

# Donald J. Russell

# DYNAMIC

# LEADER OF THE

# GOLDEN

# EMPIRE



Southern Pacific's outspoken president hired out as a lowly "instrument man" in 1920 and went on to challenge the railroad industry in the postwar era

By John R. Signor

**A**fter World War II, United States railroads faced pressure from other (often subsidized) forms of transportation, inflation, burdensome work rules, and excessive government regulation. Sobering annual reports issued by one property after another detailed desperate efforts by managers to preserve what they could of their road's operations. Even the stronger western transcontinentals were struggling. However, in this era of little hope in the industry, a lone strong voice could be heard. This was Donald J. Russell, president, and later chairman, of Southern Pacific Co. He was often controversial, and his outspoken message of optimism challenged ways the business of railroading had been conducted for decades. He cast a long shadow over the industry.

Russell could afford to be bullish. Even as he assumed the office of president, SP was bursting with commerce. In his first three years at the throttle, annual revenues averaged \$673 million. Profits hit \$58 million in 1954 and continued to grow. The West in postwar America was growing at a fantastic rate. By 1955, SP was averaging 1.6 new on-line industries every calendar day. At first glance,

one could argue that SP was bound to prosper. But there was more to the story.

## EARLY LIFE

Although he didn't set out to be a railroader, Donald Joseph McKay Russell played with toy trains as a child and was fascinated by railroading. He was born January 3, 1900, in Denver, Colo., to Donald McKay and Josephine Russell. His father died when Donald was less than a year old and the boy was taken to southern Oregon, where he was reared by his mother, a maiden aunt, and his grandparents. In 1912, the family moved to Oakland so Russell could attend California schools. Upon graduation from high school in 1917, he took a summer job as a chainman on an engineering crew for the Great Western Power Co.

Russell went on to Stanford University in September 1917, but left in April 1918 to join Canada's Royal Flying Corps in Toronto, Ont. Six months later, an airplane he was testing went into a tailspin, fell 3,500 feet, and crashed near Deseronto, Ont. The impact broke his nose, arm, and jaw. Discharged from the service in February 1919, he returned to Stanford that fall. Leaving Stanford the

following June, Russell applied at Southern Pacific for employment on September 11, 1920, and was awarded a job as instrument man, position No. 77 on the Sacramento Division. He was 21. He also worked as an extra gang laborer, assistant engineer, and timekeeper before his job was abolished on February 7, 1921.

On May 19, 1921, he was rehired, accepting a 45-cents-per-hour job as a student track foreman on Extra Gang 11 on the Tucson Division, a slag ballast job. Sacramento Division Engineer W. H. Kirkbride sent a note on ahead alerting local forces that Russell was "good timber," and that they should "place him to the best advantage."

By August 1921 Russell was back on the Sacramento Division, attached to a small extra gang engaged in cleaning ditches and forking ballast east of Summit on the Truckee District. "I noticed that the engineers didn't get very far unless they had track experience," he explained. Later he worked as relief foreman on the Placerville District.

Also in 1921, Russell married the woman who became his life-long partner, Mary Louise Herring, who grew up on a San Joaquin Valley ranch near Fresno.



SP President Russell looks uncomfortable posing with E9 6050 in August 1955. Train 76 was the San Francisco-L.A. *Lark*, the subject of bitter discontinuance hearings a decade later.

SP photo, Union Pacific Railroad Museum Coll.





An undated portrait shows Russell as a young man, after his nose was broken in a flying accident. In 1924–25, he was assistant engineer on the double-tracking of Donner Pass (right, view to west at Tunnel 41 in May 1924).

Two photos: SP, John R. Signor collection



Russell began to rise in the Engineering Department. From November 1923 to May 1925 he worked as assistant engineer on second-track construction on the Sacramento Division, which included two-mile Tunnel No. 41 at the top of Donner Pass. Between March 1926 and March 1927, Russell worked on the rehabilitation of the line between Grass Lake, Calif., and Kirk, Ore. This project included construction of new terminal facilities at Klamath Falls and Crescent Lake, Ore., as SP prepared to open its new Cascade Line. He was also involved in standard-gauging portions of the old Nevada-California-Oregon 3-foot-gauge line about the same time.

Russell was appointed roadmaster on the Oakridge (Ore.) District effective July 1, 1927. While at Oakridge he had a telephone headset near his bed and used to listen to the dispatchers until midnight. “I learned a lot about dispatching in that way,” he later said, “and I learned a lot of what was going on in the railroad.”

