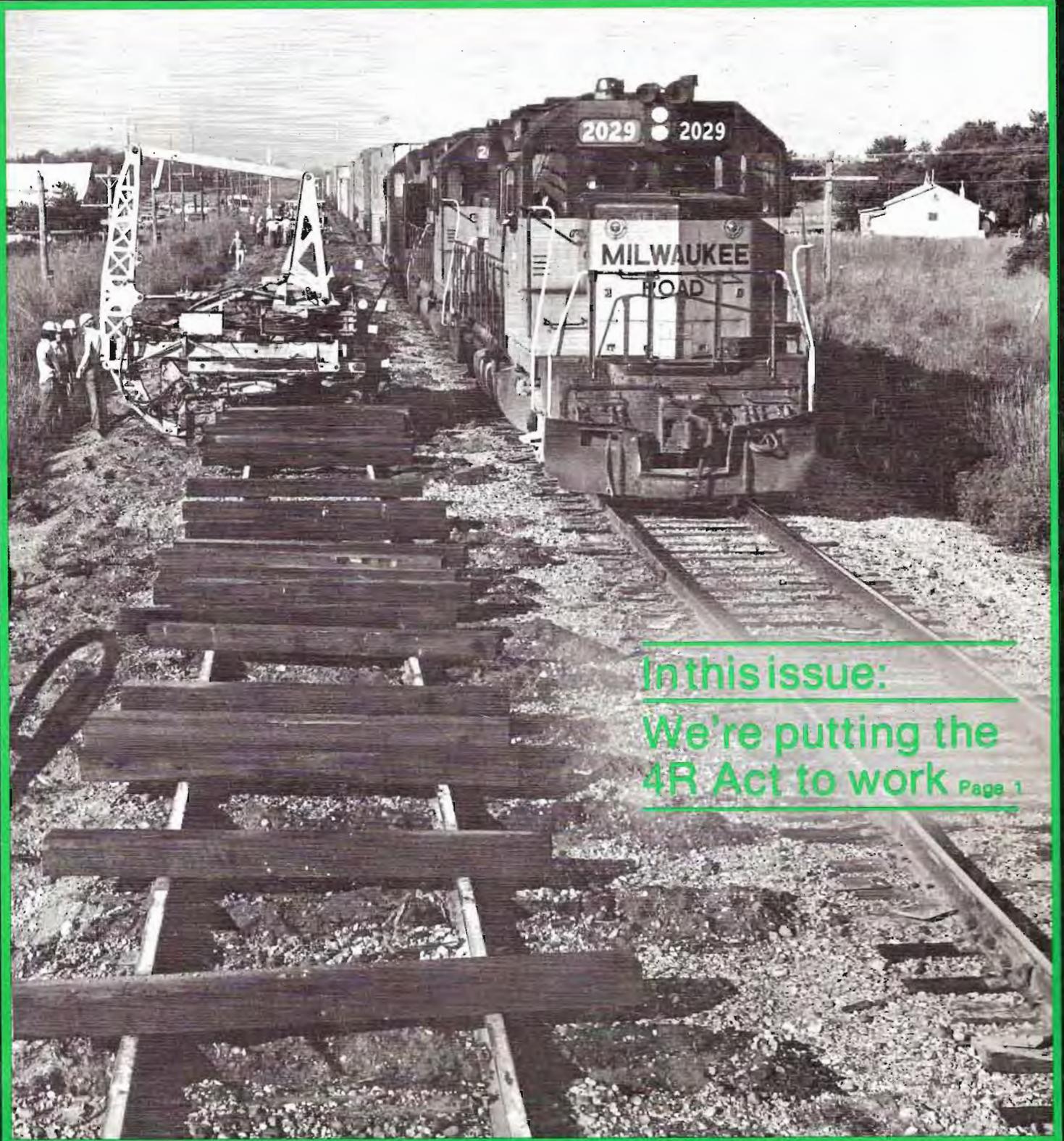


The
**MILWAUKEE
ROAD**
Magazine



In this issue:
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4R Act to work** Page 1

A new beginning

As you know, the Court has appointed me trustee of the Milwaukee Road. The appointment has been ratified by the Interstate Commerce Commission. I shall direct the Milwaukee's reorganization.

I want to say at the outset that I expect the important parts of the Milwaukee Road to be operating for a long time to come.

I am pleased to tell you that, at my request, Bill Quinn and all senior management have agreed to stay on and that Mr. Quinn will continue as the Milwaukee's chairman and chief executive officer. Mr. Quinn will be disassociating himself from his present duties with Chicago Milwaukee Corporation, the diversified holding company which owns most of the Milwaukee Road's stock, to work full time on the Milwaukee Road's future.

Those who know me know that I place great emphasis on facts and figures. My first task as trustee will be to research in detail the Milwaukee's circumstances. I expect to analyze critically the company's entire range of operations.

Philosophically, I am dedicated to free enterprise. I want the Milwaukee Road's essential services to be conducted in the private sector. Of course, it's only realistic, in the circumstances, to expect that the aid of government will be necessary. We shall continue to seek government help in rehabilitating track and equipment and in rationalizing light-density lines, pursuing the projects the Milwaukee already has under way under the Railroad Revitalization and Regulatory Reform Act of 1976.

In the long run, the future of the Milwaukee is tied closely to the plans for restructuring the midwestern railroads which the Department of Transportation is beginning to develop. While we shall of course participate in shaping these plans, we may not be able to wait for their conclusion. We welcome any suggested solution to the plight of the Milwaukee, but we must seek the proper solution quickly.

I am realistic about the Milwaukee's present circumstances, but I am not dismayed by the gloomy predictions and pronouncements made about the Milwaukee by others in recent weeks. We shall get right to work to see what we can do to demonstrate that the Milwaukee is by no means a lost cause.



Stanley E. G. Hillman

On December 19, 1977, as this long-postponed issue of the Magazine was almost on the press, the Milwaukee Road filed a voluntary petition for reorganization under Section 77 of the federal Bankruptcy Act. The Milwaukee did so, the announcement that day said, because present operating results and financial projections indicated that it would not be able to continue to meet all of its obligations as they became due during the next few months.

Management was directed by the U.S. District Court in Chicago to operate the Milwaukee pending the appointment by the court of a trustee. Operations continued with as much normality as an early and severe winter would allow. On January 18, 1978, the court appointed Stanley E. G. Hillman trustee and Richard B. Ogilvie as the trustee's legal counsel. Mr. Hillman retired as vice chairman of IC Industries, Inc., and chairman and chief executive officer of the Illinois Central Gulf Railroad to take the trustee's post. Mr. Ogilvie, a Chicago lawyer, is former governor of Illinois.

Upon the ratification by the ICC of his appointment, Mr. Hillman sent this statement personally to the Milwaukee's principal shippers and other friends, and to all employees and their families.

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We're putting the **4R ACT** to work!

In a simple but significant ceremony, Federal Railroad Administrator John M. Sullivan last August accepted a piece of paper from Chairman William J. Quinn and thus officially set in motion the rehabilitation of the Milwaukee's main line between Milwaukee and the Twin Cities.

Within days, the Milwaukee received \$4,890,000 from the U.S. Treasury. Under the terms of the arrangement for Redeemable Preference Shares between the Milwaukee and the FRA, the railroad received \$9.3 million this year.

And by the end of the year, system tie and steel gangs and regular division maintenance forces will have converted the money to better track. With the proceeds of this first sale of Redeemable Preference Shares, the Milwaukee is installing approximately 280,000 new cross-ties, about 15-1/2 miles of new welded rail, and 60 sets of new switch ties in the main line between Milwaukee and Newport, Minnesota — a line which is the economic backbone of the railroad but which, for lack of sufficient funds, hasn't had all the maintenance it needs for many years.

