Annual Report 1959

THE MILWAUKEE ROAD

The Milwaukee Road early this year became the country's first transcontinental piggybacker of automobiles when it transported a shipment of cars from the Midwest to the Pacific Northwest. Shown loaded on rail flat cars are some of the autos in the shipment.

Trailer on flat car shipping of freight is becoming increasingly important to the Milwaukee Road as an additional service to its shippers and a growing source of revenue. Besides steadily increasing its Flexi-Van operations, which it started a little more than a year ago, the Milwaukee has expanded into other types of piggybacking. Another development that is aiding its shippers is the Milwaukee's new Carscope system which provides instantaneous car tracing services, along with other advantages.

Carscope, the Milwaukee Road's new information service for shippers, was put into operation late last year. Here car tracers seated at the rotating file in the Carscope office in Chicago provide immediate information on the location of carloads anywhere on the system.

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

General Offices—516 W. Jackson Boulevard, Chicago 6, Illinois

Board of Directors

Terms Expiring:

1960	1961	1962
John D. Allen	E. Ainsworth Eyre	Arthur S. Bowes
James M. Barker	J. Patrick Lannan	Jerome C. Eppler
Leo T. Crowley	James D. Norris	John B. Gallagher
Walter J. Cummings	William L. O'Brien	Joshua Green
William J. Froelich	Philip W. Pillsbury	Arnold B. Keller
William J. Quinn	Franklin B. Schmick	Walter T. Mahoney
Arthur M. Wirtz	John P. Wagner	Louis Quarles
		William J. Sinek

Executive Committee

J. Patrick Lannan, *Chairman*

John D. Allen
Leo T. Crowley
Walter J. Cummings
William J. Froelich
John B. Gallagher
William J. Quinn
William J. Sinek
Arthur M. Wirtz

Finance Committee

Walter J. Cummings, *Chairman*

John D. Allen*
James M. Barker
Leo T. Crowley
Jerome C. Eppler
William J. Froelich*
John B. Gallagher*
Arnold B. Keller*
J. Patrick Lannan
Louis Quarles*
John P. Wagner
Arthur M. Wirtz

*Alternate Members

Officers

L. T. Crowley	Chairman of the Board	Chicago
W. J. Quinn	President	Chicago
W. W. Kremer	Vice President—Traffic	Chicago
E. R. Eckersall	Vice President and General Counsel	Chicago
F. G. McGinn	Vice President—Operation	Chicago
P. H. Draver	Vice President—Industrial Development	Chicago
R. S. Stephenson	Vice President and Comptroller	Chicago
L. H. Dugan	Vice President and Western Counsel	Seattle
E. O. Schiewe	General Solicitor	Chicago
J. J. Roche	Secretary	Chicago
C. T. Lannon	Treasurer	Chicago

Stock Transfer Offices

The Chase Manhattan Bank, New York 15, N.Y.
Room 732 Union Station, Chicago 6, Ill.

Registrars

The First National City Bank of New York, New York 15, N.Y.
Continental Illinois National Bank and Trust Company of Chicago, Chicago 90, Ill.

Annual Meeting

May 10, 1960, Chicago, Illinois

This Annual Report is not and must not be considered as proxy soliciting material, or as a report or document filed pursuant to the Securities Exchange Act, or any rule or regulation thereunder.

Highlights of Operation

	1959	1958
Operating revenues	$242,041,825	$244,262,808
Operating expenses	198,851,581	199,411,847
Taxes, Federal, State and Local	19,415,000	19,186,000
Net railway operating income	13,651,274	16,870,993
Other income—Net	4,047,361	2,888,174
Income available for fixed charges	17,698,635	19,759,167
Fixed charges	5,471,962	4,883,706
Contingent charges	6,351,497	6,496,404
Net income	$ 5,875,176	$ 8,379,057
Net income per share—Series A Preferred	11.33	16.16
—Common	1.55	2.73
Times fixed charges earned	3.23	4.05
Dividends paid:		
Series A Preferred—$5.00 per share*	$ 2,593,260	$ 2,593,260
Common—$1.50 per share*	3,184,871	3,184,870
Total dividends paid	5,778,131	5,778,130
Number of stockholders at December 31:		
Series A Preferred	5,089	4,989
Common	9,902	9,298
*Out of earnings of the prior year.		
Gross capital expenditures:		
For road property improvements	$ 5,940,814	$ 6,020,760
For equipment	21,733,124	19,958,842
Total	27,673,938	25,979,602
Traffic statistics:		
Net ton-miles of revenue freight (thousands)	14,123,258	13,886,035
Freight revenue	$201,536,333	$205,329,657
Passengers carried one mile	648,200,824	653,633,480
Passenger revenue	$ 15,282,171	$ 14,475,155
Total amount of payroll	$128,399,667	$128,356,603
Average number of employees	22,243	23,402
Gross ton-miles per train-hour	64,565	61,714
Gross tons per train	3,228	3,157
Net ton-miles per train-hour	28,570	27,169
Net tons per train	1,428	1,390
(Indices of freight-train performance)		

To the Shareholders:

During the first six months of the year, traffic and income were maintained at a level appreciably higher than the previous year, with an increase in freight revenue of $5,700,000. If the traffic and income of the second half of the year had done no more than to follow the average pattern of recent years for that period, the resulting net income would have made the year 1959 one of the best in the last ten years.

The last six months saw, however, not only the steel strike starting in mid-July, which lasted longer than most observers had expected, but also a severe drought condition in a wide area served by The Milwaukee Road, causing a substantial decline in grain carloadings. Of the two events, the drought condition had the more serious impact on Milwaukee Road revenues. As a matter of fact, even with the steel strike the company would have had a very good year if it were not for the drought because carloadings in most other commodities held up well for the year as a whole.

As late as early June, crop and weather reports made it appear that an excellent harvest could be expected in the grain-producing territory served by The Milwaukee Road. Starting in mid-June, however, and extending into July, hot dry winds and inadequate moisture destroyed much of the crop, particularly wheat and other small grains, in an area centering about South Dakota. Thousands of cars of grain were lost to The Milwaukee Road as a result.

Thus during the last six months of the year, a period when traffic normally is heaviest, freight revenues and net income were disappointing despite extensive efforts made to search out operating economies that would not have an adverse effect on the quality of the railroad's services.

Railway operating revenues for the year 1959 totaled $242,041,825, a decrease of $2,220,983 from 1958 revenues. Net income was $5,875,176, compared with $8,379,057 in 1958. Included in net income was a $1,500,000 dividend from the Milwaukee Land Company, a wholly owned Milwaukee Road subsidiary.

On February 18, 1960 the Board of Directors declared a dividend, out of 1959 earnings, of $5.00 per share on the Series A preferred stock, payable in four installments of $1.25 per share each on March 24, June 23, September 22 and November 23, in 1960, to holders of record at the close of business March 4, June 3, September 2 and November 4, 1960, respectively. A sum equal to $5.00 per share has been set apart in a trust fund for payment of this dividend.

On March 17, 1960, the Board of Directors declared a dividend of $1.50 per share out of 1959 earnings on the common stock, payable at the rate of 37½ cents per share on April 21, July 21, October 20 and December 15, 1960 to holders of record at the close of business on April 1, July 1, September 30 and November 25, 1960, respectively.

Regular dividends of $1.50 per share on the common stock have been maintained since 1955. Prior thereto, going back to 1951, the regular dividend on this stock was $1.00 per share.

Late in 1959, discussions were carried on with the Chicago, Rock Island and Pacific Railroad Company relating to the possibility of a merger of the two companies. Preliminary studies carried on by their representatives indicated that such a merger would have considerable merit. A consolidated system would have lines reaching into rich agricultural, mining and manufacturing regions, and would serve ports on Puget Sound, the Great Lakes and the Gulf of Mexico. A joining of the two companies would make possible a reduction in overhead and a number of other operating economies, including those resulting from an elimination of certain duplicate services. Then, too, the traffic pattern of each would supplement the other.

Subsequent discussions with the Rock Island resulted in an agreement to make an intensive study of the subject and, early in 1960, the firms of Coverdale and Colpitts, Sidley, Austin, Burgess & Smith, and R. W. Pressprich & Company, were employed to make the engineering, legal and financial studies necessary to determine the feasibility of a merger of the two companies. Each of the railroads has appointed a five-man team from its staff to devote full time to expediting the studies. These studies will require some months to complete after which, if the findings point to the advisability of a merger, the plan would be subject to the approval of the stockholders of the two companies and the final sanction of the Interstate Commerce Commission.

Although 1959 was a difficult year for the company, from an earnings standpoint, a number of basic improvements were completed or started which will have favorable effects in the future.

In addition to the installation of Carscope, discussed in more detail elsewhere in this report, a large amount of preliminary work was completed which will make it possible to convert various costly accounting and billing procedures to electronic computer handling before the end of 1961. When completed, this conversion to data processing equipment will not only effect appreciable reductions in operating costs but enable the company to give its patrons improved service.

Another administrative improvement, completed in 1959, was the reduction in the number of operating divisions from ten to eight. Because of improved communications facilities, it was possible to eliminate two divisions, Madison and Trans-Missouri, assigning the territory to adjoining divisions, and thus providing more economical and efficient operation. A reorganization of forces at Seattle was also effected resulting in the concentration at Chicago of system supervisory operating personnel.

Significant progress was made in developing new sources of revenue through trailer on flat car operation. The expansion of Flexi-Van operation, inaugurated early in 1959, has been gratifying. A new method of shipping automobiles to the West Coast has been developed which combines the best features of highway and railroad facilities. This new plan has been instrumental in recovering an important source of business that previously had been lost to truck competition. Aside from the additional income this new plan will provide, it is hoped that it will pave the way for regaining other important traffic lost to highway competitors.

The railroads are pressing for passage of legislation that would end the artificial restraints which now prevent them from offering other than rail service in their efforts to enhance their usefulness to shippers through transportation diversification. Removing these restraints would alleviate an inequitable situation—that of requiring railroads to pay heavy taxes to help build highways, airways and airports, and improved waterways for use by their competitors. This injustice should not be compounded by denying railroads equal opportunity to use facilities their taxes help to provide, operate and maintain.

Since the settlement of the steel strike, that industry has been operating at near-capacity levels, and The Milwaukee Road can expect larger shipments of both raw materials and finished products from this source. There is every reason to expect that more normal conditions will prevail in South Dakota and Montana than in 1959 and, consequently, there should be a substantial increase in grain shipments from that area.

The economy of the nation as a whole is expected to maintain a level somewhat higher in 1960 than in 1959. It is anticipated that this will have a favorable effect on carloadings of most major commodities handled by The Milwaukee and, assuming a satisfactory solution is reached in the matter of wage negotiations now in progress, net earnings should be substantially higher than those in 1959.

There is a growing awareness on the part of the general public, government officials and others, of the legislative, regulatory and labor problems that have seriously handicapped railroad operations in recent years. With increased recognition on the part of lawmakers that the railroads must have equality of treatment with other forms of transportation, there is every reason to be confident that far-reaching and beneficial changes in those regulations and in public policies, which weigh heavily on the industry, will result.

Leo T. Crowley
Chairman of the Board

William J. Quinn
President

By order of the Board of Directors
March 17, 1960

Rates and Fares

Freight Rates

The Milwaukee Road in late January this year received authorization from the Interstate Commerce Commission to reduce freight rates 17 per cent on export grain shipped through Chicago and five other Great Lakes ports. The petition requesting approval of the rate cut had been filed with the ICC last year.

The new rate of 27 cents a hundred pounds applies from the market terminals of Kansas City, Kan., Omaha, Neb., and Sioux City, Ia., to the lake ports and in combination with rates to North Atlantic ports such as Baltimore, Md. The new rate compares with the former rate of 32½ cents.

The grain rate reduction makes the combined rail-ocean rates to Europe by way of the Great Lakes competitive with those through gulf coast ports. In effect, the new rate will stimulate shipments of grain produced west of the Missouri river through the lakes ports instead of gulf coast harbors.

The rate and market research sections of the Sales Department continue to study commodity rates and other tariff and traffic situations in an effort to secure additional business for the railroad. An illustration of this type of activity is the inauguration of the piggy-backing of new automobiles described later in this report.

Agreed Charges

The Milwaukee and three other midwestern railroads are parties to the first agreed charge rates ever published in the United States. They are proposed to apply on steel pipe shipments from Sault Ste. Marie, Ont., to Chicago. The rates are not yet in effect pending decision by the Interstate Commerce Commission of their legality.

Under an agreed charge tariff, the shipper is entitled to lower rates for shipping a certain minimum percentage of his entire shipments via the railroads publishing such rates.

Mail Pay

Mail rates for railroads in the western territory were increased approximately 5.6 per cent effective July 1, 1959, to bring western territory rates up to the level of rates in effect on southern lines.

The railroads are strenuously opposing a proposal by the post office department and the civil aeronautics board to extend the first-class-mail-by-air experiment to nearly 100 cities, a shift that could cost the railroads up to 150 million dollars a year—nearly half their mail revenues. The loss of revenue to the railroads could result in the dropping of many marginal passenger trains.

Travel Package Plan

The Milwaukee Road, to meet air line passenger competition, last year adopted a unique travel-dine-sleep plan for Olympian Hiawatha passengers. The package plan embraces train fare, Pullman sleeping accommodations, and all meals at prices below air coach rates. Results indicate the innovation has been successful.

Suburban Fares

Suburban passenger revenue of The Milwaukee Road last year increased by $755,591, or 36.6 per cent, to $2,819,315 from $2,063,724 in the preceding year. The gain was attributed to a rate increase.

Wages and Labor Relations

Wage Negotiations

Negotiations on a national basis on wages and working rules are continuing between the railroads and the operating and non-operating brotherhoods with which The Milwaukee Road has contracts. The wage issue relating to the contract with the Brotherhood of Locomotive Engineers has been placed in binding arbitration through agreement of both sides.

The remainder of the disputes are in various stages of negotiations between the railroads and the brotherhoods.

Cost of Living Adjustments

Rates of pay were increased November 1, 1959, in accordance with agreements providing for semi-annual adjustments of 1 cent per hour for each one-half point in the Bureau of Labor Statistics Consumers' Price Index. The November 1 increase amounted to 3 cents per hour. No adjustment was required on May 1, 1959.

Payroll Taxes

On January 1, 1959, the Unemployment Insurance Tax, which is paid wholly by the employer, was increased from 2½ per cent to 3 per cent. Effective June 1, 1959, the Railroad Unemployment Insurance Act was amended to further increase the rate of contribution required of employers from 3 per cent to 3¾ per cent, and increase from $350 to $400 per month the maximum amount of employees' compensation on which the employer must pay contributions.

Also effective June 1, 1959, the Railroad Retirement Tax Act was amended to increase the rate of taxes imposed on both employer and employee from 6¼ per cent to 6¾ per cent, with the monthly limit on taxable earnings raised from $350 to $400.

Effect of Increases

Costs in the aggregate were increased approximately $7,691,000 in 1959 as the result of wage increases and cost-of-living boosts effective in 1958, the cost-of-living increase of November 1, 1959, and changes in the tax rates for Unemployment Compensation and for Railroad Retirement purposes.

