

*Annual*  
*Report*  
*1965*



The Milwaukee Road's expanded PIGGY-BACK FLEET consists of refrigerated, open top, flat bed, and dry volume vans.

A typical TRI-LEVEL LOAD of new automobiles locked down ready to move on a Milwaukee Road train.



A UNIT TRAIN of grain in modern covered hopper cars as it approached Milwaukee, Wisconsin on a wintery day. Many unit trains of grain, coal and iron ore are moving over the lines of The Milwaukee Road.



RECORD SNOWS fed the ravaging spring flood waters that inundated and washed out sections of our railroad in the Mississippi Valley from St. Paul, Minnesota to Muscatine, Iowa.



The Milwaukee Road's handsome NEW PASSENGER STATION was dedicated August 3, 1965 in Milwaukee, Wisconsin. The new structure has freed for redevelopment the three block area upon which the old station stood since 1886.

# Annual Report 1965

**CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY**

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

## TO THE SHAREHOLDERS



The financial statements appearing in this report are consolidated statements covering the results of operations for the railroad and its wholly-owned subsidiary companies. The management's decision to publish consolidated statements was based upon the growth and development of subsidiary companies producing net results which, in the aggregate, have become relatively material.

Rising revenues and general improvement in the profitability of operations during the closing months of 1965 enabled the Milwaukee Road to produce consolidated net income of \$9,496,310 for the year, an increase of more than 50 per cent over consolidated net results of \$6,205,656 in 1964.

Gross operating revenues from consolidated operations reached \$245,141,513 for the year, an increase of \$13,462,132 over those for 1964. As a result of heightened business activity, operating expenses also rose \$7,376,402, reaching a total of \$196,280,814 for the year on a consolidated basis.

The wholly-owned subsidiary companies involved in these statements are: Milwaukee Land Company; The Milwaukee Motor Transportation Company; Macy Trucking, Incorporated; Bremerton Freight Car Ferry, Inc.; Washington, Idaho and Montana Railway Company; and M.L.C. Equipment Company. In previous years their results, being relatively less material, were reported by footnotes to the financial statements in the annual report.

For the railroad company alone, net income of \$7,262,884 was the highest realized since 1958 and an increase of one-third over 1964 net results of \$5,314,801.

These earnings were realized despite an increase of \$5,692,000 in wages, payroll taxes and fringe benefits, and losses of more than \$4,000,000 suffered during the severe Mississippi River flood in the Spring.

Even in the face of service disruptions caused by the flood, Milwaukee Road carloadings increased 2.2 per cent for the year, which was greater than the improvement shown by the industry as a whole. Among the more significant gains were an increase of 24 per cent in shipments of new motor vehicles and another of more than 26 per cent in piggyback traffic

over the excellent results of 1964. Marked gains were also achieved in other important commodities, such as grain, forest products, canned goods and chemicals.

During 1965 the Milwaukee received \$2,004,476 in federal income tax refunds and interest for the years 1956 through 1960. The income tax portion was \$1,654,909, of which \$1,014,073 had been taken into account in previous years, and \$640,836 was credited to 1965 tax expenses. The interest portion of \$349,567 was included in 1965 income. The Internal Revenue Service audit report covering these years calls for an additional \$1,097,914 in tax refunds which are contingent upon the outcome of a suit now pending in the United States Court of Claims relating to refunds claimed by the railroad for earlier years.

The management and the Board were greatly sorrowed by the death of Director James D. Norris on February 25, 1966. Mr. Norris had been a significant figure on the national business scene for many years and a valued member of the Milwaukee Road Board of Directors since 1958.

Full details regarding dividend actions by the Board of Directors in 1966 are presented elsewhere in this report, together with information relative to the taxability of dividend distributions to shareholders.

Joint studies by the Milwaukee Road and the Chicago and North Western Railway, looking toward the consolidation of the two railroads, received very close attention throughout 1965 and are progressing well. The status of this effort is also separately presented in this report.

The strong upward trend of traffic thus far in 1966, combined with the vigorous national economy, points to the year ahead as one of continuing growth in carloadings, revenues and net income for the Milwaukee Road.

A handwritten signature in cursive script, appearing to read "William J. Quinn".

President

*By order of the Board of Directors  
March 17, 1966*

## HIGHLIGHTS OF OPERATIONS

### CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY AND SUBSIDIARIES

	1965	1964
Operating revenues .....	\$245,141,513	\$231,679,381
Operating expenses .....	196,280,814	188,904,412
Taxes, federal, state and local.....	19,499,359	18,642,770
Net operating income.....	15,501,653	13,177,305
Other income—Net .....	6,338,979	5,239,422
Income available for fixed charges.....	21,840,632	18,416,727
Fixed charges .....	6,460,456	6,303,138
Contingent charges .....	5,883,866	5,907,933
Net income .....	\$ 9,496,310	\$ 6,205,656
Net income per share—Series A Preferred.....	18.31	11.96
—Common .....	3.20	1.69
Times fixed charges earned.....	3.38	2.92
Dividends paid:		
Series A Preferred—\$5.00 per share.....	\$ 2,593,260	\$ 2,593,260
Common—\$1.00 per share.....	2,151,465	2,134,769
Total dividends paid.....	4,744,725	4,728,029
Number of stockholders at December 31:		
Series A Preferred.....	4,840	4,911
Common .....	7,435	7,440
<b>CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY</b>		
Traffic statistics:		
Net ton-miles of revenue freight (thousands) .....	15,909,479	14,702,520
Freight revenue .....	\$202,080,378	\$189,837,458
Passengers carried one mile.....	450,857,267	463,307,771
Passenger revenue .....	\$ 12,301,303	\$ 12,501,955
Gross ton miles per train-hour.....	73,142	71,453
Gross tons per train.....	3,363	3,166
Net ton-miles per train-hour.....	33,781	32,316
Net tons per train.....	1,553	1,432
Total amount of payroll.....	\$119,123,362	\$115,466,193
Average number of employees.....	16,526	17,000
Gross capital expenditures:		
For road property improvements.....	\$ 5,362,195	\$ 5,964,538
For equipment .....	21,124,264	15,324,856
Total .....	26,486,459	21,289,394

## TRAFFIC DEVELOPMENTS

*The major gain in net income achieved by the railroad in 1965, despite serious service interruptions during the Spring flood, was the result, primarily, of a 2.2 per cent increase in carloadings, compared with 1964.*

*Scientific market research and traffic studies lent support to resourceful salesmanship. One of the most significant developments in the Milwaukee's program of traffic promotion in recent years was the expansion of research efforts by the Traffic Research Department during 1965.*

*That department established two training programs. One of these is for new employees, while the other is aimed at the development of promising individuals already in middle management positions. Both programs concentrate on market research studies.*

*Much of the traffic advance reflects forward-looking programs and improved techniques which the Milwaukee has been developing over the years. Among these are extensive car rebuilding programs, new equipment acquisitions through purchase and lease, computerization, modernized communications, and new and better systems of equipment utilization in both conventional and piggyback service.*

### Unit Train Operations

The unit train concept, involving solid trainloads of a single commodity moving on special rates which reflect lower operating costs, was again successfully employed in 1965 for the handling of various commodities.

Coal tonnage moving in unit trains has increased greatly over the volume carried when that service was inaugurated in 1963 to move large quantities of coal from Indiana mines to an electric generating plant on the Wabash River. An expansion of this plant, involving construction of a new unit, is being planned.

During the first four months of 1965, the railroad operated 22 unit trains of grain from the Duluth, Minn. - Superior, Wis., and Minneapolis, Minn., regions to Buffalo, N.Y., for milling. This seasonal movement resumed again early in 1966, carrying grain to eastern flour producing centers and to eastern seaports. At the time this report was being prepared, variations on the unit train concept were being employed to move vast quantities of grain from the same origin points, via the Chicago and Kansas City gateways, to the eastern seaboard and Gulf ports for export. These movements promise to continue for several months.

Unit train operations and variations of that concept continue to offer the railroad a stronger market position on many commodities, some of which would not otherwise move by rail. They also provide the potential of expanded traffic volume and increased revenues. Because of this, the Milwaukee's traffic and market research staffs constantly explore possibilities for service of this kind.

### Piggyback

The dramatic growth of piggyback traffic continued in 1965, with volume increasing by approximately 26 per cent. This increase is well above the average 16 per cent increase shown in the railroad industry.

In addition to increased traffic in general commodities, the Milwaukee carried a substantial volume of mail in piggyback or container service. This traffic increased by nearly 18 per cent over the 1964 level.

A total of 250 additional trailer vans was acquired during the year and put into revenue service. Two hundred of these are mechanical refrigerator units designed principally for handling meat and packing house products, while the other 50 are insulated dry vans for handling general commodities.

During 1965 the Milwaukee Road expanded its piggyback service to include what are known in the industry as Plans I and V, both of which involve the shipment of common carrier truck trailers on flat cars. The newly-offered plans put the company in the position of offering a complete range of piggyback services. The Milwaukee is now offering Plan I piggyback direct to Pacific Northwest points over its own lines, and has joined also with the Union Pacific in Plan I rates to points served by that carrier.

Because of innovations, increased demand for piggyback service and the availability of additional equipment, it now appears that the increase in 1966 piggyback volume will very likely surpass even the major increases of 1964 and 1965.

### **Motor Vehicle Shipments**

Shipments of motor vehicles increased approximately 24 per cent during the year. Improvements were shown in the volume of long-haul traffic, as well as in the total number of carloads transported.

The Milwaukee's fleet of multi-level cars was enlarged materially during 1965, and additional equipment ordered late in the year will further increase the number of cars available for handling auto shipments.

### **Columbia Basin Project**

Because of the great potential for highly profitable traffic which will result from the extension of irrigation in the Columbia Basin area of Washington state, the Milwaukee has requested Interstate Commerce Commission authority to construct two branch lines to serve this fast-growing agricultural area better. The branch lines will total approximately 29 miles in length.

Agricultural and related industrial expansion in the region has been at a high level in recent years, with a marked beneficial effect on Milwaukee Road traffic.

Shipments from food processing plants in the Basin and elsewhere in the Pacific Northwest have

improved materially as a result of 150 new mechanical refrigerator cars having been placed in service during the past year. Industrial development in the region is detailed in the Real Estate and Industrial Development section of this report.

### **Passenger Service**

The highlight of the year with respect to Milwaukee Road passenger service was the opening in August of a striking new passenger terminal and office building in Milwaukee which received nationwide attention from radio, television and the press.

Construction of the three-story building to replace the 79-year-old terminal formerly in use was made necessary by a multi-million-dollar civic improvement program in the central area of Milwaukee which includes a new terminal post office, expressway construction and street extension projects.

The vacated terminal is now being razed and ultimately the three-block area on which it stands will be available for redevelopment.

Arrangements have been made for joint use of the new station by the Milwaukee Road and the Chicago and North Western as soon as trackage connections and other details can be completed, probably during the summer of 1966.

## **MERGER PROPOSALS**

### **Milwaukee Road - Chicago and North Western**

Plans for the consolidation of the Milwaukee Road and the Chicago and North Western Railway moved forward on schedule throughout 1965, with results which strongly confirm the anticipated benefits that unification would produce for investors, employees, shippers and the public as a whole.

Following approval by the respective Boards of Directors, stockholders of the Milwaukee on May 11, 1965 voted approval of the consolidation by an overwhelming margin, as did the stockholders of the North Western later in the month.

Intensive studies were begun immediately by the operating, traffic and finance officials of both railroads in preparation for the filing of a joint application with the Interstate Commerce Commission for its approval of the consolidation. At every step these studies have pointed to the many merits of such a move. Paramount among these are greater efficiency of operation, improved profitability and the strengthening of the combined company's competitive ability. It is evident that the annual benefits from the consolidation would be substantial.

The application to the Commission is expected to be filed by May, 1966, and hearings should be under way within a few months thereafter.

### **Chicago and North Western - Chicago Great Western**

An Interstate Commerce Commission examiner has recommended a merger of the Chicago Great Western and Chicago and North Western, following the completion in 1965 of hearings in that case. Approval by the Commission would make possible the inclusion of the Great Western's facilities in the proposed consolidated Milwaukee Road - Chicago and North Western system.

### **Union Pacific - Rock Island**

Since the issuance of the Milwaukee Road annual report for 1964, stockholders of the Union Pacific have approved a merger with the Rock Island, following similar action by Rock Island stockholders. Applications for approval have been filed by the two companies with the Interstate Commerce Commission. The Southern Pacific has also

filed an application to purchase the lines of the Rock Island south and west of Kansas City in accordance with an agreement with the Union Pacific.

An opposing application by the North Western for stock control of the Rock Island will be considered by the Commission on a consolidated record with the applications of the Union Pacific and Southern Pacific. The Santa Fe Railroad has also filed an application requesting approval of the acquisition of certain Rock Island trackage south of Kansas City and of trackage rights between Kansas City and St. Louis.

The Milwaukee has intervened in opposition to the Union Pacific's application and in support of the North Western's. Many other railroads have intervened, some in opposition and others seeking specified conditions.

Hearings are expected to start in 1966 and continue for a number of months in various cities for the purpose of receiving evidence in support of the many conflicting interests which have been manifested.

