

1st MONDAY 3rd MONDAY

Prepared for employees by the
Milwaukee Road's Corporate Relations Department
516 West Jackson Boulevard Chicago, Illinois 60608
Telephone 312 848-3324

December 21, 1981

To All Milwaukee Road Employees:

The Reorganization Court last week approved the sale of approximately 3,970 acres of land, consisting of 218 miles of abandoned right of way and station ground properties, to the State of Washington for \$1.9 million.

The state will purchase an approximately 132-mile line segment extending from the Washington-Idaho state line to Warden, Washington, and an 86-mile segment between Royal City Junction and Easton, Washington. The property to be sold is located in Spokane, Whitman, Adams, Grant and Kittitas counties in the State of Washington.

The legislature of the State of Washington has appropriated funds for the acquisition by the state; and the Court's decision will permit the orderly disposal of the property, which officers of the Trustee have been interested in selling since former Trustee Hillman announced that these areas would not be included in a reorganized Milwaukee Road.

Proceeds of the sale will be held in an escrow account and will not be available to fund railroad operations without Court authorization.

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On December 11, at a special hearing in the Reorganization Court, Judge McMillen extended the date by which certain agreements between the Milwaukee and the labor organizations representing its employees must be completed from December 31 until January 29, 1982. The extension was made at the request of the Railway Labor Executive's Association to enable the details to be spelled out to implement the wage reduction and changes in crew consists which are significant items in Trustee Ogilvie's revised plan of reorganization. Counsel for RLEA stated that the completed agreements would be retroactive to January 1, 1982.

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An attractive plaque from the National Safety Council now graces the walls of the eighth floor conference room in Union Station.

"In recognition of its activities to promote greater public safety," a public safety activities award for 1980 has been presented to the Milwaukee Road by the Council.

The award is recognition of the efforts of our Safety Department to induce good safety habits during the everyday activities of Milwaukee employees, and among all residents of the territory in which our railroad operates. Criteria helping

YES TO SAFETY

determine the recipients of the award include encouragement of "off-the-job" safety, defensive driving courses, and hazardous materials instruction for municipal personnel.

Considerable emphasis is placed on Operation Lifesaver, and Milwaukee's actions in stressing the grade crossing awareness among motorists ranked high in the Council's appraisal. For example, P. A. Wagner, W. Baldwin, and C. N. Machande contacted well over 12,000 students and teachers in Wisconsin and Minnesota during a twelve-month period.

The fact that no students were involved in accidents on our property in the area where programs were presented is proof of the effectiveness of these presentations.

The efforts of not only Safety Department personnel, but of all employees in achieving top safety performances are appreciated, and all Milwaukee people can take pride in this award from NSC.

As this difficult year draws to a close, it may be fitting to reflect on the improvements that have been made to the plant which have enabled us to operate more efficiently, reduce transit times and provide superior service to our customers.

During 1981, significant maintenance of way programs were accomplished throughout our system, with virtually no line failing to receive some attention. Portions of all of our routes received new ballast, and additional attention in the form of plowing was given to segments of three lines. Installation of new ties was nearly as universal and welded rail was installed on five line segments.

Major rehabilitation of the Wisconsin Valley line will make possible the operation of unit trains to the new coal-fired electric power generating facility at Weston, Wisconsin. An important phase of this improvement was the completion of the new bridge across the Wisconsin River at Knowlton. Timetable speeds for freight trains on this line are now higher than at any other time in the past.

The year also saw a major rehabilitation of our yard facilities in Milwaukee, Wisconsin. Since August, approximately \$1.3 million has been spent to rehabilitate the West Yard and Adams Yard to provide a more efficient operation and to handle business formerly handled in Airline Yard, which was closed.

It isn't often that a railroad returns an unused line to service but the Milwaukee Road did that in mid-August when the embargoed LaCrescent, Minnesota-Marquette, Iowa, line segment was opened to handle through freight trains between the Twin Cities and Kansas City. This extensive project also included bridge and other improvements between Marquette and Sabula, Iowa, and a new base radio station at Lansing, Iowa.

Other important projects, funded in part with outside assistance, were located along the southern Minnesota/northern Iowa grain gathering lines and the west commuter line in Chicago. Tie and ballast operations were aggressively pursued on the Kansas City line.

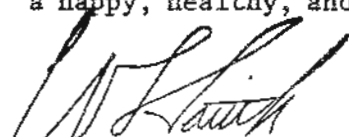
By the end of November, our maintenance of way forces had installed more than 832,000 ties, laid 115 miles of rail and performed surface correction to 1,544 miles of track.

Associated with the upgrading of track are grade crossing improvements and rail-highway warning systems.

Street-rail intersections have been rebuilt at nine locations within the Chicago Metropolitan area. Safety warning devices (gates or flashing lights) have been upgraded or newly installed at 68 locations throughout our railroad.

All of this indicates our railroad is in a much better position to serve our customers than we were a year ago. Given an improvement in the economic climate, we expect to reap the benefits of these efforts in 1982.

At this holiday season, Trustee Ogilvie joins me in wishing you and your families a happy, healthy, and safe holiday.



W. L. Smith
President