

1st MONDAY 3rd MONDAY

Prepared for employees by the
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May 7, 1984

To All Milwaukee Road Employees:

The Interstate Commerce Commission has fleshed out its procedural schedule for the hearings on applications to acquire Milwaukee Road core assets. The amended schedule follows:

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| May 7, 1984 | Verified statements in opposition to the acquisition proposals, in support of conditions, and in support of responsive applications, along with complete responsive applications, are due. <u>Federal Register</u> notice of responsive applications to acquisition proposals will be published as quickly as possible. |
| | Cross-examination, if any, begins on the acquisition proposals. |
| May 14, 1984 | Requests are due for cross-examination of specific witnesses who filed statements on May 7, 1984. Requests shall indicate why cross-examination is necessary for development of the record and what facts are in dispute. |
| *May 21, 1984 | Verified statements in opposition to responsive applications and requests for conditions due. |
| *May 22, 1984 | Requests for cross-examination of witnesses filing statements on May 21 due. |
| *May 24, 1984 | Cross-examination begins of witnesses filing statements on May 21. |
| *May 30, 1984 | Rebuttal verified statements due (all parties). |
| *June 1, 1984 | Requests for cross-examination of witnesses filing statements on May 30 due. |
| *June 4, 1984 | Cross-examination begins on witnesses filing statements on May 30. |
| June 19, 1984 | Simultaneous briefs on acquisition proposals. |
| July 3, 1984 | Simultaneous reply briefs. Parties may also present arguments comparing all Milwaukee reorganization proposals. |

July 19, 1984 Oral Argument

September 10, 1984 Decision.

*Additional dates established at pre-hearing conference April 26, 1984.

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After months of negotiations, on May 2, 1984, Trustee Ogilvie, Burlington Northern and Amtrak officials signed an agreement under which Amtrak purchased the remaining 50 percent stock ownership in Chicago Union Station.

Amtrak had owned 50 percent of the station facility prior to execution of the purchase agreement; Milwaukee and BN each owned 25 percent.

We will continue to occupy space in Union Station under terms of a two-year lease, with an option to extend the lease for an additional one-year period. Our general offices will be maintained here and no positions will be reassigned to another location as a result of the sale.

Amtrak will operate the station facility as a wholly-owned subsidiary controlling the movement of intercity passenger trains and suburban commuter trains. The Chicago Union Station Company has signed an individual operating agreement with the Burlington Northern and also has signed a master operating agreement with the Northeast Illinois Railroad Corporation which will govern the use of Union Station by all suburban train operations.

Trustee Ogilvie says this transaction, approved earlier by the reorganization court, will be significant in maintaining progress towards the successful reorganization of the Milwaukee Road.

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Like many other carriers, the Milwaukee Road is experiencing considerable growth in intermodal traffic.

Our Sprint trains between Chicago and the Twin Cities are among the finest all-piggyback operations in the country. As you know, we recently added an over-the-road trucking service with the formation of the Hiawatha division of our motor carrier subsidiary, Milwaukee Motor Transportation Company.

Our handling of trailers and containers on flat cars is increasing in volume in other important corridors of our system.

To meet the growing demands of this segment of business, our Marketing department has expanded its intermodal section with the addition of a new position.

Mike Ondecker has been named General Manager-Intermodal, reporting to P. L. Cowling, Vice President-Intermodal.

Mike will concentrate on the overall profitability of our intermodal efforts. He will pay particular attention to the generation of operating efficiencies to make sure that rail operations advertised and promised to customers are actually fulfilled.

* * *

Evidence of our commitment to improve our established fuel conservation program is seen in two projects currently underway involving engineer training and the use of less expensive, 35 cetane fuel.

We are once again conducting engineer fuel conservation classes with a Freightmaster TDA (Train Dynamics Analyzer) locomotive simulator.

A similar program was conducted from August of 1982 through June of 1983.

Unlike the previous TDA which was leased directly from Freightmaster and housed in a one and one-half ton van, the present unit is subleased from the Soo Line and is contained in a semi-portable fiberglass building with a large steel outer structure. This simulator is designed to move on a specially designed trailer. Internally, the Soo's TDA is very similar to our previous model.

Training began in St. Paul in early March and the TDA will visit each home terminal where it will be operated by division officers rather than a full-time instructor. Engineers will be compensated for their participation in these, as in previous sessions. The classes, however, will be of four, rather than eight, hours duration.

Primary emphasis will be placed on train handling techniques such as dynamic braking and throttle modulation which are known to conserve fuel. Classes are structured to maximize the amount of time each individual may spend operating the TDA and are limited to four participants.

Plans call for use of Koch low cetane fuel in all locomotives fueled at South Minneapolis, Minnesota.