## **REAL ESTATE AND INDUSTRIAL DEVELOPMENT**

The continued high level of national economic and industrial growth was reflected in the productive activities of the Real Estate and Industrial Development Department in 1965.

During the year, 142 new industries selected locations on the railroad and 52 existing on-line industries expanded their operations. The additional freight revenue anticipated as a result of this expansion will be of significant proportions.

The Milwaukee Land Company, a subsidiary of the railroad, acquired more than 1,000 acres of land in 1965 to be used for industrial development projects. The principal acquisition was a 610-acre site in Schaumburg, Ill., only 25 miles from downtown Chicago. This tract is larger in total acreage than any single industrial district the railroad has developed anywhere on the system. The need for a major new development of this kind has been manifested by the intense industrial activity in the metropolitan area of Chicago. Preliminary plans have been made for the development of the Schaumburg site, and the railroad already has been approached by several industries interested in locating there.

Another important land acquisition during 1965

## **Great Northern - Northern Pacific - Burlington Lines**

As stated in the 1964 annual report, an examiner of the Interstate Commerce Commission has recommended approval by the Commission of the Great Northern-Northern Pacific-Burlington Lines merger, subject to trackage rights for the Milwaukee between Longview Junction, Wash., and Portland, Ore.; between Renton and Snohomish, Wash.; and between Everett and Bellingham, Wash. This would give the Milwaukee access to Portland and a direct route between Portland and the Canadian border.

The examiner also recommended the elimination of certain practices with respect to switching charges which are detrimental to the Milwaukee.

The Milwaukee, however, has objected to the failure of the examiner to recommend three additional conditions which had been advocated. These relate to the opening of western gateways for freer traffic interchange; access by the Milwaukee to Billings, Mont.; and application of low single line rates to joint line traffic when in the public interest.

Oral argument before the Commission was completed in June, 1965, and a final decision should be forthcoming soon.

involved a strategically located 189-acre site near Davenport, Ia.

For the second consecutive year, the increase in lease rental income on railroad property doubled the previous year's increase. The review of lease rentals is being continued, with the result that additional revenue will be obtained from this source also.

Vegetable processing activities continued to expand in the rapidly growing Columbia Basin area of central Washington. The first dehydrated potato processing plant to be located on the Milwaukee Road began operation in the Basin in 1965. This, in combination with existing frozen french fry facilities, provides better overall marketing ability for the area's agricultural and processing activities and also improves the Milwaukee's revenue potential from long-haul traffic.

A 20-story building has been constructed on air rights over property of Chicago Union Station, of which the Milwaukee Road is part owner. At the end of 1965 the new building was more than 70 per cent occupied. Construction of a similar 20-story structure, also over Union Station trackage, has begun on an adjacent block.

## **FREIGHT CAR AND LOCOMOTIVE PROGRAM**

The mounting popularity of the Milwaukee's high speed transcontinental freight trains was enhanced during 1965 by the purchase of 24 new 2,500 h.p. diesel locomotive units, all of which are specially equipped for long distance operation in that service.

A number of other diesel units, of smaller horsepower, were rebuilt and upgraded to provide maximum efficiency in given types of service.

During the year the railroad acquired 352 new freight cars of various types, including mechanical refrigerators, 100-ton capacity covered hoppers and airslide hoppers, as well as 70-ton and 100-ton capacity box cars.

A total of 1,409 freight cars was rebuilt as part of a conversion program in which existing cars were either "stretched" for greater capacity, rebuilt for other uses or had special equipment installed. Of this number, more than 1,000 box cars were lengthened to 50 feet, 150 ore cars were redesigned and rebuilt for greater capacity, and 138 steel refrigerator cars were rebuilt, as were 30 log flats. In addition, several hundred cars underwent heavy or medium repairs and upgrading.

These programs, combined with the Milwaukee's newly-installed car classification and perpetual inventory car location systems, made a substantial contribution to the availability of freight handling equipment during the past year.

## **LABOR NEGOTIATIONS**

By comparison with 1964, when the arbitration board award in the highly publicized work rules case was being implemented, railroad labor matters commanded somewhat less attention from the news media during 1965. Despite a lessened degree of public familiarity with the issues, however, the year was marked by numerous developments in the field of labor negotiations which demand attention.

Agreements entered into nationally by the railroad industry and the non-operating unions, including three shop craft organizations, in 1964 provided for wage increases amounting to about 27¢ an hour payable in equal amounts in 1964, 1965 and 1966. These agreements also provided for fringe benefits which, together with the wage increases, were principally responsible for an increase of \$5,692,000.00 in wages, payroll taxes and fringe benefits in 1965 compared with 1964.

National agreements were also reached during 1965 with five non-operating organizations stipulating terms relating to preservation of employment. Among the national issues pending at the present time is the request of the Brotherhood of Locomotive Firemen & Enginemen for a 25 per cent wage increase, as well as numerous new fringe benefits,

including a supplemental pension.

The issues commanding greatest attention for the industry at the time this report was being prepared pertain to the crew consist requests of the Brotherhood of Locomotive Firemen & Enginemen and the Brotherhood of Railroad Trainmen. The request of the Firemen and Enginemen organization pertains to firemen who have been separated from railroad service in accordance with the provisions of the arbitration board award previously referred to. That organization insists that all affected firemen be reinstated and otherwise made whole with respect to claimed losses of several kinds. The Trainmen's organization requests a crew consist rule providing for a minimum of two brakemen or two yard helpers in each road or yard crew. These requests would, in effect, set aside all the crew consist changes that have been made under the provisions of the arbitration board award.

The railroad industry is firm in its contention that, contrary to the position taken by the unions, the changes stipulated by the arbitration award concerning yardmen and firemen will continue in effect unless amended under the Railway Labor Act.

## **PROPERTY TAX REDUCTIONS AND REFUNDS**

Cook County, Illinois, the last county to make refunds in the state, is now in the process of refunding the excess taxes collected, and to date this company has received refunds for the years 1957 and

1958. Refunds for additional years through 1962 will be received shortly. The total amount of these refunds, paid and to be paid by Cook County to this company, is approximately \$1,600,000.

## DIVIDENDS

On January 20, 1966, the Board of Directors declared a dividend of \$5.00 per share on the Series A preferred stock, payable in four installments of \$1.25 each on March 24, June 23, September 22 and December 22, 1966, to holders of record at the close of business on March 4, June 3, September 2 and December 2, 1966, respectively.

A dividend of \$1.00 per share on the common stock was declared February 17, 1966, payable at the rate of 25 cents per share on March 24, June 23, September 22 and December 22, 1966, to holders of record at the close of business on March 4, June 3, September 2 and December 2, 1966, respectively.

The question of the taxability of dividend distribution to shareholders in the years 1960 through 1964 is still pending before the Internal Revenue Service. It is expected a ruling will be made in the near future. In reporting the results of 1965 operations of the company for income tax purposes, depreciation will be computed under guideline rules and there will be no taxable income for that year. It is the opinion of the Milwaukee Road management that under these circumstances dividend distributions made during 1965 are not taxable income to the stockholder recipient. The final determination will be made by the Internal Revenue Service after audit.

## REDUCTION OF MORTGAGE BONDS

Mortgage bonds and debentures in the principal amount of \$2,632,600 were reacquired in 1965.

As shown by the following table covering the post-reorganization period from December 1, 1945,

to December 31, 1965 mortgage bonds reacquired have totaled \$59,730,300, more than 31 per cent of the original issue. In addition, \$3,600,000 of debentures have been reacquired. The resulting reduction in annual interest requirements is \$2,809,728.

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.....	\$ 5,447,600	\$2,280,100	\$2,362,700	\$10,090,400	4%	\$ 403,616
General Mortgage 4½% Income Bonds, Series A .....	27,226,100	610,000	410,100	28,246,200	4½	1,271,079
General Mortgage 4½% Convertible Income Bonds, Series B .....	18,290,600	.....	29,100	18,319,700	4½	824,387
Five Per Cent Income Debentures, Series A...	3,000,000	.....	600,000	3,600,000	5	180,000
The Bedford Belt Ry. Co.						
First Mortgage Bonds.....		19,000	50,000	69,000	4¼	2,933
The Southern Indiana Ry. Co.						
First Mortgage Bonds.....		488,000	256,000	744,000	4¼	31,620
The Chicago, Terre Haute & Southeastern Ry. Co.						
First and Refunding Mortgage Bonds.....		119,000	545,000	664,000	4¼	28,220
Income Mortgage Bonds.....		.....	1,597,000	1,597,000	4¼	67,873
Total .....	\$53,964,300	\$3,516,100	\$5,849,900	\$63,330,300		\$2,809,728

## DISCONTINUANCES

Following Interstate Commerce Commission approval, passenger trains Nos. 219 and 220 operating between Manilla, Ia., and Sioux Falls, S.D., were discontinued in September, 1965. This action will result in annual savings of 132,490 train miles and estimated annual dollar savings of \$285,940.

In October, 1965, the Interstate Commerce Com-

mission approved the discontinuance of passenger trains Nos. 25 and 26 operating between Milwaukee, Wis., and Savanna, Ill., thereby effecting a reduction of 114,920 train miles per year and eliminating an annual out-of-pocket loss on those trains of \$77,800.

## IMPROVEMENT BUDGET — 1966

A preliminary capital improvement budget totaling approximately 20 million dollars has been established for 1966, with provision for expansion as determined by equipment needs and other demands as the year progresses.

Various types of freight handling equipment will be acquired by purchase or under lease.

Eighteen diesel locomotives have already been purchased during 1966 for use in high speed, long haul freight operations. Twelve of these are 3,000 h.p. units, while the other six are 2,800 h.p. Among

the various types of freight handling equipment to be acquired are 70-ton and 100-ton box cars for handling auto parts, packaged goods and other commodities, and high capacity hopper cars of both steel and aluminum construction.

Approximately 1,000 freight cars will be rebuilt or converted during the year, many of which will be increased in length, as part of the large-scale rebuilding program begun in 1963.

Improvements of various kinds have also been planned for road and other fixed properties.

## CAPITAL EXPENDITURES — 1965

THE FOLLOWING IS A SUMMARY OF THE CAPITAL EXPENDITURES MADE DURING 1965:

Road property.....		\$ 5,296,109
New equipment.....	\$17,134,563	
Improvements to existing equipment.....	3,989,701	21,124,264
Total transportation properties.....		26,420,373
Miscellaneous physical property.....		66,086
Total properties.....		\$26,486,459

### EQUIPMENT DELIVERED DURING THE YEAR:

24—2500 HP diesel electric road switching locomotives	3—100 ton DF steel box cars
4—1500 HP diesel electric road switching locomotives*	1089—50 ton DF steel box cars
4—1200 HP diesel electric road switching locomotives*	150—77 ton ore cars
3—1600 HP diesel electric road switching locomotives*	10—gallery type coaches
100—100 ton roller bearing covered hopper cars	1—40 ton diesel electric locomotive crane
10—100 ton roller bearing air slide hopper cars	30—50 ton log flat cars*
10—70 ton steel box cars with cushion underframe	1—55 ton steel box car*
1—250 ton depressed center section flat car	1—50 ton steel box car*
138—55 ton steel refrigerator cars*	* Rebuilt

## THE "DIVISIONS" CASE

The Interstate Commerce Commission in 1963 ordered an increase in the eastern and midwestern railroads' share, or division, of joint line revenue on traffic moving between eastern and midwestern states on the one hand, and far western states on the other. This action has been of major significance to the Milwaukee Road, which is both a midwestern and a far western carrier.

A United States District Court, acting on appeal by the far western railroads, set aside the Commission's order and ordered the Commission to hold new hearings.

The Milwaukee Road and other railroads operating in the far western states have settled their

case with the eastern railroads on a basis more favorable to the western roads than the Commission's order. Other provisions of the settlement, in the case of the Milwaukee, provide benefits to this company which will offset the increased divisions to the eastern railroads.

Along with several other midwestern railroads, the Milwaukee has appealed to the United States Supreme Court to uphold the Commission's order awarding the midwestern railroads higher divisions against those serving the far western states. On the basis of 1965 traffic volume, this action would have resulted in additional revenues for the Milwaukee of approximately \$3,478,000.

## LONG-TERM DEBT OUTSTANDING

Long-term debt of the Railroad Company, including equipment obligations due within one year, outstanding in the hands of the public as of December 31, 1965, amounted to \$272,153,257 compared with \$270,518,904 as of December 31, 1964, a net increase of \$1,634,353.

### *Increase*

Conditional sale agreements covering purchase of equipment.....	\$15,840,231
---	--------------

### *Decrease*

Principal payments on equipment obligations:	
Equipment trust certificates.....	5,703,000
Conditional sale agreements.....	5,870,278

Purchased in the open market by Trustees for cancellation and cancelled:

General Mortgage 4½% Income Bonds, Series A.....	102,000
General Mortgage 4½% Convertible Income Bonds, Series B.....	3,000
C.T.H. & S.E. Ry. Co. First and Refunding Mortgage 4¼% Bonds.....	12,000
The Southern Indiana Railway Company First Mortgage 4¼% Bonds.....	85,000

Purchased in the open market by the Company:

First Mortgage 4% Bonds, Series A.....	1,808,100
General Mortgage 4½% Income Bonds, Series A.....	289,500
Five Per Cent Income Debentures, Series A.....	327,000
The Bedford Belt Railway Company First Mortgage 4¼% Bonds.....	6,000

Total .....	14,205,878
-------------	------------

Net increase .....	\$ 1,634,353
--------------------	--------------

In addition to the foregoing changes, the following principal amounts of mortgage bonds and debentures, held by the Company at December 31, 1964, were delivered or sold to the Trustees and cancelled during 1965 through operation of sinking funds:

First Mortgage 4% Bonds, Series A.....	\$ 425,300
General Mortgage 4½% Income Bonds, Series A.....	1,217,700
General Mortgage 4½% Convertible Income Bonds, Series B.....	844,300
Five Per Cent Income Debentures, Series A.....	300,000

## LEGISLATION

The Second Session of the 89th Congress promises to be an active one with respect to legislation affecting transportation in general, and railroads in particular.