Russell’s interest and experience was noticed, and he was transferred to the Operating Department as assistant trainmaster at Eugene, Ore., on September 1, 1928; he was advanced to trainmaster on June 16, 1929. On August 27, 1934, he was appointed assistant superintendent at Portland, Ore. An appointment as assistant to the general manager in San Francisco followed on September 16, 1937. On July 1, 1939, he took over as superintendent of the Los Angeles Division, replacing C. F. Donnatin.

## ON TO THE EXECUTIVE SUITE

On June 9, 1941, Russell returned to San Francisco as assistant to SP President Angus D. McDonald, who died shortly thereafter. A little over six months later, on December 18, 1941, he became vice president under President Armand T. Mercier. Russell was made a director in 1943.

During World War II, Russell frequently abandoned traditional railroad-ing methods and, sometimes over the objections of other officers, rammed through decisions that enabled SP to cope with the flood of traffic destined for the Pacific War. In January 1951, he was appointed executive vice president. Upon Mercier’s retirement on January 1, 1952, Russell assumed the presidency of Southern Pacific Co. At 51, he was the youngest president of the company since founder Leland Stanford.

Within days of his appointment, a Sierra blizzard marooned the *City of San Francisco* streamliner for three days in deep snow. As the nation watched, and the press alluded to the tragic Donner Party of a century before, Russell made

front-page news as he ordered his railroad into an all-out effort to cut through the record snowdrifts and reach the stranded passengers.

A few months later, on July 21, 1952, a violent earthquake virtually demolished much of SP’s main line through the Tehachapi Mountains of Southern California, twisting rails and collapsing tunnels. Russell personally directed operations at the scene to restore the line. Crews rebuilt 25 miles of mountain railroad in 25 days.

Russell, in his own way, was as much a builder as, and more of an innovator than, the “Big Four” founders of Southern Pacific in the 1860s, and he was often just as controversial. A hard-driving, no-nonsense executive with a penchant for re-examining all the traditional ways of doing business, he ruffled many feathers with his outspoken candor.

## VOICE IN THE WILDERNESS

In the immediate postwar era, Southern Pacific was in the midst of a program to add new streamliners to all its scenic routes. Russell supported that effort with lavish programs to advertise and promote SP’s passenger fleet. But the 1950s saw the establishment of the federally supported Interstate Highway System, and the advent of convenient, inexpensive, and rapid air travel. Travelers were deserting the trains for autos and airliners. Russell was quick to recognize the trend, and in 1955 he shocked the rail industry with candid predictions that the long-haul passenger train was fast becoming a

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After the July 1952 Tehachapi earthquake, Russell (left) discusses restoration work at Tunnel No. 5 above Bealville with Fred Gurley, president of the Santa Fe, which also used the SP line.

SP photo, John R. Signor collection

thing of the past, an opinion other railroad men might have held privately but had not dared mention in public.

"You can't make people do what they don't want to do, no matter what sales promotion techniques you use," declared Russell. "In 1955 Southern Pacific lost more than \$4 million on dining-car operations alone because we tried to give the best we could for what people can afford." The introduction of the hamburger grill car was a result. "So few people are taking overnight trips on American trains," he predicted, "that the Pullman car will be extinct in 20 years . . . and there will be very little, if any, long-distance rail travel." As *Time* magazine observed in 1961, "Russell's undisguised opinion of passenger trains is that of 19th century rail baron James J. Hill — 'A passenger train, sir, is like a male teat: neither useful nor ornamental.'"

"You can't get a train to run as fast as a plane." Russell went on to say, in an obvious dig at rival Santa Fe. "I think that

people who are trying to run [trains] too fast are doing a disservice." He drove home the point by freely admitting he traveled by jet airliner to attend regular meetings in the East. As his career was coming to close, and Amtrak had assumed operation of the nation's passenger trains, Russell and his successor at the SP helm, Benjamin Biaggini, made a policy that they wouldn't talk about Amtrak "because it's always sour grapes."

## DIVERSIFICATION

Russell is perhaps best known in the business world for broadening Southern Pacific into the most diversified transportation company in the United States. At the time, the federal government, with enthusiastic assistance from state and local governments, was burdening the railroads with oppressive regulation as though they still possessed their 19th century monopolies. "We're in the business of supplying transportation to our customers, and if they leave us," Russell



Heavy losses on full-service dining cars (top) led Russell to introduce more economical cafeteria-style hamburger grill cars (above).

