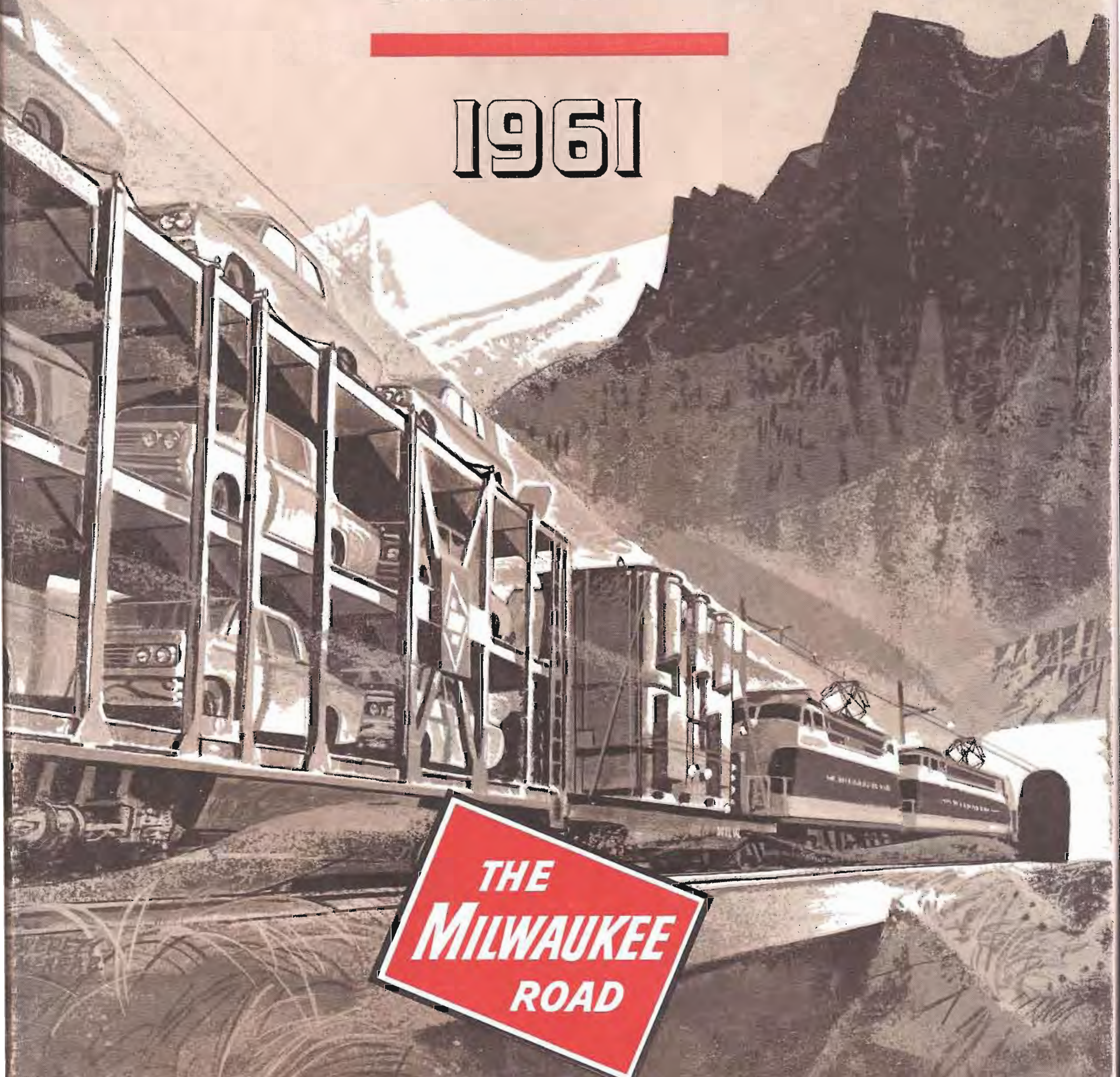
ANNUAL REPORT

1961



THE MILWAUKEE ROAD

Passenger service on suburban runs was improved in 1961 with the delivery of 40 new double-deck, air conditioned coaches, eight of which are equipped with cab control units to provide bi-directional operation of the new trains. Improvement in commuter service also included the construction of the new Glenview, Ill., station, one of two suburban station facilities built in 1961.

The importance of railroads in the nation's defense was re-emphasized in the movement of 32nd Division personnel and equipment from various points in Wisconsin to Fort Lewis, Wash. This trainload of 32nd Division armored vehicles was among the many pieces of equipment transported by the Milwaukee Road.

In less than five months, floors were lowered in 31 tunnels through five mountain ranges, resulting in additional clearance to accommodate more bulky transcontinental freight. The speedy removal and replacement of track sections in tunnels permitted the enlargement project to progress with no interference in train operations.

The cover illustration depicts the hauling of higher and wider loads, including automobiles on tri-level rail cars, a fast growing segment of the Milwaukee's freight services. This type traffic was extended transcontinentally to the Pacific Northwest in 1961 on completion of the tunnel enlarging project.

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

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

Board of Directors

Terms Expiring:

1962	1963	1964
Arthur S. Bowes	John D. Allen	E. Ainsworth Eyre
Jerome C. Eppler	James M. Barker	J. Patrick Lannan
John B. Gallagher	Leo T. Crowley	James D. Norris
Joshua Green	Walter J. Cummings	William L. O'Brien
Arnold B. Keller	William J. Froelich	Philip W. Pillsbury
Walter T. Mahoney	William J. Quinn	Franklin B. Schmick
Louis Quarles	Arthur M. Wirtz	John P. Wagner
William J. Sinek		

Executive Committee

J. Patrick Lannan, *Chairman*

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

Finance Committee

Walter J. Cummings, *Chairman*

John D. Allen*	Jerome C. Eppler	J. Patrick Lannan
James M. Barker	William J. Froelich*	Louis Quarles*
Leo T. Crowley	John B. Gallagher*	John P. Wagner
	Arnold B. Keller*	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
C. E. Crippen	Vice President—Finance and Accounting	Chicago
L. H. Dugan	Vice President and Western Counsel	Seattle
E. O. Schiewe	General Solicitor	Chicago
R. F. Kratochwill	Comptroller	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 8, 1962, 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

	1961	1960
Operating revenues	$221,832,116	$230,362,902
Operating expenses	175,883,563	187,929,803
Taxes, Federal, State and Local	19,245,000	20,137,000
Net railway operating income	14,112,710	9,654,308
Other income—Net	3,177,194	3,588,037
Income available for fixed charges	17,289,904	13,242,345
Fixed charges	5,776,173	5,677,502
Contingent charges	6,185,559	6,241,780
Net income	$ 5,328,172	$ 1,323,063
Net income per share—Series A Preferred	10.27	2.55
—Common	1.29	0
Times fixed charges earned	2.99	2.33
Dividends paid:		
Series A Preferred—$5.00 per share*	$ 2,593,260	$ 2,593,260
Common—$1.50 per share*		3,184,872
Total dividends paid	2,593,260	5,778,132
Number of stockholders at December 31:		
Series A Preferred	5,008	5,015
Common	9,544	10,649
*Out of earnings of prior years.		
Gross capital expenditures:		
For road property improvements	$ 5,510,866	$ 6,123,291
For equipment	17,597,166	13,966,899
Total	23,108,032	20,090,190
Traffic statistics:		
Net ton-miles of revenue freight (thousands)	13,224,012	13,605,766
Freight revenue	$183,347,242	$189,560,907
Passengers carried one mile	513,054,084	627,831,562
Passenger revenue	$ 13,138,585	$ 15,174,969
Total amount of payroll	$112,701,787	$121,135,807
Average number of employees	18,406	20,229
Gross ton miles per train-hour	68,993	66,674
Gross tons per train	3,335	3,305
Net ton-miles per train-hour	30,518	29,255
Net tons per train	1,475	1,450
(Indices of freight-train performance)		

To the Shareholders:

The industrial economy of the nation showed a rather steady improvement during the latter part of 1961. This improvement was reflected in the results of operations on the Milwaukee Road. Although the early part of the year was slow in reacting, as the year progressed the improvement became more apparent. The higher level of the general economy, together with the benefits of a continuing program of modernization and firm control of expenses, resulted in a substantially better year for the Milwaukee Road than the previous one.

The net income for 1961 amounted to $5,328,172, compared with $1,323,063 for 1960. This increase, despite a decline of $8,530,786 in operating revenues, resulted from improved operating efficiency, made possible by more modern facilities and procedures, and close control of expenses.

Operating expenses were reduced $12,046,240 below the figure for 1960. The operating ratio for the year 1961 was 79.29 per cent, the lowest since 1950. This favorable result, with continued sound maintenance of the property, was made possible by improved train operations, more powerful diesel locomotives, improved train signalling, electronic freight classification yards, mechanized maintenance of way, improved car and locomotive maintenance facilities and other modernization programs, which will continue to benefit the railroad in future years.

Industrial activity continues to show an improvement and is expected to continue throughout 1962. The improvement is apparent in the traffic being handled on the Milwaukee and it is anticipated the year 1962 will be better than 1961. There are large quantities of grain in storage in the areas served by the railroad which are now being shipped and which will continue to move. The moisture condition in the grain producing territories served is very favorable to the production of a good crop.

The rapid growth of piggyback and Flexi-Van traffic, the expanding movement of automobiles on bi-level and tri-level freight cars, the extension of co-ordinated rail-truck services and other modern techniques which contributed very materially to the improved results for 1961, are expected to show substantial increases in 1962.

The program of discontinuing unprofitable passenger trains and rearranging agency service at small stations in line with changing public needs was continued in 1961 and contributed to reductions in operating expenses. The Olympian Hiawatha, upon authority of the Interstate Commerce Commission, was discontinued between Deer Lodge, Montana, and Seattle-Tacoma, Washington, producing an estimated annual saving of $1,715,000. Other consolidations and discontinuances resulted in additional savings. This program is being continued in 1962.

During 1961 a major program was undertaken to enlarge the tunnels on the line to the Pacific Northwest. This improvement makes it possible to handle shipments of large dimension and automobiles loaded on tri-level freight cars, and broadens the field of traffic which can be handled over the line in the future.

On February 15, 1962, the Board of Directors declared a dividend of $5.00 per share out of 1961 earnings on the Series A preferred stock, payable in four installments of $1.25 each on March 22, June 21, September 20 and November 21, in 1962, to holders of record at the close of business March 2, June 1, August 31 and November 2, 1962, respectively. Consideration will be given to a dividend on common stock at a later date when better information is available on the possibility of a strike in the steel industry, a general strike in the railroad industry in connection with negotiations arising from the Presidential Railroad Commission report, and the trend of the general industrial economy.

The subject of mergers in the railroad industry continues to occupy a position of great importance in the considerations of the management and the Board of Directors. The management has given in the past, and is continuing to give, a great deal of time and study to the subject. This has included both analysis of the impact on the Milwaukee of merger proposals of other carriers, and study of the economic feasibility of merger by the Milwaukee with another carrier or carriers. The Milwaukee Road is strategically located in an area that opens up possibilities for advantageous mergers.

Your management firmly believes that well conceived and equitable plans for consolidation of railroad properties are in the public interest. However, mergers should not be considered a cure-all for the deep-seated problems confronting the industry. If well planned and sound, they do afford more time in which to attempt a solution of these fundamental problems. The entire matter is continuing to receive close attention.

The Milwaukee Road is taking an active part in the proceedings before the Interstate Commerce Commission in the matter of the application of the Great Northern, Northern Pacific, Burlington and Pacific Coast Railroads to merge those properties and to lease the properties of the Spokane, Portland and Seattle Railway Company. This merger could have far reaching effects upon the Milwaukee Road unless the Commission qualifies its approval with certain significant conditions which are being urged by the Milwaukee. The six conditions which are being advocated would safeguard the competitive position of the Milwaukee Road as a leading transcontinental carrier and are receiving widespread support from shippers and public authorities.

We are confident the Commission will find the conditions to be in the public interest and will grant them if the merger is authorized.

Leo T. Crowley

Chairman of the Board

William J. Quinn

President

By order of the Board of Directors
March 15, 1962.

Expansion of Freight Services

The expansion of the railroad's modern, specialized services to shippers was accelerated during 1961, with conventional piggybacking and Flexi-Van volume increasing substantially, as did the transporting of new automobiles on multi-level freight cars, the newest and fastest growing of the freight services.

The Milwaukee Road pioneered in the handling of new automobiles loaded on highway transports mounted on piggyback flat cars from Michigan manufacturing plants to the Pacific Northwest. This method of handling has been gradually changed to handling on multi-level auto rack cars. Full conversion to this method was completed on our railroad in May, 1961. The growth of this type traffic required the enlarging of our fleet of multi-level cars three times during 1961.

The hauling of new automobiles extends over most of our principal lines between Chicago and Kansas City, Omaha, Spokane and Seattle, and includes almost every make of automobile.

The trailer-on-flatcar traffic accelerated substantially in 1961, showing an increase of 94.5 per cent over 1960. Because of the growth of this type service the fleet of equipment has been expanded steadily since we started in 1959. Our ownership of Flexi-Van flat cars and Flexi-Van trailers as well as our ownership of conventional piggyback flat cars has been expanded. In addition we are a member of the Trailer Train Company and North American Car Corporation pools, which lease flat cars for trailer on flat car movements, and R E A Leasing Corporation pool, which supplies truck trailers.

