ANNUAL REPORT

1963

CHICAGO, MILWAUKEE,

ST. PAUL AND PACIFIC

RAILROAD COMPANY

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

GENERAL OFFICES—516 W. JACKSON BOULEVARD, CHICAGO, ILLINOIS 60606

BOARD OF DIRECTORS

terms expiring:

1964

J. Patrick Lannan — Philip W. Pillsbury
James D. Norris — Franklin B. Schmick
William L. O'Brien — John P. Wagner

1965

Arthur S. Bowes — Joshua Green
Jerome C. Eppler — Walter T. Mahoney
John B. Gallagher — Louis Quarles
William J. Sinek

1966

John D. Allen — Walter J. Cummings
James M. Barker — William J. Froelich
Leo T. Crowley — William J. Quinn
Arthur M. Wirtz

EXECUTIVE COMMITTEE

J. Patrick Lannan, *Chairman*

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

FINANCE COMMITTEE

Walter J. Cummings, *Chairman*

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

F. G. McGinn
Vice President—Operation . . . . . Chicago

C. E. Crippen
Vice President—Finance and Accounting . . . . . Chicago

E. O. Schiewe
Vice President and General Counsel . . . . . Chicago

L. H. Dugan
Vice President and Western Counsel . . . . . Seattle

S. J. Cooley
Vice President—Real Estate and Industrial Development . . . . . Chicago

R. K. Merrill
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, N.Y. 10015

Room 732, Union Station,
Chicago, Ill. 60606

REGISTRARS

The First National City Bank of New York,
New York, N.Y. 10022

Continental Illinois National Bank and Trust
Company of Chicago, Chicago, Ill. 60690

ANNUAL MEETING

May 12, 1964, 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

	1963	1962
Operating Revenues	$223,147,893	$227,664,109
Operating expenses	177,182,235	180,984,293
Taxes, Federal, State and Local	17,824,000	19,274,000
Net railway operating income	14,301,317	11,440,093
Other income—Net	3,126,908	3,317,528
Income available for fixed charges	17,428,225	14,757,621
Fixed charges	5,978,762	5,986,093
Contingent charges	6,055,919	6,116,085
Net income	$ 5,393,544	$ 2,655,443
Net income per share—Series A Preferred	10.40	5.12
—Common	1.32	.03
Times fixed charges earned	2.92	2.47
Dividends paid:		
Series A Preferred—$5.00 per share*	$ 2,593,260	$ 2,593,260
Number of stockholders at December 31:		
Series A Preferred	4,916	4,967
Common	7,875	9,072
*Out of earnings of prior years.		
Gross capital expenditures:		
For road property improvements	$ 4,663,783	$ 3,976,519
For equipment	16,288,122	12,113,471
Total	20,951,905	16,089,990
Traffic statistics:		
Net ton-miles of revenue freight (thousands)	14,096,046	14,140,467
Freight revenue	$185,087,748	$189,226,927
Passengers carried one mile	476,703,832	493,863,239
Passenger revenue	$ 12,682,937	$ 13,125,613
Total amount of payroll	$112,688,082	$112,440,997
Average number of employees	16,883	17,430
Gross ton miles per train-hour	71,471	69,346
Gross tons per train	3,404	3,414
Net ton-miles per train-hour	32,493	31,288
Net tons per train	1,547	1,540
(Indices of freight-train performance)		

TO THE SHAREHOLDERS:

More effective cost control throughout the year, and a substantial increase in fourth quarter revenues, brought 1963 earnings of the Milwaukee Road to the highest level since 1959.

Net income for the year amounted to $5,393,544, compared with $2,655,443 in 1962. The earnings for 1963 were equivalent to $10.40 per share on the Series A Preferred Stock and $1.32 per share on the Common Stock.

The improvement in earnings was achieved despite a decline of 1.98 per cent in railway operating revenues compared with 1962. Total operating revenues of $223,147,893 were $4,516,216 lower than in 1962. It should be noted, however, that operating revenue comparisons for 1963 and 1962 are distorted somewhat because labor strikes in a part of the railroad industry in 1962 temporarily diverted traffic to the Milwaukee Road in the third and fourth quarters of that year which otherwise would not have been handled.

Significantly, however, railway operating expenses for the year were reduced $3,802,058, or 2.10 per cent, and payments for equipment rentals were some $2,000,000 lower than in 1962.

Heavy movement of traffic in the final quarter produced net income of $6,370,823 for that period alone. The improvement in earnings continued into the first quarter of 1964 because traffic held up better than a year ago.

On January 16, 1964, the Board of Directors declared a dividend of $5.00 per share, out of 1963 earnings, on the Series A Preferred Stock, payable in four installments of $1.25 each on March 26, June 25, September 24, and November 25, 1964, to holders of record at the close of business on March 6, June 5, September 4, and November 6, 1964, respectively.

A dividend of $1.00 per share on the common stock was declared February 20, 1964, payable at the rate of 25 cents per share on April 23, July 30, October 22, and December 17, 1964, to holders of record at the close of business April 3, July 10, October 2, and November 27, 1964, respectively.

The dividend actions of the Board reflect the optimism inspired by the upward trend of business toward the close of 1963 and during the early months of 1964. The management feels that 1964 will be a year of substantial growth for the Milwaukee Road. This is borne out by the favorable shipper response to the expedited freight schedules in each direction between Chicago and the Pacific Northwest; the continued growth of new automobile and piggyback traffic, necessitating the enlargement of the facilities for each of these types of operation; and industrial expansion at locations served by the railroad. These and other items are described in more detail elsewhere in this report.

The subject of mergers continues to be at the center of interest in the railroad industry and the Milwaukee Road. The interplay and impact of the varied economic, political, labor, financial and competitive forces at work produce many complex problems for the carriers affected by merger proposals.

The Milwaukee Road is convinced that financially-sound mergers, based on fairness to the several private interests involved, and concerned with the public interest, will make progress in the industry and ultimately be consummated; and the Milwaukee Road will play a prominent part in such progress.

In compliance with his request, Mr. Leo T. Crowley, Chairman of the Board of Directors since December 3, 1945, when the reorganized company took over the property, was relieved of his responsibilities as Chairman effective December 31, 1963. The position was abolished and the powers and functions thereof were merged with those of the President. Mr. Crowley was elected Chairman of the Finance Committee and thus the company will continue to have the benefit of his long and valuable experience. We are indebted to him for his outstanding leadership and wise counsel in the conduct of the affairs of the company.

President

By order of the Board of Directors
March 19, 1964

TRAFFIC DEVELOPMENTS

New services to shippers produced tangible gains in 1963 and give promise for the future. Many of the innovations were effected late in the year or early in 1964. Thus, their full value in attracting additional traffic will be evident in the months to come.

In late October, 1963, the Milwaukee Road inaugurated the fastest regular freight schedule ever offered from Chicago to Seattle-Tacoma. Our new "XL Special" speeds to its Pacific Northwest terminus in 55½ hours, affording midwest and eastern shippers one full day faster service.

A companion eastbound train, the "Thunderhawk", was inaugurated at the same time, also providing a full day's saving over the best regular service previously available from Seattle-Tacoma to Chicago. The "Thunderhawk" is producing additional lumber traffic and an encouraging amount of new business, including import merchandise.

Our sales representatives are promoting these services aggressively and successfully. In December, key men from our traffic and operating organizations conducted an intensive sales campaign in the Seattle-Tacoma and Spokane areas, contacting every business organization which could use the service. Shippers throughout the country responded very favorably, with both eastbound and westbound runs showing good results.

UNIT TRAIN OPERATION

The Milwaukee Road completed arrangements in 1963 to move regular trainload lots of bituminous coal from mines on our line in Indiana to an electric power generating plant on the Wabash River, which was previously supplied from other mines by truck. This type of movement is termed a unit train operation. It is indicated the volume will reach into the millions of tons over the next 15 years.

A unit train is a solid train carrying one commodity on a shuttle basis between origin and destination at special rates reflecting lower costs. The popular new concept offers an extremely attractive revenue potential. This operation will be watched with interest as the possible forerunner of other profitable business.

In another unit train development, special 90-carload freight rates were published late in 1963, applicable to the movement of wheat from the Minneapolis-St. Paul and Duluth (Minn.)-Superior (Wis.) areas to eastern flour producing centers, in conjunction with eastern railroads. Traffic began moving at these rates in February, 1964, in trains conforming essentially to the unit train concept. Wheat destined for Russia also has been moving under special rates via the Milwaukee Road and eastern connections to Atlantic Ocean ports.

PIGGYBACK AND FLEXI-VAN

Improving on an excellent 1962 performance, Flexi-Van and conventional piggyback traffic continued to show significant gains in 1963. To increase its service to piggyback shippers, the road installed new ramp facilities at a number of points and expanded facilities at others. The project in our Bensenville Yard, near Chicago, is described elsewhere in the report.

To accommodate a greater volume of profitable long haul traffic in perishable merchandise, the road is acquiring additional new refrigerated trailers in 1964. Attractive long haul traffic became competitively available with the introduction of our new schedules which provide faster transcontinental service than is provided by over-the-highway carriers.

MULTI-LEVEL AUTOMOBILE SHIPMENTS

In 1963, revenues from automobile shipments in new multi-level cars increased about 17 per cent. Significantly, revenues were up 290 per cent from 1961, the year in which the road completed tunnel enlarging projects so that such traffic could be handled. The Milwaukee Road's fleet of multi-level cars was increased twice in 1963, and additional equipment ordered late in the year will give the railroad a total of 349 multi-level units in service.

INDUSTRIAL DEVELOPMENT

The Real Estate and Industrial Development Department engaged in a wide-ranging program of activities during 1963, all directed to improving the company's revenue potential.

During the year there were 124 new industries located on our railroad, either in industrial districts owned and operated by the railroad or on sites served by it. These industries, together with 45 others which expanded their on-line operations last year, will produce substantial additional revenue for the railroad.

Continuing its policy of providing attractive industrial sites adjacent to its lines, the Milwaukee Road acquired several parcels of land during the year for future development. In addition, the Milwaukee Land Company, a wholly-owned subsidiary, acquired substantial land areas near important industrial cities served by the railroad to develop industrial use.

Another area of activity handled by this department is the administration of leases covering railroad property. Revenues from this source showed substantial improvement as the result of intense efforts to obtain the best utilization of property at a fair return.

A large portion of the railroad's Fowler Street freight house area in Milwaukee, Wis., was optioned during 1963 to the United States Post Office Department as a site on which to erect a new terminal post office for the Metropolitan Milwaukee area. This development, which entails the transferring of freight facilities to a new location, as well as the removal of the railroad's historic passenger station in that city and the construction of a new one in conjunction with the new post office structure, is expected to be the nucleus of a broad-scale redevelopment in downtown Milwaukee. Construction of railroad facilities at new locations has been started to enable clearing the area for the new post office and passenger terminal.

Also begun in 1963 was the construction of a 20-story office building by private developers on air rights over Chicago Union Station trackage. The Milwaukee Road, as part owner of the Union Station, will benefit from this development which is the first of several similar developments now contemplated.

ENGINEERING PROGRAMS

The Milwaukee Road, which already ranked as one of the country's leading railroads in the use of radio in train operations, installed additional VHF (Very High Frequency) radio base wayside stations at Austin, Minn., Mobridge, S. D., Miles City and Deer Lodge, Mont., Des Plaines, Ill., and at Collins, Coon Rapids, Keystone and Portsmouth, Ia., during 1963. These stations, which provide communications between stations, dispatchers and trains on the road, brought the railroad's total number of base stations to 79. All of the Milwaukee's locomotives and cabooses in main line service have been radio equipped for a number of years.