The federal money isn't a gift to the Milwaukee. The railroad must pay it back beginning in 1988. Payments will continue through 2007. The government will receive back its original \$9.3 million plus \$4,650,000 in interest — which sounds like a lot, but which works out to an effective annual cost of the money to the railroad of 2.03 per cent. The work project is designed to return more than its cost to the railroad, over time, in the form of reductions in operating expenses.

The federal financial assistance is the first in what is expected to be a series of track-rehabilitation programs made possible by the Railroad Revitalization and Regulatory Reform Act of 1976 — the so-called 4R Act. In December, 1976, the Milwaukee sought \$109.4 million in assistance from the FRA under the Act, \$91.7 million of it for track rehabilitation through the sale to the government of Redeemable Preference Shares, a new form of railroad security. The 1977 track program represents the initial phase of the series, a portion of it designed at the FRA's request as something the railroad could complete in 1977 using materials and machinery which were readily available. More programs within the scope of that original application will follow.

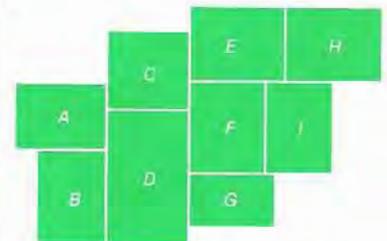
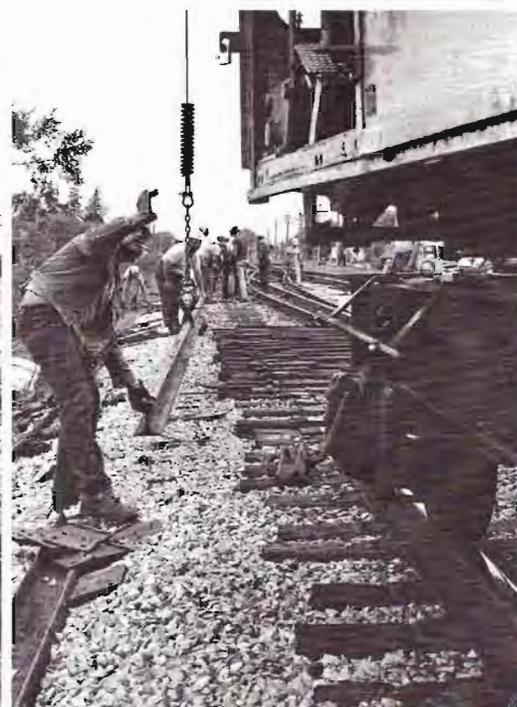
The objective of the total program is to return the main line to excellent condition while reducing its capacity to that which is needed for the foreseeable future. When the work is completed, maximum passenger-train speed will be 79 miles an hour, maximum freight-train speed 60.

The work being done in 1977 is making great progress in that direction. Not only is it preventing further reductions in operating speeds, it's actually permitting higher train speeds. By the end of October slow orders had been taken down on 317 miles of track and speeds in these segments increased to the presently authorized maximum, usually 50.

Common though they may be, cross-ties are not to be taken for granted. These, stacked at Doylestown for insertion in the track in the 4R program, will materially improve the condition of the track. Installed, they run the railroad better than \$20 apiece.

We're putting
the
4R ACT
to work!





(A) Cross-ties unloaded from a tie train are straightened by the crane operator Edward Koukel so that the tie inserter which follows can move them quickly into the track.

(B) Out come the spikes from a tie which will be replaced. Clifford Vohs operates the machine.

(C) Having cut the old tie in three pieces and lifted out the center cut, this tie saw now shoves the butts clear.

(D) The steel gang gathers near Ixonia, where welded rail is being applied to the eastbound track. It's already in place beneath the equipment.

(E) Off-track equipment lifts a string of welded rail into position near Ixonia. The old, lighter jointed rail lies alongside, ready to be picked up and prepared for use elsewhere.

(F) Tie gang equipment comprises both tie inserters and tie injectors. The injector, here working near Sparta, picks up ties which have been placed atop the rails and shoves them in place.

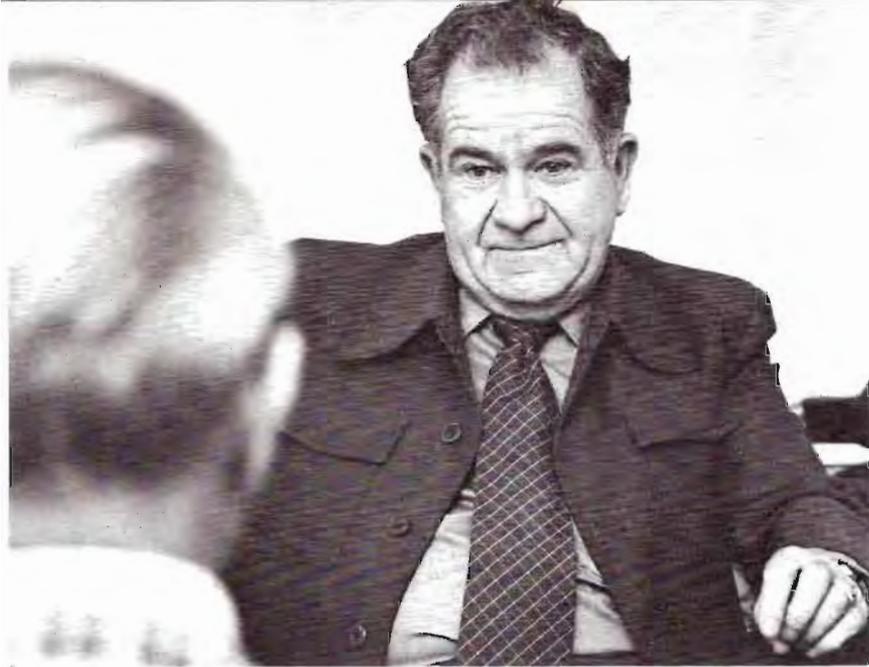
(G) As project manager, Robert J. Bruske is responsible for the interim track-rehabilitation project with its deadlines and cost constraints. Bob is engineer-of-track at Chicago, but for the project his headquarters have been at Portage.

(H) It goes the new tie, with a mechanized tie inserter doing the heavy work. Average tie replacement in the 1977 interim program: 776 per mile.

(I) Crossovers in welded-rail territory require much hand work. Here the steel gang is installing a new crossover which matches in rail weight the 132-pound welded rail.



NEED HELP



Bob Hickle, director of social counseling

Sometime this year an employee, the 600th to do so, will contact one of the Milwaukee Road's social counseling offices for help.

His problem will be his drinking, most likely, although it could be financial or of a marital nature, or something to do with his children or his job. Maybe he just needs someone to talk to.

His job on the railroad could be anything. Statistically, persons who are switchmen, locomotive engineers or clerks predominate among those who have sought the help of the social-counseling program since the program's inauguration in 1972. But employees in at least 36 different jobs, at all levels of the company, have come to the counselors.

There's a good chance that this 600th participant will have been referred by his supervisor. He might be making the contact at the suggestion of his union representative, because of something he'd read about the program, or because he'd talked with another employee who had sought and received help. A court may have told him that he had to make the call.

And the chances are that the systemwide organization headed by Bob Hickle, director of social counseling, will come meaningfully to his aid. It has certainly done so for the many who preceded him.

Through September 1977, 587 employees had formally sought the help of the social counseling office, 108 of them since the first of the year. The great majority went on to enter some form of counseling or medical help. Only 41 didn't return after the first contact or refused help.

Of the 587, 330 were alcoholics. Of the 330, 145 were referred to a hospital and were admitted; another 112 entered outpatient counseling. Many received some other kind of help. Fourteen didn't come back to see the counselors again; five lost contact later; seven didn't show up at the hospital; nine denied that they had a problem at all.