The railroad industry again will make an attempt to have an equitable system of user charges imposed on those modes of transportation which use public thoroughfares and facilities, such as highways, waterways, airways and airports. The industry will also attempt to secure some measure of relief from regulation with respect to the establishment of minimum rates.

President Johnson in his transportation message requested the creation of a cabinet position of Secretary of Transportation, and bills have been introduced in the Senate and House to implement this request. The new Department of Transporta-

tion would bring together almost 100,000 employees from other departments of the government and the spending of almost six billion dollars of federal funds now devoted to transportation and spent through other departments.

Legislation is also expected for the purpose of encouraging research and development of high speed passenger trains to help alleviate the crowded conditions of highways and airways.

Efforts are continuing with respect to the repeal of the excess crew laws of Washington and Wisconsin. In Washington the repeal will be placed before the voters, and steps to accomplish this have already been started. In Wisconsin, suit is pending to have the law declared unconstitutional, and it is anticipated that a trial will be had this year. The excess crew laws of both of these states require the railroads to employ unneeded men in train crews.

## NEW DEPARTMENTS AND ACTIVITIES

Because of the increasing importance of new techniques in management and personnel activities, attention has been given to the development of new programs, two of which are of special significance.

The formation of a Management Services Department was announced in November. The staff of this new department constitutes a corporate study and planning group which will work initially to meet the need for management information systems. The Systems and Procedures staff, formerly a part of the Accounting Department, has been transferred to the new department where it now functions on a company-wide rather than a departmental basis. Computer operations have been similarly transferred and now serve all departments more com-

pletely than they formerly did.

The railroad's efforts in the areas of personnel training and development and the recruitment of college trained employees continued at an accelerated rate throughout 1965.

During the 1964-65 academic year, a large-scale and formal recruiting program on the railroad was developed and implemented, with the result that 28 college graduates were employed, essentially meeting the company's requirements. During the 1965-66 academic year, students are being interviewed at 28 colleges and universities for various openings.

Two training programs now in progress in the Traffic Department are reported in the Traffic Developments section.

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

### ACCOUNTANTS' REPORT

We have examined the consolidated balance sheet of Chicago, Milwaukee, St. Paul and Pacific Railroad Company and its subsidiaries as of December 31, 1965 and the related statement of consolidated income and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Railroad Company is required to maintain its accounts in accordance with Interstate Commerce Commission rules. In keeping with such rules, no provision has been made for deferred federal income taxes (note 4), and Other Elements of Investment (note 3) has been treated as a part of the property accounts. Under generally accepted accounting principles provision for deferred income taxes is required and other elements of investment would be treated as capital surplus.

In our opinion, except for the matters referred to in the preceding paragraph, the accompanying consolidated balance sheet and statement of consolidated income and retained income present fairly the financial position of Chicago, Milwaukee, St. Paul and Pacific Railroad Company and its subsidiaries as of December 31, 1965 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois  
February 23, 1966

PEAT, MARWICK, MITCHELL & CO.

**CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY  
AND SUBSIDIARIES**

**STATEMENT OF CONSOLIDATED INCOME AND RETAINED INCOME**

Year ended December 31, 1965 with comparative figures for 1964

	<b>1965</b>	<b>1964</b>
<b>OPERATING REVENUES</b>		
Freight .....	\$205,594,999	\$192,886,058
Passenger, mail and express.....	24,931,606	25,119,424
Other .....	14,614,908	13,673,899
	245,141,513	231,679,381
<b>OPERATING EXPENSES (including depreciation and retirement charges of \$17,408,840 in 1965 and \$17,241,033 in 1964)</b>		
Transportation .....	102,692,699	97,484,941
Maintenance of way and structures.....	32,054,757	30,672,559
Maintenance of equipment.....	37,850,224	37,261,253
Traffic .....	6,879,587	6,607,863
General and other.....	16,803,547	16,877,796
	196,280,814	188,904,412
Net revenue from operations.....	48,860,699	42,774,969
<b>TAXES AND RENTS</b>		
Federal income tax refund (note 4).....	(640,836)	.....
Payroll and other taxes.....	20,140,195	18,642,770
Equipment and joint facility rents, net.....	13,859,687	10,954,894
	33,359,046	29,597,664
Net operating income.....	15,501,653	13,177,305
<b>OTHER INCOME</b>		
Gain on sales of properties and timber, net.....	4,010,648	3,453,333
Dividends and interest (note 4).....	843,008	576,013
Miscellaneous, net (note 3).....	1,485,323	1,210,076
	6,338,979	5,239,422
	21,840,632	18,416,727
<b>FIXED INTEREST ON LONG-TERM DEBT (including amortization of discount).....</b>		
	6,460,456	6,303,138
	15,380,176	12,113,589
<b>CONTINGENT INTEREST ON LONG-TERM DEBT.....</b>		
	5,883,866	5,907,933
Net income.....	9,496,310	6,205,656
<b>RETAINED INCOME AT BEGINNING OF YEAR.....</b>		
	92,643,890	87,088,466
	102,140,200	93,294,122
<b>ADD</b>		
Discount on mortgage bonds and debentures reacquired.....	336,559	657,317
Write-off from other elements of investments (note 3).....	.....	4,879,360
	102,476,759	98,830,799
<b>DEDUCT</b>		
Excess of stated value over option price of Common Stock issued under stock option plan (note 5).....	1,496,388	1,458,880
Dividend on Preferred Stock—\$5.00 per share.....	2,593,260	2,593,260
Dividend on Common Stock—\$1.00 per share.....	2,151,465	2,134,769
	6,241,113	6,186,909
<b>RETAINED INCOME AT END OF YEAR.....</b>	<b>\$ 96,235,646</b>	<b>\$ 92,643,890</b>

See accompanying notes to consolidated financial statements.

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY AND SUBSIDIARIES

**CONSOLIDATED BALANCE SHEET**

December 31, 1965 with comparative figures for 1964

	<b>ASSETS</b>	
	<b>1965</b>	<b>1964</b>
<b>CURRENT ASSETS</b>		
Cash and temporary cash investments.....	\$ 21,790,878	\$ 21,255,570
Accounts receivable.....	23,621,093	20,398,045
Material and supplies, at cost.....	17,258,988	16,439,939
Other current assets.....	1,834,225	2,078,801
Total current assets.....	64,505,184	60,172,355
SPECIAL FUNDS.....	2,228,512	4,298,286
<b>INVESTMENTS, at cost (note 2)</b>		
Affiliated companies.....	13,993,428	13,745,634
Other companies.....	466,906	437,251
Total investments.....	14,460,334	14,182,885
<b>PROPERTIES (note 3)</b>		
Road .....	639,576,801	637,316,734
Equipment .....	346,309,309	346,588,973
Other elements of investment (credits).....	(122,402,408)	(122,523,025)
	863,483,702	861,382,682
Less allowances for depreciation and amortization.....	272,108,228	273,705,628
Transportation properties.....	591,375,474	587,677,054
Other property, less depreciation.....	14,686,414	10,999,572
Total properties.....	606,061,888	598,676,626
OTHER ASSETS AND DEFERRED CHARGES.....	6,160,849	7,279,288
Total assets.....	\$693,416,767	\$684,609,440

See accompanying notes to consolidated financial statements.

**CONSOLIDATED BALANCE SHEET**

December 31, 1965 with comparative figures for 1964

	<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
	1965	1964
<b>CURRENT LIABILITIES</b>		
Accounts payable.....	\$ 30,411,041	\$ 28,045,155
Payroll and vacation pay.....	9,145,266	11,493,814
Accrued taxes (note 4).....	7,942,930	7,493,176
Other current liabilities.....	498,050	394,393
Total current liabilities (exclusive of debt installments due within one year).....	47,997,287	47,426,538
DEBT INSTALLMENTS DUE WITHIN ONE YEAR.....	13,489,504	11,870,062
<b>LONG-TERM DEBT</b>		
Mortgage bonds.....	130,262,200	132,567,800
Five per cent income debentures.....	56,400,000	56,727,000
Equipment obligations.....	73,601,068	71,004,135
Other.....	1,510,939	227,460
Total long-term debt.....	261,774,207	260,526,395
RESERVES AND OTHER LIABILITIES.....	6,212,623	6,217,955
Total liabilities.....	329,473,621	326,040,950
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 5)		
Common Stock—no par value (stated value \$100 per share). Authorized 2,637,451 shares (including 439,221 shares reserved for conversion of General Mortgage bonds, Series B and 39,791 shares reserved under the restricted stock option plan) ; issued and outstanding 2,158,423 shares.....	215,842,300	214,059,400
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
	267,707,500	265,924,600
Retained income		
Appropriated.....	44,101,126	44,088,795
Unappropriated.....	52,134,520	48,555,095
	96,235,646	92,643,890
Total shareholders' equity.....	363,943,146	358,568,490
CONTINGENT LIABILITIES (note 6).....	.....	.....
Total liabilities and shareholders' equity.....	\$693,416,767	\$684,609,440

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1965

**1. Consolidated Statements**—The accompanying financial statements for 1965 are consolidated statements including the accounts of Chicago, Milwaukee, St. Paul and Pacific Railroad Company and all its subsidiaries, The Milwaukee Motor Transportation Company (and its subsidiary Macy Trucking, Incorporated), Bremerton Freight Car Ferry, Inc. and Milwaukee Land Company (and its subsidiaries, Washington, Idaho & Montana Railway Company and M.L.C. Equipment Company). Figures for 1964, previously presented on an unconsolidated basis including only the accounts of the parent company, have been restated in the accompanying statements to make them comparable with 1965.

**2. Investments**—Investments in affiliated companies include \$3,822,009 pledged as collateral to mortgage bonds. The affiliated companies are jointly-owned terminal, switching and other companies, none of which is more than 50 per cent owned.

**3. Properties**—Road and equipment properties are stated at original cost or estimated original cost as determined by the Interstate Commerce Commission in 1917 and 1918, plus subsequent additions and betterments at cost, less retirements.

Other elements of investment arose in connection with the reorganization of Chicago, Milwaukee, St. Paul and Pacific Railroad Company as of January 1, 1944. The account was credited as of that date with an amount equal to the excess of properties and other Railroad Company assets over the aggregate of amounts ascribed to capital stocks, bonds and other liabilities required by the Court to be issued or paid. Starting in 1962, consistent with accounting rules of the Interstate Commerce Commission, the Railroad Company has followed the practice of writing off to Other Income an equitable portion of the account assignable to nondepreciable pre-reorganization properties retired. The 1965 write-off amounted to \$171,819. A similar write-off of \$4,879,360 with respect to retirements in years prior to 1962 was credited to retained income in 1964.

**4. Federal Income Taxes**—Federal income tax liabilities have been settled through the year 1955. The Internal Revenue Service has examined returns for the years 1956 through 1960 and has reported a tax overassessment of \$2,752,823, of which \$1,654,909 was refunded to the Railroad Company in 1965. Refund of the remaining amount is contingent upon the outcome of a suit now pending in the United States Court of Claims relating to tax refunds claimed by the Railroad Company for the years 1942 through 1951, and is not reflected in the financial statements. Of the refund received in 1965, \$1,014,073 was applied to receivables set up in the accounts in 1959 and 1960, and \$640,836 was credited to 1965 tax expenses. Related interest of \$349,567 was also received and included in Other Income for 1965. On the basis of unaudited returns filed for the years since 1960, plus the estimated tax loss for 1965 a consolidated loss carry-forward of \$13,328,000 was available as of December 31, 1965. There was also available an unused Investment Tax Credit of approximately \$4,713,000.

Depreciation provisions as recorded on the books are computed at normal rates, whereas larger permissible amounts have been deducted in determining federal income taxes. The tax effect of these elections and other depreciation differences is summarized by the following table:

	1965	1964	Cumulative to Dec. 31, 1965
Tax reduction (increase) from:			
Amortization of defense facilities.....	\$(1,218,700)	\$(1,269,500)	\$16,522,200
Use of guideline lives and declining-balance method .....	3,895,500	2,123,000	13,284,300
Other differences in depreciation bases and rates.....	1,788,600	1,676,500	16,345,500

**5. Stock Options**—The Railroad Company has a restricted stock option plan which permits the granting of options to officers and other key employees for the purchase of 75,000 shares of its Common Stock. Option prices are fixed at current market value at the date options are granted. A maximum of one-third of the shares named in each option may be purchased in any one year of a nine-year period beginning one year after the date of the grant. Options have been granted (all in 1961) for the purchase of 51,000 shares and 8,250 shares at \$16.00 and \$16.50 a share, respectively. Since 1961 options for 5,000 shares at \$16.00 a share and 500 shares at \$16.50 a share have expired. In 1964 options were exercised for 15,300 shares and 2,080 shares at \$16.00 and \$16.50 a share, respectively. In 1965 options were exercised for 15,333 shares and 2,496 shares at \$16.00 and \$16.50 a share, respectively. At December 31, 1965, options were outstanding for the purchase of 15,367 shares and 3,174 shares at \$16.00 and \$16.50 a share, respectively, and 21,250 shares were available for option. The excess of stated value over option price of shares exercised is charged to retained income.