Believing that new transportation concepts will open the doors to increased traffic on the railroads, our own railroad is pioneering in such a new concept—a coordinated rail-highway service to off-track construction projects.

The Milwaukee Road, with the assistance of its wholly-owned motor carrier subsidiary, The Milwaukee Motor Transportation Company, has provided rail-truck service to the Wanapum Dam project near Beverly, Wash., on the Columbia River, the Vantage Bridge in the same area, and the three Titan missile bases in the Columbia Basin.

Similar service is provided in Montana to the Minuteman missile project at Great Falls. In South Dakota, rail-truck coordinated service is provided from Chamberlain to the Big Bend Dam project on the Missouri River and to the Minuteman missile project to be built in the Rapid City area. This type of service is attracting to our railroad traffic which otherwise would not be available to us.

Engineering Programs

Tunnel Project

During 1961 our railroad undertook and completed a major project of enlarging the tunnels on its line to the Pacific Northwest to enable handling higher and wider loads of freight. The project, started in May, was completed on October 1st, a full month ahead of schedule, and involved the lowering of the floors in 31 of the 46 tunnels between Ringling, Mont., and Whittier, Wash., over 706 miles of railroad in the Belt, Rocky, Bitterroot, Saddle, and Cascade ranges.

Completion of the project, representing an investment of $869,000, resulted in increased clearance for the hauling of higher and wider loads of freight. This permitted the transporting of automobiles to the Pacific Northwest on tri-level freight cars and made possible the hauling of other outsized cargoes of greater height than formerly could be cleared.

In the tunnel project, 7.54 miles of the main line were lowered at least 6 inches and in many places as much as 2 feet.

The new automobile traffic alone will pay for the cost of improving the western tunnel clearances in a very short time. Substantially aiding in the recovery of the investment also will be the other massive dimension loads which likewise are growing in importance.

Missouri River Bridge

A new bridge spanning the Missouri River at Mobridge, S. D., was completed in 1961. It was part of a line relocation project costing a total of 18 million dollars, the largest undertaking of its kind in the history of the railroad. The entire cost was borne by the federal government.

The construction of the new bridge, its approaches, and the relocation of 25.2 miles of track were necessitated by the building of the Oahe Dam near Pierre, S. D., which will create a vast reservoir extending far up the Missouri River. The work on the project was by contractors retained by the United States Army Corps of Engineers.

Track Maintenance

Since 1957, our railroad has made substantial investments each year in mechanized track maintenance equipment. This program was continued during 1961 with the purchase of sufficient new equipment to provide each roadmaster's territory with a full set of equipment for a mechanized maintenance gang. It is believed the Milwaukee Road is the first western railroad to provide full mechanization for ballasting and surfacing operations.

Freight Car Fleet

Delivery was taken in 1961 on 750 new freight cars, including 650 forty-foot, 50-ton general purpose boxcars and 100 fifty-foot, 70-ton boxcars. The new equipment, manufactured by Pullman-Standard Car Manufacturing Company, cost 7½ million dollars. The new cars are suitable for many types of loading, including grain, and accommodate a wide range of shipper requirements.

In addition to the new equipment received during the year, modernization of the freight car fleet progressed in the main shops in Milwaukee.

Also, benefits were reaped from the economies produced by the 1 million dollar installation of a "car spot" system, mechanized repair track at the Bensenville, Ill., yard near Chicago. It was in continuous operation during the year with freight cars undergoing repairs 24 hours a day, seven days a week. A total of 33,500 cars was repaired there in 1961.

The Milwaukee, which pioneered among Western railroads in the use of hot box detector equipment, installed units at five more locations in 1961, bringing the total to 11 now in service. The double-track main line territory from Milwaukee to Minneapolis is now protected with these devices and additional detectors will be installed in 1962 to protect the double track main line between Chicago and Savanna, Ill.

No major derailments have occurred on the Milwaukee-Minneapolis line in the two years since installation started.

Electronic Computer and Carscope

Data Processing

One of the most significant developments in 1961 was the installation of a new IBM 7070 electronic computer in the Fullerton Avenue accounting offices in Chicago. Data channeled into the electronic center from points throughout the system provides faster answers for management in many facets of the railroad's operations than were possible previously.

Besides placing the accounting and data processing on a speedier and more efficient basis, important savings will be effected. Major benefits to be realized from the computer include better service to shippers, improved cost control, more precise cost measurement, and more effective direction of sales effort.

The new electronic "brain" and its auxiliary equipment are initially being used in four major accounting areas—freight revenue, purchases and stores, car, and payroll. The use will be expanded to other areas as quickly as studies can be progressed and personnel trained in the operation of the equipment.

Regional Data Offices

Data is fed to the computer center from nine regional data centers located at key points throughout the railroad system which collect information from more than 800 agency offices. Data also is relayed to the center from 40 freight yards.

Centralized freight billing is handled at the regional data centers. Under this procedure the centralized offices determine correct freight rates to be assessed on shipments, prepare and mail freight bills to customers, collect and account for their payments, and perform other functions.

Carscope

Carscope, the centralized car service center in Chicago, lived up fully to the expectations of customer service anticipated when it was established and the experience gained has led to further improvements. The system provides a highly efficient carload tracing, expediting, and reconsigning service which has been enthusiastically acclaimed by our customers.

Wages and Labor Relations

In February, 1961, a special Presidential Railroad Commission began study of the work rules affecting operating employes. The 15-man Commission transmitted its report and recommendations to President Kennedy on February 28, 1962. The study related to work rule changes proposed by the carriers such as the elimination of firemen from diesel engines in freight and yard service, the elimination of the dual basis of pay, and the elimination of restrictions with respect to train crew consist, as well as counter-proposals made by the employe organizations.

In its recommendations the Commission placed public interest first. The railroad industry announced its acceptance of the recommendations of the Commission although it is disappointed in some of the provisions. It is recognized, however, that complex matters of this magnitude are not usually settled to everyone's satisfaction.

Out of these recommendations it is to be hoped there may come a fundamental overhaul of many obsolete work rules that will make the carriers better able to compete with other forms of transportation, give better service to the public, and in the long run offer more secure job opportunities to employes. The carriers have taken initial steps calling on the unions to negotiate within the framework of the report of the Commission.

Other pending labor matters include the request of non-operating employe groups, dated Sept. 1, 1961, for revising and supplementing existing agreements regarding abolition of positions, and for increasing all rates of pay in effect Nov. 1, 1961, by 25 cents an hour, and the request of train dispatchers, dated Oct. 2, 1961, for an 8 per cent increase in all existing rates of pay effective Nov. 1, 1961.

New Suburban Equipment

Suburban service operations were greatly improved in 1961 with the introduction of a fleet of 40 new bi-level, air conditioned passenger coaches, eight of which are equipped with cab control units to provide bi-directional operation of the trains. The cars, manufactured by The Budd Company, Philadelphia, Pa., cost approximately 7 million dollars.

The first train made up of the new coaches went into operation on June 19. Deliveries of new cars continued throughout the summer and all 40 cars were in service in September. It is evident from customer reaction that the new facilities have been well received by the public.

As part of the suburban improvement program, 6 modern 2,400 horsepower diesel-electric passenger locomotives designed for reduced maintenance—equipped with generators for heating, lighting, and air conditioning, and for bi-directional operation—were put into service on the commuter runs. An additional 3 locomotives were rebuilt at the shops in Milwaukee to meet the requirements of the service.

New suburban depots were constructed at Glenview and Northbrook, Ill.

On several week-ends, during periods when most of the new suburban equipment was not required for commuter runs, it was used for one-day excursion trips to points in Wisconsin, thus giving greater utilization and producing additional revenue from the new equipment.

Industrial Development

Industrial development and real estate sales continue in importance to the financial strength and potential of the Milwaukee Road which owns 3,900 acres of industrial real estate. In 1961 a total of 194 pieces of property was sold, amounting to $2,116,684, and the 12,092 leases of railroad property in effect provided an annual rental of $1,574,975.

The number of new industries locating on the Milwaukee Road last year totaled 114 which, along with industrial expansion on the lines, represented an estimated additional annual freight revenue of more than 3 million dollars.

The Chicago Union Station Company, jointly owned by the Milwaukee Road, the Pennsylvania Railroad, and the Burlington Railroad, entered into an option and lease agreement with the British-American investment group headed by Erwin S. Wolfson of New York City for development of air rights in a three-block area over Chicago Union Station property.

Early construction of a multi-storied office building on one of the parcels involved is planned and it is anticipated that ultimately there will be three such buildings.

GN-NP-CB&Q Merger

The application of the Great Northern, Northern Pacific, Burlington and Pacific Coast railroads for authority to consolidate those properties into the Great Northern Pacific & Burlington Lines, Inc., and to lease the properties of the Spokane, Portland and Seattle Railway Company, became the subject of a series of public hearings before the Interstate Commerce Commission starting October 10, 1961. Several weeks have been consumed in the presentation of testimony by witnesses for the applicants and the cross-examination of those witnesses.

Additional dates have been scheduled for continued hearings through the end of June, 1962, at seventeen different cities conveniently located along the lines of the railroads involved and at which the public and other interested parties will present their testimony.

The Milwaukee Road has an important and direct interest in the proposal and is participating in the proceedings to protect that interest. Our interest is not in opposition to the merger as such, but rather to prevail upon the Commission to make its approval subject to certain far reaching conditions which are necessary to preserve realistic and effective competition in the territories served.

Our conditions, six in number, have been given widespread support by public bodies and by shippers.

We confidently expect the Commission will find the conditions are in the public interest and will grant them to safeguard the competitive position of The Milwaukee Road as a leading transcontinental carrier.

Discontinuances

A total of 886,690 train miles in passenger operations was eliminated in 1961 on approval of regulatory agencies, resulting in substantial savings.

The Interstate Commerce Commission approved the discontinuance of Olympian Hiawatha passenger trains between Deer Lodge, Mont., and Seattle-Tacoma, Wash., resulting in an annual saving of 485,450 train miles and estimated net annual dollar savings of $1,715,000.

The Public Service Commission of Wisconsin authorized a reduction in train service between New Lisbon and Wausau, Wis., on the basis of a six-day operation in place of a seven-day weekly operation. This resulted in a discontinuance of 19,136 train miles.

During 1961 a saving of 382,104 train miles resulted from the consolidation of the "City of Los Angeles" and "City of San Francisco," operated by the Milwaukee Road in conjunction with the Union Pacific Railroad between Chicago and Omaha, Neb.

With the approval of state regulatory agencies, service was rearranged at 71 stations to fit in with the present public need at a total annual saving of $365,000. Authority also was granted for further rearrangement of service at 22 stations in Minnesota which will result in additional savings.

Rates

Mail Pay

An increase in rates paid by the United States Post Office Department for the hauling of mail was granted by the Interstate Commerce Commission September 1, 1960. The higher rates resulted in an increase of approximately 6 per cent in our revenues derived from hauling mail in 1961.

Agreed Charges

The Milwaukee Road and two other railroads have asked the full Interstate Commerce Commission to reconsider its 6 to 5 adverse ruling on agreed charge rates published by the three railroads on steel pipe shipments from Sault Ste. Marie, Ont., to Chicago. Under an agreed charge arrangement the shipper is entitled to lower rates if he ships a certain minimum percentage of his total shipments via the railroad publishing such rates.

Joint Line Traffic

Action by the ICC is still awaited on the recommendation of a commission examiner that Eastern and Midwestern railroads receive a greater division of the revenues from joint line traffic between (1) Official and Mountain Pacific territories, and (2) Midwestern and Mountain Pacific territories. The Milwaukee's estimated additional revenue from such increases, if made effective, is over $1,600,000 a year.

Legislation

The second session of the 87th Congress finds the railroads again pressing for relief on various transportation matters.

Bills to permit diversification of services, the creation of a construction reserve fund, the granting of accelerated depreciation, and repeal of the 10 per cent travel tax will be sought. Progress was made when President Kennedy in his message submitting the budget to Congress proposed that the 10 per cent tax on rail and bus tickets be repealed.

Legislation contemplated in Senate Bill 1197 during the 1961 legislative session would jeopardize the combined rate and service advantages inherent in piggybacking and in the transporting of autos on tri-level freight cars. It is expected similar legislation will again be proposed in the 1962 session of Congress. While this legislation was defeated in 1961, strong public support is needed by the railroads to insure its defeat again.

The backers of the legislation are seeking through it to destroy the provisions of the Transportation Act of 1958 which permitted and encouraged the lowering of railroad rates as long as they are compensatory.

Damage Prevention

The Milwaukee Road is continually seeking ways to prevent losses from goods damaged in transit. It participated in a test, completed in 1961, which produced an eight-month record of shipping hundreds of carloads of newsprint by rail with virtually no damage in transit.

The newsprint shipments, which originated in Canada, were routed over the Milwaukee and other railroads to a consignee in the Midwest. The record was set by following implicitly the recommendations made by an Association of American Railroads committee on damage prevention.

Our railroad pioneered in another new service which protects products liable to damage from extreme cold. This is accomplished through the use of insulated freight cars without heaters.

