

1st MONDAY 3rd MONDAY

Prepared for employees by the
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March 5, 1979

Managers and Supervisors:

THERE HAS BEEN GRADUAL IMPROVEMENT in the flow of traffic over most of the railroad in the past two weeks. The return of warmer weather has eliminated many operational problems, but evidence of the winter of '79 is still with us. We have been operating frequent snow service on northern Iowa and southern Minnesota lines. Branch line plowing is still in progress. Drifting snow remains a problem in some areas.

One very welcome result of the warming trend is a slight improvement in the number of serviceable locomotives. Although we are still about 80 units short of what we need to meet full service requirements, locomotive availability should improve in coming weeks.

Despite the locomotive shortage, there has been a slow but steady reduction in the accumulation of cars which built up on our lines over the past two months. Westbound movements are generally fluid over most of the railroad. Eastbound business is not quite as fluid but we are making progress. The overall improvement in the operating situation has allowed us to discontinue the rerouting of traffic off the main line west of St. Paul and to resume accepting eastbound traffic at Kansas City.

With the exception of Bensenville, where there is a sizeable backlog of eastbound cars, our major yard and terminal facilities are functioning smoothly. The problem at Bensenville is the result of heavy congestion on the Indiana Harbor Belt, a Chicago terminal railroad, and on Conrail.

REDUCED '79 CARLOADINGS show the disruptive effect of winter. Total carloadings (cars loaded on line and loads received from connections) through February 17 were down 13.7% compared to loadings during the same period in 1978. Total loadings dropped in virtually all commodity groups. Only two groups showed a gain in total loadings--a more than 125% rise in coal traffic and a nearly 6% increase in freight forwarder shipments.

But the other midwestern railroads also had to battle winter, and nearly all saw their carloadings drop through mid-February. The Chicago and North Western experienced a higher rate of decline than did the Milwaukee Road.

SPRINT TRAIN PERFORMANCE has been a bright spot in our operations this winter. Despite the extremely difficult operating conditions in the Chicago-St. Paul corridor, the Sprints provided a high degree of service reliability. New business has been attracted to the trains since the first of the year. By mid-March we anticipate that Sprint loadings will be double what they were when the service began last June.

SHIPPER ASSISTANCE PROGRAM for the repair of rolling stock is being expanded to make use of every available dollar of external financing. Since the program began last year we have signed contracts for some \$1.6 million in interest-free loans to repair 225 hopper cars of various types. More than 170 of these cars have been repaired at the Milwaukee Shops.

We are negotiating similar loan agreements for about \$1 million to repair 50 grain-service hoppers, 30 cement hoppers and 67 insulated boxcars. The new agreements will be subject to approval by the reorganization court.

REORGANIZATION COURT HAS APPROVED our receipt of advance funding from a major shipper to repair 3 of our locomotives assigned to trains servicing a facility

operated by the shipper. We will also repair 250 of the shipper's cars at Milwaukee Shops and will provide mechanical inspections for additional cars. We will repay the advance funding by subtracting it from the cost of the car repair and inspection work.

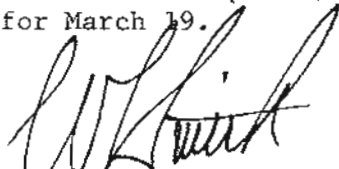
4R FREIGHT CAR REPAIR PROGRAM has been increased from 3 to 4 cars a day, not to 4 cars a week as reported in the last issue of FM/TM. As of February 23, 360 of the 950 cars in the program had been repaired and returned to revenue service. Fifty-nine of the 111 locomotives being upgraded with 4R funds have also been returned to service.

AN EFFECTIVE AND ECONOMICAL way to help keep locomotives running in winter has been developed by Dick Donovan, superintendent of diesel maintenance. Dick's idea involves spraying a waterproof material on areas of locomotive traction motor housings to help keep snow, ice and water from damaging internal components. Traction motors are very prone to water damage in winter. They are located in the trucks only a few inches above the rail. The process has been applied to most of our road locomotives with excellent results.

THERE HAVE BEEN CHARGES RECENTLY that we do not have enough train crews in Montana to maintain our present level of service. The charges are not justified. An adequate roster of train and engine personnel exists in the area.

However, there have been instances where trains have been delayed at terminals because rested crews were not immediately available. We've sometimes found it more economical, and not that disruptive of operations, to hold a train until a crew is rested rather than to call a new crew or deadhead a crew in from another terminal. We try to avoid or minimize such delays, of course, but sometimes they are unavoidable, especially during winter operations.

TO OBTAIN ADDITIONAL OPERATING CASH, the Trustee has requested the reorganization court for authority to negotiate the sale of one or more Trustee's Certificates in an amount up to \$10 million. A hearing on this petition has been scheduled for March 19.



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