McKinsey asked if the Incorporators wished to incur the expense of preparing briefing maps of alternative routes between each city-pair. Each required map would cost about \$35, for a total of about \$600. The Incorporators resolved these maps be ordered.

Mr. Luna reported on his subcommittee work to investigate the potential for gaining mail revenue. He indicated that:

1. He had met on Friday, January 29, with Mr. Jones and executives of the Postal Service (PS) and received a favorable hearing
2. The PS paid about \$185 million in charges to railroads in 1969 - about 32 percent of the total expenditure for domestic mail transport - with railroads handling some 225 million mail sacks in stations and making available 300 cars and 1200 trailers-on-flat cars per day for mail movement
3. Preliminary study indicates good opportunities exist for handling mail on some NRPC trains
4. The PS needs specific route, train, and schedule decisions by February 15 in order to commit to NRPC for May 1, 1971.

Mr. Neuschel of McKinsey stated that a team of McKinsey and FRA staff would meet with Mr. Luna to discuss this possibility further. Mr. Luna reported further that there is discussion in process now in the State of New York to form a state-run rail passenger service. Further, Mr. Luna reported that the Department of Labor (DOL) would like to meet with NRPC and the appropriate rail labor unions to discuss the labor provision in the Act.



Mr. Bradshaw raised the problem of determining a policy on summer tours and the need to schedule a meeting with tour operators next week. Mr. Rethore of McKinsey stated that a preliminary background paper on this problem would be available for Mrs. Bedell on February 4, 1971.

The Chairman reported from discussion with Mr. Ailes of the AAR that:

1. AAR executive committee sought to meet with the Incorporators to discuss contract negotiations
2. Chairman had agreed to dinner on February 11, 1971.

Mr. Edsel stated General Morris of AAR sought a briefing on NRPC progress. The Incorporators designated General Besson to meet with him. And Mr. Neuschel of McKinsey stated he would prepare a progress summary for General Besson before the meeting.

After discussion of the need to begin to establish effective communication with the public, Mr. Bradshaw proposed an individual be brought on board to initiate a public relations program. The Chairman stated this should be discussed on February 3, 1971, when Messrs. Gilhooley and Lewis would be present.

With no further business for the day, the Chairman adjourned the meeting.



MEETING SUMMARY

Wednesday, February 3, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Wednesday, February 3, 1971, at 955 L'Enfant Plaza, Washington, D.C., with the following members present:

Mr. David W. Kendall, Chairman  
Gen. Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur I. Lewis  
Mr. Charles Luna  
Mr. David Oberlin (representing the Secretary).

The Chairman introduced Mr. Herb Hansell who reported on the status of the following areas of legal work:

1. Incorporation of the NRPC. Draft Articles of Incorporation have been developed and should be reviewed by each Incorporator. Points to note in the Articles are: (a) preferred stock provisions are not final (b) role of Incorporators is not yet fully clear vis-a-vis stockholders and the public; (c) financial projections can bear on determination of the required amount of authorized stock; and (d) Incorporators should review the COMSAT experience.
2. Provision of initial funds to NRPC. \$800,000 is now available from DOT; the Board must decide policy and controls over its use.
3. Draft contract. Contract drafts will be available for the Incorporators' comments by February 8, 1971. These drafts will be discussed with the railroads during the week of February 15, 1971, and should be in substantially final form about March 15. (Arthur Andersen is working with the lawyers to assist in deciding and defining an appropriate cost basis.)

After discussion of these points, the Incorporators resolved that Messrs. Bradshaw and Gilhooley would comment on the draft Articles and report to the Board. They further resolved Mrs. Bedell would be the approving authority for reimbursement of Incorporators' expenses.



The Chairman also reviewed possible distributions of the initial \$800,000 to several Washington banks who had asked to serve the NRPC or were minority banks who could be aided by having an NRPC deposit. The Incorporators resolved that Messrs. Bradshaw, Gilhooley, and Lewis recommend to the Board the banks NRPC should use and a way to distribute funds among them. Mr. Oberlin cautioned that NRPC should identify any legal constraints on how these funds could be deposited (e. g., Government Corporation Control Act).

Messrs. Gilhooley and Lewis reported on work of their subcommittee to identify and screen advertising and public relations firms who could serve NRPC. They reported that on 28-29 January and 1-2 February 1971, they contacted 11 advertising and 5 public relations firms, as follows:

1. Advertising firms: The subcommittee is seeking a firm that is headquartered in New York City (i. e., where 60-70 percent of revenue will be concentrated), large enough in size and support services (e. g., research, sales promotion, and marketing services) to serve NRPC, and capable of working nationwide. The firms that the subcommittee screened were:

Benton and Bowles  
Ogilvie and Mather  
SSC & B  
Foote, Cone and Belding  
Carl Alley  
Ted Bates  
Tatham Laird  
Interpublic

In addition, the subcommittee contacted:

BBD & O  
J. Walter Thompson  
Edmund Wiess.

2. Public relations: The subcommittee is seeking a large firm with a national capability and a full range of skills and services. The firms that the subcommittee screened were:

Hill and Knowlton  
Carl Byoir  
Burson Marsteller  
Harshe-Rotman & Druck  
Interpublic.



Further, the subcommittee emphasized that the firm selected would need to do more than typical "public relations". It would have to begin immediately as a major support to NRPC marketing activity and provide a means for changing public perception of rail passenger service.

The Chairman proposed and the incorporators resolved that a letter of intent to negotiate with Bellecomm be signed on the basis of \$5.93 per square foot/year gross, plus possible charges for alterations.

The Chairman introduced Mr. Dan Hofgren of the President's Financial Investment Advisory Panel (FIAP), and Mr. Neuschel of McKinsey who resumed the prior week's discussion of start-up financial projections for NRPC.

Mr. Neuschel led a review of tentative answers to three questions raised in the previous session on January 26:

1. Results in Northeast Corridor in 1969 and implications for projections for the Northeast in the future
2. Key assumptions underlying DOT/FRA financial projections on terminal costs, load factors, railroad contributions
3. Impact on NRPC financial position in the first 2 years of changes in Northeast Corridor projections, selection of additional city-pairs, and possible terminal costs higher than those originally projected.

Comments made in the ensuing discussions were:

1. Conservative approach used in this presentation (from recession year base) is good. All other projections should be made from a conservative base point.
2. Further work should explore differences in depreciation, capital, and operating cost due to impact of present equipment differences between NY-Boston and NY-Washington as well as possible later changes in equipment.
3. Contracts with terminals must be flexible enough to permit NRPC to take advantage of alternatives soon after May 1.
4. Priority attention should be given to developing a plan for making each specific terminal decision. This plan should preferably be in hand April 1. Therefore, Mr. Klauder's schedule may have to be accelerated or changed.



5. Projections must be rationalized against actual 1969 experience of revenue plus losses adjusted for reductions in system size.
6. Further projections should explore the percent of increased revenue that would go to the bottom line if GNP recovery or other factors etc. led to a 10 percent ridership increase.

Messrs. Lewis and Gilhooley charged McKinsey to develop a 5-year forecast on three cases - conservative, middle, high - with careful sensitivity to impact of marketing effort on revenue.

With no further business for the day, the Chairman adjourned the meeting.



SUMMARY MEETING

Thursday, February 4, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Thursday, February 4, 1971, at 955 L'Enfant Plaza, Washington, D.C., with the following members present:

Mr. David W. Kendall, Chairman  
General Frank Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Charles Luna  
Mr. John Olsson  
Mr. David Oberlin (representing the Secretary).

Messrs. Neuschel and McIsaac of McKinsey resumed the previous day's continued discussion of NRPC financial projections. The major elements of this presentation were as stated in the minutes for February 3, 1971.

Points raised in the discussion were:

1. Mrs. Bedell and Mr. Bradshaw will get together with Mr. Neuschel of McKinsey and Mr. Kujawa of Arthur Andersen to review start-up and first-year general and administrative expenses.
2. Mr. Gilhooley proposed that in addition to developing a specific plan to investigate (and reduce) terminal costs (discussed February 3, 1971) additional work should be conducted to ascertain sites and costs for alternative facilities in each city. General Besson and Mr. Neuschel will report to the Board on this subject next week.
3. General Besson stated that the base figures presented will not change materially by next week. Thus, they should serve as the basis for discussion with FIAP and the railroads; and the Board should work to agree on the cost formula it will use in negotiations.

Mr. Drake of Lippincott & Margulies (L & M) presented his firm's proposal for serving NRPC before start-up on May 1 and beyond. The major elements of work they proposed were:



1. Interviewing Incorporators, railroad Presidents and the public to provide background on NRPC's intended direction and the perception the industry and the public have of the corporation
2. Determining a corporate name and corporate image appropriate to the new corporation
3. Developing appropriate logotype and other graphic identification for the corporation.

The Incorporators resolved that L & M be engaged to develop the corporate image but that they provide a more detailed plan and cost detail. They further resolved professional fees not exceed \$40,000 per month plus expenses.

Mrs. Bedell, for the administrative subcommittee, proposed and the Incorporators resolved that Mr. Edel's duties be defined such that he work on an on-loan basis from DOT to initiate PR activities until a permanent NRPC staff member is brought on board to perform this task.

Mrs. Bedell also introduced Mr. Kujawa of Arthur Andersen who reported on work to develop basic financial "housekeeping" procedures. Mr. Kujawa made recommendations on procedures for:

1. Reimbursement of Incorporators' travel and related expenses.
2. Board compensation. The Incorporators discussed alternatives for compensation and stated a policy would be resolved next week.
3. Presentation of the weekly financial report.

Mrs. Bedell, for the Congressional relations subcommittee, also reported on the following work to schedule Congressional briefings:

1. On Friday, January 29, the Incorporators decided to meet with and brief the Congress. A meeting was held with Mr. Bottsford of Robert Mullin and Associates to develop an approach and schedule to do this.
2. On Monday, February 1, the subcommittee and Mr. Neuschel met to determine how the meetings should be organized. Further, Mr. Edel was tasked to develop a "script" for the briefings.
3. The following schedule is planned for briefing the Congress on Capitol Hill: two 20-minute briefings per day and time for questions at 4:00-5:00 p. m. and 5:00-6:00 p. m. on February 16, 17, 18 and 23. It was proposed that as many Incorporators as possible be present at each briefing.



Further, a factual handout will be distributed to each attendee. Any Incorporators wishing to make additions to or deletions from the script should do so next week.

In the same area, Mr. Gilhooley commented that the luncheon with the House and Senate Commerce Committee staffs went well and should be continued as a way to meet informally with Congressional personnel.

The Chairman stated that the Incorporators should directly inform the railroads about NRPC's approach to contract negotiations. Thus, the financial briefing for the FIAP, scheduled for Tuesday, February 9, must be postponed. After the meeting with railroad presidents NRPC will provide the FIAP with full financial information.

The Incorporators also reviewed American Airlines revised proposal dated February 3, 1971, and resolved that American be engaged to conduct a reservations and ticketing system study and develop a food service approach for the Northeast Corridor. The Incorporators further resolved American should be tasked to provide a more detailed work plan and cost detail.

With no further business for the day, the Chairman adjourned the meeting.



SUMMARY MEETING

Tuesday, February 9, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Tuesday, February 9, 1971, at 955 L'Enfant Plaza, Washington, D. C., with the following members present:

Mr. David W. Kendall, Chairman

General Frank S. Besson, Jr., Vice Chairman

Mrs. Catherine May Bedell

Mr. David Bradshaw

Mr. David Oberlin (representing the Secretary)

The Chairman opened the meeting and Mrs. Bedell proposed that the Incorporators pay a Bellcomm, Inc. bill for rent and remodeling of NRPC's temporary office space at 955 L'Enfant Plaza, as follows:

Cost of initial modification to space to permit occupancy	\$2,893.25
NRPC share of cost to divide space between Bellcomm, Inc. and NRPC	1,500.00
Rental on 2,000 Sq. Ft. of space during January and February, 1971	<u>1,541.17</u>
<u>Total Cost</u>	<u>\$5,934.42</u>



The Incorporators resolved that the bill be paid as stated, subject to the final outcome of negotiations with Bellcomm, Inc. Further, Mr. Taylor of DoT was tasked to maintain a complete file of the back-up details that supported the decision to rent temporary space from Bellcomm.

The Incorporators further resolved Mrs. Bedell be authorized to sign building passes for NRPC staff, as needed.

Mr. Taylor requested a Board authorization to obtain four employee parking spaces at \$30 per month/per space. The Incorporators resolved these spaces should be acquired and further resolved a check for \$91 be drawn to pay the rental for the remainder of this month as well as a refundable key deposit of \$15.

With no further business for the day, the Chairman adjourned the meeting.





MEETING SUMMARY

Wednesday, February 10, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Wednesday, February 10, 1971, at 955 L'Enfant Plaza, Washington, D. C., with the following members present:

Mr. David W. Kendall, Chairman

General Frank S. Besson, Jr., Vice Chairman

Mrs. Catherine May Bedell

Mr. David Bradshaw

Mr. John Gilhooley

Mr. Arthur D. Lewis

Mr. Charles Luna

Mr. David Oberlin (representing the Secretary)

The meeting was opened by Mr. Lewis in the temporary absence of the Chairman. Mr. Robert Neuschel issued reports of progress by participating professional firms, by subcommittees, and by the administrative staff. Further, Mr. Neuschel requested that each Incorporator review the draft meeting minutes of the prior week and provide changes or corrections to Mr. Rethore.

Mrs. Bedell proposed and the Incorporators unanimously resolved that funds available to the Incorporators may be used to pay to Incorporators compensation for their services as such and to reimburse to Incorporators expenses incurred in connection with performance of such services, and payment of such

compensation and reimbursement of such expenses hereby is authorized subject to the following limitations:

1. The amount to be paid to any Incorporator as compensation for services shall (a) be \$300 for each meeting of Incorporators attended (such compensation for an Incorporators' meeting also to be compensated in full for any and all other services performed on the day of the meeting), and (b) at the rate of \$300 per day for attendance at meetings of committees of the Incorporators performing responsibilities assigned or delegated by the Incorporators to such committees or members thereof, or for other performance of responsibilities so assigned or delegated.
2. The amount to be reimbursed to any Incorporator for travel and other out-of-pocket expenses incurred in the performance of services as Incorporator shall not exceed the amount of such expenses, provided that the amount to be reimbursed for the expenses of personal meals and lodging shall not exceed \$65 per day.
3. All requests by Incorporators for payment of compensation or reimbursement of expenses pursuant to this resolution shall be submitted to the chairman of the administrative committee (Mrs. Bedell) who is authorized to approve such requests, provided that requests for payment of compensation to or reimbursement of expenses of the chairman of the administrative committee shall be submitted to the



Chairman or the Vice Chairman either of whom is authorized to approve such requests; and all such requests shall also be submitted to a meeting of the Incorporators for approval.

Mrs. Bedell also stated that Mr. Taylor was developing a complete list of meetings of the Board that each Incorporator should use to verify his attendance. Further, Mr. Rethore of McKinsey will provide a personal set of minutes to each Board member for his or her personal files.

The Chairman stated that as a rule the Incorporators should meet on Tuesday morning of each week at 10:30 a. m. The week's schedule will begin at this time with a review of progress and housekeeping. Further, on Wednesday and Thursday, the meeting schedule will be 9:30 a. m. - 12:00 noon and 2:00 p. m. until close of business.

The Chairman then opened a discussion to determine the Board's position and approach to railroad negotiations.

The Chairman later introduced Mr. Druck of Harshe-Rotman, & Druck, Inc. (H-R&D) who presented a proposal for serving the NRPC. Mr. Druck stated that his firm: (a) is nationwide in scope with several regional offices and a strong headquarters in New York, and (b) approaches public relations on an almost engineering basis - i. e., to produce a discernible result. He also described a six-point plan for H-R&D's service to NRPC over the next year:

1. Counseling and development of "The Case"
2. Publicity at national, regional, and local levels



3. "Grass Roots" program to build public understanding and support for NRPC
4. Key market passenger promotion program
5. Financial and investment community program
6. Employee communication and motivation program.

Mr. Druck also reviewed work (H-R&D) has done for the annual Academy Awards program, Independent Telephone Industry, holiday traffic safety campaign, and the New York Times. He further stated a team of 6 professionals and 4 secretaries would be assigned to NRPC work, to include a considerable amount of his time, as well as the time of personnel in Chicago, LA, Dallas, New York, and Washington. He estimated that the cost of this work would be about \$325,000 for the first year.

Questions the Board raised and Mr. Druck's responses were:

1. Time to prepare case. Basic case could be prepared rapidly and developed thereafter as NRPC moves ahead.
2. Project budget. All bills would be developed monthly and supported by detailed work plans and man-loading. Further, the expense budget could run as high as \$100,000-150,000 (e.g., for a "show train", travel) in addition to H-R&D fees and expenses; but, this would be part of the sales/marketing budget of NRPC not simply a "public relations" expense.

3. Public relations expense relative to practice in other industries.

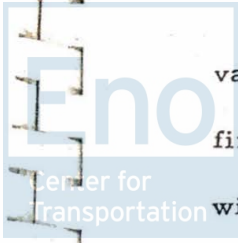
NRPC is not typical of any other \$200 million corporation; therefore, its public relations expenses cannot be compared to an industry standard.

The Chairman introduced Mr. Hammond, chief executive of Carl Byoir & Associates, (CB&A) who presented his firm's proposal to serve NRPC in the public relations area. Mr. Hammond stated Carl Byoir would:

1. Define NRPC's communication problem and an approach to resolving it
2. Supply qualified professionals to assist NRPC immediately
3. Deal with criticism
4. Marshal support
5. Bring back passengers.

Mr. Hammond and his associates cited related work CB&A had done for: The White House Conference on Youth and the Urban Coalition. He stated that the first-year cost of this program would be about \$525,000. Further, he provided a detailed breakdown of what that amount would include.

The Chairman introduced Mr. Mullin of Mullin & Associates (M&A) who presented a description of his firm and its staff. Mr. Mullin emphasized the quality of his staff and the fact that they are involved in international public relations events and projects as well as those in the United States. Further, he cited work his firm had performed for Rotary International, the Morman Church,



various trade associations, and several government bureaus and publically-held firms. M&A has a staff of 18, including 8 professionals, as well as affiliations with firms in other cities.

Questions raised by the Board addressed:

1. Nationwide capability. Mr. Mullin stated that it was not clear that on-the-scene regional representation was required for NRPC. Rather, he proposed NRPC focus on making sound decisions on public relations issues here in Washington - then, get that information distributed.
2. Work with other firms. Mr. Mullin stated that it is possible for two public relations firms to work together; but it usually doesn't work very well.
3. Experience with marketing public relations. Mr. Mullin stated that this capability is found in advertising firms as well as national public relations firms. But, he indicated that marketing-type public relations is not a major strength of Mullin.
4. Fee rate and size. M&A bills for salaries, plus 100 percent overhead, plus expenses. Mr. Mullin said that his firm would bill about \$5,000 per month to do the work NRPC needs.

With no further business for the day, the Chairman adjourned the meeting.

MEETING SUMMARYFebruary 11, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Thursday, February 11, 1971, at 955 L'Enfant Plaza, Washington, D. C., with the following members present:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and the incorporators continued their discussion of the position and approach they should follow in negotiating with the railroads. After discussion they resolved that in the initial agreement with the railroads, which perform services for the Corporation, the Corporation's firm position on the maximum cost it will assume will follow the principle of just and reasonable reimbursement of railroad expenses not to exceed avoidable cost. However, since DOT studies indicate that avoidable costs in the aggregate are not materially different from solely-related costs and, since solely related

costs are defined in the ICC Uniform Classification of Accounts (and avoidable cost is not), the specific cost basis used should be reasonable and necessary solely related inter-city rail passenger cost. Further, the Corporation should pay only for the reasonable value to it of terminal services to be used by the Corporation until such time as the Corporation decides how it will use these or other facilities in the longer term.

Mr. De Pauw of Arthur Andersen submitted a weekly financial report (attached). The Board received the report and authorized payment of \$51,137.68 for nine vendor invoices identified in the report.