Helping troubled people help themselves isn't easy, and Hickle is the first to admit it. The author of two books on treating alcoholics, he wrote, in *Responsible Drinking and Other Myths*:

"It is an interesting, if futile, exercise to try to peel off layer by layer the incredibly complex mechanism of alcoholism. I'm not sure whether this exercise is best compared with peeling off the layers of an imperfect pearl to get at the perfect pearl underneath, or with peeling an onion. Probably

the onion, because sometimes you weep. In both cases, you may get done peeling and find you have nothing to show except peelings, and tears."

But helping troubled employees help themselves is why the Milwaukee, under Hickle, and in cooperation with the unions, has social counseling offices in Chicago, Milwaukee, Seattle, and Waverly, Iowa. The offices and counselors maintain a relaxed, nonclinical atmosphere. By design, the offices are located away from other railroad activities. And what transpires between an employee and his counselor stays confidential.

Success? Certainly. Straightened-out lives? Many of them. Acceptance of the social counseling program? One out of 10 employees who have come to the counselors were referred by employees other than their supervisors. More to do? Assuredly.

How does counseling work, and why? No one really knows. Hickle, reflecting on his profession in his other book, *Through a Glass, Darkly*, offers this observation:

"When you're in the business of helping alcoholics recover, you not only come to expect miracles, you come to rely on them. Each clear-eyed, productive, recovering alcoholic is a miracle. The insanity of alcoholism is behind, and a life of promise stretches ahead. We seem to succeed best when we trust a power greater than ourselves to show us the way to recovery."

Where to go for help

Here are the Milwaukee Road's social counseling offices:

Chicago: Suite 101, 7101 N. Cicero Ave., Lincolnwood, Ill. Phone 648-3860, 648-3890, or 677-2924. Frank Ferguson, regional manager.

Milwaukee: Suite A100, 8626B W. Greenfield Ave., Milwaukee. Phone MILW 227 or 475-6757. Jack Mulhollon, assistant director, Dolores Mulhollon, counselor.

Seattle: Suite 313, 225 108th Street N.E., Bellevue, Wash. Phone SEA 3947 or 453-0550. Jim Moss, regional manager; Jane Moss, counselor.

Waverly, Ia.: 1307 2nd Ave. S.W., Waverly. Phone 319/352-5272. Bob Hickle, director of social counseling.

WHAT CAN WE DO ABOUT OUR LIGHT- DENSITY LINES?

LIKE never before, the map of the Milwaukee Road is being redrawn for the future.

Since the process is just beginning and circumstances change, the kind of physical plant which will emerge is still uncertain. Yet one general framework for our railroad of tomorrow, measured not by tradition or present practice but by what we need, is already clear:

Light-density lines, those branch and secondary main lines which can't contribute to the company's economic viability now or in the future, must be pruned away from those which can.

Even with the vast changes in transportation — the emergence of trucking and a massive public commitment to paved highways — the Milwaukee Road, in its coverage of the countryside, is essentially the same carrier it was when railroads were unchallenged as the dominant means of transport.

Almost all of the Milwaukee's lines were in place by 1900, built to the economic tunes of the time. Route-mileage "peaked out" in 1928: about 11,253 miles. As 1977 began, we operated 10,074 miles of route, a reduction of 1,179 or a shade over 10 per cent.

Responding to changes in transportation markets and transportation technology at that rate hardly amounts to pulling the tracks out from under our customers.

The reason for — the urgency for — the changes which are coming is purely economic. In the late 1970's the Milwaukee cannot survive by trying to meet a 19th century need.



The train is ours, the track the Rock Island's. No. 341 arrives at Eldon, Iowa, for a crew change. Coordinations such as this are a key to reducing the size of the physical plant.



To the right of operator Frank Backoff is Chicago & North Western's main line across Iowa. To his left is ours. At no point are the two very far apart; here at Tama Tower they cross. How to reduce excess capacity in what the FRA calls "corridors of coordination potential" has the Milwaukee discussing coordinations in circumstances such as this.

This doesn't mean that the Milwaukee intends to back away from good business just because it's on a branch line. The studies and market analyses which underlie what will be a wholesale "rationalization" of light-density lines give due recognition to their present traffic and future potential.

But they reveal the dilemma caused by light-density lines:

- Many light-density lines consume more in operating expenses than they produce in operating revenues. Thus they don't contribute to the company's fixed or "overhead" expenses, and they retard the company's profitability.
- Many more are only marginal contributors — so marginal that it's difficult if not impossible to give them a meaningful share of the company's extremely limited budget for roadway maintenance.

- Some which might have a future require more funds than the Milwaukee can generate internally to build them up to accommodate the heavier cars of the 1970's.
- Some are, essentially, duplicates of lines of other railroads — lines which often have equally marginal use.
- Some have long been abandoned by the shippers for whom they were built — and few, if any, other shippers want or need them.

State governments are now aware that they must help the railroads rationalize their network of light-density lines. In Iowa and elsewhere the state activity began before the enactment of the Railroad Revitalization and Regulatory Reform Act of 1976. But provisions of the 4R Act which extend service-continuation and planning money to states and others will help the state rail-planning process.

The 4R Act itself acknowledges the awareness of the federal government

that part of the "restructuring" of the nation's railroads which is directed by the Act covers light-density, little-hope-for-the-future, branch and secondary lines.

Shippers, too, are helping. Some, appreciating why we've had to put "their" line on a "use-it-or-lose-it" basis, are using it more. Elsewhere, shippers are lending money to the Milwaukee so that we can upgrade — to mutual benefit — a line they need.

And when late this year and early in 1978 we file a sheaf of abandonment applications with the Interstate Commerce Commission, the rules under which the ICC will consider our cases will have been modified by the 4R Act. The Act requires the Commission to make a decision on the applications within a specified period of time.

The Milwaukee's own study of the company's light-density lines began last year. It was completed this spring. Its objective: to determine which lines contribute to earnings beyond their own cost of operation. The study covered 74 lines or line segments with a total mileage approaching 3,700.

The study looked at present operating costs, actual (what we are spending) and "normalized" (what we should be spending) maintenance costs, present business, and future traffic potential. By design it didn't attempt to answer the questions of whether individual lines were necessary to systemwide operating or marketing strategies, or whether one could reasonably expect that the lines could be discontinued. Those questions were for later.

Significantly, the study found that 36 per cent of the company's total route-mileage generates only 13 per cent of system carloads and 14 per cent of annual gross freight revenues.

Of the 74 lines studied, 48 make no contribution to overhead and profit even with today's bare-bones maintenance. In fact, these 2,400 miles of line in total soak up \$3.6 million per year more in operating expenses than they generate in operating revenues.

Another 14 lines would make no contribution if maintenance spending were "normalized" — increased to what we should be spending on that kind of track.

Twelve lines, a total of 563 miles, do contribute to overhead and profit — a total of \$2.6 million — even if measured on a normalized maintenance basis.

With this study in hand, we know a lot more than we've known before about our light-density lines. We have, and are using, a basic plan against which to draw that map of the future.

We know pretty well where our viable "core" railroad lies, and how big it should be.

We also have an excellent idea of what lines are candidates for coordination, or trackage rights agreements, with other railroads.

And we've identified the out-and-out "losers" — the lines that, symbolically, are colored red on the centerspread map.

THE closest thing that exists to the Milwaukee's map of the future is the map reproduced in the centerfold of this issue.

This map was prepared for and was submitted to the ICC last April as part of a procedure established by the 4R Act. Graphically, it says, "at that time, this is where we were in planning the future of our light-density lines." However, the map, and the ICC's procedure recognize that conditions may change.

The basis for the map is the study by the Milwaukee's management of the economic viability of light-density

branch and secondary lines. But before the raw results of that study were committed to the drawing board, they were reviewed again by traffic, industrial development and operating personnel: Is there traffic potential available on a line — potential that we can develop *and* wait for — that hadn't been considered? Are certain lines needed for operating purposes even if they don't contribute revenues over and above expenses?

When that analysis was completed, the results were translated into map form as directed by the ICC. The map's legend describes the lines as the Commission wants them described. The criteria by which the lines were placed in the categories desired by the Commission are ours.

