

1st MONDAY 3rd MONDAY

Prepared for employees by the
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To All Milwaukee Road Employees:

The last issue of FM/TM advised that the Interstate Commerce Commission had accepted for consideration Trustee Ogilvie's Amended Plan of Reorganization, which contemplates the acquisition by Grand Trunk Corporation of the reorganized Milwaukee Road, and listed the schedule set by the Commission for the proceedings.

As you may recall, comments, requests for conditions, etc., were due May 27. It's our understanding that thirty-one parties filed comments with the Commission. All things considered, there were no real surprises in the responses of rail carriers, federal, state and local government agencies and others.

Of the nine rail carriers filing, four opposed the GTC stock acquisition of the Milwaukee, one supported it, and four had an undetermined position. In opposition were Burlington Northern, Chicago and Northwestern, Green Bay Western and Soo Line. Kansas City Southern was the lone supporter, while Guilford Transportation Industries, Inc., Illinois Central Gulf, Kansas City Terminal and Norfolk Southern had undetermined positions.

Eight creditors filed, with only Chicago Milwaukee Corporation opposing. Generally, five of the creditors support the amended plan, one neither supports nor objects to the plan, and the other's sole reason for participation is to seek alternate treatment for the claims of trade creditors.

Ten federal, state and local agencies responded. The Iowa and Indiana Departments of Transportation and the State of South Dakota support the proposed transactions. The Michigan DOT believes the plan may provide an equitable solution to the Milwaukee's bankruptcy and intends to file more comments with the Commission by July 13, 1983. The positions of Illinois and Wisconsin, and the Regional Transportation Authority, are undetermined, while the California State Board of Equalization did not take a position. The United States Department of Justice does not intend to file comments but reserves its right to comment concerning any inconsistent applications that may be filed. Based on a preliminary analysis, the U.S. DOT believes the proposed transaction offers the best chance of preserving essential rail service in the Milwaukee service area, but argues generally that the proposed payment of FRA claims is inequitable.

Two labor unions oppose the transaction, while the RLEA neither supports nor opposes the amended plan at present.

Finally, Cantunn, Inc. intends to file an inconsistent application to acquire control of the Milwaukee Road, by July 13, 1983.

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In a departure from the normal format of this publication, an article that appeared in the Chicago Tribune, May 30, concerning our Quality Circle and LMAG programs is reproduced here. As a result of a conversation I had with David Young of the Trib about QCs, he and Bill Bickley went to Milwaukee for a first hand look at the Wheel Shop and Dave had an opportunity to visit with employees there about the project. We feel his coverage of that visit deserves to be shared with all employees because of the importance of these programs.



Tribune photo by Carl Hogue

Union representative David Schrupp (left) and Worthington Smith, president of the Milwaukee Road, discuss company improvements as part of the quality-circle program. "I

discovered that it takes a lot more than driving trains up and down the track to make a railroad work," Schrupp says. Smith is expanding the program.

Quality circles help straighten out rails

By David Young

Transportation writer

MILWAUKEE—When railroad engineer David L. Schrupp was asked by executives of the Milwaukee Road to give up his job behind the throttle of locomotives pulling freight trains from Chicago to Beloit, Wis., and make his living serving on a committee, he was understandably dubious.

To make things worse, the committee they wanted him to join had a strange name that is pronounced "Elmag." [It stands for Labor Management Action Group, shortened to LMAG.]

"When I started with LMAG, I was convinced management was trying to kill the railroad," said Schrupp, the Brotherhood of Locomotive Engineers representative on LMAG, who later changed his mind about that.

"I also discovered that it takes a lot more than driving trains up and down the track to make a railroad work," he added.

Schrupp didn't know it at the time, but he was in the vanguard of a movement that is now picking up steam and, according to some railroad executives, may improve the historically strained labor-management relations in that industry.

OVER THE YEARS, those relations have resulted in probably the strongest unionization of any heavy industry in the

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nation and a labyrinth of protective work rules, including the well-known "feather-bedding issue" of the 1960s, that railroad management has been trying to streamline for more than three decades.

LMAG at the Milwaukee Road has introduced quality circles, in which committees made up of labor and management representatives meet regularly to find ways of increasing productivity and cutting costs.

The idea is to get the workers to make suggestions to improve the railroad's efficiency and to set up a regular mechanism by which management puts the suggestions into practice.

"Productivity is best judged by the guys who have to deal with the impediments to it," said Worthington L. Smith, Milwaukee Road president, who has been so impressed by the results of the program thus far that he has ordered the number of circles expanded from 8 to 17. "These people are closest to the problem and have a feel for it."