Mr. De Pauw also presented a schedule of 1969 cost and revenue statistics for each railroad in the basic system. The schedule preliminarily identified the solely related intercity rail passenger loss for each railroad in the basic system, and in total.

The Board asked Mr. De Pauw to make a reasonable estimate of the net advantage accruing to each road (and in total for all roads) from NRPC's assumption of responsibility for intercity rail passenger service on May 1. It was stated that this net figure should reflect the effect of any pertinent factor such as labor protection expenditures and tax treatment.

Mrs. Bedell, for her subcommittee, reviewed plans for the Congressional briefings that begin on Tuesday, February 16. She stated that Mr. Edel had prepared a script and a hand-out package for use in the briefings. Further, the Chairman stressed the importance of these briefings and the need for Incorporators to be present.



Mr. Bradshaw reported for the insurance subcommittee that the following steps had been taken, subject to confirmation by the Board:

1. Contacted Marsh & McLennan to explore possible use of their services in finding markets to place liability insurance for NRPC.
2. Made arrangements for Arthur Andersen, as part of its work with each railroad, to determine: insurance coverages now in force, premiums paid, structure of coverage, amount of self-insurance, and total limit exposure. This information will be provided to Marsh & McLennan.
3. Made arrangements for McKinsey to provide Marsh & McLennan preliminary information on: train miles, on/off passengers, passenger miles, number of trains, number of cars per train as now assumed for the basic system.
4. Contacted Mr. George Wyatt, Esq. to begin work on a fee basis to: set up a tort claim department by May 1, 1971, and propose the approach NRPC should follow in negotiating with the railroads on tort liability.

Further, Mr. Bradshaw moved that NRPC use the services of Marsh & McLennan for all matters pertaining to insurance, provided that no other firm offers the same quality of service at a lower cost to NRPC. He stated that this firm was proposed because of its large size, scope, and high reputation. In

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addition, Mr. Bradshaw stated that Marsh & McLennan works on a commission basis with no fee to NEPC. The incorporators so resolved.

Mr. Neuschel of McKinsey led the Board's first full discussion of service package specifications by reviewing the criteria and approach to route and other service package element (e.g., train frequency) selection decisions. Points raised in the discussion were:

1. Bus service data. Bus service data should be included, if possible, as a measure of market size; and at a minimum, steps should be taken now to begin setting up a means to get this data for future marketing planning.
2. Cities along route. All cities within 50 miles of a route should be included in the definition of total population along the route.
3. Approach. The basic route selection criteria (i. e., market size, physical characteristics, and current train service) will be used to make the initial route selection. But, data on all service package elements (and criteria for their selection) will be considered before final decisions are made.

Mr. Neuschel also reviewed preliminary route evaluations made thus far by using the Chicago-Los Angeles city-pair as an example. Mr. Neuschel proposed further that the Board not review the other preliminary route selection recommendations today because of the late hour. Rather he sought the Board's



evaluation of the soundness of the approach. The Incorporators present concurred in deferring the specific recommendations and indicated their satisfaction with the approach.

Mr. Taylor requested authority and the Board resolved to purchase 60 pieces of the office furniture and equipment (including 15 desks and chairs as well as credenzas and file cabinets) from Bellcomm, Inc. , for \$1,500.00 - subject to approval by Mrs. Bedell.

With no further business for the day, the Chairman adjourned the meeting.



MONTHLY FINANCIAL REPORT

PERIOD: THE PERIOD ENDING SEPTEMBER 30, 1977

TYPE OF EXPENSE	Beginning Commitments		Changes		New Balances	Previous Report	Expenses Since Previous Report	
	Previous Report	Since Previous Report	Report	Report			Since Previous Report	Expenses to Date
<b>Salaries, travel and related expenses:</b>								
Indorsements	\$ 225,000		\$ 225,000				\$24,055	\$24,055
Life Lines	300,000		300,000				-	-
Travel expenses	60,000	\$25,000	75,000				24,055	24,055
<b>Total salaries, travel and related expenses</b>		585,000			600,000			
<b>Consulting Fees:</b>								
McKinsey & Company, Inc.	535,000		535,000				49,342	49,342
Arthur Andersen & Co.	450,000		450,000				-	-
Arthur Young & Co.	50,000		50,000				-	-
Heidrick & Strugliker	150,000		150,000				-	-
Ward Howell	175,000		175,000				49,342	49,342
Kanter	570,000		570,000				-	-
<b>Total consulting fees</b>	1,930,000		1,930,000				49,342	49,342
Legal fees	850,000		850,000				204	204
Marketing and public relations expenses	1,200,000		1,200,000				800	800
<b>General and administrative expenses:</b>								
Office furniture and equipment	150,000		150,000				5,934	5,934
Office rent	15,000		15,000				862	862
Supplies, telephone and related expenses	50,000	35,000	85,000				-	-
<b>Total general and administrative expenses</b>	215,000		250,000				6,796	6,796
<b>Total expenses</b>	\$4,780,000	\$50,000	\$4,830,000				\$81,217	\$81,217

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NATIONAL RAILROAD PASSENGER CORPORATION

CASH REPORT

DATE February 11, 1971

BALANCE, PER LAST REPORT ( ) \$ -

RECEIPTS, VOUCHER NUMBERS. 0 TO 1 100,000.00

DISBURSEMENTS, CHECK NUMBERS 1 TO 10 (30,225.42)

NEW BALANCE

-----  
\$ 69,774.58  
=====

The Incorporators of,

# NATIONAL RAILROAD PASSENGER CORPORATION

955 L'ENFANT PLAZA NORTH, S.W. • ROOM 8060 • WASHINGTON, D.C. 20024 • Tel (202) 554 - 5700

INCORPORATORS:

DAVID W. KENDALL, Chairman  
FRANK S. BESSON, JR., Vice Chairman  
CATHERINE MAY BEDELL  
DAVID E. BRADSHAW  
JOHN J. GILMOOLEY  
ARTHUR D. LEWIS  
CHARLES LUNA  
JOHN P. OLSSON

AUTHORIZATION FOR PAYMENT  
OF INVOICES RECEIVED  
THROUGH FEBRUARY 10, 1971

<u>INVOICE DATE</u>	<u>VENDOR</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
1-22	B & B Caterers	40 box lunches	\$ 61.20
1-29	City Duplicating Center	Lithoprint paper and envelopes	52.52
1-31	Robert R. Mullen and Co.	Fees for 4 working days	800.00
1-31	Louis T. Klauder and Associates	Engineering services	49,342.25
2-1	Coffee Butler Service	Coffee and cups	69.86
2-1	George H. Wyatt	Expenses on trip to D.C.	224.17
2-4	Porter and Brady	Lettering on door	50.00
2-8	Sidney Kramer Books	Who's Who in America	46.28
2-9	Executive Secretaries, Inc.	Placement fee	491.40
		TOTAL	<u>\$51,137.68</u> =====

MEETING SUMMARYTuesday, February 16, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Tuesday, February 16, 1971, at 955 L'Enfant Plaza, Washington, D. C., with the following members present:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis.

The Chairman opened the meeting and introduced Mr. Burson of Burson Marsteller (B&M). Mr. Burson briefly described his firm and the way in which B&M could serve the NRPC. Mr. Burson and his associates stated that:

1. The Act creating NRPC could be one of the most significant pieces of legislation in this decade.
2. NRPC is a business organization that must be perceived as: realistic, credible, concerned, responsive, and enthusiastic - with an objective of getting people on the trains.
3. Public relations objectives for NRPC should be to: (a) create understanding; (b) communicate need for intercity rail service; (c) obtain adequate funding; and (d) get people on the trains.
4. Publics NRPC must address in the short term are: (a) Congress; (b) NRPC cities; and (c) NRPC employees - further, each group should be the subject of a short-term project.



5. Tasks for the long term are: (a) mobilizing Congressional support; (b) organizing NRPC city boosters; (c) influencing national transportation policy; (d) motivating employees; (e) promoting NRPC service; (b) involving the shakers and movers; and (g) communicating with the financial community.
6. Overall public relations job will require: internal staffing (with a strong Congressional relations capability); a public relations agency; and consistent public relations policies and procedures.

Questions raised by the Board and B&M's responses were:

1. Influence on national policy. NRPC spokesmen should be ready to take positions that influence national policy.
2. Approach to funding from Congress. B&M will not serve as lobbyists but can provide materials and consultation needed to contact the Congress in D. C., as well as encourage support among constituents across the country.
3. Regional representation. B&M has offices in New York, Washington, Chicago, Pittsburg, and Los Angeles and could work with other firms. However, B&M does not, as a rule, favor affiliate relationships. Further, representation on a regional basis might be best performed by NRPC employees.
4. Advertising and public relations coordination. It is essential that these be closely related and B&M is prepared to do so.





5. Impact of booster clubs. These clubs primarily generate support. They add only marginally to revenue.
6. Ceiling on cost of a public relations campaign. On an estimating basis, a national program like the one B&M outlined above would cost about \$250,000 per year (or \$20,000 per month).  
  
Printing and other related costs would add to this figure; but it is adequate to provide the professional staff members required to develop and direct the effort.
7. Relationships with the nation's weekly newspapers. B&M is now involved (e.g., on social and environmental issues) with these media and enjoying success. Further, B&M intends to work also through public-interest radio and TV and has good ties to grass-roots women's organizations.
8. B&M organization to serve NRPC. The way B&M organized would depend on NRPC - its preferred location and desired level of effort. At the cost described above, and if Washington were the base, one man would be assigned full-time with perhaps two additional half-time men and other service support as appropriate. Further, B&M would welcome the opportunity to serve NRPC fully and energetically.

Mr. Rethore of McKinsey reviewed progress highlights of the past week for participating firms. Further, he asked the Board to review the Corporation's minutes. The Chairman stated that:



1. Each Incorporator would review the minutes to date and return them to Mr. Rethore by Tuesday, February 23, with any required changes
2. Thereafter, minutes will be reviewed and approved week-by-week.

Several Incorporators present stated the need for additional information on contractor firm progress against plan and results achieved. Mr. Bradshaw responded for the contractor coordination subcommittee that he would have a copy of the memorandum that describes the project control documents NRPC will require, distributed to each member. Further, he stated a letter would be issued to each firm this week directing them to furnish the documentation NRPC needs to keep informed.

Mr. Lewis, for the personnel subcommittee, indicated there was little candidate interest in NRPC and requested Board comments on the candidates. Further, he suggested that the Board reconsider its approach to interviewing such candidates. Several Board members stated they had found little of interest to NRPC in the candidates interviewed thus far.

Mr. Lewis suggested that the man NRPC needs should: have a commanding presence (i. e. , exuding confidence and drive), and be oriented to development of the corporation. Members present concurred. Further, Mr. Lewis asked and the Board resolved that he prescreen candidates (on a broad basis) before they were seen by the entire Board.

In addition, Mr. Bradshaw stated that the Board would like to review resumes before a candidate was invited to meet with them. And, the Chairman proposed that meetings be held at dinner, rather than lunch. Mr. Lewis stated he will meet with both search firms this week, inform them of the Board's comments, and report back to the Board next week.

Mr. Gilhooley cited a New York Times article by Christopher Lydon and questioned whether either search firm had contacted the men identified in the article. He sought to ensure this sort of contact not take place.

The Chairman then introduced Mr. Klauder to report on his firm's progress to date. Mr. Klauder reported that his firm:

1. Has spent about \$107,000 on inspections of locomotives thus far, and is ahead of schedule and under on costs.
2. Has found that enough good cars exist to meet NRPC's needs. The best cars are in the West and most problems appear to be on the Penn Central.
3. Is concentrating on stainless steel cars.
4. Has had problems using FRA data. Mr. Meredith of FRA, however, stated he would ensure these problems are resolved.
5. Completed inspection of the New Orleans terminal and is working on Washington. Outlook for Washington is better than expected because "rationalization" is already under way.

Mr. Klauder further reported his firm is working on terminals in all cities NRPC will serve. They are also designing a utilitarian facility that could be used in many places in the country.

Mr. Lewis proposed that a subcommittee on terminals be appointed to coordinate development of an implementation plan NRPC could follow in making and taking action on terminal decisions. Mr. Lewis also proposed that work proceed immediately through a committee on May 1 or "D-day" service to put showcase trains into service on the Washington - New York run. However, this work must start now to ensure all required tasks are completed on time. The Board resolved that General Besson's subcommittee on terminals address terminal planning and Mr. Lewis initially chair a committee on start-up service.

Mr. Klauder's associates stated that a showcase train decision would also require that locomotives be available as power. And General Besson expressed concern that maintenance and other back-up could not be available to support many showcase trains on May 1. On the other hand, Mr. Edson of FRA stated that, if only a car cleanup and painting were required, additional showcase-type trains could be provided on May 1 in other parts of the country, as well as Washington - New York. The Chairman recommended that Mr. Lewis' committee consider this possibility.

Mr. Edson of FRA asked the Board when teams would begin to meet with the railroads to negotiate on cars. The Board stated this was not yet known; but,

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this date is not critical since May 1 operations will be based not on specific cars but on whole trains now in operation.

Mr. Klauder asked what date work could begin to rehabilitate cars. His firm has identified shops that can get this work done by May 1, if cars become available, by March 1. However, Mr. Klauder could not comment on whether or not potential labor problems might preclude this.

Mr. Lewis stated that the contract must be written to permit NRPC to use additional cars on May 1 beyond those the corporation wants for the long term. These extra cars would permit NRPC to run its schedule while cars identified for long-term use are being refurbished.

Mr. Lewis proposed that the Incorporators: (1) hear presentations next week from advertising firms and (2) make a decision to select a public relations firm. The Board decided to hear presentations from four advertising firms on Friday, February 26. The further agreed to decide on a public relations firm later in the day.

Mr. Bradshaw stated that in order to make clear where incorporation and contract negotiation stands, a letter should be prepared to require the legal staff to stipulate what tasks they are performing, who is assigned to each, and when they will be complete. Mr. Bradshaw will draft and send this letter.

Mr. Gilhooley proposed that experienced railroad operating personnel be selected to sit with the Incorporators as service package and "D-day" service decisions are made. Mr. Lewis stated that the Operations Committee of the AAR,



headed by Mr. Davenport of the Illinois Central, will be available by the end of the week to serve in this way.

General Besson proposed that "D-day" be kept separate from "S-day" (i. e., splash day) and that McKinsey be responsible for coordinating both.

Mr. Lewis requested that the Board make its decision on retaining a public relations firm, and Mr. Gilhooley was asked to make recommendations based on his subcommittee's evaluation. Mr. Gilhooley stated that the subcommittee ranked the four contending firms in this order: (1) Harshe-Rotman & Druck; (2) Burson Marsteller; (3) Carl Byoir; and (4) Mullin and Associates. Other Incorporators expressed similar reactions. Several cited Druck's commitment to personal involvement and his clear statement on cost as positive factors. They further cited Burson's indecision on project organization as a negative factor for his firm.

Mr. Bradshaw moved and the Board resolved to accept the recommendations of the subcommittee and thereby retain Harshe-Rotman & Druck as the Corporation's public relations firm. Mr. Gilhooley was asked to inform the firms involved.

With no further business for the day, the Chairman adjourned the meeting to permit members to travel to the briefings on Capitol Hill.



MEETING SUMMARY

February 17, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Wednesday, February 17, 1971, at 955 L'Enfant Plaza, Washington, D. C., with the following members present:

Mr. David Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. John Olsson

The Chairman opened the meeting and Mr. Bradshaw raised the issue of contractor coordination and control. Mr. Rethore of McKinsey distributed copies of a memorandum and letter to contractors that described project control documents NRPC will require contractors to prepare to record the plans, work results, and associated costs of their work for the corporation. In the discussion that followed, the Incorporators resolved that:

1. Mr. McIsaac of McKinsey will ensure that required documents are submitted, reporting requirements met, and necessary actions taken by all firms to complete the work NRPC needs performed
2. McKinsey will provide weekly progress reports to all Incorporators by 8:00 a. m. Tuesday morning (and to their hotels on Monday night). Further, a progress review will be held at 9:00 a. m. each Tuesday morning.

3. McKinsey will identify any problems in getting firms to meet these requirements, and report such problems to the Board.
4. McKinsey will ensure contractors are informed that any increase in fees and expenses above the figures stated in their proposal must be reviewed and approved by the Board.

Mr. Bradshaw moved and the Incorporators resolved that the letter to contractors, as amended, be adopted and issued to all contractors to get this procedure under way. Further, Mrs. Bedell moved and the Incorporators resolved that the Tuesday meeting would henceforth begin at 9:00 a. m. in order to spend the first part of the day in reviewing progress.

In discussing NRPC's need for additional staff with railroad expertise, Mr. Neuschel of McKinsey identified several candidates and was tasked to determine their interest and availability.

Mr. Gilhooley proposed that before final route selection decisions are made: (1) the service package team's documentation be available and (2) a preliminary decision be made on each and reviewed with knowledgeable railroad executives. Mr. Neuschel indicated that this was being done informally now and would be made a formal step in the process. Further, Mr. Neuschel will invite several such executives to the initial session tomorrow.

Mr. Gilhooley reported for his subcommittee that:

1. The meetings to hear presentations from the advertising firms had been set for Friday, February 26 in the DOT conference room





2. Firms will make their presentations in the following order:

- |             |                      |
|-------------|----------------------|
| 9:00-10:30  | Benton & Bowles      |
| 10:30-12:00 | Cunningham and Walsh |
| 2:30-3:30   | Ogilvie & Mather     |
| 3:30-5:00   | Ted Bates            |

3. As an agenda, each firm will review:

- a. Marketing problems the firm has dealt with in the past
- b. Its major strengths and resources and how these will be used to assist the NRPC
- c. Its schedule of fees, method of compensation, and sunk costs to be absorbed at the outset.

General Besson reported for the rail equipment subcommittee on work to resolve the question of a possible purchase of 11 Metroliner-type cars. These cars would cost on the order of \$5 million. Thus, in his view, the purchase required the Board to secure a prior technical evaluation before making its decision. General Besson has tried to identify contractors who could perform this evaluation. Only one firm, Parsons Brinkerhoff-Gibbs & Hill (PBGH), has been identified. This firm estimated the cost of appraising these cars to be about \$30,000 plus related expenses such as travel.

Mr. Bradshaw moved and the Board resolved that the firm of PBGH make this appraisal with a provisional cost ceiling of \$40,000.



General Besson proposed that a request for proposal (RFP) be issued for expanded work to study terminals for NRPC. In discussion, however, it was decided that General Besson would first review the proposed study with Mr. Klauder (next week) and report back to the Board before taking further action.

General Besson reported on his meeting with Mr. Atwell. He stated that the legal staff should determine the extent to which, if at all, NRPC is committed to Mr. Atwell's Metroliner reservation system. Further, he reported that Mr. Atwell had stated he, not American Airlines, should have been engaged to perform the reservations and ticketing system study. The Chairman stated he would ask Mr. Funkhouser of Penn Central for a copy of the contract, if any, between Penn Central and Mr. Atwell.

Mrs. Bedell moved and the Incorporators resolved that Mr. Gilhooley be empowered to meet with Commissioner Parker, and such other representatives of the State of New York as are necessary, on matters of mutual interest between NRPC and the State of New York, and report back to the Board.

Mr. Bradshaw moved and the Incorporators resolved that the attached list of subcommittee and individual responsibility assignments stand as a statement of present responsibility assignments.

With no further business for the day, the Chairman adjourned the meeting.