**6. Contingent Liabilities and Long-Term Leases**—The Railroad Company was liable, jointly with other railroads, as guarantor of certain obligations of affiliated companies amounting to \$95,919,627 at December 31, 1965. Also, the Railroad Company was contingently liable as guarantor along with other railroads for its proportion (2.44%), and its proportionate share of any contingent obligations not met by other railroad participants, of obligations of Trailer Train Company aggregating \$89,533,325.

Under long-term, noncancelable leases expiring in 1968, 1972 through 1975, and 1980, the Railroad Company and subsidiaries were obligated as of December 31, 1965, to pay rentals of \$17,930,435, of which \$1,773,983 is payable in 1966.

**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 Railroad Company was entitled to receive additional freight revenues effective July 1, 1963. These additional revenues consisted of increases in divisions for traffic handled by the Railroad Company as a midwestern carrier, originating or terminating in transcontinental territory, less increases awarded the eastern railroads from its earnings as a transcontinental carrier. The Railroad Company settled its divisions case with the eastern railroads in February 1966 (as of September 1, 1965), on a basis more favorable to it than the Commission's order. Other provisions of the settlement provide benefits to the Railroad Company which will offset the increased divisions to the eastern railroads.

The Railroad Company is continuing, by litigation in the United States Supreme Court, to protect the increased divisions awarded it as a midwestern carrier under the Interstate Commerce Commission order. The possible additional revenues which may result from this action, estimated at \$3,478,000 for 1965 and \$7,946,000 cumulatively through 1965, are not included in the accompanying financial statements.

**8. Proposed Consolidation**—An Agreement of Consolidation, dated as of March 18, 1965, has been approved by the stockholders of the Railroad Company and of Chicago and North Western Railway Company. Under the agreement, subject to Interstate Commerce Commission approval and other conditions, the two companies and a third corporation owned jointly by them, are to be consolidated into a single new corporation. Until the consolidation is effective or the agreement is terminated, the Railroad Company is required by the agreement to observe certain restrictions on capital stock transactions and changes in funded debt.

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

**STATEMENT OF INCOME AND RETAINED INCOME**

Year ended December 31, 1965 with comparative figures for 1964

	1965	1964
<b>OPERATING REVENUES</b>		
Freight .....	\$202,080,378	\$189,837,458
Passenger, mail and express .....	24,681,596	24,901,449
Other .....	14,598,896	13,499,895
	<u>241,360,870</u>	<u>228,238,802</u>
<b>OPERATING EXPENSES</b> (including depreciation and retirement charges of \$16,691,863 in 1965 and \$16,427,989 in 1964)		
Transportation .....	100,696,108	95,646,453
Maintenance of way and structures .....	31,871,276	30,424,471
Maintenance of equipment .....	36,387,941	36,001,896
Traffic .....	6,835,303	6,575,850
General and other .....	15,886,375	16,119,500
	<u>191,677,003</u>	<u>184,768,170</u>
Net revenue from railway operations .....	49,683,867	43,470,632
<b>TAXES AND RENTS</b>		
Federal income tax refund .....	(640,836)	.....
Payroll and other taxes .....	19,660,836	18,220,000
Equipment and joint facility rents, net .....	15,375,312	12,144,946
	<u>34,395,312</u>	<u>30,364,946</u>
Net railway operating income .....	15,288,555	13,105,686
<b>OTHER INCOME</b>		
Gain on sales of properties, net .....	1,477,402	1,882,318
Dividends and interest .....	1,430,260	1,377,381
Miscellaneous, net .....	1,313,085	1,019,822
	<u>4,220,747</u>	<u>4,279,521</u>
	19,509,302	17,385,207
<b>FIXED INTEREST ON LONG-TERM DEBT</b> (including amortization of discount) .....		
	6,362,552	6,151,673
	<u>13,146,750</u>	<u>11,233,534</u>
<b>CONTINGENT INTEREST ON LONG-TERM DEBT</b> .....		
	5,883,866	5,918,733
Net income .....	<u>7,262,884</u>	<u>5,314,801</u>
<b>RETAINED INCOME AT BEGINNING OF YEAR</b> .....		
	91,884,531	87,219,962
	<u>99,147,415</u>	<u>92,534,763</u>
<b>ADD</b>		
Discount on mortgage bonds and debentures reacquired .....	295,123	657,317
Write-off from other elements of investment .....	.....	4,879,360
	<u>99,442,538</u>	<u>98,071,440</u>
<b>DEDUCT</b>		
Excess of stated value over option price of Common Stock issued under stock option plan .....	1,496,388	1,458,880
Dividend on Preferred Stock—\$5.00 per share .....	2,593,260	2,593,260
Dividend on Common Stock—\$1.00 per share .....	2,151,465	2,134,769
	<u>6,241,113</u>	<u>6,186,909</u>
<b>RETAINED INCOME AT END OF YEAR</b> .....	<u>\$ 93,201,425</u>	<u>\$ 91,884,531</u>

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

**BALANCE SHEET**

December 31, 1965 with comparative figures for 1964

	<b>ASSETS</b>	
	<b>1965</b>	<b>1964</b>
<b>CURRENT ASSETS</b>		
Cash and temporary cash investments.....	\$ 20,092,388	\$ 20,257,752
Accounts receivable.....	23,660,190	20,710,293
Material and supplies, at cost.....	17,171,615	16,385,925
Other current assets.....	1,696,207	1,988,518
Total current assets.....	62,620,400	59,342,488
 SPECIAL FUNDS.....	 2,228,512	 4,298,286
 <b>INVESTMENTS, at cost</b>		
Affiliated companies.....	23,026,459	22,863,351
Other companies.....	466,906	437,251
Total investments.....	23,493,365	23,300,602
 <b>PROPERTIES</b>		
Road .....	637,219,124	634,703,962
Equipment .....	341,682,901	341,712,159
Other elements of investment (credits).....	(122,402,408)	(122,523,025)
	856,499,617	853,893,096
 Less allowances for depreciation and amortization.....	 267,501,536	 269,425,764
Transportation properties.....	588,998,081	584,467,332
Nonoperating property, less depreciation.....	5,108,117	4,540,369
Total properties.....	594,106,198	589,007,701
 OTHER ASSETS AND DEFERRED CHARGES.....	 4,469,837	 5,708,950
  Total assets.....	  \$686,918,312	  \$681,658,027

## CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

**BALANCE SHEET**

December 31, 1965 with comparative figures for 1964

	<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	
	1965	1964
<b>CURRENT LIABILITIES</b>		
Accounts payable.....	\$ 30,572,418	\$ 28,210,566
Payroll and vacation pay.....	9,111,401	11,469,460
Accrued taxes.....	7,818,015	7,379,915
Other current liabilities.....	413,504	343,229
Total current liabilities (exclusive of equipment obligations due within one year).....	47,915,338	47,403,170
<b>EQUIPMENT OBLIGATIONS DUE WITHIN ONE YEAR</b>		
YEAR .....	12,151,517	10,923,128
<b>LONG-TERM DEBT</b>		
Mortgage bonds .....	130,262,200	132,567,800
Five per cent income debentures.....	56,400,000	56,727,000
Equipment obligations.....	73,339,540	70,300,976
Total long-term debt.....	260,001,740	259,595,776
<b>RESERVES AND OTHER LIABILITIES</b>		
Total liabilities.....	326,009,387	323,848,896
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock		
Common Stock—no par value (stated value \$100 per share) Authorized 2,637,451 shares (including 439,221 shares reserved for conversion of General Mortgage Bonds, Series B and 39,791 shares reserved under the restricted stock option plan) ; issued and outstanding 2,158,423 shares.....		
	215,842,300	214,059,400
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
	267,707,500	265,924,600
Retained income		
Appropriated .....	44,101,126	44,088,795
Unappropriated .....	49,100,299	47,795,736
	93,201,425	91,884,531
Total shareholders' equity.....	360,908,925	357,809,131
Total liabilities and shareholders' equity.....	\$686,918,312	\$681,658,027

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

**STATEMENT OF AVAILABLE NET INCOME**

Year ended December 31, 1965 with comparative figures for 1964

	1965	1964
INCOME AVAILABLE FOR FIXED CHARGES.....	\$ 19,509,302	\$ 17,385,207
<b>FIXED CHARGES</b>		
Rent for leased roads and equipment.....	420	420
Interest on long-term debt		
On First Mortgage 4% Bonds, Series A.....	1,983,281	2,054,660
On modified Terre Haute bonds.....	519,850	523,501
On equipment obligations.....	3,768,710	3,475,403
Interest on unfunded debt.....	5,489	4,347
Amortization of discount on long-term debt.....	84,802	93,342
Total fixed charges.....	<u>6,362,552</u>	<u>6,151,673</u>
Income after fixed charges.....	13,146,750	11,233,534
ADD—Charges to operating expenses representing the service value of nondepreciable roadway property retired and not replaced.....	<u>127,008</u>	<u>12,081</u>
AVAILABLE NET INCOME—as defined in the First Mortgage and General Mortgage indentures.....	<u>13,273,758</u>	<u>11,245,615</u>
<b>APPLICATION OF SUCH AVAILABLE NET INCOME</b>		
Appropriated for sinking fund for retirement of First Mortgage 4% Bonds, Series A.....	366,692	349,680
Contingent interest on General Mortgage 4½% Income Bonds, Series A.....	1,307,937	1,331,124
Contingent interest on modified Terre Haute bonds.....	282,409	283,617
Contingent interest on General Mortgage 4½% Convertible Income Bonds, Series B.....	1,484,820	1,482,367
Appropriated for sinking fund for retirement of General Mortgage 4½% Income Bonds, Series A and Series B.....	543,393	543,393
Remaining available net income.....	<u>3,985,251</u>	<u>3,990,181</u>
	9,288,507	7,255,434
DEDUCT—Charges to operating expenses representing the service value of nondepreciable roadway property retired and not replaced.....	<u>127,008</u>	<u>12,081</u>
AVAILABLE NET INCOME—as defined in the indenture relating to Five Per Cent Income Debentures, Series A.....	<u>9,161,499</u>	<u>7,243,353</u>
<b>APPLICATION OF SUCH AVAILABLE NET INCOME</b>		
Contingent interest on Five Per Cent Income Debentures, Series A.....	2,808,700	2,821,625
Appropriated for sinking fund for retirement of Five Per Cent Income Debentures, Series A.....	217,289	211,841
Remainder available for payment of dividends or any other proper corporate purposes.....	<u>3,025,989</u>	<u>3,033,466</u>
	\$ 6,135,510	\$ 4,209,887

INVESTMENTS—DECEMBER 31, 1965

DESCRIPTION	NUMBER OF SHARES	EXTENT OF CONTROL—PER CENT	LEDGER AMOUNT
<b>AFFILIATED COMPANIES</b>			
<b>WHOLLY-OWNED SUBSIDIARIES</b>			
<b>CAPITAL STOCKS</b>			
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
<b>NOTE</b>			
Milwaukee Land Company.....A		100	2,652,000
<b>ADVANCES</b>			
Milwaukee Land Company.....		100	905,640
The Milwaukee Motor Transportation Company.....		100	4,829,551
TOTAL ADVANCES			5,735,191
TOTAL INVESTMENTS—WHOLLY-OWNED SUBSIDIARIES			9,042,191
<b>JOINTLY-OWNED TERMINAL, SWITCHING, AND OTHER COMPANIES</b>			
<b>CAPITAL STOCKS</b>			
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
Delta Alaska Terminal Ltd.....	100	6.67	600
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	8 $\frac{1}{3}$	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	11 $\frac{1}{6}$	91,300
The Pullman Company.....	9,426	1.28	282,780
The St. Paul Union Depot Company.....A	1,036	12 $\frac{1}{2}$	130,475
Trailer Train Company.....	500	2.44	98,860
TOTAL CAPITAL STOCKS			4,211,484
<b>NOTES</b>			
Delta Alaska Terminal Ltd.....		6.67	32,223
Minneapolis Eastern Railway Company.....		50	8,500
Railway Express Agency, Incorporated.....		2.6	751,804
TOTAL NOTES			792,527
<b>ADVANCES</b>			
Chicago Union Station Company.....		25	5,262,200
Davenport, Rock Island & North Western Railway Company.....		50	1,169,650
Des Moines Union Railway Company.....		50	1,067,107
Kansas City Terminal Railway Company.....		8 $\frac{1}{3}$	974,222
The Minnesota Transfer Railway Company.....		11 $\frac{1}{6}$	286,615
The St. Paul Union Depot Company.....		12 $\frac{1}{2}$	220,463
TOTAL ADVANCES			8,980,257
TOTAL INVESTMENTS—AFFILIATED COMPANIES			23,026,459
<b>OTHER COMPANIES</b>			
<b>STOCKS</b>			
Miscellaneous .....			1,153
<b>DEBENTURES</b>			
Century 21 Center, Inc.....			10,750
Consumers Cooperative Oil Company.....			46
TOTAL DEBENTURES			10,796
<b>NOTES</b>			
Bunte Brothers Chase Candy Company.....			702
Commodity Verification Service, Inc.....			3,000
Klemp Metal Grating Corp.....			110
Bates Couch Terminal Elevator Co.....			5,068
Marshall J. Fry and Price-Watson Co.....			133
TOTAL NOTES			9,013
<b>SALE AGREEMENTS</b>			
B. G. S. Corporation.....			72,190
Brigham Young University.....			12,160
Cargill, Incorporated.....			240,000
Farmington Industrial Development, Inc.....			11,520
General Warehouse & Transportation Company.....			14,000
Arthur A. Levin.....			39,400
Steven J. Kipper, Jr.....			11,839
Other companies and individuals.....			44,835
TOTAL SALE AGREEMENTS			445,944
TOTAL INVESTMENTS—OTHER COMPANIES			466,906
TOTAL INVESTMENTS			\$23,493,365

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.