Carscope

Carscope is the name by which our railroad's newly installed car reporting center in Chicago is known.

Its function is to trace and expedite carload shipments and keep records regarding the location of special purpose freight cars. It is also the function of Carscope to serve the railroad's customers in the diversion and reconsignment of carload shipments and provide them with information about unusual circumstances affecting the movement of their shipments, such as storms or unavoidable delays.

Utilizing a teletype and telegraphic network, Carscope relays information about the movement of cars on the railroad and aids in the processing of daily reports about the railroad's traffic flow to its principal sales and service offices throughout the United States.

Carscope has been accepted by the railroad's customers as a functional service tool. By combining functions previously performed by separate departments, it has provided a more convenient method by which shippers and consignees of carload freight may manage manufacturing, distributing, warehousing, and marketing schedules.

Flexi-Van Expansion

Operations of the Flexi-Van trailer on rail flat car system, which began early in 1959, were expanded during the year. Since the service began, volume has shown a steady increase each month.

Because of the increased demand for this service, additional Flexi-Van equipment has been ordered from the manufacturer on a long term lease arrangement. The equipment to be provided includes 25 eighty-five foot rail flat cars, 75 forty foot vans, and 40 bogies (wheel assemblies).

These new acquisitions will increase The Milwaukee Road's Flexi-Van fleet to a total of 190 vans, 115 bogies, and 64 rail flat cars.

The versatility of Flexi-Van equipment was shown in many ways last year. Foreign shipments brought through the St. Lawrence Seaway and the Great Lakes to Milwaukee, Wis., were loaded directly at dockside from shipboard into Flexi-Van containers for fast overnight shipment to the Twin Cities by truck trailer and rail flat car.

A midwestern meat packer is using Flexi-Van facilities for speedy shipment of canned meats, lard in packages and drums, and other products.

The first trans-oceanic shipment of freight in Flexi-Van containers to move over The Milwaukee Road by way of Seattle, Wash., was transported to the Chicago area. The cargo was placed in specially built containers at Yokohama, Japan, loaded aboard ship there, unloaded intact at Seattle, transferred to rail flat car at the port, then speeded to Chicago, transferred to truck tractor, and transported to its destination.

Flexi-Van also entered another field last year when The Milwaukee Road inaugurated a system of handling United States mail in these containers from Chicago and Milwaukee to LaCrosse, Wis., from which point they are hauled over highways by the Milwaukee Motor Transportation Company, a wholly owned subsidiary of The Milwaukee Road, and the mail distributed to a number of Wisconsin and Minnesota towns beyond LaCrosse.

Piggybacking of Autos

The Milwaukee Road increased services to its shippers by providing the country's first transcontinental piggybacking of automobiles. The operation started early this year with shipments of autos through truck-rail-truck transport from Detroit, Mich., to points in the Pacific Northwest, reducing the time in transit from Detroit to Spokane, Wash., by an average of five days from the conventional highway transit time.

The autos are loaded in Detroit onto highway transport trailers and routed by highway to an interchange area in the North Harvey, Ill., yards of The Milwaukee Road. They are then unloaded from the over-the-road trailers and put individually into bays according to destination. Next, the autos are placed on stripped-down trailers which are then run onto Milwaukee Road flat cars.

These are moved from North Harvey to the Milwaukee's train make-up yard at Bensenville, Ill., for departure as part of a transcontinental freight train. They are transported to Miles City, Mont., or Spokane, points at which the railroad has installed facilities for the unloading of the shipments.

On arrival at their rail destination the trailers are removed from the flat cars, the autos unloaded from the trailers, and reloaded onto over-the-road trailers. The cars are transported by highway to auto dealers in several states in the northwest.

In addition to the piggybacking of autos, The Milwaukee Road has expanded into other types of piggybacking which are expected to grow rapidly.

Legislation

The first session of the 86th Congress in 1959 enacted a bill to reduce the 10 per cent travel tax to 5 per cent, effective July 1, 1960. Helpful as this action was, the full removal of this burdensome tax is needed. The tax was levied during World War II to discourage travel by the public, but the need for that disappeared 15 years ago.

Last year amendments to the Railroad Retirement and Unemployment Insurance Act were adopted which cost the railroad industry an additional 125 million dollars in 1959.

The railroads are pressing for passage of bills in the current session of Congress which will permit them to diversify their services, allow them to create a construction reserve fund, and grant them accelerated depreciation.

The railroads will be faced with several make-work proposals in Congress, including one described as the track motor car bill, and a measure making it more difficult to discontinue passenger trains.

Enactment of the motor car bill would open the door to federal regulation of one of the last major areas where the industry is still free to exercise managerial skills and initiative. The bill would make it unlawful for a carrier to operate track motor cars unless they were either subject to the carrier's operating rules governing train movements, or operated in accordance with special rules and regulations approved and enforced by the Interstate Commerce Commission.

An undesirable and rigid uniformity could result from the granting of ICC authority over track car rules.

Industrial Development

A total of 153 new industries was established in Milwaukee Road territory in 1959 and 134 existing industries were expanded. Most of the developments took place in the first half of the year with projects in the last half of 1959 affected by the steel strike. However, many industries appeared to take advantage of the slowed-down activity caused by the strike to survey possible locations for new facilities.

During the year, 168 acres of land were acquired, at a cost of $276,400, to be used for future industrial development. This makes a total of about 1,700 acres acquired in the last few years for this purpose.

Sales of industrial properties, surplus right-of-way, and miscellaneous buildings, totaling $1,202,557, were made during the year. Rental income was increased by the industrial department on 11,223 leases, amounting to $119,560, resulting in a total annual income of $1,513,452 from lease rentals.

Among the important transactions made by The Milwaukee Road in 1959 was the acquisition of a 116 acre tract south of the Twin Cities for industrial development. Last year the first sale also was made of a site in the newly opened Milwaukee Road industrial district just west of the Des Moines, Ia., city limits, and additional acreage was acquired for the Spokane, Wash., development.

In addition, important expansions and new acquisitions were announced by companies located in the Franklin Park, Ill., industrial district.

Production of electric power from dams in various stages of construction in The Milwaukee Road territory will provide increased electrical energy for the accommodation of new and expanded industries in the area served by the railroad.

Spokane Gateway Case

A special three-judge United States District Court in Milwaukee heard oral arguments February 18, 1960, in the suit filed by The Milwaukee Road seeking to set aside the Interstate Commerce Commission's order of May 10, 1957, dismissing a complaint filed by the Milwaukee.

The complaint sought the establishment of joint through rates between The Milwaukee Road and the Spokane, Portland and Seattle Railway Company and its subsidiaries by way of Spokane, Washington, on the same level as now enjoyed by shippers over the Northern Pacific and the Great Northern, which jointly own the Spokane, Portland and Seattle Railway Company.

The Milwaukee contended in its arguments before the court that the Interstate Commerce Commission erred in failing to establish joint rates between the Milwaukee and the Spokane, Portland and Seattle Railway. It also contended that shippers desiring to use the Milwaukee's line between the Twin Cities and Spokane for shipments originating or terminating on the Spokane, Portland and Seattle system are generally subjected to a rate penalty which discourages the use of this route. A decision by the Court is expected during 1960.

Train and Agency Discontinuances

The Milwaukee Road in 1959 continued its efforts to discontinue unprofitable passenger trains. During the year it filed applications with the Interstate Commerce Commission for the elimination of three braces of trains.

Pursuant to authority granted by the Commission, Trains 11 and 22, known as the Sioux, operating between Madison, Wis., and Canton, S. D., were discontinued January 5, 1960, resulting in an annual reduction in passenger train miles of 287,620. Trains 21 and 14, the Chippewa, operating between Milwaukee, Wis., and Channing, Mich., were discontinued February 2, 1960, reducing train miles by 167,900 annually.

Pending is a decision by the Interstate Commerce Commission on the discontinuance of Trains 157 and 158 between LaCrosse, Wis., and Austin, Minn., which would result in an annual reduction of 67,608 in train miles. The discontinuance of all three trains, and other reductions, amounting to 7,828 train miles, would mean a total annual reduction of 530,956 train miles. Bus service was reduced by 72,972 miles.

The Milwaukee Road passenger service deficit, determined in accordance with Interstate Commerce Commission rules, was $3,395,130 less in 1959 than 1958.

In addition to the train discontinuances the Milwaukee Road submitted proposals for 113 station closings and discontinuance of station service to various state commissions in 1959. It received favorable decisions on 79 of these, resulting in annual savings of $396,035 to the railroad. The program of discontinuing unprofitable agency and station services throughout The Milwaukee Road system is continuing.

Board of Directors

Pursuant to approval by the stockholders at their annual meeting in May, 1959, the membership of the Board was increased from nineteen to twenty-two members by the addition of E. Ainsworth Eyre, director of W. R. Grace & Co., New York; Jerome C. Eppler, partner in Cyrus J. Lawrence & Sons, New York; and Arthur S. Bowes, director of Automatic Canteen Company of America and of Lily Tulip Corporation, Chicago.

Income and Other Taxes

Tax accruals for 1959 were as follows:

Payroll taxes		$ 9,894,538
Property and other miscellaneous taxes		10,022,535
		$19,917,073
Less: Adjustments of Federal income taxes—		
Loss carry-back to 1958	$203,181	
Excess accrual applicable to previous years	298,892	502,073
Total		$19,415,000

In computing the provision for Federal income taxes, effect was given to the additional deductions for tax purposes resulting from amortization of defense facilities, use of the declining-balance method of calculating depreciation provisions for equipment, and various differences in depreciation bases and rates. The resultant tax deductions exceeded the corresponding normal provisions for depreciation by use of the straight-line method included in the statement of income, reducing the provisions for Federal income taxes as follows:

Tax reduction resulting from:	
Amortization of defense facilities	$ 786,000
Declining-balance method—equipment	681,200
Other depreciation differences	1,152,800

Reduction of Mortgage Bonds

In 1959, mortgage bonds and debentures in the principal amount of $3,810,300 were acquired and cancelled or are held in the Treasury.

The following table shows that in the period from the consummation of the Plan of Reorganization on December 1, 1945, to December 31, 1959, $47,604,800 of mortgage bonds were acquired and cancelled or are held in the Treasury. This amount is more than 25% of the original issue. In addition, $1,500,000 of Five Per Cent Income Debentures have been acquired and cancelled or are held in the Treasury. The resulting reduction in annual interest requirements is $2,183,086.

ITEM	Cancelled Through Sinking Fund	Surrendered to Trustee for Cancellation	Held in Treasury	Total	Interest Rate	Decrease in Annual Interest
Chicago, Milwaukee, St. Paul & Pacific R.R. Co.						
First Mortgage 4% Bonds, Series A	$ 3,100,900	$2,280,100	$ 275,000	$ 5,656,000	4%	$ 226,240
General Mortgage 4½% Income Bonds, Series A	21,221,300	610,000	895,400	22,726,700	4½	1,022,702
General Mortgage 4½% Convertible Income Bonds, Series B	15,430,200	....	1,451,900	16,882,100	4½	759,694
Five Per Cent Income Debentures, Series A	1,200,000	....	300,000	1,500,000	5	75,000
The Bedford Belt Ry. Co.						
First Mortgage Bonds	....	17,000	23,000	40,000	4¼	1,700
The Southern Indiana Ry. Co.						
First Mortgage Bonds	....	39,000	240,000	279,000	4¼	11,858
The Chicago, Terre Haute & Southeastern Ry. Co.						
First and Refunding Mortgage Bonds	....	....	459,000	459,000	4¼	19,507
Income Mortgage Bonds	....	....	1,562,000	1,562,000	4¼	66,385
Totals	$40,952,400	$2,946,100	$5,206,300	$49,104,800	......	$2,183,086

Long-Term Debt Outstanding

Long-term debt and equipment obligations due within one year, outstanding in the hands of the public as of December 31, 1959, amounted to $277,397,977 compared with $274,373,767 as of December 31, 1958, a net increase of $3,024,210.

Increase:		
Equipment obligations covering purchase of equipment		$15,710,825
Decreases:		
Mortgage Bonds and Debentures:		
Purchased and cancelled during the year through operation of sinking funds—		
First Mortgage 4% Bonds, Series A	$ 328,300	
Less: Bonds held in Treasury at December 31, 1958, delivered to Mortgage Trustee for sinking fund and cancelled during the year	327,300	1,000
General Mortgage 4½% Income Bonds, Series A	$1,651,000	
Less: Bonds held in Treasury at December 31, 1958, sold to Mortgage Trustee for sinking fund and cancelled during the year	283,000	1,368,000
General Mortgage 4½% Convertible Income Bonds, Series B	$1,508,800	
Less: Bonds held in Treasury at December 31, 1958, sold to Mortgage Trustee for sinking fund and cancelled during the year	1,508,800	....
Five Per Cent Income Debentures, Series A	$ 300,000	
Less: Debentures held in Treasury at December 31, 1958, deposited with Trustee for sinking fund and cancelled during the year	300,000	....
Purchased in the open market during the year and held in Treasury—		
First Mortgage 4% Bonds, Series A		227,900
General Mortgage 4½% Income Bonds, Series A		895,400
General Mortgage 4½% Convertible Income Bonds, Series B		887,000
Five Per Cent Income Debentures, Series A		300,000
The Bedford Belt Ry. Co. First Mortgage Bonds		3,000
The Southern Indiana Ry. Co. First Mortgage Bonds		51,000
C.T.H. & S.E. Ry. Co. First and Refunding Mortgage Bonds		31,000
C.T.H. & S.E. Ry. Co. Income Mortgage Bonds		46,000
Equipment Obligations:		
Payments of Equipment Trust Certificates		6,600,000
Payments of Conditional Sale Agreements covering purchase of equipment		2,151,315
Purchased in the open market during the year and held in Treasury—		
Equipment Trust Certificates, Series JJ		125,000
Total Decreases		$12,686,615
Net Increase		$ 3,024,210

Shareholders of Record

As of April 3, 1959, the record date for the 1959 Annual Meeting, there were 5,080 holders of Series A Preferred Stock and 9,453 holders of Common Stock, who resided in every State of the Union and in U.S. territories and possessions. The distribution, by major classifications, is as follows:

	Series A Preferred		Common	
	Number of Holders	Shares Held	Number of Holders	Shares Held
Men	1,962	137,559	3,931	538,330
Women	1,889	85,925	3,098	268,902
Joint accounts	697	36,653	1,703	140,316
Fiduciaries, institutions and foundations, stock brokers, nominees and others	532	258,515	721	1,175,666
Total	5,080	518,652	9,453	2,123,214

INDEX TO TABLES

ACCOUNTANTS' REPORT	14
AVAILABLE NET INCOME AND APPLICATION THEREOF	18
BALANCE SHEET—C. M. ST. P. & P. R. R. CO.	16
BALANCE SHEET—MILWAUKEE LAND COMPANY	36
COMMODITIES TRANSPORTED	32
CONTINGENT LIABILITIES	22
EMPLOYEES AND COMPENSATION	33
EQUIPMENT OBLIGATIONS	23
EQUIPMENT OWNED	34
INCOME ACCOUNT—C. M. ST. P. & P. R. R. CO.	15
INCOME ACCOUNT—MILWAUKEE LAND COMPANY	35
INVESTMENTS IN SECURITIES OF OTHER COMPANIES	20
INVESTMENT IN PROPERTIES	21
LONG-TERM DEBT	23
MILES OF ROAD AND TRACK	24
NOTES TO FINANCIAL STATEMENTS	19
OPERATING EXPENSES, ANALYSIS OF INCREASES AND DECREASES	28
OPERATING REVENUES AND EXPENSES—DETAILED	25
OPERATING REVENUES, EXPENSES, TAXES AND INCOME	28
RETAINED INCOME	18
REVENUE FREIGHT AND PASSENGER STATISTICS	29
TRANSPORTATION STATISTICS	30

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors
Chicago, Milwaukee, St. Paul and
Pacific Railroad Company
Chicago, Illinois

We have examined the financial statements of Chicago, Milwaukee, St. Paul and Pacific Railroad Company for the year ended December 31, 1959. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made similar examinations of the financial statements for the preceding four years.