SUBCOMMITTEES

AND ASSIGNED RESPONSIBILITY AREAS

<u>Subcommittee/ Responsibility Area</u>	<u>Member(s)</u>	<u>Assignment</u>
Administrative Activities	Bedell	Direct organization of the headquarters; control Board compensation, expense reimbursement
Banking	Lewis Bradshaw Gilhooley Olsson	Recommend allocation of funds to bank accounts
Congressional Relations	Bedell	Establish appropriate contacts with the Congress
Consumer Affairs	Bedell	Review problems of groups affected by NRPC (e. g. , tour organizers)
Contractor Coordination	Bradshaw	Review adequacy of contractor plans progress, bills for services
Corporate Identity, Public Relations Advertising	Lewis Gilhooley	Screen and recommend selection of public relations, corporate identity, and advertising firms
Finance and Accounting	Olsson	Review selection of contractor firms to work in financial, accounting areas
Insurance	Bradshaw	Recommend firm to: identify need for liability insurance, place coverage, set up tort claim department, do work to support negotiations
Legal	Bradshaw Gilhooley	Monitor work on legal matters including incorporation, contract strategy
Marketing/New Business	Lewis Luna	Review project work on service packages, reservations and ticketing, mail service, other new business
Personnel	Lewis	Monitor executive personnel recruitment
Rail Equipment And Terminals	Besson Gilhooley	Develop proposal and identify contractors for terminal study; coordinate development of a complete plan for using, rationalizing terminals



Subcommittee/  
Responsibility Area

Member(s)

Assignment

D-Day Program

Lewis

Develop program for initiating service on May 1 and introducing service improvements

Rail Operations

Besson  
Luna

MEETING SUMMARYFebruary 18, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Thursday, February 18, 1971, at 955 L'Enfant Plaza, Washington, D.C., with the following members present:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David E. Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. John Olsson

The Chairman opened the meeting and issued new contract draft copies to members present. He reported that the legal staff was meeting with railroad legal representatives today. Further, the objective of that meeting is to get the railroads to appoint a working group to meet with NRPC's legal staff to develop a joint draft by March 14, 1971.

The Chairman proposed that D-day committee activities be the responsibility of the entire board under the staff direction of one ex-railroad executive hired by NRPC.

Mr. Neuschel reported on a meeting the previous night with several railroad executives. He stated he had:

1. Reviewed the route selection approach with the group and they .

found it sound

2. Pledged, as the Board instructed, to meet with them further as preliminary route selection decisions were made.

Further, Mr. Neuschel identified three railroad men whom the NRPC might consider for senior operating positions, and/or as candidates to manage staff work for the D-day committee.

Mr. Neuschel also introduced Mr. Bruce High of the Seaboard Coast Line railroad and Mr. Joseph Willis of the Southern Pacific railroad who would sit in on the day's meeting. He initiated discussion on route evaluation by distributing a working draft of the route selection analyses and introducing McKinsey team members.

Mr. McIsaac of McKinsey reviewed the first 12 of the 21 routes on which the Board must make decisions. He stated the purpose of the meeting, outlined the format in which routes would be discussed and described the contents of the draft analysis document that was provided to each Incorporator. Mr. McIsaac reviewed each route as follows:

1. Boston - New York. Alternatives for this city-pair were reviewed in terms of market potential, physical characteristics, ridership, and station evaluations.
2. New York - Washington. Mr. Lewis directed McKinsey to obtain data that would permit analysis of whether Trenton traffic continued past Philadelphia or represented only commuter patronage.

3. Chicago - St. Louis. Mr. Gilhooley asked if ultimate market potential for these routes was known. Mr. Neuschel indicated that this was not now available; however, he stated FRA has just issued an RFP requesting such a study be conducted over the next 6-9 months. Mr. Lewis, using the case of Alton - St. Louis, proposed the principle that overall speed is essential (e.g., Chicago - St. Louis), thus "suburban" stops like Alton should be eliminated when stop decisions are made. Mr. McIsaac stated that Alton's through passengers would be identified to test this.
4. Chicago - San Francisco. Mr. Willis stated that the cost of stopping at Ogden is high due to terminal costs and that this stop should probably be eliminated. Other discussion considered the scenic and ski/special-interest implications along the entire route. Further, going out of Denver to Ogden via Cheyenne was identified as potentially 3 hours faster than the scenic route.
5. New York - Miami. Mr. High mentioned that Jacksonville terminal is a prime candidate for rationalization. Mr. Lewis questioned whether, initially, one train could travel on each of the two prime alternatives (i.e., Richmond, Raleigh, Columbia, Jacksonville and Richmond, Charleston, Jacksonville). Mr. High stated that crew costs would be higher if this were done. Mr. Lewis asked Mr. High to review how service was now provided, and Mr. High did so. He also indicated

the current 3 year-round and 1 winter-special trains were all profitable. Mr. McIsaac stated that if revenue/cost data confirmed this, he would recommend all three year round trains stay in service. The Chairman asked Mr. High if scheduling problems could be anticipated. Mr. High stated that there should be none on the recommended SCL routes.

6. Chicago - Cincinnati. Mr. Neuschel mentioned that the only key question related to this route decision was: what shall be done about a terminal in Chicago. A single terminal can be selected and provision made for efficient entry to it.
7. Norfolk/Newport News - Cincinnati. Mr. Gilhooley asked why this route was included in the basic system by the Secretary, DOT. Mrs. Bedell and Mr. Olsson replied that the decision to include this city-pair hinged on the future market potential that could be served.
8. New York - Kansas City. No major issues were raised.
9. New York - New Orleans. Mr. McIsaac, further cited, this route as an example of the problem of optimizing schedules across the system.

In addition to questions about specific routes, the following general comments were made:

1. Mr. Lewis stated that the station evaluations must consider: operating and station cost of stopping a train and revenue generated by the station in



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question. Further, he requested guidelines be developed to frame these decisions on a consistent basis.

2. General Besson stated that the legal staff must define the precise limitations the Act places on NRPC once the designated routes are promulgated. For example, can NRPC change number of trains on a route, change station stops, and change time tables. In addition it is essential to determine whether NRPC can (and should) designate temporary routes in addition to the basic system on May 1. Further, he stated that in cases where railroads had not furnished data requested by the service package teams the railroad should be asked in writing to furnish the missing data or respond in writing that the data is not available. Mr. Neuschel was tasked to ensure this was done.
3. The Chairman requested that all participants in the day's discussion not discuss outside the meeting the material presented and reviewed during the day.
4. General Besson proposed that, unless compelling facts to the contrary became apparent, service on May 1 would not be instituted on a route that does not now have service. Further, other Board members stated that issues of added cost, inadequate get-ready time, track condition and manning precluded this. And, all agreed that service could in any case be added later.

5. The Chairman and Mr. Gilhooley requested further discussion of the Northeast. They sought to identify any key issues in this area and Mr. McIsaac identified:

1. The Utica - Montreal link. The Secretary, DOT could not legally designate this link. NRPC can do so if it wishes.
2. Tri-city area. There is either poor track or an absence of service in this area, depending on the route.

Mr. Gilhooley further asked Mr. McClellen to join him in his meeting with Commissioner Parker of the New York, DOT.

6. Mr. Hank Davenport of the Illinois Central railroad was introduced, and General Besson asked him if he had been made aware by the AAR of NRPC's request for summer tour data. Mr. Davenport stated the data have been submitted.
7. Mr. Gilhooley stated that changes might be made, in coordination with the unions involved, in the places (e. g. Cairo) where engine and/or train crew changes are made in order to enhance the quality or reduce the time/cost of a particular run.
8. Mr. Bradshaw asked Mr. Davenport whether average ridership data for university towns (e. g. , Champagne - Urbana) hit weekend peaks Mr. Davenport stated that there was weekend peaking in such cases and that on this run it was so significant it should be planned for - perhaps with a Friday/Sunday run.



9. Mr. Davenport, upon question from Mr. Lewis, proposed 1 hour be cut between New York and New Orleans if 12 stops were eliminated.

With no further business for the day, the Chairman adjourned the meeting.

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MEETING SUMMARY

NATIONAL RAILROAD PASSENGER CORPORATION

February 23, 1971

The Incorporators met on Tuesday, February 23, 1971, at 955 L'Enfant Plaza, Washington, D.C. with the following members present:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and introduced Mr. Neuschel to review progress. Mr. Neuschel asked members to review the minutes of prior meetings and to submit any modifications required. Mr. Neuschel then reviewed progress by professional firms and sub-committees.

Mr. Lewis reported on his sub-committee meeting with the search firms. Mr. Lewis stated that these firms had contracted 200-300 men for the CEO position and were working hard to identify suitable candidates. Further, he stated they would have 3 men identified for each position by next week.



Mr. Neuschel reviewed a schedule of tasks and dates required for start-

up. In his review, Mr. Neuschel stated that this plan would be: reviewed by all participating professional firms; related to the work plans submitted by each firm; and, re-submitted to the Board in final form next week.

Mr. Rose was introduced to report on work of the legal staff. He stated that contract drafts had been provided to railroad legal representatives last Thursday and discussed with them. Further, Mr. Rose reviewed highlights of that initial meeting and plans to continue to work with the railroads to reach agreement.

The issues Mr. Rose stated would be discussed in the meeting with the railroads tomorrow were:

1. Cost formula
2. Services to be rendered
3. Period of the contract for: services, trackage, related facilities
4. Adjudication procedure
5. Trackage rights
6. Terminal services
7. Labor protection arrangements
8. Casualty losses
9. Rolling stock arrangements
10. Overlap between commuter and intercity service.



Mr. DePauw of Arthur Andersen initiated a review of the cost and revenue data his firm has obtained from the Grand Trunk Western railroad (the first of the railroads for which this data is complete).

Mr. DePauw stated that the purpose of gathering this had been to:

1. Provide cost and revenue information to support final route selection decisions
2. Provide "harder" numbers for financial projections
3. Estimate pay-ins by railroads
4. Sharpen definitions; identify needed account changes

The material presented included:

1. Schedule I - a schedule showing:
  - a. Form A data for 1969 including revenue and expense on a solely related (to passenger and allied services) and fully distributed (passenger services) basis
  - b. Correction of \$443,552 additional solely related expense that the Grand Trunk had not included in preparing Form A - representing about a 20% increase in net operating loss on that basis
2. Schedule II - a schedule showing total solely related revenue, train operating expenses, and facility costs broken out into: basic system intercity passenger, commuter, special train, and outside basic system components



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1. Provide cost and revenue information to support final route selection decisions
2. Provide "harder" numbers for financial projections
3. Estimate pay-ins by railroads
4. Sharpen definitions; identify needed account changes

The material presented included:

1. Schedule I - a schedule showing:
  - a. Form A data for 1969 including revenue and expense on a solely related (to passenger and allied services) and fully distributed (passenger services) basis
  - b. Correction of \$443,552 additional solely related expense that the Grand Trunk had not included in preparing Form A - representing about a 20% increase in net operating loss on that basis
2. Schedule II - a schedule showing total solely related revenue, train operating expenses, and facility costs broken out into: basic system intercity passenger, commuter, special train, and outside basic system components



3. Schedule III - revenue and expense by category for intercity passenger service
4. Schedule IV - total above-the-rail losses by train for basic system intercity passenger service
5. Schedule V - facility expenses solely related to passenger and allied services by terminal
6. Schedule VI - breakdown of terminal expense for each terminal on the route.

In the discussion that followed, the major points raised were:

1. Mr. Gilhooley proposed that indices be developed for key elements of cost in order to facilitate appraisals of the relative efficiency of different roads - e. g. , cost per car rates for terminals, cost per mile for train operations
2. Mr. DePauw stated he would advise the Board about data on other roads as they were completed

The Chairman reviewed several communications with the Board including American Airlines' study plans for the reservations system and food service projects.

Mrs. Bedell discussed the housekeeping items from the previous week, including: a weekly financial report (attached), for the period ending February 18, 1971. Mr. Gilhooley moved and the Incorporators resolved the report be adopted and payment authorized for the 6 invoices identified in the report.



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Further, Mr. Gilhooley stated he and Mr. Lewis would next week review, the commitments for advertising and make any appropriate corrections.

Mrs. Bedell also stated that the new office space was available in use, and initially equipped. Further, she requested an authorization to acquire additional needed furniture and equipment. The Board resolved that this should be done and all agreed the acquisitions would be moderately priced.

Mrs. Bedell requested the Board make a decision to hire an office manager. Based on her interviews she recommended Colonel Keet be hired for this position, Mr. Gilhooley moved and the Board resolved that Colonel Keet be hired.

Mrs. Bedell moved and the Board resolved that the Chairman sign his approval of American Airlines plans for a reservations and ticketing study and a food service study.

Mr. Neuschel introduced Mr. Meisaac who resumed discussion of recommendations on the 9 remaining routes. Because of the late hour the only route reviewed was New York - Chicago (with references to New York - Washington to Chicago - St. Louis.)

In order to present the scheduled Congressional briefing, the Chairman adjourned the meeting.



NATIONAL RAILROAD PASSENGER CORPORATION  
REPORT OF START-UP COSTS  
THROUGH THE PERIOD ENDING FEBRUARY 18, 1971

Type of Expense	Estimated Commitments			Charges Billed		
	Previous Report	Changes Since Previous Report	New Balances	Previous Report	Changes Since Previous Report	New Balances
<b>Salaries, travel and related expenses:</b>						
Incorporators	\$ 225,000	\$ 15,000	\$ 240,000	\$ 24,055	\$ -	\$ 24,055
Key Executives	300,000	10,000	310,000	-	-	-
Other Personnel	75,000	-	75,000	-	376	376
<b>Total salaries, travel and related expenses</b>	<b>\$ 600,000</b>	<b>\$ 25,000</b>	<b>\$ 625,000</b>	<b>\$ 24,055</b>	<b>\$ 376</b>	<b>\$ 24,431</b>
<b>Consultants and Support:</b>						
McKinsey & Company, Inc.	535,000	10,000	545,000	-	-	-
Arthur Andersen & Co.	450,000	-	450,000	-	-	-
Arthur Young & Company	50,000	-	50,000	-	-	-
Heidrick & Struggles	150,000	-	150,000	-	-	-
Ward Howell	175,000	-	175,000	-	-	-
Louis Klauder and Associates	570,000	-	570,000 <sup>1</sup>	49,342	-	49,342
Legal Fees	850,000	(250,000) <sup>2</sup>	600,000	224	-	224
Marketing & Public Relations	1,200,000	(1,200,000) <sup>3</sup>	-	-	-	-
Lippincott & Margulies	-	125,000	125,000	-	-	-
Harse-Rotman & Dinck	-	75,000	75,000	-	-	-
American Airlines	-	100,000	100,000	-	-	-
Advertising & Public Relations	-	800,000	800,000	800	-	800
<b>Total Consultants and Support</b>	<b>\$3,980,000</b>	<b>(\$ 340,000)</b>	<b>\$3,640,000</b>	<b>\$ 50,366</b>	<b>-</b>	<b>\$ 50,366</b>

Type of Expense	Estimated Commitments (cont)			Charges Billed (cont)		
	Previous Report	Changes Since Previous Report	New Balances	Previous Report	Changes Since Previous Report	New Balances
General and administrative expenses:						
Office furniture and equipment	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -	\$ 5,934
Office rent	15,000		15,000	5,934		1,091
Supplies, telephone, and related expenses	85,000	(25,000)	60,000	862	229	7,025
Total general and administrative expenses	\$ 250,000	\$ (25,000)	\$ 225,000	\$ 6,796	\$ 229	\$ 7,025
Non-earmarked funds						
Total Start-up expenses	\$4,830,000	\$ 170,000	\$5,000,000	\$ 81,217	\$ 605	\$ 81,822

1. These expenses will extend through December 31, 1971.
2. Revised commitments based on estimate of lead attorney.
3. This \$1,200,000 is reversed from general category and \$1,100,000 spread to detail categories.
4. Provide a cushion to revise specific items in the \$5,000,000 estimate.



NATIONAL RAILROAD PASSENGER CORPORATION

CASH REPORT

DATE February 18, 1971

BALANCE, PER LAST REPORT (2-11-71) \$ 69,774.58

RECEIPTS, VOUCHER NUMBERS 1 TO 2 100,000.00

DISBURSEMENTS, CHECK NUMBERS 101 TO 120 51,508.78

-----  
\$118,265.80

The Incorporators of,

# NATIONAL RAILROAD PASSENGER CORPORATION

955 L'ENFANT PLAZA NORTH, S.W. • ROOM 8060 • WASHINGTON, D.C. 20024 • Tel (202) 554 - 5700

**INCORPORATORS:**

EDWARD W. RENDALL, Chairman  
FRANK S. BRADY, Jr., Vice Chairman  
PATRICIA MAY DEWELL  
ROBERT W. GIBSON  
ROBERT L. GIBSON  
ARTHUR L. GIBSON  
CHARLES L. GIBSON  
JOHN P. GIBSON

AUTHORIZATION FOR PAYMENT  
OF INVOICES RECEIVED  
THROUGH FEBRUARY 10, 1971

<u>INVOICE DATE</u>	<u>VENDOR</u>	<u>DESCRIPTION</u>	<u>AMOUNT</u>
1-26	Sky Chefs, Inc.	Coffee and mugs	\$ 15.10
2-1	City Duplicating Center	Lithoprint paper	28.08
2-5	Hay Rubber Stamp Co.	Date stamps and pads	31.88
2-8	Government Services Inc.	Lunches	55.16
2-12	Mallorey Office Supply	Briefing folders	88.09
2-12	Hay Rubber Stamp Co.	Rubber stamps and pads	<u>11.49</u>
		TOTAL	\$229.80

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MEETING SUMMARY

NATIONAL RAILROAD PASSENGER CORPORATION

February 24, 1971

The Incorporators met on Wednesday, February 24, 1971, at 955 L'Enfant Plaza, Washington, D.C., with the following members present:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. Charles Luna

The Chairman opened the meeting and Mr. Neuschel resumed the previous day's discussion of initial route evaluations. Mr. Neuschel stated that the initial recommendations McKinsey had proposed to the Incorporators to date had been built to balance both:

1. Cost/profit economics that exist at present, and
2. Service to the public - immediately and over the longer term.

Further, he stated that these considerations will sometimes conflict and must be carefully weighed by the Incorporators in making their decisions on how to serve the 21 basic city-pairs and/or provide additional service.

Mr. Gilhooly asked about the market research study being initiated by the FRA. Mr. McClellan described how this study had been decided-on and structured.

Mr. McIsaac reviewed initial recommendations for the following routes:

1. New York - Chicago
2. Chicago - Miami and Tampa/St, Petersburg
3. Washington - Chicago
4. Washington - St. Louis
5. Detroit - Chicago
6. Chicago - Seattle
7. Chicago - Houston
8. New Orleans - Los Angeles
9. Seattle - San Diego

Mr. McIsaac summarized the remaining issues he sensed were outstanding with respect to route decisions. He stated these include:

1. Deciding to add or not add Cleveland - Chicago service
2. Investigating further the routing through Atlanta on the Chicago-Miami city pair
3. Doing more work to analyze the Northern vs Southern route for Chicago - Seattle
4. Evaluating further the routing through Cheyenne on the Chicago-San Francisco city-pair



5. Deciding whether to use the Hutchinson - La Junta segment on the Chicago - Los Angeles city-pair

Further, Incorporators made these points with respect to the overall question of route selection:

1. Mr. Gilhooley asked what next steps would be followed to finalize routes. Further, he suggested other key participants (e. g. , public relations firms) be brought into subsequent route discussions
2. General Besson stated that the Board must: decide now on any major system changes they might wish to make, in order that required schedule and other changes could be made by May 1, or decide to run only presently operating trains until such time as major changes could be implemented (e. g. , re-routing trains through Atlanta).

Mr. Hansell reported on progress in the contract discussion with the railroads. He stated that significant progress had been made since the initial meeting on Thursday, February 18 and that the railroads had submitted a revised draft that combined the take over and service provisions. Further, Mr. Hansell reported that the railroad representatives seemed more willing to accept a master contract approach, and the principle of arbitration.

Mr. DePauw reported, as part of the discussion, on Penn Central's proposal for using "identifiable cost" in lieu of solely-related costs. He stated that Penn Central, based on a one-week study the railroad performed last year, alleged costs would be as much as \$30 million dollars higher than on a solely related basis.





Mr. DePauw stated his firm would work this weekend to explore whether the new cost concept could be applied to 1969 and how it specifically differed from solely related.

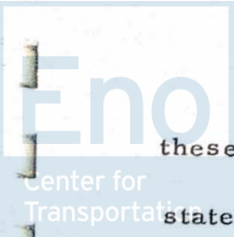
Mr. Hansell stated the railroads, in his view, appeared ready to accept the outcome of Arthur Andersen's analysis of this issue at Penn Central.