## ROAD AND EQUIPMENT PROPERTIES

ACCOUNT	Balance at January 1	Expenditures During the Year	Credits for Property Retired During the Year and other Adjustments	Balance at December 31
<b>ROAD</b>				
Engineering .....	\$ 18,418,635	\$ 117,436	\$ (19,255)	\$ 18,555,326
Land for transportation purposes.....	38,289,605	70,729	424,332	37,936,002
Other right-of-way expenditures.....	518,862	829	24	519,667
Grading .....	142,308,285	207,913	191,311	142,324,887
Tunnels and subways.....	10,293,491	(14)	.....	10,293,477
Bridges, trestles, and culverts.....	74,242,191	1,015,829	188,681	75,069,339
Ties .....	34,516,332	101,171	105,959	34,511,544
Rails .....	68,943,897	155,638	156,751	68,942,784
Other track material.....	48,569,660	255,605	84,078	48,741,187
Ballast .....	26,386,410	(157)	(3,445)	26,389,698
Track laying and surfacing.....	32,867,274	119,412	(23,218)	33,009,904
Fences, snowsheds, and signs.....	5,358,863	2,254	(3,169)	5,364,286
Station and office buildings.....	26,672,399	1,725,912	1,143,798	27,254,513
Roadway buildings.....	2,051,275	9,477	39,288	2,021,464
Water stations.....	899,383	6,941	81,792	824,532
Fuel stations.....	751,775	12,232	(121,333)	885,340
Shops and enginehouses.....	19,290,264	95,864	108,984	19,277,144
Storage warehouses.....	64,349	.....	.....	64,349
Wharves and docks.....	1,541,276	183,346	8,692	1,715,930
Communication systems.....	7,859,246	301,281	26,782	8,133,745
Signals and interlockers.....	22,919,674	350,495	164,761	23,105,408
Power Plants.....	1,545,818	(742)	.....	1,545,076
Power-transmission systems.....	9,743,353	95,436	5,758	9,833,031
Miscellaneous structures.....	616,419	123	757	615,785
Roadway machines.....	9,749,969	492,089	109,853	10,132,205
Roadway small tools.....	323,208	(3,288)	340	319,580
Public improvements—Construction.....	15,861,412	321,658	68,234	16,114,836
Other expenditures—Road.....	335	.....	.....	335
Shop machinery.....	7,477,061	173,213	84,843	7,565,431
Power-plant machinery.....	5,506,840	2,064	(45,893)	5,554,797
<b>TOTAL ROAD</b>	<b>633,587,561</b>	<b>5,812,746</b>	<b>2,778,705</b>	<b>636,621,602</b>
CONSTRUCTION WORK IN PROGRESS.....	516,637	(516,637)	.....	.....
IMPROVEMENTS ON LEASED PROPERTY.....	599,764	.....	2,242	597,522
<b>TOTAL ROAD AND ROADWAY STRUCTURES</b>	<b>634,703,962</b>	<b>5,296,109</b>	<b>2,780,947</b>	<b>637,219,124</b>
<b>EQUIPMENT</b>				
Locomotives .....	122,057,294	6,813,834	8,494,255	120,376,873
Freight-train cars .....	177,833,746	11,981,501	10,415,079	179,400,168
Passenger-train cars .....	32,042,091	1,875,080	1,914,423	32,002,748
Floating equipment .....	278,731	.....	98,726	180,005
Work equipment.....	6,508,145	213,957	51,767	6,670,335
Miscellaneous equipment.....	2,992,152	239,892	179,272	3,052,772
<b>TOTAL EQUIPMENT</b>	<b>341,712,159</b>	<b>21,124,264</b>	<b>21,153,522</b>	<b>341,682,901</b>
<b>TOTAL ROAD AND EQUIPMENT PROPERTIES</b>	<b>\$ 976,416,121</b>	<b>\$ 26,420,373</b>	<b>\$ 23,934,469</b>	<b>\$978,902,025</b>

( ) Denotes contra item.

**CONTINGENT LIABILITIES WITH RESPECT TO SECURITIES OF OTHER COMPANIES**

**AS OF DECEMBER 31, 1965**

<u>ITEMS</u>	<u>AMOUNT</u>
<b>CHICAGO UNION STATION COMPANY</b>	
1. First Mortgage 4 $\frac{5}{8}$ % Sinking Fund Bonds, Series A, due June 1, 1988.....	\$29,000,000
2. Serial Debentures 3 $\frac{3}{8}$ % Series A, due annually June 1, 1966 to June 1, 1968.....	6,000,000
3. Serial Debentures 4 $\frac{3}{8}$ % Series B, due annually June 1, 1969 to June 1, 1973.....	10,000,000
	<u>45,000,000</u>

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.

<b>INDIANA HARBOR BELT RAILROAD COMPANY</b>	
1. First Mortgage Bonds, 5 $\frac{1}{8}$ %, due June 1, 1982.....	5,411,000
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.	

<b>KANSAS CITY TERMINAL RAILWAY COMPANY</b>	
1. First Mortgage Serial Bonds, due annually October 1, 1966 to October 1, 1974.....	34,652,000
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.	

<b>PACKERS CAR LINE COMPANY</b>	
1. Conditional Sale Agreements.....	156,027
The Railroad Company's portion of principal guaranteed, based on its proportion of stock ownership—9.56%.	

<b>THE MINNESOTA TRANSFER RAILWAY COMPANY</b>	
1. 3 $\frac{3}{4}$ % Sinking Fund Promissory Notes, due June 1, 1976.....	1,258,600
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.	

<b>THE ST. PAUL UNION DEPOT COMPANY</b>	
1. First and Refunding Mortgage Bonds, 3 $\frac{1}{8}$ %, Series B, due October 1, 1971.....	9,442,000
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.	

<b>TRAILER TRAIN COMPANY</b>	
1. Conditional Sale Agreements.....	2,184,613
The Railroad Company's portion of principal guaranteed, based on its proportion of stock ownership—2.44%.	

TOTAL \$98,104,240

**LONG-TERM DEBT, DECEMBER 31, 1965**

DESCRIPTION	Date of Issue	Date of Maturity	Amount Originally Issued or Assumed	Amount as of Dec. 31, 1965	Amount Held by Company	Amount Outstanding Dec. 31, 1965	INTEREST		
							Rate	Payable	Accrued During Year
First mortgage bonds, Series A.....	Jan. 1, 1944	Jan. 1, 1994	\$ 59,515,100	\$ 51,776,000	\$ 2,362,700	\$ 49,413,300	4 %	J. & J.	\$ 1,983,281
First mortgage bonds, Series B.....	July 1, 1961	Jan. 1, 1994	#	#	#	.....	5½ %	J. & J.	.....
General mortgage income bonds, Series A.....	Jan. 1, 1944	Jan. 1, 2019	57,256,600	29,409,000	410,100	28,998,900	4½ %	April	1,307,937
General mortgage convertible income bonds, Series B.....	Jan. 1, 1944	Jan. 1, 2044	51,422,100	33,024,300	29,100	32,995,200	4½ %	April	1,484,820
Five per cent income debentures, Series A.....	Jan. 1, 1955	Jan. 1, 2055	60,000,000	57,000,000	600,000	56,400,000	5	M. & S.	2,808,700
The Bedford Belt Ry. Co. first mortgage bonds.....	Jan. 1, 1946	Jan. 1, 1994	350,000	331,000	*150,000	181,000	4½ %	J.A. & J.	7,777
The Southern Indiana Ry. Co. first mortgage bonds.....	Jan. 1, 1946	Jan. 1, 1994	7,287,000	6,799,000	256,000	6,543,000	4½ %	J.A. & J.	278,910
Chicago, Terre Haute and South-eastern Ry. Co.: First and refunding mortgage bonds.....	Jan. 1, 1946	Jan. 1, 1994	9,571,000	9,452,000	**2,060,000	7,392,000	4½ %	J.A. & J.	314,173
Income mortgage bonds.....	Jan. 1, 1946	Jan. 1, 1994	6,335,800	6,335,800	1,597,000	4,738,800	4½ %	J.A. & J.	201,399
Equipment obligations (See details below).....			163,536,268	85,491,057	.....	85,491,057			3,768,710
Total.....			\$415,273,868	\$279,618,157	\$ 7,464,900	272,153,257			\$12,155,707
Less equipment obligations due within one year.....						12,151,517			
Total long-term debt.....						\$260,001,740			

#Authenticated First Mortgage bonds, Series B, in the principal amount of \$5,500,000 are held by the Company for use, subject to authorization by the Interstate Commerce Commission, as collateral to short-term borrowings.