Two photos, Southern Pacific

argued, "we have an obligation to follow them." And by following them, he challenged archaic railroad and government policies, met competition from other forms of transportation, and pointed the way toward a combination of systems that helped revolutionize the transportation industry.

Russell believed that the inherent advantages of various forms of transportation could be combined to provide new services. Accordingly, he launched the SP into as many non-rail enterprises as the government would allow. He spearheaded the inauguration of piggyback in the West in 1953. Russell was the first railroad executive to start an oil pipeline subsidiary. "We were losing tank-car loads to trucks going down to Arizona and El Paso and so forth," he said. "So I told our people, if we are going to lose this business, let's lose it to ourselves, and let's consider going into the pipeline business, which we did in 1955 using railroad rights of way where we could. This was one of the most successful things of that kind that we have done."

By the early 1960s, Russell's SP and its subsidiaries offered piggyback and container services over a 14,000-mile rail network, operated trucks on 27,000 miles of highway routes, owned 2,400 miles of petroleum pipelines, and operated the world's longest coal-slurry pipeline. Later SP branched out into air and marine freight forwarding. "Basically I had a policy of trying to get into businesses that were related to transportation," he said, "something we knew something about."





**SP retained steam for years after other roads because Russell thought it unwise to have costly new diesels sitting in storage during traffic downturns. In January 1957, a month after steam operations on SP's Texas & New Orleans ended, an NW2 switches cold engines at Houston.**

Southern Pacific



**Russell meets with VP-Operations J. W. Corbett in Russell's eighth floor "throne room" at SP headquarters in San Francisco in 1959.**

SP photo, John R. Signor collection

Later diversification included rail equipment leasing, computer and communication services, and a land-management organization that developed industrial and commercial properties and administered 3.8 million acres of forest, agricultural, and mineral land.

## QUEST FOR EFFICIENCY

"We don't take anything for granted," Russell told his people. "We have to go back over everything and ask why we did it in the first place. America's railroads

were built in an earlier day, before there was highway and air competition, and they had to become more efficient. We had to dispose of some of our plant, apply technology to the rest so we could do more with less," Russell explained.

The human element was not overlooked. In remarks to employees published in the *SP Bulletin* in 1960, President Russell observed, "Some outdated work rules date back to 1919. Many of these were fair and equitable in light of the conditions which existed when they were written. But there have been tremendous changes in the technology and competitive conditions of transportation in the last 40 years. It is vitally necessary to all of us that the problems created by wasteful requirements of our working agreements be solved promptly and with good sense and long-range perspective."

Between 1954 and 1964 Russell cut SP's workforce by nearly 30,000, down to about 45,000. "Featherbedding took some iron-willed determination, yes, but we paid heavily in dollars. We still have a tremendous amount of excess people," he said. "A decade ago we used to run elevators with an operator in each. Today we could run trains without people . . ." Despite this attitude, D. J. Russell, with

the possible exception of E. H. Harri-man, was one of the most popular and well-respected executives SP ever had.

In the matter of efficiency, nothing was overlooked. Passing an SP station that seemed too brightly illuminated, Russell once barked, "Who owns electric company stock in there?" In wide-open Reno, Nev., he introduced slot machines in the SP station. But for all his penuriousness, Russell did not hesitate to spend for new plant and equipment.

## BORROWING AND BUILDING

Another way Russell went against conventional wisdom was in finance. While most of the nation's railroads were slashing maintenance budgets and concentrating on paying off debt, SP was borrowing heavily. "The most important phases of the railroad business are those that have to do with the making of money, or the spending of money," he said.

Large investments in long-term improvements included two landmark construction projects: a \$55 million solid earth-fill causeway across Utah's Great Salt Lake, completed in 1959 to replace a 12-mile wooden trestle, and the \$23 million, 78-mile Palmdale-Colton Cutoff line through Cajon Pass in Southern



# MR. RUSSELL TAKES A TRIP ON NO. 10

Sometime in the late 1950s, when the fate of the *Shasta Daylight* was being considered in the lofty offices at 65 Market Street, D. J. Russell decided to see for himself conditions aboard the streamliner. Departing Oakland Pier one morning on No. 10, Russell made handwritten notes on his Shasta Route guide describing what he saw. Evidently it was not generally publicized that he was making the trip because, as his notes reveal, the train and its crew were not putting their best foot forward.