General Besson requested Mr. Hansell provide NRPC a legal opinion on whether or whether not railroads whose routes were designated part of the basic system, but whose routes are not used by NRPC, must still pay in to the NRPC. Mr. Hansell stated there was no sure way to do this in an opinion. Instead, as Mr. Bradshaw proposed, this should be built into the contract with the railroads and agreed to directly with them. Mr. Hansell stated he would do this.

Mr. Hansell opened discussion of the revised Articles of Incorporation dated February 17, 1971. He reviewed the fact that an initial draft had previously been issued to all Incorporators and commented on by Messrs. Bradshaw and Gilhooley before the redraft was developed. In discussion, the Board resolved the remaining issues under consideration.

Mr. Hansell stated that the next steps for incorporation would be to hand deliver the draft for DOT, Justice, and White House review.

Mr. DePauw reviewed 3 additional railroads' costs and revenues: the I. C., the Rock Island, and the GM&O. The same schedules of data were presented for



these roads as were described in the initial report on February 24. Mr. DePauw stated that, in addition to the schedules shown, data is available by train by segment (and will be available to McKinsey for service package analysis).'

Mr. DePauw stated, on questions from the Board, that he would look further at G, M, & O train yard expenses (presently included in facility costs) and report back to the Board.



MEETING SUMMARY

NATIONAL RAILROAD PASSENGER CORPORATION

Thursday, February 25, 1971

The Incorporators met on Thursday, February 25, 1971, at 955 L'Enfant Plaza, Washington, D.C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and Mr. Rose distributed a memorandum summarizing latest events in the contract discussions. In addition, Mr. Rose commented on initial work to agree on liability for casualty losses. He indicated there were alternatives being explored for NRPC and the railroads to share liability on a formula basis (thus relieving NRPC of having to build its own claims department). Further, work is proceeding to resolve the questions of terminal use. Finally, initial efforts to make appropriate labor protection arrangements were discussed.

Members present expressed their satisfaction with the progress being made.

Mr. Luna reviewed his understanding of the DOL-supported labor position - that NRPC agree to stand behind the labor protection responsibilities of effected

The logo for the Eno Center for Transportation, featuring the word "Eno" in a large, bold, sans-serif font, with "Center for Transportation" in a smaller font below it, all contained within a light blue rectangular box.

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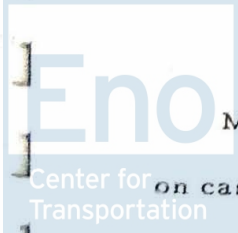
railroads if those railroads at some time cannot meet their guarantee to their employees.

Mrs. Bedell initiated discussion of housekeeping items and a financial report for the period ending February 25, 1971 (attached). Further, Mrs. Bedell moved and the Board resolved that she be authorized to pay 10 of the 11 invoices listed in the report. She stated that the Heidrick & Struggles invoice would not be paid until a confirmation was made that it conformed to agreed-on billing specifications.

Mr. Gilhooley suggested and the Board concurred that a representative of Harsh, Rotman and Druck sit in on meetings at which policy was discussed or decisions made. Further, Mr. Gilhooley stated he and Mr. Lewis would be meeting with Lippincott & Margulies, American Airlines, and candidate operating executives over the coming weekend.

Mr. DePauw of Arthur Andersen presented a report on the costs and revenues of additional railroads where work had been completed. The report reviewed data for each road as described in the minutes of February 23, 1971. The roads reported on were the: Louisville and Nashville and Chicago, Milwaukee, St. Paul and Pacific.

Mr. Luna reported he had met with McKinsey representatives who are working on the mail issue.



Mr. Bradshaw asked Mr. DePauw to furnish on Monday, March 1, data on casualty losses for each road completed thus far. Further, General Besson asked Mr. DePauw to add costs per train mile to all presentations of cost by train

Mr. Bradshaw proposed the railroad contract be written to preclude roads from adding commuter trains over routes on which NRPC runs its intercity trains.

Mr. Bradshaw opened discussion of state and regional transportation agencies' possible interest in having NRPC or themselves run service in their areas in addition to the basic system service. And, in the discussion, the Chairman stated that as a rule any group that sought to extend service within the act should be provided a hearing by the Incorporators.

Discussion (including comments from Mr. Bennett of Mullin and Mr. Druck of H-R&D) focused on the steps that should be taken to establish and maintain contact with regional and state and local groups as well as the public and the Congress. Mr. Olsson proposed H-R&D should give immediate priority to developing a route announcement strategy that addressed the various points discussed. Mr. Gilhooley then charged Mr. Druck to coordinate with Mr. Bennett to develop a full program (tied to route announcements) that would include: (1) developing a letter to state and regional groups; (2) educating regional public relations representatives; (3) informing the public; (4) providing for pre-announcement meetings with the Congress; (5) ensuring appropriate announcement of the actual service package decisions; and (6) arranging local appearances by Incorporators

With no further business for the day, the Chairman adjourned the meeting.



NATIONAL RAILROAD PASSENGER CORPORATION

REPORT OF START-UP COSTS THROUGH APRIL 30, 1971  
THROUGH THE PERIOD ENDING FEBRUARY 25, 1971

Type of Expense	Previous Report	Changes		New Balances	Previous Report	Changes Billed		New Balances
		Since Previous Report	Report			Since Previous Report	Report	
<b>Salaries, travel and related expenses:</b>								
Incorporators	\$ 240,000	\$ -	\$ -	\$ 240,000	\$ 24,055	\$ 10,829	\$ 34,884	
Key Executives	310,000	-	-	310,000	-	-	376	
Other Personnel	75,000	-	-	75,000	376	-	376	
<b>Total salaries, travel and related expenses</b>	<b>\$ 625,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 625,000</b>	<b>\$ 24,431</b>	<b>\$ 10,829</b>	<b>\$ 35,260</b>	

Type of Expense	Previous Report	Changes		New Balances	Previous Report	Changes Billed		New Balances
		Since Previous Report	Report			Since Previous Report	Report	
<b>Consultants and Support:</b>								
<b>Technical and Management Support</b>								
McKinsey & Company, Inc.	\$ 545,000	\$ -	\$ -	\$ 545,000	\$ -	\$ -	\$ -	
Arthur Andersen & Company	450,000	-	-	450,000	-	-	-	
Arthur Young & Company	50,000	-	-	50,000	-	-	-	
Weidrick & Struggles	150,000	-	-	150,000	-	46,429	46,429	
Ward Howell and Associates	175,000	-	-	175,000	-	-	-	
Louis T. Klauder and Associates	570,000	40,000	-	570,000	49,342	-	49,342	
Parsons Brinkerhoff - Gibbs & Hill	-	-	40,000	40,000	-	-	-	
Misc Technical and Management Consultants	-	-	10,000	10,000	-	-	-	
Legal Fees	600,000	-	-	600,000	224	229	453	
<b>Marketing and Public Relations</b>								
Lippincott & Margulies	125,000	-	-	125,000	-	-	-	
Harshe, Rothman & Druck	75,000	-	-	75,000	-	-	-	
American Airlines	100,000	5,000	-	105,000	-	-	-	
Advertising	800,000	(700,000)	2	100,000	-	-	-	
Misc Marketing and Public Relations Consultants	-	10,000	-	10,000	800	-	800	
<b>Total Consultants and Support</b>	<b>\$3,640,000</b>	<b>(\$635,000)</b>	<b>\$ -</b>	<b>\$3,005,000</b>	<b>\$ 50,366</b>	<b>\$ 46,658</b>	<b>\$ 97,024</b>	

*12/22/71*

Type of Expense	Estimated Commitments (cont)			Charges Billed (cont)		
	Previous Report	Changes Since Previous Report	New Balances	Previous Report	Changes Since Previous Report	New Balances
General and administrative expenses:						
Office furniture and equipment	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -	\$ -
Office rent	15,000	-	15,000	5,934	1,231	7,165
Supplies, telephone, and related expenses	60,000	-	60,000	1,091	2,771	3,862
Total general and administrative expenses	\$ 225,000	-	\$ 225,000	\$ 7,025	\$ 4,002	\$ 11,027
Non-earmarked funds	510,000	635,000	1,145,000	-	-	-
Total Start-up expenses	\$5,000,000	-	\$5,000,000	\$ 81,822	\$ 61,489	\$143,311

1. These expenses will extend through December 31, 1971.
2. Revised temporary estimate.



NATIONAL RAILROAD PASSENGER CORPORATION

CASH REPORT

DATE February 25, 1971

BALANCE, PER LAST REPORT (2-18-71) \$118,265.80

RECEIPTS, VOUCHER NUMBER      - TO      -

DISBURSEMENTS, CHECK NUMBERS 121 TO 131 11,029.80

-----  
\$107,236.00  
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The Incorporators of,

# NATIONAL RAILROAD PASSENGER CORPORATION

955 L'ENFANT PLAZA NORTH, S.W. • ROOM 8060 • WASHINGTON, D.C. 20024 • Tel (202) 554 - 5700

**INCORPORATORS:**

DAVID W. KENDALL, Chairman  
FRANK S. BESSON, JR., Vice Chairman  
CATHERINE MAY BEDELL  
DAVID E. BRADSHAW  
JOHN J. GILHOOLEY  
ARTHUR D. LEWIS  
CHARLES LUNA  
JOHN P. OLSSON

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## AUTHORIZATION FOR PAYMENT OF INVOICES

RECEIVED THROUGH FEBRUARY 25, 1971

<u>Invoice Date</u>	<u>Voucher #</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
2/22/71	33	Mallorey	Office Supplies	\$ 27.15
2/13/71	34	C & P Telephone	Telephone Bill	1,139.71
2/9/71	35	Sky Chefs, Inc.	Coffee	39.90
1/31/71	36	Heidrick & Struggles	President & other searches	46,429.08
2/17/71	37	Government Services, Inc	Luncheon	56.05
2/18/71	38	George H. Wyatt	Expenses on trip to Washington	228.40
2/18/71	39	Bellcomm, Inc.	Rent, Parking	1,231.01
2/18/71	40	Hay Rubber Stamp Co.	Rubber Stamps	34.32
2/22/71	41	Executive Secretaries, Inc.	Placement Fee	1,480.00
2/22/71	42	Secretary's Mess,	DOT Lunches	28.00
2/23/71	43	Coffee Butler Service	Coffee	65.79
TOTAL.....			\$	50,759.41

36 1/2



MEETING SUMMARY

February 26, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

Several Incorporators met on Friday, February 26, 1971, at 400 7th Street, Washington, D. C. Members present were:

- Mrs. Catherine May Bedell
- Mr. David Bradshaw
- Mr. John Gilhooley
- Mr. Arthur D. Lewis
- Mr. Charles Luna
- Mr. John Olsson

The purpose of the meeting was to hear presentations from three advertising firms selected as candidates to provide NRPC advertising expertise and staff support.

The firms who participated were:

1. Benton & Bowles
2. Cunningham Walsh
3. Ted Bates

After presentations by each firm and Board discussion, the special meeting was adjourned.

MEETING SUMMARY

Tuesday, March 2, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Tuesday, March 2, 1971, at 955 L'Enfant Plaza, Washington, D.C. Members present were:

Mr. David W. Kendall, Chairman  
General Grank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and introduced Mr. Neuschel of McKinsey who reviewed progress of participating professional firms and sub-committees in the previous week. During his review, Mr. Neuschel stated a meeting would be held on Thursday of this week to begin developing an approach for handling ticketing and reservations on and after May 1.

Mr. Bradshaw requested new route maps be developed that display data for the key route selection criteria (e.g., population, loss, track condition, railroad, train) segment by segment on each route. But, discussion of this request was deferred until the afternoon session.

Mr. Neuschel asked if the Board wished to make a financial report to the FIAP in March. The Chairman stated this would be deferred for now. However he asked Mr. Neuschel to meet with him to decide on an appropriate date. Further, the

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Chairman reminded all participants of NRPC's need to keep OMB and the White House informed of any major financial or other changes that become apparent.

Mr. Neuschel and General Besson raised questions about work to gather complete cost data on all terminals. Mr. Kujawa of Arthur Andersen stated a detailed survey was being conducted at Union Station as a guide to analysis of costs in other terminals. The Board tasked Mr. Kujawa to develop a program for further terminal analyses and report back. Further, Mr. Neuschel proposed that adjustments in payments to terminals be made on the basis of adjustments in the level of service NRPC would require from them.

Mrs. Bedell requested McKinsey assist in developing responses to key issues raised by parties interested in specific routes. McKinsey representatives and the Board concurred that this would be done provided it did not involve an effort so large that the work to develop the service packages was slowed.

Mr. Bradshaw reported for the insurance committee that in coordination with Marsh & McLennan basic health and life insurance had been arranged for present NRPC employees.

Mr. Neuschel and Mr. Luna reported to the Board on progress in determining how and how much mail NRPC would carry and handle. Mr. Neuschel stated a memorandum summarizing findings and recommendations would be issued this week.



Mrs. Bedell moved and the Board resolved that route announcements be made as follows: (a) one to two days advance notice be given the Congress before any decisions are made public; (b) all announcements be made at the same time (i. e., not piece-meal); (c) announcements be made as soon as possible (whether contracts are signed or not), and (d) all announcements be coordinated first with the negotiating teams.

Mrs. Bedell reported further for the Congressional Relations sub-committee that a meeting was held yesterday to review follow-up to Congressional inquiries. Policies developed in the meeting were that: (a) all Congressional inquiries will be followed up by personal calls, (b) briefings will be held for all delegations that request them, and (c) Messrs. Matthews and Edel will meet with and screen special interest groups who request contact with NRPC. Further, Mrs. Bedell requested Robert Mullen & Associates be identified as a participating professional firm in all records and reports.

The Chairman stated that he had received a revised McKinsey proposal and an initial bill. Mrs. Bedell moved and the Board resolved that McKinsey's revised proposal be accepted and its bill be paid.

Mr. Gilhooley questioned why no permanent working committee on operations had been established (to work on terminals, equipment contract negotiations and all other items that must be coordinated for May 1). He proposed that a small full-time working group be established and staffed under the chairmanship of General Besson to provide this support to the Board as a whole. General Besson stated he would investigate how this might be done (in coordination with key railroad authorities) and report back to the Board.

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Mr. DePauw of Arthur Andersen reported cost and revenue findings on three additional railroads: The Southern Pacific, the Union Pacific, and the G&RGW.

Mr. Johnson of Arthur Young reported on cost and revenue findings for the Norfolk & Western.

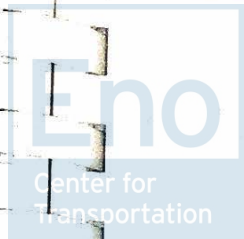
In the discussion of these findings, Mr. Gilhooley and other Board members requested that more current data on revenue and cost be obtained (in cases where service has been cut back from daily to tri-weekly).

Mr. Mitchell and several representatives of the Office of High Speed Ground Transportation (OHSGT), FRA, were introduced. Mr. Mitchell reviewed present OHSGT contracts in NE corridor:

1. Contracts with Penn Central for both Metroliner and conventional trains - the contract and test period is for 2 years (beginning October 1970) with a one-year option for extension
2. Maintenance contract with United Aircraft for the Turbo-train
3. Month-to-month Turbo-train operation contract with Penn Central for two 3-car trains - current plans call for expansion to 5-car trains

Points raised about the Turbo-trains and Mr. Mitchell's responses were:

1. Car lead times are about 11 months for intermediate cars
2. Cost per car is about \$400 thousand for intermediates; originally the 3-car trains cost approximately \$2.5 million
3. Maintenance down time is significant for the Turbo-trains, primarily due to problems with the power car gear box



4. Prognosis for maintenance will improve as major modifications (engineering changes) are made.

Points raised about the Metroliner were:

1. High number of cars are typically down at any given time (20 of 48) because the design was optimistic and initial preventive maintenance inadequate
2. Contract with Penn Central provides that OHSGT will pay PC funds to run its demonstration project and share 50% of net revenues
3. The revenues addressed in the contract are for specified trains, both Metroliner and conventional
4. Some trains included in the demonstration carry high number of commuters.

The Chairman identified Jim McClellan as the NRPC point-of-contact who would maintain liaison with OHSGT. Mr. Mitchell identified Mr. Bob Smith as the OHSGT point-of-contact. Further, the Chairman said NRPC's lawyers would review the current contracts.

Messrs. Neuschel and McIsaac of McKinsey reviewed the approach to route selection being followed and led discussion of the following issues:

1. Chicago-Omaha segment of the Chicago-San Francisco route
2. Fargo-Spokane segment of the Chicago - Seattle route
3. Ft. Worth - Houston segment of the Chicago - Houston route

With no further business for the day, the Chairman adjourned the meeting.

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MEETING SUMMARY

Wednesday, March 3, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Wednesday, March 3, 1971. at 955 L'Enfant Plaza, Washington, D.C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David E. Bradshaw  
Mr. Arthur D. Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and introduced Mr. Ward Howell and Mr. Jack Hoover of Ward Howell and Mr. Gardner Heidrick and Mr. Jerry Roach of Heidrick & Struggles to review search firm progress.

Mr. Rose and Mr. Hansell reported on progress in the contract discussions with the railroads. The major points of discussion, they reported, were:

1. Cost reimbursement formula (and its future re-negotiation) to include the question of retroactivity of any ICC adjustment
2. Terminals (an issue that cannot be resolved until costs and contracts are in-hand)





3. Prohibition of commuter service on NRPC trains when railroad contracts with other parties preclude it
4. Section 401, (3), B has been resolved by choice of language used in the contract draft
5. Labor protection.

With no further business for the day, the Chairman adjourned the meeting.

MEETING SUMMARY

Thursday, March 4, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Thursday, March 4, 1971 at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David E. Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. Charles Luna.  
Mr. John Olsson

The Chairman opened the meeting and Mr. Lewis introduced Mr. Margulies of Lippincott & Margulies to review work to date on name generation and corporate image. Mr. Margulies handed out and reviewed two preliminary reports important to the selection of a name:

1. Conceptual philosophy
2. Image strategy

Further, Mr. Margulies stressed that the "name" must be selected based on 3 aspects of the name: the name itself, its graphic presentation, and its sound. He distributed a description of the name generation process (part of the initial step in the corporate name development program) and exhibited initial graphic designs



Points raised in discussion were:

1. Mr. Lewis cited the need L&M had identified to break clean with the past so that NRPC does not inherit the negative past image. Further, Mr. Luna proposed a meeting be arranged with all participating union presidents to explain what NRPC is trying to do, and enlist their assistance (and discuss the uniform issue).
2. The time required to get 50-state registration review conflicts with the need to get a name fast. As a result, the registration review will be abbreviated.
3. List of 30 candidate names for preliminary legal clearance were developed from suggestions made in the Saturday meetings. Names proposed today will be added to this list
4. Limited sample (50-100) of people will be asked to react to the list of names selected for preliminary legal clearance.

Mrs. Bedell, for her sub-committee, opened discussion of the week's administrative matters:

1. Colonel Keet has been tasked to study and report on NRPC's office space requirements
2. Required additional secretaries and an assistant office manager have been hired (Col. Keet estimates a total of about 20 administrative/secretarial personnel will be required in the near term)



Further, Mrs. Bedell reviewed the financial report for the period ending March 4, 1971, and proposed action be taken to secure an additional portion of NRPC appropriated funds from DOT. In the discussion that followed the procedure for funding was discussed: NRPC must apply for these funds from the Secretary, DOT; the Secretary, DOT passes on the application and it is reviewed by OMB and the Treasury; the Treasury authorizes a credit, which can thereafter be drawn down by NRPC as expenditures are made. Mr. Olsson moved and the Board resolved that NRPC apply for an additional \$3.2 million from the Secretary, DOT.

Mrs. Bedell moved and the Board resolved that the 14 invoices listed on page 3 of the report (attached) be paid.

Mrs. Bedell moved and the Board resolved that Incorporators be compensated for their expenses as reported thus far to the Administrative sub-committee (attached).

Mr. Druck reported to the Board that, following from the meetings with Incorporators yesterday, his firm's representatives would get underway in numerous cities next week to brief the press and begin projecting a positive image for the NRPC.

Mr. Gilhooley tasked H-R&D to prepare a report to the Board on March 17, 1971, on the initial reaction received around the country.