Colored red are those lines on which we expect to file formal abandonment applications because the lines are true losers: They cost more to operate than they produce in revenues, considering our actual maintenance expenditures on them.

Teams of operating, traffic, engineering and legal personnel are filing abandonment applications on these "Category 1" lines.

Any other lines which are "potentially subject to abandonment" fall in the ICC's "Category 2" and show on the map in green. In our terms, these lines generally are those which become noncontributors when their costs of maintenance are normalized.

At present, the company has no timetable in mind concerning the future of any of these "green" lines. We know them as "study" lines because we must keep an eye on their economics — even as we attempt to make them true contributors.

While on the one hand it's by no means correct to say that sooner or later all "green" lines will become "red" lines and thus become candidates for abandonment, on the other hand there is indeed a strong "use-it-or-lose-it" factor connected with Category 2. Revenues on these lines must come up, or conversely expenses must go down, or in due time "green" lines which we don't require for strategic operating purposes will show up "red" on future editions of the ICC map.

Categories 3 and 4 are self-explanatory. Lines which show on the map as yellow or as a combination of yellow and red are already the subject of abandonment proceedings. We don't have any subsidized lines under the applicable law and thus no "brown" lines.

What's left, Category 5, at the time the map was published and under the provisions of the studies we've outlined, is what we need and intend to keep. It's our "core" railroad under current conditions.

What we don't need or may not need, what we propose to discontinue or to keep under close study, amounts to 37 per cent of the Milwaukee's present route-mileage. Of that total of 3,764 miles of light-density line, 1,668 will be the subject of abandonment proceedings by the end of the year.

LAST spring, about 240 miles of the Milwaukee's Kansas City main line between Muscatine and Polo moved — from its traditional route through Washington, Ottumwa and Chillicothe to the nearby, and parallel, Rock Island route through Columbus Junction, Eldon and Trenton.

The move strengthened the Milwaukee's position in the Kansas City market. It also kept the Milwaukee from having to come up with millions of dollars to rehabilitate its Kansas City main line — dollars that were needed long before the railroad could have earned them.

The switch in routes also signaled the beginning of what could be — and should be — a dramatic consolidation of rail routes, both main and light-density, in many of the states the Milwaukee serves.

Our Kansas City line is essentially an "overhead" route. It gets our trains from one important business center to another, but it generates little "local" business for its length.

It also needs a lot of maintenance money spent on it — about \$11 million to give it a maximum operating speed of 25 miles an hour.

Next door, figuratively, the Rock has pretty much the same kind of railroad: mostly overhead traffic; in need of considerable maintenance; and, like the Milwaukee's, underutilized.

The Muscatine-to-Polo coordination over the Rock which began April 1, and which now has the permanent blessing of the ICC, put the traffic of two railroads together on the better piece of track. It preserved the Milwaukee's access to the one strong business point on its own line — Ottumwa — over a branch of the Rock from Eldon.

It gave the combined route a strong case for a healthy application of federal rehabilitation assistance under the 4R Act.

WHAT CAN WE DO ABOUT OUR LIGHT-DENSITY LINES ?

And it set the stage for our longest potential abandonment — by revealing that our line from Muscatine to Polo was a "Category 1" line in disguise. Stripped of its overhead traffic, the line won't support itself even with bare-bones maintenance.

As a legacy of history, the Milwaukee has a lot of lines like that. So do some of the other railroads with which we share the midwest market.

Out of that fact, we hope, will come a solution to part of the Milwaukee's light-density-line problem.

The success of the Muscatine-Polo coordination proves that restructuring through coordination can work. Indications are that restructuring through coordination will be a key to obtaining federal dollars for track rehabilitation. The reason should be plain enough: Through coordinations the nation gains the most out of the government's rail rehabilitation efforts by minimizing the miles of line the taxpayer dollars must rehabilitate.

Accordingly, the Milwaukee isn't being conservative in its studies of possible future coordinations. It's probably doing more than is any other railroad to rationalize what it can of the nation's rail system.

Last January, the U.S. Department of Transportation identified four "corridors of coordination potential" — city pairs between which too many railroads have too much capacity — in which the Milwaukee operates: Chicago-Omaha, Chicago-Minneapolis, Chicago-Louisville and Chicago-Kansas City. We would like to have coordination efforts going in all four.

Officers of our line and of the Chicago & North Western have looked closely at a possible coordination for some or all of the distance between Clinton and Council Bluffs for our overhead traffic. The studies continue.

These are main lines, of course, light in density for one railroad or the other though they may be. But the concept of interrailroad coordination extends to branch lines as well.

Many branch-line coordinations with other railroads are under study. Six of the "Category 1" lines on the centerspread map (Ladd-Seatonville, Winona-Durand, St. Croix Junction-Bayport, Farmington-Cologne, Farmington-Benning and Maytown-Helsing Junction) are "red" lines in contemplation of coordinations with other railroads.



Eighty-one-year-old rail, 65 pounds to the yard. Not uncommon on many "Category 1" branch lines, it can't adequately handle today's heavy grain cars.

Rationalization through coordination raises many questions, of course. One: Isn't operating over a neighboring railroad expensive?

It can be, yes — even more expensive than operating over our own line. An objective of coordination has to be to create a balance in which we operate about as many miles over our neighbor's railroad as he operates over ours. Then the costs equalize.

Too, operating over a neighbor's railroad to reach a market we need to reach is a better alternative — when the only other choice is to spend large sums for maintenance on our own line and we don't have the money.

Another question: What's to happen to a light-density line which isn't economically viable in its own right yet serves important traffic, but isn't so located that coordination is possible?

The authors of the 4R Act, and of some state laws, have thought of that one, too.

THIS summer, Milwaukee Road maintenance of way gangs finished a four-year upgrading program on an important Iowa line, the grain-gathering route which connects Spencer and Herndon.

Next, they tackled 32 miles of the line that stretches across Iowa from Marquette to Sheldon. As is the Herndon-Spencer line, the Marquette-Sheldon line is in Category 5; we want it and need it. So do Iowa grain shippers and so does the State of Iowa itself.

Under present plans, these two lines and possibly others will be overhauled and upgraded to a standard that permits the operation of grain hopper cars of 263,000-pound gross weight. Much of the money to do so will come initially from the state and the shippers, which we'll repay on a per car basis once the lines are rehabilitated.

The Iowa Rail Assistance Program is the first, and to date the most extensive, manifestation of how the states and shippers we serve are beginning to come to the aid of the Milwaukee — and other railroads as well — to preserve service on light-density lines.

Iowa began its studies of light-density-line problems years before the 4R Act was enacted. The first state and shipper funds began to flow into the Spencer-Herndon line in 1974. And now, partially because of incentives in the 4R Act, partially out of their own recognition that they have a stake in preserving necessary services on light-density lines, other states and shippers elsewhere are following suit.



Not all branch and secondary lines are losers by any means. And in Iowa, state-shipper-railroad coordination and funding are upgrading many miles of potential winners.

Last year, Minnesota adopted its own cooperative Rail Service Improvement Program. The state Department of Transportation received an appropriation of \$3 million in the first year to pay up to two-thirds of the cost of rehabilitating light-density lines so that they can handle jumbo hopper cars. We're discussing with Minnesota officials programs covering several of our lines in the state.

In a variation on the concept, a group of shippers has advanced the Milwaukee funds so that it may reballast and replace crossties on 46 miles of track between St. Maries and Bovill, Idaho. The railroad will complete the work later this year and then begin repaying the shippers' loan on a per car basis.

Shippers in Washington and Michigan, with the needs of lines in their own areas clearly in mind, are planning to develop similar projects.

There's a financial incentive in the 4R Act for these kinds of activities. The Act established a five-year assistance program for local rail service on lines which otherwise would be discontinued, with ICC authority, once the state in which the line proposed for abandonment has met state-rail-planning requirements. The Act provides, in total, \$360 million which is available to states which qualify.