For example, he wrote “dining car service slow.” Just to the left he wrote “rough riding cars.” In yet another note he wrote, “Porters not properly trained and organized.” On and on the list went, from “B.O. [bad-order] air doors,” to “hot drinking water,” from “clothes line rope in tavern car,” to “writing on toilet walls.” Russell’s keen operating mind saw room for improvement in the loading plan at Oakland Pier, the transfer of northbound passengers at Martinez, and the handling of through passengers detraining at intermediate stations. Many of Russell’s notes are struck through, indicating that the proper officers were informed of these failings.

Despite Russell’s attention — or perhaps partly because of it — SP discontinued the *Shasta Daylight* in September 1966. — J.R.S.

**Russell’s hand-written notes cover a copy of the route guide given to passengers on the *Shasta Daylight*. The items that are struck through were apparently referred to subordinates for attention.**

Richard Tower collection



California. Thousands of miles of new Centralized Traffic Control, and new classification yards built at Los Angeles and Roseville, Calif.; Houston, Texas; Pine Bluff, Ark.; and Eugene, Ore.; employed state-of-the-art electronics.

*Time* magazine reported in August 1961 that under Russell’s leadership, SP and its subsidiaries had invested more than \$3 billion in capital improvements since World War II — substantially more than \$1 billion in larger and more specialized freight cars and \$700 million in diesel locomotives.

Interestingly, in the matter of diesel expenditures, Russell was conservative. By 1955, many U.S. railroads were fully dieselized. Russell spread his purchases out over a longer period. During the 1954 recession, he said, “I’d rather have fully depreciated steam locomotives standing around than new diesels we’re paying interest on.” Not that interest payments were a problem. During 1954, a full 85 percent of SP’s \$20.8 million fixed charges were covered by non-operating profits like land leases and investments.

In the 1950s and ’60s, SP installed the

**SP replaced its 1904 single-track trestle across the Great Salt Lake with a two-track fill, built between June 1955 and July 1959.**

Southern Pacific







**SP President Russell (right) and Santa Fe President E. S. Marsh square off during the Western Pacific merger hearings in 1961.**

SP photo, John R. Signor collection



**Dissatisfied with the relatively low-horsepower offerings of the domestic locomotive builders, SP acquired 21 4,000 h.p. diesel-hydraulic units built by Germany's Krauss-Maffei in 1961 and '63. K-M road-switcher 9111 leads cab unit 9104 at Bakersfield in October 1966.**

Tom Gildersleeve

nation's longest private microwave communications network and its largest private intercity telephone dialing system, the latter becoming the Sprint network.

Sometimes, the weight of Russell's large investment budget influenced the industry as a whole. In the late 1950s, the domestic locomotive builders were willing to offer diesel units in the 1,500 to 1,800 h.p. range, but no bigger. "We needed big locomotives," Russell recalled, "and the Baldwin, General Electric, and General Motors people would not build them. So the Germans had this hydraulic locomotive and they were willing to build us a 4,000–4,500 h.p. engine for us, which they did. We had trouble with these locomotives, but that forced the hand of the domestic locomotive manufacturers. When they saw the way things were going, why, they got busy and built locomotives big enough for us." The result: the rest of the industry benefited with the so-called "second generation" of high-horsepower diesel locomotives.

## RESEARCH AND REWARDS

When Russell became SP president, 96 percent of the road's officers had no college education. Under his stewardship, bright young executives were sent off to Harvard, MIT, Stanford, and other universities for company-paid study. "They can study anything they like. Chinese, so far as I care," he said, "it's broadening." A strong believer in research, Russell once told a reporter: "We even have people doing research on what we ought to be doing research on." Working

with Stanford University, SP people designed revolutionary new equipment including the hydraulic-cushion freight car underframe, which virtually eliminated freight damage. The device was adopted by the industry and earned SP substantial royalties. Another result of SP research, in partnership with IBM, was a \$23 million computer system tied into the microwave network to keep instantaneous tabs on all the trains and freight cars that might be on the railroad at any given time. Called "TOPS," the technology was eventually licensed to other domestic and European railroads.

In 1961 Russell managed to give SP the largest net income of any U.S. railroad, \$65.4 million. By 1967 net income had risen to \$90.3 million on revenues of more than \$1 billion and continued to rise. Wall Street was impressed. *Time*, in a 1961 cover story on Russell, said: "SP's present strength reflects the talents and character of big, bluff Donald Russell." It attributed to him "a relentless mental independence that forbids him to take as gospel anything that he had not thought through for himself." *Forbes* magazine, in another cover article in 1965, called

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Russell "the man behind the dramatic changes that have swept SP in less than two decades," and it concluded, "If the SP fails to grow, it won't be because of stodginess or poor management."