Mr. DePauw of Arthur Andersen reported on four additional roads: the C&O, H&O; AT&SF; and the Georgia.



Mr. Olsson inquired whether costs and revenues of trains listed as included in the basic system were wholly included (thus with losses fully of interest to NRPC). Mr. DePauw stated they were wholly included but in some cases should not have been to the extent that a portion of their costs and revenues were outside the basic system.

Mr. Gilhooley reported on his meeting with Commissioner Parker. He reviewed the questions discussed in the meeting and stated the initial results were encouraging. Further, Mr. Gilhooley requested the Board's authorization to meet informally with members of the New York State legislature's Joint Legislative Committee on Transportation and other legislative leaders, to inform them about NRPC and its wish to cooperate with them in addressing the State's rail transportation needs.

With no further business for the day the Chairman adjourned the meeting.

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NATIONAL RAILROAD PASSENGER CORPORATION

LISTING OF EXPENSE REPORTS SUBMITTED

AS OF MARCH 4, 1971

<u>INCORPORATORS</u>	<u>DATE SUBMITTED THROUGH</u>
Mr. John Gilhooley	Feb 13, 1971
Mrs. Catherine Bedell	Feb 5, 1971
Mr. Charles Luna	Feb 6, 1971
Mr. Arthur Lewis	Jan 31, 1971
Mr. David Kendall	Jan 31, 1971



NATIONAL RAILROAD PASSENGER CORPORATION  
 REPORT OF START-UP COSTS THROUGH APRIL 30, 1971  
 THROUGH THE PERIOD ENDING MARCH 4, 1971

Type of Expense	Previous Report	Estimated Commitments		New Balances	Previous Report	Charges Billed		New Balances
		Since Previous Report	Changes			Since Previous Report	Changes	
<b>Salaries, travel and related expenses:</b>								
Incorporators	\$ 240,000	\$ -	\$ -	\$ 240,000	\$ 34,884	\$ 15,455	\$ 50,339	
Key Executives	310,000	-	-	310,000	-	1,974	2,350	
Other Personnel	75,000	-	-	75,000	376	-	-	
Total salaries, travel and related expenses	\$ 625,000	\$ -	\$ -	\$ 625,000	\$ 35,260	\$ 17,429	\$ 52,689	
<b>Consultants and Support:</b>								
Technical and Management Support	\$ 545,000	\$ -	\$ -	\$ 545,000	\$ -	\$ 87,314	\$ 87,314	
McKinsey & Company, Inc.	450,000	50,000 1	-	500,000	-	108,251	108,251	
Arthur Andersen & Company	50,000	-	-	50,000	-	-	-	
Arthur Young & Company	150,000	-	-	150,000	46,429	-	46,429	
Heidrick & Struggles	175,000	-	-	175,000	-	48,517	48,517	
Ward Howell and Associates	570,000	-	-	570,000	49,342	60,025	109,367	
Louis T. Klauder and Associates	40,000	-	-	40,000	-	-	-	
Parsons Brinkerhoff - Gibbs & Hill	10,000	-	-	10,000	-	-	-	
Misc Technical and Management Consultants	600,000	-	-	600,000	453	-	453	
Legal Fees	-	-	-	-	-	-	-	
Marketing and Public Relations	125,000	-	-	125,000	-	-	-	
Lippincott & Hargulies	75,000	-	-	75,000	-	-	-	
Harsho-Kotman & Druck	105,000	-	-	105,000	-	-	-	
American Airlines	100,000	-	-	100,000	-	-	-	
Advertising	10,000	-	-	10,000	800	3,131	3,931	
Misc Marketing and Public Relations Consultants	-	-	-	-	-	-	-	
Total Consultants and Support	\$ 3,005,000	\$ 50,000	\$ -	\$ 3,055,000	\$ 97,024	\$ 307,238	\$ 404,262	

*File*



Type of Expense	Estimated Commitments (cont)			Charges Billed (cont)		
	Previous Report	Changes Since Previous Report	New Balances	Previous Report	Changes Since Previous Report	New Balances
General and administrative expenses:						
Office furniture and equipment	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ 4,750	\$ 4,750
Office rent	15,000	-	15,000	7,165	7,375	14,540
Supplies, telephone, and related expenses	60,000	-	60,000	3,862	959	4,821
Total general and administrative expenses	\$ 225,000	-	\$ 225,000	\$ 11,027	\$ 13,084	\$ 24,111
Non-earmarked funds	✓ \$ 1,145,000	(50,000)	1,095,000	-	-	-
Total Start-up expenses	\$ 5,000,000	-	\$ 5,000,000	\$ 143,311	\$ 337,751	\$ 481,062

1. Commitment to review terminal costs as approved at Board of Incorporators meeting of March 2, 1971
2. These expenses will extend through December 31, 1971.



NATIONAL RAILROAD PASSENGER CORPORATION

CASH REPORT

Date: March 4, 1971

Balance, Per last Report (2-25-71) 107,236.00

Receipts, Voucher Number --3 300,000.00

Disbursements, Check Number #132 --147 6,281.02

\$ 400,954.98

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AUTHORIZATION FOR PAYMENT OF INVOICES

RECEIVED THROUGH MARCH 3, 1971

<u>Date</u>	<u>Voucher #</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
2/24/71	44	Sky Chefs, Inc.	Coffee	\$ 43.84
2/25/71	45	National Business Forms	Mailing Machine	50.00
2/26/71	46	Harry R. Lee & Co.	Check Protector	285.48
2/24/71	47	Louis T. Klauder & Associates	Engineering Services	60,025.25
3/1/71	48	Robert R. Mullen & Company	Legal Services & Lunch	3,131.34
3/2/71	49	Coffee Butler	Coffee	6.63
3/2/71	50	Mallorey Office Supply/Office Supplies		618.96
2/26/71	51	Bellcomm, Inc.	Office Modifications	2,770.75
2/26/71	52	Bellcomm, Inc.	Rent, Parking	4,603.48
2/26/71	53	Bellcomm, Inc.	Furniture, Type- writers	4,414.00
2/25/71	54	Bellcomm, Inc.	Xerox copies	44.18
1/31/71	65	McKinsey & Co.	Services thru 1/31/71	87,314.00
2/15/71	70	Arthur Andersen	Services thru 2/15/71	108,251.46
2/15/71	71	Ward Howell Assoc.	Services thru 2/15/71	48,517.02
TOTAL.....				\$ 320,076.39



NATIONAL RAILROAD PASSENGER CORPORATION  
Accounts Payable  
March 4, 1971

<u>Voucher #</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
35	2/9	Sky Chefs, Inc.	\$ 39.90
36	1/31	Heidrich & Struggles	46,429.08
44	2/24	Sky Chefs, Inc.	43.84
45	2/25	National Business Forms	50.00
46	2/26	Harry R. Lee & Co.	285.48
47	2/24	Louis T. Klauder & Assoc.	60,025.25
48	3/1	Robert R. Mullen & Co.	3,131.34
49	3/2	Coffee Butler Service	6.63
50	3/2	Mallorey Office Supply	618.96
51	2/26	Bellcomm, Inc.	2,770.75
52	2/26	Bellcomm, Inc.	4,603.48
53	2/26	Bellcomm, Inc.	4,414.00
54	2/25	Bellcomm, Inc.	44.18
65	1/31	McKinsey & Co.	87,314.00
70	2/15	Arthur Andersen & Co.	108,251.46
71	2/15	Ward Howell Assoc.	48,517.02
59	3/1	Advances to DOT	5,050.00
VAR.	VAR.	Incorporators expenses	3,194.75
VAR.	VAR.	Incorporators fees	8,700.00
TOTAL.....			\$ 383,490.12

Eno

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FUNDS AVAILABLE 3/4/71

DOT Grant Received		\$800,000
Funds Dispersed or Incurred		
Salaries and fees	\$ 52,700	
Consultants & Support	404,250	
General & Admin	<u>24,100</u>	
Total	<u>\$481,050</u>	<u>481,050</u>
Available Funds		\$318,950

Eno

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PROJECTED CASH REQUIREMENTS THROUGH 3/31/71

Salaries and fees	\$60,000
Consultants & Support	No est.
General & Admin	<u>25,000</u>
Total Projected Needs	<u>\$85,000</u>

Available Funds	\$318,950
Misc Projected Needs	<u>85,000</u>
Available for unprojected needs	<u>\$233,950</u>

Eno

Center for  
Transportation

MEETING SUMMARY

Friday, March 5, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Friday, March 5, 1971, at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. John Gilhooley  
Mr. John Olsson

The Chairman opened the meeting and introduced Messrs. Hoover and Roach of Ward Howell and Weidrick & Struggles. Messrs. Hoover and Roach led a review of the resumes of several candidates for CEO.

Mr. Neuschel reported on a meeting with the AAR Ad Hoc Committee on Sales, Marketing, Mail and Express. The meeting was held to discuss a number of issues including reservations and ticketing for May 1. Mr. Neuschel stated the group had resolved to take a positive approach to reservations, accept them, and keep name and address records on customers who request them.

Mr. Gilhooley stated a procedure should be established to oversee and coordinate this activity. Further, Mr. Gilhooley reiterated the need to establish an in-house operating group to carry out this and other tasks until such time as the NRPC management is in place. In addition, he stated that Mr. Getty could be made available as one man to serve in this group.



As a result of this discussion, the Incorporators present agreed that the Chairman would coordinate with Mr. Luna and General Besson would request that Mr. Getty and Mr. Davenport serve as NRPC employees on a consultant basis.

General Besson reported he had asked Mr. Klauder to propose an extension of his contract to plan the full requirements for equipment and supporting logistics (to include a new equipment acquisition program).

Mr. Neuschel reported further that in his meeting, participants had also discussed: fares, passes, credit cards, special cars, service package announcement date, tours, fees to travel agents, travel insurance.

Mr. Gilhooley tasked McKinsey to have men available to respond to tour and other groups after route announcements are made on April 5. Further, he proposed a policy be articulated that changes on May 1 be held to a minimum. Mr. Neuschel stated this philosophy has already been proposed to the railroads.

Mr. Neuschel also reported a meeting had been held earlier in the morning to make recommendations to the Incorporators on equipment issues. He stated a summary of the meeting would be distributed next week.

With no further business, the Chairman adjourned the meeting.

MEETING SUMMARYMonday, March 8, 1971NATIONAL RAILROAD PASSENGER CORPORATION

Several Incorporators met on Monday, March 8, 1971, at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. John Olsson

The purpose of the meeting was to discuss contract negotiation issues with Messrs. Hansell and Rose prior to their next day's meeting with the railroads. The major subjects discussed included: labor protection responsibilities, use of railroad trackage by NRPC employees, retroactivity of adjustment after renegotiation of cost formula, arbitration, equipment disposition provisions, and equipment purchase/lease.

After discussion the special meeting was adjourned.



MEETING SUMMARY

Tuesday, March 9, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Tuesday, March 9, 1971, at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and introduced Mr. Neuschel of McKinsey who reviewed progress of participating professional firms and sub-committees in the previous week. Mr. Neuschel identified activities that were on or behind schedule and summarized highlights of the current period. Mr. Neuschel also distributed three reports: (a) Carrying Mail On Passenger Trains, (b) draft on Acquiring Rolling Stock and (c) draft on Providing Marketing And Customer Services On May 1, 1971.

Mr. DePauw of Arthur Andersen and Mr. Johnson of Arthur Young introduced representatives of Arthur Young to report on costs and revenues for 3 railroads the Chicago and North Western, the Richmond, Fredericksburg, and Petersburg, the Seaborad Coast Line.



In a discussion of progress toward development of a contract with the railroads, Mr. Bradshaw proposed and the Board concurred that a representative of Arthur Andersen participate with the lawyers on behalf of NRPC. Further, General Besson stated and the Board concurred that all Board members and key staff should receive copies of the current draft contracts proposed by NRPC and the railroads. The Chairman stated he would discuss these points with Messrs. Hansell and Rose.

Further, the Chairman reminded the Board that the five remaining issues under discussion with the railroads are

1. Cost appendix
2. Casualty losses/insurance
3. Terminals
4. Labor protection
5. Train scheduling

He stated these would be discussed by the Board in the afternoon.

In the afternoon Mr. DePauw of Arthur Andersen led a review of his firm's analysis of costs and revenues in the Washington Union Terminal. The schedules presented for the Washington Terminal (based on 1970 data) were:

1. Revenues And Expenses
2. Billings By Railroad
3. Costs
4. Summary Of Mail Operations
5. Potential Cost Savings.

4



Mr. DePauw and Mr. Kujawa of Arthur Andersen stated that the major elements of terminal cost were for labor and could be largely "fixed". Thus, they proposed that rationalization of the physical terminals might have relatively little beneficial effect on total terminal costs.

Mr. Rose renewed review of outstanding contract issues. Discussion covered labor protection, terminals, and equipment valuation. To assist the negotiators, the Board charged Mr. Neuschel of McKinsey to:

1. Coordinate with other participants and pull together a summary of key cost bases as reference points for equipment valuation
2. Write up the rationale for Mr. Bohannon's proposed short-term lease basis for passenger cars (i. e., twice scrap value at an appropriate rate of interest)
3. Specify the expected impact of this short term lease on the corporations' cash position, and
4. Define a basis for acquiring locomotive power based on the same approach as for cars.

With no further business for the day, the Chairman adjourned the meeting.

MEETING SUMMARYWednesday, March 10, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The *Incorporators* met on Wednesday, March 10, 1971, at 955 L'Enfant Plaza, Washington, D.C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and General Besson and Mr. Egen of McKinsey led a review of the Operating Council's organization, activities, and progress. This group had been established at the request of the Board to plan and control M-Day activities for equipment, marketing, operations, terminals, and other related areas.

General Besson stated that two memorandums had already been issued by the Council - one on acquiring rolling stock, and one on providing marketing and other services on May 1. He led a section-by-section review of the latter memorandum in order to obtain Board policy guidance on each issue identified therein:

1. Reservations - The Board charged the Council to revise its approach to reservations, such that all reservations between end points on the Secretary's system will be accepted by the contacted railroad (subject to a railroad judgment that this is not possible). General Besson will investigate this further and comply if it is feasible.
2. Ticketing - Mr. Lewis inquired whether NRPC must attach a notice of its assumption of responsibility to each ticket. The spirit of the Board was to avoid this unless it was legally required.
3. Passes - The Board concurred that as of May 1, NRPC will effectively eliminate non-operating passes by requiring each railroad to purchase tickets needed to provide passage for employees and others to whom the railroads had issued pass privileges. The public relations staff will coordinate on announcing this policy.
4. Business cars - The spirit of the Board was that business cars should only be pulled on NRPC trains if the costs are borne by the railroads who request the cars be run.
5. Route Announcements - Tentatively March 22 was proposed as a date on which route announcements could be made. McKinsey, Druck, and the Operating Council will coordinate on developing a strategy and schedule of tasks required to support these announcements.

6. Tours - The Board concurred that, like other reservations, tours will continue to be handled as they are now, by the originating carrier.
7. Credit Cards - The Board concurred that current procedures will remain in force, as at present, until at least January 1, 1971.
8. Travel and Baggage Insurance - The Board stated that railroads should not be allowed to eliminate this insurance on May 1.
9. Travel Agents - The Board concurred that no change be made until appropriate review can be completed after May 1.

General Besson stated that these instructions would be issued to each railroad with concurrent contact at the railroad presidential level to ensure support. In addition, at the suggestion of the Board, General Besson stated he would later make a proposal for field customer service evaluations on May 1. Further, he stated he would shortly make recommendations for operating reports for the railroads and an emergency communications procedure.

Mr. Gilhooley reviewed with the Board that the position he would take in his meeting with the DOL on labor protection, is that NRPC has no responsibility to guarantee labor protection rights to employees affected by the establishment of the Corporation. The Board reiterated its concurrence with Mr. Gilhooley's statement of NRPC's position.

Mr. Lewis reviewed progress in identifying executives at the immediate levels below the CEO. He recommended that the Board not get involved in the actual selection of these individuals. However, he stated blind resumes could be made available to the Board for review.

Mrs. Bedell requested a procedure be established for down-the-line recruiting.

Mr. Neuschel was tasked to recommend a way to get such a procedure established.

Mr. Gilhooley introduced the following suggestions to the Board (concerning provision of service in high loss areas of interest to the states involved):

1. State that no service would be provided in specified high-cost low-ridership areas
2. Relax this statement provided that the states concerned set up corporations or authorities to provide two-thirds of the losses for at least 2 years (during which terminal and other rationalization can proceed)
3. Run the service agreed for 6 months on a provisional basis (if time is required to pass appropriate legislation)
4. Make a final decision after 6 months based on the facts and events that occur during the provisional period.

Mr. Luna proposed that a letter be sent to all governors advising them of the provision of the Act that enables them to participate in establishing extended service in cooperation with NRPC. The Board concurred this should be done. McKinsey will prepare the draft of letters to: Governors, heads of each state's transportation authority, and members of both houses of the Congress.



Mr. Gilhooley introduced Mr. White and reported on the meeting with the DOL. He stated the union and railroad management representatives present had concurred that NRPC was in part responsible for guaranteeing labor protection to railroad employees - but that he had countered with the NRPC position.

Mr. Rose joined the meeting and led discussion of the following points:

1. The sense of the railroads was that reductions subsequent to May 1, (e.g., terminal rationalization) were expected to take place as part of the take-over on May 1.
2. Casualty loss payments to railroads, Messrs. Bradshaw and Rose proposed, should be determined on an individual road basis.
3. There was a review of the difference between solely related cost and PC's "identifiable cost".
4. On the issue of retroactivity of service cost adjustments made after May 1, the members present reiterated that the NRPC position remains unchanged.

In closing the discussion, the Chairman tasked Mr. Rose to distribute copies of the memorandum on route flexibility and the latest contract drafts, to each member of the Board.

Mrs. Bedell gave the administrative report (attached) for the period ending March 10, 1971. Mrs. Bedell moved and the Incorporators resolved (attached) that the Incorporators be compensated for special meetings as stated in the attached resolution.

With no further business for the day the Chairman adjourned the meeting.



NATIONAL RAILROAD PASSENGER CORPORATION

REPORT OF START-UP COSTS THROUGH APRIL 30, 1971

THROUGH THE PERIOD ENDING MARCH 10, 1971

Type of Expense	Estimated Commitments			Charges Billed		
	Previous Report	Changes Since Previous Report	New Balances	Previous Report	Changes Since Previous Report	New Balances
<b>Salaries, travel and related expenses:</b>						
Incorporators	\$ 240,000	-	\$ 240,000	\$ 50,339	\$ 12,103	\$ 62,442
Key Executives	310,000	-	310,000	2,350	-	2,350
Other Personnel	75,000	-	75,000	52,689	12,103	64,792
<b>Total salaries, travel and related expenses</b>	<b>\$ 625,000</b>	<b>\$ -</b>	<b>\$ 625,000</b>	<b>\$ 52,689</b>	<b>\$ 12,103</b>	<b>\$ 64,792</b>
<b>Consultants and Support:</b>						
<b>Technical and Management Support</b>						
McKinsey & Company, Inc.	\$ 545,000	-	\$ 545,000	\$ 87,314	-	\$ 87,314
Arthur Andersen & Co.	500,000	-	500,000	108,251	-	108,251
Arthur Young & Co.	50,000	-	50,000	-	-	-
Heldrick & Struggles	150,000	-	150,000	46,429	-	46,429
Kard Howell and Associates	175,000	(120,000)	175,000	48,517	-	48,517
Louis T. Klauder and Associates	570,000	-	450,000	109,367	25,995	135,362
Parsons Brinckerhoff - Gibbs & Hill	40,000	-	40,000	-	-	-
Misc Technical and Management Consultants	10,000	-	10,000	-	24	24
Legal Fees	600,000	-	600,000	453	2,400	2,853
<b>Marketing and Public Relations</b>						
Lippincott & Margulies	125,000	-	125,000	-	-	-
Harshe-Rotman & Druck	75,000	-	75,000	-	-	-
American Airlines	105,000	-	105,000	-	-	-
Advertising	100,000	-	100,000	-	-	-
Robert R. Mullen and Co.	-	10,000	10,000	3,931	-	3,931
Misc Marketing and Public Relations Consultants	10,000	-	10,000	-	-	-
<b>Total Consultants and Support</b>	<b>\$3,055,000</b>	<b>\$(110,000)</b>	<b>\$2,945,000</b>	<b>\$ 404,262</b>	<b>\$28,419</b>	<b>\$432,681</b>

	Estimated Commitments			Charges Billed		
	Previous Report	Changes Since Previous Report	New Balances	Previous Report	Changes Since Previous Report	New Balances
<b>General and administrative expenses:</b>						
Office furniture and equipment	\$ 150,000	\$ -	\$ 150,000	\$ 4,750	\$ -	\$ 4,750
Office rent and leasehold improvements	15,000	15,000 <sup>3</sup>	30,000	14,540	-	14,540
Supplies, telephone, and related expenses	60,000	-	60,000	4,821	390	5,211
<b>Total general and administrative expenses</b>	<b>\$ 225,000</b>	<b>15,000</b>	<b>\$ 240,000</b>	<b>\$ 24,111</b>	<b>\$ 390</b>	<b>\$ 24,501</b>
<b>Non-earmarked funds</b>	<b>1,095,000</b>	<b>\$(905,000)</b>	<b>\$ 190,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Start-up expenses</b>	<b>\$5,000,000</b>	<b>\$(1,000,000)</b>	<b>\$4,000,000</b>	<b>\$ 481,062.</b>	<b>\$ 40,912</b>	<b>\$ 521,974</b>

1. Revised to reflect that portion of work committed prior to May 1, 1971.
2. Established to set up separate estimate for Robert R. Mullen and Co. Estimated commitments for this consultant through April 30, 1971 requested.
3. Revised to include cost of rent and leasehold improvements.
4. Adjustment of total estimated start-up costs to reflect a new estimate of \$4,000,000 through April 30, 1971.