In our opinion, the accompanying balance sheet and statements of income and retained income present fairly the financial position of Chicago, Milwaukee, St. Paul and Pacific Railroad Company at December 31, 1959, and the results of its operations for the year then ended, in conformity with accounting principles and classifications prescribed or authorized by the Interstate Commerce Commission. Such accounting principles and classifications were applied for the year ended December 31, 1959, on a basis consistent with that followed for the preceding year and, except as to the matters described in Note C, for the prior years covered by the financial statements submitted herewith.

We also have examined the statement of available net income and application thereof, and it is our opinion that such statement summarizes fairly the computations of "available net income" for the year ended December 31, 1959, in conformity with the provisions of the indentures identified therein.

ERNST & ERNST
Certified Public Accountants

Chicago, Illinois
February 26, 1960

STATEMENT OF INCOME

	1959	1958	1957	1956	1955
Railway Operating Revenues					
Freight	$201,536,333	$205,329,657	$212,469,079	$209,719,695	$205,818,267
Passenger	15,282,171	14,475,155	15,415,391	17,173,709	13,837,923
Mail	8,862,116	8,410,072	8,646,395	8,467,316	8,289,542
Express	3,180,656	3,051,441	3,419,392	3,968,087	3,821,639
Switching	6,591,066	6,381,289	6,678,131	6,423,837	6,295,810
Other	6,589,483	6,615,194	7,398,798	8,107,922	7,435,029
Total Railway Operating Revenues	242,041,825	244,262,808	254,027,186	253,860,566	245,498,210
Railway Operating Expenses					
Maintenance of way and structures	37,430,224	38,339,495	40,492,308	42,706,621	44,254,660
Maintenance of equipment	41,862,784	41,942,195	45,259,541	45,971,070	47,944,552
Traffic	6,749,065	6,336,570	6,461,372	6,186,575	5,813,700
Transportation	97,849,648	98,210,839	101,532,378	101,608,851	94,144,231
Miscellaneous operations	3,095,659	3,143,460	3,559,189	3,924,376	2,901,528
General	11,864,201	11,439,288	10,874,023	10,348,806	9,582,671
Total Railway Operating Expenses	198,851,581	199,411,847	208,178,811	210,746,299	204,641,342
Net Revenue from Railway Operations	43,190,244	44,850,961	45,848,375	43,114,267	40,856,868
Taxes and Rents					
Federal income taxes (credit)—Note A	(502,073)	836,000	1,262,000	(51,000)	1,425,000
Payroll, property, and miscellaneous taxes	19,917,073	18,350,000	18,803,000	18,338,000	16,971,000
Equipment rents	7,460,358	6,155,763	6,699,509	4,839,601	4,176,312
Joint facility rents	2,663,612	2,638,205	2,665,173	2,642,732	2,504,031
Total Taxes and Rents	29,538,970	27,979,968	29,429,682	25,769,333	25,076,343
Net Railway Operating Income	13,651,274	16,870,993	16,418,693	17,344,934	15,780,525
Other Income and Deductions					
Other income—Note B	4,394,436	3,194,466	3,030,728	2,841,508	5,405,438
Miscellaneous deductions from income	347,075	306,292	240,288	308,114	199,121
Other Income Less Deductions	4,047,361	2,888,174	2,790,440	2,533,394	5,206,317
Income Available for Fixed Charges	17,698,635	19,759,167	19,209,133	19,878,328	20,986,842
Fixed Charges					
Interest on long-term debt—fixed	5,377,559	4,795,555	4,644,500	4,637,955	4,615,909
Amortization of discount on long-term debt	93,538	87,579	85,629	77,791	79,090
Other fixed charges	865	572	1,068	805	1,192
Total Fixed Charges	5,471,962	4,883,706	4,731,197	4,716,551	4,696,191
Income After Fixed Charges	12,226,673	14,875,461	14,477,936	15,161,777	16,290,651
Contingent Charges					
Interest on mortgage bonds—contingent	3,433,997	3,556,404	3,629,088	3,713,363	3,773,369
Interest on income debentures	2,917,500	2,940,000	2,932,500	2,962,500	2,985,000
Total Contingent Charges	6,351,497	6,496,404	6,561,588	6,675,863	6,758,369
Net Income—Note C	$ 5,875,176	$ 8,379,057	$ 7,916,348	$ 8,485,914	$ 9,532,282
Earnings Applicable to Common Stock					
Net income	$ 5,875,176	$ 8,379,057	$ 7,916,348	$ 8,485,914	$ 9,532,282
Less dividend requirements on Preferred Stock	2,593,260	2,593,260	2,593,255	2,593,255	2,593,255
Earnings Applicable to Common Stock—Note C	$ 3,281,916	$ 5,785,797	$ 5,323,093	$ 5,892,659	$ 6,939,027
Per share	$ 1.55	$ 2.73	$ 2.51	$ 2.78	$ 3.27

See notes to financial statements.

BALANCE SHEET

ASSETS	December 31, 1959	December 31, 1958	Change During Year
Current Assets			
Cash	$ 9,681,987	$ 14,284,229	− $4,602,242
United States Government securities—at cost (approximately market)	16,899,515	18,582,500	− 1,682,985
Cash and securities reserved for payment of specific current liabilities	2,789,030	3,178,696	− 389,666
Chicago Transit Authority revenue bonds—at cost less allowance of $131,587	825,413	825,413	....
Receivables—due from railroads, shippers, and others	18,093,197	17,640,938	+ 452,259
Working fund advances and prepayments	773,806	816,402	− 42,596
Material and supplies inventories—at cost	20,337,088	19,503,736	+ 833,352
Other current assets	1,153,456	1,713,890	− 560,434
Total Current Assets	70,553,492	76,545,804	− 5,992,312
Special Funds—Cash held principally for debt retirement or investment in properties, and insurance funds	852,639	810,130	+ 42,509
Investments—at cost—Note B			
Capital stocks ($550,000), notes and accounts of wholly-owned subsidiaries	3,739,500	3,284,500	+ 455,000
Investments in jointly-owned terminal, switching, and other companies:			
Capital stocks	4,185,671	4,185,641	+ 30
Bonds, notes and long-term advances	9,832,153	9,687,534	+ 144,619
Total Investments	17,757,324	17,157,675	+ 599,649
Properties—Note D			
Road and equipment:			
Road	632,435,887	629,449,359	+ 2,986,528
Equipment	335,072,250	327,954,761	+ 7,117,489
General expenditures	38,292,664	38,408,359	− 115,695
Improvements on leased property	618,871	618,059	+ 812
	1,006,419,672	996,430,538	+ 9,989,134
Less:			
Acquisition adjustment	168,160,631	168,458,810	− 298,179
Donations and grants	9,372,174	9,380,651	− 8,477
Total Transportation Properties	828,886,867	818,591,077	+ 10,295,790
Less:			
Accrued depreciation—road	92,971,943	89,776,979	+ 3,194,964
Accrued depreciation—equipment	140,504,345	137,764,137	+ 2,740,208
Accrued amortization of World War II defense projects—road	2,155,377	2,178,192	− 22,815
Accrued amortization of World War II defense projects—equipment	12,967,424	17,527,170	− 4,559,746
	248,599,089	247,246,478	+ 1,352,611
Total Transportation Properties Less Recorded Depreciation and Amortization	580,287,778	571,344,599	+ 8,943,179
Miscellaneous physical property (less accrued depreciation: 1959—$2,163,303; 1958—$2,284,693)	5,049,887	5,364,324	− 314,437
Total Properties	585,337,665	576,708,923	+ 8,628,742
Other Assets and Deferred Charges			
Receivables (noncurrent)	2,263,107	1,778,196	+ 484,911
Discount on long-term debt	1,034,684	1,001,031	+ 33,653
Miscellaneous other assets and deferred charges	1,089,748	1,453,361	− 363,613
Total Other Assets and Deferred Charges	4,387,539	4,232,588	+ 154,951
	$678,888,659	$675,455,120	+ $3,433,539

See notes to financial statements.

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY	DECEMBER 31, 1959	DECEMBER 31, 1958	CHANGE DURING YEAR	
CURRENT LIABILITIES				
Accounts and wages	$ 23,933,290	$ 25,085,506	−	$1,152,216
Interest and dividends	8,909,508	8,934,630	−	25,122
Federal income taxes—Note A	474,618	877,602	−	402,984
Other taxes	8,276,567	7,958,965	+	317,602
Other current liabilities	1,329,939	1,346,926	−	16,987
TOTAL CURRENT LIABILITIES	42,923,922	44,203,629	−	1,279,707
EQUIPMENT OBLIGATIONS DUE WITHIN ONE YEAR	8,544,193	8,188,261	+	355,932
LONG-TERM DEBT—Note E				
Mortgage bonds	142,462,400	145,972,700	−	3,510,300
Five Per Cent Income Debentures, Series A, due January 1, 2055	58,500,000	58,800,000	−	300,000
Equipment obligations, less maturities due within one year, shown above	67,891,384	61,412,806	+	6,478,578
TOTAL LONG-TERM DEBT	268,853,784	266,185,506	+	2,668,278
RESERVES				
For personal injury, loss and damage, and overcharge claims	1,330,897	1,333,627	−	2,730
For vacation pay	5,873,199	5,659,121	+	214,078
TOTAL RESERVES	7,204,096	6,992,748	+	211,348
OTHER LIABILITIES AND DEFERRED CREDITS	2,380,145	2,306,466	+	73,679
SHAREHOLDERS' EQUITY				
Capital stock:				
Common Stock—no par value (stated value—$100.00 per share):				
Authorized (including 514,221 shares reserved for conversion of General Mortgage Bonds, Series B)—2,637,450 shares				
Issued and outstanding—2,123,214 shares	212,321,400	212,321,400		....
Preferred Stock—par value $100.00 per share, 5% participating—Note F:				
Authorized—1,150,000 shares				
Issued and outstanding—518,652 shares	51,865,200	51,865,200		....
	264,186,600	264,186,600		....
Capital surplus	28,917	28,604	+	313
Retained income—Note F:				
Appropriated	44,006,983	44,043,011	−	36,028
Unappropriated	40,760,019	39,320,295	+	1,439,724
	84,767,002	83,363,306	+	1,403,696
TOTAL SHAREHOLDERS' EQUITY	348,982,519	347,578,510	+	1,404,009
CONTINGENT LIABILITIES				
As guarantor at December 31, 1959, jointly with other railroads, for obligations totaling $111,944,200 of various terminal and switching companies.				
	$678,888,659	$675,455,120	+	$3,433,539

See notes to financial statements.

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

STATEMENT OF RETAINED INCOME

	1959	1958	1957	1956	1955
Balance at January 1	$83,363,306	$77,247,966	$74,198,107	$70,501,975	$70,318,150
ADDITIONS					
Net income for the year	5,875,176	8,379,057	7,916,348	8,485,914	9,532,282
Discount, less premium, on mortgage bonds and debentures reacquired	767,620	316,587	1,100,917	379,563	535,976
Profits, less losses, on sales and retirements of land and nonoperating property—Note C	....	....	640,153	692,935	682,581
Adjustment of provisions for depreciation of freight-train cars for 1955 and prior years	....	3,982,725	....	....	....
Estimated refundable federal income taxes for the years 1956 and 1957 arising from adjustment of depreciation rates as permitted by the Retirement-Straight Line Adjustment Act of 1958	645,105	....	....	....	....
Adjustment of liability for vacation pay	....	....	....	....	357,515
	90,651,207	89,926,335	83,855,525	80,060,387	81,426,504
DEDUCTIONS					
Dividends paid on Preferred Stock—$5.00 per share each year	2,593,260	2,593,260	2,593,255	2,593,255	5,593,255
Dividends paid on Common Stock—$1.50 per share, except $2.50 per share in 1955	3,184,871	3,184,870	3,184,869	3,184,820	5,308,033
Provision for claims by United States Government for land grant repayments on shipments prior to October 1, 1946, less related federal income tax reduction—Note C	106,074	784,899	728,291	....	....
Miscellaneous charges, less credits—Note C	....	....	101,144	84,205	23,241
	5,884,205	6,563,029	6,607,559	5,862,280	10,924,529
BALANCE AT DECEMBER 31	$84,767,002	$83,363,306	$77,247,966	$74,198,107	$70,501,975
Status of retained income at December 31:					
APPROPRIATED					
For investment in properties since January 1, 1944	$42,889,900	$42,889,900	$42,889,900	$38,767,663	$34,134,804
For sinking funds	1,117,083	1,153,111	1,093,550	1,082,525	981,552
	44,006,983	44,043,011	43,983,450	39,850,188	35,116,356
UNAPPROPRIATED	40,760,019	39,320,295	33,264,516	34,347,919	35,385,619
TOTAL	$84,767,002	$83,363,306	$77,247,966	$74,198,107	$70,501,975

See notes to financial statements.