\*\$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, 1965**

DESCRIPTION	Date of Lease or Agreement	Date of Final Maturity	Original Cost of Equipment	Amount Originally Issued	Amount Outstanding Dec. 31, 1965	Principal Payable During 1966	INTEREST		
							Rate	Payable	Accrued During Year
<b>EQUIPMENT TRUST CERTIFICATES:</b>									
Series LL.....	June 1, 1950	June 1, 1965	\$ 6,289,514	\$ 4,650,000	.....	.....	2½ %	J. & D.	\$ 1,453
Series MM.....	Nov. 1, 1950	Nov. 1, 1965	7,251,863	5,430,000	.....	.....	2½ %	M. & N.	5,279
Series OO.....	Oct. 1, 1951	Oct. 1, 1966	10,053,530	7,500,000	\$ 500,000	\$ 500,000	2½ %	A. & O.	21,563
Series PP.....	Mar. 1, 1952	Mar. 1, 1967	3,215,855	2,400,000	240,000	160,000	2½ %	M. & S.	8,817
Series QQ.....	Sept. 1, 1952	Sept. 1, 1967	5,441,323	3,990,000	532,000	266,000	3½ %	M. & S.	20,088
Series RR.....	Jan. 1, 1954	Jan. 1, 1969	10,379,112	7,650,000	1,785,000	510,000	3½ %	J. & J.	59,767
Series SS.....	July 1, 1954	July 1, 1969	9,931,620	7,800,000	2,080,000	520,000	2½ %	J. & J.	60,775
Series TT.....	Nov. 1, 1954	Nov. 1, 1969	9,141,903	7,200,000	1,920,000	480,000	2½ %	M. & N.	63,250
Series UU.....	Jan. 1, 1956	Jan. 1, 1971	9,655,380	7,500,000	2,750,000	500,000	3½ %	J. & J.	97,033
Series VV (1st Install.).....	Feb. 1, 1957	Feb. 1, 1972	.....	3,000,000	1,300,000	200,000	4	F. & A.	54,667
Series VV (2nd Install.).....	Feb. 1, 1957	Feb. 1, 1972	11,745,718	6,000,000	2,600,000	400,000	4½ %	F. & A.	119,584
Series WW.....	Jan. 1, 1958	Jan. 1, 1973	6,814,810	5,400,000	2,700,000	360,000	4½ %	J. & J.	115,088
Series XX.....	Feb. 1, 1959	Feb. 1, 1974	7,419,495	5,850,000	3,315,000	390,000	4½ %	F. & A.	155,025
Series YY (1st Install.).....	Feb. 1, 1960	Feb. 1, 1975	.....	3,000,000	1,900,000	200,000	4½ %	F. & A.	95,875
Series YY (2nd Install.).....	Feb. 1, 1960	Feb. 1, 1975	9,662,652	4,650,000	2,945,000	310,000	4½ %	F. & A.	144,796
Series ZZ.....	Mar. 1, 1961	Mar. 1, 1976	7,378,434	5,850,000	4,095,000	390,000	4	M. & S.	170,300
<b>CONDITIONAL SALE AGREEMENTS:</b>									
The First National Bank of Chicago, Assignee of the Sellers:									
M.L.C. Equipment Co.....	June 1, 1963	June 1, 1970	4,986,000	4,986,000	3,410,354	766,000	4½ %	J. & D.	177,082
M.L.C. Equipment Co.....	June 1, 1964	June 1, 1971	4,660,500	4,660,500	3,938,049	717,000	4½ %	J. & D.	198,427
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	2,589,001	328,008	4.40	M. & N.	122,335
General American Transportation Corporation.....	May 1, 1958	Nov. 1, 1973	6,165,438	6,165,438	3,216,514	411,029	4.40	M. & N.	152,218
United States Railway Equipment Co.....	May 1, 1958	Nov. 1, 1973	570,706	570,706	304,377	38,047	4.40	M. & N.	14,369
General Motors Corpn.....	Jan. 15, 1959	Mar. 1, 1974	8,680,000	8,680,000	4,918,667	578,667	5	M. & S.	257,989
General Motors Corpn.....	May 1, 1961	May 1, 1976	1,332,480	1,332,480	932,736	88,832	5½ %	M. & N.	51,689
The Budd Company.....	May 1, 1961	May 1, 1976	4,817,520	4,817,520	3,372,264	321,168	5½ %	M. & N.	186,880
Pullman, Incorporated.....	Dec. 1, 1961	Jan. 1, 1977	7,774,308	7,774,308	5,948,073	518,287	Var.	J. & J.	326,234
General American Transportation Corporation.....	Dec. 1, 1961	Jan. 1, 1977	720,281	720,281	552,216	48,019	Var.	J. & J.	30,286
M.L.C. Equipment Co.....	Feb. 1, 1963	Feb. 15, 1970	4,800,000	4,800,000	3,259,030	740,000	5	F. & A.	177,019
Pullman, Incorporated.....	Mar. 1, 1963	Mar. 1, 1978	691,166	691,166	570,495	48,269	Var.	M. & S.	27,702
General Motors Corpn.....	Mar. 1, 1963	Mar. 1, 1978	2,809,153	2,809,153	2,353,593	182,224	Var.	M. & S.	114,073
General American Transportation Corporation.....	Mar. 1, 1963	Mar. 1, 1978	902,942	902,942	745,296	63,058	Var.	M. & S.	36,190
Pullman, Incorporated.....	Jan. 1, 1964	Jan. 1, 1979	2,197,429	2,197,429	1,977,686	146,495	4½ %	J. & J.	98,198
General American Transportation Corporation.....	Jan. 1, 1964	Jan. 1, 1979	2,497,127	2,496,000	2,246,400	166,400	4½ %	J. & J.	111,540
The Budd Company.....	Sept. 1, 1964	Sept. 1, 1979	3,592,394	2,871,000	2,679,600	191,400	Var.	M. & S.	122,330
Pullman Incorporated.....	Jan. 1, 1965	Jan. 1, 1980	1,531,010	1,531,010	1,479,976	102,067	Var.	J. & J.	59,550
General Motors Corpn.....	May 1, 1965	May 1, 1980	2,578,046	2,578,046	2,492,102	171,889	Var.	M. & N.	64,226
General Electric Co.....	May 1, 1965	May 1, 1980	2,578,634	2,578,634	2,492,689	171,889	Var.	M. & N.	64,226
LaSalle National Bank, Assignee of the Sellers:									
M.L.C. Equipment Co.....	Jan. 2, 1964	Jan. 15, 1971	1,449,030	1,449,030	1,222,434	223,000	4½ %	J. & J.	61,293
M.L.C. Equipment Co.....	Feb. 15, 1965	Feb. 15, 1972	3,975,100	3,975,100	3,968,105	611,553	4½ %	F. & A.	106,454
The First National Bank of Madison, Wisc. Assignee of the Sellers:									
M.L.C. Equipment Co.....	June 1, 1965	June 1, 1972	2,159,400	2,159,400	2,159,400	332,216	4½ %	J. & D.	15,026
Total equipment obligations.....			\$190,769,998	\$163,536,268	\$ 85,491,057	\$ 12,151,517			\$ 3,768,710

**PAYMENTS MATURING IN YEARS ENDING:**

December 31, 1966.....	\$12,151,517	December 31, 1971.....	\$ 7,480,002	December 31, 1976.....	\$ 2,209,998
December 31, 1967.....	11,571,518	December 31, 1972.....	5,990,639	December 31, 1977.....	1,514,615
December 31, 1968.....	11,225,518	December 31, 1973.....	4,938,966	December 31, 1978.....	1,096,917
December 31, 1969.....	10,970,518	December 31, 1974.....	3,604,333	December 31, 1979.....	793,693
December 31, 1970.....	8,854,902	December 31, 1975.....	2,864,998	December 31, 1980.....	222,923
				Total.....	\$85,491,057

**MILES OF ROAD BY STATES, DECEMBER 31, 1965**

STATE	ROAD OPERATED						TOTAL
	OWNED SOLELY		OWNED JOINTLY		LEASED	TRACKAGE RIGHTS	
	MAIN LINE	BRANCH LINE	MAIN LINE	BRANCH LINE			
Idaho .....	97.73	125.78	....	....	....	9.11	232.62
Illinois .....	183.71	365.59	2.32	0.22	....	132.23	684.07
Indiana .....	.....	155.91	....	....	....	....	155.91
Iowa .....	504.11	#1,193.55	.04	.08	.10	67.06	1,764.94
Kansas .....	.....	.....	....	....	....	6.60	6.60
Michigan .....	.....	177.64	....	.25	....	5.83	183.72
Minnesota .....	315.60	790.83	....	27.73	....	194.10	1,328.26
Missouri .....	130.02	.....	4.87	4.57	....	16.35	155.81
Montana .....	747.53	464.27	....	29.99	....	.46	1,242.25
Nebraska .....	.....	.....	....	....	....	5.62	5.62
North Dakota.....	102.50	263.29	....	1.10	....	.....	366.89
South Dakota.....	302.47	1,426.44	....	....	....	.....	1,728.91
Washington .....	307.85	473.79	26.32	50.56	....	206.02	1,064.54
Wisconsin .....	235.23	1,268.33	....	16.34	....	71.85	1,591.75
Total .....	2,926.75	6,705.42	33.55	130.84	.10	715.23	10,511.89

#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, 1965**

ITEMS	OWNED SOLELY	OWNED JOINTLY	LEASED	TRACKAGE RIGHTS	TOTAL
Miles of Road (First Main Track):					
Operated .....	*9,632.17	164.39	.10	715.23	10,511.89
Not operated .....	3.62	.....	...	.....	3.62
Additional Main Tracks:					
Operated .....	671.71	14.24	.41	314.16	1,000.52
Not operated .....	.....	.....	...	.....	.....
Yard Tracks and Sidings:					
Operated .....	*3,184.21	257.14	.69	466.33	3,908.37
Not operated .....	2.28	25.38	...	.....	27.66
Total operated.....	13,488.09	435.77	1.20	1,495.72	15,420.78
Total not operated.....	5.90	25.38	...	.....	31.28
Grand Total.....	13,493.99	461.15	1.20	1,495.72	15,452.06

\*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. under contract.

## DETAILED STATEMENT OF RAILWAY OPERATING REVENUES AND EXPENSES

### RAILWAY OPERATING REVENUES

	1965	1964	INCREASE	DECREASE
<b>TRANSPORTATION</b>				
Freight .....	\$202,080,378	\$189,837,458	\$12,242,920	.....
Passenger .....	12,301,303	12,501,955	.....	\$200,652
Baggage .....	49,218	54,196	.....	4,978
Parlor and chair car.....	52,615	58,211	.....	5,596
Mail .....	9,913,918	9,949,650	.....	35,732
Express .....	2,466,375	2,449,844	16,531	.....
Other passenger-train .....	106,316	112,557	.....	6,241
Milk .....	3	4,095	.....	4,092
Switching .....	6,716,102	6,279,596	436,506	.....
TOTAL TRANSPORTATION REVENUE	233,686,228	221,247,562	12,438,666	.....
<b>INCIDENTAL</b>				
Dining and buffet.....	1,053,161	1,134,297	.....	81,136
Station, train, and boat privileges.....	37,822	43,400	.....	5,578
Storage—Freight .....	4,058	3,725	333	.....
Demurrage .....	2,268,527	1,625,776	642,751	.....
Communication .....	28,411	30,654	.....	2,243
Rents of buildings and other property.....	252,512	202,430	50,082	.....
Miscellaneous .....	682,616	538,252	144,364	.....
TOTAL INCIDENTAL OPERATING REVENUE	4,327,107	3,578,534	748,573	.....
<b>JOINT FACILITY</b>				
Joint facility—Credit.....	3,356,258	3,424,678	.....	68,420
Joint facility—Debit.....	(8,723)	(11,972)	.....	(3,249)
TOTAL JOINT FACILITY OPERATING REVENUE	\$3,347,535	3,412,706	.....	65,171
TOTAL RAILWAY OPERATING REVENUE	\$241,360,870	\$228,238,802	\$13,122,068	.....

( ) Denotes contra items.

### RAILWAY OPERATING EXPENSES

	1965	1964	INCREASE	DECREASE
<b>MAINTENANCE OF WAY AND STRUCTURES</b>				
Superintendence .....	\$ 3,357,295	\$ 3,125,042	\$ 232,253	.....
Roadway maintenance.....	2,892,863	2,655,057	237,806	.....
Tunnels and subways.....	1,053	15,148	.....	\$ 14,095
Bridges, trestles, and culverts.....	742,012	727,334	14,678	.....
Ties .....	1,071,144	1,222,138	.....	150,994
Rails .....	680,814	606,852	73,962	.....
Other track material.....	1,139,796	1,206,617	.....	66,821
Ballast .....	230,685	206,089	24,596	.....
Track laying and surfacing.....	5,238,080	5,198,209	39,871	.....
Fences, snowsheds, and signs.....	275,300	324,476	.....	49,176
Station and office buildings.....	618,115	655,472	.....	37,357
Roadway buildings.....	68,301	54,594	13,707	.....
Water stations.....	26,648	16,247	10,401	.....
Fuel Stations.....	27,652	19,445	8,207	.....
Shops and enginehouses.....	403,029	462,923	.....	59,894

## RAILWAY OPERATING EXPENSES—continued

	1965	1964	INCREASE	DECREASE
<b>MAINTENANCE OF WAY AND STRUCTURES</b>				
Wharves and docks.....	\$ 27,790	\$ 63,975	.....	\$ 36,185
Communication systems.....	803,056	773,292	\$ 29,764	.....
Signals and interlockers.....	1,449,811	1,424,487	25,324	.....
Power plants.....	9,379	19,684	.....	10,305
Power-transmission systems.....	264,308	273,697	.....	9,389
Miscellaneous structures.....	31,940	22,475	9,465	.....
Road property—Depreciation .....	5,069,361	5,071,531	.....	2,170
Retirements—Road .....	139,593	87,456	52,137	.....
Roadway machines.....	873,444	805,267	68,177	.....
Dismantling retired road property.....	147,755	115,795	31,960	.....
Small tools and supplies.....	795,217	819,176	.....	23,959
Removing snow, ice and sand.....	1,163,597	577,487	586,110	.....
Public improvements—Maintenance.....	597,414	542,828	54,586	.....
Injuries to persons.....	611,021	337,897	273,124	.....
Insurance .....	49,518	49,430	88	.....
Stationery and printing.....	64,310	63,942	368	.....
Employees health and welfare benefits.....	738,138	755,730	.....	17,592
Other expenses.....	167,442	165,267	2,175	.....
Right-of-way expenses.....	30,113	40,654	.....	10,541
Maintaining joint tracks, yards, and other facilities—Debit.....	2,571,425	2,418,292	153,133	.....
Maintaining joint tracks, yards, and other facilities—Credit.....	(506,143)	(499,534)	(6,609)	.....
TOTAL MAINTENANCE OF WAY AND STRUCTURES	31,871,276	30,424,471	1,446,805	.....
<b>MAINTENANCE OF EQUIPMENT</b>				
Superintendence .....	2,177,596	2,105,128	72,468	.....
Shop machinery.....	513,969	545,309	.....	31,340
Power-plant machinery.....	154,346	185,804	.....	31,458
Shop and power-plant machinery—Depreciation.....	289,670	289,310	360	.....
Dismantling retired shop and power-plant machinery.....	54	1,649	.....	1,595
Other locomotives—Repairs.....	10,754,624	10,097,303	657,321	.....
Freight-train cars—Repairs.....	6,425,488	6,463,027	.....	37,539
Passenger-train cars—Repairs.....	2,078,526	2,646,830	.....	568,304
Work equipment—Repairs.....	353,994	354,832	.....	838
Miscellaneous equipment—Repairs.....	325,524	334,321	.....	8,797
Dismantling retired equipment.....	137,749	108,956	28,793	.....
Retirements—Equipment .....	(51,996)	(170,149)	.....	(118,153)
Equipment—Depreciation .....	11,245,235	11,149,841	95,394	.....
Injuries to persons.....	453,936	394,538	59,398	.....
Insurance .....	87,342	95,875	.....	8,533
Stationery and printing.....	54,394	51,316	3,078	.....
Employees health and welfare benefits.....	792,165	781,290	10,875	.....
Other expenses.....	280,798	275,691	5,107	.....
Joint maintenance of equipment expenses—Debit.....	343,999	322,132	21,867	.....
Joint maintenance of equipment expenses—Credit.....	(29,472)	(31,107)	.....	(1,635)
TOTAL MAINTENANCE OF EQUIPMENT	36,387,941	36,001,896	386,045	.....
<b>TRAFFIC</b>				
Superintendence .....	2,056,239	1,888,512	167,727	.....
Outside agencies.....	3,416,044	3,383,332	32,712	.....
Advertising .....	570,534	532,625	37,909	.....
Traffic associations.....	330,179	295,133	35,046	.....
Industrial and immigration bureaus.....	63,615	60,227	3,388	.....
Insurance .....	277	479	.....	202
Stationery and printing.....	224,043	264,710	.....	40,667
Employees health and welfare benefits.....	156,905	126,581	30,324	.....
Other expenses.....	17,467	24,251	.....	6,784
TOTAL TRAFFIC EXPENSES	\$ 6,835,303	\$ 6,575,850	\$ 259,453	.....