As a reward for loyalty and perseverance, Russell started an officers' pension plan, but he disdained such conventional management perquisites as stock options. "When you have options," he argued, "management spends more time running up the price of the stock than running the railroad."

## MERGER FRUSTRATIONS

While Russell was successful in many of his endeavors, two of his biggest disappointments involved mergers. The Rock Island case was one. "I got a call from the chairman of the Rock Island executive committee asking if SP would be interested in acquiring the Rock Island," Russell recalled. "I told him we might be interested in parts of it, but I thought Union Pacific might be interested and I would get in touch with [UP Executive Committee Chairman] Bob Lovett. So later our people got together and we worked out a deal where UP would acquire the Rock Island and sell the southern portion to the Southern Pacific." That was in 1964.

Virtually every railroad affected filed protests, which began the longest and most complicated merger case in Interstate Commerce Commission history. "At the time, the Rock Island was solvent, but the ICC took so long in the consideration of this thing that it finally



**One of the biggest projects during Russell's tenure as SP boss was construction of a 78-mile line between Colton and Palmdale, Calif., that enabled freights to avoid the congested L.A. terminal area. Ties and rails advance across the desert east of Palmdale on February 22, 1967.**

Tom Gildersleeve

went bankrupt." By the time the merger was approved, UP viewed the conditions imposed, and the cost to restore the property to good condition, as prohibitive and withdrew its merger offer in 1974.

The Western Pacific case was another disappointment. "Wasteful duplication of facilities was one of the drawbacks of the time. We had problems with President [Frederic] Whitman and the Western Pacific, trying to get them to see that and eliminate duplicate facilities. So we tried to take over the Western Pacific in 1961 . . . to use the things they did better, but scrap the rest. But we were blocked by President [Ernest] Marsh of the Santa Fe." The ICC rejected Southern Pacific's bid for control of the WP in 1965.

Marsh and Russell also clashed over what became SP's Palmdale Cutoff. Russell recalled that he had a "gentlemen's agreement" with Marsh's predecessor, Fred Gurley, that would have permitted SP to use Santa Fe tracks. "But . . . Marsh reneged on this understanding and we built our own railroad."

## OUT ON THE LINE

It was required under the Southern Pacific charter that the chief officer had to inspect the entire line once a year. Russell endorsed this policy and more. "Office cars allow you to meet with your



**A leader on many fronts, SP under Russell developed the hydraulically cushioned freight-car underframe, a technology adopted throughout the rail industry. The first boxcar to wear SP's HYDRA-CUSHION paint scheme gleams on the downtown San Francisco team track in July 1957.**

SP photo, John R. Signor collection

operating and maintenance-of-way people and talk to them as you travel over the property," he said. "Our plant has 22,000 miles of track. Unlike General Motors, you just can't walk through it."

When Russell was out on line, the whole railroad was on alert. A Coast Division engineer recalled, "I got called one evening for DJR's special to leave [San Francisco] around midnight. We got out a little late because he was late from the opera, but after we got moving, the next stop was San Luis Obispo. We had green

all the way, except for one yellow at Hillsdale, and that was caused by a night local that got in the clear at Belmont with all of its lights extinguished."