During 1963 the railroad completed the installation of equipment for a microwave radio link between Chicago Union Station and Bensenville Yard, 17 miles west of downtown Chicago. This facility went into operation early in 1964, providing a highly reliable transmission path for all of the railroad's telephone and teleprinter circuits between Chicago and Bensenville, and by means of physical circuits beyond to Savanna, Ill., Perry and Council Bluffs, Ia., and Kansas City, Mo.

Hot box detectors were placed in operation at four strategic points between Bensenville and Savanna, Ill., during the year, and installations were made for five others between Savanna and Council Bluffs, Ia. The latter group went into service early in 1964. Eleven such installations had previously been made between Milwaukee and Minneapolis.

A major improvement project was carried out at Galewood Yard in Chicago to enlarge freight-handling facilities to accommodate a greatly expanded volume of merchandise being shipped through that facility.

The expansion of Flexi-Van and trailer-on-flatcar facilities at Bensenville Yard was largely completed during 1963, providing for additional trackage, driveways and other installations, including a straddle crane for the fast transferring of trailers between trackside driveways and flatcars. The enlarged facilities will triple previous capacity and greatly improve the flexibility of the overall operation.

LABOR NEGOTIATIONS

Labor negotiations which began in 1959 between the railroads and the five operating unions with respect to work rules, crew consist, and numerous related issues reached a climax in 1963 which commanded nationwide attention. The work stoppage with which the unions had threatened the entire industry was averted on August 28 when Congress enacted special legislation establishing a board to arbitrate the so-called primary issues. These issues have to do with locomotive firemen in freight and yard service and the consist of train and yard crews. The law also required the parties to resume negotiations on secondary issues involving such matters as the miles constituting a day's work, the combining of road and yard service, and many related considerations.

The arbitration board ruled that approximately 90 per cent of the firemen's jobs in freight and yard service could be eliminated, mostly by natural attrition over a period of years, and that the consist of road train and yard crews, other than engine service, would be subject to individual negotiations on the various railroads.

The Brotherhood of Locomotive Firemen and Enginemen announced that an appeal would be filed in the United States Supreme Court, challenging the constitutionality of the law creating the arbitration panel. On March 4, 1964 the railroads agreed that no attempt will be made to discontinue firemen's positions until 10 days after the Supreme Court has accepted or rejected the union's request for an appeal. If the appeal is rejected, thereby upholding the law and the award made under it, the railroads will proceed to discontinue firemen's positions in accordance with the terms of the award. At the time this report was prepared, April 8, 1964 was the earliest date on which this could occur.

An agreement on a national scale was reached with the Railroad Yardmasters of America in April, 1963, granting members of that organization a wage increase of $8.00 per month, retroactive to March 3, 1962, plus an additional 2½ per cent monthly increase, effective May 1, 1962.

By national agreement with the Order of Railway Conductors and Brakemen and the Brotherhood of Railroad Trainmen, made in December, 1963, provision was made for a health and welfare plan covering all affected employes to the extent of $23.00 monthly.

During 1963 a request for wage increases, longer vacations, and extended health and welfare benefits was made to the nation's railroads by the 11 non-operating unions, and similar requests were filed by organizations representing signalmen, yardmasters, dispatchers, locomotive engineers, firemen, and enginemen. In each case counter proposals were made by the industry, but none of these cases has been concluded at this time.

FREIGHT CAR AND LOCOMOTIVE PROGRAM

During 1963 the Milwaukee Road acquired 16 new turbo-charged diesel locomotives and 126 new freight cars of various types, in addition to completing the greater part of a 10 million dollar car repair program which returned approximately 4,200 cars to revenue service in like-new condition. This project, one of the largest ever undertaken on the Milwaukee Road, made an important contribution to the railroad's available car supply.

In addition to this program, which was in progress throughout the year on an assembly line basis at the company's shops in Milwaukee, Wis., the railroad rebuilt 56 refrigerator cars, did extensive upgrading of 430 flat cars for specialized service, equipped a number of mechanical refrigerator cars with the most modern cooling units, and upgraded other cars for the handling of wood chips, auto parts, and electrical appliances. In addition, work progressed on a continuing program of upgrading the road's entire fleet of 456 steel cabooses.

During the year the railroad's shops in Milwaukee also refurbished 30 diesel locomotives, equipped them with new power plants, and returned them to service in like-new condition.

REDUCTION OF MORTGAGE BONDS

Mortgage bonds and debentures in the principal amount of $2,076,000 were reacquired in 1963.

As shown by the following table covering the post-reorganization period from December 1, 1945, to December 31, 1963 mortgage bonds reacquired have totaled $54,537,700, more than 28 per cent of the original issue. In addition, $2,692,000 of debentures have been reacquired. The resulting reduction in annual interest requirements is $2,544,297.

ITEM	Cancelled Through Sinking Fund	Surrendered to Trustee for Cancellation	Held in Treasury	Total Principal Amount	Interest Rate	Decrease in Annual Interest
Chicago, Milwaukee, St. Paul & Pacific R.R. Co. First Mortgage 4% Bonds, Series A	$ 4,620,200	$2,280,100	$ 611,000	$ 7,511,300	4%	$ 300,452
General Mortgage 4½% Income Bonds, Series A	24,707,400	610,000	1,331,300	26,648,700	4½	1,199,192
General Mortgage 4½% Convertible Income Bonds, Series B	16,726,300	....	873,400	17,599,700	4½	791,987
Five Per Cent Income Debentures, Series A	2,400,000	....	292,000	2,692,000	5	134,600
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	....	282,000	256,000	538,000	4¼	22,865
The Chicago, Terre Haute & Southeastern Ry. Co.						
First and Refunding Mortgage Bonds	....	35,000	545,000	580,000	4¼	24,650
Income Mortgage Bonds	....	....	1,597,000	1,597,000	4¼	67,873
Total	$48,453,900	$3,226,100	$5,549,700	$57,229,700		$2,544,297

PROPERTY TAX REFUNDS AND REDUCTIONS

The Milwaukee Road has received substantial property tax refunds from several Illinois counties following court decisions enabling the railroads to recover excess taxes paid as a result of inequitable evaluation of their property.

These refunds on taxes paid under protest in Illinois counties during the years 1958 through 1962 reached a total in excess of one million dollars by the end of 1963, and the company estimates that an additional sum of more than $2,000,000 may be recovered ultimately. Looking toward the future, a reduction in assessed valuation during 1963 will, in addition, effect a saving of more than $700,000 in taxes paid to Illinois counties for 1963, as compared to those for 1962, and will also have an important bearing on taxes for subsequent years.

South Dakota taxes for 1963 are approximately $160,000 below those for 1961 as a result of litigation undertaken by the railroads in 1962 and assessment relief obtained in 1963.

IMPROVEMENT BUDGET—1964

Improvements totaling approximately 22 million dollars have been programmed for 1964. This budget, like the one for 1963, places primary emphasis on providing shippers with the new or rebuilt freight cars they need.

Plans for 1964 call for the completion of the 5,300-car rebuilding program begun in 1963, plus an additional program of 1,200 cars to be rebuilt and put into revenue service in like-new condition.

The railroad will augment its freight car fleet this year with the purchase of 286 new cars of various types that are in great demand, including insulated box cars and high cubic capacity box cars, all of 70-ton capacity, and covered hopper cars of 100-ton capacity. The total investment in new freight cars will be somewhat in excess of 5 million dollars.

As reported in the statement regarding Milwaukee Road suburban service, a fleet of 22 new suburban coaches is also being acquired this year.

Other major expenditures to be made in 1964 are for the repowering of diesel locomotives, the installation of special loading devices in freight cars, and similar upgrading projects; and approximately 7 million dollars will be spent for improvements to fixed properties of all kinds.

CAPITAL EXPENDITURES—1963

The following is a summary of the capital expenditures made during 1963:

Road property		$ 4,420,737
New equipment	$13,333,221	
Improvements to existing equipment	2,954,901	16,288,122
Total transportation properties		20,708,859
Miscellaneous physical property		243,046
Total properties		$20,951,905

Equipment delivered during the year:

16—2000 H.P. diesel electric switch locomotives
258— 50 ton double door automobile box cars
3000— 50 ton general purpose box cars
433— 50 ton steel box cars
50— 70 ton insulated RBL box cars with load dividers and cushion underframe
25— 100 ton box cars with hydroframe and cushion underframe
1— 70 ton flat car
459— 70 ton gondola cars
40— 70 ton covered hopper cars
10— 90 ton covered hopper cars
20— 35 ton second hand refrigerator cars
56— 50 ton steel refrigerator cars (rebuilt)

Source of Funds for Capital Expenditures:

Equipment obligations issued for equipment delivered during the year		$12,135,830
Depreciation provisions	$16,500,417	
Less retirement credits	1,465,480	
	15,034,937	
Less principal payments on equipment obligations	9,647,446	5,387,491
Salvage from road and equipment retired		2,624,703
Moneys from property sales deposited with Mortgage Trustee withdrawn		2,537,316
Unexpended funds, year 1962		2,149,964
Total		$24,835,304

LONG-TERM DEBT OUTSTANDING

Long-term debt, including equipment obligations due within one year, outstanding in the hands of the public as of December 31, 1963 amounted to $272,445,899 compared with $272,107,314 as of December 31, 1962, a net increase of $338,585.

Increase		
Conditional sale agreements covering purchase of equipment		$12,062,031
Decrease		
Through operation of sinking funds:		
First Mortgage 4% Bonds, Series A:		
Amount cancelled	$ 401,500	
Less amount delivered to Trustee in lieu of cash from bonds held in Treasury at December 31, 1962	234,500	$ 167,000
General Mortgage 4½% Income Bonds, Series A		641,000
Five Per Cent Income Debentures, Series A:		
Amount cancelled	300,000	
Less amount delivered to Trustee in lieu of cash from bonds held in Treasury at December 31, 1962	300,000	....
Purchased in the open market by Trustee for cancellation and cancelled during the year:		
C.T.H. & S.E. Ry Co. First and Refunding Mortgage Bonds		35,000
The Southern Indiana Railway Company First Mortgage 4¼% Bonds		177,000
Purchased in the open market by the Company during the year:		
First Mortgage 4% Bonds, Series A		611,000
General Mortgage 4½% Income Bonds, Series A		231,000
Five Per Cent Income Debentures, Series A		214,000
Principal payments on equipment obligations:		
Equipment trust certificates		6,938,000
Conditional sale agreements		2,709,446
Total decrease		$11,723,446
Net increase		$ 338,585

GN—NP—CB&Q MERGER

At the time this report went to press, there had been no action by the Interstate Commerce Commission in the Great Northern—Northern Pacific—Burlington merger proceeding. During the hearings, which closed July 11, 1962, the Milwaukee requested six protective conditions be made a part of any approval of that merger.

Significantly, the recent favorable decision of the commission in the Atlantic Coast Line—Seaboard Air Line merger recognized the need for special conditions, similar to those proposed by the Milwaukee, as a means of protecting competing railroads.

The Milwaukee is confident that the commission or the courts will not approve the GN—NP—CB&Q merger without conditions enabling the Milwaukee to provide the strongest possible competition for the merged company.

SUBURBAN SERVICE

Toward the close of 1963, the railroad ordered 22 new electrically heated and air conditioned double-deck suburban coaches to complete the modernization of its Chicago suburban service begun in 1961. When these cars are received, during the latter months of 1964 and early 1965, the entire suburban operation will be served with stainless steel, electrically heated, air conditioned equipment. A number of these cars, like some of the units already in service, will be equipped with cab controls so that the trains can be operated from either end between Chicago Union Station and the suburban terminals. This will enable the Milwaukee Road to operate this service with a maximum of flexibility and efficiency and, at the same time, to offer all of its suburban patrons the very finest in luxury and comfort.

The new cars represent an investment of approximately 4 million dollars, including the cost of installing generating equipment in several locomotives to provide power for heating and air conditioning the trains.