The problem that some state rail planners see with the existing law is that a rail line must be economically dead before anyone can attempt to rescue it with these provisions of the 4R Act. But there's an effort being made to amend the Act so that the available funds can flow instead to lines which are needed — lines which should have a future if the funds can be found to rehabilitate them.

INEVITABLY, the Milwaukee will shrink in total route-mileage. We believe that the results will be beneficial. We'll have a property that is more efficient; better attuned to real, rather than remembered, need; better able to be a secure employer.

But what will be the effect of our rationalization of light-density lines on communities which will be rationalized right out of their rail service?

By definition, of course, the lines that will go are those which don't generate sufficient business to be financially viable — which is another way of saying that there's not much demand on them for what we provide. So there shouldn't be much effect locally.

But for an independent answer to the question, let's look at a study which was conducted in 1976 on 71 light-density lines in Iowa by a team from Iowa State University. One of the objectives of the study was to assess the effect on communities, elevators and businesses of the loss of rail service.

The Iowa State study team compared statistics on employment, retail sales, population, and business levels of state banks and farmer-cooperative elevators in communities which had lost rail service prior to 1970 with like data from communities on the 71 "intensive study" lines. The study found:

"Interviews with community leaders in four Iowa towns that had lost their railroads indicated rail abandonment had little effect upon employment and businesses in those communities. Business activity remained relatively unchanged, or increased. Elevator storage capacity and employment increased in three of the towns, and most changes occurring in the number of business firms were not related to rail abandonment, in the judgment of the community representatives interviewed . . .

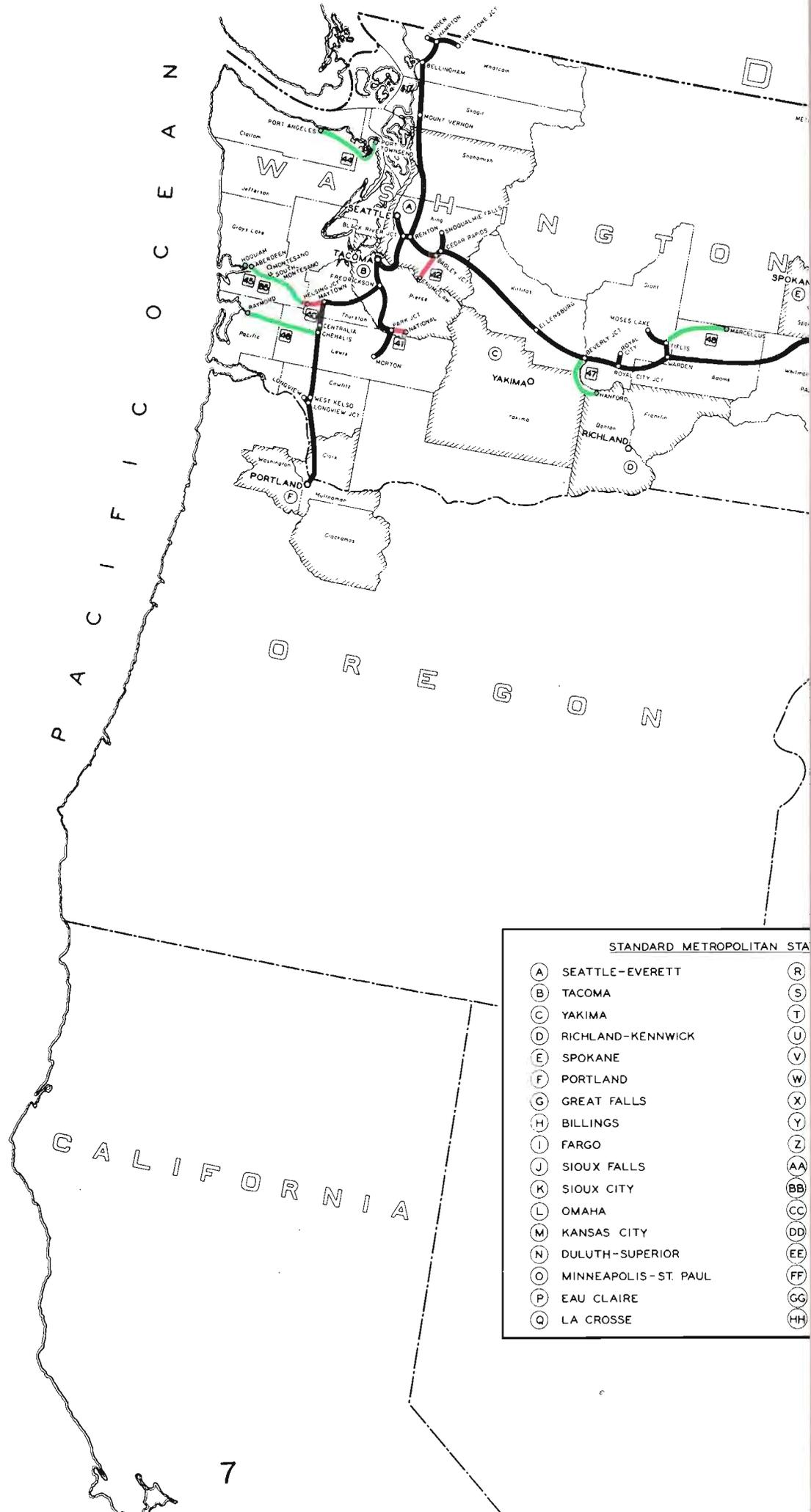
"A comparison of the population in the towns that had lost rail lines with towns of similar size on the intensive study lines suggests that rail abandonment has had no significant effect upon community growth . . .

"The rate of growth for towns without railroads generally was higher than those on the intensive study lines . . .

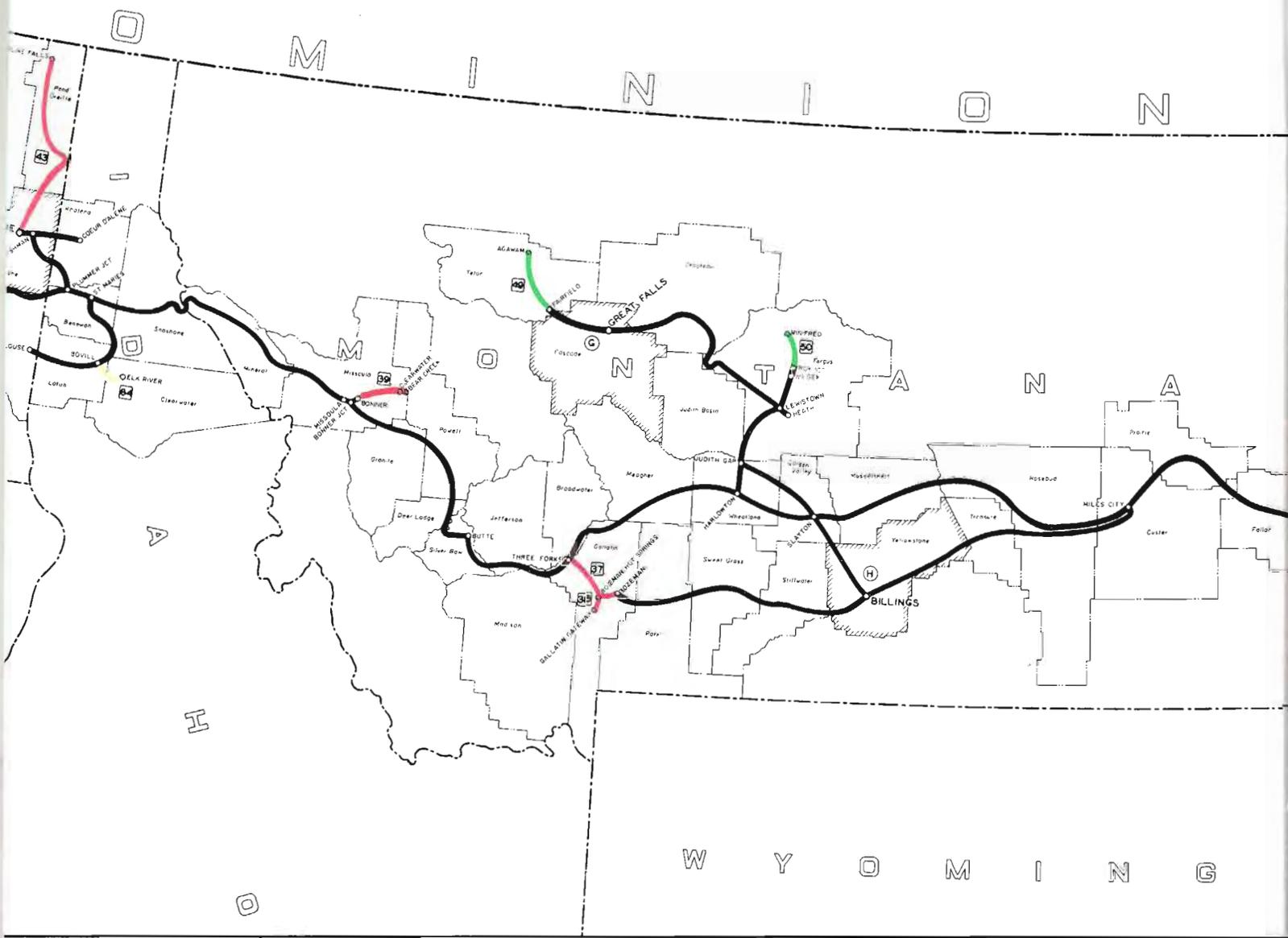
"Average sales of elevators on abandoned lines tended to be lower than those of other elevators. Sales volume continued to increase, however, for the elevators without rail lines, and earnings were higher in most years for those on abandoned lines . . .

