

1st MONDAY 3rd MONDAY

Prepared for employees by the
Milwaukee Road's Corporate Communications Department
516 West Jackson Boulevard Chicago, Illinois 60606
Telephone 312 648-3324

December 1, 1980

To All Milwaukee Road Employees:

Consistent with reorganization plans, Trustee Ogilvie will ask Judge McMillen next week for authority to borrow up to \$60 million to operate "Milwaukee II" through 1981, or until 30 days after a final decision on the plan of reorganization, whichever occurs first.

These funds will come from a combination of the Milwaukee Land Company, exclusive of proceeds of proposed timberland sales, and certain property sale accounts.

The Trustee will point out that funds for the maintenance and operation of "Milwaukee II" through previously authorized borrowings probably will be exhausted by the end of this month or early January, 1981.

The FRA has rejected the Trustee's request for \$6.8 million of subordinated ERSA funds to cover the revenue shortfall incurred from November 1979 through February 1980 under the Milwaukee Railroad Restructuring Act. Although this would be within the scope of previously authorized borrowings by the reorganization court, the Trustee may not receive any of these remaining ERSA funds.

The cash forecast contained in the Trustee's May 15, 1980 report included all the resources of the estate and indicated that loans beyond those presently authorized would not be needed through December, 1980. The proposed borrowing is consistent with that cash forecast.

Actually, it is expected that our financial position at the end of 1980 will be better than the report projected in at least two respects. As noted above, the FRA has not provided the additional \$6.8 million of ERSA funds which the Trustee believes were properly requested. Also, by court order the proceeds of certain property sales made after June 1, 1980 are being deposited in a property sales account. Both the ERSA funds and the proceeds of such sales had been included in the report as cash available for railroad operations totaling \$9.9 million. Since these funds were not used we will wind up the year in a better position than projected by the report.

Other items of interest:

Using as its major theme, "Rail Deregulation and its Effect on Sales Activities", the Marketing Department sales force convened in Chicago for a working weekend in mid-November. Sales managers, covering both on and off line territories throughout the country, assembled for an update on important developments vitally affecting their solicitation efforts.

All managers were given an opportunity to report on sales activities in their respective districts and to relate how the restructuring of the sales section is being received by the shipping community.

Emphasizing their role as the "eyes and ears" of the railroad, the managers spent Monday meeting with Car Management people on a one on one basis to discuss specific equipment needs in their territories. Similar meetings were arranged with pricing officers and the Labor Management Action Group.

We have a long way to go to achieve reorganization goals and it's essential that our people are well informed to capitalize on any opportunity to help achieve those goals.

Results of a study by the Department of Transportation's Federal Railroad Administration on the "Sprint Trains" Intermodal Demonstration Project between Chicago and Minneapolis have just been released.

The study which was carried out by the Association of Railroads indicated the Sprint service increased the average weekly intermodal loadings in this corridor from 500 revenue trailers per week before the project began to a high of 1,700 a week in June 1979. An estimated two-thirds of the new business attracted to these trains would have otherwise been transported by truck according to the report.

The Department of Energy conducted a fuel efficiency study during the demonstration and concluded that the Sprint service was twice as energy efficient as truck transport.

We continue to operate 34 Sprint trains weekly, three in each direction Tuesday through Saturday and a total of four trains Sunday and Monday.

Perhaps you have noticed recently that we have been acquiring a number of new cars and trucks for our corporate fleet. By year's end, we expect to have added over 60 new vehicles, including six like new vehicles from the Rock Island, to upgrade our fleet. Due to the monetary constraints that we have experienced in the past, the corporate vehicle fleet has fallen into a state of deferred replacement. Even with the reassignment of vehicles from non-core areas onto the core railroad, we have a considerable amount of cars and trucks that are old, high mileage and unreliable.

In 1981 we plan to accelerate our replacement program through the purchase of 43 passenger vehicles and 80 trucks as part of our 1981 capital investment program.

We also are undertaking a pilot project at Ottumwa, Iowa to equip 13 company cars and trucks with a dual gasoline/propane fuel system. If the test is successful, we should be able to realize a sizable savings in the cost of fuel, based on the difference in the estimated price of gasoline at \$1.25 per gallon versus propane at \$.75 per gallon.

Repair work continues on the portion of Union Station damaged by fire in July. Redecorating of halls and offices has been completed. The skylight over the main waiting room has been installed and renovation of the main waiting room is expected to be completed shortly after January 1.

Also, work will begin shortly on the south side of the depot by the Tishman Corporation. This will involve taking down the train shed coverings and making preparations for digging caissons for the construction of the fourth Tishman building. We anticipate no serious problems affecting our operations on the north side of the depot.

The Chicago Reporter, a monthly publication that provides an information service on racial issues in Metropolitan Chicago, annually conducts a race relations survey of the largest Chicago based corporations.

Earlier this year, the Milwaukee Road participated in this survey and we received a favorable write-up in its November issue.

The results of the survey reveal that, even in the face of employment reduction and other economic concerns of large corporations, good faith efforts and Affirmative Action Programs are alive and well. The article points out that the Milwaukee Road, along with several other large corporations, reported a more than 50% increase in minority purchasing.

A handwritten signature in cursive script, appearing to read 'W. L. Smith', is written in dark ink.

W. L. Smith
President