

1st MONDAY 3rd MONDAY

Prepared for employees by the
Milwaukee Road's Corporate Relations Department
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February 1, 1982

To All Milwaukee Road Employees:

Because of the significance of the events of last week with respect to agreements covering wage reductions and reduced train crews, Trustee Ogilvie's message to all employees, which today is being transmitted to various locations by the wire room and posted on bulletin boards here, is reprinted below in its entirety:

Last Friday, the Reorganization Court approved our 7 percent wage reduction agreement effective January 1, 1982 through December 31, 1984.

A formal application for approval of our agreement on crew consist changes will be presented to the Court this week, and I expect Judge McMillen will approve.

Together, the agreements should produce savings of approximately \$100 million over the next five years, and will significantly aid the reorganization process.

This has been a difficult and trying experience for all of us. The agreements could not have been reached without the spirit of cooperation demonstrated by all parties involved in the negotiations over the past few months.

The efforts and hard work of our employees have turned a necessity into reality and I'm grateful for your help. We can be proud of the image we're creating in the business community and in the transportation industry as we proceed to make the Milwaukee Road the railroad that is looking to the future ---- today.

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The internal restructuring of the Milwaukee continues with the formation of a new intermodal organization, effective February 1, 1982, designed to take full advantage of our capabilities in the deregulated environment.

Headed by P. L. Cowling, the new intermodal discipline will integrate the railroad's piggyback functions and all elements of Milwaukee Motor Transportation Company into a single unit.

Using a profit center approach, the new organization will contain all of the elements required to define levels of profit responsibility and establish a clear set of line and staff relationships.

Milwaukee Road has become known for innovation in rail/highway intermodal transportation since 1978 when it began its SPRINT train service between Chicago and Minneapolis/St. Paul. SPRINT service continues to offer frequent, reliable service with 3 "piggyback" trains in each direction daily. With this service, the company has won a major share of freight traffic in the Chicago-Twin Cities corridor.

We have felt, for some time, that the highly competitive nature of intermodal traffic called for an in depth analysis of our approach to this market to determine if we were properly structured to optimize existing and future opportunities. We've known that TOFC/COFC traffic has great potential. The long range projections for intermodalism are nothing but positive.

After considerable research and study, supplemented by the professional expertise of Transportation Management Consultants Reebie Associates, a decision was made to put in place the totally new concept embodied in the intermodal organization we have now established.

This new integrated module - operating within the jurisdiction of Marketing V.P., P. C. White - will allow for decisions which are rapid and responsive to the marketplace; and will ensure that they are profitable decisions for the entire organization. Each intermodal terminal will be responsible for maintaining efficiency in operating as well as sales functions.

We enjoy an advantage in this undertaking because of our wholly-owned subsidiary, MMTC, which has motor carrier authority to penetrate many markets not served by the railroad. We can offer our customers a complete transportation package that few of our competitors can match.

All positions in the new organization are being filled with present employees of the railroad and the motor carrier. This is simply recognition of a shift in our priorities.

P. L. Cowling remains in his capacity of President of MMT and becomes V.P. Intermodal.

Reporting to Cowling will be an intermodal marketing section headed by D. W. Cooksy, with pricing activities under the direction of R. E. Bennett, and sales functions under E. A. Solvie. As Intermodal Controller, F. E. Groves will oversee accounting procedures.

Terminal operations - which is where day-to-day activity begins and ends - will be under the direction of T. S. Hartnett for the Chicago (Bensenville) terminal area, and C. E. Goldsmith for all of the other hub-terminals in the Milwaukee intermodal system. A trucking operations unit, headed by R. F. Munsell, will cover maintenance of equipment and buildings, as well as safety and contract services; and an operations section which will be primarily concerned with containers rather than trailers.

In the single organization described above, the overall function will seek out profitable sales opportunities, form intermodal price/service packages to address markets and then promote these programs and conduct inter-railroad negotiations.

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

W. L. Smith
President