

1st MONDAY 3rd MONDAY

Prepared for employees by the
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March 5, 1984

To All Milwaukee Road Employees:

In a hearing during which Trustee Ogilvie and Milwaukee Road employees were singled out for praise by the Reorganization Court and certain parties to the proceedings, Judge McMillen indicated today he will approve and forward to the Interstate Commerce Commission by March 14 all current applications to acquire the operating core of the Milwaukee.

In response to a statement by a Chicago and North Western attorney guaranteeing employment for the Milwaukee Road work force, Judge McMillen commended the Trustee and employees on the job they've done and suggested that whoever acquired the Milwaukee would be well advised to retain all of the people who have contributed so much to the improved condition of the system.

Specifically, he said "I would hope that all of the offerers would give the same consideration to the loyal officers and key employees of the Milwaukee Railroad that you say your amendments are going to do because not only would they be a great asset to any acquiring operating railroad but they have been extremely loyal and successful in the reorganization of the Milwaukee Railroad to this point."

Since the last issue of FM/TM some revisions have been or will be made in the C&NW and Grand Trunk offers, which Trustee Ogilvie and staff are presently reviewing.

Essentially, the C&NW's revised offer includes \$60 million in cash and contains provisions, which, if required by the ICC will grant trackage rights over certain Milwaukee lines to the Soo Line and Green Bay Western. And it does not include the originally proposed abandonment of approximately one thousand miles of North Western and Milwaukee Road trackage.

Grand Trunk says its modified proposal will contain joint use provisions that will permit C&NW and Soo Line to realize the bulk of operating benefits they would obtain if they acquired the Milwaukee. It also would leave certain operating loss carry forwards and investment tax credits with the estate rather than with the core railroad properties and would exclude assets from the purchase that are not essential to operations of the core system.

Soo Line's current proposal includes a \$40 million cash offer, in addition to the assumption of certain liabilities. However, all of the offers are subject to change as they are considered by the Commission.

If Judge McMillen forwards the applications on file to the Commission on March 14, a decision by the ICC must be given to the Reorganization Court within 180 days, or by September 10, 1984.

Chicago Milwaukee Corporation's Alternative Plan of Reorganization, already pending before the ICC, required no further action by the court at this time.

During the hearing, counsel for the ICC said the Commission hopes to have a decision by March 16 on the conflict of interest issue involving a law firm representing C&NW. The current U.S. District Court stay would automatically expire three days after the Commission's decision.

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Trailers bearing our familiar "running Indian" emblem will soon be seen on midwestern highways as a new motor carrier service is launched.

Responding to customer demand, effective next week we will offer a new approach to filling shipper and consumer need with the creation of an over-the-road motor carrier operation called "Hiawatha Trucking", a division of our wholly-owned subsidiary, Milwaukee Motor Transportation Company.

In keeping with our aim to provide customers with a total transportation package, Hiawatha Trucking will provide the popular high cube, 48-foot long, 102-inch wide trailers which can't be universally accommodated on the nation's railroads.

Recognizing a new marketing opportunity, we will utilize MMT's 31-state operating authority to take advantage of the increased trailer length and width laws permitted in recent highway legislation. Hiawatha Trucking has ordered a fleet of 100 new greater capacity trailers, which will be operated over the road rather than in intermodal service.

At the start, this service generally will be restricted to the Midwest for maximum utilization of equipment but may be expanded as conditions warrant.

The 48-foot long, 102-inch wide trailers are in demand by producers of certain commodities, such as sanitary tissues, bottles and some food products.

The "running Indian" logo, long the symbol of our legendary Hiawatha passenger trains and now appearing on our locomotive fleet, will be mounted on the new trailers along with the lettering "Hiawatha Trucking."

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As evidence of our continuing plant improvement and employee concern for safe and efficient product handling, loss and damage reports for 1983, classified by principal causes and commodities, tell an interesting story.

The figures below show the substantial improvement in our 1983 loss and damage experience:

<u>Year</u>	<u>Loss & Damage Expense As A % To Revenue</u>
1983	0.64%
1982	1.11%
1981	1.16%
1980	1.97%

Also, a special motor vehicle report prepared by our Freight Claim Prevention section shows the progress that has been made in reducing claims on this important segment of our business. In 1980 we processed 37,778 claims on some 30,000 carloads for a ratio of 7.3, measured by the amount paid per claim per \$100.00 of revenue.

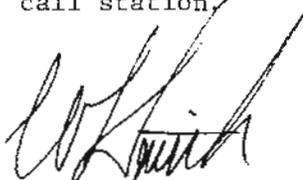
In 1983 the ratio dropped to 2.3 on 10,074 claims involving more than 26,000 carloads.

A combination of factors contributed to this improvement: Marketing department action that produced an agreement with a major manufacturer to eliminate minor claims, the use of fully enclosed railcars, and more expeditious handling through improved transit schedules. The bottom line is we're doing a better job for our customers and enhancing the value of this commodity to our railroad.

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A Watertown, Wisconsin, newspaper confused some of its readers with an article that said the Milwaukee is discontinuing freight service in Watertown, when, in reality, we are simply transferring the paper work from the depot there to other locations.

Effective March 16, 1984, the agency at Watertown, Wisconsin, will be dualized into the agencies at Portage and Milwaukee, Wisconsin. The satellite stations of Hubbleton, Waterloo, Marshall, Deansville, Sun Prairie and Richwood, Wisconsin, will be handled by the agency at Portage. The satellite stations of Ixonia, Oconomowoc, Okauchee, Nashotah, Hartland, Pewaukee, Wepco, Duplainville and Brookfield will be handled by the agency at Milwaukee. All the stations mentioned will retain their current status in Leland's Open and Prepaid Tariff with the headquarter station being changed to show Portage or Milwaukee as indicated above. Watertown will be considered an on-call station.



W. L. Smith
President