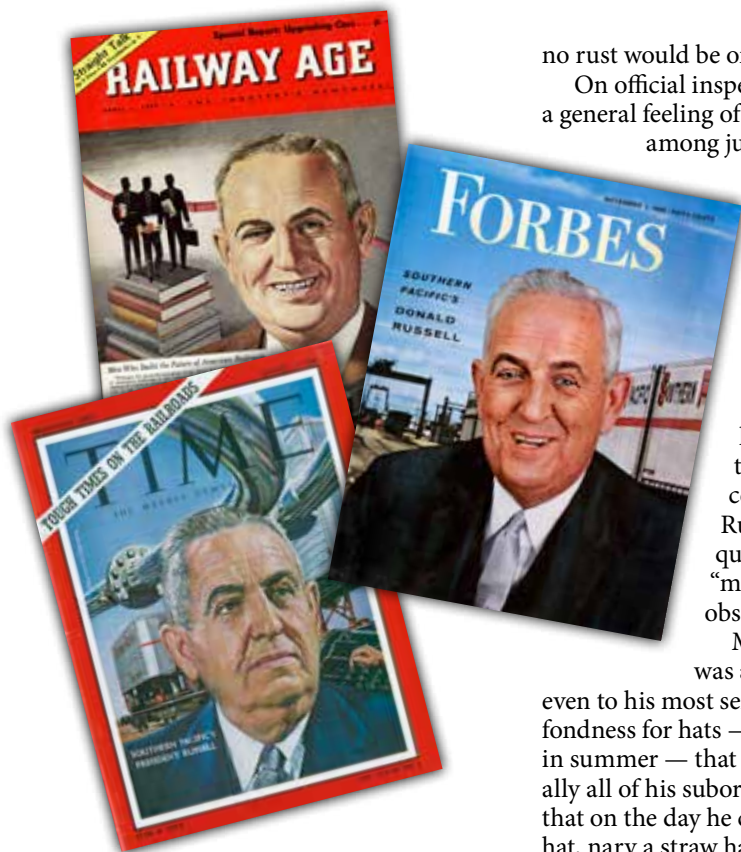
On SP's Texas & New Orleans subsidiary, Russell earned the sobriquet "Scrap Iron" for his tendency to scrap track or equipment if it was not being used. Sharp operating officers would have all standing equipment moved out of Russell's view as he passed through on his business car, and engines were run over lightly used passing tracks to ensure that





For years Russell traveled by rail to Truckee, Calif., for New Year's. Here the president's special is returning to San Francisco near Penryn in January 1962. Trailing Alco PA 6039, which wears the gray and scarlet scheme introduced in 1958, are business cars *Del Monte* and *Sunset*.

Ken Yeo, John R. Signor collection



Russell made the covers of *Railway Age* in April 1957, *Time* in August '61, and *Forbes* in November '65, among others. His position on passengers put him in the spotlight, and SP's stunning financial results kept him there.

John R. Signor collection

no rust would be on the rails.

On official inspection trips, there was a general feeling of nervous tension among junior officers at dinner.

"You might eat 10 pounds of food, but lose 20 due to sweat," remarked one traffic executive. After dinner it was time for inspection at the rear of the car. Many stories have been told of those unfortunate officers having to answer Russell's rapid-fire questions on the "mourner's bench" in the observation salon.

Mr. Russell (and he was always "Mr. Russell" even to his most senior executives) had a fondness for hats — felt in winter, straw in summer — that was adopted by virtually all of his subordinates, so much so that on the day he changed to his winter hat, nary a straw hat could be seen in the General Office Building at 65 Market Street, San Francisco.

A story is told that in the mid-1960s, a crew was called for an officer's special from Los Angeles to Yuma and bused to

the depot at Glendale, where an immaculate E9 and a coach waited in the siding. Train 76, the *Lark*, arrived with Russell's business car, which was switched to the coach. While the switching was being done, Russell detrained and shook hands with the 40 or so officers who were lined up in perfect descending seniority/position order along the platform, beginning with the division superintendent. One of the men in the "receiving line" had not worn his hat, and as Russell passed along the line shaking hands and greeting each man by name, he passed over the unfortunate one whose head was not covered.

But this was no inspection trip. Russell and party, in this case a group of Chevron executives, were off to Arizona for their annual dove-hunting trip. The practice was to shoot off of flatcars spotted at a ranch near Chandler until one year they were kicked off the property by the state fish and game agency and the party wound up shooting doves at a feed lot. A devout Roman Catholic, Russell was often accompanied on these trips by a Father Black of the Archdiocese of San Francisco who, it was said, was "a bit of a rounder with a taste for gin." Although Russell testified to no use of intoxicating liquor on his original application for employment with the SP in 1921, his private car always had a fully stocked bar, in-



# A VISIT TO THE LUCKY STRIKE

**A retired division engineer recalled** a memorable stop during one of Russell's inspection trips:

"I had been on the Sacramento Division about a month when the superintendent informed me that we would be accompanying Chairman Russell, Vice President of Operations W. D. Lamprecht, and Chief Engineer H. M. Williamson on a trip from Ogden to Sparks to inspect the railroad from the back of train 21. We were also to inspect the Mina and Fallon branches. It didn't look like it was going to be a fun week.