Cartons of temperature-sensitive products with a body heat of approximately 70 degrees are placed in unheated insulated freight cars and delivered after several days to their destination without adverse effects from the cold, the inside temperature of the cars having remained above freezing despite outside temperatures ranging to 20 degrees below zero.

Reduction of Mortgage Bonds

In 1961, mortgage bonds and debentures in the principal amount of $1,426,600 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, 1961, $50,924,000 of mortgage bonds were acquired and cancelled or are held in the Treasury. This amount is more than 26% of the original issue. In addition, $2,100,000 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 $2,358,577.

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..	$ 3,821,000	$2,280,100	$ 232,000	$ 6,333,100	4%	$ 253,324
General Mortgage 4½% Income Bonds, Series A................	23,383,400	610,000	501,500	24,494,900	4½	1,102,271
General Mortgage 4½% Convertible Income Bonds, Series B.........	16,726,300	....	833,700	17,560,000	4½	790,200
Five Per Cent Income Debentures, Series A.......................	1,800,000	....	300,000	2,100,000	5	105,000
The Bedford Belt Ry. Co. First Mortgage Bonds.............	....	19,000	44,000	63,000	4¼	2,678
The Southern Indiana Ry. Co. First Mortgage Bonds.............	....	75,000	256,000	331,000	4¼	14,068
The Chicago, Terre Haute & Southeastern Ry. Co.						
First and Refunding Mortgage Bonds	....	....	545,000	545,000	4¼	23,163
Income Mortgage Bonds...........	....	....	1,597,000	1,597,000	4¼	67,873
Total..................	$45,730,700	$2,984,100	$4,309,200	$53,024,000		$2,358,577

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, 1961, amounted to $275,020,548 compared with $273,690,700 as of December 31, 1960, a net increase of $1,329,848.

Increase:		
Equipment obligations covering purchase of equipment		$12,000,000
Decreases:		
Mortgage Bonds and Debentures:		
Purchased and cancelled during the year through operation of sinking funds—		
First Mortgage 4% Bonds, Series A	$ 370,300	
Less: Bonds held in Treasury at December 31, 1960, delivered to Mortgage Trustee for sinking fund and cancelled during the year	346,300	24,000
General Mortgage 4½% Income Bonds, Series A		642,000
Five Per Cent Income Debentures, Series A	300,000	
Less: Debentures held in Treasury at December 31, 1960, deposited with Trustee for sinking fund and cancelled during the year	300,000	....
Purchased in the open market, surrendered to Mortgage Trustee for cancellation, and cancelled during the year—		
The Bedford Belt Ry. Co. First Mortgage Bonds		2,000
Purchased in the open market by Mortgage Trustee, for cancellation, and cancelled during the year—		
The Southern Indiana Ry. Co. First Mortgage Bonds		24,000
Purchased in the open market during the year and held in Treasury—		
First Mortgage 4% Bonds, Series A		232,000
General Mortgage 4½% Income Bonds, Series A		93,000
General Mortgage 4½% Convertible Income Bonds, Series B		100,600
Five Per Cent Income Debentures, Series A		300,000
C.T.H. & S.E. Ry. Co. First and Refunding Mortgage Bonds		9,000
Equipment Obligations:		
Payment of Equipment Trust Certificates		7,008,000
Payments of Conditional Sale Agreements covering purchase of equipment		2,235,552
Total Decreases		10,670,152
Net Increase		$ 1,329,848

Capital Expenditures—1961

The following is a summary of the capital expenditures made during 1961:

Road property		$ 5,491,665
Improvements on leased property		6,214
New equipment	$15,595,027	
Improvements to existing equipment	2,002,139	17,597,166
Total transportation properties		23,095,045
Miscellaneous physical property		12,987
Total properties		$23,108,032

Equipment delivered during the year:

650—50-ton steel boxcars with roller bearings
100—70-ton steel boxcars with roller bearings
40—gallery type coaches
6—2400 H.P. Diesel-electric passenger locomotive units
149—70-ton hopper cars (rebuilt)

The source of funds for these expenditures was:

Equipment obligations issued for equipment delivered during the year	$11,975,130
Depreciation and retirement charges	5,823,161
Salvage from road and equipment retired	2,456,057
Donations and grants	174,843
Moneys from property sales deposited with Mortgage Trustee withdrawn or to be withdrawn	2,230,350
Other sources	448,491
Total	$23,108,032

Improvement Budget—1962

Expenditures of more than 19¼ million dollars have been budgeted for improvements in 1962. The program includes additions to the freight car fleet, totaling 8½ million dollars, the largest single expenditure; improvement to fixed properties of all kinds, amounting to 6¼ million dollars; and improvement of both freight and passenger service equipment, involving outlays of approximately 4½ million dollars.

The improvements to fixed properties in 1962 include new communication facilities. Among these will be a closed circuit television installation in the passenger coach yard at Western Avenue in Chicago to aid in the movement of trains, the installation of new radio facilities, and extension of the direct dial telephone system beyond Milwaukee and Madison, Wis., to Minneapolis and St. Paul, Minn., and westerly from Chicago to the division headquarters at Savanna, Ill., and Perry, Ia., and to the Milwaukee Road's interconnection with the Union Pacific Railroad at Omaha, Neb.

Other improvements include the laying of new and secondhand rail; replacing, renewing, and strengthening of bridges; rearranging trackage at a coach yard for suburban cars at the Western Avenue facilities in Chicago; and a new Flexi-Van and piggyback yard at Bensenville, Ill.

All the 655 new freight cars to be acquired in 1962 will be equipped with roller bearings. The new equipment to be delivered includes: 500—70-ton 50-foot boxcars with plug and sliding doors; 55—70-ton damage-free type insulated boxcars; 50—70-ton airslide cars; 25—70-ton 4,030 cubic foot covered hopper cars; 15—70-ton 50-foot cushion underframe damage-free boxcars; 10—70-ton boxcars with 9-foot plain doors.

The 1962 program for the improvement of rolling stock in the main shops in Milwaukee includes a substantial program of rebuilding freight cars and refrigerator cars as well as heavy repairs to our freight car fleet.

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
111 WEST MONROE STREET
CHICAGO 3, ILLINOIS

Accountants' Report

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

We have examined the balance sheet of Chicago, Milwaukee, St. Paul and Pacific Railroad Company as of December 31, 1961 and the related statement of income and retained income for the year then ended. 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.

The company is required to maintain its accounts in accordance with the rules and regulations of the Interstate Commerce Commission, which differ in some respects from generally accepted accounting principles. Such differences are explained in note 1 to the financial statements.

In our opinion, except for the effect of the matters referred to in the preceding paragraph, the accompanying balance sheet and statement of income and retained income present fairly the financial position of Chicago, Milwaukee, St. Paul and Pacific Railroad Company at December 31, 1961 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the statement of available net income and application thereof, and it is our opinion that such statement presents fairly the computations of "available net income" for the year ended December 31, 1961, in conformity with the provisions of the indentures.

PEAT, MARWICK, MITCHELL & CO.

Chicago, Illinois
February 23, 1962

Statement of Income and Retained Income

YEAR ENDED DECEMBER 31, 1961 WITH COMPARATIVE FIGURES FOR 1960

	1961	1960
OPERATING REVENUES		
Freight	$183,347,242	$189,560,907
Passenger, mail and express	25,957,633	27,623,958
Other	12,527,241	13,178,037
	221,832,116	230,362,902
OPERATING EXPENSES		
Transportation	88,403,981	93,769,244
Maintenance of way and structures	30,341,487	33,691,970
Maintenance of equipment	35,481,494	39,048,693
Traffic	6,314,954	6,581,454
General and other	15,341,647	14,838,442
	175,883,563	187,929,803
NET REVENUE FROM RAILWAY OPERATIONS	45,948,553	42,433,099
TAXES AND RENTS (note 1)		
Payroll and other taxes	19,245,000	20,137,000
Equipment and joint facility rents, net	12,590,843	12,641,791
	31,835,843	32,778,791
NET RAILWAY OPERATING INCOME	14,112,710	9,654,308
OTHER INCOME		
Gain on sales of properties, net	1,506,731	1,405,780
Dividends and interest (note 2)	822,088	1,309,234
Miscellaneous, net	848,375	873,023
	3,177,194	3,588,037
	17,289,904	13,242,345
FIXED INTEREST ON LONG-TERM DEBT (including amortization of discount)	5,776,173	5,677,502
	11,513,731	7,564,843
CONTINGENT INTEREST ON LONG-TERM DEBT	6,185,559	6,241,780
NET INCOME	5,328,172	1,323,063
RETAINED INCOME AT BEGINNING OF YEAR	81,028,241	84,767,002
	86,356,413	86,090,065
ADD:		
Discount on mortgage bonds and debentures reacquired	367,626	617,791
Miscellaneous credits	....	98,517
	86,724,039	86,806,373
DEDUCT:		
Provision for land grant repayments on shipments prior to October 1, 1946, less related Federal income tax benefit	345,895	....
Dividends:		
Preferred—$5.00 per share	2,593,260	2,593,260
Common—$1.50 per share, 1960	....	3,184,872
	2,939,155	5,778,132
RETAINED INCOME AT END OF YEAR	$ 83,784,884	$ 81,028,241

See accompanying notes to financial statements.

BALANC

DECEMBER 31, 1961 WI

ASSETS	1961	1960
CURRENT ASSETS		
Cash and temporary cash investments	$ 16,351,502	$ 19,954,357
Accounts receivable	21,416,747	19,417,396
Material and supplies, at cost	16,580,576	18,430,319
Other current assets	1,670,706	1,428,952
TOTAL CURRENT ASSETS	56,019,531	59,231,024
SPECIAL FUNDS	1,186,116	2,199,299
INVESTMENTS, at cost (note 2)		
Affiliated companies	20,900,184	18,688,869
Other companies	596,058	670,601
TOTAL INVESTMENTS	21,496,242	19,359,470
PROPERTIES (notes 1 and 3)		
Road and roadway structures, etc.	676,783,837	674,537,236
Equipment	347,353,095	341,373,463
Acquisition adjustment and donations and grants (credits)	(177,542,970)	(177,733,674)
TOTAL TRANSPORTATION PROPERTIES	846,593,962	838,177,025
Less allowances for depreciation and amortization	262,702,751	257,547,044
NET TRANSPORTATION PROPERTIES	583,891,211	580,629,981
Nonoperating property, less depreciation	4,508,889	4,892,692
NET PROPERTIES	588,400,100	585,522,673
OTHER ASSETS AND DEFERRED CHARGES	6,349,330	6,238,239
TOTAL ASSETS	$673,451,319	$672,550,705

See accompanying notes to financial statements.

SHEET

COMPARATIVE FIGURES FOR 1960

LIABILITIES AND SHAREHOLDERS' EQUITY	1961	1960
CURRENT LIABILITIES		
Accounts payable	$ 24,994,744	$ 27,388,427
Payroll and vacation pay (note 4)	10,357,375	12,191,090
Accrued taxes (note 5)	9,202,129	8,923,827
Other current liabilities	1,071,995	1,153,008
TOTAL CURRENT LIABILITIES (exclusive of equipment obligations due within one year)	45,626,243	49,656,352
EQUIPMENT OBLIGATIONS DUE WITHIN ONE YEAR	8,908,041	8,843,552
LONG-TERM DEBT		
Mortgage bonds	139,143,200	140,269,800
Five per cent income debentures	57,900,000	58,200,000
Equipment obligations	69,069,307	66,377,348
TOTAL LONG-TERM DEBT	266,112,507	264,847,148
RESERVES AND OTHER LIABILITIES (note 4)	4,804,127	3,959,895
TOTAL LIABILITIES	325,450,918	327,306,947
SHAREHOLDERS' EQUITY		
Capital stock (note 6)		
Common stock—no par value (stated value $100 per share). Authorized 2,637,450 shares (including 514,221 shares reserved for conversion of General Mortgage Bonds, Series B); issued and outstanding 2,123,214 shares	212,321,400	212,321,400
Preferred stock—par value $100 per share, 5% participating. 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 (note 1)	28,917	28,917
Retained income:		
Appropriated	44,036,265	44,020,761
Unappropriated	39,748,619	37,007,480
	83,784,884	81,028,241
TOTAL SHAREHOLDERS' EQUITY	348,000,401	345,243,758
CONTINGENT LIABILITIES (note 7)		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$673,451,319	$672,550,705