NATIONAL RAILROAD PASSENGER CORPORATION

Cash Report

Date: March 10, 1971

Balance, Per Last Report (3/4/71) \$ 400,954.98

Receipts, Voucher Number

Disbursements, Check Number 148-169 381,469.32

\$ 19,485.66

Eno

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AUTHORIZATION FOR PAYMENT OF INVOICES

Received Through March 10, 1971

<u>Invoice Date</u>	<u>Voucher #</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
3/3/71	73	Airport Parking Co.	Parking spaces	\$ 120.00
3/5/71	81	Mallorey Office Supplies	Office Supplies	120.07
2/16/71	82	City Duplicating	Office Supplies	109.72
3/1/71	83	Social List of Wash.	Directory	24.78
2/17/71	84	George Wyatt	Various legal fees	2,400.00
2/10/71	85	Golden Parrot Rest.	Dinner Meeting <sup>tu</sup> 7 Incorporators	103.20
3/1/71	86	Sheraton Park Hotel	Room/Borntrager	24.15
3/5/71	87	Coffee Butler Service	Coffee	45.90
2/28/71	88	Louis T. Klauder & Associates	Engineering Services	25,995.25
TOTAL.....				\$ 28,943.07

Eno

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NATIONAL RAILROAD PASSENGER CORPORATION

ACCOUNTS PAYABLE

March 10, 1971

<u>Voucher Number</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
81	3/5/71	Mallorey Office Supplies	\$ 120.07
82	2/16/71	City Duplicating Center	109.72
83	3/1/71	The Social List of Washington	24.78
84	2/17/71	George Wyatt	2,400.00
85	2/10/71	Golden Parrot Restaurant	103.20
86	3/1/71	Sheraton Park Hotel	24.15
87	3/5/71	Coffee Butler Service	45.90
88	2/28/71	Louis T. Klauder & Associates	25,995.25
59	3/1/71	Advances to DOT	5,050.00
VAR	VAR	Incorporators fees	8,700.00
-	VAR	Federal and state taxes	761.98
			<u>\$43,335.05</u>



RESOLUTION

Be it resolved by the Incorporators of National Railroad Passenger Corporation that the following named Incorporators attended special meetings of the Incorporators of National Railroad Passenger Corporation on the dates indicated. Be it further resolved that as previously approved by the Incorporators and as recorded in the minutes of the meeting held February 10, 1971 the Incorporators who attend special meetings are to be compensated at the rate of \$300.00 a day for attendance at such meetings.

<u>Name</u>	<u>Dates</u>	<u>Number of Full Days Claimed</u>
Mrs. Catherine May Bedell	January 15, 18, 22 February 1, 5, 8, 13, 26 27	7
Mr. David E. Bradshaw	February 26, 27 March 1	3
Mr. John J. Gilhooley	December 1970 - 23, 24, 30 January 4, 8, 16, 23, 25, 26, 28, 29 February 1, 2, 5, 8, 9, 12	16
Mr. Arthur D. Lewis	January 26, 28, 29 February 1, 2, 9, 13, 15, 17, 20, 25, 26, 27, 28	11 1/2
Mr. David W. Kendall	January 4, 15, 18, 25 February 8, 15, 19 March 1, 8	9

Approved this 10th day of March 1971

*David W. Kendall*

David W. Kendall  
Chairman



MEETING SUMMARY

Thursday, March 11, 1971

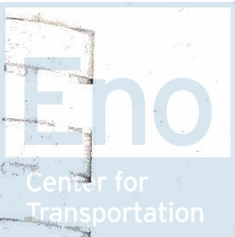
NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Thursday, March 11, 1971, at 955 L'Enfant

Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and introduced Mr. Neuschel of McKinsey who led a discussion to obtain the Incorporator's decisions on service packages for the Western routes. To structure the discussion, Mr. Neuschel described the principles that were followed in developing the presentation from the underlying data and analyses. Further, he identified the major elements of the total service package upon which the Incorporators must decide (i. e., routes, numbers of trains on a route, stops, schedules, and consists). Finally, he stated McKinsey had identified longer term opportunities for improvement after May 1 and that these would be presented in a later summary.



Related to the discussion of service package decisions, Mr. Gilhooley reviewed the proposal he had made to involve individual states and groups of states in participating with NRPC to add provisional service in addition to the basic system.

Routes reviewed and decisions made were:

1. Seattle - San Diego. The Board unanimously resolved to:
  - a. Run the recommended coastal route through Santa Barbara
  - b. Provide tri-weekly service each way over the full length of the route and additional segment service of 2 trains daily each way Seattle to Portland; only the through train Portland - San Francisco/Oakland; 1 train per day each day Oakland to Los Angeles; and 2 trains per day each day Los Angeles to San Diego.
  - c. Receive on Saturday a revised recommendation from McKinsey on stops based on the philosophy of high-speed corridor service with a limited number of intermediate "area" stops.



Mr. Neuschel summarized his understanding of the Board's stop policy on which this revision would be based, as follows: summarily eliminate low patronage stops along any route and, in cases where clusters of medium patronage stops now exist in close proximity along a route (e. g. , 10-15 miles), select only 1 stop as the "area" stop and eliminate the rest.

d. Accept the recommended schedule and consist

2. New Orleans - Los Angeles. The Board resolved unanimously to:

- a. Run the recommended Sunset route
- b. Provide tri-weekly service each way (as at present)
- c. Accept the recommended schedule and consist

3. Chicago - Los Angeles. The Board resolved unanimously to:

- a. Run the route via Ottumwa and La Junta - Albuquerque as recommended
- b. Provide 1 train per day each way (the current Super Chief)
- c. Accept the recommended schedule and consist

4. Chicago - St. Louis. The Board resolved unanimously to:

- a. Run the recommended route via Bloomington - Springfield
- b. Provide 2 trains per day each way (provided the eliminated mail train on balance losses money)
- c. Accept the recommended schedule and consist

5. Chicago - Houston: The Board resolved unanimously to:
  - a. Run the recommended Western route via Fort Madison - Kansas City - Fort Worth - Dallas. However, until such time that service through Dallas can be re-established, service from Fort Worth to Houston will be temporarily run through Temple
  - b. Provide 1 train per day each way
  - c. Accept the recommended schedule and consist
  
6. Chicago - San Francisco/Oakland: The Board resolved unanimously to:
  - a. Run the recommended route via Ottumwa - Omaha (and later determine if track conditions and running time can be improved so that service can be provided through Des Moines in lieu of Ottumwa) and Omaha-Lincoln, but defer decisions on segments west of Denver until an economic based summary is presented describing the impact on the total route of the Cheyenne and Grand Junction and the Salt Lake City to Wells alternatives. The Board further resolved to run the recommended segment from Wells to San Francisco/Oakland.
  - b. Provide one train per day each way from Chicago - Denver and tri-weekly each way from Denver to San Francisco/Oakland
  - c. Accept the recommended schedule and consist

7. Chicago - New Orleans. The Board resolved unanimously to:
- a. Run the recommended route via Centralia
  - b. Provide 1 train per day each way through from Chicago to New Orleans and 1 train per day each way intermediate service for Chicago - Carbondale
  - c. Accept the recommended schedule and consist
8. Chicago - Seattle: The Board resolved unanimously to:
- a. Run the recommended route from Chicago to Fargo, and Spokane via Yakima to Seattle but defer decision on the alternatives from Fargo to Spokane
  - b. Defer decisions on frequencies, schedules, and consists until the route decision is made

Mr. McIsaac closed the service package decision session with a revised summary of loss estimates for the Western routes. This revised summary was based on Incorporator route decisions made during the day and actual 1969 railroad data collected by Arthur Andersen. Mr. McIsaac's analysis indicated a significant increase in total forecast losses (on the order of 30%) would occur, due in large measure to high terminal costs. As a result, several Incorporators reiterated their concern about the need for NRPC to take a firm position on limiting the terminal costs it would bear in the contract with the railroads.



During the working luncheon, Mr. Jerry Jordan and other representatives of American Airlines reported their recommendations for short and long haul food service. These recommendations and supporting rationale are described in the American Airlines report: A Food Service Program For Railpax, March 1971, which was distributed during the meeting.

With no further business for the day the Chairman adjourned the meeting.

MEETING SUMMARYFriday, March 12, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Friday, March 12, 1971, at 955 L'Enfant Plaza

Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. John Gilhooley  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and introduced Mr. Hansell and Messrs. DePauw, Kujawa, and Johnson to review the status of several issues important to the contract discussions.

1. Cost formula and appendix. The Penn Central is balking on the cost formula, some direct terminal/station labor services they will provide NRPC and maintenance of way are not reimbursed under the solely related formula. Further, there is an equity concern that could be an impediment to court approval. Thus, it was proposed that a small percentage override might be added to the solely related cost base.
2. Penn Central contract deadline. Penn Central must mail its contract to creditors and other parties at interest no later than close of business on March 19. Thus, the contract must be agreed-to next week.

General Besson introduced a draft letter to the railroad presidents on equipment rental. He proposed and the Board concurred Mr. Hansell should use this draft as a talking paper on NRPC's position.

General Besson also proposed that Mr. Hansell be given guidance on pass provisions. He stated: (a) NRPC should reimburse for passenger crews and the railroads for freight crews, (b) NRPC should reimburse for railroad employees' travel on passenger business and the railroads for employees on other business and (c) any other travel per passes issued by railroads should be paid for by those railroads. Further, he stated that railroads should also be charged for pulling business cars.

With no further business for the day the Chairman adjourned the meeting.

MEETING SUMMARY

Saturday, March 13, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Saturday, March 13, 1971, at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
Mrs. Catherine May Bedell  
Mr. Arthur Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and introduced Mr. Rose to review the present status of contract negotiation issues with the railroads and seek Board guidance on 4 points of contract disagreement:

1. Cost Formula: How far to take direct allocation in defining solely related costs.
2. Penn Central Maintenance of Way. The cost principal is the main difficulty with Penn Central and Arthur Andersen is coming up with a proposed formula to aid in resolving it. Penn Central's problem is unique and arises from defining trackage which is solely related to commuter or inter-city passenger business. That is, in its agreements with state agencies on commuter services, Penn Central has already waived maintenance of way for trackage used both for inter-city and commuter use. Thus, if Railpax does not reimburse Penn Central

for passenger trackage not solely related to inter-city service, Penn Central is faced with the problem of having substantial trackage required by passenger service but no agency reimbursing it for the expenses that trackage entails.

3. Labor Protection: Mr. Rose feels this is not as difficult as the other questions - if Secretary Hodgson will approve the New Orleans formula, the railroads will take any consequence of May 1 and will give NRPC a list of job assignments for those who are being retained after May 1 and a seniority list.

The railroads' basic issue is the conflict between Section 405, subparagraphs (a) and (c), as to the extent of railroad responsibility for layoffs and protection for employees required by Railpax operations as of May 1 and beyond. They are proposing that the issue be put to litigation as to whether they have responsibility according to subparagraph (a).

Mr. Rose felt that he could gain agreement with the railroads if he had flexibility to accept labor protection responsibility for employees added by Railpax on operations begun after May 1, (but provided those costs were netted against any savings enjoyed by that railroad by virtue of expansion and subsequent contraction of services inaugurated after May 1).



4. Leasing of Equipment: No new position was offered by Mr. Rose because the one discussed previously with the Board needs reevaluation. That is, the position adopted at the last meeting of the Board has to be reevaluated since it has been found that of the 1,117 Penn Central cars, 48 Metro Liners and 9 Silver Liners are leased by Penn Central at a cost of \$4 million a year. Further, Penn Central owes \$15 million on their cars with a debt service cost of \$2 million a year. Thus, Mr. Rose suggested NRPC might consider offering Penn Central a short-term lease (e.g., 2 years) based on paying the railroad's depreciation costs.

After discussing the above four points with Mr. Rose, the Incorporators present agreed that he should go back into negotiation only after he had the accountants check out the cost and other supporting figures associated with each of the three points at issue - cost appendix, maintenance of right-of-way, and equipment leasing. He was instructed to try to discuss these points with the accountants on Sunday, March 14, and if the accountants had time to get the costing completed, check back with the Incorporators on Monday. Thus, Mr. Rose could hopefully go back into negotiation with the railroads to discuss these points sometime later on Monday.

To ensure all Incorporators were informed of this discussion, Mr. Rose contacted Mr. Gilhooley who concurred with the approach. Further, Mr. Rose and the Chairman were to contact General Besson and Mr. Bradshaw.

A minor point was also discussed and agreed upon: length of renegotiation time on the cost reimbursement formula. Mr. Rose believes that at this time an agreement can be reached for an initial contract to extend for three years, with provision for either party to open re-negotiation after one year. If agreement on the formula to be followed after the third year cannot be reached in 90 days after the end of the third year, the issue would be put to the ICC for final resolution and any subsequent decision by the ICC would be made retroactive to the beginning of the fourth year.

During the meeting Mr. Lewis outlined a position that was discussed and given general support by those present. Mr. Lewis said he felt it was vitally important that NRPG's position on the contracts be one that the Congress would judge reasonable.

Mr. Neuschel of McKinsey introduced his firm's service package teams and led discussion to get the Board's decision on the following route service packages:

1. New York - New Orleans. Board members present decided unanimously

to:

- a. Run the recommended route via Lynchburg - Charlotte - Atlanta - Birmingham with a train daily to Atlanta and
- b. Provide 1 train each way daily New York - Atlanta and 1 train each way tri-weekly from Atlanta to New Orleans

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- a. Run the recommended route via Lynchburg - Charlotte - Atlanta - Birmingham with a train daily to Atlanta and
- b. Provide 1 train each way daily New York - Atlanta and 1 train each way tri-weekly from Atlanta to New Orleans

- c. Make stops recommended (adding Alexandria, Va.)
  - d. Accept the recommended schedule and consists
2. Chicago - Cincinnati. Board members present decided unanimously to:
- a. Run the recommended route via Kankakee -  
Lafayette - Indianapolis
  - b. Provide 1 train per day each way
  - c. Make the stops recommended (with Homewood in lieu  
of Woodlawn)
  - d. Accept the recommended schedule and consists
3. Norfolk/Newport News - Cincinnati. Board members present decided unannmiously to:
- a. Run the recommended Northern route via Richmond-  
Charlottesville - Clifton Forge - Charleston - Kenova
  - b. Provide 1 train per day each way
  - c. Make stops recommended (and add back flagstops at  
Williamsburg and White Sulpher Springs)
  - d. Accept the recommended schedule and consist



4. New York - Miami and Tampa/St. Petersburg. Board members present

decided unanimously to:

- a. Run the recommended routes via both Charleston and Raleigh - Columbia between Richmond and Savannah and both Orlando to Tampa/St. Petersburg and Wildwood and W. Palm Beach to Miami
- b. Provide 3 express trains per day each way: one to Miami, one to Tampa/St. Petersburg and one that splits at Auburndale to get to each Southern end-point. (A decision to provide additional seasonal, provisional service was deferred, as recommended, until Fall).
- c. Make the stops recommended (adding Alexandria, Va. and eliminating Henderson and Southern Pines) but also consider not stopping all trains at each selected station
- d. Accept the recommended schedule and consist

5. Chicago - Miami and Tampa/St. Petersburg. Board members present

decided unanimously to:

- a. Run the recommended route via Indianapolis - Birmingham - Montgomery - Waycross
- b. Provide 1 train per day each way
- c. Make stops recommended (with the possible addition of Waycross.)



d. Accept the recommended schedule and consist.

The Incorporators also made stop decisions on the 8 western routes (revised based on Board guidance received on Thursday, March 11, 1971).

The routes for which stop decisions were made were:

1. Chicago - Los Angeles
2. Chicago - Houston
3. Chicago - New Orleans
4. New Orleans - Los Angeles
5. Seattle - San Diego
6. Chicago - San Francisco
7. Chicago - Seattle
8. Chicago - St. Louis

With no further business for the day, the Chairman adjourned the meeting.

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MEETING SUMMARY

Monday, March 15, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Monday, March 15, 1971, at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman

General Frank S. Besson, Jr., Vice Chairman

Mrs. Catherine May Bedell

Mr. John Gilhooley

Mr. Arthur D. Lewis

The Chairman opened the meeting and read a draft letter that would be sent to Mr. Ailes of the AAR. This letter reviewed the rationale underlying NRPC's proposed cost reimbursement approach. Further, the Chairman proposed that this letter be held until the end of the day before being amended and/or sent.

Further discussion also took place about the extent to which NRPC could move from its "solely related" cost base to accommodate Penn Central's problem without opening the door to a large unknown increment of cost or a shift to fully allocated cost.

With no further business for the day, the Chairman adjourned the meeting.

MEETING SUMMARYTuesday, March 16, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Tuesday, March 16, 1971, at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and introduced Messrs. Neuschel and Rethore of McKinsey to review progress during the past week by professional firms and sub-committees.

Thereafter, Messrs. Neuschel and McIsaac led discussion to get the Board's decisions on the following route service packages:

1. Detroit - Chicago. Board members present resolved unanimously to:
  - a. Run the recommended route via Jackson-Battle Creek-  
Kalamazoo
  - b. Provide 2 trains per day each way



c. Make stops recommended (but eliminating Englewood and Gary)

d. Accept the recommended schedule and consists

2. New York - Boston. Board members present resolved unanimously to:

a. Run the recommended primary route via Providence and intermediate service via Hartford from New Haven to Springfield

b. Provide 8 trains per day each way Boston-New London, 9 total trains per day each way New Haven-New York on the shoreline route; provide 4 trains per day each way Hartford-Springfield and a total of 9 trains per day each way Hartford-New Haven (using Budd cars)

c. Make the stops recommended

d. Accept the recommended schedules and consists

3. New York-Buffalo. The Board members present resolved unanimously to:

a. Run the recommended route via Albany - Utica  
Syracuse - Rochester

b. Provide 3 through trains per day each way New York-Buffalo and 4 additional trains per day each way New York-Albany (a total of 7 per day each way through or to Albany)

c. Make the stops recommended

d. Accept the recommended schedules and consists

4. New York - Kansas City. The Board members present resolved unanimously to:

- a. Run the recommended route via Jefferson City
- b. Provide 1 train per day each way New York - Kansas City
- c. Make stops recommended (but attempt to avoid use of St. Louis terminal by using E. St. Louis and/or Kirkwood)
- d. Accept the recommended schedule and consist

5. New York - Chicago. The Board members present resolved unanimously to:

- a. Run the recommended Southern route via Pittsburgh-Canton - Fort Wayne
- b. Provide one through train per day each way Chicago - Pittsburgh, intermediate service of 1 train per day each way New York - Pittsburgh and present trains Harrisburg - Philadelphia
- c. Make stops recommended
- d. Accept the recommended schedule and consist

Further, the Board resolved not to run service between Buffalo and Cleveland and Chicago



6. Washington - St. Louis. Board members present decided unanimously

to:

- a. Run the recommended route via Harrisburg - Indianapolis
- b. Provide 1 through train per day each way
- c. Make the stops recommended
- d. Accept the recommended schedule and consists

7. New York - Washington. Board members present resolved unanimously

to:

- a. Run the recommended route
- b. Provide 16 through trains per day each way  
(including 7 Metroliners) and intermediate  
service of 15 trains North and 13 South between  
New York and Philadelphia
- c. Make the stops recommended
- d. Accept the recommended schedule and consists

Further, in discussion of intermediate service on this route,  
Mr. Bradshaw proposed and several Incorporators concurred that a  
provision should exist in the 401 contract to preclude railroads  
(e. g., the Penn Central) from themselves taking over or otherwise  
contracting out commuter service incidental to inter-city service.