IN FACT, the concept is beginning to spread to other railroads, according to officials of the Federal Railroad Administration. That agency is such an enthusiastic supporter of the concept that it is making grants on a matching basis to

railroads to get quality circles started despite substantial cutbacks in spending in its other programs ordered by the Reagan administration.

Consolidated Rail Corp. [Conrail] is beginning a quality-circle program this year, and Southern Pacific Transportation Co. started one in Houston last year, according to railroad administration officials. Burlington Northern, the nation's longest railroad, has started similar programs in Alliance, Neb., and St. Paul.

The Association of American Railroads is considering surveying its members to find out what is being done across the nation, according to James R. Wolfe, president of Chicago & North Western Transportation Co. and a member of the association's committee on productivity.

"The railroad industry doesn't do anything quickly, but in this case I think they are moving in the right direction," one railroad executive said.

MANY EXPERTS on the industry attribute its historically poor labor relations to the fact that the U.S. railroads since the Civil War have been organized like armies. In fact, executives on railroads are still referred to as "officers." [Some historians say the quasi-military structure of railroads is a result of the fact that so many Union officers built and operated

railroads after the Civil War.]

"We're run like armies for a good reason," one former railroad vice president said. "It was the only way to run a far-flung empire a hundred years ago when communications weren't as good. Everyone had the same rule book that told him what to do in every conceivable situation."

Whatever the origins of the management style, virtually all railroads today still are run largely "by the book," and supervisors expect their orders to be followed to the letter.

THINGS ARE CHANGING, though, and the impetus has been the industry's persistent financial problems over the last 15 years. The most notorious of those was the 1970 bankruptcy of giant Penn Central Transportation Co. that resulted in the formation of Conrail to save the Northeast rail system.

As the railroads struggled with their finances and looked around for ways to increase productivity, their executives realized that it could not be done without union help. The confrontation between the industry and labor over the featherbedding issue in the 1960s had resulted in a stalemate.

The late Larry Provo, then president of C&NW, and Wolfe, its current president, were among the first to attempt a new solution to the problem after that carrier was sold to its employees in the early 1970s. In 1977, they toured the railroad to talk to the rank and file.

"We must have talked to 8,000 people," recalled Wolfe, whose background was in labor relations. "We talked to

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**Worthington L. Smith,
Milwaukee Road president**

people in small groups about how we could make the railroad more productive. Then we decided to set up a permanent program."

They ultimately set up voluntary labor-management committees at key installations. "We didn't call them quality circles, though," Wolfe said.

To prove he meant business, Wolfe ordered the locomotive shop at C&NW's suburban Proviso operation heated when employees complained it was hard to work there in the winter. "How can you fix diesels in the cold?" he asked.

THE CURRENT push for quality circles got its start as a result of the financial troubles of the bankrupt Milwaukee Road. When the Interstate Commerce Commission on March 19, 1980, rejected a reorganization plan by bankruptcy trustee Richard B. Ogilvie in part because employee productivity was so low, he traveled the railroad to talk to labor.

The result was the formation of the three-member LMAG organization to look for ways to solve the problem. LMAG had two representatives from the unions and one from management.

The railroad administration agreed to provide a grant of \$180,000 a year to cover up to half the cost, and in the spring of 1980 the railroad hired a consultant to set up its first quality circles.

The 46 employees in the Milwaukee shop where wheels and locomotives are built were dubious at first, although 13 volunteered to join the quality circle to meet with management for an hour on company time once a week.

"When we started, we got some heat from the other guys in the shop for being brown noses," said Jeff Farrell, one of the machinists who joined. "Now that they see the company spending some money on our suggestions, they have changed their tune."

The group culled through the original 54 suggestions and decided to concentrate on one: modifying a 20-year-old machine called an "orbiter" to enable it to handle a new type of axles the railroad uses. The machine was designed for older axles that are being phased out, and the new axles had to be handled manually.

ULTIMATELY, SMITH agreed to spend nearly \$10,000 to modify the machine to speed up production. The modified machine went into service in early May.

"We were producing [rebuilding] 35 to 40 wheel sets a day on the old machine," said Robert F. Nadrowski, the railroad's chief mechanical officer in the shops. "We expect to be able to produce an additional 10 sets a day with the modification."

The estimated savings total \$750,000.

"We were always behind the eight ball on wheel sets," he said. "We could never do enough."

Now, the quality circle is concentrating on finding ways to improve maintenance to keep the machinery in the shop from breaking down as often as it does.

Beyond the monetary savings, however, Farrell said the greatest benefit from his quality circle is better labor-management relations. "Basically, it knocked down a barrier," he said. "There was no communication either way. If it does nothing else, that will be worth it."



W. L. Smith
President