Statement of Available Net Income

YEAR ENDED DECEMBER 31, 1961 WITH COMPARATIVE FIGURES FOR 1960

	1961	1960
INCOME AVAILABLE FOR FIXED CHARGES	$ 17,289,904	$ 13,242,345
FIXED CHARGES		
Rent for leased roads and equipment	420	420
Interest on long-term debt:		
On First Mortgage 4% Bonds, Series A	2,135,766	2,145,645
On modified Terre Haute bonds	533,890	535,706
On equipment obligations	2,988,859	2,884,166
Interest on unfunded debt	1,933	233
Amortization of discount on long-term debt	115,305	111,332
TOTAL FIXED CHARGES	5,776,173	5,677,502
INCOME AFTER FIXED CHARGES	11,513,731	7,564,843
Add charges to operating expenses representing the service value of nondepreciable roadway property retired and not replaced	273,130	102,024
AVAILABLE NET INCOME—as defined in the First Mortgage and General Mortgage indentures	11,786,861	7,666,867
APPLICATION OF SUCH AVAILABLE NET INCOME		
Appropriated for sinking fund for retirement of First Mortgage 4% Bonds, Series A	301,628	286,816
Contingent interest on General Mortgage 4½% Income Bonds, Series A	1,477,459	1,513,512
Contingent interest on modified Terre Haute bonds	290,892	290,487
Contingent interest on General Mortgage 4½% Convertible Income Bonds, Series B	1,522,909	1,534,382
Appropriated for sinking fund for retirement of General Mortgage 4½% Income Bonds, Series A and Series B	543,393	543,393
	4,136,281	4,168,590
REMAINING AVAILABLE NET INCOME	7,650,580	3,498,277
Deduct charges to operating expenses representing the service value of nondepreciable roadway property retired and not replaced	273,130	102,024
AVAILABLE NET INCOME—as defined in the indenture relating to Five Per Cent Income Debentures, Series A	7,377,450	3,396,253
APPLICATION OF SUCH AVAILABLE NET INCOME		
Contingent interest on Five Per Cent Income Debentures, Series A	2,894,300	2,903,400
Appropriated for sinking fund for retirement of Five Per Cent Income Debentures, Series A	176,435	182,626
	3,070,735	3,086,026
REMAINDER AVAILABLE FOR PAYMENT OF DIVIDENDS OR ANY OTHER PROPER CORPORATE PURPOSES	$ 4,306,715	$ 310,227

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 1961

1. The accompanying financial statements have been prepared in conformity with accounting principles prescribed or authorized by the Interstate Commerce Commission. The effect of certain of these principles is explained below:

   a. As required by the Commission, depreciation provisions as recorded in the books are computed by the straight-line method, whereas larger amounts are ordinarily deducted in determining Federal income taxes. The differences result, in part, from use of the declining-balance method and amortization of emergency facilities for tax purposes. Under generally accepted accounting principles, it is customary in such cases to record a tax provision in each year equal to the resulting tax reduction, measured by applying the tax rate then in effect to the amount of additional deductions. This practice is not permitted by the Commission. Had it been followed, the Company's recorded Federal income tax provisions through 1961 would have been greater by approximately $25,591,000. Of this amount, $818,000 is applicable to 1961 and $1,384,000 to 1960, based upon additional deductions of approximately $1,574,000 and $2,661,000, respectively.

   b. The acquisition adjustment account was created as required by the Commission in connection with the reorganization of the Company as of January 1, 1944. The account was credited as of that date with an amount of approximately $171,000,000 representing the excess of Company assets over amounts ascribed to capital stocks, bonds, and other liabilities. It appears that all or substantially all of this amount would have been credited instead to the capital surplus account, had generally accepted accounting principles been applied.

2. Investments in affiliated companies include $7,023,010 pledged as collateral to mortgage bonds. Cost of stock held in unconsolidated subsidiaries in the amount of $655,000 is included in this account. The Company's equity in the retained income since acquisition of the subsidiaries (as shown by their unaudited financial statements) amounted to $1,502,752 at December 31, 1961. Operations of the subsidiaries resulted in a net loss of $133,601 in 1961, and net income of $376,282 in 1960. Other income includes dividends of $315,000 in 1961 and $400,000 in 1960 from the subsidiary companies.

3. The road and equipment property is stated at original cost or estimated original cost as determined by the Interstate Commerce Commission plus additions and betterments at cost, less retirements. Consistent with the practice generally followed by Class I railroads, the Company had not provided for depreciation on road property prior to 1942; however, a provision for past depreciation was recorded at 30% of original cost as of January 1, 1944.

4. Vacation pay liability, heretofore classified among reserves and other liabilities, has been included in current liabilities in 1961. Figures for 1960 have been restated to reflect a corresponding transfer of $5,532,147 from reserves and other liabilities to current liabilities at December 31, 1960.

5. The Federal income tax returns of the Company have been examined by the Internal Revenue Service through the year 1955 and all tax liabilities have been provided for in the accounts. At December 31, 1961 the Company has available a total loss carryforward of $6,182,000 which may result in future tax reductions of $3,215,000.

6. In 1961 the Company adopted a restricted stock option plan which provides for the issuance of options on 75,000 shares of common stock to officers and key employees through March, 1971. The stock offered under the plan may be unissued shares or reacquired shares as determined by the Board of Directors. Option prices are fixed at current market value at the date the options are granted. Options are exercisable one year from the date of the grant with a maximum of 33⅓% of the shares subject to the option exercisable in any one year for a period of ten years from such date. At December 31, 1961, options had been granted for the purchase of 51,000 shares and 8,250 shares at $16.00 and $16.50, respectively.

7. The Company was liable as guarantor, jointly with other railroads, of certain obligations of affiliated companies amounting to approximately $107,550,000 at December 31, 1961. Also the Company is contingently liable as guarantor along with other railroads for its proportion (2.7%) and its proportionate share of any contingent obligations not met by other railroad participants, of obligations of Trailer Train Company aggregating approximately $84,700,000.

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

INVESTMENTS—DECEMBER 31, 1961

Description	Number of Shares	Extent of Control Per Cent	Ledger Amount
AFFILIATED COMPANIES			
WHOLLY-OWNED SUBSIDIARIES			
CAPITAL STOCKS:			
Bremerton Freight Car Ferry, Incorporated	10,000	100	$ 105,000
Milwaukee Land Company ... A	5,000	100	500,000
The Milwaukee Motor Transportation Company ... A	500	100	50,000
TOTAL CAPITAL STOCKS			655,000
NOTE			
Milwaukee Land Company ... A		100	2,652,000
ADVANCES			
Milwaukee Land Company		100	905,640
The Milwaukee Motor Transportation Company		100	3,349,154
TOTAL ADVANCES			4,254,794
TOTAL INVESTMENTS—WHOLLY-OWNED SUBSIDIARIES			7,561,794
JOINTLY-OWNED TERMINAL, SWITCHING, AND OTHER COMPANIES			
CAPITAL STOCKS:			
Chicago, Terre Haute & Southeastern Railway Company	40,755.05	53.98	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	20.2	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	11 1/9	91,300
The Pullman Company	9,426	1.28	348,762
The St. Paul Union Depot Company ... A	1,036	12½	130,475
Trailer Train Company	500	2.7	98,860
TOTAL CAPITAL STOCKS			4,276,866
NOTE			
Railway Express Agency, Incorporated		2.6	751,804
ADVANCES			
Chicago Union Station Company		25	4,851,462
Davenport, Rock Island & North Western Railway Company		50	1,288,970
Des Moines Union Railway Company		50	864,500
Kansas City Terminal Railway Company		8⅓	710,878
Packers Car Line Company		9.56	58,124
The Minnesota Transfer Railway Company		11 1/9	327,256
The St. Paul Union Depot Company		12½	208,530
TOTAL ADVANCES			8,309,720
TOTAL INVESTMENT—AFFILIATED COMPANIES			20,900,184
OTHER COMPANIES			
STOCKS			
Miscellaneous			7,668
DEBENTURES			
Century 21 Exposition, Inc.			25,000
Consumers Cooperative Oil Company			46
TOTAL DEBENTURES			25,046
NOTE			
C. H. Lien Construction Company			1,500
SALE AGREEMENTS			
Best Built Company			29,250
Cargill, Incorporated			360,000
General Warehouse & Transportation Company			22,000
J. K. Fiddes			51,800
J. Lentin Lumber Company (Nominee-Franklin Park Realty Corp.)			33,250
Monarch Warehouses, Incorporated			24,320
Steven J. Kipper, Jr.			29,599
Other companies and individuals			11,625
TOTAL SALE AGREEMENTS			561,844
TOTAL INVESTMENT—OTHER COMPANIES			596,058
TOTAL INVESTMENTS			$21,496,242

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	$ 19,558,994	$ 80,492	$ 84,491	$ 19,554,995
Land for transportation purposes	38,834,746	272,486	312,847	38,794,385
Other right-of-way expenditures	458,504	38,173	3,472	493,205
Grading	143,147,581	384,056	264,053	143,267,584
Tunnels and subways	9,905,298	433,702	798	10,338,202
Bridges, trestles, and culverts	77,639,283	995,311	360,055	78,274,539
Ties	34,719,533	88,567	109,276	34,698,824
Rails	69,050,158	146,506	147,684	69,048,980
Other track material	47,844,723	226,379	99,097	47,972,005
Ballast	26,490,726	94,373	46,074	26,539,025
Track laying and surfacing	33,260,381	97,970	100,603	33,257,748
Fences, snowsheds, and signs	5,412,327	332	8,954	5,403,705
Station and office buildings	26,214,359	515,119	425,948	26,303,530
Roadway buildings	2,083,133	7,723	22,224	2,068,632
Water stations	1,037,214	(1,498)	6,922	1,028,794
Fuel stations	749,760	(1,407)	1,858	746,495
Shops and enginehouses	20,042,744	222,833	718,082	19,547,495
Storage warehouses	64,349	....	....	64,349
Wharves and docks	1,578,247	(9,385)	23,106	1,545,756
Communication systems	6,707,190	341,546	52,428	6,996,308
Signals and interlockers	21,693,274	408,978	92,716	22,009,536
Power plants	1,611,871	(30,161)	37,166	1,544,544
Power-transmission systems	9,745,739	97,683	28,953	9,814,469
Miscellaneous structures	667,495	....	3,986	663,509
Roadway machines	9,013,490	340,902	3,253	9,351,139
Roadway small tools	322,443	(1,042)	77	321,324
Public improvements—Construction	14,833,711	631,092	21,229	15,443,574
Other expenditures—Road	335	....	....	335
Shop machinery	7,538,311	69,652	110,282	7,497,681
Power-plant machinery	5,483,619	41,159	58,454	5,466,324
TOTAL ROAD	635,709,538	5,491,541	3,144,088	638,056,991
EQUIPMENT:				
Locomotives	124,307,862	2,000,169	1,958,230	124,349,801
Freight-train cars	176,524,664	8,893,281	5,936,211	179,481,734
Passenger-train cars	31,110,939	6,444,416	3,483,129	34,072,226
Floating equipment	278,731	....	....	278,731
Work equipment	6,763,815	20,617	124,792	6,659,640
Miscellaneous equipment	2,387,452	238,683	115,172	2,510,963
TOTAL EQUIPMENT	341,373,463	17,597,166	11,617,534	347,353,095
GENERAL EXPENDITURES	38,208,557	124	102,960	38,105,721
IMPROVEMENTS ON LEASED PROPERTY	619,141	6,214	4,230	621,125
TOTAL OPERATING PROPERTIES	1,015,910,699	23,095,045	14,868,812	1,024,136,932
MISCELLANEOUS PHYSICAL PROPERTY:				
Non-operating property	6,967,518	12,987	236,658	6,743,847
Track material loaned	205,036	6,399	75,275	136,160
TOTAL MISCELLANEOUS PHYSICAL PROPERTY	7,172,554	19,386	311,933	6,880,007
TOTAL PROPERTIES BEFORE RECORDED DEPRECIATION	$ 1,023,083,253	$ 23,114,431	$ 15,180,745	$ 1,031,016,939

( ) Denotes adjustment of prior year

CONTINGENT LIABILITIES WITH RESPECT TO SECURITIES OF OTHER COMPANIES AS OF DECEMBER 31, 1961

Items	Amount
Chicago Union Station Company:	
1. First Mortgage Bonds, 3⅛%, Series F, due July 1, 1963	$ 13,472,000
2. First Mortgage Bonds, 2⅞%, Series G, due July 1, 1963	33,091,000
3. Note 4½% due July 1, 1963	2,500,000
	49,063,000
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	7,235,000
2. Equipment Trust Certificates, 2⅜%, due annually September 15, 1962 to September 15, 1964	594,000
3. Equipment Trust Certificates, 2¼%, due annually February 15, 1962 to February 15, 1965	480,000
	8,309,000
Principal and interest is guaranteed jointly and severally by the Railroad Company, New York Central Railroad Company, Michigan Central Railroad Company and Chicago and North Western Railway Company.	
Kansas City Terminal Railway Company:	
1. First Mortgage Serial Bonds, due annually October 1, 1962 to October 1, 1974	37,844,000
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.	
Packers Car Line Company:	
1. Conditional Sale Agreements	265,488
The Railroad Company's portion of principal guaranteed, based on its proportion of stock ownership—9.56%.	
The Minnesota Transfer Railway Company:	
1. 3¾% Sinking Fund Promissory Notes, due June 1, 1976	1,421,000
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	10,648,000
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.	
Trailer Train Company:	
1. Conditional Sale Agreements	2,286,786
The Railroad Company's portion of principal guaranteed, based on its proportion of stock ownership—2.70%.	
Total	$109,837,274