Effective February 1, 1964, suburban passenger fares were increased approximately 10 per cent, following hearings before the Illinois Commerce Commission. The increase will provide additional revenue to support the added investment.

DISCONTINUANCES

Effective February 1, 1964, passenger trains 15 and 16 were discontinued between Aberdeen, South Dakota and Deer Lodge, Montana. The resulting reduction of 624,150 train miles per year will eliminate an annual out-of-pocket loss to the railroad of $905,360.

With the approval of state regulatory bodies, 47 station agencies were either discontinued, dualized, or otherwise combined during 1963. Total annual savings in this connection are estimated at $172,373.

DIVISIONS CASE

In 1963, the Interstate Commerce Commission adopted, in part, the recommendation of an examiner that the divisions of joint freight rates on traffic moving between eastern and midwestern states on the one hand and far western states on the other be changed in favor of the eastern and midwestern railroads. It is estimated that for the Milwaukee Road the commission's order would have the net effect of enabling it to realize approximately $2,500,000 per year in additional revenues.

The order has been stayed by a U. S. District Court with the understanding that the eastern and midwestern railroads, including the Milwaukee, will receive the divisions as ordered by the commission, plus interest from July 1, 1963, should the order eventually be upheld.

LEGISLATION

During 1963, hearings were held by Senate and House committees of the Eighty-eighth Congress on bills based on President Kennedy's earlier transportation recommendations aimed at giving competition greater importance in pricing as between different modes of transportation. Such legislation would be of great importance to the railroads, as it would enable them to compete more effectively with truck and barge lines, which now enjoy a virtually free hand in setting rates on these commodities.

On February 6, 1964 the House Interstate and Foreign Commerce Committee reported to the House a bill numbered HR. 9903 which would amend the Interstate Commerce Act to:

- *extend to railroads the same freedom from rate regulation now allowed truckers in the transportation of agricultural commodities and fishery products;*
- *repeal the "commodities clause", a prohibition against railroads transporting commodities which they own or in which they have an interest, but not intended for use in their business;*
- *reduce from three to one the maximum number of bulk commodities, except agricultural commodities, which a barge line can handle in a single tow and still qualify for an exemption from regulation.*

The railroad industry supports this bill and is hopeful that the present Congress will enact it as a first step in a program that will lead to further equality of regulation in the transportation industry.

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, 1963 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.

In our opinion, except for the matters referred to in note 1 of notes to financial statements, 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 as of December 31, 1963 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, 1963, in conformity with the provisions of the indentures.

PEAT, MARWICK, MITCHELL & CO.

Chicago, Illinois
February 21, 1964

STATEMENT OF INCOME AND RETAINED INCOME

Year ended December 31, 1963 with comparative figures for 1962

	1963	1962
OPERATING REVENUES		
Freight	$185,087,748	$189,226,927
Passenger, mail and express	25,051,885	25,638,875
Other	13,008,260	12,798,307
	223,147,893	227,664,109
OPERATING EXPENSES (including depreciation and retirement charges of $15,984,852 in 1963 and $16,595,692 in 1962)		
Transportation	90,564,018	91,057,630
Maintenance of way and structures	29,839,904	31,474,075
Maintenance of equipment	35,501,500	36,872,791
Traffic	6,201,034	6,409,469
General and other	15,075,779	15,170,328
	177,182,235	180,984,293
Net revenue from railway operations	45,965,658	46,679,816
TAXES AND RENTS		
Payroll and other taxes (notes 1 and 4)	17,824,000	19,274,000
Equipment and joint facility rents, net	13,840,341	15,965,723
	31,664,341	35,239,723
Net railway operating income	14,301,317	11,440,093
OTHER INCOME		
Gain on sales of properties, net	927,335	934,901
Dividends and interest (note 2)	931,240	1,258,338
Miscellaneous, net (note 1)	1,268,333	1,124,289
	3,126,908	3,317,528
	17,428,225	14,757,621
FIXED INTEREST ON LONG-TERM DEBT (including amortization of discount)	5,978,762	5,986,093
	11,449,463	8,771,528
CONTINGENT INTEREST OF LONG-TERM DEBT	6,055,919	6,116,085
Net Income	5,393,544	2,655,443
RETAINED INCOME AT BEGINNING OF YEAR	84,002,442	83,784,884
	89,395,986	86,440,327
ADD		
Discount on mortgage bonds and debentures reacquired	417,236	555,627
Transfer from capital surplus	....	28,917
	89,813,222	87,024,871
DEDUCT		
Provision for land grant repayments on shipments prior to October 1, 1946, less related Federal income tax benefit	....	429,169
Dividend on Preferred Stock—$5.00 per share	2,593,260	2,593,260
	2,593,260	3,022,429
RETAINED INCOME AT END OF YEAR	$ 87,219,962	$ 84,002,442

See accompanying notes to financial statements.

BALANCE SHEET

December 31, 1963 with comparative figures for 1962

ASSETS

	1963	1962
CURRENT ASSETS		
Cash and temporary cash investments	$ 21,287,505	$ 15,455,681
Accounts receivable	18,274,602	20,706,430
Material and supplies, at cost	17,797,962	16,784,411
Other current assets	2,017,084	2,513,060
Total current assets	59,377,153	55,459,582
SPECIAL FUNDS	1,753,011	839,046
INVESTMENTS, AT COST (note 2)		
Affiliated companies	22,552,130	22,521,318
Other companies	536,921	555,060
Total investments	23,089,051	23,076,378
PROPERTIES (notes 1 and 3)		
Road	669,848,865	668,134,243
Equipment	341,601,384	347,975,535
Other elements of investment (credits)	(168,334,424)	(168,435,152)
	843,115,825	847,674,626
Less allowances for depreciation and amortization	263,628,420	268,256,416
Transportation properties	579,487,405	579,418,210
Nonoperating property, less depreciation	4,316,145	4,371,807
Total properties	583,803,550	583,790,017
OTHER ASSETS AND DEFERRED CHARGES	6,016,015	6,289,963
Total assets	$674,038,780	$669,454,986

See accompanying notes to financial statements.

BALANCE SHEET

December 31, 1963 with comparative figures for 1962

LIABILITIES AND SHAREHOLDERS' EQUITY

	1963	1962
CURRENT LIABILITIES		
Accounts payable	$ 28,010,262	$ 26,363,500
Payroll and vacation pay	8,751,961	8,584,915
Accrued taxes (note 4)	7,629,965	8,343,294
Other current liabilities	213,162	144,167
Total current liabilities (exclusive of equipment obligations due within one year)	44,605,350	43,435,876
EQUIPMENT OBLIGATIONS DUE WITHIN ONE YEAR	10,704,882	9,467,934
LONG-TERM DEBT		
Mortgage bonds	135,454,800	137,316,800
Five per cent income debentures	57,308,000	57,522,000
Equipment obligations	68,978,217	67,800,580
Total long-term debt	261,741,017	262,639,380
RESERVES AND OTHER LIABILITIES	5,580,969	5,722,754
Total liabilities	322,632,218	321,265,944
SHAREHOLDERS' EQUITY		
Capital stock (note 5)		
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
Retained income		
Appropriated	44,067,657	44,051,610
Unappropriated	43,152,305	39,950,832
	87,219,962	84,002,442
Total shareholders' equity	351,406,562	348,189,042
CONTINGENT LIABILITIES (note 6)		
Total liabilities and shareholders' equity	$674,038,780	$669,454,986

STATEMENT OF AVAILABLE NET INCOME

Year ended December 31, 1963 with comparative figures for 1962

	1963	1962
INCOME AVAILABLE FOR FIXED CHARGES	$ 17,428,225	$ 14,757,621
FIXED CHARGES		
Rent for leased roads and equipment	420	420
Interest on long-term debt		
On First Mortgage 4% Bonds, Series A	2,098,183	2,113,415
On modified Terre Haute bonds	530,391	532,671
On equipment obligations	3,241,265	3,219,908
Interest on unfunded debt	4,268	12,107
Amortization of discount on long-term debt	104,235	107,572
Total fixed charges	5,978,762	5,986,093
Income after fixed charges	11,449,463	8,771,528
ADD—Charges to operating expenses representing the service value of nondepreciable roadway property retired and not replaced	62,936	362,237
AVAILABLE NET INCOME—as defined in the First Mortgage and General Mortgage indentures	11,512,399	9,133,765
APPLICATION OF SUCH AVAILABLE NET INCOME		
Appropriated for sinking fund for retirement of First Mortgage 4% Bonds, Series A	333,596	317,536
Contingent interest on General Mortgage 4½% Income Bonds, Series A	1,386,073	1,435,178
Contingent interest on modified Terre Haute bonds	287,262	290,202
Contingent interest on General Mortgage 4½% Convertible Income Bonds, Series B	1,517,184	1,517,805
Appropriated for sinking fund for retirement of General Mortgage 4½% Income Bonds, Series A and Series B	543,393	543,393
	4,067,508	4,104,114
Remaining available net income	7,444,891	5,029,651
DEDUCT—Charges to operating expenses representing the service value of nondepreciable roadway property retired and not replaced	62,936	362,237
AVAILABLE NET INCOME—as defined in the indenture relating to Five Per Cent Income Debentures, Series A	7,381,955	4,667,414
APPLICATION OF SUCH AVAILABLE NET INCOME		
Contingent interest on Five Per Cent Income Debentures, Series A	2,865,400	2,872,900
Appropriated for sinking fund for retirement of Five Per Cent Income Debentures, Series A	182,155	154,464
	3,047,555	3,027,364
Remainder available for payment of dividends or any other proper corporate purposes	$ 4,334,400	$ 1,640,050

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 1963

1. ACCOUNTING PRINCIPLES

The accompanying financial statements have been prepared in conformity with accounting principles prescribed or authorized by the Interstate Commerce Commission. The following subparagraphs explain the effect of certain of these principles:

a. Depreciation provisions as recorded in the books are computed by the straight-line method at appropriate normal rates, whereas larger permissible amounts have been deducted in determining federal income taxes. Under generally accepted accounting principles, it is ordinarily required in such cases that an income tax provision be included in each year equal to the resulting tax reduction, which has been as follows:

	1963	1962	Cumulative to Dec. 31, 1963
Tax reduction (increase) resulting from:			
Amortization of defense facilities	\$(1,330,000)	(728,520)	\$19,010,030
Use of guideline lives and declining-balance method	2,462,000	....	6,272,040
Other differences in depreciation bases and rates	1,023,360	1,303,640	10,339,680

b. Other elements of investment arose 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 properties and other Company assets over the aggregate of amounts ascribed to capital stocks, bonds, and other liabilities required by the Court to be issued or paid. In 1962 the Company began the practice of writing off to miscellaneous other income an equitable portion assignable to pre-reorganization properties retired during the year. The write-off amounted to \$100,000 in 1963 and \$364,000 in 1962. Under generally accepted accounting principles it appears that all or substantially all of the account would have been treated as capital surplus and that the write-off to income would not have been required.

2. INVESTMENTS

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 net deficit since acquisition of the subsidiaries (as shown by their unaudited financial statements) amounted to \$136,931 at December 31, 1963. Operations of the subsidiaries resulted in net income of \$308,143 in 1963 and net loss of \$734,166 in 1962. Other income includes dividends of \$400,000 in 1963 and \$765,000 in 1962 from subsidiary companies.

3. PROPERTIES

Road properties (\$669,848,865) and equipment properties (\$341,601,384) are stated at original cost or estimated original cost as determined by the Interstate Commerce Commission as of June 30, 1918, plus subsequent additions and betterments at cost, less retirements. Depreciation provisions for book accounting purposes are based upon these values to the extent that they represent properties classed as depreciable.