STATEMENT OF AVAILABLE NET INCOME AND APPLICATION THEREOF

	1959	1958	1957	1956	1955
Income available for fixed charges	$17,698,635	$19,759,167	$19,209,133	$19,878,328	$20,986,842
FIXED CHARGES					
Rent for leased roads and equipment	300	420	708	708	708
Interest on long-term debt:					
On First Mortgage 4% Bonds, Series A	2,159,542	2,164,546	2,175,858	2,197,322	2,211,230
On modified Terre Haute bonds	540,833	547,437	557,785	564,872	569,613
On equipment obligations	2,677,184	2,083,572	1,910,857	1,875,761	1,835,066
Interest on unfunded debt	565	152	360	97	484
Amortization of discount on long-term debt	93,538	87,579	85,629	77,791	79,090
TOTAL FIXED CHARGES	5,471,962	4,883,706	4,731,197	4,716,551	4,696,191
INCOME AFTER FIXED CHARGES	12,226,673	14,875,461	14,477,936	15,161,777	16,290,651
Add charges to operating expenses representing the service value of nondepreciable roadway property retired and not replaced	235,185	209,075	384,491	385,633	395,919
AVAILABLE NET INCOME—as defined in the First Mortgage and General Mortgage indentures—Note C	12,461,858	15,084,536	14,862,427	15,547,410	16,686,570
APPLICATION OF SUCH AVAILABLE NET INCOME					
Appropriated for sinking fund for retirement of First Mortgage 4% Bonds, Series A	272,824	259,692	248,608	238,544	229,364
Contingent interest on General Mortgage 4½% Income Bonds, Series A	1,572,435	1,669,145	1,734,894	1,817,684	1,873,445
Contingent interest on modified Terre Haute bonds	293,457	295,512	302,367	303,747	307,902
Contingent interest on General Mortgage 4½% Convertible Income Bonds, Series B	1,568,105	1,591,747	1,591,827	1,591,932	1,592,022
Appropriated for sinking fund for retirement of General Mortgage 4½% Income Bonds, Series A and Series B	543,393	543,393	543,393	543,393	543,393
	4,250,214	4,359,489	4,421,089	4,495,300	4,546,126
REMAINING AVAILABLE NET INCOME	8,211,644	10,725,047	10,441,338	11,052,110	12,140,444
Deduct charges to operating expenses representing the service value of nondepreciable roadway property retired and not replaced	235,185	209,075	384,491	385,633	395,919
AVAILABLE NET INCOME—as defined in the indenture relating to Five Per Cent Income Debentures, Series A	7,976,459	10,515,972	10,056,847	10,666,477	11,744,525
APPLICATION OF SUCH AVAILABLE NET INCOME					
Contingent interest on Five Per Cent Income Debentures, Series A	2,917,500	2,940,000	2,932,500	2,962,500	2,985,000
Appropriated for sinking fund for retirement of Five Per Cent Income Debentures, Series A	203,255	139,463	171,750	189,869	207,140
	3,120,755	3,079,463	3,104,250	3,152,369	3,192,140
REMAINDER AVAILABLE FOR PAYMENT OF DIVIDENDS OR ANY OTHER PROPER CORPORATE PURPOSES	$ 4,855,704	$ 7,436,509	$ 6,952,597	$ 7,514,108	$ 8,552,385

See notes to financial statements.

Notes to Financial Statements

Note A—Federal Income Taxes:

In computing the provisions for federal income taxes, effect has been given to the additional deductions for tax purposes resulting from amortization of defense facilities, use of the declining-balance method of calculating depreciation provisions for equipment, and various differences in depreciation bases and rates. The resultant tax deductions exceeded the corresponding normal provisions for depreciation included in the statement of income, reducing the provisions for federal income taxes as follows:

Tax reduction resulting from:	1959	1958	1957	1956	1955
Amortization of defense facilities..........	$ 786,000	$2,247,960	$2,345,720	$2,895,360	$3,945,240
Declining-balance method—equipment.....	681,200	621,400	459,160	341,640	251,160
Other depreciation differences.............	1,152,800	554,320	656,240	699,400	711,360

The accumulated tax reductions resulting from amortization of defense facilities amounted to $20,340,870 at December 31, 1959.

No federal income tax matters are pending for the years prior to 1952. For the years 1952, 1953, and 1954 the Internal Revenue Service has proposed additional assessments, which are being contested by the Company and, in final settlement, are not expected to have a material effect upon the financial position or results of operations.

At December 31, 1959, the Company had a loss carry-over of approximately $1,400,000, which may result in future tax reductions of approximately $728,000.

Note B—Investments:

Investments of $3,201,000 in wholly-owned subsidiaries, and other investments totaling $3,860,017 are pledged as collateral to mortgage bonds.

The Company's equity in net assets of the wholly-owned subsidiaries (Milwaukee Land Company and The Milwaukee Motor Transportation Company) as recorded on their books at December 31, 1959, exceeded the cost of the investments by $1,658,203. The cost of investments in the capital stocks of jointly-owned companies is not in excess of the Company's equity in net assets of such companies.

Other income includes dividends of $1,500,000 in 1959, $1,000,113 in 1957, and $1,000,000 in each of the years 1956 and 1955 from Milwaukee Land Company.

Financial statements (without audit) of the Milwaukee Land Company for the years ended December 31, 1959, and December 31, 1958, are included on pages 35 and 36. Amounts applicable to The Milwaukee Motor Transportation Company were minor.

Note C—Changes in Accounting Practices in 1957 and 1958:

The Uniform System of Accounts for Railroad Companies was modified by order of the Interstate Commerce Commission effective January 1, 1958. The amounts shown in the accompanying income statement for 1957 and prior years were not restated. Had such modifications been in effect in those years, reported net income and "available net income" would have been increased by including therein certain charges and credits to retained income representing profits, less losses, on sales or retirements of land and nonoperating property and miscellaneous credits and charges as follows: 1957—$539,009; 1956—$608,730; 1955—$659,340.

Provisions in 1957 and subsequent years for land grant repayment claims were charged to retained income, less related income tax reductions, or (on shipments prior to date of reorganization) to acquisition adjustment account (1959—$107,133; 1958—$117,321; 1957—$471,980). Prior to 1957 such provisions were charged to income.

Note D—Properties:

Road and equipment property ($1,006,419,672) is stated at original cost or estimated original cost as determined by the Interstate Commerce Commission as of June 30, 1918, plus subsequent additions and betterments at cost, less retirements since that date.

The credit balance in the acquisition adjustment account represents the excess of the aggregate of Company assets over amounts ascribed to capital stocks, bonds, and other liabilities of the Company as of the date of reorganization, January 1, 1944, after giving effect to subsequent adjustments.

Provisions for depreciation of road property classified as depreciable were begun as of January 1, 1942, and as of January 1, 1944, a provision for past depreciation was recorded at 30% of original cost. Provisions for all properties classified as depreciable, including defense facilities, are calculated by the straight-line method. Charges for depreciation and net property retirements have been as follows: 1959—$14,859,736; 1958—$15,827,990; 1957—$15,792,379; 1956—$14,991,868; 1955—$15,817,033.

Note E—Sinking Fund Requirements:

The amounts of long-term debt at December 31, 1959, are stated after deducting the principal amount of bonds and debentures reacquired and held by the Company. It is the Company's practice to use such bonds and debentures, in part, to meet its sinking fund obligations. The amounts held were adequate to meet the sinking fund deposits required to be made in 1960.

Note F—Dividends:

Preferred shares are designated as being noncumulative; however, no dividends may be paid on common shares unless the full $5.00 preferred dividend shall have been paid or set apart for payment on each share of Preferred Stock for each of the three immediately preceding years.

INVESTMENTS—DECEMBER 31, 1959

Description	Number of Shares	Extent of Control Per Cent	Ledger Amount
Wholly-Owned Subsidiaries:			
Capital Stocks:			
Milwaukee Land Company ... A	5,000	100	$ 500,000
The Milwaukee Motor Transportation Company ... A	500	100	50,000
Total Capital Stocks	...	...	550,000
Note:			
Milwaukee Land Company ... A	...	100	2,652,000
Advance:			
The Milwaukee Motor Transportation Company ...	...	100	537,500
Total Investments—Wholly-Owned Subsidiaries	...	...	3,739,500
Jointly-Owned Terminal, Switching, and Other Companies:			
Capital Stocks:			
Chicago, Terre Haute & Southeastern Railway Company ...	40,755.05	53.65	1
Chicago Union Station Company ... A	7,000	25	7,000
Davenport, Rock Island & North Western Railway Company ... A	15,000	50	1,750,000
Des Moines Union Railway Company ... A	1,000	50	100,000
Des Moines Union Railway Company ... B	1,000	50	26,000
Indiana Harbor Belt Railroad Company ... A	15,200	20	1,520,000
Kansas City Terminal Railway Company ... C	1,833.33	8⅓	183,333
Minneapolis Eastern Railway Company ... A	625	50	15,475
Packers Car Line Company ...	306	9.56	3,060
Railway Express Agency, Incorporated ...	26	2.6	2,600
The Minnesota Transfer Railway Company ... A	913	11¹/₉	91,300
The Pullman Company ...	9,426	1.28	348,762
The St. Paul Union Depot Company ... A	1,036	12½	130,475
Miscellaneous ...	...	...	7,665
Total Capital Stocks	...	...	4,185,671
Notes:			
Kansas City Terminal Railway Company ... A	...	8⅓	38,007
Railway Express Agency, Incorporated ...	...	2.6	751,804
Total Notes	...	...	789,811
Advances:			
Chicago Union Station Company ...	...	25	4,888,366
Davenport, Rock Island & North Western Railway Company ...	...	50	1,293,828
Des Moines Union Railway Company ...	...	50	856,058
Kansas City Terminal Railway Company ...	...	8⅓	605,481
Packers Car Line Company ...	...	9.56	101,144
The Minnesota Transfer Railway Company ...	...	11¹/₉	344,125
The St. Paul Union Depot Company ...	...	12½	232,568
Sale Agreements:			
Best Built Company ...	...	...	42,250
Cargill, Incorporated ...	...	...	420,000
General Warehouse & Transportation Company ...	...	...	26,000
J. K. Fiddes ...	...	...	66,600
J. Lentin Lumber Company ...	...	...	46,550
Monarch Warehouses, Incorporated ...	...	...	30,400
Steven J. Kipper, Jr. ...	...	...	38,479
Thisted Motor Company ...	...	...	17,280
Other companies and individuals ...	...	...	33,213
Total Notes, Advances and Sale Agreements	...	...	9,832,153
Total Jointly-Owned Terminal, Switching, and Other Companies	...	...	14,017,824
Total Investments	...	...	$17,757,324

A—Pledged under Chicago, Milwaukee, St. Paul and Pacific Railroad Company First Mortgage, except Directors' qualifying shares.

B—Deposited with Iowa-Des Moines National Bank, Des Moines, Iowa, under Stock Trust Agreement, dated June 14, 1948, and pledged under the First Mortgage.

C—Deposited with First National Bank of Kansas City, Mo., under Stock Trust Agreement, dated June 12, 1909, and pledged under the First Mortgage, except Directors' qualifying shares.

INVESTMENT IN PROPERTIES

Account	Balance at January 1	Expenditures During the Year	Credits for Property Retired During the Year	Balance at December 31
Road:				
Engineering	$ 19,534,214	$ 69,699	$ 77,907	$ 19,526,006
Land for transportation purposes	39,064,771	118,485	134,619	39,048,637
Other right-of-way expenditures	365,621	16,847	1,156	381,312
Grading	143,063,695	177,052	96,350	143,144,397
Tunnels and subways	9,799,263	33,809	....	9,833,072
Bridges, trestles, and culverts	76,365,174	847,112	282,703	76,929,583
Ties	34,637,999	81,806	69,541	34,650,264
Rails	68,730,886	240,889	121,585	68,850,190
Other track material	46,865,821	651,370	93,106	47,424,085
Ballast	26,443,033	26,992	44,982	26,425,043
Track laying and surfacing	33,053,796	121,354	54,331	33,120,819
Fences, snowsheds, and signs	5,397,303	9,355	5,502	5,401,156
Station and office buildings	26,722,359	327,788	460,114	26,590,033
Roadway buildings	2,115,969	31,477	33,547	2,113,899
Water stations	1,184,487	6,763	99,895	1,091,355
Fuel stations	747,962	2,638	3,992	746,608
Shops and enginehouses	20,064,743	177,666	698,379	19,544,030
Storage warehouses	64,349	....	....	64,349
Wharves and docks	1,609,015	26,050	27,543	1,607,522
Communication systems	6,061,463	337,086	98,327	6,300,222
Signals and interlockers	20,658,705	922,107	143,531	21,437,281
Power plants	1,589,448	30,085	7,050	1,612,483
Power-transmission systems	9,739,038	20,542	22,371	9,737,209
Miscellaneous structures	676,217	8,272	11,417	673,072
Roadway machines	7,217,891	1,366,069	97,231	8,486,729
Roadway small tools	325,262	(3,591)	....	321,671
Public improvements—Construction	14,501,504	182,238	22,605	14,661,137
Other expenditures—Road	335	....	....	335
Shop machinery	7,334,282	74,245	195,943	7,212,584
Power-plant machinery	5,514,754	3,578	17,528	5,500,804
Total Road	629,449,359	5,907,783	2,921,255	632,435,887
Equipment:				
Other locomotives	122,141,468	9,502,376	6,985,802	124,658,042
Freight-train cars	164,836,898	11,680,031	6,957,589	169,559,340
Passenger-train cars	31,629,045	117,564	398,185	31,348,424
Floating equipment	278,731	....	....	278,731
Work equipment	6,893,033	121,503	120,822	6,893,714
Miscellaneous equipment	2,175,586	311,650	153,237	2,333,999
Total Equipment	327,954,761	21,733,124	14,615,635	335,072,250
General Expenditures	38,408,359	(3,591)	112,104	38,292,664
Improvements on Leased Property	618,059	3,369	2,557	618,871
Total Operating Properties	996,430,538	27,640,685	17,651,551	1,006,419,672
Miscellaneous Physical Property:				
Non-operating property	7,458,897	33,253	485,000	7,007,150
Track material loaned	190,120	26,404	10,484	206,040
Total Miscellaneous Physical Property	7,649,017	59,657	495,484	7,213,190
Total Properties Before Recorded Depreciation	$1,004,079,555	$27,700,342	$18,147,035	$1,013,632,862

( ) Denotes adjustment of prior year.

