

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

February 5, 1979

Managers and Supervisors:

THE WINTER OF '79 is giving the Milwaukee a real beating. Since the first of the year bitter cold, heavy and repeated snows, and constant high winds and drifting have combined to clog our tracks and yards, to reduce locomotive serviceability and generally to slow the railroad's overall operations.

While weather conditions are at times a problem over much of the Milwaukee, our midwestern routes and facilities have been hurt the most in recent weeks. We can expect an adverse impact on revenues and cash levels.

The yards and terminal facilities in Chicago (Galewood and Bensenville), Milwaukee and Savanna have been especially hard hit so far this winter. We have had to dig them out three times since the first of the year. While we have been operating almost constant snow service throughout the Midwest the past month, progress has been hampered by repeated heavy snows. Congestion has been a major problem in the Chicago terminal and to a lesser degree in Milwaukee.

THE NEED TO CONSERVE CASH in the present situation is of utmost importance. The economic equation is simple: When we have difficulty delivering cars our revenues decline. Yet there has been a steady escalation in our operating expenses due to snow removal activities.

A tight control on all expenses must be the rule of the day. All departments have been instructed to review thoroughly their budgets and to take whatever steps are necessary to conserve cash.

We are, however, receiving some assistance.

THE MILWAUKEE HAS RECEIVED \$5.1 MILLION in repayable financial assistance under the Emergency Rail Services Act of 1970. The drawdown was approved by the Federal Railroad Administration on February 1. We shall use the funds to help meet current and future operating expenses.

Trustee Hillman received authority from the reorganization court to apply for these funds last April. We had expected cash levels to decline at this time to the point that availing ourselves of the ERSA loan would be advisable.

SOME SNOW-FIGHTING ASSISTANCE has also been made available. On January 29, Governor Dreyfus of Wisconsin authorized a grant of \$161,000 to help us clear snow from our tracks and switches in Milwaukee. We are using the money to recall temporarily some furloughed employees, to hire about 50 day laborers to shovel snow, and to lease additional snow removal equipment. Barring more snow, we hope to have the Milwaukee terminal clear by early next week.

WE ARE TRYING OUR BEST TO KEEP TRAINS MOVING while we dig out. Every effort is being made to bypass Bensenville yard with cars for our eastern and western connections. Additional supervisors are working at the Control Center in Chicago to coordinate bypass operations with connecting carriers and to work closely with the Chicago terminal railroads. In just one example of how this is working, we have been running preblocked trains from Conrail with CR locomotives and cabooses as far as Milwaukee, Portage and even St. Paul.

Despite our efforts, the combination of congestion, snow conditions and a shortage of locomotives resulted in our requesting the ICC on January 31 to allow connecting railroads to reroute temporarily to other interchange points all cars normally delivered to the Milwaukee at Kansas City.

THE BACKLOG ON THE TRANSCONTINENTAL LINE has been largely worked off as the result of a reroute order which was used for about ten days beginning January 13. We used the reroute to divert eastbound loaded cars to the Union Pacific at several points while we concentrated on moving the cars accumulated along the main line. There is still some congestion, especially eastbound at Aberdeen, related to snow problems east of the Twin Cities.

The Dakota branch-line locomotives are still doing double duty. We are using the units to help to move main-line business while also trying to provide at least weekly service on the branch lines.

LOCOMOTIVE AVAILABILITY remains a serious problem. On any given day in January about a fourth of our road locomotives were out of service due to weather-related mechanical problems. Yet we are in better shape than we were at this time last year when almost half of the entire fleet was unserviceable. Everything possible is being done to repair and return locomotives to service.

During January, eight more locomotives were returned to service under the 4R program.

We have leased two road-switching locomotives from the Butte, Anaconda and Pacific Railroad and two road units from the Illinois Central Gulf. The road-switchers are working at Missoula and Harlowton and have relieved two Milwaukee units from these points for service between Harlowton and Great Falls and on the Montana main line. The ICG power is assigned to unit coal train operations in Indiana. With the addition of the BA&P and ICG units, we are now leasing 30 locomotives.

I WANT TO ACKNOWLEDGE the tremendous effort that has been made to keep things moving these past weeks under extremely difficult and frustrating circumstances. The list of individuals and departments who have done an outstanding job is long. Special thanks should go to the maintenance-of-way forces, mechanical forces, yard personnel and train crews who have been in the front line of the Milwaukee's fight against winter.

W. L. Smith
President

First Monday / Third Monday
516 W. Jackson Boulevard
Room 824
Chicago, Illinois 60606



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