"The trip from Ogden to Sparks was uneventful with the usual unanswerable questions, and the next day we were well on our way south from Hazen by 8 a.m. to inspect the Mina Branch by hi-rail. At the end of the line, as we headed for the highway out of Mina, Russell asked if I knew where the 'Lucky Strike' was. There was a loud inhale from the three gentlemen in the back seat. Everyone on the division knew where it was. Lamprecht remarked, 'Mr. Russell, do you know what the Lucky Strike is?'

"'The last time I heard, it was a house of prostitution,' Russell replied.

"The party proceeded to the establishment, which, as it happened, was on property owned by SP.

"When we were almost at the front door," the division engineer continued, "Russell said 'stop.' He wanted to go in. I rang the doorbell and a loud voice from inside said to come back at 5 o'clock, whereupon Russell said in a loud voice that he was her landlord and he wanted to talk to her. She opened the door and they chatted about how things were going. About this time two other females showed themselves and they were introduced as her girls. The chairman asked the madam if she would let him take her picture. She agreed and the vice president



**SP business car 150, *Sunset*, is ready to go east at Sacramento on May 19, 1962. Pullman-Standard built the car for Russell in November 1955, and it was assigned to him for the rest of his SP career.**

J. C. Strong, John R. Signor collection

of operations photographed Russell, the madam, and her girls on the porch so they could include the Lucky Strike sign in the picture. We all loaded up in the vehicle and departed Mina in complete silence.

"Finally Lamprecht could stand it no longer and asked, 'Mr. Russell, what was the significance of that stop in Mina?'

"To which he replied, 'Bill, I am going to have more fun with those photographs at the upcoming board of directors meeting at the Bohemian Grove showing those staid friends of mine how diverse the revenue stream on the SP really is.'

"This broke the tension and everyone started to laugh." — *J.R.S.*

cluding expensive German wines.

William "Willie" Green was the regular attendant assigned to Russell's car. Jansen Merrit was chef. After Green was paralyzed in an automobile accident, Russell saw to it that he had the best of care, and when he eventually died, Russell attended the memorial services in an all-black church and sat in the front row.

## EPILOGUE

Donald J. Russell assumed the newly created office of Chairman, Southern Pacific Co., on December 1, 1964, being succeeded as president by Benjamin F. Biaggini, who had been his executive vice president. Russell retired on May 17, 1972, just weeks short of his 52nd anniversary with SP, at which time he was making a salary of \$155,817 a year. Upon Russell's departure, SP immediately acquired a corporate jet.

"I've given up meddling and veto," he confided to J. G. Shea, vice president for public relations at the time, "but I still meddle." D. J. Russell died on December 13, 1985, at St. Mary's Hospital in San Francisco.

It is sad to note that in the two de-

acades after Russell's retirement, SP slid gradually from the position of an acknowledged leader in the industry to a financially weak second-choice merger partner. What happened?

SP lacked a solid base of bulk traffic, such as coal or grain, relying upon commodities that fluctuated with business cycles, such as lumber, automobiles, canned goods, and perishables. SP traffic was especially vulnerable to the impact of the Interstate Highway System.

Yet many fixed costs remained. SP had major terminal operations that required large amounts of switch engines, fuel, crews, and supervision. Further, every major SP route in the West surmounted mountain passes with grades of 2.2 percent or worse.

After 1960, SP executives began to struggle with the effects of the system's declining revenue base. Yet management kept pressing for steady profit growth. With less money coming in, SP had insufficient funds to maintain the property adequately, much less invest in new equipment, technology, and plant.

Following the recession of 1982-83, management became preoccupied with

the possibility of a merger with the Santa Fe, which came to naught. SP was placed under the trusteeship of banks, which held any attempt at aggressive management in check. Meanwhile, the UP-MoPac-WP merger further reduced SP's market share.

In the face of all these challenges, it is difficult to see how even D. J. Russell could have successfully steered SP through these stormy waters, which ultimately led to acquisition by Philip Anschutz's Denver & Rio Grande Western in 1988 (though the Southern Pacific name was kept), and finally assimilation into the vast Union Pacific system in 1996.

Nevertheless, during Russell's tenure at the top, SP looked unbeatable, prompting TRAINS magazine Editor David P. Morgan to call it "the new standard railroad of the world." And *Business Week* editorialized in 1968: "To its natural advantages of a productive and growing territory, SP has added innovation and imagination, plus a determination to chase the traffic spirited away by trucks and planes. The imagination and determination sprang first from Chairman Donald J. Russell." ■