CONTINGENT LIABILITIES WITH RESPECT TO SECURITIES OF OTHER COMPANIES AS OF DECEMBER 31, 1959

Items	Principal Amount Outstanding Dec. 31, 1959
Chicago Union Station Company:	
1. First Mortgage Bonds, 3⅛%, Series F, due July 1, 1963	$ 14,152,000
2. First Mortgage Bonds, 2⅞%, Series G, due July 1, 1963	34,348,000
3. Note 5¼%, due September 1, 1961	2,500,000
	51,000,000
Principal and interest guaranteed jointly and severally by the Railroad Company and 3 other proprietors at time of issue. The Railroad Company with other proprietors has agreed that gross rental to be paid by them for use of Chicago Union Station facilities shall include a sum sufficient to pay interest on all of these securities and the payment into the Retirement Fund for First Mortgage bonds beginning in 1955, and to advance amounts required to pay at maturity principal of Item 3.	
Indiana Harbor Belt Railroad Company:	
1. First Mortgage Bonds 5⅛%, due June 1, 1982	7,260,000
2. Equipment Trust Certificates, 2⅜%, due annually September 15, 1960 to September 15, 1964	990,000
3. Equipment Trust Certificates, 2¼%, due annually February 15, 1960 to February 15, 1965	720,000
	8,970,000
Principal and interest on the 5⅛% Bonds is guaranteed jointly and severally by the Railroad Company and 3 other proprietors. The Railroad Company and other proprietors severally guarantee, in proportion to their stock holdings, the payment by the Belt Railroad of the principal of and dividends on equipment obligations, Items 2 and 3.	
Kansas City Terminal Railway Company:	
1. First Mortgage Serial Bonds, due annually October 1, 1960 to October 1, 1974	39,344,000
Under a certain operating agreement, the Railroad Company and 11 other proprietors are obligated to pay to the Terminal Company, or in case of default to the Mortgage Trustee, in equal shares the principal of these bonds, as they mature, in the nature of non-interest bearing advances, and interest thereon as rental.	
The Minnesota Transfer Railway Company:	
1. 3¾% Sinking Fund Promissory Notes, due June 1, 1976	1,502,200
Under provisions of the by-laws of the Transfer Co., the Railroad Company and 8 other proprietors are required to contribute, on an ownership basis, to (a) an annual sinking fund for these Notes equal to $41,412 payable on or before May 20 of each year and (b) semi-annual installments of interest on the Notes.	
The St. Paul Union Depot Company:	
1. First and Refunding Mortgage Bonds, 3⅛%, Series B, due October 1, 1971	11,128,000
Guaranteed jointly and severally by the Railroad Company and 7 other proprietors, each of which is also obligated to advance its ownership proportion of amounts required for Sinking Fund payments and to pay its proportion, based upon use, of the interest on the bonds.	
Total	$111,944,200

LONG-TERM DEBT, DECEMBER 31, 1959

Description	Date of Issue	Date of Maturity	Amount Originally Issued or Assumed	Amount as of Dec. 31, 1959	Amount Held by Company	Amount Actually Outstanding	Interest: Rate Per Cent	Interest: Payable	Interest: Accrued During Year
First mortgage bonds, Series A	Jan. 1, 1944	Jan. 1, 1994	$ 59,515,100	$ 54,134,100	$ 275,000	$ 53,859,100	4	J. & J.	$ 2,159,542
General mortgage income bonds, Series A	Jan. 1, 1944	Jan. 1, 2019	57,256,600	35,425,300	895,400	34,529,900	4½	April	1,572,435
General mortgage convertible income bonds, Series B	Jan. 1, 1944	Jan. 1, 2044	51,422,100	35,936,500	1,451,900	34,484,600	4½	April	1,568,105
Five per cent income debentures, Series A	Jan. 1, 1955	Jan. 1, 2055	60,000,000	58,800,000	300,000	58,500,000	5	M. & S.	2,917,500
The Bedford Belt Ry. Co. first mortgage bonds	Jan. 1, 1946	Jan. 1, 1994	350,000	333,000	*123,000	210,000	4¼	J.A. & J.	8,969
The Southern Indiana Ry. Co. first mortgage bonds	Jan. 1, 1946	Jan. 1, 1994	7,287,000	7,248,000	240,000	7,008,000	4¼	J.A. & J.	298,025
Chicago, Terre Haute and Southeastern Ry. Co.:									
First and refunding mortgage bonds	Jan. 1, 1946	Jan. 1, 1994	9,571,000	9,571,000	**1,974,000	7,597,000	4¼	J.A. & J.	323,600
Income mortgage bonds	Jan. 1, 1946	Jan. 1, 1994	6,335,800	6,335,800	1,562,000	4,773,800	4¼	J.A. & J.	203,696
Equipment obligations (See details below)			157,669,253	76,560,577	125,000	76,435,577			2,677,184
Total long-term debt			$409,406,853	$284,344,277	$6,946,300	$277,397,977			$11,729,056

*$100,000 pledged under Chicago, Terre Haute and Southeastern Railway Company First and refunding mortgage.
**$1,515,000 pledged under Chicago, Milwaukee, St. Paul and Pacific Railroad Company First mortgage.

EQUIPMENT OBLIGATIONS, DECEMBER 31, 1959

Description	Date of Lease or Agreement	Date of Final Maturity	Original Cost of Equipment	Amount Originally Issued	Amount Outstanding Dec. 31, 1959	Principal Payable During 1960	Interest: Rate Per Cent	Interest: Payable	Interest: Accrued During Year
Equipment Trust Certificates:									
Series HH	Apr. 1, 1949	Apr. 1, 1964	$ 8,112,742	$ 6,060,000	$ 1,818,000	$ 404,000	2⅜	A. & O.	$ 47,975
Series JJ	Sept. 1, 1949	Sept. 1, 1964	7,604,384	5,640,000	1,755,000	***251,000	2⅛	M. & S.	41,885
Series KK	Oct. 1, 1949	Oct. 1, 1964	6,026,868	4,500,000	1,500,000	300,000	2¼	A. & O.	37,125
Series LL	June 1, 1950	June 1, 1965	6,289,514	4,650,000	1,705,000	310,000	2¼	J. & D.	43,013
Series MM	Nov. 1, 1950	Nov. 1, 1965	7,251,863	5,430,000	2,172,000	362,000	2½	M. & N.	59,579
Series NN	June 1, 1951	June 1, 1961	7,254,678	5,300,000	795,000	530,000	2⅞	J. & D.	33,014
Series OO	Oct. 1, 1951	Oct. 1, 1966	10,053,530	7,500,000	3,500,000	500,000	2⅞	A. & O.	107,812
Series PP	Mar. 1, 1952	Mar. 1, 1967	3,215,855	2,400,000	1,200,000	160,000	2⅞	M. & S.	36,417
Series QQ	Sept. 1, 1952	Sept. 1, 1967	5,441,323	3,990,000	2,128,000	266,000	3⅛	M. & S.	69,963
Series RR	Jan. 1, 1954	Jan. 1, 1969	10,379,112	7,650,000	4,845,000	510,000	3⅛	J. & J.	155,392
Series SS	July 1, 1954	July 1, 1969	9,931,620	7,800,000	5,200,000	520,000	2¾	J. & J.	146,575
Series TT	Nov. 1, 1954	Nov. 1, 1969	9,141,903	7,200,000	4,800,000	480,000	2⅞	M. & N.	146,050
Series UU	Jan. 1, 1956	Jan. 1, 1971	9,655,380	7,500,000	5,750,000	500,000	3⅜	J. & J.	198,282
Series VV (1st Install.)	Feb. 1, 1957	Feb. 1, 1972	11,745,718	3,000,000	2,500,000	200,000	4	F. & A.	102,667
Series VV (2nd Install.)	Feb. 1, 1957	Feb. 1, 1972		6,000,000	5,000,000	400,000	4⅜	F. & A.	224,584
Series WW	Jan. 1, 1958	Jan. 1, 1973	6,814,810	5,400,000	4,860,000	360,000	4⅛	J. & J.	204,188
Series XX	Feb. 1, 1959	Jan. 1, 1974	7,419,495	5,850,000	5,655,000	390,000	4½	F. & A.	225,225
Conditional Sale Agreements:									
The First National Bank of Chicago, Assignee of the Sellers:									
Fairbanks, Morse & Co.	July 1, 1951	Jan. 1, 1960	3,629,985	2,718,000	13,701	13,701	3.10	J.A.J.&O.	4,837
Pacific Car & Foundry Co.	May 1, 1956	Nov. 1, 1964	1,843,205	1,428,400	907,225	175,867	3.95	F.M.A.&N.	38,916
First Wisconsin National Bank of Milwaukee and Northwestern National Bank of Minneapolis, Assignees of the Sellers:									
General Motors Corpn. (Electro-Motive Div.)	Feb. 25, 1953	May 1, 1961	1,543,977	1,155,000	238,107	157,549	3	F.M.A.&N.	9,257
Fairbanks, Morse & Co.	July 15, 1953	Nov. 1, 1961	531,102	396,000	108,045	53,215	3	F.M.A.&N.	3,955
American Locomotive Co.	July 15, 1953	Nov. 1, 1961	529,935	396,000	108,045	53,215	3	F.M.A.&N.	3,955
Baldwin-Lima-Hamilton Corporation	July 15, 1953	Nov. 1, 1961	357,568	264,000	72,030	35,477	3	F.M.A.&N.	2,637
Seattle-First National Bank, Assignee of the Sellers:									
Baldwin-Lima-Hamilton Corporation	Sept. 1, 1953	Nov. 1, 1961	357,568	264,000	72,745	35,766	3.35	F.M.A.&N.	2,971
General Motors Corpn. (Electro-Motive Div.)	Sept. 1, 1953	Nov. 1, 1961	1,670,914	1,236,000	340,577	167,449	3.35	F.M.A.&N.	13,910
American Locomotive Co.	Sept. 1, 1953	Feb. 1, 1962	529,935	396,000	122,251	53,203	3.35	F.M.A.&N.	4,890
Continental Illinois National Bank and Trust Company of Chicago, Assignee of the Sellers:									
Pullman-Standard Car Manufacturing Co.	May 1, 1958	Nov. 1, 1973	4,920,125	4,920,125	4,592,117	328,008	4.40	M. & N.	210,472
General American Transportation Corporation	May 1, 1958	Nov. 1, 1973	6,165,438	6,165,438	5,754,408	411,029	4.40	M. & N.	263,144
United States Railway Equipment Co.	May 1, 1958	Nov. 1, 1973	570,706	570,706	532,659	38,047	4.40	M. & N.	18,175
General Motors Corpn.	Jan. 15, 1959	Mar. 1, 1974	8,680,000	8,680,000	8,390,667	578,667	5	M. & S.	220,319
Total equipment obligations			$157,669,253	$124,459,669	$76,435,577	$8,544,193			$2,677,184

***Excludes $125,000 par value held in treasury.

Payments Maturing in Years Ending:

December 31, 1960	$ 8,544,193
December 31, 1961	8,333,552
December 31, 1962	7,598,041
December 31, 1963	7,591,627
December 31, 1964	7,352,066
December 31, 1965	$ 6,158,751
December 31, 1966	5,641,751
December 31, 1967	5,061,751
December 31, 1968	4,715,751
December 31, 1969	4,460,751
December 31, 1970	$ 3,205,751
December 31, 1971	2,955,751
December 31, 1972	2,405,751
December 31, 1973	1,925,755
December 31, 1974	484,335
Total	$76,435,577

MILES OF ROAD BY STATES, DECEMBER 31, 1959

State	Road Operated						
	Owned Solely		Owned Jointly		Leased	Trackage Rights	Total
	Main Line	Branch Line	Main Line	Branch Line			
Idaho	112.76	110.83	....	....	....	9.11	232.70
Illinois	432.96	117.55	2.40	.14	....	132.31	685.36
Indiana	155.91	36.79	....	....	....	....	192.70
Iowa	#1,199.93	515.24	.08	.04	.10	66.51	1,781.90
Kansas	....	....	....	....	....	7.05	7.05
Michigan	57.82	119.78	....	.25	....	5.83	183.68
Minnesota	757.56	351.56	5.03	22.70	....	194.10	1,330.95
Missouri	130.02	....	9.44	....	....	16.51	155.97
Montana	747.53	473.22	....	29.99	....	.46	1,251.20
Nebraska	....	....	....	....	....	5.62	5.62
North Dakota	102.50	263.29	....	1.10	....	....	366.89
South Dakota	1,043.14	695.28	....	....	....	....	1,738.42
Washington	314.69	474.26	26.88	50.00	....	201.10	1,066.93
Wisconsin	1,039.28	473.03	....	16.34	....	70.51	1,599.16
Total	6,094.10	3,630.83	43.83	120.56	.10	709.11	10,598.53

#Includes .97 mile owned by C. M. St. P. & P. R. R. Co., leased to Des Moines Union Ry. Co. but used by C. M. St. P. & P. R. R. Co. under contract.

MILES OF TRACK, DECEMBER 31, 1959

Items	Owned Solely	Owned Jointly	Leased	Trackage Rights	Total
Miles of Road (First Main Track):					
Operated	*9,724.93	164.39	.10	709.11	10,598.53
Not operated	3.62	....	....	....	3.62
Additional Main Tracks:					
Operated	693.87	14.17	.41	313.31	1,021.76
Not operated	....	....	....	....	....
Yard Tracks and Sidings:					
Operated	*3,223.74	261.30	2.19	480.92	3,968.15
Not operated	3.03	31.48	....	....	34.51
Total operated	13,642.54	439.86	2.70	1,503.34	15,588.44
Total not operated	6.65	31.48	....	....	38.13
Grand Total	13,649.19	471.34	2.70	1,503.34	15,626.57

*Miles of Road "operated" includes .97 mile; Yard Tracks and Sidings "operated" includes 1.24 miles; owned by C. M. St. P. & P. R. R. Co., leased to Des Moines Union Ry. Co., but used by C. M. St. P. & P. R. R. Co. under contract.

DETAILED STATEMENT OF RAILWAY OPERATING REVENUES AND EXPENSES

RAILWAY OPERATING REVENUES

Transportation	1959	1958	Increase	Decrease
Freight	$201,536,333	$205,329,657	....	$ 3,793,324
Passenger	15,282,171	14,475,155	$ 807,016	....
Baggage	86,066	67,523	18,543	....
Parlor and chair car	91,957	102,733	....	10,776
Mail	8,862,116	8,410,072	452,044	....
Express	3,180,656	3,051,441	129,215	....
Other passenger-train	100,303	90,490	9,813	....
Milk	30,216	49,093	....	18,877
Switching	6,591,066	6,381,289	209,777	....
Total Transportation Revenue	235,760,884	237,957,453	....	2,196,569
Incidental				
Dining and buffet	1,527,536	1,595,041	....	67,505
Station, train, and boat privileges	56,068	56,149	....	81
Storage—Freight	11,196	10,800	396	....
Storage—Baggage	3,837	3,836	1	....
Demurrage	1,248,537	1,039,312	209,225	....
Communication	72,541	79,607	....	7,066
Rents of buildings and other property	246,697	236,823	9,874	....
Miscellaneous	507,969	473,634	34,335	....
Total Incidental Operating Revenue	3,674,381	3,495,202	179,179	....
Joint Facility				
Joint facility—Credit	2,620,693	2,824,016	....	203,323
Joint facility—Debit	(14,133)	(13,863)	(270)	....
Total Joint Facility Operating Revenue	2,606,560	2,810,153	....	203,593
Total Railway Operating Revenues	$242,041,825	$244,262,808	....	$ 2,220,983

( ) Denotes contra items.