Cetane is to diesel fuel what octane is to gasoline. The new fuel will comply with all specifications of No. 2 diesel fuel with the exception of the cetane rating - 35 versus a current standard of 40.

Fuel economy could be better with the lower cetane fuel as the oil is heavier and produces more BTUs per gallon.

Though South Minneapolis is one of our smaller locations, it does account for about 575,000 gallons of fuel per year.

Price differences for the low cetane fuel as opposed to standard No. 2 diesel, range from two cents to six cents per gallon. Thus, our annual savings could be from \$11,500 to \$34,500 at South Minneapolis. If these tests prove successful, the use of 35 cetane fuel will be expanded.

We have had limited experience with this type of fuel on lines west in past years. No detrimental effects to the locomotive fleet are anticipated.

Ambitious goals have been set for 1984. Business expressed in gross-ton miles is expected to increase by nearly 14% over 1983's level. Experience gained through the first quarter of 1984 tends to support this optimistic stance. The gallons of fuel budgeted, however, have been reduced by 6.5%. Thus, our conservation efforts will be even more critical this year than in the past.

Through use of less costly fuel, TDA training and other measures, we are confident that we will continue to improve fuel efficiency and, at the same time, the profitability of the railroad.

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In the interest of our employees, the Milwaukee Road is in voluntary compliance with the Privacy Act of 1974. No information can be given to requesting parties without the written permission of the employee.

Any request for verification of employment should be addressed to Corporate Personnel, or to one of the regional personnel offices, and submitted by mail. This request should include a stamped, self-addressed envelope for return, along with the signed permission and social security number of the person involved.

The Milwaukee Road personnel offices will respond by mail to the request for information within forty-eight hours of receipt. Only that information as regulated by company policy will be released.

Requests for information received which do not have the necessary employee authorization will be returned to the requesting agency, advising the need for such authorization before any information can be furnished.

If you have any questions, please feel free to contact your local personnel office for clarification.

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Getting into the habit of saving money isn't easy, no matter how hard you try. There is, however, an easy, convenient method of saving regularly that offers tax advantages and near-market interest on small sums of money. That's the payroll savings plan for U.S. Savings Bonds.

Since November 1, 1982, all new Series EE Bonds held five years or longer--and all older Series E and EE Bonds and Savings Notes (Freedom Shares) held at least five additional interest-bearing years from that date--receive interest at 85 percent of the average return on five-year marketable Treasury securities.

HOW IT WORKS: Twice each year, the Treasury determines the Series EE Bond market-based rate for interest periods that begin in the next six months. This rate is 85 percent of the average market return, during the preceding six months, on Treasury Bonds and Notes with five years remaining to maturity. Each new rate is given wide publicity. The rate for the six-month period November 1, 1983, to April 30, 1984, was 9.38 percent.

When you hold your new EE Bonds for five years or longer, they will have earned interest at the average of 10 or more six-month market-based rates--but no less than 7.5 percent--compounded semiannually. This interest will be reflected in the redemption tables. Bonds held less than five years earn interest on a fixed, graduated scale.

Original maturity is set at 10 years, based on the time it takes a bond to grow from issue price to face value at the guaranteed minimum rate of 7.5 percent a year, compounded semiannually. Bonds reach face value sooner if the market-based rate is higher.

NO UPPER LIMIT: Because the interest on bonds held five years or longer is now based on the market, it is free to fluctuate up or down with semiannual market conditions. There is no upper limit to how much your bonds can earn. But the Treasury protects bond owners if rates decline sharply.

MINIMUM RATE: Bonds held at least five years after November 1, 1982, are guaranteed to earn no less than 7.5 percent interest through initial maturity, compounded semi-annually, even if market rates fall below that amount. This is a protection offered by no other security or market-based instrument. So bond owners get the advantage of market rates without risk. Older bonds continue to earn previously guaranteed rates as a minimum to next maturity.

Our 1984 Savings Bond Drive is being conducted during the period May 7 through May 11. All you need to do is sign the attached enrollment form and send it directly to Payroll Accounting, Room 206, Union Station, Chicago, Illinois 60606. From then on, your saving is done for you, automatically, payday after payday.

Please note that there are two different forms: (1) for new Bond deductions and (2) to increase or decrease your present Bond deductions. Make sure you fill out the correct form completely, using full names. Deductions will start with the June earnings, and Bonds will be issued once a month each time the required amount has accumulated to your credit to purchase a U.S. Savings Bond in the amount stipulated. Your deductions continue year after year unless you request a change. So if you are presently receiving a Savings Bond through the payroll savings plan and want it to remain unchanged, you need not submit a new form.



W. L. Smith
President