( ) Denotes contra item.

**RAILWAY OPERATING EXPENSES—concluded**

	1965	1964	INCREASE	DECREASE
<b>TRANSPORTATION</b>				
Superintendence .....	\$ 3,634,550	\$ 3,336,422	\$ 298,128	.....
Dispatching trains.....	791,880	742,608	49,272	.....
Station employees.....	10,804,872	10,843,933	.....	\$ 39,061
Weighing, inspection, and demurrage bureaus.....	247,351	300,201	.....	52,850
Station supplies and expenses.....	1,062,091	1,098,886	.....	36,795
Yardmasters and yard clerks.....	4,595,179	4,168,863	426,316	.....
Yard conductors and brakemen.....	9,790,766	9,614,291	176,475	.....
Yard switch and signal tenders.....	534,603	580,118	.....	45,515
Yard enginemen.....	5,471,933	5,586,090	.....	114,157
Yard switching fuel.....	894,094	883,217	10,877	.....
Yard switching power purchased.....	16,042	21,083	.....	5,041
Water for yard locomotives.....	15,700	19,737	.....	4,037
Lubricants for yard locomotives.....	86,635	74,652	11,983	.....
Other supplies for yard locomotives.....	80,392	79,153	1,239	.....
Enginehouse expenses—Yard.....	794,135	700,607	93,528	.....
Yard supplies and expenses.....	663,800	606,023	57,777	.....
Operating joint yards and terminals—Debit.....	6,143,652	5,450,273	693,379	.....
Operating joint yards and terminals—Credit.....	(651,816)	(604,427)	(47,389)	.....
Train enginemen.....	9,315,682	9,388,655	.....	72,973
Train fuel.....	7,553,888	7,239,284	314,604	.....
Train power purchased.....	800,758	711,929	88,829	.....
Water for train locomotives.....	116,200	128,834	.....	12,634
Lubricants for train locomotives.....	907,172	834,553	72,619	.....
Other supplies for train locomotives.....	179,783	182,549	.....	2,766
Enginehouse expenses—Train.....	1,561,097	1,395,590	165,507	.....
Trainmen .....	13,105,584	12,518,417	587,167	.....
Train supplies and expenses.....	7,900,305	6,810,096	1,090,209	.....
Operating sleeping cars.....	441,707	341,701	100,006	.....
Signal and interlocker operation.....	1,027,833	1,001,184	26,649	.....
Crossing protection.....	512,385	524,616	.....	12,231
Drawbridge operation.....	178,123	184,891	.....	6,768
Communication system operation.....	1,143,380	1,119,562	23,818	.....
Operating floating equipment.....	13,282	12,015	1,267	.....
Employees health and welfare benefits.....	2,434,296	2,165,607	268,689	.....
Stationery and printing.....	444,784	350,798	93,986	.....
Other expenses.....	598,957	591,664	7,293	.....
Operating joint tracks and facilities—Debit.....	1,162,433	1,179,107	.....	16,674
Operating joint tracks and facilities—Credit.....	(775,399)	(775,000)	(399)	.....
Insurance .....	59,093	54,184	4,909	.....
Clearing wrecks.....	333,372	257,706	75,666	.....
Damage to property.....	175,983	168,823	7,160	.....
Damage to live stock on right-of-way.....	93,574	97,030	.....	3,456
Loss and damage—Freight.....	4,388,762	3,705,125	683,637	.....
Loss and damage—Baggage.....	2,246	6,969	.....	4,723
Injuries to persons.....	2,044,969	1,948,834	96,135	.....
<b>TOTAL TRANSPORTATION EXPENSES</b>	<b>100,696,108</b>	<b>95,646,453</b>	<b>5,049,655</b>	<b>.....</b>
<b>MISCELLANEOUS OPERATIONS</b>				
Dining and buffet service.....	1,889,706	1,970,584	.....	80,878
Operating joint miscellaneous facilities—Debit.....	144,879	108,986	35,893	.....
Employees health and welfare benefits.....	51,659	56,539	.....	4,880
<b>TOTAL MISCELLANEOUS OPERATIONS</b>	<b>2,086,244</b>	<b>2,136,109</b>	<b>.....</b>	<b>49,865</b>
<b>GENERAL</b>				
Salaries and expenses of general officers.....	1,472,491	1,421,452	51,039	.....
Salaries and expenses of clerks and attendants.....	7,465,128	7,224,717	240,411	.....
General office supplies and expenses.....	977,128	966,909	10,219	.....
Law expenses.....	952,435	945,532	6,903	.....
Insurance .....	3,456	4,151	.....	695
Employees health and welfare benefits.....	366,678	321,346	45,332	.....
Pensions .....	1,219,925	1,177,301	42,624	.....
Stationery and printing.....	351,160	393,651	.....	42,491
Other expenses.....	717,981	1,285,720	.....	567,739
General joint facilities—Debit.....	281,309	249,294	32,015	.....
General joint facilities—Credit.....	(7,560)	(6,682)	(878)	.....
<b>TOTAL GENERAL EXPENSES</b>	<b>13,800,131</b>	<b>13,983,391</b>	<b>.....</b>	<b>183,260</b>
<b>GRAND TOTAL RAILWAY OPERATING EXPENSES</b>	<b>\$191,677,003</b>	<b>\$184,768,170</b>	<b>\$ 6,908,833</b>	<b>.....</b>

( ) Denotes contra item.

**ANALYSIS OF INCREASES AND DECREASES IN TOTAL RAILWAY OPERATING EXPENSES 1965 COMPARED WITH 1964**

ITEMS	MAINTENANCE OF WAY AND STRUCTURES	MAINTENANCE OF EQUIPMENT	TRANSPORTATION	ALL OTHER	TOTAL
<b>LABOR</b>					
General wage increases.....	+\$ 622,439	+\$ 515,365	+\$2,146,607	+\$548,565	+\$3,832,976
Straight time worked.....	- 389,024	- 1,270,088	- 2,671,694	- 621,932	- 4,952,738
Overtime worked.....	+ 410,469	+ 38,963	+ 778,708	- 4,875	+ 1,223,265
Time paid for not worked (incl. vacations and holidays).....	+ 364,944	+ 222,010	+ 1,090,980	+ 133,286	+ 1,811,220
TOTAL LABOR .....	+ 1,008,828	- 493,750	+ 1,344,601	+ 55,044	+ 1,914,723
<b>FUEL</b>					
Price .....	.....	.....	+ 286,048	.....	+ 286,048
Consumption .....	.....	.....	+ 39,433	.....	+ 39,433
TOTAL FUEL.....	.....	.....	+ 325,481	.....	+ 325,481
<b>ELECTRIC POWER</b>					
.....	.....	.....	+ 83,789	.....	+ 83,789
<b>MATERIAL—other than fuel</b>					
Price .....	+ 30,647	+ 419,995	+ 28,994	+ 23,140	+ 502,776
Quantity .....	- 363,988	- 521,893	+ 347,833	- 115,311	- 653,359
TOTAL MATERIAL OTHER THAN FUEL.....	- 333,341	- 101,898	+ 376,827	- 92,171	- 150,583
<b>MISCELLANEOUS</b>					
Health and welfare benefits.....	- 17,592	+ 10,875	+ 268,688	+ 70,777	+ 332,748
Other miscellaneous.....	+ 738,943	+ 756,911	+ 2,650,269	- 7,322	+ 4,138,801
TOTAL MISCELLANEOUS.....	+ 721,351	+ 767,786	+ 2,918,957	+ 63,455	+ 4,471,549
TOTAL LABOR, MATERIAL AND MISCELLANEOUS .....	+ 1,396,838	+ 172,138	+ 5,049,655	+ 26,328	+ 6,644,959
<b>DEPRECIATION</b> .....	- 2,170	+ 95,754	.....	.....	+ 93,584
<b>RETIREMENTS</b> .....	+ 52,137	+ 118,153	.....	.....	+ 170,290
TOTAL DEPRECIATION AND RETIREMENTS.....	+ 49,967	+ 213,907	.....	.....	+ 263,874
TOTAL RAILWAY OPERATING EXPENSES.....	+\$1,446,805	+\$ 386,045	+\$5,049,655	+\$ 26,328	+\$6,908,833

**RAILWAY OPERATING REVENUES, EXPENSES, TAXES AND INCOME BY MONTHS FOR YEAR ENDED DECEMBER 31, 1965**

1965	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 .....	\$ 16,888,288	\$ 15,311,456	\$ 1,576,832	\$ 1,630,000	\$ (53,168)	\$ 689,030	\$ 232,711	\$ (974,909)
February .....	17,468,096	14,991,603	2,476,493	1,599,000	877,493	777,091	247,973	(147,571)
March .....	20,896,084	16,164,111	4,731,973	1,692,000	3,039,973	728,471	202,244	2,109,258
April .....	18,951,339	15,763,380	3,187,959	1,661,000	1,526,959	1,038,630	199,192	289,137
May .....	18,431,583	15,792,011	2,639,572	1,640,000	999,572	1,135,664	234,290	(370,382)
June .....	20,402,350	16,139,356	4,262,994	1,686,000	2,576,994	1,114,559	212,384	1,250,051
July .....	19,445,553	16,833,547	2,612,006	1,723,000	889,006	1,123,151	224,479	(458,624)
August .....	22,117,255	16,462,110	5,655,145	1,687,000	3,968,145	1,395,213	246,414	2,326,518
September .....	22,333,387	15,964,325	6,369,062	1,642,000	4,727,062	1,297,191	249,168	3,180,703
October .....	21,659,616	15,743,376	5,916,240	1,570,000	4,346,240	1,279,478	249,960	2,816,802
November .....	21,636,806	15,553,774	6,083,032	1,587,000	4,496,032	1,156,447	214,123	3,125,462
December .....	21,130,513	16,957,954	4,172,559	903,000	3,269,559	905,022	222,427	2,142,110
Total .....	\$241,360,870	\$191,677,003	\$49,683,867	\$19,020,000	\$30,663,867	\$12,639,947	\$2,735,365	\$15,288,555

( ) Denotes contra item.

# Monthly figures restated to include Mississippi River flood expenses in the months in which incurred.

**REVENUE FREIGHT TRAFFIC STATISTICS—EXCLUDING TRUCK SERVICE**

YEAR	TONS CARRIED	TONS MILES	AVERAGE HAUL—MILES	FREIGHT REVENUE		
				TOTAL	PER TON	PER TON MILE (CENTS)
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
1964.....	40,765,392	14,701,598,590	360.64	190,011,906	4.66	1.292
1965.....	42,781,557	15,908,663,519	371.86	202,173,584	4.73	1.271

**REVENUE PASSENGER STATISTICS—EXCLUDING BUS SERVICE**

YEAR	PASSENGERS CARRIED	PASSENGER MILES	AVERAGE DISTANCE TRAVELED—MILES	PASSENGER REVENUES		
				TOTAL	PER PASSENGER	PER PASSENGER MILE (CENTS)

**OTHER THAN COMMUTATION**

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	9,231,796	6.08	2.529
1964.....	1,541,071	353,621,682	229.46	8,858,412	5.75	2.505
1965.....	1,500,465	336,363,490	224.17	8,452,974	5.63	2.513

**\*COMMUTATION**

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
1964.....	4,801,101	108,726,840	22.65	3,667,391	.76	3.373
1965.....	4,968,784	113,595,343	22.86	3,864,806	.78	3.402

**TOTAL**

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	12,709,337	1.97	2.671
1964.....	6,342,172	462,348,522	72.90	12,525,803	1.98	2.709
1965.....	6,469,249	449,958,833	69.55	12,317,780	1.90	2.738

\*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."