LONG-TERM DEBT, DECEMBER 31, 1961

Description	Date of Issue	Date of Maturity	Amount Originally Issued or Assumed	Amount as of Dec. 31, 1961	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	$ 53,414,000	$ 232,000	$ 53,182,000	4	J. & J.	$ 2,135,766
General mortgage income bonds, Series A	Jan. 1, 1944	Jan. 1, 2019	57,256,600	33,263,200	501,500	32,761,700	4½	April	1,477,459
General mortgage convertible income bonds, Series B	Jan. 1, 1944	Jan. 1, 2044	51,422,100	34,640,400	833,700	33,806,700	4½	April	1,522,909
Five per cent income debentures, Series A	Jan. 1, 1955	Jan. 1, 2055	60,000,000	58,200,000	300,000	57,900,000	5	M. & S.	2,894,300
The Bedford Belt Ry. Co. first mortgage bonds	Jan. 1, 1946	Jan. 1, 1994	350,000	331,000	*144,000	187,000	4¼	J.A. & J.	7,981
The Southern Indiana Ry. Co. first mortgage bonds	Jan. 1, 1946	Jan. 1, 1994	7,287,000	7,212,000	256,000	6,956,000	4¼	J.A. & J.	296,035
Chicago, Terre Haute and Southeastern Ry. Co.:									
First and refunding mortgage bonds	Jan. 1, 1946	Jan. 1, 1994	9,571,000	9,571,000	**2,060,000	7,511,000	4¼	J.A. & J.	319,367
Income mortgage bonds	Jan. 1, 1946	Jan. 1, 1994	6,335,800	6,335,800	1,597,000	4,738,800	4¼	J.A. & J.	201,399
Equipment obligations (See details below)			177,298,143	77,977,348	....	77,977,348			2,988,859
Total long-term debt			$429,035,743	$280,944,748	$5,924,200	$275,020,548			$11,844,075

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

EQUIPMENT OBLIGATIONS, DECEMBER 31, 1961

Description	Date of Lease or Agreement	Date of Final Maturity	Original Cost of Equipment	Amount Originally Issued	Amount Outstanding Dec. 31, 1961	Principal Payable During 1962	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	$ 1,010,000	$ 404,000	2⅜	A. & O.	$ 28,785
Series JJ	Sept. 1, 1949	Sept. 1, 1964	7,604,384	5,640,000	1,128,000	376,000	2⅛	M. & S.	27,299
Series KK	Oct. 1, 1949	Oct. 1, 1964	6,026,868	4,500,000	900,000	300,000	2¼	A. & O.	23,625
Series LL	June 1, 1950	June 1, 1965	6,289,514	4,650,000	1,085,000	310,000	2¼	J. & D.	29,062
Series MM	Nov. 1, 1950	Nov. 1, 1965	7,251,863	5,430,000	1,448,000	362,000	2½	M. & N.	41,479
Series NN	June 1, 1951	June 1, 1961	7,254,678	5,300,000	....	....	2⅞	J. & D.	3,173
Series OO	Oct. 1, 1951	Oct. 1, 1966	10,053,530	7,500,000	2,500,000	500,000	2⅞	A. & O.	79,063
Series PP	Mar. 1, 1952	Mar. 1, 1967	3,215,855	2,400,000	880,000	160,000	2⅞	M. & S.	27,217
Series QQ	Sept. 1, 1952	Sept. 1, 1967	5,441,323	3,990,000	1,596,000	266,000	3⅛	M. & S.	53,338
Series RR	Jan. 1, 1954	Jan. 1, 1969	10,379,112	7,650,000	3,825,000	510,000	3⅛	J. & J.	123,517
Series SS	July 1, 1954	July 1, 1969	9,931,620	7,800,000	4,160,000	520,000	2¾	J. & J.	117,975
Series TT	Nov. 1, 1954	Nov. 1, 1969	9,141,903	7,200,000	3,840,000	480,000	2⅞	M. & N.	118,450
Series UU	Jan. 1, 1956	Jan. 1, 1971	9,655,380	7,500,000	4,750,000	500,000	3⅜	J. & J.	164,533
Series VV (1st Install.)	Feb. 1, 1957	Feb. 1, 1972	11,745,718	3,000,000	2,100,000	200,000	4	F. & A.	86,667
Series VV (2nd Install.)	Feb. 1, 1957	Feb. 1, 1972		6,000,000	4,200,000	400,000	4⅜	F. & A.	189,584
Series WW	Jan. 1, 1958	Jan. 1, 1973	6,814,810	5,400,000	4,140,000	360,000	4⅛	J. & J.	174,488
Series XX	Feb. 1, 1959	Feb. 1, 1974	7,419,495	5,850,000	4,875,000	390,000	4½	F. & A.	225,225
Series YY (1st Install.)	Feb. 1, 1960	Feb. 1, 1975	9,683,950	3,000,000	2,700,000	200,000	4⅞	F. & A.	134,875
Series YY (2nd Install.)	Feb. 1, 1960	Feb. 1, 1975		4,650,000	4,185,000	310,000	4¾	F. & A.	203,696
Series ZZ	Mar. 1, 1961	Mar. 1, 1976	7,424,925	5,850,000	5,655,000	390,000	4	M. & S.	179,400
Conditional Sale Agreements:									
The First National Bank of Chicago, Assignee of the Sellers:									
Pacific Car & Foundry Co.	May 1, 1956	Nov. 1, 1964	1,843,205	1,428,400	548,442	190,250	3.95	F.M.A.&N.	24,997
First Wisconsin National Bank of Milwaukee and Northwestern National Bank of Minneapolis, Assignees of the Sellers:									
General Motors Corpn.	Feb. 25, 1953	May 1, 1961	1,543,977	1,155,000	....	....	3	F.M.A.&N.	505
Fairbanks, Morse & Co.	July 15, 1953	Nov. 1, 1961	531,102	396,000	....	....	3	F.M.A.&N.	758
American Locomotive Co.	July 15, 1953	Nov. 1, 1961	529,935	396,000	....	....	3	F.M.A.&N.	758
Baldwin-Lima-Hamilton Corporation	July 15, 1953	Nov. 1, 1961	357,568	264,000	....	....	3	F.M.A.&N.	505
Seattle-First National Bank, Assignee of the Sellers:									
Baldwin-Lima-Hamilton Corporation	Sept. 1, 1953	Nov. 1, 1961	357,568	264,000	....	....	3.35	F.M.A.&N.	571
General Motors Corpn.	Sept. 1, 1953	Nov. 1, 1961	1,670,914	1,236,000	....	....	3.35	F.M.A.&N.	2,673
American Locomotive Co.	Sept. 1, 1953	Feb. 1, 1962	529,935	396,000	14,040	14,040	3.35	F.M.A.&N.	1,320
Continental Illinois National Bank and Trust Company of Chicago, Assignee of the Sellers:									
Pullman, Incorporated	May 1, 1958	Nov. 1, 1973	4,920,125	4,920,125	3,917,608	328,008	4.40	M. & N.	180,794
General American Transportation Corporation	May 1, 1958	Nov. 1, 1973	6,165,438	6,165,438	4,885,360	411,029	4.40	M. & N.	225,506
United States Railway Equipment Co.	May 1, 1958	Nov. 1, 1973	570,706	570,706	456,565	38,047	4.40	M. & N.	21,065
General Motors Corpn.	Jan. 15, 1959	Mar. 1, 1974	8,680,000	8,680,000	7,233,333	578,667	5	M. & S.	373,722
General Motors Corpn.	May 1, 1961	May 1, 1976	1,332,480	1,332,480	1,288,064	88,832	5.25	M. & N.	40,419
The Budd Company	May 1, 1961	May 1, 1976	4,817,520	4,817,520	4,656,936	321,168	5.25	M. & N.	83,815
Total equipment obligations			$177,298,143	$141,391,669	$77,977,348	$8,908,041			$2,988,859

Payments Maturing in Years Ending:

December 31, 1962	$ 8,908,041	December 31, 1967	$ 6,371,751	December 31, 1972	$ 3,715,751
December 31, 1963	8,901,627	December 31, 1968	6,025,751	December 31, 1973	3,170,271
December 31, 1964	8,662,066	December 31, 1969	5,770,751	December 31, 1974	1,794,335
December 31, 1965	7,468,751	December 31, 1970	4,515,751	December 31, 1975	1,055,000
December 31, 1966	6,951,751	December 31, 1971	4,265,751	December 31, 1976	400,000
				Total	$77,977,348

MILES OF ROAD BY STATES, DECEMBER 31, 1961

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	10.50					166.41
Iowa	#1,199.93	514.58	.08	.04	.10	67.06	1,781.79
Kansas						7.05	7.05
Michigan	57.82	119.78		.25		5.83	183.68
Minnesota	755.35	351.50	5.03	22.70		194.10	1,328.68
Missouri	130.02		9.44			16.51	155.97
Montana	747.53	473.04		29.99		.46	1,251.02
Nebraska						5.62	5.62
North Dakota	102.50	263.29		1.10			366.89
South Dakota	1,042.63	691.81					1,734.44
Washington	314.69	466.99	26.88	50.00		201.10	1,059.66
Wisconsin	1,039.28	472.06		16.34		70.51	1,598.19
Total	6,091.38	3,591.93	43.83	120.56	.10	709.66	10,557.46

#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, 1961

Items	Owned Solely	Owned Jointly	Leased	Trackage Rights	Total
Miles of Road (First Main Track):					
Operated	*9,683.31	164.39	.10	709.66	10,557.46
Not operated	3.62				3.62
Additional Main Tracks:					
Operated	693.42	14.24	.41	313.29	1,021.36
Not operated					
Yard Tracks and Sidings:					
Operated	*3,211.89	258.66	2.19	478.54	3,951.28
Not operated	2.28	26.26			28.54
Total operated	13,588.62	437.29	2.70	1,501.49	15,530.10
Total not operated	5.90	26.26			32.16
Grand Total	13,594.52	463.55	2.70	1,501.49	15,562.26

*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

	1961	1960	Increase	Decrease
Transportation				
Freight	$183,347,242	$189,560,907	....	$ 6,213,665
Passenger	13,138,585	15,174,969	....	2,036,384
Baggage	66,111	79,806	....	13,695
Parlor and chair car	72,639	83,476	....	10,837
Mail	9,931,741	9,418,410	$ 513,331	....
Express	2,887,307	3,030,579	....	143,272
Other passenger-train	103,886	107,746	....	3,860
Milk	15,888	18,260	....	2,372
Switching	6,016,610	5,979,910	36,700	....
Total Transportation Revenue	215,580,009	223,454,063	....	7,874,054
Incidental				
Dining and buffet	1,262,011	1,521,218	....	259,207
Station, train, and boat privileges	49,213	57,552	....	8,339
Storage—Freight	6,592	8,015	....	1,423
Storage—Baggage	....	3,631	....	3,631
Demurrage	1,001,098	1,240,131	....	239,033
Communication	50,191	55,650	....	5,459
Rents of buildings and other property	254,199	257,841	....	3,642
Miscellaneous	462,283	461,149	1,134	....
Total Incidental Operating Revenue	3,085,587	3,605,187	....	519,600
Joint Facility				
Joint facility—Credit	3,179,147	3,315,646	....	136,499
Joint facility—Debit	(12,627)	(11,994)	(633)	....
Total Joint Facility Operating Revenue	3,166,520	3,303,652	....	137,132
Total Railway Operating Revenue	$221,832,116	$230,362,902	....	$ 8,530,786

( ) Denotes contra items.

RAILWAY OPERATING EXPENSES

	1961	1960	Increase	Decrease
Maintenance of Way and Structures				
Superintendence	$ 2,937,045	$ 3,108,012	....	$ 170,967
Roadway maintenance	2,735,748	2,861,659	....	125,911
Tunnels and subways	25,002	10,889	14,113	....
Bridges, trestles, and culverts	800,219	986,082	....	185,863
Ties	1,119,907	1,793,766	....	673,859
Rails	234,749	592,902	....	358,153
Other track material	1,174,920	1,336,407	....	161,487
Ballast	242,768	217,365	25,403	....
Track laying and surfacing	5,897,138	6,515,560	....	618,422
Fences, snowsheds, and signs	296,533	319,315	....	22,782
Station and office buildings	623,011	828,484	....	205,473
Roadway buildings	59,271	55,448	3,823	....
Water stations	10,672	12,115	....	1,443
Fuel stations	22,585	26,908	....	4,323
Shops and enginehouses	511,062	574,222	....	63,160