8. Washington - Chicago. Board members present resolved unanimously to:

- a. Run the recommended route via Harrisburg - Ft. Wayne
- b. Provide 1 train per day each way
- c. Make the stops recommended
- d. Accept the recommended schedule and consists

Mr. Neuschel also renewed discussion of decisions needed that had been deferred on Thursday, March 11:

1. Chicago - Seattle. Board members present resolved unanimously to:

- a. Run the recommended Northern route between  
Fargo and Spokane
- b. Provide 1 train per day each way across the entire  
route with 3 additional intermediate trains per day each  
way from Chicago-Milwaukee on the Milwaukee Road
- c. Make the stops recommended
- d. Accept the recommended schedule and consist

Further, the Board stated its resolve to: (a) get out of the St. Paul terminal until it could be rationalized and (b) explore possible added frequency between Chicago and Milwaukee after May 1.

2. Chicago - San Francisco/Oakland. Board members present resolved unanimously to run the recommended route west of Denver via Grand Junction - Salt Lake City and Salt Lake City to Wells (Ohio) (provided that the new management studies this problem further and re-considers it at an appropriate later date).

Mr. Rose was introduced during the day to lead a review of progress in the contract discussions. He stated that the railroad presidents had endorsed the work of their legal committee but had some concerns (e.g., terminals and long-term trackage rights). Mr. Rose stated the four major questions that are still open are:

1. Provisions of cost appendix/reimbursement provisions
2. Labor protection
3. Casualty losses
4. Passes

Further, Mr. Bradhsaw identified lack of agreement on the avoidable loss payment options as a fifth major point. And, as a result, the Incorporators clarified the language of NRPC's position on Section 2.3 option (b).

In the remainder of the discussion, Mr. Rose stated he had proposed that NRPC move somewhat away from its going-in position on reimbursement formula / cost appendix in order to resolve the Penn Central problem.

Mr. DePauw of Arthur Andersen reviewed the types of account involved and how allocations (apportionments), might be made. Further, Mr. DePauw stated that in his judgment properly allocated costs in addition to purely solely related costs would approximate avoidable cost.

Several Incorporators present stated that, while allocations of common passenger costs (i. e. , common to commuter and intercity) might be appropriate, they would not accept any allocation of common costs between passenger and freight. Mr. DePauw stated these common costs would be excluded from the NRPC cost base because of the choice of allocable accounts that had been included in the cost appendix.

Finally, Mr. Gilhooley identified Section 4.3 of the draft and stated an addition must be made to preclude the railroads from letting right of way standards slip below the levels of May 1.

In another area, Mr. Bradshaw moved and the Board resolved to authorize the Chairman to sign a contract with Harshe-Rotman & Druck.

With no further business for the day, the Chairman adjourned the meeting.

MEETING SUMMARY

Wednesday, March 17, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Wednesday, March 17, 1971, at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and reported on the meeting with railroad presidents. He stated there would be a further meeting with them today. Individual Incorporators expressed concern about negotiation of various sections of the contract and all agreed to discuss these more fully in the afternoon when the lawyers would be present. The Chairman then introduced Messrs. Neuschel and McIsaac of McKinsey to review the overall rail passenger system decided on by the Board.

Mr. Neuschel reviewed several highlights about the routes and Mr. McIsaac reviewed preliminary financial implications of the system decided on. Mr. McIsaac also reported that the initial computer runs would soon be available to update these estimates and introduced Mr. Mullin of McKinsey who reviewed the McKinsey report on terminals.

Mr. Druck of Harseh-Rotman & Druck reported on the initial results of

background contacts in the field and plans for the coming weeks:

1. Background contacts in the field. To date H-R&D staff have made contacts in 67 cities with 372 press people including 8 railroad PR directors - this will be complete on Friday. The emphasis has been to: (a) describe/define route selection criteria and (b) urge patience for NRPC.

The findings from these contacts are that:

- a. People expect improvement from NRPC
  - b. Knowledge about NRPC is limited and uneven (within cities) and briefing kits filled a definite need for information
  - c. Local interest is high (thus coverage of announcements will be high)
  - d. People will seek to contact Incorporators and the staff right after the announcements to get direct quotes and detail
2. Route announcements. Based on the assumption of announcement once the Penn Central contract was mailed it had been planned to brief the Congress on Friday and hold a press conference on Monday. However, this assumption was removed and a Monday - Congressional notice and press conference were agreed.



Mr. Druck stated that the actual press conference would likely include:

- a. Statement made by the Chairman on the overall system
  - b. Press kits to each member of the press corps
  - c. Four regional briefings by assigned Incorporators and staff
  - d. Incorporators available after the conference at NRPC
3. Announcements follow-ups. Mr. Druck stated there will be a need for local appearances by Incorporators throughout the country.

Mr. Hansell submitted the Articles of Incorporation for signature and advised the Board they must consider designating interim officers (for internal house-keeping purposes only). Further, Mr. Hansell stated he would submit draft by-laws for review and will request Incorporators to subscribe for \$1000 in stock (as agents for the ultimate railroad stockholders). Mr. Hansell stated, finally, that the initial meeting of the Directors would take place on Wednesday, March 24, 1971, at 11:00 a. m.

The Incorporators present then renewed discussion of open contract issues, in preparation for the afternoon meeting with the railroad presidents. During the discussion Mr. Hansell stated that contracts with non-railroad-owned terminals will be negotiated separately once the railroad contracts are signed. Further; discussion reviewed the cost reimbursement formula and a possible refined definition of cost that would include an addition of some common costs to the solely related cost base.

Mr. Lewis proposed and members present agreed to a restatement of the pass provisions to permit some pass privileges for railroad employees (on a space available basis) and carriage of business cars in return for dead-heading of NRPC passenger equipment.

With no further business for the day, the Chairman adjourned the meeting.



UNANIMOUS WRITTEN ACTION  
OF  
INCORPORATORS OF  
NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators of National Railroad Passenger Corporation do hereby:

1. Approve the proposed Articles of Incorporation of National Railroad Passenger Corporation attached hereto as Exhibit A;
2. Authorize the Chairman of the Incorporators to transmit such Articles of Incorporation, signed by all of the Incorporators, to the President of the United States for approval;
3. If and when such Articles of Incorporation shall be approved by the President of the United States, authorize the filing of such Articles of Incorporation with the Superintendent of Corporations of the District of Columbia; and
4. Authorize the payment from funds available to the Incorporators of all taxes and fees required to be paid in connection with such filing.

Date: March 17, 1971

Date: March 17, 1971

Date: March 17, 1971

Date: March 17, 1971

*James H. Bell*  
*Robert D. ...*  
*William ...*  
*...*

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Transportation

Date: March 17, 1971

Date: March 17, 1971

Date: March 17, 1971

Date: March 17, 1971

David E. B...

...

...

...

MEETING SUMMARYThursday, March 18, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Thursday, March 18, 1971, at 955 L'Enfant Plaza  
Washington, D.C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Charles Luna  
Mr. John Olsson

The Vice Chairman opened the meeting and reported on progress made by  
the Operating Council. General Besson reported his group had:

1. Issued an initial operating policy letter to the railroads and provided them guidance in marketing and reservations
2. Completed a revised summary of lease/buy valuation alternatives
3. Provided the lawyers with operating specifications that could be used in negotiating with the railroads
4. Began development of a quality control inspection program. (However, the expressed sense of the Board was to define making any commitments on this program until a CEO had been appointed.



Mr. McClellan reported, based on his liaison with OHSGT, that a Metroliner fare increase and minor service changes will be put in effect on April 1.

The Board then discussed the several issues still open in the contract negotiations and the possible constraints on when the contract must be agreed. These issues were subsequently discussed in individual working groups and among the Board as a whole.

Mrs. Bedell reviewed the weekly financial report through March 18, 1971. Further, Mrs. Bedell moved and the Board resolved that the listed invoices be paid.

With no further business for the day the Chairman adjourned the meeting.

NATIONAL RAILROAD PASSENGER CORPORATION

REPORT OF START-UP COSTS THROUGH APRIL 30, 1971  
THROUGH THE PERIOD ENDING MARCH 18, 1971

Type of Expense	Estimated Commitments			Charges Billed		
	Previous Report	Charges Since Previous Report	New Balances	Previous Report	Charges Since Previous Report	New Balances
<b>Salaries, travel and related expenses:</b>						
Incorporators	\$ 240,000	-	\$ 240,000	\$ 62,442	\$ 8,760	\$ 71,202
Key Executives	310,000	-	310,000	-	-	-
Other Personnel	75,000	-	75,000	2,350	3,960	6,310
<b>Total salaries, travel and related expenses</b>	<b>\$ 625,000</b>	<b>\$ -</b>	<b>\$ 625,000</b>	<b>\$ 64,792</b>	<b>\$ 12,720</b>	<b>\$ 77,512</b>
<b>Consultants and Support:</b>						
Technical and Management Support						
McKinsey & Company, Inc.	\$ 545,000	-	\$ 545,000	\$ 87,314	-	\$ 87,314
Arthur Andersen & Co.	500,000	-	500,000	108,251	104,267	212,518
Arthur Young & Co.	50,000	-	50,000	-	-	-
Heidrick & Struggles	150,000	-	150,000	46,429	-	46,429
Ward Howell and Associates	175,000	-	175,000	48,517	-	48,517
Louis T. Klauder and Associates	450,000	-	450,000	135,362	5,502	140,864
Parsons Brinckhoff - Gibbs & Hill	40,000	-	40,000	-	-	-
Misc Technical and Management Consultants	10,000	-	10,000	24	1,450	1,474
Legal Fees	600,000	-	600,000	2,853	243	3,096
Marketing and Public Relations						
Lippincott & Margulies	125,000	-	125,000	-	-	-
Harshbarger-Rotman & Druck	75,000	-	75,000	-	31,397	31,397
American Airlines	105,000	-	105,000	-	-	-
Advertising	100,000	-	100,000	-	-	-
Robert R. Mullen and Co.	10,000	10,000	20,000	3,931	-	3,931
Misc Marketing and Public Relations Consultants	10,000	-	10,000	-	-	-
<b>Total Consultants and Support</b>	<b>\$2,945,000</b>	<b>\$ 10,000</b>	<b>\$2,955,000</b>	<b>\$ 432,681</b>	<b>\$142,859</b>	<b>\$575,540</b>

*Thomas*

Type of Expense	Estimated Commitments			Charges Billed		
	Previous Report	Changes Since Previous Report	New Balances	Previous Report	Changes Since Previous Report	New Balances
<b>General and administrative expenses:</b>						
Office furniture and equipment	\$ 150,000	\$ -	\$ 150,000	\$ 4,750	\$ 2,698	\$ 7,448
Office rent and leasehold improvements	30,000	-	30,000	14,540	4,605	19,145
Supplies, telephone, and related expenses	60,000	-	60,000	5,211	2,711	7,922
<b>Total general and administrative expenses</b>	<b>\$ 240,000</b>	<b>\$ -</b>	<b>\$ 240,000</b>	<b>\$ 24,501</b>	<b>\$ 10,014</b>	<b>\$ 34,515</b>
<b>Non-earmarked funds</b>	<b>\$ 190,000</b>	<b>\$ (10,000)</b>	<b>\$ 180,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Start-up expenses</b>	<b>\$4,000,000</b>	<b>\$ -</b>	<b>\$4,000,000</b>	<b>\$521,974</b>	<b>\$165,593</b>	<b>\$687,567</b>





NATIONAL RAILROAD PASSENGER CORPORATION

CASH REPORT

Date: March 18, 1971

Balance, Per Last Report	\$ 19,485.66
Receipts, Voucher Number <u>4</u>	100,000.00
Disbursements, Check Number 170 - 192	<u>(46,117.09)</u>
Cash on Hand	\$ 73,368.57
Cash available under Letter of Credit	200,000.00
Total Cash Available	<u>\$ 273,368.57</u>

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## NATIONAL RAILROAD PASSENGER CORPORATION

### AUTHORIZATION FOR PAYMENT OF INVOICES

RECEIVED THROUGH MARCH 18, 1971

<u>Invoice Date</u>	<u>Voucher No.</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
1-31-71	94	Louis T. Klauder & Associates	Engineering Services	\$ 5,502.06
2-28-71	95	Arthur Andersen & Co.	Professional Services thru 2/28/71	104,267.00
2-28-71	96	Harshe-Rotman & Druck Inc.	Development and Market Program 2-18 thru 2-28	6,770.00
2-28-71			Fee for management, staffing supervision for March	24,627.00
3-5-71	97	George Wyatt	Expenses of trip to Washington	242.65
2-17-71	98	Herbert E. Bixler	Personal services on contract and writer	795.35
2-17-71	99	Traffic and Distribution/Professional services Services, Inc.	rendered	654.37
2-23-71	100	Security Storage	Moving desks	55.00
3-9-71	101	Professional Printing, Inc.	Name signs	8.42
3-11-71	102	Sky Chefs, Inc.	Lunch	77.35
3-12-71	103	XEROX	Basic charge thru 4-30-71 and placement charge	430.90
3-12-71	104	Capitol Hill Club	Breakfast for 9	19.00
3-15-71	105	Executive Secretaries, Inc.	Placement fee for Edgar & Howard	1,440.00
3-10-71	106	Bellcomm Inc.	Rent thru 3-31-71, Various furniture & typewriters Additional space thru 3-31-71, Preparation of space	764.28 2,697.60 1,768.90 1,851.42

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Invoice  
Date

Voucher  
No.

Vendor

Description

Amount

3-11-71	107	Coffee Butler Service	Coffee	\$ 63.24
15-71	108	Mallorey Office Supplies	Misc office supplies	425.36
3-17-71	110	APCOA	Parking spaces and deposit	190.00
				-----
				<u>\$152,649.90</u>



NATIONAL RAILROAD PASSENGER CORPORATION

Accounts Payable

March 18, 1971

<u>Voucher #</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
94	1/31/71	Louis T. Klauder	\$ 5,502.06
95	2/28/71	Arthur Andersen & Co.	104,267.00
96	2/28/71	Harshe, Rotman & Druck	31,397.00
97	3/5/71	George H. Wyatt	242.65
98	2/17/71	Herbert E. Bixler	795.35
99	2/17/71	Traffic and Distribution Service	654.37
100	3/8/71	Security Storage	55.00
101	3/9/71	Professional Printing, Inc.	8.42
102	3/11/71	Sky Chefs, Inc.	77.35
103	3/12/71	Xerox	430.90
104	3/12/71	Capitol Hill Club	19.00
105	3/15/71	Executive Secretaries	1,440.00
106	3/10/71	Bellcomm, Inc.	7,082.20
107	3/11/71	Coffee Butler Service	63.24
108	3/15/71	Mallorey Office Supplies	425.36
59	3/1/71	Advances to DOT	5,050.00
VAR	VAR	Incorporators Expenses	1,902.89
VAR	VAR	Federal & State Taxes	481.18
			\$ <u>159,893.97</u>

MEETING SUMMARYFriday, March 19, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Friday, March 19, 1971, at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. John Olsson

The Chairman opened the meeting and introduced Mr. Charles Baker, DOT, who reviewed major national transportation problems and issues, including:

1. Review of the status of private carriers
2. Capability/mobility constraints
3. Urban development/urban transportation
4. Funding levels.

Mrs. Bedell made assignments to individual Incorporators for initial Congressional contacts. Further, Mrs. Bedell requested each participant keep master list control and report back to her with the time of the call and any major comments received.

Mr. Rose was introduced to report on negotiation progress. During the discussion, members present explored the basis in reasonableness of the railroads' request for a 5 percent over-ride above the solely related cost base (or the option of adding costs to that base, based on special studies).

The following points were identified:

1. Avoidable cost (the basis for NRPC's initial position) has been identified as somewhat greater than solely related cost (e. g. , in the case of the Penn Central)
2. The requirement to reimburse the railroad on a fair and reasonable basis argues for compensating the railroads for the increments of cost above solely related costs as defined thus far
3. Two options for covering the increments of avoidable cost that are above solely related are: (a) by accepting special studies that prove these cost increments exist in specific cases or (b) by providing an override of some percent of the solely related cost base
4. Railroads have proposed a 5 percent override as a way to be compensated up to avoidable cost
5. In NRPC's view railroads would have to elect either 3(a) or 3(b) as the way to recover avoidable cost. However, the amount of reimbursement under 3(a) could not be determined until studies were made. The cost under 3(b) would be relatively fixed at a maximum of about \$11.5 million

6. Negotiations have proceeded to the point where NRPC must either make a proposal such as the one contained in 5 (above), or seek a ruling from the ICC and the courts.
7. Judgments involving the ICC and the courts could lead to severance of the 401 and 402 contracts and longer term damage to the relationships between the railroads and NRPC.

Having considered these points, Mr. Lewis moved and Board members present, voting 5 to 1, resolved that the proposed contract language be changed such that a Railroad is given the opportunity to elect as its cost basis for reimbursement by NRPC either: (a) solely related costs as defined in Appendix A plus solely related costs reasonably and necessarily incurred in connection therewith which are shown by the Railroad upon the basis of special studies or other appropriate evidence and found by the ICC to be avoidable costs of Intercity Rail Passenger Service or (b) solely related costs as defined in Appendix A plus 5 percent of such costs in lieu of the possible additional avoidable costs that might be identified by special studies or other appropriate evidence. The Board further resolved that each railroad must make its election withing X days of signing the contract.

Mr. Rose was charged to write appropriate language to this effect.

Mr. Neuschel of McKinsey then asked for Incorporator comments and questions on the presentation (distributed earlier this week) on Financial Forecasts, NRPC. Incorporators stated this was a useful forecast tool and agreed with



Center for Mr. Neuschel that these projections could be readily refined now that a computer Transportation

model had been built.

Mr. Gilhooley reviewed the proposal he had made to New York State for serving Buffalo-Cleveland-Chicago:

1. On May 2, NRPC would institute provisional service of 2 trains each way per day for a period of 3 months provided that
2. States along the way expressed interest in entering into a partnership with NRPC to share in the loss along the route and
3. Further, if a partnership were effected NRPC would promise to promote service along the corridor with a vigorous marketing campaign.

Thus, on Monday, March 22, it could be announced that NRPC had made initial contact with New York on this proposal and a similar contact with Connecticut. Further, it could be stated that NRPC was willing to discuss similar arrangements in other parts of the country.

With no further business for the day the Chairman adjourned the meeting.





MEETING SUMMARY

Monday, March 22, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Monday, March 22, 1971 at 955 L'Enfant Plaza, Washington, D.C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and presented for discussion a proposed NRPC position on service to Cleveland. However, it was decided to not make a specific statement on Cleveland and, instead, only cite it as an example in discussion. Further, it was agreed that the Chairman could mention, in any discussion of Section 403, that the Governors have already been contacted about the addition of provisional service in like cases throughout the country. Finally, it was decided to release the letter to the Governors as part of the press kit.