4. FEDERAL INCOME TAXES

Federal income tax liabilities have been settled through the year 1955. Returns for the years 1956 through 1960 are being examined by the Internal Revenue Service, but no report has been received. On the basis of the returns as filed for the years 1956 through 1962, and estimated 1963 taxable income, the Company had available at December 31, 1963 a total loss carry-forward of \$11,470,000, which may result in future tax reductions of \$5,735,000. In addition, the Company had available an unused investment tax credit under the Revenue Act of 1962 of approximately \$1,934,000.

5. STOCK OPTIONS

The Company has 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, 1963, options were outstanding for the purchase of 46,000 shares and 8,250 shares at \$16.00 and \$16.50, respectively. None of the options issued under the plan has been exercised. During 1963 an option for 5,000 shares expired.

6. CONTINGENT LIABILITIES AND LONG-TERM LEASES

The Company was liable, jointly with other railroads, as guarantor of certain obligations of affiliated companies amounting to approximately \$104,348,833 at December 31, 1963. Also, the Company was contingently liable as guarantor along with other railroads for its proportion (2.56%), and its proportionate share of any contingent obligations not met by other railroad participants, of obligations of Trailer Train Company aggregating approximately \$104,585,279.

Under two long-term leases expiring in 1968 and 1973, the Company as lessee is required to pay rentals of approximately \$1,789,000, of which \$304,500 is payable in 1964.

7. DIVISIONS OF TRANSCONTINENTAL RATES

Under the provisions of an order issued in 1963 by the Interstate Commerce Commission in the Transcontinental Divisions Case, the Company would be entitled to receive additional freight revenues effective July 1, 1963; however, there is presently in effect a temporary injunction prohibiting settlements based upon the Commission's order pending Court determination of the lawfulness of the order. The estimated amount of such additional revenues for the second half of 1963, \$1,137,402, is not included in the accompanying financial statements.

INVESTMENTS—DECEMBER 31, 1963

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	5,129,551
Total Advances			6,035,191
Total Investments—Wholly-Owned Subsidiaries			9,342,191
JOINTLY-OWNED TERMINAL, SWITCHING, AND OTHER COMPANIES			
Capital Stocks			
Chicago, Terre Haute & Southeastern Railway Company	40,784.05	54.01	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	53,976	2.6	2,600
The Minnesota Transfer Railway Company . . . A	913	11⅑	91,300
The Pullman Company	9,426	1.28	320,484
The St. Paul Union Depot Company . . . A	1,036	12½	130,475
Trailer Train Company	500	2.56	98,860
Total Capital Stocks			4,248,588
Note			
Railway Express Agency, Incorporated		2.6	751,804
Advances			
Chicago Union Station Company		25	4,647,002
Davenport, Rock Island & North Western Railway Company		50	1,290,819
Des Moines Union Railway Company		50	905,670
Kansas City Terminal Railway Company		8⅓	838,968
Packers Car Line Company		9.56	19,884
The Minnesota Transfer Railway Company		11⅑	307,504
The St. Paul Union Depot Company		12½	199,700
Total Advances			8,209,547
Total Investments—Affiliated Companies			22,552,130
OTHER COMPANIES			
Stocks			
Miscellaneous			7,877
Debentures			
Century 21 Center Inc.			12,500
Consumers Cooperative Oil Company			46
Total Debentures			12,546
Notes			
Bunte Brothers Chase Candy Company			702
Dakota Chief Sales Company, Inc.			25,820
Total Notes			26,522
Sale Agreements			
Best Built Company			24,485
Cargill, Incorporated			300,000
Donald Carroll Metals, Inc.			19,200
General Warehouse & Transportation Company			18,000
J. K. Fiddes			37,000
J. Lentin Lumber Company (Nominee-Franklin Park Realty Corp.)			19,950
Monarch Warehouses, Incorporated			18,240
Steven J. Kipper, Jr.			20,719
Other companies and individuals			32,382
Total Sale Agreements			489,976
Total Investments—Other Companies			536,921
Total Investments			$23,089,051

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	$ 18,385,569	$ 58,663	$ 48,160	$ 18,396,072
Land for transportation purposes	38,705,996	(162,832)	132,461	38,410,703
Other right-of-way expenditures	500,426	11,051	962	510,515
Grading	142,340,763	107,578	85,368	142,362,973
Tunnels and subways	10,293,369	122	....	10,293,491
Bridges, trestles, and culverts	72,775,853	911,378	336,897	73,350,334
Ties	34,457,650	88,039	78,441	34,467,248
Rails	68,961,232	117,889	138,728	68,940,393
Other track material	48,069,617	271,036	71,871	48,268,782
Ballast	26,370,561	40,273	37,096	26,373,738
Track laying and surfacing	32,695,895	123,334	54,355	32,764,874
Fences, snowsheds, and signs	5,348,137	15,430	4,532	5,359,035
Station and office buildings	26,159,114	780,101	474,649	26,464,566
Roadway buildings	2,056,588	52,271	48,103	2,060,756
Water stations	1,028,969	3,295	127,375	904,889
Fuel Stations	736,750	12,570	2,960	746,360
Shops and enginehouses	19,492,844	100,443	173,345	19,419,942
Storage warehouses	64,349	....	....	64,349
Wharves and docks	1,471,624	504	17,669	1,454,459
Communication systems	7,279,592	279,785	55,765	7,503,612
Signals and interlockers	22,219,509	495,922	198,148	22,517,283
Power Plants	1,505,978	(1,814)	(36,950)	1,541,114
Power-transmission systems	9,687,395	(8,075)	(44,806)	9,724,126
Miscellaneous structures	658,710	(10)	44,218	614,482
Roadway machines	9,383,331	645,033	363,988	9,664,376
Roadway small tools	320,997	(389)	720	319,888
Public improvements—Construction	15,618,425	161,394	24,626	15,755,193
Other expenditures—Road	335	....	....	335
Shop machinery	7,368,980	226,233	116,447	7,478,766
Power-plant machinery	5,511,312	(1,185)	9,749	5,500,378
TOTAL ROAD	629,469,870	4,328,039	2,564,877	631,233,032
GENERAL EXPENDITURES:				
Organization expenses	275,448	....	....	275,448
Interest during construction	31,747,908	....	75,632	31,672,276
Other expenditures—General	6,019,892	....	12,490	6,007,402
TOTAL GENERAL EXPENDITURES	38,043,248	....	88,122	37,955,126
CONSTRUCTION WORK IN PROGRESS	....	48,750	....	48,750
IMPROVEMENTS ON LEASED PROPERTY	621,125	43,948	53,116	611,957
TOTAL ROAD AND ROADWAY STRUCTURES	668,134,243	4,420,737	2,706,115	669,848,865
EQUIPMENT:				
Locomotives	124,389,153	4,373,060	6,207,185	122,555,028
Freight-train cars	180,270,805	11,027,291	15,553,784	175,744,312
Passenger-train cars	33,820,650	325,256	575,044	33,570,862
Floating equipment	278,731	....	....	278,731
Work equipment	6,582,455	22,986	53,443	6,551,998
Miscellaneous equipment	2,633,741	539,529	272,817	2,900,453
TOTAL EQUIPMENT	347,975,535	16,288,122	22,662,273	341,601,384
TOTAL ROAD AND EQUIPMENT PROPERTIES	$1,016,109,778	$ 20,708,859	$ 25,368,388	$1,011,450,249

( ) Denotes adjustment of prior year

CONTINGENT LIABILITIES WITH RESPECT TO SECURITIES OF OTHER COMPANIES

AS OF DECEMBER 31, 1963

ITEMS	AMOUNT
CHICAGO UNION STATION COMPANY:	
1. First Mortgage 4⅝% Sinking Fund Bonds, Series A, due June 1, 1988	$ 29,000,000
2. Serial Debentures 3⅞% Series A, due annually June 1, 1964 to June 1, 1968	10,000,000
3. Serial Debentures 4⅜% Series B, due annually June 1, 1969 to June 1, 1973	10,000,000
	49,000,000

Principal and interest guaranteed jointly and severally by the Railroad Company and 3 other proprietors at time of issue. The Railroad Company with other proprietors has agreed that gross rental to be paid by them for use of Chicago Union Station facilities shall include a sum sufficient to pay interest on all of these securities.

Each proprietor further agrees that upon written notice from the Station Company it will advance a sum sufficient to pay the principal of the Bonds or Debentures then becoming due and with respect to the Bonds, a sum sufficient to pay any sinking fund installment due.

INDIANA HARBOR BELT RAILROAD COMPANY:	
1. First Mortgage Bonds, 5⅛%, due June 1, 1982	6,906,000
2. Equipment Trust Certificates, 2⅜%, due September 15, 1964	198,000
3. Equipment Trust Certificates, 2¼%, due annually February 15, 1964 to February 15, 1965	240,000
	7,344,000

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, 1964 to October 1, 1974	36,280,000

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	211,033

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	1,339,800

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	10,174,000

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	2,677,383

The Railroad Company's portion of principal guaranteed, based on its proportion of stock ownership—2.56%.

TOTAL	$107,026,216

LONG-TERM DEBT, DECEMBER 31, 1963

DESCRIPTION	Date of Issue	Date of Maturity	Amount Originally Issued or Assumed	Amount as of Dec. 31, 1963	Amount Held by Company	Amount Outstanding Dec. 31, 1963	INTEREST Rate	INTEREST Payable	INTEREST Accrued During Year
First mortgage bonds, Series A	Jan. 1, 1944	Jan. 1, 1994	$ 59,515,100	$ 52,603,400	$ 611,000	$ 51,992,400	4 %	J. & J.	$ 2,098,183
First mortgage bonds, Series B	July 1, 1961	July 1, 1994	5,500,000	5,500,000	5,500,000		5½	J. & J.	
General mortgage income bonds, Series A	Jan. 1, 1944	Jan. 1, 2019	57,256,600	31,927,700	1,331,300	30,596,400	4½	April	1,386,073
General mortgage convertible income bonds, Series B	Jan. 1, 1944	Jan. 1, 2044	51,422,100	34,588,600	873,400	33,715,200	4½	April	1,517,184
Five per cent income debentures, Series A	Jan. 1, 1955	Jan. 1, 2055	60,000,000	57,600,000	292,000	57,308,000	5	M. & S.	2,865,400
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.	7,947
The Southern Indiana Ry. Co. first mortgage bonds	Jan. 1, 1946	Jan. 1, 1994	7,287,000	7,005,000	256,000	6,749,000	4¼	J.A. & J.	289,929
Chicago, Terre Haute and Southeastern Ry. Co.:									
First and refunding mortgage bonds	Jan. 1, 1946	Jan. 1, 1994	9,571,000	9,536,000	**2,060,000	7,476,000	4¼	J.A. & J.	318,378
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)			152,541,289	79,683,099		79,683,099			3,241,265
Total			$409,778,889	$285,110,599	$12,664,700	$272,445,899			$11,925,758
Less equipment obligations due within one year						10,704,882			
Total long-term debt						$261,741,017			

