

1st MONDAY 3rd MONDAY

Prepared for employees by the
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Managers and Supervisors:

OPERATIONS HAVE CONTINUED TO IMPROVE the past two weeks. Loadings this month have averaged about 300 more cars a day than in February. Traffic is generally current over most of the railroad, although, there are some problem areas.

We are still short of serviceable locomotives. The process of reducing the backlog of cars has been complicated by the need to move several thousand foreign cars to interchange points in addition to handling our own cars. There is still heavy congestion in the Chicago gateway, due mainly to difficulties terminal railroads are having in moving cars to eastern railroads.

The continuing thaw has resulted in flooding in some areas of the west. Water was over the tracks for several days between Miles City and Harlowton and between Lewistown and Great Falls. We detoured over the BN. There is also a strong probability of high water along the line from Davenport to St. Paul later this month or in April. Plans are being made to detour traffic if necessary.

Despite these problems, we are doing better than some of our competitors. Because of poor transit times on C&NW and the Rock we have received some long-haul automotive and auto parts business normally handled by these railroads.

ON MARCH 21 WE WILL FILE WITH THE ICC for permanent operating authority over the North Western between Clinton and Tama, Iowa. At the same time we will also file to discontinue local service on our line between Green Island and Tama except that we will retain some trackage in the Cedar Rapids-Marion area to serve existing business. We have been operating our through trains over the C&NW line since early last December. We will continue to provide local service as needed until such time as the Commission approves abandonment.

4R TRACK WORK is scheduled to resume on April 2. By mid-month a force of about 350 will be at work between Portage and LaCrosse and at various points east of Hastings, Minn. Some 150 additional workers will be assigned to the project in September when rail installation begins.

Work scheduled for this year includes the installation of some 360,000 crossties; nearly 600,000 cubic yards of ballast; 5,830 switch ties in 155 turnouts; about 15 miles of continuous welded rail and the rehabilitation of nearly 300 highway grade crossings. This work is the final stage of the nearly \$35 million 4R track rehabilitation project which began in 1977.

SENATOR GEORGE McGOVERN OF SOUTH DAKOTA HAS INTRODUCED LEGISLATION to help railroads in bankruptcy reorganization continue service on marginal interstate main lines. The Marginal Railroad Main Line Service Assurance Act of 1979 was introduced in the Senate on March 13 as an amendment to the 4R Act of 1976.

The bill could be extremely significant to the Milwaukee Road because it could provide assistance to certain lines that do not qualify for funding under 4R. In a letter to Senator McGovern, Mr. Hillman said it was essential that the Congress quickly consider new legislation that would eliminate the short-term cash flow problems of the Milwaukee and other bankrupt railroads. The Trustee said the McGovern bill is a "major step in this direction" and offered his support for the concept.

Assistance under the bill would be in the form of loans from the Federal government and from the states in which the marginal line is located to cover cash-flow shortfalls. The railroad receiving funds would repay them only if the line becomes self-sufficient.

For a line to qualify for aid under the bill, traffic would have to be more than 5 million gross tons a year yet produce less than half the line's operating costs; service must be deemed essential to the states through which the line passes and to the line's users; and the line must have the potential of viability with assistance.

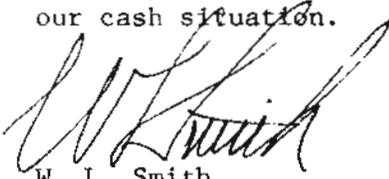
The bill was referred to the Senate Commerce Committee. It carries the number S.637. A similar bill is expected to be introduced in the House.

EXHIBITS FILED WITH THE TRUSTEE'S MARCH 12 report to the court, see special edition of FM/TM, show that despite some allegations to the contrary, the Milwaukee Road has done its best to maintain its system and services the past year with available resources.

For example, the exhibits showed that in 1977 and 1978, due mainly to 4R funds and other outside assistance, tie, rail and ballast installations were greater than in earlier years. Last year we overhauled 248 locomotives and 1,394 freight cars compared to 134 locomotives and 771 cars in 1977.

An exhibit on Montana operations showed that while the Montana Division maintenance-of-equipment force was 97 persons in February 1978, it was 142 in February 1979; the maintenance-of-way force was 121 last February and 129 this February. Last February 4.9% of the system serviceable locomotive fleet was based at Harlowton. The number was 5.1% this February--two fewer actual units, but a higher proportion of what was available systemwide.

Total employment on the Milwaukee increased from 9,827 in February 1978 to 10,209 this February, with both figures exclusive of Amtrak assignments. In the year, executive, professional and clerical employees declined 4.87%. Transportation employees declined 9.2%, due mostly to the 1978 crew-consist agreement. Maintenance of way and structures employees increased by 14.66%, and maintenance of equipment and stores employees increased by 40.33%. In short, we have had proportionally more people working to maintain track and equipment than we had a year ago. The ability to continue this level of activity for other than Federal, state or shipper funded programs depends upon our cash situation.



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