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

	1961	1960	Increase	Decrease
Maintenance of Way and Structures				
Wharves and docks	$ 48,920	$ 56,714		$ 7,794
Communication systems	789,623	935,578		145,955
Signals and interlockers	1,555,719	1,838,913		283,194
Power plants	28,377	31,898		3,521
Power-transmission systems	300,464	301,492		1,028
Miscellaneous structures	10,359	9,685	$ 674	
Road property—Depreciation	5,109,307	5,028,247	81,060	
Retirements—Road	290,594	197,350	93,244	
Roadway machines	681,565	706,168		24,603
Dismantling retired road property	230,562	107,360	123,202	
Small tools and supplies	655,768	780,012		124,244
Removing snow, ice and sand	529,286	841,898		312,612
Public improvements—Maintenance	547,181	736,255		189,074
Injuries to persons	285,101	326,277		41,176
Insurance	49,421	50,816		1,395
Stationery and printing	71,424	71,268	156	
Other expenses	702,956	419,344	283,612	
Right-of-way expenses	32,781	43,266		10,485
Maintaining joint tracks, yards, and other facilities—Debit	2,302,759	2,725,332		422,573
Maintaining joint tracks, yards, and other facilities—Credit	(571,310)	(755,037)		(183,727)
Total Maintenance of Way and Structures	30,341,487	33,691,970		3,350,483
Maintenance of Equipment				
Superintendence	1,727,775	1,716,762	11,013	
Shop machinery	444,769	521,695		76,926
Power-plant machinery	137,912	133,941	3,971	
Shop and power-plant machinery—Depreciation	289,959	284,088	5,871	
Dismantling retired shop and power-plant machinery	591	3,681		3,090
Other locomotives—Repairs	10,658,156	12,448,450		1,790,294
Freight-train cars—Repairs	7,140,604	9,119,749		1,979,145
Passenger-train cars—Repairs	2,527,302	2,844,061		316,759
Work equipment—Repairs	251,533	249,163	2,370	
Miscellaneous equipment—Repairs	220,217	196,990	23,227	
Dismantling retired equipment	40,728	110,983		70,255
Retirements—Equipment	(148,645)	(139,163)	(9,482)	
Equipment—Depreciation	10,814,840	10,468,468	346,372	
Injuries to persons	318,741	245,956	72,785	
Insurance	66,048	66,754		706
Stationery and printing	51,926	42,632	9,294	
Other expenses	690,182	477,426	212,756	
Joint maintenance of equipment expenses—Debit	281,312	292,109		10,797
Joint maintenance of equipment expenses—Credit	(32,456)	(35,052)		(2,596)
Total Maintenance of Equipment	35,481,494	39,048,693		3,567,199
Traffic				
Superintendence	1,836,113	1,853,253		17,140
Outside agencies	3,177,661	3,420,570		242,909
Advertising	553,810	641,695		87,885
Traffic associations	311,812	316,941		5,129
Industrial and immigration bureaus	51,691	50,793	898	
Insurance	958	991		33
Stationery and printing	286,852	267,539	19,313	
Other expenses	96,057	29,672	66,385	
Total Traffic Expenses	$ 6,314,954	$ 6,581,454		$ 266,500

( ) Denotes contra items.

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

	1961	1960	INCREASE	DECREASE
TRANSPORTATION				
Superintendence	$ 2,854,370	$ 2,981,453	....	$ 127,083
Dispatching trains	740,943	737,390	$ 3,553	....
Station employees	11,123,541	12,568,811	....	1,445,270
Weighing, inspection, and demurrage bureaus	303,490	307,278	....	3,788
Station supplies and expenses	994,979	1,091,896	....	96,917
Yardmasters and yard clerks	3,937,364	3,991,133	....	53,769
Yard conductors and brakemen	9,067,394	9,303,622	....	236,228
Yard switch and signal tenders	679,801	730,410	....	50,609
Yard enginemen	5,956,937	6,155,278	....	198,341
Yard switching fuel	873,708	923,737	....	50,029
Yard switching power purchased	11,573	11,946	....	373
Water for yard locomotives	16,269	17,360	....	1,091
Lubricants for yard locomotives	91,836	83,523	8,313	....
Other supplies for yard locomotives	46,793	49,721	....	2,928
Enginehouse expenses—Yard	471,332	498,339	....	27,007
Yard supplies and expenses	509,704	466,959	42,745	....
Operating joint yards and terminals—Debit	5,451,343	5,790,981	....	339,638
Operating joint yards and terminals—Credit	(665,643)	(683,719)	....	(18,076)
Train enginemen	9,137,583	9,533,667	....	396,084
Train fuel	6,913,371	7,243,332	....	329,961
Train power purchased	784,613	864,933	....	80,320
Water for train locomotives	70,968	94,310	....	23,342
Lubricants for train locomotives	677,539	795,622	....	118,083
Other supplies for train locomotives	195,594	210,707	....	15,113
Enginehouse expenses—Train	1,006,695	1,124,921	....	118,226
Trainmen	11,522,294	12,091,384	....	569,090
Train supplies and expenses	5,599,373	6,340,264	....	740,891
Operating sleeping cars	526,024	715,113	....	189,089
Signal and interlocker operation	1,057,859	1,049,887	7,972	....
Crossing protection	673,032	721,750	....	48,718
Drawbridge operation	215,686	215,086	600	....
Communication system operation	1,034,284	1,060,497	....	26,213
Operating floating equipment	12,797	11,796	1,001	....
Stationery and printing	347,289	412,827	....	65,538
Other expenses	1,210,409	817,489	392,920	....
Operating joint tracks and facilities—Debit	1,093,285	1,170,056	....	76,771
Operating joint tracks and facilities—Credit	(702,266)	(786,053)	....	(83,787)
Insurance	81,521	78,437	3,084	....
Clearing wrecks	223,208	265,853	....	42,645
Damage to property	268,205	120,728	147,477	....
Damage to live stock on right-of-way	77,990	80,817	....	2,827
Loss and damage—Freight	2,664,267	2,795,442	....	131,175
Loss and damage—Baggage	3,493	5,528	....	2,035
Injuries to persons	1,243,134	1,708,733	....	465,599
TOTAL TRANSPORTATION EXPENSES	88,403,981	93,769,244	....	5,365,263
MISCELLANEOUS OPERATIONS				
Dining and buffet service	2,369,909	2,855,845	....	485,936
Operating joint miscellaneous facilities—Debit	125,623	149,757	....	24,134
TOTAL MISCELLANEOUS OPERATIONS	2,495,532	3,005,602	....	510,070
GENERAL				
Salaries and expenses of general officers	1,313,118	1,421,416	....	108,298
Salaries and expenses of clerks and attendants	7,174,091	6,821,635	352,456	....
General office supplies and expenses	884,066	753,564	130,502	....
Law expenses	874,036	831,662	42,374	....
Insurance	6,357	33,708	....	27,351
Pensions and gratuities	941,359	818,190	123,169	....
Stationery and printing	391,115	348,137	42,978	....
Valuation expenses	53,729	53,068	661	....
Other expenses	962,010	501,292	460,718	....
General joint facilities—Debit	253,848	258,783	....	4,935
General joint facilities—Credit	(7,614)	(8,615)	....	(1,001)
TOTAL GENERAL EXPENSES	12,846,115	11,832,840	1,013,275	....
GRAND TOTAL RAILWAY OPERATING EXPENSES	$175,883,563	$187,929,803	....	$ 12,046,240

( ) Denotes contra items.

ANALYSIS OF INCREASES AND DECREASES IN TOTAL RAILWAY OPERATING EXPENSES 1961 COMPARED WITH 1960

Items	Maintenance of Way and Structures	Maintenance of Equipment	Transportation	All Other	Total
Labor:					
General wage increases	+ $ 149,224	+ $ 138,874	+ $1,169,230	+ $ 132,797	+ $1,590,125
Straight time worked	− 1,595,379	− 2,092,149	− 4,509,251	− 447,817	− 8,644,596
Overtime worked	− 185,866	− 31,535	− 241,202	− 1,441	− 460,044
Time paid for not worked (incl. vacations and holidays)	+ 39,251	− 135,670	+ 873	+ 92,158	− 3,388
Total Labor	− 1,592,770	− 2,120,480	− 3,580,350	− 224,303	− 7,517,903
Fuel:					
Price			+ 96,832		+ 96,832
Consumption			− 476,823		− 476,823
Total Fuel			− 379,991		− 379,991
Electric Power			− 80,694		− 80,694
Material—Other than fuel:					
Price	− 84,133	− 12,873	− 180,834	+ 4,038	− 273,802
Quantity	− 1,948,005	− 1,023,581	− 238,400	− 186,522	− 3,396,508
Total Material other than Fuel	− 2,032,138	− 1,036,454	− 419,234	− 182,484	− 3,670,310
Miscellaneous					
Health and welfare benefits	+ 307,585	+ 235,014	+ 433,028	+ 246,127	+ 1,221,754
Other miscellaneous	− 207,464	− 988,040	− 1,338,022	+ 397,365	− 2,136,161
Total Miscellaneous	+ 100,121	− 753,026	− 904,994	+ 643,492	− 914,407
Total Labor, Material and Miscellaneous	− 3,524,787	− 3,909,960	− 5,365,263	+ 236,705	− 12,563,305
Depreciation	+ 81,060	+ 352,243			+ 433,303
Retirements	+ 93,244	− 9,482			+ 83,762
Total Depreciation and Retirements	+ 174,304	+ 342,761			+ 517,065
Total Railway Operating Expenses	− $3,350,483	− $3,567,199	− $5,365,263	+ $ 236,705	− $12,046,240

RAILWAY OPERATING REVENUES, EXPENSES, TAXES AND INCOME BY MONTHS FOR THE YEAR ENDED DECEMBER 31, 1961

1961	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	$ 16,425,439	$ 14,693,508	$ 1,731,931	$ 1,624,000	$ 107,931	$ 561,034	$ 217,582	$ (670,685)
February	16,516,755	13,700,633	2,816,122	1,609,000	1,207,122	597,369	222,684	387,069
March	18,075,007	14,956,480	3,118,527	1,641,000	1,477,527	708,115	213,915	555,497
April	16,439,309	14,302,077	2,137,232	1,623,000	514,232	717,115	210,307	(413,190)
May	18,676,882	14,963,603	3,713,279	1,682,000	2,031,279	855,075	198,242	977,962
June	18,562,717	14,690,210	3,872,507	1,642,000	2,230,507	712,984	207,275	1,310,248
July	18,066,542	14,203,497	3,863,045	1,651,000	2,212,045	868,517	226,070	1,117,458
August	22,018,883	15,770,419	6,248,464	1,738,000	4,510,464	1,244,544	215,995	3,049,925
September	19,800,138	15,070,726	4,729,412	1,575,000	3,154,412	1,116,756	221,938	1,815,718
October	20,757,074	15,108,573	5,648,501	1,575,000	4,073,501	1,007,237	235,571	2,830,693
November	18,629,381	14,269,602	4,359,779	1,458,000	2,901,779	889,466	213,476	1,798,837
December	17,863,989	14,154,235	3,709,754	1,427,000	2,282,754	713,647	215,929	1,353,178
Total	$221,832,116	$175,883,563	$45,948,553	$19,245,000	$26,703,553	$ 9,991,859	$ 2,598,984	$14,112,710

( ) Denotes contra items.

REVENUE FREIGHT TRAFFIC STATISTICS—EXCLUDING TRUCK SERVICE

Year	Tons Carried	Tons Miles	Average Haul—Miles	Freight Revenue		
				Total	Per Ton	Per Ton Mile (Cents)
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
1960	38,305,568	13,604,642,301	355.16	189,750,236	4.95	1.395
1961	37,300,275	13,223,111,384	354.50	183,519,327	4.92	1.388

REVENUE PASSENGER STATISTICS—EXCLUDING BUS SERVICE

Year	Passengers Carried	Passenger Miles	Average Distance Traveled —Miles	Passenger Revenue		
				Total	Per Passenger	Per Passenger Mile (Cents)
			Other Than Commutation			
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	1,839,572	523,514,965	284.59	12,490,275	6.79	2.386
1960	1,759,253	515,650,913	293.11	12,095,377	6.88	2.346
1961	1,605,362	419,009,241	261.01	10,229,408	6.37	2.441
			*Commutation			
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	5,521,115	123,694,172	22.40	2,818,185	.51	2.278
1960	5,036,666	111,139,202	22.07	3,095,340	.61	2.785
1961	4,215,466	93,091,548	22.08	2,925,821	.69	3.143
			Total			
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
1960	6,795,919	626,790,115	92.23	15,190,717	2.24	2.424
1961	5,820,828	512,100,789	87.98	13,155,229	2.26	2.569

*Beginning with year 1959, includes cash fares, single and round trip tickets sold for travel within suburban area, which in prior years were included in "Other than Commutation".