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

EQUIPMENT OBLIGATIONS, DECEMBER 31, 1963

DESCRIPTION	Date of Lease or Agreement	Date of Final Maturity	Original Cost of Equipment	Amount Originally Issued	Amount Outstanding Dec. 31, 1963	Principal Payable During 1964	INTEREST Rate	INTEREST Payable	INTEREST Accrued During Year
EQUIPMENT TRUST CERTIFICATES:									
Series HH	Apr. 1, 1949	Apr. 1, 1964	$ 8,112,742	$ 6,060,000	$ 202,000	$ 202,000	2⅜ %	A. & O.	$ 9,595
Series JJ	Sept. 1, 1949	Sept. 1, 1964	7,604,384	5,640,000	376,000	376,000	2⅛	M. & S.	11,319
Series KK	Oct. 1, 1949	Oct. 1, 1964	6,026,868	4,500,000	300,000	300,000	2¼	A. & O.	10,125
Series LL	June 1, 1950	June 1, 1965	6,289,514	4,650,000	465,000	310,000	2¼	J. & D.	15,112
Series MM	Nov. 1, 1950	Nov. 1, 1965	7,251,863	5,430,000	724,000	362,000	2½	M. & N.	23,379
Series OO	Oct. 1, 1951	Oct. 1, 1966	10,053,530	7,500,000	1,500,000	500,000	2⅞	A. & O.	50,313
Series PP	Mar. 1, 1952	Mar. 1, 1967	3,215,855	2,400,000	560,000	160,000	2⅞	M. & S.	18,017
Series QQ	Sept. 1, 1952	Sept. 1, 1967	5,441,323	3,990,000	1,064,000	266,000	3⅛	M. & S.	36,713
Series RR	Jan. 1, 1954	Jan. 1, 1969	10,379,112	7,650,000	2,805,000	510,000	3⅛	J. & J.	91,642
Series SS	July 1, 1954	July 1, 1969	9,931,620	7,800,000	3,120,000	520,000	2¾	J. & J.	89,375
Series TT	Nov. 1, 1954	Nov. 1, 1969	9,141,903	7,200,000	2,880,000	480,000	2⅞	M. & N.	90,850
Series UU	Jan. 1, 1956	Jan. 1, 1971	9,655,380	7,500,000	3,750,000	500,000	3⅜	J. & J.	130,783
Series VV (1st Install.)	Feb. 1, 1957	Feb. 1, 1972	11,745,718	3,000,000	1,700,000	200,000	4	F. & A.	70,667
Series VV (2nd Install.)	Feb. 1, 1957	Feb. 1, 1972		6,000,000	3,400,000	400,000	4⅜	F. & A.	154,584
Series WW	Jan. 1, 1958	Jan. 1, 1973	6,814,810	5,400,000	3,420,000	360,000	4⅛	J. & J.	144,788
Series XX	Feb. 1, 1959	Feb. 1, 1974	7,419,495	5,850,000	4,095,000	390,000	4½	F. & A.	190,125
Series YY (1st Install.)	Feb. 1, 1960	Feb. 1, 1975	9,683,950	3,000,000	2,300,000	200,000	4⅞	F. & A.	115,375
Series YY (2nd Install.)	Feb. 1, 1960	Feb. 1, 1975		4,650,000	3,565,000	310,000	4¾	F. & A.	174,246
Series ZZ	Mar. 1, 1961	Mar. 1, 1976	7,424,925	5,850,000	4,875,000	390,000	4	M. & S.	201.500
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	160,315	160,315	3.95	F.M.A. & N.	9,939
M.L.C. Equipment Co.	June 1, 1963	June 1, 1970	2,858,770	2,858,770	2,857,170	442,959	4½	J. & D.	24,755
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	3,253,199	328,008	4.40	M. & N.	151,775
General American Transportation Corporation	May 1, 1958	Nov. 1, 1973	6,165,438	6,165,438	4,054,956	411,029	4.40	M. & N.	189,335
United States Railway Equipment Co.	May 1, 1958	Nov. 1, 1973	570,706	570,706	380,471	38,047	4.40	M. & N.	17,717
General Motors Corpn.	Jan. 15, 1959	Mar. 1, 1974	8,680,000	8,680,000	6,076,001	578,667	5.	M. & S.	315,856
General Motors Corpn.	May 1, 1961	May 1, 1976	1,332,480	1,332,480	1,110,400	88,832	5¼	M. & N.	61,016
The Budd Company	May 1, 1961	May 1, 1976	4,817,520	4,817,520	4,014,600	321,168	5¼	M. & N.	220,602
Pullman, Incorporated	Dec. 1, 1961	Jan. 1, 1977	7,774,308	7,774,308	6,984,648	518.287	Var.	J. & J.	380,781
General American Transportation Corporation	Dec. 1, 1961	Jan. 1, 1977	720,281	720,281	648,253	48,019	Var.	J. & J.	35,340
M.L.C. Equipment Co.	Feb. 1, 1963	Feb. 15, 1970	4,800,000	4,800,000	4,785,600	740,000	5.	F. & A.	105,636
Pullman, Incorporated	Mar. 1, 1963	Mar. 1, 1978	691,166	691,166	667,032	48,269	Var.	M. & S.	21,660
General Motors Corpn.	Mar. 1, 1963	Mar. 1, 1978	2,809,153	2,809,153	2,718,041	182,224	Var.	M. & S.	61,977
General American Transportation Corporation	Mar. 1, 1963	Mar. 1, 1978	902,942	902,942	871,413	63,058	Var.	M. & S.	16,368
Total equipment obligations			$185,079,086	$152,541,289	$ 79,683,099	$ 10,704,882			$ 3,241,265

PAYMENTS MATURING IN YEARS ENDING:

December 31, 1964	$10,704,882	December 31, 1969	$ 7,809,555	December 31, 1974	$ 2,654,192
December 31, 1965	9,507,555	December 31, 1970	5,940,681	December 31, 1975	1,914,857
December 31, 1966	8,990,555	December 31, 1971	5,125,608	December 31, 1976	1,259,857
December 31, 1967	8,410,555	December 31, 1972	4,575,608	December 31, 1977	564,474
December 31, 1968	8,064,555	December 31, 1973	4,013,390	December 31, 1978	146,775
				Total	$79,683,099

MILES OF ROAD BY STATES, DECEMBER 31, 1963

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	117.10	2.40	.14	....	132.31	684.91
Indiana	155.91	....	....	....	....	....	155.91
Iowa	#1,199.92	514.57	.08	.04	.10	67.06	1,781.77
Kansas	....	....	....	....	....	7.05	7.05
Michigan	57.82	119.78	....	.25	....	5.83	183.68
Minnesota	755.35	351.21	5.03	22.70	....	194.10	1,328.39
Missouri	130.02	....	9.44	....	....	16.51	155.97
Montana	747.53	467.92	....	29.99	....	.46	1,245.90
Nebraska	....	....	....	....	....	5.62	5.62
North Dakota	102.50	263.29	....	1.10	....	....	366.89
South Dakota	1,042.63	691.74	....	....	....	....	1,734.37
Washington	314.69	467.01	26.88	50.00	....	201.10	1,059.68
Wisconsin	1,038,27	470.69	....	16.34	....	71.85	1,597.15
Total	6,090.36	3,574.14	43.83	120.56	.10	711.00	10,539.99

#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, 1963

ITEMS	OWNED SOLELY	OWNED JOINTLY	LEASED	TRACKAGE RIGHTS	TOTAL
Miles of Road (First Main Track):					
Operated	*9,664.50	164.39	.10	711.00	10,539.99
Not operated	3.62	....	....	....	3.62
Additional Main Tracks:					
Operated	683.60	14.24	.41	313.29	1,011.54
Not operated	....	....	....	....	....
Yard Tracks and Sidings:					
Operated	*3,185.68	258.94	2.19	470.29	3,917.10
Not operated	2.28	26.13	....	....	28.41
Total operated	13,533.78	437.57	2.70	1,494.58	15,468.63
Total not operated	5.90	26.13	....	....	32.03
Grand Total	13,539.68	463.70	2.70	1,494.58	15,500.66

**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

	1963	1962	INCREASE	DECREASE
TRANSPORTATION				
Freight	$185,087,748	$189,226,927	....	$ 4,139,179
Passenger	12,682,937	13,125,613	....	442,676
Baggage	57,678	62,683	....	5,005
Parlor and chair car	62,830	68,767	....	5,937
Mail	10,051,223	10,057,125	....	5,902
Express	2,317,725	2,456,137	....	138,412
Other passenger-train	104,644	108,458	....	3,814
Milk	15,945	18,462	....	2,517
Switching	6,137,346	6,302,106	....	164,760
TOTAL TRANSPORTATION REVENUE	216,518,076	221,426,278	....	4,908,202
INCIDENTAL				
Dining and buffet	1,111,283	1,203,988	....	92,705
Station, train, and boat privileges	46,612	46,046	$ 566	....
Storage—Freight	6,214	4,633	1,581	....
Demurrage	1,294,927	1,219,849	75,078	....
Communication	38,378	40,281	....	1,903
Rents of buildings and other property	212,864	240,133	....	27,269
Miscellaneous	555,957	484,019	71,938	....
TOTAL INCIDENTAL OPERATING REVENUE	3,266,235	3,238,949	27,286	....
JOINT FACILITY				
Joint facility—Credit	3,377,101	3,010,379	366,722	....
Joint facility—Debit	(13,519)	(11,497)	(2,022)	....
TOTAL JOINT FACILITY OPERATING REVENUE	3,363,582	2,998,882	364,700	....
TOTAL RAILWAY OPERATING REVENUE	$223,147,893	$227,664,109	....	$ 4,516,216

Denotes contra items.

RAILWAY OPERATING EXPENSES

	1963	1962	INCREASE	DECREASE
MAINTENANCE OF WAY AND STRUCTURES				
Superintendence	$ 2,941,029	$ 2,938,451	$ 2,578	....
Roadway maintenance	2,390,876	2,275,838	115,038	....
Tunnels and subways	4,561	42,097	....	$ 37,536
Bridges, trestles, and culverts	615,009	675,833	....	60,824
Ties	1,814,479	1,678,795	135,684	....
Rails	487,874	405,052	82,822	....
Other track material	1,026,807	1,074,097	....	47,290
Ballast	222,305	337,407	....	115,102
Track laying and surfacing	5,184,007	5,950,523	....	766,516
Fences, snowsheds, and signs	225,252	281,720	....	56,468
Station and office buildings	588,160	641,329	....	53,169
Roadway buildings	41,722	49,398	....	7,676
Water stations	20,315	17,123	3,192	....
Fuel Stations	25,513	19,694	5,819	....
Shops and enginehouses	448,602	461,586	....	12,984

	1963	1962	INCREASE	DECREASE
MAINTENANCE OF WAY AND STRUCTURES				
Wharves and docks	$ 24,297	$ 16,688	$ 7,609	....
Communication systems	740,321	739,838	483	....
Signals and interlockers	1,507,615	1,536,670	....	$ 29,055
Power plants	16,769	38,450	....	21,681
Power-transmission systems	245,725	286,625	....	40,900
Miscellaneous structures	13,415	7,874	5,541	....
Road property—Depreciation	5,032,985	5,013,076	19,909	....
Retirements—Road	170,921	403,370	....	232,449
Roadway machines	707,182	645,433	61,749	....
Dismantling retired road property	215,734	266,102	....	50,368
Small tools and supplies	735,340	699,100	36,240	....
Removing snow, ice and sand	704,082	1,257,554	....	553,472
Public improvements—Maintenance	511,322	593,055	....	81,733
Injuries to persons	392,508	292,699	99,809	....
Insurance	93,964	58,488	35,476	....
Stationery and printing	78,575	66,827	11,748	....
Employers health and welfare benefits	780,217	750,459	29,758	....
Other expenses	52,059	23,616	28,443	....
Right-of-way expenses	37,971	48,776	....	10,805
Maintaining joint tracks, yards, and other facilities—Debit	2,159,547	2,357,365	....	197,818
Maintaining joint tracks, yards, and other facilities—Credit	(417,156)	(476,933)	....	(59,777)
TOTAL MAINTENANCE OF WAY AND STRUCTURES	29,839,904	31,474,075	....	1,634,171
MAINTENANCE OF EQUIPMENT				
Superintendence	1,940,398	1,797,202	143,196	....
Shop machinery	486,547	484,043	2,504	....
Power-plant machinery	138,317	180,935	....	42,618
Shop and power-plant machinery—Depreciation	286,319	288,294	....	1,975
Dismantling retired shop and power-plant machinery	431	1,579	....	1,148
Other locomotives—Repairs	10,422,249	10,913,437	....	491,188
Freight-train cars—Repairs	6,472,112	7,333,884	....	861,772
Passenger-train cars—Repairs	2,923,682	2,972,625	....	48,943
Work equipment—Repairs	307,230	298,864	8,366	....
Miscellaneous equipment—Repairs	246,030	241,805	4,225	....
Dismantling retired equipment	132,656	102,618	30,038	....
Retirements—Equipment	(587,489)	(221,234)	(366,255)	....
Equipment—Depreciation	11,082,116	11,112,186	....	30,070
Injuries to persons	451,068	282,906	168,162	....
Insurance	66,658	69,276	....	2,618
Stationery and printing	65,909	48,790	17,119	....
Employees health and welfare benefits	710,235	648,636	61,599	....
Other expenses	92,689	79,740	12,949	....
Joint maintenance of equipment expenses—Debit	294,549	265,074	29,475	....
Joint maintenance of equipment expenses—Credit	(30,206)	(27,869)	(2,337)	....
TOTAL MAINTENANCE OF EQUIPMENT	35,501,500	36,872,791	....	1,371,291
TRAFFIC				
Superintendence	1,749,359	1,751,447	....	2,088
Outside agencies	3,236,033	3,335,380	....	99,347
Advertising	393,973	558,778	....	164,805
Traffic associations	331,099	301,369	29,730	....
Industrial and immigration bureaus	57,518	53,611	3,907	....
Insurance	1,807	1,195	612	....
Stationery and printing	266,395	275,456	....	9,061
Employees health and welfare benefits	164,600	132,114	32,486	....
Other expenses	250	119	131	....
TOTAL TRAFFIC EXPENSES	$ 6,201,034	$ 6,409,469	....	$ 208,435