Mr. Druck of Harshe-Rotman & Druck was asked to review the briefing kits prepared for the press and a list of expected questions and answers. Mr. Druck explained each section of the kit and reviewed the questions and answers with the Board.



Then, each regional team convened to review specific questions in their individual areas.

With no further business for the day, the Chairman adjourned the meeting.

MEETING SUMMARYTuesday, March 23, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Tuesday, March 23, 1971, at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Charles Luna

The Chairman opened the meeting and introduced Mr. Neuschel of McKinsey to review progress during the past week by participating professional firms and sub-committees. Mr. Neuschel reviewed accomplishments achieved and the schedule of remaining major tasks.

General Besson moved and the Board resolved that trains make a flag-stop in both directions of travel at Canton, Ohio.

General Besson stated that a clearance procedure should be established to review the factual accuracy of all information released as part of the public relations program. Further, he stated that H-R&D must fully understand the Board's policy and not oversell the Corporation. Finally, he suggested that NRPC stationery be used in issuing press releases.

In the same discussion, Mr. Gilhooley identified the need for close coordination between the public relations staff and members of the Operating Council in order that train-off/on notices are properly prepared. Further, he proposed that a fresh approach be taken to designing schedules and to publishing information in the railroad guide.

Miss Sheila Kelly, of H-R&D was asked to review the public relations program and the previous day's press conference. Miss Kelly reported that:

1. About 150 members of the press had attended the conference
2. Clippings of the announcements will be collected from about 100 papers and editorial follow-up will be monitored
3. Press interest appears to be continuing today.

In turn, Mr. Gilhooley reviewed the questions about public relations that had arisen earlier in the morning. It was agreed that:

1. Future press releases from the Incorporators would be issued on an NRPC letterhead (or equivalent) sent out under an H-R&D cover
2. Bob Neuschel would recommend a procedure for ensuring factual review of all materials released to the media and others
3. All public relations personnel and other staff will be reminded again not to oversell the NRPC.

With no further business for the day the Chairman adjourned the meeting.

MEETING SUMMARYWednesday, March 24, 1971NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Wednesday, March 24, 1971, at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur D. Lewis  
Mr. Charles Luna  
Mr. John Olsson

The Chairman opened the meeting and introduced Messrs. Jerry Jordan and Rodney King of American Airlines. Mr. King then reviewed the progress of the reservations system project thus far.

Questions raised during and after the presentation and American's responses were:

1. Differences between PNR and inventory-type systems. Mr. Lewis charged American Airlines to state clearly in its final report all the key differences between these two types of systems. Further, he stated that the total cost difference between them may be less a function of computer cost than of procedural differences that add to other cost factors (e. g., double handling of the reservation and ticketing elements).

2. Time to install and implement. Tentatively, Mr. Jordon feels a system such as this could be phased into operation by early Fall. The major lead time constraint is the availability of Bell System call director equipment. And, NRPC must first take action on site selection/office development and decide on a system contractor.
3. Staffing. A key element of the final recommendation must address how reservations and ticketing facilities/operations should be staffed. Further, NRPC must determine the extent to which present employees can or must be involved.
4. Interim improvements. American will be ready to make suggestions. However, this was not the focus of the study. NRPC must take action, for instance, to coordinate, unify, and upgrade the present procedures of the 16 participating railroads. If a full set of recommendations is required, a separate study would have to be made (and American, within the week, will submit a proposal for doing this).
5. Cost of system. General Besson stated American must define (to the extent it can) capital and operating costs of any system it may recommend.

American Airlines proposal for baggage handling was also reviewed. In brief, highlights of the proposal are to:

1. Start early in May with an improved manual system in some key cities (adding others in June)

2. Investigate automated systems for different types of cities

longer term

Further, Mr. Gilhooley proposed that the study, if made, must also make recommendations for getting passengers into a choice of local transportation in a controlled way.

Mr. Bedell moved and the Board resolved that American Airlines be engaged to conduct Phase I of their proposal on baggage handling.

The Incorporators agreed to discuss the following contract issues in the afternoon: (a) option B; (b) labor protection; (c) casualty provisions; and (d) lease/rental. Further, they agreed to defer discussion of the cost reimbursement formula.

Mr. Lewis led a discussion of efforts thus far to select a CEO.

Mr. Rose reviewed progress in the contract discussion. He stated that he had just been informed that 3 railroads who would not provide service in the basic system had proposed that they should not have to sign the 402 contract since they would provide no service. However, Mr. Rose proposed and the Board concurred that all railroads be offered an identical form of contract (i. e., 401 and 402 combined) and, if any railroad refused to sign the combined contract, none be offered them.

In discussing the issues identified earlier in the day, Mr. Rose and the Board made the following comments:

1. Option B. After considerable discussion, Mr. Bradshaw requested Mr. Rose furnish a written opinion on how to proceed in treating this issue.

Further, he proposed that the contract language follow the statute, but that Congress be informed of the possible interpretation that railroads could apply such that they avoid \$35 million in payments to NRPC. Thus, the Congress can clarify the language now or risk this loss of \$35 million.

In addition, Mr. Rose stated that he would remind the railroads that the Incorporators had not approved the current contract draft.

Mr. Luna stated that in his view the Board should agree that no final decision on the contract or other key issues be made on other than a scheduled Board day - either a Tuesday, Wednesday, or Thursday.

With no further business for the day the Chairman adjourned the meeting.



MEETING SUMMARYThursday, March 25, 1971NATIONAL RAILROAD PASSENGER CORPORA

The Incorporators met on Thursday, March 25, 1971, at 955 L'Enfant Plaza Washington, D.C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. John Gilhooley  
Mr. Charles Luna

The Chairman opened the meeting and introduced Mr. Gilhooley who reviewed a proposed letter to Governor Rockefeller of New York. Mr. Gilhooley sought Board approval of the letter and the way in which it would be used. Board members present decided that the letter should be sent to Governor Rockefeller, that similar letters be sent to the other governors involved, and that a decision on releasing the letter to mayors and others be deferred until the Governors had a full opportunity to review it.

Mr. DePauw of Arthur Andersen and Mr. Johnson of Arthur Young reviewed their findings on the Cincinnati Union and St. Louis terminals. The purpose of the presentation was to display for each terminal studied the terminal costs incurred in 1970 and an estimate of their maximum net cost to NRPC at current manning levels less mail-based requirements.

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During discussion of Cincinnati it was stated that if mail costs were not avoided the total costs to NRPC could double. Further, it was also stated that Klauder's work would tie into these analyses by showing specific ways in which elements of this cost could be eliminated (e.g., reduction of shifts on certain operations).

Miss Kelly of H-R&D was asked to review the problem of train-off/on notices. Miss Kelly stated that the train-off notice that the railroads proposed to post in 2500 stations around the country would have a negative impact, detrimental to NRPC. Further, she recommended NRPC have its own train-on notices posted at the same time. General Besson stated that, through the AAR, he can arrange to have NRPC notices posted by the railroads. Further, he stated he had charged the Operating Council and Miss Kelly to develop appropriate notices for NRPC. Members present decided that notices should be posted as soon as possible (and as often as necessary) to reassure potential passengers about service.

Mr. McClellan distributed 2 memorandums on expected changes in Northeast Corridor services based on his liaison with OHS&T. Mr. Gilhooley moved and the Incorporators present resolved that NRPC make contact with OHS&T to defer the inauguration of additional service and reduction in food prices until May 1.

Mrs. Bedell stated that it appears feasible that Incorporators and staff will be asked to appear by the Congress at re-opened hearings on NRPC. She suggested and members present concurred that the staff be alerted to be able to respond on short notice.

Mrs. Bedell reviewed the weekly financial report for the period ending March 25, 1971, (attached). Mrs. Bedell called attention to the schedules that showed Accounts Payable were \$420,182.36 and Cash Available \$180,309.36. Further, she stated that the grant application for \$3.2 million from DOT was not expected to be available (even assuming incorporation proceeds on schedule) until April 7. Thus, unless additional funds are obtained, payments to contractors will have to be suspended.

As a result of this discussion, Mr. Gilhooley and General Besson recommended that the Chairman contact Secretary Volpe to obtain an interim grant of \$800,000.

Mrs. Bedell moved and Incorporators present resolved that the invoices listed in the report be authorized for payment.

With no further business for the day the Chairman adjourned the meeting.



NATIONAL RAILROAD PASSENGER CORPORATION

REPORT OF START-UP COSTS THROUGH APRIL 30, 1971

THROUGH THE PERIOD ENDING MARCH 25, 1971

Estimated Commitments

Charges Billed

Type of Expense	Previous Report	Changes Since Previous Report	New Balances	Previous Report	Changes Since Previous Report	New Balances
<b>Salaries, travel and related expenses:</b>						
Incorporators	\$ 240,000	-	\$ 240,000	\$ 71,202	\$ 17,274	\$ 88,476
Key Executives	310,000	-	310,000	-	-	-
Other Personnel	75,000	-	75,000	6,310	173	6,483
Total salaries, travel and related expenses	\$ 625,000	-	\$ 625,000	\$ 77,512	\$ 17,447	\$ 94,959

Consultants and Support:	Previous Report	Changes Since Previous Report	New Balances	Previous Report	Changes Since Previous Report	New Balances
<b>Technical and Management Support</b>						
McKinsey & Company, Inc.	\$ 545,000	-	\$ 545,000	\$ 87,314	\$ -	\$ 87,314
Arthur Andersen & Co.	500,000	-	500,000	212,518	114,550	327,068
Arthur Young & Co.	50,000	-	50,000	-	35,549	35,549
Heidrick & Struggles	150,000	-	150,000	46,429	-	46,429
Ward Howell and Associates	175,000	-	175,000	48,517	51,521	100,038
Louis T. Klauder and Associates	450,000	-	450,000	140,864	45,395	186,259
Parsons Brinckerhoff - Gibbs & Hill	40,000	-	40,000	-	-	-
Misc Technical and Management Consultants	10,000	-	10,000	1,474	-	1,474
Legal Fees	600,000	-	600,000	3,096	-	3,096
<b>Marketing and Public Relations</b>						
Lippincott & Margulies	125,000	-	125,000	-	40,771	40,771
Harshe-Rotman & Druck	75,000	-	75,000	31,397	-	31,397
American Airlines	105,000	33,000	138,000	-	-	-
Advertising	100,000	-	100,000	-	-	-
Robert R. Mullen and Co.	20,000	-	20,000	3,931	-	3,931
Misc Marketing and Public Relations Consultants	10,000	-	10,000	-	-	-
Total Consultants and Support	\$2,955,000	\$ 33,000	\$2,988,000	\$575,540	\$ 287,786	\$ 863,326

Estimated Commitments

Charges Billed

Type of Expense	Estimated Commitments			Charges Billed		
	Previous Report	Changes Since Previous Report	New Balances	Previous Report	Changes Since Previous Report	New Balances
General and administrative expenses:						
Office furniture and equipment	\$ 150,000	\$ -	\$ 150,000	\$ 7,448	\$ 7,775	\$ 15,223
Office rent and leasehold improvements	30,000	-	30,000	19,145	9,589	28,734
Supplies, telephone, and related expenses	60,000	-	60,000	7,922	5,487	13,409
Incorporation filing fees and expenses	-	30,000	30,000	-	25,372	25,372
Total General and administrative expenses	\$ 240,000	\$ 30,000	\$ 270,000	\$ 34,515	\$ 48,223	\$ 82,738
Non-earmarked funds	\$ 180,000	(\$ 63,000)	\$ 117,000	\$ -	\$ -	\$ -
Total Start-up expenses	\$4,000,000	\$ -	\$4,000,000	\$687,567	\$ 353,456	\$1,041,023



NATIONAL RAILROAD PASSENGER CORPORATION  
AUTHORIZATION FOR PAYMENT OF INVOICES  
RECEIVED THROUGH MARCH 25, 1971

<u>Voice Date</u>	<u>Voucher No.</u>	<u>Vendor</u>	<u>Description</u>	<u>Amount</u>
1-18-71	121	Recorder of Deeds	Filing fee	\$25,372.00
2-28-71	111	Admiral Limousine	Chauffeur, driver service	556.32
2-28-71	112	Lippincott & Margulies, Inc	Professional services rendered thru 2-28-71	40,770.90
2-28-71	113	Arthur Young & Company	Professional services thru 2-28-71	35,549.00
3-15-71	114	Louis T. Klauder and Associates	Engineering services thru 3-15-71	45,394.52
3-13-71	115	G&P Telephone Co.	Cost of equipment, local and long distance service	3,961.13
3-11-71	116	Capitol Lock & Hardware Co. Inc.	100 magnetic coat hangers	250.00
3-15-71	117	Ward Howell Associates, Inc.	Several assignments 2-15-71 thru 3-15-71	51,520.59
3-17-71	119	Mallorey Office Supply	Misc office supplies	264.59
3-15-71	120	Arthur Andersen & Co.	Professional services thru 3-15-71	114,550.00
3-22-71	133	Bellecomm	Rent thru 4-30-71, Furniture & Fixtures	9,570.93 7,775.25
				\$335,535.23



NATIONAL RAILROAD PASSENGER CORPORATION

CASH REPORT

Date: March 25, 1971

Balance, Per Last Report	\$ 73,368.57
Receipts, Voucher Number <u>5</u>	100,000.00
Disbursements, Check Number 193 - 221	<u>93,059.21</u>
Cash on Hand	80,309.36
Cash available under Letter of Credit	<u>100,000.00</u>
Total Cash Available	<u>\$180,309.36</u>

NATIONAL RAILROAD PASSENGER CORPORATION

ACCOUNTS PAYABLE

March 25, 1971

<u>Voucher #</u>	<u>Date</u>	<u>Vendor</u>	<u>Amount</u>
95, 120	2-28-71	Arthur Andersen & Co.	\$218,817.00
111	2-28-71	Admiral Limousine	556.32
112	2-28-71	Lippincott & Margulies, Inc.	40,770.90
113	2-28-71	Arthur Young & Co.	35,549.00
114	3-15-71	Louis T. Klauder & Associates	45,394.52
115	3-13-71	C & P Telephone Co.	3,961.13
116	3-11-71	Capitol Lock & Hardware	250.00
117	3-15-71	Ward Howell Associates, Inc.	51,520.59
119	3-17-71	Mallorey Office Supply	264.59
133	3-22-71	Bellcomm, Inc.	17,346.18
59	3-1-71	Advances to DOT	5,050.00
VAR	VAR	Incorporators Expenses	<u>702.13</u>
			<u>\$420,182.36</u>



MEETING SUMMARY

Tuesday, March 30, 1971

NATIONAL RAILROAD PASSENGER CORPORATION

The Incorporators met on Tuesday, March 30, 1971 at 955 L'Enfant Plaza, Washington, D. C. Members present were:

Mr. David W. Kendall, Chairman  
General Frank S. Besson, Jr., Vice Chairman  
Mrs. Catherine May Bedell  
Mr. David Bradshaw  
Mr. John Gilhooley  
Mr. Arthur Lewis  
Mr. Charles Luna  
Mr. David Oberlin (representing the Secretary)

The Chairman opened the meeting and introduced Messrs. Neuschel, McIsaac, and Rethore of McKinsey to report on progress. Mr. Neuschel reviewed the highlights of the previous week and provided detailed summaries of participating firm and sub-committee activity. Further, he proposed that the Board consider appointing one of its members as an interim General Manager to manage the day-to-day activities of the NRPC (as delegated by the Board) until a President is on board.

To keep the Board as a whole informed, Mr. McIsaac identified several operating matters of high, current, interest:



1. C&O Cumberland Route re-evaluation confirmed previous analysis.

However, Mr. Gilhooley tasked McKinsey to develop a fall-back position on this route. And General Besson said any such alternative should be reviewed with the Board.

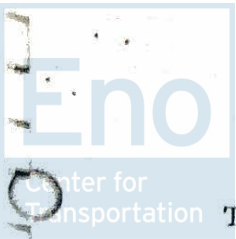
2. Penn Central has recommended a route through York, Pa., rather

than via the Susquehanna River route. Because of potential delays from freight interference, Penn Central proposes the York route.

However, because of the potential solely related track maintenance costs via York, the Board members present stated that the Susquehanna River route should remain the planned route until the interference has been proven in actual operations.

3. President and representatives of the Western Pacific should perhaps  
be invited to meet with the Board. The Board tasked Mr. Neuschel to make contact with the Western Pacific.

Mr. Margulies of Lippincott and Margulies was introduced to report on research and make recommendations on a corporate name, graphic design, and preliminary car interior/exterior designs. Mr. Margulies and his associates reviewed previous steps in the name selection process and the reactions to candidate names by a sample of the traveling public. And, Mr. Margulies recommended the Incorporators select either: SPAN, AMTRAK, or TRAK. However after discussion, Mr. Margulies suggested the Board defer decision until after selection of a graphic design.



Three graphic designs were recommended and the Incorporators present unanimously selected the primary L&M recommendation (an arrowtail-like design in red, white, and blue.)

Mr. Margulies reviewed the objectives of the name selection and asked for a decision. Incorporators present voted by ballot for their primary name selections and cast 3 votes for AMTRAK, 3 votes for TRAK and 1 vote for SPAN. Upon motion, Incorporators present unanimously decided on AMTRAK. Further, Mr. Lewis tasked L&M to develop a summary of the rationale for selection and potential uses of the new name.

L&M also reviewed the possibilities and costs of alternative car interior treatments.

The Chairman issued revised contract sections on equipment and passes. And, he stated that the only open contract issues are the Penn Central and the casualty provisions. Further, he stated a complete discussion of the contract would be held, prior to possible signing, on March 31.

Mr. Druck proposed that NRPC begin to take control of its public relations effort by beginning to develop position papers on key transportation-related issues. Further, he submitted a proposed program for the travel industry as a way to get NRPC's marketing effort underway. And, he stated that NRPC should get an effort underway to mobilize Congressional and "grass-roots" support.

Miss Kelly of H-R&D described the preliminary coverage results and reactions to the route announcements made on March 22.



Findings thus far are that:

1. Press kits and briefing tours were useful. In many cases 20-90% of stories carried in newspapers (and the editorial reactions to them) were based on press kit material
2. Individual Incorporators making area contacts are getting good reactions. Both Mr. Bradshaw and Mr. Gilhooley reported favorably on their initial work in specific regions.

And, Mr. Druck stated that favorable coverage can continue and expand if Board members can be made available.

Mr. Luna tasked H-R&D to prepare a basic factual memorandum for use in public appearances. Mrs. Bedell moved and the Board resolved that H-R&D proceed to develop the position papers recommended.

Mr. Druck also proposed that an employee program get underway based on guidance from Messrs Luna and Corsi. He stated we would prepare a memorandum on how this might be done. Finally, Mr. Druck stated there would be stories developed - one by Mr. Neuschel, for instance, on how NRPC got started - for use as general releases and features.

Mrs. Bedell reported for the Congressional Relations Sub-Committee that:

1. Packages of Congressional record mentions will be prepared and distributed
2. Mr. Stagers will hold hearings - through probably not until after Easter recess



3. In the Senate, Senator Prouty is interested in NRPC efforts to discuss a link to Canada through Vermont.

Mrs. Bedell stated she had asked Mr. Neuschel to pull together the facts on this link to Canada.

Mr. Neuschel stated he would have a study completed to identify the additional cost to NRPC of adding all the controversial route segments not in the basic system.

In another area, Mrs. Bedell - because of mail inquiries - asked about Board policy on whether or not routes will be re-evaluated. The sense of the Board was that their decisions should be defined as final unless new information is brought to bear or states and regions are willing to share in losses.

General Beason reviewed railroad equipment depreciation procedures and a time-table and approach to acquiring equipment.

With no further business for the day the Chairman adjourned the meeting.



UNANIMOUS WRITTEN ACTION  
OF  
INCORPORATORS OF  
NATIONAL RAILROAD PASSENGER CORPORATION

March 31, 1971

The undersigned, being all of the Incorporators of National Railroad Passenger Corporation, do hereby authorize, approve and direct the transfer and payment to National Railroad Passenger Corporation, as a contribution to the capital of the Corporation, \$1,000 and all other monies held by them as such Incorporators, including all moneys in accounts established on behalf of and in the name of the Incorporators.

[Signature]  
Incorporator

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