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

STATISTICS OF OPERATIONS

Items	Freight Trains 1961	Freight Trains 1960	Passenger Trains 1961	Passenger Trains 1960	Total Transportation Service 1961	Total Transportation Service 1960
Rail-Line						
Average miles of road operated	10,557	10,589	3,014	3,468	10,565	10,597
Train Miles						
Ordinary (with locomotives)	9,095,214	9,554,242	5,462,022	6,185,162	14,557,236	15,739,404
Light (with locomotives)	27,091	27,359	....	....	27,091	27,359
Total (with locomotives)	9,122,305	9,581,601	5,462,022	6,185,162	14,584,327	15,766,763
Motor car trains	....	....	....	17,160	....	17,160
Total train miles	9,122,305	9,581,601	5,462,022	6,202,322	14,584,327	15,783,923
Locomotive Miles						
Principal	9,124,822	9,583,849	5,462,022	6,185,162	14,586,844	15,769,011
Helper	66,370	81,260	65	286	66,435	81,546
Light	97,935	104,438	116,634	35,078	214,569	139,516
Train switching	832,236	856,137	....	....	832,236	856,137
Yard switching	5,260,555	5,587,572	405,745	428,543	5,666,300	6,016,115
Total locomotive miles	15,381,918	16,213,256	5,984,466	6,649,069	21,366,384	22,862,325
Car Miles						
Loaded car miles	407,817,084	431,972,870	817,108	517,228	408,634,192	432,490,098
Empty freight cars	257,843,082	266,242,490	86,186	5,641	257,929,268	266,248,131
Total loaded and empty freight cars	665,660,164	698,215,360	903,294	522,869	666,563,460	698,738,229
Caboose	9,312,145	9,859,355	15,082	1,210	9,327,227	9,860,565
Total freight car miles	674,972,311	708,074,715	918,376	524,079	675,890,687	708,598,794
Passenger coaches	37,595	4,913	19,010,156	22,864,172	19,047,751	22,869,085
Sleeping and parlor cars (Company)	....	....	1,615,542	1,812,568	1,615,542	1,812,568
Sleeping cars (Pullman)	28,201	38,383	8,987,021	12,685,592	9,015,222	12,723,975
Club, lounge, dining and observation cars	3,862	547	3,821,969	4,989,125	3,825,831	4,989,672
Combination passenger and head end cars	444,137	501,995	153,442	169,149	597,579	671,144
Mail, express and baggage cars	2,196,173	2,570,197	20,586,478	21,120,653	22,782,651	23,690,850
Business cars	41,846	36,664	103,405	133,082	145,251	169,746
Total passenger car miles	2,751,814	3,152,699	54,278,013	63,774,341	57,029,827	66,927,040
Grand total car miles	677,724,125	711,227,414	55,196,389	64,298,420	732,920,514	775,525,834
Gross Ton Miles						
Locomotives and tenders (thousands)	3,248,118	3,394,655	1,792,230	2,042,210	5,040,348	5,436,865
Freight cars, contents, and cabooses (thousands)	30,189,005	31,409,774	43,066	23,551	30,232,071	31,433,325
Passenger cars, and contents (thousands)	144,461	163,517	3,459,217	4,102,995	3,603,678	4,266,512
Total freight and passenger (thousands)	30,333,466	31,573,291	3,502,283	4,126,546	33,835,749	35,699,837
Train Hours						
Train hours in road service	439,661	473,544	122,851	137,163	562,512	610,707
Revenue and Nonrevenue Freight Traffic						
Tons of revenue freight	....	....	....	....	37,300,275	38,305,568
Tons of nonrevenue freight	....	....	....	....	748,712	842,135
Total tons of freight	....	....	....	....	38,048,987	39,147,703
Net ton miles revenue freight (thousands)	....	....	....	....	13,223,111	13,604,642
Net ton miles nonrevenue freight (thousands)	....	....	....	....	214,245	259,519
Total net ton miles of freight (thousands)	13,417,485	13,853,726	19,871	10,435	13,437,356	13,864,161
Revenue Passenger Traffic						
Passengers carried	....	....	....	....	5,820,828	6,795,919
Passenger miles	....	....	....	....	512,100,789	626,790,115
Motor Vehicle Operations Excluded Above						
Net ton miles revenue freight (thousands)	....	....	....	....	901	1,124
Passengers carried	....	....	....	....	814	995
Passenger miles	....	....	....	....	953,295	1,041,447

STATISTICS OF OPERATIONS—CONCLUDED

ITEMS	1961	1960	1959	1958	1957	1956
FREIGHT TRAIN STATISTICS AND AVERAGE						
Gross ton miles, trailing (thousands)	30,333,466	31,573,291	32,771,008	32,413,288	34,236,747	36,203,655
Eastbound	16,528,811	17,124,676	18,176,737	18,125,895	18,805,435	19,734,331
Westbound	13,804,655	14,448,615	14,594,271	14,287,393	15,431,312	16,469,324
Steam	....	....	....	....	....	135
Diesel-electric	28,117,816	29,107,869	29,901,296	29,705,585	31,129,417	32,597,742
Electric	2,215,650	2,465,422	2,869,712	2,707,703	3,107,330	3,605,778
Per cent steam	....	....	....	....	....	....
Per cent Diesel-electric	92.7%	92.2%	91.2%	91.6%	90.9%	90.0%
Per cent electric	7.3%	7.8%	8.8%	8.4%	9.1%	10.0%
Loaded freight cars per train	44.8	45.2	45.9	44.3	44.3	44.6
Empty freight cars per train	28.4	27.9	27.0	27.7	26.7	24.7
Total freight cars per train	73.2	73.1	72.9	72.0	71.0	69.3
Gross tons per train	3,335	3,305	3,228	3,157	3,117	3,070
Net tons per train	1,475	1,450	1,428	1,390	1,373	1,370
Net tons per loaded car	32.9	32.1	31.1	31.3	31.0	30.7
Miles per car per day (serviceable freight)	37.6	39.3	39.0	35.7	37.0	38.7
Net ton miles per freight car-day	702	736	734	655	673	715
Train speed (train miles per train hour)	20.7	20.2	20.0	19.6	19.2	19.1
Gross ton miles (trailing) per train hour	68,993	66,674	64,565	61,714	59,780	58,328
PASSENGER TRAIN STATISTICS AND AVERAGES						
Passenger car miles (excluding motor)	55,196,389	64,230,016	66,525,240	69,087,808	75,256,765	86,613,202
Steam	....	....	....	....	....	13,184
Diesel-electric	55,194,119	64,227,781	66,502,614	65,218,200	71,665,998	81,157,901
Electric	2,270	2,235	22,626	3,869,608	3,590,767	5,442,117
Per cent steam	....	....	....	....	....	....
Per cent Diesel-electric	100.0%	100.0%	100.0%	94.4%	95.2%	93.7%
Per cent electric	....	....	....	5.6%	4.8%	6.3%
Cars per train (excluding motor)	10.11	10.38	9.87	9.60	9.60	9.84
Revenue passengers per train	93.9	101.2	95.2	89.8	86.5	89.4
Revenue passengers per car	17.1	16.6	16.5	16.1	16.0	16.8
Train speed (train miles per train hour)	44.5	45.2	44.1	44.4	43.9	44.7
YARD SWITCHING STATISTICS						
Yard switching hours	944,382	1,002,686	1,050,766	1,063,803	1,184,130	1,251,620
Steam	....	....	....	....	....	7
Diesel-electric	936,721	994,370	1,038,534	1,056,660	1,174,874	1,235,025
Electric	7,661	8,316	12,232	7,143	9,256	16,588
Per cent steam	....	....	....	....	....	....
Per cent Diesel-electric	99.2%	99.2%	98.8%	99.3%	99.2%	98.7%
Per cent electric	.8%	.8%	1.2%	.7%	.8%	1.3%
DENSITY STATISTICS						
Per mile of road per day (freight service):						
Train miles, ordinary	2.4	2.5	2.6	2.7	2.8	3.0
Net ton miles	3,482	3,575	3,753	3,694	3,896	4,153
Per mile of road per day (passenger service):						
Train miles	5.0	4.9	4.7	4.8	4.7	5.3
Car miles	50.2	50.7	46.3	45.5	45.0	51.7

REVENUE FREIGHT BY PRINCIPAL COMMODITIES—1961 AND 1960

Commodities	1961		1960		Increase + or Decrease −		
	Tons Carried	Percent of Total	Tons Carried	Percent of Total		Tons	Percent
Products of Agriculture:							
Wheat	1,830,662	4.9	1,708,445	4.5	+	122,217	7.2
Corn	1,641,817	4.4	1,325,050	3.5	+	316,767	23.9
Barley and rye	713,251	1.9	763,672	2.0	−	50,421	6.6
Oats	333,775	.9	347,413	.9	−	13,638	3.9
Flour, meal and mill products	1,267,028	3.4	1,275,613	3.3	−	8,585	.7
Citrus fruits	37,047	.1	39,049	.1	−	2,002	5.1
Other fruits, fresh and frozen	114,293	.3	123,945	.3	−	9,652	7.8
Potatoes, other than sweet	221,166	.6	229,982	.6	−	8,816	3.8
Other vegetables, fresh and frozen	124,855	.3	115,520	.3	+	9,335	8.1
Sugar beets	266,447	.7	213,813	.6	+	52,634	24.6
Other products of agriculture	1,412,307	3.8	1,588,516	4.1	−	176,209	11.1
Total	7,962,648	21.3	7,731,018	20.2	+	231,630	3.0
Animals and Products:							
Cattle, calves, sheep and goats	151,875	.4	171,861	.4	−	19,986	11.6
Swine	11,297	....	21,999	.1	−	10,702	48.6
Fresh meats	418,651	1.1	386,670	1.0	+	31,981	8.3
Poultry, eggs, butter and cheese	138,908	.4	113,551	.3	+	25,357	22.3
Wool, hides and leather	151,334	.4	153,604	.4	−	2,270	1.5
Other animals and products	251,854	.7	268,968	.7	−	17,114	6.4
Total	1,123,919	3.0	1,116,653	2.9	+	7,266	.7
Products of Mines:							
Bituminous coal	4,474,411	12.0	4,862,060	12.7	−	387,649	8.0
Coke	221,518	.6	257,305	.6	−	35,787	13.9
Ores and concentrates	520,255	1.4	462,461	1.2	+	57,794	12.5
Gravel and sand	930,076	2.5	916,755	2.4	+	13,321	1.5
Stone, broken, ground or crushed	1,424,277	3.8	1,291,164	3.4	+	133,113	10.3
Stone, tough and finished	68,115	.2	77,997	.2	−	9,882	12.7
Asphalt	251,329	.7	195,521	.5	+	55,808	28.5
Salt	154,325	.4	148,276	.4	+	6,049	4.1
Other products of mines	1,144,351	3.0	1,138,894	3.0	+	5,457	.5
Total	9,188,657	24.6	9,350,433	24.4	−	161,776	1.7
Products of Forests:							
Logs, posts, poles and cordwood	1,001,555	2.7	1,290,191	3.4	−	288,636	22.4
Pulpwood	943,717	2.5	1,028,793	2.7	−	85,076	8.3
Lumber and mill products	1,841,034	5.0	1,845,337	4.8	−	4,303	.2
Veneer and built-up wood	482,623	1.3	467,827	1.2	+	14,796	3.2
Other products of forests	228,738	.6	376,413	1.0	−	147,675	39.2
Total	4,497,667	12.1	5,008,561	13.1	−	510,894	10.2
Manufactures and Miscellaneous:							
Refined petroleum and products	1,001,719	2.7	1,175,165	3.1	−	173,446	14.8
Sugar, table syrups and molasses	314,706	.8	304,542	.8	+	10,164	3.3
Iron and steel products	1,854,108	5.0	2,251,993	5.9	−	397,885	17.7
Machinery and boilers	193,657	.5	222,962	.6	−	29,305	13.1
Cement	1,083,918	2.9	1,242,018	3.2	−	158,100	12.7
Brick, building tile and artificial stone	194,647	.5	191,608	.5	+	3,039	1.6
Lime and plaster	89,069	.3	73,696	.2	+	15,373	20.9
Agricultural implements, tractors and parts	156,645	.4	155,626	.4	+	1,019	.7
Autos, trucks, parts and tires	637,932	1.7	745,090	1.9	−	107,158	14.4
Beverages	624,083	1.7	599,592	1.6	+	24,491	4.1
Ice	25,877	.1	32,950	.1	−	7,073	21.5
Fertilizers	595,706	1.6	590,481	1.5	+	5,225	.9
Paper and paper products	1,279,288	3.4	1,191,363	3.1	+	87,925	7.4
Canned food products	1,065,127	2.9	985,346	2.6	+	79,781	8.1
Scrap iron and scrap steel	676,559	1.8	598,594	1.5	+	77,965	13.0
Building paper, roofing and woodwork	424,503	1.1	434,465	1.1	−	9,962	2.3
Other manufactures and miscellaneous	4,209,968	11.3	4,165,926	10.9	+	44,042	1.1
Total	14,427,512	38.7	14,961,417	39.0	−	533,905	3.6
Grand Total Carload Traffic	37,200,403	99.7	38,168,082	99.6	−	967,679	2.5
All L.C.L. Freight	99,872	.3	137,486	.4	−	37,614	27.4
Grand Total, Carload and L.C.L. Traffic	37,300,275	100.0	38,305,568	100.0	−	1,005,293	2.6

NUMBER OF EMPLOYEES AND COMPENSATION

Year	Regular Employees			Part Time Employees: Compensation (Not Subject to Continuing Authority of Railroad)	Total Compensation All Employees		
	Average No. of Employees (Middle of Month Count)	Compensation	Average Compensation Per Employee		Total Compensation	Charged to	
						Operating Expenses	Additions and Betterments and Other Accounts
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
1960	20,229	121,037,664	5,983	98,143	121,135,807	114,993,442	6,142,365
1961	18,406	112,604,796	6,118	96,991	112,701,787	107,175,948	5,525,839

NUMBER OF EMPLOYEES AND COMPENSATION BY STATES

State	Regular Employees			Part Time Employees Total Compensation	Total Compensation All Employees
	Average Number	Total Compensation	Average Compensation Per Employee		
Illinois	5,402	$ 33,205,984	$6,147	$17,744	$ 33,223,728
Iowa	1,877	11,597,126	6,179	4,458	11,601,584
Wisconsin	4,722	27,593,577	5,844	19,811	27,613,388
Minnesota	2,301	13,811,350	6,002	10,315	13,821,665
Michigan	111	842,559	7,591	0	842,559
Missouri	299	1,921,842	6,428	10,780	1,932,622
Indiana	264	1,644,443	6,229	9,180	1,653,623
South Dakota	871	5,141,303	5,903	180	5,141,483
North Dakota	93	507,777	5,460	2,577	510,354
Montana	984	6,503,668	6,609	21,826	6,525,494
Idaho	104	630,390	6,061	0	630,390
Washington	1,242	8,221,545	6,620	120	8,221,665
All other	136	983,232	7,230	0	983,232
Total	18,406	$112,604,796	$6,118	$96,991	$112,701,787