"There is comparatively little effect upon local communities when rail lines are abandoned. Population growth appears to be more influenced by town size, location, and general economic conditions of the area than by availability of a railroad. Essentially, there are only slight differences in population, retail sales, bank deposits, and bank earnings of Iowa communities that have been abandoned in the past and those communities of similar size on intensive study lines."

There's a lot we can do about our light-density lines. And we're doing it.



STANDARD METROPOLITAN STA	
(A)	SEATTLE-EVERETT
(B)	TACOMA
(C)	YAKIMA
(D)	RICHLAND-KENNWICK
(E)	SPOKANE
(F)	PORTLAND
(G)	GREAT FALLS
(H)	BILLINGS
(I)	FARGO
(J)	SIoux FALLS
(K)	SIoux CITY
(L)	OMAHA
(M)	KANSAS CITY
(N)	DULUTH-SUPERIOR
(O)	MINNEAPOLIS-ST. PAUL
(P)	EAU CLAIRE
(Q)	LA CROSSE
(R)	
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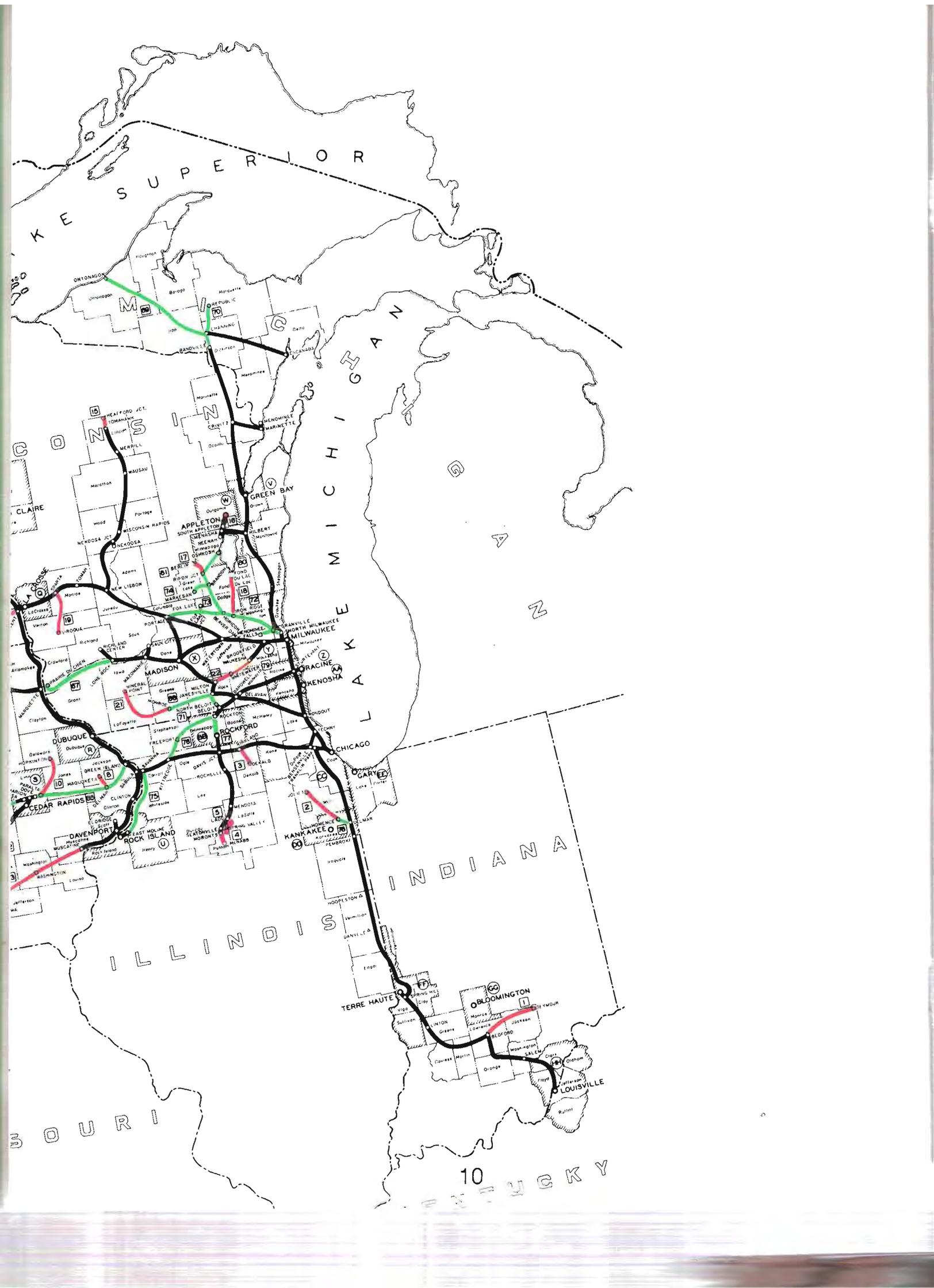
STATISTICAL AREAS

DUBUQUE
CEDAR RAPIDS
DES MOINES
DAVENPORT-ROCK ISLAND
GREEN BAY
APPLETON
MADISON
MILWAUKEE
RACINE
KENOSHA
ROCKFORD
CHICAGO
KANKAKEE
GARY-HAMMOND
TERRE HAUTE
BLOOMINGTON
LOUISVILLE

LEGEND

RED		CATEGORY 1. ANTICIPATED SUBJECT OF ABANDONMENT APPLICATION WITHIN 3 YEARS. 49 CFR SEC. 1121.20 (b) (1)
GREEN		CATEGORY 2. POTENTIALLY SUBJECT TO ABANDONMENT. 49 CFR SEC. 1121.20 (b) (2)
YELLOW		CATEGORY 3. APPLICATION PRESENTLY PENDING BEFORE COMMISSION. 49 CFR SEC. 1121.20 (b) (3)
BROWN		CATEGORY 4. OPERATED UNDER SUBSIDY 49 USC SEC. 1a (6) (a) 49 CFR SEC. 1121.20 (b) (4)
BLACK		CATEGORY 5. OTHER LINES OWNED AND OPERATED, DIRECTLY OR INDIRECTLY. 49 CFR SEC. 1121.20 (b) (5)
BLACK		STATE BOUNDARY LINES
BLACK		COUNTY BOUNDARY LINES
BLACK		SMSA BOUNDARY LINES
BLACK		INTERNATIONAL BOUNDARY LINES
		REFERS TO LINE DESCRIPTION
		ANY CITY WITH A POPULATION OF 5,000 OR MORE WITHIN 5 MILES OF A RAIL LINE

