

1st MONDAY 3rd MONDAY

Prepared for employees by the
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March 2, 1981

To All Milwaukee Road Employees:

Trustee Ogilvie has filed with the Interstate Commerce Commission an application for approval of his proposal to invite tender offers from holders of certain secured debt. A proceeding by the Commission has been instituted to determine if the Trustee should be permitted to proceed with the proposal.

During earlier ICC proceedings in connection with the presentation of his first Plan of Reorganization, Trustee Ogilvie stated that he planned to make this effort to retire certain obligations.

The proposal would be made to Milwaukee Road First Mortgage bondholders, the so-called Terre Haute bondholders, being the bonds of The Bedford Belt First Mortgage, The Southern Indiana First Mortgage, and the Chicago, Terre Haute and Southeastern Railway First and Refunding, and Income, mortgages, and Milwaukee Road General Mortgage, Series A and B bondholders.

The tender offers seek to retire obligations totaling about \$122 million. The Trustee believes that the offers, if successful, will aid the reorganization efforts currently underway. Subject to Reorganization Court approval, the Trustee proposes to finance the tender offers by borrowing part of the proceeds received from the sale of certain Milwaukee Land Company properties.

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Much has been said and written about the track rehabilitation program on Milwaukee II and how that translates to better equipment utilization and improved service for our customers. In another area, our performance in operating Amtrak trains over our system dramatizes the upgraded condition of our plant.



During the first two months of this year, we have achieved an on-time arrival record of 96.7% for the Amtrak trains operating on our line.

This means we are not only getting passengers to their destinations in a timely and consistent fashion, but are receiving near maximum compensation from Amtrak for the high level of performance.

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Another step in the deregulation process will be taken on March 23 when all domestic and international piggyback movements will be exempt from regulation by the Interstate Commerce Commission.

By a decision served February 19, 1981 in Ex Parte 230 the Commission has adopted final rules exempting from all ICC regulation TOFC and COFC service provided by railroads. The Commission believes that such traffic is so highly competitive that regulation of it is unnecessary. The Commission did, however, sharply limit the scope of the exemption granted. It presently applies only to TOFC and COFC provided by railroads, that is, conducted on railroad flatcars (or Roadrailer) or in trailers that are owned and operated by the railroad itself. The Commission has established a separate subproceeding to consider whether the exemption should cover railroad affiliated motor carriers and independent motor carriers providing service on behalf of the railroad. Comments on that proposal are due thirty days from publication in the Federal Register.

There are many important questions that arise concerning various aspects of this landmark decision and its implementation. The various departments directly concerned with this subject are giving it top priority handling.

We are setting up a procedure to monitor and evaluate shipper response and comments.

Our Marketing Department will advise all interested shippers of significant developments.

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All participants in the Wage Deferral Program will shortly receive a statement of deferred wages for 1980. A letter of transmittal will be enclosed with the statement which will try to answer some of the questions asked about the Wage Deferral Plan.

We want all participants in the program to understand how important it is to our well-being and how they are affected by the plan.

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With respect to continued service on the Miles City line, a group of governors and congressmen from the involved states met with FRA and DOT officials in Washington to try and hammer out a plan that would guarantee the continued operation of this segment. The governors were attending the National Governors Conference in the nation's capital.

It's too early to tell what the meeting with Federal Railroad Administration officials will produce, but it appears the coalition is generating real interest in the problems the line faces.

Trustee Ogilvie has told the Reorganization Court that it is a marginal contributor and the estate cannot fund the necessary rehabilitation that is required over the next three years. A decision on whether to continue operations has been delayed until April 17 when the Trustee will need a financial commitment to continue operations on the line.



W. L. Smith
President