( ) *Denotes contra items.*

	1963	1962	INCREASE	DECREASE
TRANSPORTATION				
Superintendence	$ 3,033,723	$ 2,888,097	$ 145,626	
Dispatching trains	723,966	739,321		$ 15,355
Station employees	10,404,083	10,766,791		362,708
Weighing, inspection, and demurrage bureaus	320,541	328,055		7,514
Station supplies and expenses	1,044,126	990,221	53,905	
Yardmasters and yard clerks	4,025,262	3,984,384	40,878	
Yard conductors and brakemen	8,987,779	9,392,621		404,842
Yard switch and signal tenders	576,470	620,546		44,076
Yard enginemen	5,910,374	6,193,920		283,546
Yard switching fuel	937,746	934,923	2,823	
Yard switching power purchased	16,578	15,484	1,094	
Water for yard locomotives	17,956	16,417	1,539	
Lubricants for yard locomotives	99,868	110,341		10,473
Other supplies for yard locomotives	68,475	64,175	4,300	
Enginehouse expenses—Yard	657,829	575,714	82,115	
Yard supplies and expenses	532,922	522,654	10,268	
Operating joint yards and terminals—Debit	5,344,965	5,384,482		39,517
Operating joint yards and terminals—Credit	(667,788)	(626,245)	(41,543)	
Train enginemen	9,185,074	9,218,842		33,768
Train fuel	7,306,744	7,240,054	66,690	
Train power purchased	783,980	802,401		18,421
Water for train locomotives	140,376	120,279	20,097	
Lubricants for train locomotives	719,354	722,106		2,752
Other supplies for train locomotives	165,859	195,610		29,751
Enginehouse expenses—Train	1,344,013	1,154,720	189,293	
Trainmen	11,653,769	11,738,190		84,421
Train supplies and expenses	5,968,947	5,731,851	237,096	
Operating sleeping cars	421,120	230,203	190,917	
Signal and interlocker operation	1,057,389	1,071,944		14,555
Crossing protection	560,836	611,266		50,430
Drawbridge operation	170,663	173,805		3,142
Communication system operation	1,043,199	1,057,867		14,668
Operating floating equipment	12,107	12,693		586
Employees health and welfare benefits	1,143,462	1,111,504	31,958	
Stationery and printing	327,423	375,883		48,460
Other expenses	173,696	170,886	2,810	
Operating joint tracks and facilities—Debit	1,057,597	932,952	124,645	
Operating joint tracks and facilities—Credit	(696,267)	(708,286)		(12,019)
Insurance	72,142	81,990		9,848
Clearing wrecks	303,857	302,389	1,468	
Damage to property	148,269	164,692		16,423
Damage to live stock on right-of-way	86,902	77,414	9,488	
Loss and damage—Freight	4,047,372	3,371,233	676,139	
Loss and damage—Baggage	2,309	1,586	723	
Injuries to persons	1,328,951	2,191,655		862,704
Total Transportation Expenses	90,564,018	91,057,630		493,612
MISCELLANEOUS OPERATIONS				
Dining and buffet service	1,935,098	2,101,641		166,543
Operating joint miscellaneous facilities—Debit	126,653	130,300		3,647
Employees health and welfare benefits	59,084	54,299	4,785	
Total Miscellaneous Operations	2,120,835	2,286,240		165,405
GENERAL				
Salaries and expenses of general officers	1,309,655	1,334,796		25,141
Salaries and expenses of clerks and attendants	7,148,499	7,232,164		83,665
General office supplies and expenses	1,041,675	1,044,202		2,527
Law expenses	868,993	884,587		15,594
Insurance	8,093	6,742	1,351	
Employees health and welfare benefits	425,635	354,755	70,880	
Pensions and gratuities	1,080,733	997,084	83,649	
Stationery and printing	373,978	344,881	29,097	
Other expenses	484,880	455,977	28,903	
General joint facilities—Debit	220,137	236,597		16,460
General joint facilities—Credit	(7,334)	(7,697)		(363)
Total General Expenses	12,954,944	12,884,088	70,856	
Grand Total Railway Operating Expenses	$177,182,235	$180,984,293		$ 3,802,058

( ) *Denotes Contra items.*

ANALYSIS OF INCREASES AND DECREASES IN TOTAL RAILWAY OPERATING EXPENSES 1963 COMPARED WITH 1962

ITEMS	MAINTENANCE OF WAY AND STRUCTURES	MAINTENANCE OF EQUIPMENT	TRANS-PORTATION	ALL OTHER	TOTAL
LABOR:					
General wage increases	+ $ 218,617	+ $ 177,024	+ $ 341,375	+ $ 229,745	+ $ 966,761
Straight time worked	− 940,841	− 225,722	− 674,504	− 401,628	− 2,242,695
Overtime worked	− 282,574	− 72,592	− 19,152	− 6,874	− 381,192
Time paid for not worked (incl. vacations and holidays)	− 110,417	− 59,343	− 199,169	− 62,708	− 431,637
TOTAL LABOR	− 1,115,215	− 180,633	− 551,450	− 241,465	− 2,088,763
FUEL:					
Price	....	....	− 4,080	....	− 4,080
Consumption	....	....	+ 73,593	....	+ 73,593
TOTAL FUEL	....	....	+ 69,513	....	− 69,513
ELECTRIC POWER	....	....	− 17,328	....	− 17,328
MATERIAL—Other than fuel:					
Price	+ 111,765	+ 61,850	− 36,265	+ 15,301	+ 152,651
Quantity	− 297,357	− 1,362,199	+ 173,054	− 44,774	− 1,531,276
TOTAL MATERIAL OTHER THAN FUEL	− 185,592	− 1,300,349	+ 136,789	− 29,473	− 1,378,625
MISCELLANEOUS:					
Health and welfare benefits	+ 29,758	+ 61,599	+ 31,958	+ 108,151	+ 231,466
Other miscellaneous	− 150,582	+ 446,392	− 163,094	− 140,197	− 7,481
TOTAL MISCELLANEOUS	− 120,824	+ 507,991	− 131,136	− 32,046	+ 223,985
TOTAL LABOR, MATERIAL AND MISCELLANEOUS	− 1,421,631	− 972,991	− 493,612	− 302,984	− 3,191,218
DEPRECIATION	+ 19,909	− 32,045	....	....	− 12,136
RETIREMENTS	− 232,449	− 366,255	....	....	− 598,704
TOTAL DEPRECIATION AND RETIREMENTS	− 212,540	− 398,300	....	....	− 601,840
TOTAL RAILWAY OPERATING EXPENSES	$1,634,171	− $1,371,291	− $ 493,612	− $ 302,984	− $3,802,058

RAILWAY OPERATING REVENUES, EXPENSES, TAXES AND INCOME BY MONTHS FOR YEAR ENDED DECEMBER 31, 1963

1963	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	$ 16,514,301	$ 14,896,222	$ 1,618,079	$ 1,589,000	$ 29,079	$ 944,948	$ 218,640	$(1,134,509)
February	16,452,041	13,494,243	2,957,798	1,516,000	1,441,798	1,038,016	219,562	184,220
March	18,302,081	14,325,283	3,976,798	1,602,000	2,374,798	1,009,564	207,055	1,158,179
April	18,463,829	14,718,139	3,745,690	1,570,000	2,175,690	736,429	220,855	1,218,406
May	18,981,142	15,489,156	3,491,986	1,644,000	1,847,986	700,114	237,368	910,504
June	17,714,023	14,636,036	3,077,987	1,622,000	1,455,987	554,202	212,624	689,161
July	18,388,328	15,470,182	2,918,146	1,605,000	1,313,146	961,624	248,119	103,403
August	20,167,737	15,728,263	4,439,474	1,399,000	3,040,474	1,267,184	239,363	1,533,927
September	18,969,358	14,471,978	4,497,380	1,574,000	2,923,380	1,138,788	257,740	1,526,852
October	21,854,841	14,741,745	7,113,096	1,507,000	5,606,096	1,087,631	243,202	4,275,263
November	18,585,209	14,304,005	4,281,204	1,270,000	3,011,204	919,541	237,703	1,853,960
December	18,755,003	14,906,983	3,848,020	926,000	2,922,020	705,807	234,262	1,981,951
Total	$223,147,893	$177,182,235	$45,965,658	$17,824,000	$28,141,658	$11,063,848	$2,776,493	$14,301,317

( ) *Denotes contra items.*

REVENUE FREIGHT TRAFFIC STATISTICS—EXCLUDING TRUCK SERVICE

YEAR	TONS CARRIED	TON MILES	AVERAGE HAUL—MILES	FREIGHT REVENUE TOTAL	FREIGHT REVENUE PER TON	FREIGHT REVENUE PER TON MILE (CENTS)
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
1962	39,513,106	14,139,667,771	357.85	189,394,619	4.79	1.339
1963	39,627,042	14,095,394,302	355.70	185,243,480	4.67	1.314

REVENUE PASSENGER STATISTICS—EXCLUDING BUS SERVICE

YEAR	PASSENGERS CARRIED	PASSENGER MILES	AVERAGE DISTANCE TRAVELED—MILES	PASSENGER REVENUES TOTAL	PASSENGER REVENUES PER PASSENGER	PASSENGER REVENUES PER PASSENGER MILE (CENTS)
OTHER THAN COMMUTATION						
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
1962	1,568,167	391,940,911	249.94	9,958,110	6.35	2.541
1963	1,519,190	364,986,726	240.25	9,178,996	6.04	2.515
*COMMUTATION						
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
1962	4,601,453	101,001,773	21.95	3,191,195	.69	3.160
1963	4,933,427	110,819,138	22.46	3,477,541	.70	3.138
TOTAL						
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
1962	6,169,620	492,942,684	79.90	13,149,305	2.13	2.668
1963	6,452,617	475,805,864	73.74	12,656,537	1.96	2.660