SCALE IN MILES



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MICHIGAN
ILLINOIS
INDIANA
KENTUCKY
MISSOURI



Chicago, Milwaukee, St. Paul and Pacific Railroad Company

516 West Jackson Boulevard
Chicago, Illinois 60606
Phone 312/648-3000

POLICY STATEMENT EQUAL EMPLOYMENT OPPORTUNITY

It is the policy and commitment of the Milwaukee Road not to discriminate because of race, color, religion, national origin, sex, age or handicap in the recruitment, hiring, training and promotion and all terms and conditions of employment of persons in all job classifications.

It is the intent of this policy to assure equal treatment and opportunity for all employees and employment applicants beyond mere compliance with Civil Rights legislation. Making people at all levels of employment.

In addition to the employment function, other personnel actions (compensation, benefits, transfers, demotions, lay-offs, terminations, training, tuition assistance, social and recreational programs and disciplinary action) will be administered in a nondiscriminatory manner.

The responsibility for the implementation of the Milwaukee Road's Equal Employment Opportunity Policy and its Affirmative Action Program is that of every supervisory officer of Labor Relations and Personnel, under whose supervision the Director of EEO Programs coordinates and monitors the efforts of the entire Milwaukee Road system.

Through analysis of labor markets and the current work force throughout the system, goals and timetables are established to ensure the Milwaukee Road's compliance with its affirmative action commitment. The progress toward goals is disseminated to the highest corporate officers. The chief executive will review results against prior goals.

The Equal Employment Opportunity Policy and Affirmative Action Programs of the Milwaukee Road are based on the Civil Rights Act of 1964 and Executive Order 11246, and its revisions.

William J. Quinn

William J. Quinn
Chairman of the Board and
Chief Executive Officer

Worthington L. Smith

Worthington L. Smith
President

Our Commitment to Equal Opportunity

More than a decade has passed since the first law was enacted to end traditional practices by companies which favored whites, protestants and males and discriminated against other groups. Title VII of the Civil Rights Act of 1964, as amended in 1972, specifically prohibits job discrimination based on race, religion, sex, color or national origin.

From the time the law was enacted until the early 1970's, efforts made by employers to eliminate overt discrimination were not sufficient to solve the problem of inequality in employment. Imbalances existed even when companies had no intention of discriminating. Commenting on Title VII, the Supreme Court has declared, "The Act proscribes not only overt discrimination, but also practices that are fair in form, discriminatory in operation."

Since the enactment of the original Civil Rights Act, the problem of discrimination has been given the highest priority by the Congress, the President and the Supreme Court. The law has evolved in such a manner that it is clearly evident employers must include religious, national and racial minorities, women and the handicapped among their employees. Companies must ensure that these groups are given fair treatment in matters of seniority, promotion, benefits, privileges and compensation.

The Milwaukee Road's commitment to affirmative action — the process of taking deliberate steps to employ women and minorities — is stated emphatically in its equal employment opportunity policy statement. Signed by William J. Quinn, chairman of the board and chief executive officer, and Worthington L. Smith, president, the statement has been distributed to every office on the Milwaukee and to every employee.

Commenting on equal employment opportunity at a recent AAR-EEO meeting in Chicago, Smith said, "We are committed to a policy which no longer assigns people to certain roles because of an accident of birth. We are committed to a policy of nondiscrimination both to the letter and to the spirit of the law."

In the past, discrimination has been thought of primarily in terms of an individual act or attitude. For example, the supervisor who passes over a female for promotion to a job which has traditionally been held by a man. Certainly, this overt discrimination is unlawful, but the Supreme Court is equally as concerned with what it calls a "more insidious" form of discrimination. That form is one in which equal opportunity is denied as the result of certain business practices.

"Whether it is intentional or otherwise makes no difference," Smith said. "Discrimination exists when people are affected by certain practices built into the underlying organizational structure — the very heart of the company."

Smith believes that the concept of EEO offers a great deal more than the fulfillment of societal obligations. It gives a company the opportunity to develop a sound financial and legal rationale for improving the organizational climate and to develop its human resources.

The company's official policy is administered by Nick Derrough, director of EEO programs, and JoAnne Giunta, manager - affirmative action programs.

They are responsible for the development of affirmative action plans and programs which are subject to review by the federal government. On a day-to-day basis, Derrough and Giunta monitor all corporate policies and practices to insure that there are no discriminatory practices.

"The EEO staff is available at any time to discuss discrimination complaints or charges that employees might have," Derrough says. "It's far better to handle complaints to the satisfaction of both the employee and the company before it becomes the basis of a suit."

"A continuing responsibility of ours is training," Giunta points out. We will have awareness training for all employees and recently have developed workshops for women, she added.

The Milwaukee Road actively recruits women and minorities. "In the past," Smith said, "recruitment has often been more or less passive in approach. Company representatives would visit a few, select college campuses and interview a few, select candidates. Our approach is now changing from the passive to the aggressive."

Discussing the Milwaukee's recruiting program, Grace Hutton, director of recruiting, points out that the company is practicing several new approaches. The recruiting staff is visiting campuses which have greater concentrations of minority and female students. More attention is being paid to smaller colleges and junior colleges.

Government agencies as well as ethnic organizations provide the company with a good source for potential employees. "Our recruiting staff has developed solid lines of communications with such organizations as the Urban League, the American Indian Center, the Chinese Community Center and a number of Latin American groups," Hutton says.

Taking its commitment to EEO one step further, the Milwaukee posts jobs with schools and advertises in newspapers with the statement that the company is not only an equal opportunity employer but also encourages minority and women applicants.

Internally, the Milwaukee is making a major effort to improve its abilities to provide greater opportunity for its employees. Recently, craft employees were surveyed for information about their skills, experience and interests. With this information, the Personnel Department is establishing a human resources data bank to use as a primary source in filling job openings as they occur.

The department plans to update this same information for exempt employees later this year. From this information, the department can determine what new skills have been acquired by employees. This information also will help in identifying promotable minorities and women.

"Concurrently with our recruitment and employment practices," Smith said, "we are encouraging our women and minority employees to look ahead. There is a future for them on the Milwaukee Road, and we're going to help them in every practicable way."

A good example of this is the career counseling program now under development by the Personnel Department. It will offer employees the opportunity to discuss their future with the Milwaukee. In addition to being available at corporate headquarters in Chicago, career counseling will be made available through the area personnel coordinators in Seattle, Galewood, Milwaukee and Minneapolis.

Internal training is available to help employees develop the necessary tools for positions of greater responsibility. Courses available cover such subjects as Effective Reading, Women to Women Workshop, Freight Rates, and Sales Product Knowledge. Separate programs are designed for corporate management

trainees and general management training.

Employees are encouraged to participate in the company's tuition refund program. This program makes courses available to employees at outside educational institutions without regard to relationship to their immediate job. Included are courses leading to a college degree, high school or technical certificates, as well as basic language and math programs.

Another facet of the Milwaukee's affirmative action stance places emphasis on minority purchasing. One of the company's first actions to strengthen its minority purchasing efforts was to establish the function on a full-time basis. An administrator, Ethlyn D. Porter, has been appointed to coordinate the activities of the function with all departments. Although a youngster when compared to the minority purchasing programs of such major companies as Standard Oil and Sears, the Milwaukee's program places it in a position of leadership in the railroad industry.

