

1st MONDAY

3rd MONDAY

Prepared for employees by the
Milwaukee Road's Corporate Relations Department
516 West Jackson Boulevard Chicago, Illinois 60606
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September 3, 1982

To All Milwaukee Road Employees:

This abbreviated edition of FM/TM is being distributed slightly earlier than usual to avoid a conflict with the Labor Day holiday and to alleviate some of the pressure a holiday-shortened work week places upon our Reproduction and Mail Room staff. These people do an outstanding job in the preparation, reproduction and distribution of a wide variety of paper work involving virtually every department of the railroad.

In the period August 23 through 30, they processed and sent more than 43,000 pieces of mail, essentially concerned with the back-pay settlement and related matters. No one in the department can recall handling a mailing of that magnitude in so short a time span. In addition to FM/TM and newsletters, this department prints and distributes paychecks, tariffs, legal documents, training manuals, and sundry other items. Most of the forms used on the railroad are produced in our own print shop. Coordinating daily routine activities with the demands of special projects requires a skill that this section consistently demonstrates it possesses.

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With our purchase of former Rock Island Railroad trackage in southeastern Iowa, work began immediately on the rehabilitation of the portion between Washington and Muscatine to permit the handling of unit coal trains to the new power plant at Fruitland, and later on all of our Kansas City line trains.

Starting August 24 with the removal of brush from the right-of-way, work will progress east from Washington. Between Washington and Ainsworth ballast will be renewed as will ties, and 3.5 miles of continuous welded rail will be installed. Between Ainsworth and Fruitland, initial work will involve the replacement, restoration of rail/highway grade crossing signals and clean-out of those crossings. Pilings will be installed in slide-prone areas, and work will be done on culverts. Additional maintenance will be done between Fruitland and Muscatine, and some welded rail will be placed at Muscatine. Work will continue as long as weather permits this season, and will be resumed in 1983.



W. L. Smith
President

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HELP DEFEAT COAL SLURRY PIPE LINE LEGISLATION.

This special issue will depart from our usual practice of using P.S. to advise employees of developments relating specifically to the Milwaukee Road in that this subject involves all railroads, not just ours.

Your help is needed to prevent legislation granting federal eminent domain authority to coal slurry pipelines from becoming law.

Enactment of such legislation could have serious consequences for the Milwaukee and actually jeopardize our reorganization efforts. We can't afford to let this happen. Coal is one of the most important commodities our company handles and any action that would diminish our revenues and restrict our opportunities to expand our coal traffic base should be vigorously opposed.

As you know, we are engaged in the movement of unit trains of coal to Portage and the Wisconsin Valley. One of the principal justifications for the purchase of the Rock Island Railroad Iowa property is the revenue to be realized from unit coal trains destined Fruitland, Iowa. Our marketing people have been actively involved in negotiating and executing contracts involving coal movements from southern Indiana mines.

For the first six months of this year, coal amounted to 18% of our carloadings and produced \$22.4 million, or 12% of total revenues.

We should all be concerned about this threat to our economic livelihood and make our concerns known to our representatives in Congress. Please write to your Congressmen and Senators now urging them to vote against Senate Bill 1844 and House Bill 4230. We are not alone in this struggle. Other railroads are equally concerned and are taking similar action.

The Association of American Railroads lists the following reasons for opposing coal slurry pipelines:

- o Coal slurry pipelines are not necessary. Virtually every study not funded by slurry interests agrees that the existing transportation system of rail, truck and barge can handle projected increases in coal production without difficulty.
- o Slurry pipelines could wipe out as many as 41,000 full-time railroad jobs while creating fewer than 7,000 full-time pipeline jobs.

— MARY RICE —

- Slurry pipelines could seriously hurt railroads financially by diverting up to 250 million tons of coal from profitable but low-cost unit trains.
- Slurry pipelines could increase costs to all remaining railroad customers by forcing railroads to increase rates on remaining coal and other commodities in order to at least cover fixed costs.
- Slurry pipelines threaten the concept of common carriage, both by endangering continued operation of some railroads and by their own ability to commit their entire capacity to just a few customers - or even only one - in advance of construction.
- Slurry pipelines are far less energy-efficient than railroads, requiring almost three times as many BTU's to move one ton of coal one mile as unit trains.
- Slurry pipelines would export water from arid sections of the West where farmers, ranchers and industrial users are already worried about inadequate water supplies.
- Slurry causes environmental problems. Not only are spills an ever-present threat, but there is also the problem of disposing of up to 13 billion gallons of tainted water per year from just one pipeline.
- Federal powers of eminent domain violate states' rights. President Reagan pointed this out last November in announcing his opposition to the proposal.
- Federal powers of eminent domain are not necessary for coal slurry pipelines. Two pipelines have already been built and right-of-way for a third has been acquired - all without extraordinary federal powers of eminent domain.
- Federal eminent domain is not necessary to cross rail lines. Slurry promoters have won virtually every court test of their right to burrow under rail lines. As David Skedgell, former president of the Slurry Transport Association, has stated, railroads are not the roadblock standing in the way of slurry.
- Slurry promoters' claims that their systems will be cheaper than rail are unproven. The first slurry pipeline in the nation went out of business when it couldn't compete with unit train rates. The second pipeline - still operating - charges rates roughly comparable with rail rates in the same part of the country, and it operates in a territory where there is no rail route. On top of this, preparation costs - after paying transportation rates - are considerably higher for slurry delivered coal than rail.

- Slurry claims to be "inflation proof" are unsubstantiated. Pipeline construction costs are escalating faster than other costs. Combined with the necessity of financing slurry construction at today's high interest rates, this makes slurry particularly susceptible to inflation.
- Slurry pipeline construction could actually increase overall inflation rates by putting heavy new demand - possibly as much as \$30 billion - on capital markets at the very time those markets are unable to meet existing demand.

Please contact your representatives now. The need is urgent. A deciding vote could be taken soon. Thanks for your interest.

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