

1st MONDAY 3rd MONDAY

Prepared for employees by the
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February 6, 1984

To All Milwaukee Road Employees:

After hearing arguments from all interested parties to the proceeding, Judge McMillen said today in Reorganization Court that he would sign an order Wednesday, February 8, directing Trustee Ogilvie to enter into discussion and negotiations with the Soo Line and other carriers on proposals to acquire the operating assets of the Milwaukee Road, and requesting the Interstate Commerce Commission to consider the Soo Line's purchase proposal after it is filed, along with the other purchase applications which may be filed.

Judge McMillen said he "would be remiss in not allowing the Soo Railroad to enter the proceedings", and he "would not be doing justice to the creditors and the stockholders" to deny consideration of the Soo's late bid.

The order will formalize the schedule to be followed: Soo to file its reorganization plan by February 7, and its application to purchase under Section 5 of the MRRA by February 17; other parties to file any modified purchase proposal they wish to submit by February 29; and hearings on March 5, after which all serious proposals will be referred to the ICC with the request that the Commission act on them within 180 days.

"The principal objective is to bring this proceeding to a conclusion, at least as far as the operating line is concerned, and get on with the operation of a railroad," Judge McMillen said. He added, "Until an application is filed by either the Soo Railroad or another competing railroad there is no way, really, to act upon the merits of them or know what they are going to contain. I am simply relying upon the representations that the Soo Railroad has made not only in its papers here but also to the Trustee that it will come up with an application which is superior and more beneficial to the stockholders and perhaps to the public than we have seen up to this time."

In a related matter, an ICC Administrative Law Judge has ruled that he could find no cause to ban a law firm from representing the Chicago and North Western in its competing reorganization plan to acquire the Milwaukee's core assets. Proceedings with respect to the C&NW application have been delayed pending final resolution of this conflict of interest issue, which should occur later in February.

In another action, the Reorganization Court today gave Trustee Ogilvie permission to extend his deferred tax settlement program until June 15, 1984. This was one of three settlement programs conducted during 1983 which was highly successful in eliminating certain claims against the estate. All three programs were funded through dividends from the Milwaukee Land Company. The deferred tax settlement program offered to settle at 90% of the principal amount of the claim, with no interest or penalties, agreed tax claims through December 31, 1982 which had been deferred during the reorganization.

Cash payments of approximately \$18.8 million, representing about 94% of the principal dollar amount of the deferred tax claims offered to be settled, were made by the Trustee during 1983. Extension of the deadline for acceptances to June 15 of this year is in the best interest of the reorganization since it will result in eventual savings to the estate. And it provides desired funds to the accepting state, county or local governmental authorities whose tax claims may have been deferred since 1978.

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From our Energy Conservation/Operations Planning section comes word that during 1983 we experienced a 14% increase in gross ton miles, going from 21 billion in 1982 to 24 billion in the year just ended. This represents the sum of all activities on the railroad, including the movement of revenue freight, empty cars, locomotives, cabooses and company material.

For the same period, we consumed slightly less fuel, 39,166,313 gallons for 1983 as opposed to 39,419,145 gallons for 1982. The ratio of gallons per thousand gross ton miles for 1983 is 1.64, comparing favorably with 1.89 for the preceding year and even more favorably with the ratio of 2.12 for 1981.

Our average delivered fuel price for 1983 was 85¢ per gallon. Obviously, through improved efficiency, we purchased less fuel than we would have under past conditions.

In order to move 24 billion gross ton miles with the 1981 efficiency factor of 2.12, 50,880,000 gallons of fuel would have been required in 1983. For 1.89, 45,360,000 gallons would have been used. Last year, however, our rate of 1.64 dictated that we purchase only 39,166,000 gallons.

At 85¢ per gallon, this produces a savings of \$5,265,000 over 1982 and \$9,957,000 when compared to 1981.

The potential exists to effect even greater improvements in this area. Highlights for 1984 include: a second round of fuel workshops with locomotive engineers, using our locomotive simulator, slated to begin in the spring; continuing efforts of our mechanical forces in Milwaukee to retrofit road locomotives with EMD's low idle feature; and improved locomotive utilization occasioned by increased traffic levels and better data.

In addition, a great deal has been learned regarding the use of additives and alternate fuel which could reduce the price we pay for fuel by as much as 7¢ per gallon.

Intelligent cooperation of our employees remains the key ingredient of any energy program and is absolutely essential if the foregoing measures are to return their maximum benefits.

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Here's the line-up for the Employee Open House meetings mentioned in earlier editions of FM/TM.

Mon.	2/27	Kansas City	Holiday Inn-North Kansas City	7:00 p.m.
Tue.	2/28	Ottumwa	Parkview Plaza	7:00 p.m.
Wed.	2/29	Muscatine/Davenport	Holiday Inn-Davenport	7:00 p.m.
Thu.	3/1	Savanna	Elliot Hayx Community Church	7:00 p.m.

Mon.	3/5	Green Bay	Downtowner Motel	7:00 p.m.
Tue.	3/6	Wausau	Holiday Inn	7:00 p.m.
Wed.	3/7	Tomah	Holiday Inn	7:00 p.m.
Thu.	3/8	Portage	Women's Club	7:00 p.m.

Tue.	3/13	Mason City	Madonna Inn	7:00 p.m.
Wed.	3/14	Austin	First Bank-Austin	7:00 p.m.
Thu.	3/15	St. Paul	The Inn - 175 W. 7th	1:00 p.m. & 7:00 p.m.
Tue.	3/20	Milwaukee	Depot Conference Room	1:00 p.m. & 7:00 p.m.
Wed.	3/21	Bensenville	Holiday Inn-Itasca	1:00 p.m. & 7:00 p.m.
Thu.	3/22	Dubuque	Holiday Inn	7:00 p.m.
Thu.	3/22	Chicago	Holiday Inn-Madison & Halsted	3:45 p.m.
Tue.	3/27	Terre Haute	Sheraton Inn	7:00 p.m.

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In connection with our Quality Circle program, Problem Solving Team meetings are being scheduled to coincide with the Open House dates as follows:

Tue.	2/28	Ottumwa	Parkview Plaza	2:00 p.m.
Wed.	2/29	Muscatine	Muscatine Hotel	11:00 a.m.
Thu.	3/1	Davenport	Nahant Dieselhouse-Conference Room	2:00 p.m.
Mon.	3/5	Green Bay	Downtowner	2:00 p.m.
Wed.	3/7	Tomah	Holiday Inn	2:00 p.m.
Thu.	3/8	Portage	Women's Club	2:00 p.m.
Tue.	3/13	Mason City		2:00 p.m.
Fri.	3/16	St. Paul	St. Paul Dieselhouse QC Meeting	10:30 a.m.
Thu.	3/22	Dubuque	Holiday Inn	2:00 p.m.
Tue.	3/27	Terre Haute	Sheraton Inn	3:00 p.m.



W. L. Smith
President