RAILWAY OPERATING EXPENSES

Maintenance of Way and Structures	1959	1958	Increase	Decrease
Superintendence	$ 3,388,761	$ 3,312,718	$ 76,043	....
Roadway maintenance	2,867,371	2,934,607	....	$ 67,236
Tunnels and subways	11,354	26,668	....	15,314
Bridges, trestles, and culverts	1,198,575	1,358,672	....	160,097
Ties	1,827,106	1,637,155	189,951	....
Rails	894,914	1,759,904	....	864,990
Other track material	1,996,881	2,393,468	....	396,587
Ballast	408,471	367,904	40,567	....
Track laying and surfacing	7,505,265	8,015,429	....	510,164
Fences, snowsheds, and signs	398,716	422,125	....	23,409
Station and office buildings	1,014,046	1,127,939	....	113,893
Roadway buildings	86,514	97,173	....	10,659
Water stations	21,831	25,516	....	3,685
Fuel stations	16,802	25,390	....	8,588
Shops and enginehouses	542,976	665,608	....	122,632
Storage warehouses	0	(23)	....	(23)

RAILWAY OPERATING REVENUES AND EXPENSES—CONTINUED
RAILWAY OPERATING EXPENSES—CONTINUED

	1959	1958	INCREASE	DECREASE
MAINTENANCE OF WAY AND STRUCTURES				
Wharves and docks	$ 36,447	$ 8,719	$ 27,728	...
Communication systems	909,129	833,015	76,114	...
Signals and interlockers	1,653,168	1,797,125	...	$ 143,957
Power plants	33,384	38,720	...	5,336
Power-transmission systems	355,954	384,738	...	28,784
Miscellaneous structures	11,190	7,382	3,808	...
Road property—Depreciation	4,953,681	4,867,977	85,704	...
Retirements—Road	241,483	317,523	...	76,040
Roadway machines	892,299	829,559	62,740	...
Dismantling retired road property	148,842	259,747	...	110,905
Small tools and supplies	825,073	758,860	66,213	...
Removing snow, ice and sand	1,093,119	420,056	673,063	...
Public improvements—Maintenance	713,553	673,296	40,257	...
Injuries to persons	442,052	357,589	84,463	...
Insurance	46,225	59,594	...	13,369
Stationery and printing	87,971	79,053	8,918	...
Other expenses	470,012	518,721	...	48,709
Right-of-way expenses	45,762	30,763	14,999	...
Maintaining joint tracks, yards, and other facilities—Debit	2,842,160	2,831,583	10,577	...
Maintaining joint tracks, yards, and other facilities—Credit	(550,863)	(904,778)	...	(353,915)
TOTAL MAINTENANCE OF WAY AND STRUCTURES	37,430,224	38,339,495	...	909,271
MAINTENANCE OF EQUIPMENT				
Superintendence	1,720,882	1,648,034	72,848	...
Shop machinery	506,499	529,156	...	22,657
Power-plant machinery	153,222	159,431	...	6,209
Shop and power-plant machinery—Depreciation	285,333	285,096	237	...
Dismantling retired shop and power-plant machinery	856	2,389	...	1,533
Other locomotives—Repairs	13,197,294	13,180,550	16,744	...
Freight-train cars—Repairs	10,867,539	9,853,766	1,013,773	...
Passenger-train cars—Repairs	3,581,261	3,778,725	...	197,464
Floating equipment—Repairs	...	...	...	...
Work equipment—Repairs	301,007	297,566	3,441	...
Miscellaneous equipment—Repairs	196,551	157,125	39,426	...
Dismantling retired equipment	91,095	82,930	8,165	...
Retirements—Equipment	(764,585)	(94,949)	(669,636)	...
Equipment—Depreciation	10,143,824	10,452,343	...	308,519
Injuries to persons	297,309	446,904	...	149,595
Insurance	68,018	99,903	...	31,885
Stationery and printing	59,005	50,562	8,443	...
Other expenses	563,338	603,823	...	40,485
Joint maintenance of equipment expenses—Debit	629,586	440,003	189,583	...
Joint maintenance of equipment expenses—Credit	(35,250)	(31,162)	(4,088)	...
TOTAL MAINTENANCE OF EQUIPMENT	41,862,784	41,942,195	...	79,411
TRAFFIC				
Superintendence	1,775,877	1,615,017	160,860	...
Outside agencies	3,680,896	3,657,965	22,931	...
Advertising	669,595	397,959	271,636	...
Traffic associations	281,954	278,513	3,441	...
Industrial and immigration bureaus	58,011	77,928	...	19,917
Insurance	875	673	202	...
Stationery and printing	246,898	271,846	...	24,948
Other expenses	34,959	36,669	...	1,710
TOTAL TRAFFIC EXPENSES	$ 6,749,065	$ 6,336,570	$ 412,495	...

( ) Denotes contra items.

RAILWAY OPERATING REVENUES AND EXPENSES—CONCLUDED
RAILWAY OPERATING EXPENSES—CONCLUDED

	1959	1958	INCREASE	DECREASE
TRANSPORTATION				
Superintendence	$ 2,814,960	$ 2,691,834	$ 123,126	....
Dispatching trains	807,806	839,024	....	$ 31,218
Station employees	13,277,513	13,887,662	....	610,149
Weighing, inspection, and demurrage bureaus	325,534	333,676	....	8,142
Station supplies and expenses	1,140,062	1,106,364	33,698	....
Yardmasters and yard clerks	4,119,498	4,114,815	4,683	....
Yard conductors and brakemen	9,647,318	9,439,663	207,655	....
Yard switch and signal tenders	755,025	741,884	13,141	....
Yard enginemen	6,362,440	6,151,580	210,860	....
Yard switching fuel	988,987	957,515	31,472	....
Yard switching power purchased	15,258	9,785	5,473	....
Water for yard locomotives	19,948	9,801	10,147	....
Lubricants for yard locomotives	109,472	122,612	....	13,140
Other supplies for yard locomotives	48,817	48,656	161	....
Enginehouse expenses—Yard	542,983	540,506	2,477	....
Yard supplies and expenses	441,246	420,193	21,053	....
Operating joint yards and terminals—Debit	5,978,628	5,556,727	421,901	....
Operating joint yards and terminals—Credit	(685,475)	(719,100)	....	(33,625)
Train enginemen	9,966,568	9,895,124	71,444	....
Train fuel	7,758,783	7,422,354	336,429	....
Train power purchased	907,295	981,685	....	74,390
Water for train locomotives	105,164	124,707	....	19,543
Lubricants for train locomotives	938,600	990,738	....	52,138
Other supplies for train locomotives	202,708	198,224	4,484	....
Enginehouse expenses—Train	1,222,756	1,317,649	....	94,893
Trainmen	12,613,963	12,573,944	40,019	....
Train supplies and expenses	6,660,876	7,085,851	....	424,975
Operating sleeping cars	526,531	890,034	....	363,503
Signal and interlocker operation	1,037,947	1,011,076	26,871	....
Crossing protection	806,370	854,582	....	48,212
Drawbridge operation	258,082	261,847	....	3,765
Communication system operation	1,081,772	1,035,534	46,238	....
Operating floating equipment	10,985	10,864	121	....
Stationery and printing	392,820	329,983	62,837	....
Other expenses	848,149	889,933	....	41,784
Operating joint tracks and facilities—Debit	1,311,393	1,286,574	24,819	....
Operating joint tracks and facilities—Credit	(751,937)	(718,711)	(33,226)	....
Insurance	92,514	112,834	....	20,320
Clearing wrecks	230,128	198,295	31,833	....
Damage to property	206,210	169,287	36,923	....
Damage to live stock on right-of-way	53,816	68,088	....	14,272
Loss and damage—Freight	2,942,960	3,101,131	....	158,171
Loss and damage—Baggage	722	8,107	....	7,385
Injuries to persons	1,714,453	1,857,908	....	143,455
TOTAL TRANSPORTATION EXPENSES	97,849,648	98,210,839	....	361,191
MISCELLANEOUS OPERATIONS				
Dining and buffet service	2,888,241	2,975,796	....	87,555
Operating joint miscellaneous facilities—Debit	207,418	167,664	39,754	....
TOTAL MISCELLANEOUS OPERATIONS	3,095,659	3,143,460	....	47,801
GENERAL				
Salaries and expenses of general officers	1,331,832	1,216,126	115,706	....
Salaries and expenses of clerks and attendants	6,920,559	6,870,766	49,793	....
General office supplies and expenses	727,092	691,626	35,466	....
Law expenses	811,940	711,277	100,663	....
Insurance	6,002	2,273	3,729	....
Pensions and gratuities	917,286	837,252	80,034	....
Stationery and printing	336,267	293,199	43,068	....
Valuation expenses	59,453	42,594	16,859	....
Other expenses	520,844	515,713	5,131	....
General joint facilities—Debit	241,859	267,140	....	25,281
General joint facilities—Credit	(8,933)	(8,678)	(255)	....
TOTAL GENERAL EXPENSES	11,864,201	11,439,288	424,913	....
GRAND TOTAL RAILWAY OPERATING EXPENSES	$198,851,581	$199,411,847	....	$ 560,266

( ) Denotes contra items.

ANALYSIS OF INCREASES AND DECREASES IN TOTAL RAILWAY OPERATING EXPENSES 1959 COMPARED WITH 1958

Items	Maintenance of Way and Structures	Maintenance of Equipment	Transportation	All Other	Total
Labor:					
General wage increases	+ $ 734,560	+ $ 675,919	+ $2,324,252	+ $ 536,152	+ $4,270,883
Straight time worked	− 1,093,204	− 964,538	− 2,956,144	− 313,513	− 5,327,399
Overtime worked	+ 243,291	− 4,520	+ 299,833	+ 29,536	+ 568,140
Time paid for not worked (incl. vacations and holidays)	− 38,667	+ 74,884	− 67,874	+ 4,465	− 27,192
Total Labor	− 154,020	− 218,255	− 399,933	+ 256,640	− 515,568
Fuel:					
Price			+ 160,057		+ 160,057
Consumption			+ 207,843		+ 207,843
Total Fuel			+ 367,900		+ 367,900
Electric Power			− 68,917		− 68,917
Material—Other than fuel:					
Price	+ 263,490	+ 284,189	+ 23,474	+ 33,701	+ 604,854
Quantity	− 1,554,514	+ 1,053,892	− 58,899	− 17,945	− 577,466
Total Material other than Fuel	− 1,291,024	+ 1,338,081	− 35,425	+ 15,756	+ 27,388
Miscellaneous:					
Health and welfare benefits	− 35,156	− 30,039	− 37,819	− 12,436	− 115,450
Other miscellaneous	+ 561,265	− 191,280	− 186,997	+ 529,647	+ 712,635
Total Miscellaneous	+ 526,109	− 221,319	− 224,816	+ 517,211	+ 597,185
Total Labor, Material and Miscellaneous	− 918,935	+ 898,507	− 361,191	+ 789,607	+ 407,988
Depreciation	+ 85,704	− 308,282			− 222,578
Retirements	− 76,040	− 669,636			− 745,676
Total Depreciation and Retirements	+ 9,664	− 977,918			− 968,254
Total Railway Operating Expenses	− $ 909,271	− $ 79,411	− $ 361,191	+ $ 789,607	− $ 560,266

RAILWAY OPERATING REVENUES, EXPENSES, TAXES AND INCOME BY MONTHS FOR THE YEAR ENDED DECEMBER 31, 1959

1959	Railway Operating Revenues	Railway Operating Expenses	Net Revenue from Railway Operations	Railway Tax Accruals	Railway Operating Income	Equipment Rents-Net Dr.	Joint Facility Rents-Net Dr.	Net Railway Operating Income
January	$ 18,567,125	$ 16,420,987	$ 2,146,138	$ 1,570,000	$ 576,138	$ 519,638	$ 198,692	$ (142,192)
February	18,278,642	15,606,109	2,672,533	1,538,000	1,134,533	739,808	203,326	191,399
March	20,664,228	16,478,780	4,185,448	1,566,000	2,619,448	713,828	199,687	1,705,933
April	20,008,143	16,338,144	3,669,999	1,587,000	2,082,999	466,746	236,170	1,380,083
May	20,399,893	17,089,335	3,310,558	1,591,000	1,719,558	539,285	226,065	954,208
June	22,240,645	17,540,133	4,700,512	1,800,000	2,900,512	585,439	208,496	2,106,577
July	21,195,717	17,896,828	3,298,889	1,821,000	1,477,889	563,713	220,487	693,689
August	21,880,102	17,776,640	4,103,462	1,578,000	2,525,462	845,413	238,437	1,441,612
September	20,753,870	16,752,047	4,001,823	1,779,000	2,222,823	824,439	227,280	1,171,104
October	20,524,884	15,693,411	4,831,473	1,482,000	3,349,473	646,276	226,886	2,476,311
November	17,755,368	15,446,702	2,308,666	1,524,000	784,666	506,425	233,247	44,994
December	19,773,208	15,812,465	3,960,743	1,579,000	2,381,743	509,348	244,839	1,627,556
Total	$242,041,825	$198,851,581	$43,190,244	$19,415,000	$23,775,244	$7,460,358	$2,663,612	$13,651,274

( ) Denotes contra items.

REVENUE FREIGHT TRAFFIC STATISTICS—EXCLUDING TRUCK SERVICE

Year	Tons Carried	Ton Miles	Average Haul—Miles	Freight Revenue Total	Freight Revenue Per Ton	Freight Revenue Per Ton Mile (Cents)
1950	50,164,902	16,258,839,967	324.11	$210,127,019	$4.19	1.292
1951	51,740,580	16,732,323,827	323.39	217,832,219	4.21	1.302
1952	49,522,089	16,005,309,995	323.20	222,648,097	4.50	1.391
1953	46,810,989	15,413,226,569	329.27	215,622,726	4.61	1.399
1954	43,123,214	14,178,678,856	328.79	197,712,105	4.58	1.394
1955	45,481,060	15,561,748,530	342.16	205,993,029	4.53	1.324
1956	45,351,213	15,612,344,863	344.25	209,886,542	4.63	1.344
1957	42,951,573	14,614,118,553	340.25	212,631,339	4.95	1.455
1958	40,117,213	13,884,510,331	346.10	205,489,920	5.12	1.480
1959	40,199,394	14,121,939,599	351.30	201,705,278	5.02	1.428

REVENUE PASSENGER STATISTICS—EXCLUDING BUS SERVICE

Year	Passengers Carried	Passenger Miles	Average Distance Traveled —Miles	Passenger Revenue Total	Passenger Revenue Per Passenger	Passenger Revenue Per Passenger Mile (Cents)
Other Than Commutation						
1950	3,289,193	696,081,090	211.63	$16,418,071	$4.99	2.359
1951	3,341,410	776,958,568	232.52	18,484,470	5.53	2.379
1952	3,346,346	739,380,708	220.95	17,569,369	5.25	2.376
1953	3,158,639	658,842,799	208.58	15,396,026	4.87	2.337
1954	3,057,733	599,281,006	195.99	13,582,309	4.44	2.266
1955	3,003,108	571,128,913	190.18	12,413,340	4.13	2.173
1956	3,266,663	696,906,549	213.34	15,758,692	4.82	2.261
1957	2,943,819	587,947,230	199.72	14,064,509	4.78	2.392
1958	2,889,740	549,258,597	190.07	12,969,955	4.49	2.361
1959	2,918,811	544,051,226	186.39	13,160,807	4.51	2.419
Commutation						
1950	4,020,414	91,075,288	22.65	$ 1,136,257	$ .28	1.248
1951	4,186,842	94,960,045	22.68	1,251,058	.30	1.317
1952	3,899,249	89,299,292	22.90	1,325,955	.34	1.485
1953	3,823,231	88,929,041	23.26	1,316,554	.34	1.480
1954	3,920,824	93,543,801	23.86	1,374,494	.35	1.469
1955	4,176,751	98,901,556	23.68	1,463,125	.35	1.479
1956	4,150,616	100,135,407	24.13	1,474,073	.36	1.472
1957	4,074,228	98,630,820	24.21	1,463,767	.36	1.484
1958	4,338,777	103,055,843	23.75	1,567,002	.36	1.521
1959	4,441,876	103,157,911	23.22	2,147,653	.48	2.082
Total						
1950	7,309,607	787,156,378	107.69	$17,554,328	$2.40	2.230
1951	7,528,252	871,918,613	115.82	19,735,528	2.62	2.263
1952	7,245,595	828,680,000	114.37	18,895,324	2.61	2.280
1953	6,981,870	747,771,840	107.10	16,712,580	2.39	2.235
1954	6,978,557	692,824,807	99.28	14,956,803	2.14	2.159
1955	7,179,859	670,030,469	93.32	13,876,465	1.93	2.071
1956	7,417,279	797,041,956	107.46	17,232,765	2.32	2.162
1957	7,018,047	686,578,050	97.83	15,528,276	2.21	2.262
1958	7,228,517	652,314,440	90.24	14,536,957	2.01	2.229
1959	7,360,687	647,209,137	87.93	15,308,460	2.08	2.365