**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."*

STATISTICS OF OPERATIONS

ITEMS	FREIGHT TRAINS 1963	FREIGHT TRAINS 1962	PASSENGER TRAINS 1963	PASSENGER TRAINS 1962	TOTAL TRANSPORTATION SERVICE 1963	TOTAL TRANSPORTATION SERVICE 1962
RAIL-LINE						
Average miles of road operated	10,532	10,547	2,797	2,796	10,540	10,555
TRAIN MILES						
Ordinary	9,279,724	9,289,701	5,228,486	5,253,183	14,508,210	14,542,884
Light	30,294	27,738			30,294	27,738
Total train miles	9,310,018	9,317,439	5,228,486	5,253,183	14,538,504	14,570,622
LOCOMOTIVE MILES						
Principal	9,312,323	9,320,638	5,228,486	5,253,183	14,540,809	14,573,821
Helper	71,727	60,814			71,727	60,814
Light	95,814	86,311	100,653	101,760	196,467	188,071
Training switching	840,168	844,860			840,168	844,860
Yard switching	5,234,307	5,447,996	372,512	389,724	5,606,819	5,837,720
Total locomotive miles	15,554,339	15,760,619	5,701,651	5,744,667	21,255,990	21,505,286
CAR MILES						
Loaded car miles	408,074,177	420,635,792	744,970	648,825	408,819,147	421,284,617
Empty freight cars	249,755,293	263,835,111	71,383	55,558	249,826,676	263,890,669
Total loaded and empty freight cars	657,829,470	684,470,903	816,353	704,383	658,645,823	685,175,286
Caboose	9,542,060	9,712,751	13,385	10,876	9,555,445	9,723,627
Total freight car miles	667,371,530	694,183,654	829,738	715,259	668,201,268	694,898,913
Passenger coaches		12,877	16,914,160	16,918,398	16,914,160	16,931,275
Parlor cars			857,841	1,493,283	857,841	1,493,283
Sleeping cars (Pullman)		7,448	6,477,920	6,809,932	6,477,920	6,817,380
Club, lounge, dining and observation cars		690	3,864,597	3,355,322	3,864,597	3,356,012
Combination passenger and head end cars	235,232	371,561	203,236	114,736	438,468	486,297
Mail, express and baggage cars	2,267,499	2,609,201	20,099,373	20,026,338	22,366,872	22,635,539
Business cars	37,081	40,864	64,696	81,851	101,777	122,715
Total passenger car miles	2,539,812	3,042,641	48,481,823	48,799,860	51,021,635	51,842,501
Grand total car miles	669,911,342	697,226,295	49,311,561	49,515,119	719,222,903	746,741,414
GROSS TON MILES						
Locomotives and tenders (thousands)	3,879,892	3,372,261	1,659,007	1,689,093	5,538,899	5,061,354
Freight cars, contents, and cabooses (thousands)	31,464,728	31,571,417	41,225	36,184	31,505,953	31,607,601
Passenger cars, and contents (thousands)	121,917	146,615	3,072,327	3,100,714	3,194,244	3,247,329
Total freight and passenger (thousands)	31,586,645	31,718,032	3,113,552	3,136,898	34,700,197	34,854,930
TRAIN HOURS						
Train hours in road service	441,949	457,386	115,107	116,749	557,056	574,135
REVENUE AND NONREVENUE FREIGHT TRAFFIC						
Tons of revenue freight					39,627,042	39,513,106
Tons of nonrevenue freight					955,166	775,053
Total tons of freight					40,582,208	40,288,159
Net ton miles revenue freight (thousands)					14,095,394	14,139,668
Net ton miles nonrevenue freight (thousands)					281,610	185,923
Total net ton miles of freight (thousands)	14,360,356	14,310,684	16,648	14,907	14,377,004	14,325,591
REVENUE PASSENGER TRAFFIC						
Passengers carried					6,452,617	6,169,620
Passenger miles					475,805,864	492,942,684
MOTOR VEHICLE OPERATIONS EXCLUDED ABOVE						
Net ton miles revenue freight (thousands)					652	799
Passengers carried					644	714
Passenger miles					897,968	920,555

ITEMS	1963	1962	1961	1960	1959	1958
FREIGHT TRAIN STATISTICS AND AVERAGES						
Gross ton miles, trailing (thousands)	31,586,645	31,718,032	30,333,466	31,573,291	32,771,008	32,413,288
Eastbound	17,431,264	17,317,159	16,528,811	17,124,676	18,176,737	18,125,895
Westbound	14,155,381	14,400,873	13,804,655	14,448,615	14,594,271	14,287,393
Diesel-electric	29,818,857	29,895,035	28,117,816	29,107,869	29,901,296	29,705,585
Electric	1,767,788	1,822,997	2,215,650	2,465,422	2,869,712	2,707,703
Per cent Diesel-electric	94.4%	94.3%	92.7%	92.2%	91.2%	91.6%
Per cent electric	5.6%	5.7%	7.3%	7.8%	8.8%	8.4%
Loaded freight cars per train	44.0	45.3	44.8	45.2	45.9	44.3
Empty freight cars per train	26.9	28.4	28.4	27.9	27.0	27.7
Total freight cars per train	70.9	73.7	73.2	73.1	72.9	72.0
Gross tons per train	3,404	3,414	3,335	3,305	3,228	3,157
Net tons per train	1,547	1,540	1,475	1,450	1,428	1,390
Net tons per loaded car	35.2	34.0	32.9	32.1	31.1	31.3
Miles per car per day (serviceable freight)	44.3	40.7	37.6	39.3	39.0	35.7
Net ton miles per freight car-day	880	773	702	736	734	655
Train speed (train miles per train hour)	21.1	20.4	20.7	20.2	20.0	19.6
Gross ton miles (trailing) per train hour	71,471	69,346	68,993	66,674	64,565	61,714
PASSENGER TRAIN STATISTICS AND AVERAGES						
Passenger car miles (excluding motor)	49,311,561	49,515,119	55,196,389	64,230,016	66,525,240	69,087,808
Diesel-electric	49,311,561	49,511,316	55,194,119	64,227,781	66,502,614	65,218,200
Electric	....	3,803	2,270	2,235	22,626	3,869,608
Per cent Diesel-electric	100.0%	100.0%	100.0%	100.0%	100.0%	94.4%
Per cent electric	....	....	....	....	....	5.6%
Cars per train (excluding motor)	9.43	9.43	10.11	10.38	9.87	9.60
Revenue passengers per train	91.2	94.0	93.9	101.2	95.2	89.8
Revenue passengers per car	19.5	19.4	17.1	16.6	16.5	16.1
Train speed (train miles per train hour)	45.4	45.0	44.5	45.2	44.1	44.4
YARD SWITCHING STATISTICS						
Yard switching hours	934,468	972,952	944,382	1,002,686	1,050,766	1,063,803
Diesel-electric	925,070	962,952	936,721	994,370	1,038,534	1,056,660
Electric	9,398	10,000	7,661	8,316	12,232	7,143
Per cent Diesel-electric	99.0%	99.0%	99.2%	99.2%	98.8%	99.3%
Per cent electric	1.0%	1.0%	.8%	.8%	1.2%	.7%
DENSITY STATISTICS						
Per mile of road per day (freight service):						
Train miles, ordinary	2.4	2.4	2.4	2.5	2.6	2.7
Net ton miles	3,736	3,717	3,482	3,575	3,753	3,694
Per mile of road per day (passenger service):						
Train miles	5.1	5.1	5.0	4.9	4.7	4.8
Car miles	48.3	48.5	50.2	50.7	46.3	45.5

REVENUE FREIGHT BY PRINCIPAL COMMODITIES—1963 AND 1962

COMMODITIES	1963 TONS CARRIED	1963 PERCENT OF TOTAL	1962 TONS CARRIED	1962 PERCENT OF TOTAL	INCREASE + OR DECREASE—	TONS	PERCENT
PRODUCTS OF AGRICULTURE:							
Wheat	1,909,663	4.8	1,752,345	4.4	+	157,318	9.0
Corn	2,216,841	5.6	2,203,359	5.6	+	13,482	.6
Barley and rye	637,816	1.6	647,186	1.6	—	9,370	1.4
Oats	266,471	.7	300,493	.8	—	34,022	11.3
Flour, meal and mill products	1,355,658	3.4	1,324,182	3.4	+	31,476	2.4
Citrus fruits	31,547	.1	28,035	.1	+	3,512	12.5
Other fruits, fresh and frozen	112,886	.3	123,620	.3	—	10,734	8.7
Potatoes, other than sweet	215,932	.5	237,025	.6	—	21,093	8.9
Other vegetables, fresh and frozen	141,283	.4	139,019	.3	+	2,264	1.6
Sugar beets	516,911	1.3	330,827	.8	+	186,084	56.2
Other products of agriculture	1,739,121	4.4	1,608,044	4.1	+	131,077	8.2
Total	9,144,129	23.1	8,694,135	22.0	+	449,994	5.2
ANIMALS AND PRODUCTS:							
Cattle, calves, sheep and goats	107,511	.3	151,403	.4	—	43,892	29.0
Swine	5,459	....	8,327	....	—	2,868	34.4
Fresh meats	359,876	.9	373,666	.9	—	13,790	3.7
Poultry, eggs, butter and cheese	151,906	.4	178,457	.5	—	26,551	14.9
Wool, hides and leather	146,441	.3	154,861	.4	—	8,420	5.4
Other animals and products	267,616	.7	258,501	.7	+	9,115	3.5
Total	1,038,809	2.6	1,125,215	2.9	—	86,406	7.7
PRODUCTS OF MINES:							
Bituminous coal	4,482,115	11.3	4,710,491	11.9	—	228,376	4.8
Coke	262,719	.7	230,152	.6	+	32,567	14.2
Ores and concentrates	350,644	.9	330,440	.8	+	20,204	6.1
Gravel and sand	1,118,042	2.8	1,066,362	2.7	+	51,680	4.8
Stone, broken, ground or crushed	1,406,536	3.5	1,586,570	4.0	—	180,034	11.3
Stone, tough and finished	55,400	.1	59,375	.2	—	3,975	6.7
Asphalt	272,405	.7	248,320	.6	+	24,085	9.7
Salt	180,363	.4	186,859	.5	—	6,496	3.5
Other products of mines	1,208,865	3.1	1,174,334	3.0	+	34,531	2.9
Total	9,337,089	23.5	9,592,903	24.3	—	255,814	2.7
PRODUCTS OF FORESTS:							
Logs, posts, poles and cordwood	899,234	2.3	1,076,823	2.7	—	177,589	16.5
Pulpwood	1,009,117	2.6	957,124	2.4	+	51,993	5.4
Lumber and mill products	1,948,162	4.9	2,054,349	5.2	—	106,187	5.2
Veneer and built-up wood	531,728	1.3	536,170	1.4	—	4,442	.8
Other products of forests	160,334	.4	127,569	.3	+	32,765	25.7
Total	4,548,575	11.5	4,752,035	12.0	—	203,460	4.3
MANUFACTURES AND MISCELLANEOUS:							
Refined petroleum and products	817,373	2.1	900,466	2.3	—	83,093	9.2
Sugar, table syrups and molasses	382,625	1.0	361,861	.9	+	20,764	5.7
Iron and steel products	1,901,322	4.8	2,022,606	5.1	—	121,284	6.0
Machinery and boilers	218,441	.5	199,537	.5	+	18,904	9.5
Cement	794,687	2.0	864,996	2.2	—	70,309	8.1
Brick, building tile and artificial stone	238,547	.6	222,583	.6	+	15,964	7.2
Lime and plaster	83,849	.2	82,791	.2	+	1,058	1.3
Agricultural implements, tractors and parts	189,920	.5	156,332	.4	+	33,588	21.5
Autos, trucks, parts and tires	856,284	2.2	885,387	2.2	—	29,103	3.3
Beverages	718,446	1.8	701,750	1.8	+	16,696	2.4
Ice	260	....	306	....	—	46	15.0
Fertilizers	808,742	2.0	612,934	1.5	+	195,808	31.9
Paper and paper products	1,496,480	3.8	1,509,752	3.8	—	13,272	.9
Canned food products	1,197,969	3.0	1,174,633	3.0	+	23,336	2.0
Scrap iron and scrap steel	759,458	1.9	698,367	1.8	+	61,091	8.7
Building paper, roofing and woodwork	458,276	1.2	456,563	1.1	+	1,713	.4
Other manufactures and miscellaneous	4,556,019	11.5	4,417,153	11.2	+	138,866	3.1
Total	15,478,698	39.1	15,268,017	38.6	+	210,681	1.4
GRAND TOTAL CARLOAD TRAFFIC	39,547,300	99.8	39,432,305	99.8	+	114,995	.3
ALL L.C.L. FREIGHT	79,742	.2	80,801	.2	—	1,059	1.3
GRAND TOTAL, CARLOAD AND L.C.L. TRAFFIC	39,627,042	100.0	39,513,106	100.0	+	113,936	.3