TOTAL PAYROLLS AND COMPANY CONTRIBUTIONS AVERAGE PER EMPLOYEE

Year	Total Payrolls—Regular Employees	Company Contributions		Total	Average per Employee	Straight Time Rate	
		Retirement and Unemployment Taxes	Health and Welfare Benefits			Average Per Hour	% 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
1960	121,037,664	9,969,699	1,646,241	132,653,604	6,558	2.638	263.9
1961	112,604,796	9,099,691	2,867,995	124,572,482	6,768	2.704	273.0

EQUIPMENT OWNED

	Jan 1, 1961 Number	Added (New)	Retired	All Other Including Reclassifications	December 31, 1961	
					Number	Capacity
Locomotives						Tractive Pwr. (Pounds)
Diesel-Electric (Units)						
Freight	161	....	....	− 2	159	9,588,170
Passenger	82	6	3	+ 2	87	5,177,418
Multiple purpose	280	....	....	− 7	273	17,296,843
Switching	286	....	8	+ 7	285	16,703,280
Electric (Units)						
Freight	85	....	....	+ 4	89	5,646,185
Passenger	9	....	5	− 4	....	....
Switching	4	....	....	....	4	179,375
Total	907	6	16	....	897	54,591,271
Freight Cars						Tons
Box	24,258	750	1,916	−248	22,844	1,117,455
Gondola	8,327	....	71	....	8,256	471,400
Hopper	4,666	....	166	*+149	4,649	264,170
Ballast	842	....	3	....	839	58,730
Ore	794	....	....	....	794	55,580
Stock	3,148	....	20	....	3,128	125,120
Flat	3,663	....	242	+ 41	3,462	177,370
Refrigerator	633	....	....	+250	883	44,285
Tank	5	....	1	....	4	200
Caboose	465	....	5	....	460	....
Total	46,801	750	2,424	+192	45,319	2,314,310
Passenger Cars						Passengers
Coaches	305	40	104	....	241	20,234
Sleepers	41	....	....	....	41	1,054
Parlor	14	....	2	....	12	444
Parlor cafe	4	....	....	....	4	160
Dining	31	....	9	....	22	1,040
Tap, lounge and observation	12	....	2	....	10	960
Baggage, express and mail	293	....	25	+ 25	293	....
Passenger and baggage	10	....	....	....	10	328
Passenger, mail and baggage	2	....	....	....	2	48
Rail motor cars	2	....	2	....	....	....
Total	714	40	144	+ 25	635	24,268
Company Service Equipment						
Business cars	10	....	....	....	10	....
Ballast and dumpcars	86	....	1	....	85	....
Derrick cars	18	....	1	....	17	....
Boarding outfit cars	329	....	3	....	326	....
Snow removing cars	137	....	....	....	137	....
Other company service equipment	1,254	....	122	+ 18	1,150	....
Total	1,834	....	127	+ 18	1,725	....
Floating Equipment						
Car floats	4	....	....	....	4	....
Highway Vehicles						
Passenger automobiles	198	30	27	....	201	....
Trucks	414	46	22	....	438	....
Other	148	1	....	....	149	....
Total	760	77	49	....	788	....

	Ledger Value		Increase or Decrease
	December 31, 1961	December 31, 1960	
Locomotives	$124,349,801	$124,307,862	Inc. $ 41,939
Freight cars	179,387,066	176,524,664	Inc. 2,862,402
Passenger cars	34,166,894	31,110,939	Inc. 3,055,955
Work equipment	6,659,640	6,763,815	Dec. 104,175
Floating equipment	278,731	278,731	....
Miscellaneous equipment	2,510,963	2,387,452	Inc. 123,511
Total	$347,353,095	$341,373,463	Inc. $5,979,632

*Rebuilt

MILWAUKEE LAND COMPANY INCOME ACCOUNT

	1961	1960	Increase	Decrease
Income				
Townsite Division				
Sales:				
Real estate	$ 60,000	$ 35,060	$ 24,940	....
Cost of real estate sold	(15,099)	(20,884)	....	$ (5,785)
Gross Profit from Sales	44,901	14,176	30,725	....
Other Income:				
Rents	59,810	56,137	3,673	....
Interest	22,583	25,397	....	2,814
Separately operated properties	167,151	83,200	83,951	....
All other	1,346	(1,237)	2,583	....
Total Other Income	250,890	163,497	87,393	....
Total Income—Townsite Division	295,791	177,673	118,118	....
Timber Division				
Sales:				
Timber land and timber	941,994	1,110,822	....	168,828
Cost of land and timber sold	(45,942)	(75,732)	....	(29,790)
Gross Profit from Sales	896,052	1,035,090	....	139,038
Other Income:				
Rents and royalties	12,175	22,354	....	10,179
Interest	16,678	16,207	471	....
All other	7,459	3,796	3,663	....
Total Other Income	36,312	42,357	....	6,045
Total Income—Timber Division	932,364	1,077,447	....	145,083
Total Income—Townsite and Timber Divisions	1,228,155	1,255,120	....	26,965
Expenses				
Townsite Division				
Salaries and office expenses	6,585	8,898	....	2,313
Taxes	37,015	29,914	7,101	....
Interest	64,044	64,044	....	....
Separately operated properties	108,955	53,106	55,849	....
All other	32,459	23,771	8,688	....
Total Expenses—Townsite Division	249,058	179,733	69,325	....
Timber Division				
Salaries and office expenses	53,271	54,978	....	1,707
Real estate expense	43,825	35,938	7,887	....
Timber cutting contracts expense	45,831	50,312	....	4,481
Fire protection	23,423	22,907	516	....
Taxes	69,906	327,333	....	257,427
Interest	95,076	95,076	....	....
All other	4,721	5,464	....	743
Total Expenses—Timber Division	336,053	592,008	....	255,955
Total Expenses—Townsite and Timber Divisions	585,111	771,741	....	186,630
Net Income	$ 643,044	$ 483,379	$ 159,665	....

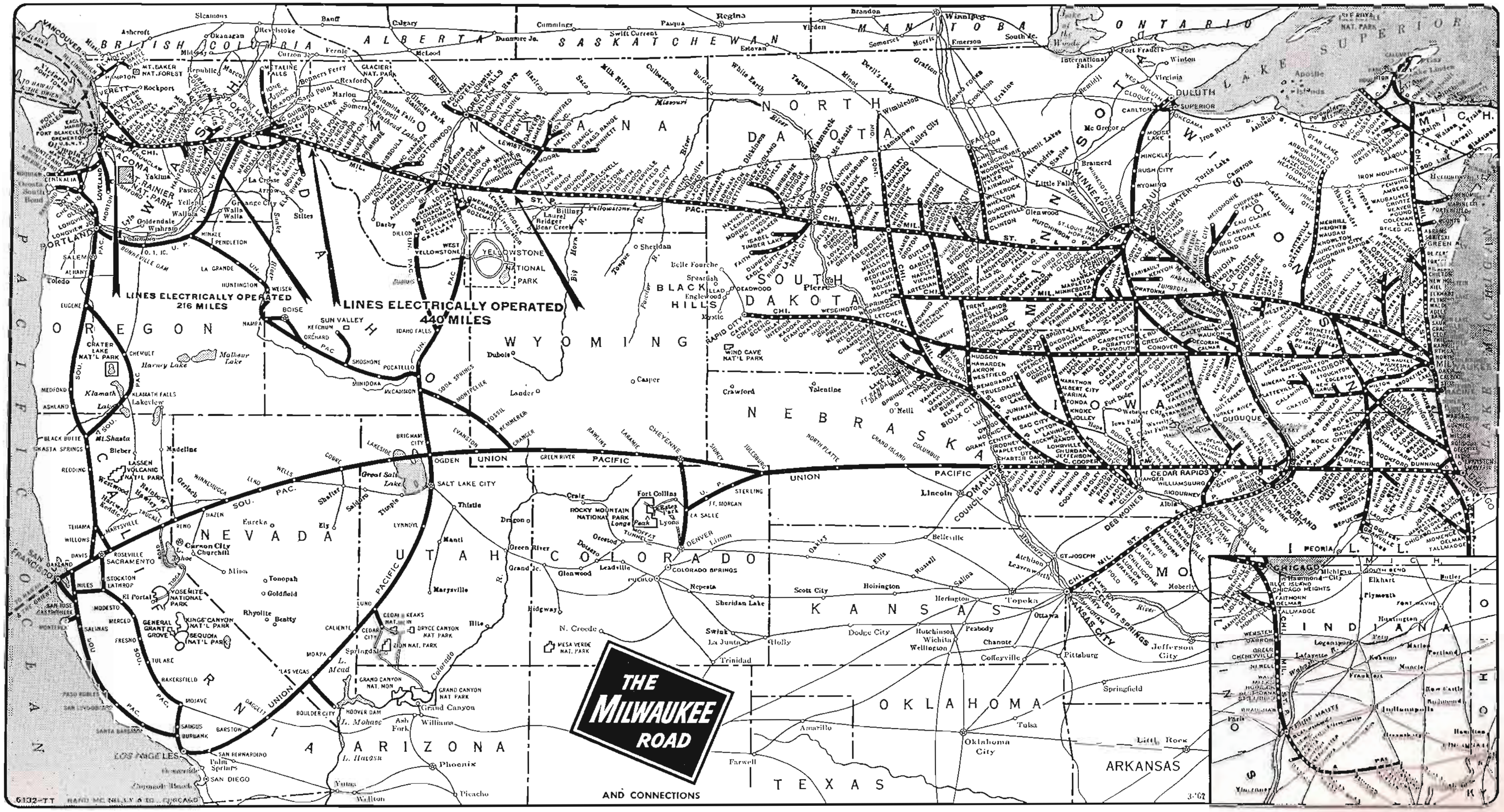
MILWAUKEE LAND COMPANY STATEMENT OF RETAINED INCOME

	1961	1960	Increase	Decrease
Balance at January 1	$1,830,038	$1,649,792	$ 180,246	....
Additions:				
Net income for the year	643,044	483,379	159,665	....
Miscellaneous credits	220,000	100,195	119,805	....
	2,693,082	2,233,366	459,716	....
Deductions:				
Dividends declared	300,000	400,000	....	$ 100,000
Miscellaneous debits	....	3,328	....	3,328
	300,000	403,328	....	103,328
Balance at December 31	$2,393,082	$1,830,038	$ 563,044	....

( ) Denotes reverse items.

MILWAUKEE LAND COMPANY—BALANCE SHEET

	December 31, 1961	December 31, 1960	Change During Year
Assets			
Current Assets:			
Cash	$ 598,911	$ 405,146	+ $193,765
Accounts receivable	122,695	100,088	+ 22,607
Notes and purchase contracts	65,464	73,944	− 8,480
Interest receivable	13,183	13,682	− 499
Separately operated properties	6,291	18,094	− 11,803
Total Current Assets	806,544	610,954	+ 195,590
Investments:			
Capital stocks	1,725	1,725	....
Blagen Timber Co. mortgage notes	169,000	169,000	....
Total Investments	170,725	170,725	....
Other Assets and Deferred Charges:			
Timber sale contracts	1,490	2,160	− 670
Notes and purchase contracts (noncurrent)	382,192	432,968	− 50,776
Earnest money deposits on land purchases	200,840	200,640	+ 200
Other assets	42,384	1,238	+ 41,146
Total Other Assets and Deferred Charges	626,906	637,006	− 10,100
Properties:			
Timber land and timber	1,765,566	1,763,656	+ 1,910
Real estate, buildings and equipment	3,597,846	3,614,094	− 16,248
Automobiles less accrued depreciation	7,370	10,082	− 2,712
Furniture and fixtures less accrued depreciation	735	945	− 210
Total Properties	5,371,517	5,388,777	− 17,260
Total Assets	$6,975,692	$6,807,462	+ $168,230
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable	$ 49,023	$ 205,876	− $156,853
Interest payable	92,820	92,820	....
Unmatured dividends declared	100,000	200,000	− 100,000
Federal income taxes	....	160,000	− 160,000
Other taxes	67,259	60,674	+ 6,585
Total Current Liabilities	309,102	719,370	− 410,268
Other Liabilities and Deferred Credits:			
Note payable—C. M. St. P. & P. R. R. Co.	2,652,000	2,652,000	....
Advances—C. M. St. P. & P. R. R. Co.	905,640	905,640	....
Advances on coal leases and cutting contracts	200,816	197,136	+ 3,680
Other liabilities	15,052	3,278	+ 11,774
Total Other Liabilities and Deferred Credits	3,773,508	3,758,054	+ 15,454
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	2,393,082	1,830,038	+ 563,044
Total Shareholders' Equity	2,893,082	2,330,038	+ 563,044
Total Liabilities and Shareholders' Equity	$6,975,692	$6,807,462	+ $168,230



CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

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THE MILWAUKEE ROAD

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