STATISTICS OF OPERATIONS

Items	Freight Trains		Passenger Trains		Total Transportation Service	
	1959	1958	1959	1958	1959	1958
Rail-Line						
Average miles of road operated	10,586	10,583	3,949	4,175	10,594	10,590
Train Miles						
Ordinary (with locomotives)	10,152,235	10,265,754	6,740,403	7,197,985	16,892,638	17,463,739
Light (with locomotives)	24,425	25,811			24,425	25,811
Total (with locomotives)	10,176,660	10,291,565	6,740,403	7,197,985	16,917,063	17,489,550
Motor car trains			65,487	78,416	65,487	78,416
Total train miles	10,176,660	10,291,565	6,805,890	7,276,401	16,982,550	17,567,966
Locomotive Miles						
Principal	10,180,397	10,294,827	6,740,403	7,197,985	16,920,800	17,492,812
Helper	109,822	141,859	726	1,587	110,548	143,446
Light	151,874	166,551	49,266	52,464	201,140	219,015
Train switching	864,118	888,972			864,118	888,972
Yard switching	5,862,648	5,937,659	441,949	445,157	6,304,597	6,382,816
Total locomotive miles	17,168,859	17,429,868	7,232,344	7,697,193	24,401,203	25,127,061
Car Miles						
Loaded freight cars	466,352,092	455,318,024	101,495	57,198	466,453,587	455,375,222
Empty freight cars	273,534,594	284,102,585	560	9,277	273,535,154	284,111,862
Total loaded and empty freight cars	739,886,686	739,420,609	102,055	66,475	739,988,741	739,487,084
Caboose	10,329,651	10,508,725	2,117	2,953	10,331,768	10,511,678
Total freight car miles	750,216,337	749,929,334	104,172	69,428	750,320,509	749,998,762
Passenger coaches	3,974	10,059	23,715,856	24,016,432	23,719,830	24,026,491
Sleeping and parlor cars (Company)			1,817,919	1,813,647	1,817,919	1,813,647
Sleeping cars (Pullman)	35,410	55,803	13,337,316	14,222,821	13,372,726	14,278,624
Club, lounge, dining and observation cars		1,869	5,250,522	5,873,832	5,250,522	5,875,701
Combination passenger and head end cars	659,233	770,336	142,633	124,713	801,866	895,049
Mail, express and baggage cars	2,539,863	2,203,674	22,269,656	23,111,229	24,809,519	25,314,903
Business cars	44,157	37,665	149,308	145,371	193,465	183,036
Crew cars (other than caboose)						
Total passenger car miles	3,282,637	3,079,406	66,683,210	69,308,045	69,965,847	72,387,451
Grand total car miles	753,498,974	753,008,740	66,787,382	69,377,473	820,286,356	822,386,213
Gross Ton Miles						
Locomotives and tenders (thousands)	3,450,518	3,411,068	2,162,113	2,238,677	5,612,631	5,649,745
Freight cars, contents, and cabooses (thousands)	32,603,899	32,256,515	4,151	2,807	32,608,050	32,259,322
Passenger cars, and contents (thousands)	167,109	156,773	4,299,984	4,476,768	4,467,093	4,633,541
Total freight and passenger (thousands)	32,771,008	32,413,288	4,304,135	4,479,575	37,075,143	36,892,863
Train Hours						
Train hours in road service	507,565	525,216	154,436	164,016	662,001	689,232
Revenue and Nonrevenue Freight Traffic						
Tons of revenue freight					40,199,394	40,117,213
Tons of nonrevenue freight					1,060,537	1,065,549
Total tons of freight					41,259,931	41,182,762
Net ton miles revenue freight (thousands)					14,121,940	13,884,510
Net ton miles nonrevenue freight (thousands)					381,036	386,445
Total net ton miles of freight (thousands)	14,501,330	14,269,824	1,646	1,131	14,502,976	14,270,955
Revenue Passenger Traffic						
Passengers carried					7,360,687	7,228,517
Passenger miles					647,209,137	652,314,440
Motor Vehicle Operations Excluded Above						
Net ton miles revenue freight (thousands)					1,318	1,525
Passengers carried					1,914	6,412
Passenger miles					991,687	1,319,040

STATISTICS OF OPERATIONS—Concluded

Items	1959	1958	1957	1956	1955	1954
Freight Train Statistics and Averages						
Gross ton miles, trailing (thousands)	32,771,008	32,413,288	34,236,747	36,203,655	36,228,284	33,951,476
Eastbound	18,176,737	18,125,895	18,805,435	19,734,331	19,787,705	18,518,625
Westbound	14,594,271	14,287,393	15,431,312	16,469,324	16,440,579	15,432,851
Steam	....	....	....	135	133,258	1,630,515
Diesel-electric	29,901,296	29,705,585	31,129,417	32,597,742	32,536,016	29,179,033
Electric	2,869,712	2,707,703	3,107,330	3,605,778	3,559,010	3,141,928
Per cent steam	....	....	....	....	.4%	4.8%
Per cent Diesel-electric	91.2%	91.6%	90.9%	90.0%	89.8%	85.9%
Per cent electric	8.8%	8.4%	9.1%	10.0%	9.8%	9.3%
Loaded freight cars per train	45.9	44.3	44.3	44.6	43.4	42.2
Empty freight cars per train	27.0	27.7	26.7	24.7	23.5	24.6
Total freight cars per train	72.9	72.0	71.0	69.3	66.9	66.8
Gross tons per train	3,228	3,157	3,117	3,070	2,969	2,903
Net tons per train	1,428	1,390	1,373	1,370	1,323	1,269
Net tons per loaded car	31.1	31.3	31.0	30.7	30.5	30.1
Miles per car per day (serviceable freight)	39.0	35.7	37.0	38.7	37.7	34.9
Net ton miles per freight car-day	734	655	673	715	702	620
Train speed (train miles per train hour)	20.0	19.6	19.2	19.1	19.0	18.3
Gross ton miles (trailing) per train hour	64,565	61,714	59,780	58,328	56,315	53,014
Passenger Train Statistics and Averages						
Passenger car miles (excluding motor)	66,525,240	69,087,808	75,256,765	86,613,202	72,582,117	79,508,739
Steam	....	....	....	13,184	16,967	1,851,183
Diesel-electric	66,502,614	65,218,200	71,665,998	81,157,901	66,905,429	69,380,723
Electric	22,626	3,869,608	3,590,767	5,442,117	5,659,721	8,276,833
Per cent steam	....	....	....	....	....	2.3%
Per cent Diesel-electric	100.0%	94.4%	95.2%	93.7%	92.2%	87.3%
Per cent electric	....	5.6%	4.8%	6.3%	7.8%	10.4%
Cars per train (excluding motor)	9.87	9.60	9.60	9.84	8.91	8.83
Revenue passengers per train	95.2	89.8	86.5	89.4	81.2	75.6
Revenue passengers per car	16.5	16.1	16.0	16.8	17.5	16.2
Train speed (train miles per train hour)	44.1	44.4	43.9	44.7	42.9	41.5
Yard Switching Statistics						
Yard switching hours	1,050,766	1,063,803	1,184,130	1,251,620	1,274,248	1,278,517
Steam	....	....	....	7	11,279	113,008
Diesel-electric	1,038,534	1,056,660	1,174,874	1,235,025	1,246,748	1,149,502
Electric	12,232	7,143	9,256	16,588	16,221	16,007
Per cent steam	....	....	....	....	.9%	8.8%
Per cent Diesel-electric	98.8%	99.3%	99.2%	98.7%	97.8%	89.9%
Per cent electric	1.2%	.7%	.8%	1.3%	1.3%	1.3%
Density Statistics						
Per mile of road per day (freight service):						
Train miles, ordinary	2.6	2.7	2.8	3.0	3.1	3.0
Net ton miles	3,753	3,694	3,896	4,153	4,161	3,824
Per mile of road per day (passenger service):						
Train miles	4.7	4.8	4.7	5.3	4.8	5.1
Car miles	46.3	45.5	45.0	51.7	42.5	44.9

REVENUE FREIGHT BY PRINCIPAL COMMODITIES—1959 AND 1958

Commodities	1959		1958		Increase + or Decrease −		
	Tons Carried	Percent of Total	Tons Carried	Percent of Total		Tons	Percent
Products of Agriculture:							
Wheat	1,653,685	4.1	1,837,260	4.6	−	183,575	10.0
Corn	1,281,473	3.2	1,823,263	4.5	−	541,790	29.7
Barley and rye	738,948	1.8	925,284	2.3	−	186,336	20.1
Oats	298,327	.7	433,994	1.1	−	135,667	31.3
Flour, meal and mill products	1,242,503	3.1	1,234,267	3.1	+	8,236	.7
Citrus fruits	59,289	.2	44,964	.1	+	14,325	31.9
Other fruits, fresh and frozen	135,892	.3	140,123	.4	−	4,231	3.0
Potatoes, other than sweet	264,312	.7	257,124	.6	+	7,188	2.8
Other vegetables, fresh and frozen	126,388	.3	112,755	.3	+	13,633	12.1
Sugar beets	191,132	.5	193,185	.5	−	2,053	1.1
Other products of agriculture	1,480,059	3.7	1,492,171	3.7	−	12,112	.8
Total	7,472,008	18.6	8,494,390	21.2	−	1,022,382	12.0
Animals and Products:							
Cattle, calves, sheep and goats	198,623	.5	223,881	.6	−	25,258	11.3
Swine	33,892	.1	40,823	.1	−	6,931	17.0
Fresh meats	427,610	1.0	437,574	1.1	−	9,964	2.3
Poultry, eggs, butter and cheese	128,422	.3	154,846	.4	−	26,424	17.1
Wool, hides and leather	161,264	.4	160,374	.4	+	890	.6
Other animals and products	265,237	.7	222,318	.5	+	42,919	19.3
Total	1,215,048	3.0	1,239,816	3.1	−	24,768	2.0
Products of Mines:							
Bituminous coal	5,447,866	13.6	5,642,347	14.1	−	194,481	3.4
Coke	296,121	.7	259,583	.6	+	36,538	14.1
Ores and concentrates	385,162	1.0	344,134	.9	+	41,028	11.9
Gravel and sand	1,166,550	2.9	1,354,194	3.4	−	187,644	13.9
Stone, broken, ground or crushed	1,192,897	3.0	1,195,968	3.0	−	3,071	.3
Stone, rough and finished	71,099	.2	100,431	.2	−	29,332	29.2
Asphalt	234,070	.6	249,947	.6	−	15,877	6.4
Salt	165,384	.4	155,260	.4	+	10,124	6.5
Other products of mines	1,154,731	2.8	894,650	2.2	+	260,081	29.1
Total	10,113,880	25.2	10,196,514	25.4	−	82,634	.8
Products of Forests:							
Logs, posts, poles and cordwood	1,604,736	4.0	1,407,703	3.5	+	197,033	14.0
Pulpwood	966,773	2.4	886,674	2.2	+	80,099	9.0
Lumber and mill products	2,434,155	6.1	2,354,734	5.9	+	79,421	3.4
Veneer and built-up wood	520,054	1.3	419,067	1.0	+	100,987	24.1
Other products of forests	259,064	.6	274,831	.7	−	15,767	5.7
Total	5,784,782	14.4	5,343,009	13.3	+	441,773	8.3
Manufactures and Miscellaneous:							
Refined petroleum and products	1,258,601	3.1	1,115,494	2.8	+	143,107	12.8
Sugar, table syrups and molasses	293,861	.7	289,373	.7	+	4,488	1.6
Iron and steel products	2,299,049	5.7	1,937,756	4.9	+	361,293	18.6
Machinery and boilers	230,072	.6	248,240	.6	−	18,168	7.3
Cement	1,152,635	2.9	1,202,552	3.0	−	49,917	4.2
Brick, building tile and artificial stone	199,113	.5	185,656	.5	+	13,457	7.2
Lime and plaster	81,785	.2	82,843	.2	−	1,058	1.3
Agricultural implements, tractors and parts	206,217	.5	205,926	.5	+	291	.1
Autos, trucks, parts and tires	685,152	1.7	536,538	1.3	+	148,614	27.7
Beverages	613,561	1.5	795,468	2.0	−	181,907	22.9
Ice	31,716	.1	33,342	.1	−	1,626	4.9
Fertilizers	535,770	1.3	527,696	1.3	+	8,074	1.5
Paper and paper products	1,200,754	3.0	1,161,616	2.9	+	39,138	3.4
Canned food products	997,315	2.5	974,599	2.4	+	22,716	2.3
Scrap iron and scrap steel	758,925	1.9	569,247	1.4	+	189,678	33.3
Building paper, roofing and woodwork	460,040	1.2	403,616	1.0	+	56,424	14.0
Other manufactures and miscellaneous	4,435,508	11.0	4,365,430	10.9	+	70,078	1.6
Total	15,440,074	38.4	14,635,392	36.5	+	804,682	5.5
Grand Total Carload Traffic	40,025,792	99.6	39,909,121	99.5	+	116,671	.3
All L.C.L. Freight	173,602	.4	208,092	.5	−	34,490	16.6
Grand Total, Carload and L.C.L. Traffic	40,199,394	100.0	40,117,213	100.0	+	82,181	.2

NUMBER OF EMPLOYEES AND COMPENSATION

Year	Regular Employees: Average No. of Employees (Middle of Month Count)	Regular Employees: Compensation	Regular Employees: Average Compensation Per Employee	Part Time Employees: Compensation (Not Subject to Continuing Authority of Railroad)	Total Compensation All Employees: Total Compensation	Charged To: Operating Expenses	Charged To: Additions and Betterments and Other Accounts
1928	48,129	$ 81,744,769	$1,698	$135,855	$ 81,880,624	$ 75,548,543	$ 6,332,081
1933	26,493	39,042,823	1,474	129,469	39,172,292	36,740,362	2,431,930
1938	28,988	52,830,262	1,822	100,092	52,930,354	48,224,635	4,705,719
1943	35,377	90,305,409	2,553	145,093	90,450,502	84,109,945	6,340,557
1948	38,268	138,490,345	3,619	172,016	138,662,361	126,543,269	12,119,092
1950	33,668	128,201,025	3,808	167,342	128,368,367	121,226,784	7,141,583
1951	33,846	143,260,363	4,233	219,693	143,480,056	134,493,624	8,986,432
1952	32,550	145,397,263	4,467	149,515	145,546,778	138,390,501	7,156,277
1953	31,138	138,117,562	4,436	145,500	138,263,062	131,304,863	6,958,199
1954	27,961	126,272,397	4,516	143,400	126,415,797	120,564,532	5,851,265
1955	27,936	126,447,937	4,526	139,330	126,587,267	120,732,130	5,855,137
1956	27,408	134,534,522	4,909	123,452	134,657,974	126,936,601	7,721,373
1957	26,007	133,239,878	5,123	117,455	133,357,333	125,221,025	8,136,308
1958	23,402	128,237,334	5,480	119,269	128,356,603	123,103,272	5,253,331
1959	22,243	128,292,584	5,767	107,083	128,399,667	122,031,078	6,368,589