NUMBER OF EMPLOYEES AND COMPENSATION

YEAR	REGULAR EMPLOYEES: Average No. of Employees (Middle of Month Count)	REGULAR EMPLOYEES: Compensation	REGULAR EMPLOYEES: Average Compensation Per Employee	Part Time Employees: Compensation (Not Subject to Continuing Authority of Railroad)	TOTAL COMPENSATION ALL EMPLOYEES: Total Compensation	CHARGED TO: Operating Expenses	CHARGED TO: Additions and Betterments and Other Accounts
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
1962	17,430	112,343,937	6,445	97,060	112,440,997	107,196,227	5,244,770
1963	16,883	112,580,994	6,668	107,088	112,688,082	105,333,663	7,354,419

NUMBER OF EMPLOYEES AND COMPENSATION BY STATES

STATE	REGULAR EMPLOYEES: Average Number	REGULAR EMPLOYEES: Total Compensation	REGULAR EMPLOYEES: Average Compensation Per Employee	Part Time Employees Total Compensation	Total Compensation All Employees
Illinois	4,942	$ 32,811,204	$6,639	$ 22,821	$ 32,834,025
Iowa	1,665	11,325,951	6,802	5,061	11,331,012
Wisconsin	4,646	29,790,681	6,412	21,556	29,812,237
Minnesota	2,052	13,410,686	6,535	10,002	13,420,688
Michigan	99	840,691	8,492	0	840,691
Missouri	283	1,875,423	6,627	11,211	1,886,634
Indiana	226	1,593,016	7,049	9,547	1,602,563
South Dakota	772	4,975,142	6,444	120	4,975,262
North Dakota	80	479,762	5,997	2,896	482,658
Montana	817	6,103,775	7,471	22,592	6,126,367
Idaho	82	566,445	6,908	0	566,445
Washington	1,085	7,815,712	7,203	1,282	7,816,994
All other	134	992,506	7,407	0	992,506
Total	16,883	$112,580,994	$6,668	$107,088	$112,688,082

TOTAL PAYROLLS AND COMPANY CONTRIBUTIONS AVERAGE PER EMPLOYEE

YEAR	Total Payrolls—Regular Employees	COMPANY CONTRIBUTIONS: Retirement and Unemployment Taxes	COMPANY CONTRIBUTIONS: Health and Welfare Benefits	Total	Average per Employee	STRAIGHT TIME RATE: Average per Hour	STRAIGHT TIME RATE: % Inc. Over 1939
1950	$128,201,025	$7,234,363	....	$135,435,388	$4,023	$1.580	117.9
1951	143,260,363	7,774,582	....	151,034,945	4,463	1.754	141.9
1952	145,397,263	7,696,578	....	153,093,841	4,703	1.852	155.4
1953	138,117,562	7,441,326	....	145,558,888	4,675	1.895	161.4
1954	126,272,397	7,035,232	....	133,307,629	4,768	1.945	168.3
1955	126,447,937	7,276,300	$ 624,381	134,348,618	4,809	1.959	170.2
1956	134,534,522	8,581,092	1,403,449	144,519,063	5,273	2.130	193.8
1957	133,239,878	8,692,650	2,106,181	144,038,709	5,538	2.290	215.9
1958	128,237,334	8,420,346	1,934,613	138,592,293	5,922	2.465	240.0
1959	128,292,584	9,894,538	1,819,163	140,006,285	6,294	2.566	253.9
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
1962	112,343,937	9,407,264	3,051,767	124,802,968	7,160	2.767	281.7
1963	112,580,994	9,412,272	3,283,233	125,276,499	7,420	2.801	286.3

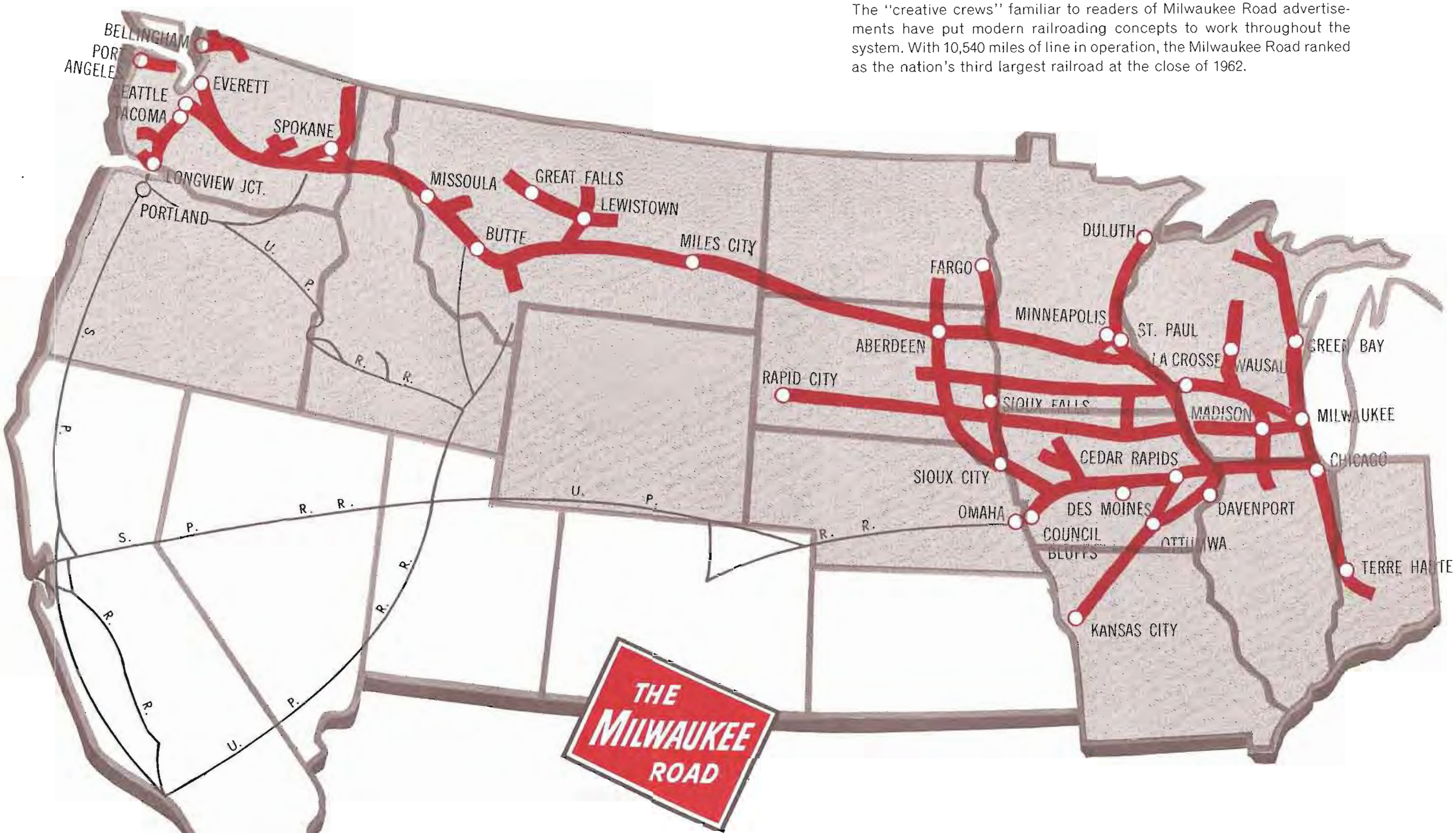
EQUIPMENT OWNED

	Jan. 1, 1963 Number	Added (New)	Retired	All Other Including Reclassifications	December 31, 1963 Number	December 31, 1963 Capacity
LOCOMOTIVES						Tractive Power (Pounds)
DIESEL-ELECTRIC (Units)						
Freight	159	....	....	....	159	9,583,366
Passenger	87	....	21	....	66	4,007,622
Multiple purpose	273	16	....	....	289	18,304,865
Switching	284	....	16	....	268	15,714,143
ELECTRIC (UNITS)						
Freight	89	....	....	....	89	5,646,185
Switching	4	....	....	....	4	179,375
Total	896	16	37	....	875	53,435,556
FREIGHT CARS						Tons
Box	21,010	25	4,160	+ 3,891	20,766	1,039,605
Gondola	7,579	....	631	+ 579	7,527	432,550
Hopper	4,402	50	100	+ 1	4,353	252,085
Ballast	837	....	2	....	835	58,450
Ore	794	....	....	....	794	55,580
Stock	2,919	....	144	....	2,775	111,000
Flat	3,385	1	34	+ 29	3,381	170,312
Refrigerator	939	50	58	#+ 74	1,005	53,817
Tank	3	....	1	....	2	100
Caboose	457	....	2	....	455	....
TOTAL	42,325	126	5,132	+ 4,574	41,893	2,173,499
PASSENGER CARS						Passengers
Coaches	241	....	8	....	233	19,678
Sleepers	41	....	....	....	41	1,054
Parlor	12	....	....	....	12	444
Parlor cafe	4	....	....	....	4	160
Dining	22	....	....	....	22	1,040
Tap, lounge and observation	10	....	....	....	10	960
Baggage, express and mail	249	....	18	+ 3	234	....
Passenger and baggage	7	....	4	....	3	104
Passenger, mail and baggage	2	....	2	....	....	....
TOTAL	588	....	32	+ 3	559	23,440
COMPANY SERVICE EQUIPMENT						
Business cars	10	....	1	....	9	....
Ballast and dumpcars	85	....	....	....	85	....
Derrick cars	17	....	....	....	17	....
Boarding outfit cars	322	....	1	....	321	....
Snow removing cars	137	....	....	....	137	....
Other company service equipment	1,089	....	44	+ 31	1,076	....
TOTAL	1,660	....	46	+ 31	1,645	....
FLOATING EQUIPMENT						
Car floats	4	....	....	....	4	....
HIGHWAY VEHICLES						
Passenger automobiles	210	41	59	+ 18	210	....
Trucks	470	60	49	+ 34	515	....
Other	136	....	....	....	136	....
TOTAL	816	101	108	+ 52	861	....

	LEDGER VALUE December 31, 1963	LEDGER VALUE December 31, 1962	INCREASE OR DECREASE
Locomotives	$122,555,028	$124,389,153	Dec. $1,834,125
Freight cars	175,744,312	180,270,805	Dec. 4,526,493
Passenger cars	33,570,862	33,820,650	Dec. 249,788
Work equipment	6,551,998	6,582,455	Dec. 30,457
Floating equipment	278,731	278,731	....
Miscellaneous equipment	2,900,453	2,633,741	Inc. 266,712
TOTAL	$341,601,384	$347,975,535	Dec. $6,374,151

#56 rebuilt

The "creative crews" familiar to readers of Milwaukee Road advertisements have put modern railroading concepts to work throughout the system. With 10,540 miles of line in operation, the Milwaukee Road ranked as the nation's third largest railroad at the close of 1962.



America's resourceful railroad

THE MILWAUKEE ROAD

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