

1st MONDAY 3rd MONDAY

Prepared for employees by the
Milwaukee Road's Corporate Communications Department
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January 16, 1979

Managers and Supervisors:

WE ARE TEMPORARILY REROUTING some traffic between St. Paul and Seattle-Tacoma in order to help work off an accumulation of both eastbound and westbound traffic that has built up along the transcontinental main line. Persistent sub-zero temperatures the past few weeks have reduced locomotive availability. This, plus the inability to run long trains in extremely cold weather, has resulted in the traffic backup.

We are using locomotives normally assigned to the Dakota branch lines to help move the accumulation while still trying to provide weekly service on the branch lines. With the reroute order, we expect to have the backlog eliminated soon.

We are presently leasing 47 locomotives to help supplement our own fleet. However, the Canadian National has recalled 11 of its units which we were operating west of the Twin Cities. We have been able to lease 6 units from a locomotive rebuilding firm and are attempting to obtain another 5 units to make up for the loss of the CN locomotives.

LINE ABANDONMENT PROGRAM under Title VIII of the 4R Act is about 35% complete. Of the slightly more than 10,000 miles of line the Milwaukee operated at the beginning of 1977, 4,967 miles have been targeted for abandonment. The latter figure does not include lines between the Twin Cities and Butte from which Trustee Hillman has said the Milwaukee must ultimately withdraw. Applications to abandon 2,460 miles have already been filed with the ICC. Filings on an additional 286 miles will go to the Commission within 6 weeks. To date, the ICC has approved the abandonment of 609 miles.

We are also studying the economics of additional lines totaling about 475 miles to determine if the lines should be considered for abandonment. All lines slated for abandonment consume more in operating expenses than they generate in revenues and thus are a serious drain on the Milwaukee's limited financial resources.

4R TRACK AND EQUIPMENT PROGRAMS are making good progress. The 1978 phase of the track rehabilitation between Milwaukee and St. Paul saw the installation of some 200,000 new crossties and 5,500 switch ties, 10.2 miles of continuous welded rail, new ballast on 37 miles of line and the resurfacing of 155 miles of track on existing ballast, and improvements to numerous grade crossings. Work will resume this spring with a force of about 500. The entire \$33.6 million project will be completed by the end of the year. The work will result in greatly improved operations over this primary freight route.

Through December 31, 39 locomotives and 232 freight cars have been returned to service in a \$19 million program to repair a total of 111 locomotives and 950 freight cars. All work is performed at the Milwaukee Shops with priority given to high horsepower locomotives used on main line freights and unit coal train operations and to covered hopper cars used in grain service.

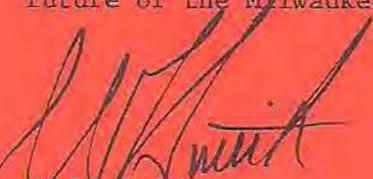
The \$2 million program to install additional waste water treatment facilities at the Milwaukee Shops is about 65% complete. The improved system will soon be fully operational.

900 NEW FREIGHT CARS valued at more than \$33 million will go into service this year as the result of lease agreements approved by the court. Last August the court approved the lease of 500 50-foot boxcars. On January 9 we received permission to lease 400 covered hopper cars. We will begin taking delivery of the boxcars in February. All of the hoppers are scheduled for delivery during the third quarter. This equipment will help us meet the continuing high demand to handle grain, paper and various other commodities.

LOANS FROM SHIPPERS have enabled the Milwaukee to repair or schedule the repair of virtually all unserviceable hopper cars. During 1978, we used some \$930,000 in interest-free loans to repair 133 grain service cars. Funds have been committed to repair an additional 33 grain hoppers and 51 hopper cars used to transport sand. The repaired cars are assigned to the shipper providing the loan. We will repay the loan on a prorated basis each time the car is loaded for a line haul move.

Discussions are being held with several shippers who are interested in similar loan programs for the repair of some of our locomotives.

PLEASE DISCUSS AND SHARE the information in the First Monday / Third Monday letters with the people you work with and with anyone who is interested in the future of the Milwaukee Road. Thank you.


W. L. Smith
President



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