NUMBER OF EMPLOYEES AND COMPENSATION BY STATES

State	Regular Employees: Average Number	Regular Employees: Total Compensation	Regular Employees: Average Compensation Per Employee	Part Time Employees Total Compensation	Total Compensation All Employees
Illinois	6,389	$ 36,626,558	$5,733	$ 20,900	$ 36,647,458
Iowa	2,179	12,914,854	5,927	7,423	12,922,277
Wisconsin	5,935	33,289,074	5,609	23,317	33,312,391
Minnesota	2,695	15,050,398	5,585	8,858	15,059,256
Michigan	129	958,358	7,429	0	958,358
Missouri	384	2,206,078	5,745	10,780	2,216,858
Indiana	309	1,804,611	5,840	9,180	1,813,791
South Dakota	995	5,608,692	5,637	1,533	5,610,225
North Dakota	117	581,995	4,974	2,761	584,756
Montana	1,249	7,565,990	6,058	22,210	7,588,200
Idaho	118	646,767	5,481	0	646,767
Washington	1,585	9,932,092	6,266	121	9,932,213
All other	159	1,107,117	6,963	0	1,107,117
Total	22,243	$128,292,584	$5,767	$107,083	$128,399,667

TOTAL PAYROLLS AND COMPANY CONTRIBUTIONS AVERAGE PER EMPLOYEE

Year	Total Payrolls—Regular Employees	Company Contributions: Retirement and Unemployment Taxes	Company Contributions: Health and Welfare Benefits	Total	Average Per Employee	Straight Time Rate: Average Per Hour	Straight Time Rate: % Inc. Over 1939
1950	$128,201,025	$7,234,363	....	$135,435,388	$4,023	$1.580	117.9
1951	143,260,363	7,774,582	....	151,034,945	4,463	1.754	141.9
1952	145,397,263	7,696,578	....	153,093,841	4,703	1.852	155.4
1953	138,117,562	7,441,326	....	145,558,888	4,675	1.895	161.4
1954	126,272,397	7,035,232	....	133,307,629	4,768	1.945	168.3
1955	126,447,937	7,276,300	$ 624,381	134,348,618	4,809	1.959	170.2
1956	134,534,522	8,581,092	1,403,449	144,519,063	5,273	2.130	193.8
1957	133,239,878	8,692,650	2,106,181	144,038,709	5,538	2.290	215.9
1958	128,237,334	8,420,346	1,934,613	138,592,293	5,922	2.465	240.0
1959	128,292,584	9,894,538	1,819,163	140,006,285	6,294	2.566	253.9

EQUIPMENT OWNED

	Jan. 1, 1959 Number	Added (New)	Retired	All Other Including Reclassifications	December 31, 1959 Number	December 31, 1959 Capacity
Locomotives						Tractive Pwr. (Pounds)
Diesel-Electric (Units):						
Freight	216		52	− 1	163	9,836,399
Passenger	82			+ 1	83	4,897,790
Multiple purpose	229	52			281	17,474,556
Switching	286				286	16,967,475
Electric (Units):						
Freight	85			− 1	84	5,332,700
Passenger	10				10	896,772
Switching	3			+ 1	4	179,375
Total	911	52	52		911	55,585,067
Freight Cars						Tons
Box	26,813	700	2,230	+ 2	25,285	1,207,660
Gondola	8,929		360		8,569	487,370
Hopper	4,522	51	12	+ 17	4,578	258,740
Ballast	848		152	*+ 150	846	59,220
Ore	794				794	55,580
Stock	3,306		118		3,188	127,510
Flat	3,938	89	238	− 50	3,739	188,220
Refrigerator	637		2		635	28,370
Tank	10		4		6	300
Caboose	483		11		472	
Total	50,280	840	3,127	+ 119	48,112	2,412,970
Passenger Cars						Passengers
Coaches	309		4		305	22,203
Sleepers	60			− 4	56	1,425
Parlor	14				14	530
Parlor cafe	6			− 2	4	160
Dining	32			− 1	31	1,451
Tap, lounge & observation	12				12	1,064
Baggage, express and mail	298		4	+ 7	301	
Passenger and baggage	14		2		12	376
Passenger, mail and baggage	6		2		4	96
Rail motor cars	2				2	
Total	753		12		741	27,305
Company Service Equipment						
Business cars	10				10	
Ballast and dumpcars	86				86	
Derrick cars	18				18	
Boarding outfit cars	369		7		362	
Snow removing cars	141		3		138	
Other company service equipment	1,313		129	+ 113	1,297	
Total	1,937		139	+ 113	1,911	
Floating Equipment						
Car floats	4				4	
Highway Vehicles						
Passenger automobiles	213	26	40		199	
Trucks	382	63	32		413	
Other	152	7	3		156	
Total	747	96	75		768	

	Ledger Value December 31, 1959	Ledger Value December 31, 1958	Increase or Decrease
Locomotives	$124,658,042	$122,141,468	Inc. $2,516,574
Freight cars	169,559,340	164,836,898	Inc. 4,722,442
Passenger cars	31,348,424	31,629,045	Dec. 280,621
Work equipment	6,893,714	6,893,033	Inc. 681
Floating equipment	278,731	278,731	
Miscellaneous equipment	2,333,999	2,175,586	Inc. 158,413
Total	$335,072,250	$327,954,761	Inc. $7,117,489

*Rebuilt

MILWAUKEE LAND COMPANY INCOME ACCOUNT

	1959	1958	Increase	Decrease
Income				
Townsite Division				
Sales:				
Real estate	$ 77,376	$ 27,519	$ 49,857	....
Cost of real estate sold	(58,838)	(27,901)	(30,937)	....
Gross Profit from Sales	18,538	(382)	18,920	....
Other Income:				
Rents	32,215	16,601	15,614	....
Interest	34,008	54,441	....	$ 20,433
All other	2,556	463	2,093	....
Total Other Income	68,779	71,505	....	2,726
Total Income—Townsite Division	87,317	71,123	16,194	....
Timber Division				
Sales:				
Timber land and timber	2,014,088	1,316,053	698,035	....
Cost of land and timber sold	(129,539)	(69,070)	(60,469)	....
Gross Profit from Sales	1,884,549	1,246,983	637,566	....
Other Income:				
Rents and royalties	13,786	6,248	7,538	....
Interest	19,328	15,334	3,994	....
All other	....	96	....	96
Total Other Income	33,114	21,678	11,436	....
Total Income—Timber Division	1,917,663	1,268,661	649,002	....
Total Income—Townsite and Timber Divisions	2,004,980	1,339,784	665,196	....
Expenses				
Townsite Division				
Salaries and office expenses	8,459	5,795	2,664	....
Taxes	25,053	12,644	12,409	....
Interest	64,044	64,044	....	....
All other	12,610	1,330	11,280	....
Total Expenses—Townsite Division	110,166	83,813	26,353	....
Timber Division				
Salaries and office expenses	55,040	52,294	2,746	....
Real estate expense	59,418	61,426	....	2,008
Timber cutting contracts expense	42,931	35,183	7,748	....
Fire protection	23,221	19,944	3,277	....
Taxes	489,237	344,203	145,034	....
Interest	95,076	95,076	....	....
All other	9,518	6,207	3,311	....
Total Expenses—Timber Division	774,441	614,333	160,108	....
Total Expenses—Townsite and Timber Divisions	884,607	698,146	186,461	....
Net Income	$1,120,373	$ 641,638	$ 478,735	....

MILWAUKEE LAND COMPANY STATEMENT OF RETAINED INCOME

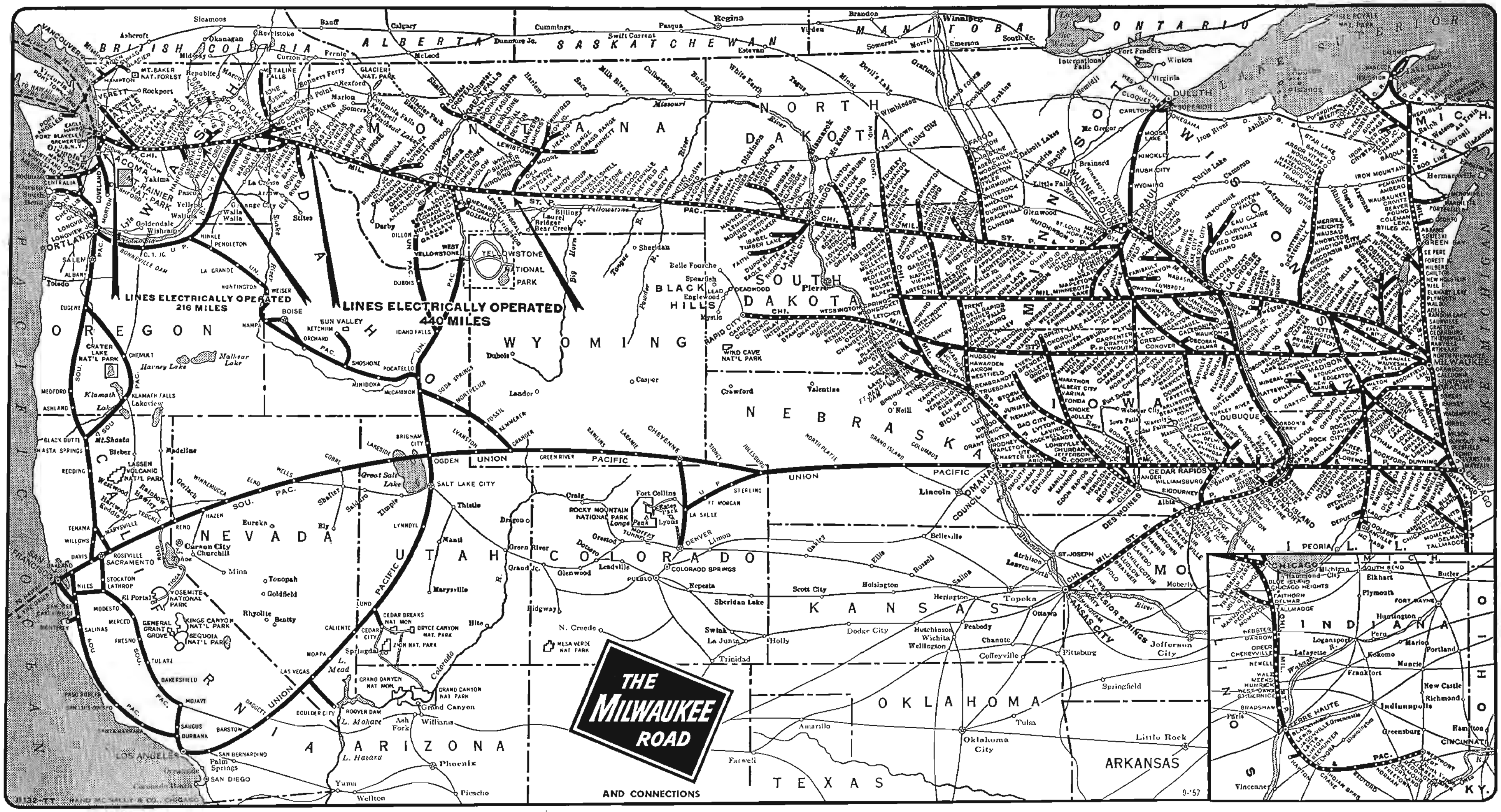
	1959	1958	Increase	Decrease
Balance at January 1	$1,978,906	$1,331,630	$ 647,276	....
Additions:				
Net income for the year	1,120,373	641,638	478,735	....
Miscellaneous credits	60,537	5,638	54,899	....
	3,159,816	1,978,906	1,180,910	....
Deductions:				
Dividends declared	1,500,000	....	1,500,000	....
Miscellaneous debits	10,024	....	10,024	....
	1,510,024	....	1,510,024	....
Balance at December 31	$1,649,792	$1,978,906	....	$329,114

( ) Denotes reverse items.

MILWAUKEE LAND COMPANY—BALANCE SHEET

	December 31, 1959	December 31, 1958*	Change During Year
Assets			
Current Assets:			
Cash	$ 536,904	$ 540,029	− $ 3,125
United States Government securities	300,000	300,026	− 26
Accounts receivable	98,526	169,858	− 71,332
Notes and purchase contracts	57,864	256,473	− 198,609
Interest receivable	57,132	43,158	+ 13,974
Total Current Assets	1,050,426	1,309,544	− 259,118
Investments:			
Capital stocks	1,725	1,725	....
C. M. St. P. & P. R. R. Co. mortgage bonds	450,000	....	+ 450,000
Total Investments	451,725	1,725	+ 450,000
Other Assets and Deferred Charges:			
Timber sale contracts	3,250	2,956	+ 294
Notes and purchase contracts (noncurrent)	697,529	841,619	− 144,090
Earnest money deposits on land purchases	357,900	900	+ 357,000
Other assets	5,092	1,610	+ 3,482
Total Other Assets and Deferred Charges	1,063,771	847,085	+ 216,686
Properties:			
Timber land and timber	1,692,492	1,691,768	+ 724
Real estate, buildings and equipment	2,178,482	1,954,076	+ 224,406
Automobiles less accrued depreciation	9,356	8,365	+ 991
Furniture and fixtures less accrued depreciation	1,154	939	+ 215
Total Properties	3,881,484	3,655,148	+ 226,336
Total Assets	$6,447,406	$5,813,502	+ $633,904
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable	$ 168,436	$ 15,006	+ $153,430
Interest payable	92,820	92,820	....
Unmatured dividends declared	750,000	....	+ 750,000
Federal income taxes	300,000	226,000	+ 74,000
Other taxes	64,848	60,696	+ 4,152
Total Current Liabilities	1,376,104	394,522	+ 981,582
Other Liabilities and Deferred Credits:			
Note payable—C. M. St. P. & P. R. R. Co.	2,652,000	2,652,000	....
Advances on coal leases and cutting contracts	266,014	268,689	− 2,675
Other liabilities	3,496	19,385	− 15,889
Total Other Liabilities and Deferred Credits	2,921,510	2,940,074	− 18,564
Shareholders' Equity:			
Capital stock:			
Common stock—par value $100 per share:			
Authorized—5,000 shares			
Issued and outstanding—5,000 shares	500,000	500,000	....
Retained income	1,649,792	1,978,906	− 329,114
Total Shareholders' Equity	2,149,792	2,478,906	− 329,114
Total Liabilities and Shareholders' Equity	$6,447,406	$5,813,502	+ $633,904

*Restated to conform with 1959



CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

THE MILWAUKEE ROAD

PRINTED IN U.S.A.
RINGLEY-O'BRIEN PRESS, CHICAGO