



Prepared for employees by the
Milwaukee Road's Corporate Relations Department
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August 25, 1982

To All Milwaukee Road Employees:

Adjusting to the continuing depressed state of the economy that has decreased demand for certain of our services, the Milwaukee Road will temporarily reduce its work force and implement changes in some freight train schedules.

Hopefully, most of these cost control measures will be of short duration - until economic conditions improve - and none will significantly affect the quality of service available to our customers.

A large percentage of positions to be temporarily affected involves the Milwaukee Shops complex. Notices covering these positions, which are primarily required for equipment repair programs, have been posted in Milwaukee.

Because so much of our equipment is currently in storage, it does not make economic sense to continue to repair freight cars and locomotives to stand idle on storage tracks. These programs will be reinstated as conditions warrant.

We will concentrate on rebuilding and upgrading key track segments and making the physical improvements in the plant that are necessary to improve operations, safety and revenues.

Even with the adjustment in certain equipment and maintenance-of-way programs, our railroad will be in a better state of repair at the close of this work season than we were at the end of last year.

With respect to changes in freight train operations, some main line consolidations will be implemented and some local service will be reduced based on demand. But these operating economies will be consistent with marketing strategies. Consolidations will be made whenever possible but always with the objective of maintaining integrity of service.

Some adjustment in Sprint train operations is expected after Labor Day as we continue to explore cost reduction options and opportunities, but the Sprints remain the backbone of our intermodal program.

With the closing this week of the \$17 million purchase of 98 miles of former Rock Island railroad trackage in eastern Iowa, Trustee

Ogilvie moved closer to his goal of reorganizing the Milwaukee Road into an economically viable entity. The purchase, which had been approved earlier by our Reorganization Court and recommended by the Interstate Commerce Commission, ended many months of negotiations and judicial and administrative proceedings.

Rehabilitation of certain segments of the line stretching from Clinton to Washington, Iowa, will begin immediately, with efforts being concentrated on the segment serving the new coal-fired electricity generating facility under construction at Fruitland, Iowa. Upgrading of this track is scheduled for completion during the current work season, weather permitting, and will accommodate the movement of unit trains of coal to the power plant.

Purchase of this property is an essential part of the restructured Milwaukee Road envisioned in Trustee Ogilvie's Revised Plan of Reorganization.

Since April 1980, the Milwaukee has provided interim freight service between Davenport and Fruitland and at Washington.

Our officers and employees recognize that this transaction would not have been possible without the strong support we received from shipper friends and from officials at the State and local levels of government. Our sincere thanks is extended to them!

You are familiar with Trustee Ogilvie's efforts to resolve the back-pay issue involving contract employees and of the timetable established for such payment. FM/TM dated July 19 stated that because of the large number of checks to be processed and the need to review various payrolls covering the different work periods involved, checks would not be mailed earlier than the end of August. Through the hard work of the people involved in the preparation and distribution of these documents, 16,338 checks have been prepared and will be mailed to payee's homes by the end of this week. Some 1.4 million records were used to produce these checks which, incidentally, is a larger total than we processed when we operated a 10,000 mile transcontinental system.

Approximately 800 man-hours were spent verifying rates, checking test payrolls, calculating adjustments and reviewing the various formulas and accounting procedures used by the 17 labor organizations involved. It is expected that another 1,000 man-hours will be required to complete the project as it relates to certain tax election options that are explained in a separate mailing to all involved.

The back-pay to be distributed this week totals \$14.8 million. That figure does not include the 7% wage reduction, the wage deferral or payroll taxes paid by the Milwaukee Road.

The payroll message on these checks states that Federal, State and local taxes have been withheld at the applicable percentages established by taxing authorities. Discrepancies or questions should be submitted in writing to - Manager Payroll Accounting, Room 206, 516 W. Jackson Blvd., Chicago, IL 60606.

Trustee Ogilvie said "A vote of thanks is in order to all employees directly involved in the orderly, efficient production and distribution of the back-pay checks" and that he is "personally gratified that this important issue has been successfully concluded".

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

W. L. Smith
President