Emphasizing the importance of equal employment opportunity, Smith said the Milwaukee Road views its employees as the strongest link in the chain of business success. It is extremely important to ensure open dialogue and effective communication relative to issues that are of top corporate concern.

In a special statement to employees, Smith said:

"As you know, the Company has placed special emphasis on its equal employment opportunity policy and is devoting a significant amount of time and effort in developing affirmative

action programs. There are several reasons for doing so: the policy and practices are a moral responsibility; federal and state laws demand affirmative action and improved career opportunities for women and minorities; it's sound business judgement because severe economic penalties are imposed on corporations and unions not in compliance.

"Each supervisor or manager will have affirmative action plans for his or her area of responsibility. Affirmative action goals are considered as important as other functional responsibilities and duties. I'm confident that our concerted team effort will accomplish rewarding results.

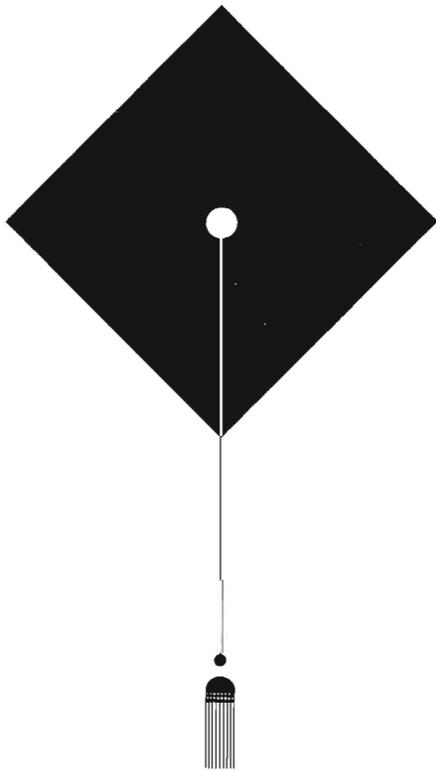
"The philosophy we're supporting is not intended to exclude any employee from career advancement. Training and promotional opportunities are open to all. The company will be initiating additional formalized training programs and upgrading the development activities we have had in the past.

"I've attempted to cover some of the points that relate to our current employment practices, as it is essential that all Milwaukee Road employees be aware of and involved in the expanded efforts being made. We encourage you to help meet the challenges of change."

These are the people responsible for the Milwaukee's EEO and procurement programs (left to right): Nick Derrough, director of EEO programs; JoAnne Giunta, manager, affirmative action programs; Grace Hutton, director of recruitment and employment; Jerome Wilson, personnel officer, employment; and Ethlyn D. Porter, administrator, minority enterprise program.



Scholarship Winners!



Six students, sons and daughters of Milwaukee Road employees, have been awarded J. T. Gillick and Milwaukee Road Women's Club scholarships. The awards were announced by John H. Munger, Educational Director of the George M. Pullman Foundation, who serves as chairman of the J. T. Gillick Scholarship Committee. Other members of the Committee are Phillip B. Lottich, Dean of Student Personnel, Chicago City College and Charles B. O'Connell, Vice President, Dean of Students, University of Chicago



Julia Marie Bonnom, daughter of Mr. and Mrs. Earl W. Bonnom, Elgin, Ill., a four-year, full-tuition J. T. Gillick Scholarship, will attend Northwestern University.



Philip John Schumacher, son of Mr. and Mrs. Eugene J. Schumacher, Little Chute, Wis., a four-year, \$600 Milwaukee Road Women's Club Scholarship, will attend University of Wisconsin-Oshkosh.



Lynda Adyle Neff, daughter of Mr. and Mrs. Howard C. Neff, Minneapolis, a four-year, full-tuition J. T. Gillick Scholarship, will attend Carroll College, Helena.



Sandra Jane Steckbauer, daughter of Mr. and Mrs. Donald A. Steckbauer, West Allis, Wisc., a four-year, \$600 Milwaukee Road Women's Club Scholarship, will attend the University of Wisconsin.



Mark E. Daggett, son of Mr. and Mrs. Carl E. Daggett, Harlowton, Mont., a four-year, \$600 J. T. Gillick Scholarship, will attend Montana State University.



Dawne Lynee Berner, daughter of Mr. and Mrs. James H. Berner, Perry, Iowa, a four-year, \$600 Milwaukee Road Women's Club Scholarship, will attend Iowa State University.

Granted annually to graduating high school students of Milwaukee Road employees, the J. T. Gillick Scholarships are provided by the railroad and Women's Club Scholarships are provided by the Milwaukee Road Women's Club. All are renewable for the following three years of undergraduate study at each student's chosen college or university.

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A museum home for the E-50

The first of the Milwaukee Road's main-line electric locomotives is now a permanent museum display. The E-50, the 288-ton giant with which the Milwaukee began electrified operations in Montana in 1915, is now at the Lake Superior museum of Transportation in Duluth, a donation of the railroad.

The Milwaukee presented the E-50 to the museum on November 11, 19 days short of 62 years from the day that it first pulled a train from Three Forks to Butte. The locomotive will stand with its pantographs touching a segment of the actual wire under which it operated until the 1970's.

Probably the oldest operable locomotive in the United States when electrification was discontinued in 1974, the E-50 was

an historic engine when it was new. At the time it was built by General Electric it was the largest electric in the world, the first to use the then-high voltage of 3,000, the first to use the electric-locomotive equivalent of diesel-locomotive dynamic braking.

Milwaukee Shops did some body work on the E-50 and restored it to its original livery: black paint, road number 10200, road name Chicago, Milwaukee & St. Paul.

The Lake Superior Museum of Transportation is located in the enclosed trainshed of the former Duluth Union Depot, itself an historical landmark and cultural center. The museum is open daily from May through October and on weekends the rest of the year.

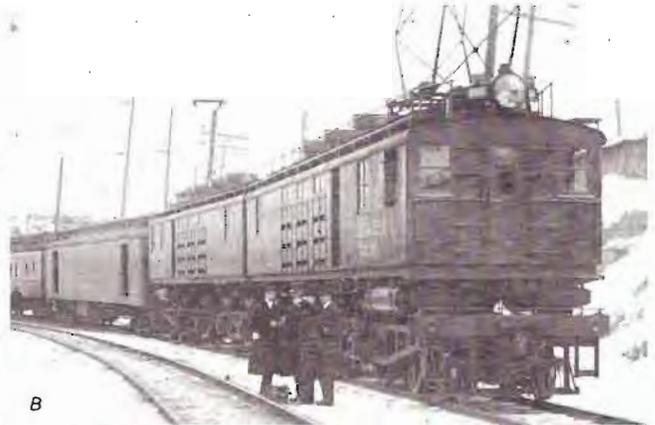


PHOTO A Shortly after delivery in 1915, the 10200 went on display at Butte. Some 2,500 persons looked it over, and it made a 30-mile trip over the Butte, Anaconda & Pacific.

PHOTO B Early in its life the 10200 powered a special for directors and officers. Here the special has paused at the substation at Piedmont.

PHOTO C Three Forks employees Jack Deethardt, LaGrande Cazier, Bill Short and Gene Lamach move the engine, now the E-50, out of Deer Lodge on August 6, 1977, destination Milwaukee Shops. Photo courtesy the Silver State Post, Deer Lodge.

PHOTO D Painter Joe N. Sikes repairs rust holes in the locomotive's body at Milwaukee. Photo by Mark Muthollon.

PHOTO E Once again the 10200 of the CM&StP, the big electric gets its final inspection from N. J. Nielsen, locomotive shop superintendent at Milwaukee.

PHOTO F In the company of a Duluth, Missabe & Iron Range Mallet articulated and not far from Great Northern's famous William Crooks, the 10200 stands ready for visitors in the Duluth museum. Steps to the cab doors will permit visitors to walk through the historic electric.