REVENUE FREIGHT BY PRINCIPAL COMMODITY GROUPS—1965 AND 1964

COMMODITY GROUPS	1965		1964		INCREASE + OR DECREASE -		
	TONS CARRIED	PERCENT OF TOTAL	TONS CARRIED	PERCENT OF TOTAL			
					TONS	PERCENT	
Grain .....	4,991,357	11.67	4,330,876	10.62	+	660,481	+ 15.25
Soybeans (Incl. Oil Seeds, Nuts or Kernels).....	682,426	1.59	770,681	1.89	-	88,255	- 11.45
Potatoes, other than sweet.....	205,142	.48	214,134	.53	-	8,992	- 4.20
Fresh Fruits and Fresh Vegetables.....	308,625	.72	302,719	.74	+	5,906	+ 1.95
Livestock .....	109,354	.26	138,549	.34	-	29,195	- 21.07
All Other Farm Products (Includes Sugarbeets)....	494,905	1.16	711,947	1.75	-	217,042	- 30.49
Metallic Ores.....	372,578	.87	261,718	.64	+	110,860	+ 42.36
Coal .....	4,704,333	11.00	4,702,284	11.54	+	2,049	+ .04
Nonmetallic Minerals; except Fuels.....	3,627,454	8.48	3,534,462	8.67	+	92,992	+ 2.63
Meat, fresh, chilled or frozen.....	717,670	1.68	855,515	2.10	-	137,845	- 16.11
Dairy Products.....	383,778	.90	438,641	1.08	-	54,863	- 12.51
Canned or Preserved Fruits, Vegetables and Seafoods .....	604,805	1.41	540,724	1.33	+	64,081	+ 11.85
Grain Mill Products.....	2,004,230	4.68	1,939,845	4.76	+	64,385	+ 3.32
Malt Liquors.....	834,285	1.95	783,833	1.92	+	50,452	+ 6.44
Beverages or Flavoring Extracts (Except Malt Liquors) .....	493,409	1.15	459,003	1.13	+	34,406	+ 7.50
All Other Food or Kindred Products (Incl. Sugar)..	1,656,988	3.87	1,579,228	3.87	+	77,760	+ 4.92
Primary Forest Products (Incl. Logs & Pulpwood)..	2,220,240	5.19	2,046,499	5.02	+	173,741	+ 8.49
Lumber or Dimension Stock.....	1,995,057	4.66	2,124,640	5.21	-	129,583	- 6.10
All Other Lumber or Wood Products (Incl. Plywood) .....	921,457	2.15	862,645	2.12	+	58,812	+ 6.82
Pulp or Pulp Mill Products.....	688,718	1.61	613,276	1.51	+	75,442	+ 12.30
All Other Paper or Allied Products.....	1,906,397	4.46	1,746,165	4.28	+	160,232	+ 9.18
Industrial Chemicals.....	1,060,954	2.48	1,030,692	2.53	+	30,262	+ 2.94
All Other Chemicals or Allied Products.....	1,074,905	2.51	814,105	2.00	+	260,800	+ 32.04
Petroleum or Coal Prod. and Crude Petroleum, Natural Gas or Gasoline.....	1,042,881	2.44	1,149,618	2.82	-	106,737	- 9.28
Stone, Clay or Glass Products.....	2,264,508	5.29	2,178,287	5.34	+	86,221	+ 3.96
Coke Oven or Blast Furnace Prod. (Pig Iron, Slag and Coke).....	388,082	.91	376,373	.92	+	11,709	+ 3.11
Primary Iron or Steel Prod. (Ingots, Plates, Bars, Tinplate).....	1,871,697	4.37	1,704,602	4.18	+	167,095	+ 9.80
All Other Primary Metal Products.....	761,775	1.78	706,619	1.73	+	55,156	+ 7.81
Fabricated Metal Prod. (Except Ordnance, Machinery & Transpn. Equip.).....	392,868	.92	348,022	.85	+	44,846	+ 12.89
Farm Machinery or Equipment.....	211,912	.50	193,119	.47	+	18,793	+ 9.73
All Other Machinery; Except Electrical.....	240,366	.56	248,125	.61	-	7,759	- 3.13
Electrical Machinery or Equipment.....	162,404	.38	155,533	.38	+	6,871	+ 4.42
Motor Vehicles.....	337,572	.79	270,063	.66	+	67,509	+ 25.00
All Other Transportation Equipment.....	740,770	1.73	601,786	1.48	+	138,984	+ 23.10
Waste or Scrap Materials.....	1,235,663	2.89	1,026,797	2.52	+	208,866	+ 20.34
Freight Forwarder & Shipper Association Traffic....	289,859	.68	239,654	.59	+	50,205	+ 20.95
All Other Carload Traffic.....	751,756	1.76	718,097	1.76	+	33,659	+ 4.69
<b>TOTAL CARLOAD TRAFFIC.....</b>	<b>42,751,180</b>	<b>99.93</b>	<b>40,718,876</b>	<b>99.89</b>	<b>+</b>	<b>2,032,304</b>	<b>+ 4.99</b>
<b>SMALL PACKAGED FREIGHT SHIPMENTS (L.C.L. MERCHANDISE).....</b>	<b>30,377</b>	<b>.07</b>	<b>46,516</b>	<b>.11</b>	<b>-</b>	<b>16,139</b>	<b>- 34.70</b>
<b>GRAND TOTAL, CARLOAD AND L.C.L. TRAFFIC.....</b>	<b>42,781,557</b>	<b>100.00</b>	<b>40,765,392</b>	<b>100.00</b>	<b>+</b>	<b>2,016,165</b>	<b>+ 4.95</b>

**STATISTICS OF OPERATIONS**

ITEMS	FREIGHT TRAINS		PASSENGER TRAINS		TOTAL TRANSPORTATION SERVICE	
	1965	1964	1965	1964	1965	1964
<b>RAIL-LINE</b>						
Average miles of road operated.....	10,516	10,531	1,855	2,015	10,524	10,539
<b>TRAIN MILES</b>						
Train miles in road service.....	10,391,272	10,432,206	4,467,404	4,670,032	14,858,676	15,102,238
<b>LOCOMOTIVE UNIT-MILES</b>						
Road service.....	34,613,741	36,281,540	9,892,916	10,473,830	44,506,657	46,755,370
Train switching.....	1,796,124	1,748,649	.....	.....	1,796,124	1,748,649
Yard switching.....	6,216,288	6,135,646	361,686	357,072	6,577,974	6,492,718
Total locomotive unit-miles.....	42,626,153	44,165,835	10,254,602	10,830,902	52,880,755	54,996,737
<b>CAR MILES</b>						
Loaded car miles.....	437,759,137	424,220,035	264,806	726,712	438,023,943	424,946,747
Empty freight cars.....	255,319,124	258,564,898	20,109	43,922	255,339,233	258,608,820
Total loaded and empty freight cars.....	693,078,261	682,784,933	284,915	770,634	693,363,176	683,555,567
Caboose.....	10,305,729	10,755,635	450	4,871	10,306,179	10,760,506
Total freight car miles.....	703,383,990	693,540,568	285,365	775,505	703,669,355	694,316,073
Passenger coaches.....	.....	.....	14,712,637	15,786,619	14,712,637	15,786,619
Parlor cars.....	.....	.....	628,957	758,078	628,957	758,078
Sleeping cars (Pullman).....	.....	.....	4,594,701	5,447,032	4,594,701	5,447,032
Club, lounge, dining and observation cars.....	.....	.....	3,728,365	3,752,837	3,728,365	3,752,837
Combination passenger and head end cars.....	.....	.....	158,261	207,585	158,261	207,585
Mail, express and baggage cars.....	2,288,821	2,250,043	19,170,959	19,496,057	21,459,780	21,746,100
Business cars.....	26,237	40,624	70,657	70,463	96,894	111,087
Total passenger car miles.....	2,315,058	2,290,667	43,064,537	45,518,671	45,379,595	47,809,338
Grand total car miles.....	705,699,048	695,831,235	43,349,902	46,294,176	749,048,950	742,125,411
<b>GROSS TON MILES</b>						
Locomotives and tenders (thousands).....	4,439,544	4,559,611	1,444,112	1,519,613	5,883,656	6,079,224
Freight cars, contents, and cabooses (thousands).....	34,843,481	32,926,610	14,384	38,872	34,857,865	32,965,482
Passenger cars, and contents (thousands).....	102,428	106,689	2,716,908	2,896,583	2,819,336	3,003,272
Total freight and passenger (thousands).....	34,945,909	33,033,299	2,731,292	2,935,455	37,677,201	35,968,754
<b>TRAIN HOURS</b>						
Train hours in road service.....	477,782	462,307	100,719	104,101	578,501	566,408
<b>REVENUE AND NONREVENUE FREIGHT TRAFFIC</b>						
Tons of revenue freight.....	.....	.....	.....	.....	42,781,557	40,765,392
Tons of nonrevenue freight.....	.....	.....	.....	.....	948,561	913,878
Total tons of freight.....	.....	.....	.....	.....	43,730,118	41,679,270
Net ton miles revenue freight (thousands).....	.....	.....	.....	.....	15,908,664	14,701,598
Net ton miles nonrevenue freight (thousands).....	.....	.....	.....	.....	236,979	253,627
Total net ton miles of freight (thousands).....	16,140,073	14,939,989	5,570	15,236	16,145,643	14,955,225
<b>REVENUE PASSENGER TRAFFIC</b>						
Passengers carried.....	.....	.....	.....	.....	6,469,249	6,342,172
Passenger miles.....	.....	.....	.....	.....	449,958,833	462,348,522
<b>MOTOR VEHICLE OPERATIONS EXCLUDED ABOVE</b>						
Net ton miles revenue freight (thousands).....	.....	.....	.....	.....	815	922
Passengers carried.....	.....	.....	.....	.....	461	711
Passenger miles.....	.....	.....	.....	.....	898,434	959,249

**STATISTICS OF OPERATIONS—concluded**

ITEMS	1965	1964	1963	1962	1961	1960
<b>FREIGHT TRAIN STATISTICS AND AVERAGES</b>						
Gross ton miles, trailing (thousands).....	34,945,909	33,033,299	31,586,645	31,718,032	30,333,466	31,573,291
Diesel-electric .....	33,106,045	31,554,009	29,818,857	29,895,035	28,117,816	29,107,869
Electric .....	1,839,864	1,479,290	1,767,788	1,822,997	2,215,650	2,465,422
Per cent Diesel-electric.....	94.7%	95.5%	94.4%	94.3%	92.7%	92.2%
Per cent electric.....	5.3%	4.5%	5.6%	5.7%	7.3%	7.8%
Loaded freight cars per train.....	42.1	40.6	44.0	45.3	44.8	45.2
Empty freight cars per train.....	24.6	24.8	26.9	28.4	28.4	27.9
Total freight cars per train.....	66.7	65.4	70.9	73.7	73.2	73.1
Gross tons per train.....	3,363	3,166	3,404	3,414	3,335	3,305
Net tons per train.....	1,553	1,432	1,547	1,540	1,475	1,450
Net tons per loaded car.....	36.9	35.2	35.2	34.0	32.9	32.1
Miles per car per day (serviceable freight).....	47.7	45.8	44.3	40.7	37.6	39.3
Net ton miles per freight car-day.....	1,050	946	880	773	702	736
Train speed (train miles per train hour).....	21.7	22.6	21.1	20.4	20.7	20.2
Gross ton miles (trailing) per train hour.....	73,142	71,453	71,471	69,346	68,993	66,674
<b>PASSENGER TRAIN STATISTICS AND AVERAGES</b>						
Passenger car miles (excluding motor).....	43,349,902	46,294,176	49,311,561	49,515,119	55,196,389	64,230,016
Diesel-electric .....	43,349,902	46,294,176	49,311,561	49,511,316	55,194,119	64,227,781
Electric .....	.....	.....	.....	3,803	2,270	2,235
Per cent Diesel-electric.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Per cent electric.....	.....	.....	.....	.....	.....	.....
Cars per train (excluding motor).....	9.70	9.91	9.43	9.43	10.11	10.38
Revenue passengers per train.....	100.9	99.2	91.2	94.0	93.9	101.2
Revenue passengers per car.....	22.5	21.0	19.5	19.4	17.1	16.6
Train speed (train miles per train hour).....	44.4	44.9	45.4	45.0	44.5	45.2
<b>YARD SWITCHING STATISTICS</b>						
Yard switching hours.....	956,348	940,350	934,468	972,952	944,382	1,002,686
Diesel-electric .....	945,613	932,400	925,070	962,952	936,721	994,370
Electric .....	10,735	7,950	9,398	10,000	7,661	8,316
Per cent Diesel-electric.....	98.9%	99.2%	99.0%	99.0%	99.2%	99.2%
Per cent electric.....	1.1%	.8%	1.0%	1.0%	.8%	.8%
<b>DENSITY STATISTICS</b>						
Per mile of road per day (freight service):						
Train miles.....	2.7	2.7	2.4	2.4	2.4	2.5
Net ton miles.....	4,205	3,876	3,736	3,717	3,482	3,575
Per mile of road per day (passenger service):						
Train miles.....	6.6	6.3	5.1	5.1	5.0	4.9
Car miles.....	64.0	62.8	48.3	48.5	50.2	50.7

**NUMBER OF EMPLOYEES AND COMPENSATION**

YEAR	REGULAR EMPLOYEES			Part Time Employees: Compensation (Not Subject to Continuing Authority of Railroad)	TOTAL COMPENSATION ALL EMPLOYEES		
	Average No. of Employees (Middle of Month Count)	Compensation	Average Compensation Per Employee		Total Compensation	CHARGED TO	
						Operating Expenses	Additions and Betterments and Other Accounts
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
1964.....	17,000	115,432,302	6,790	33,891	115,466,193	108,481,051	6,985,142
1965.....	16,526	119,089,765	7,206	33,597	119,123,362	111,089,218	8,034,144

**NUMBER OF EMPLOYEES AND COMPENSATION BY STATES**

STATE	REGULAR EMPLOYEES			Part Time Employees Total Compensation	Total Compensation All Employees
	Average Number	Total Compensation	Average Compensation Per Employee		
Illinois.....	4,882	\$ 34,558,030	\$7,079	\$21,783	\$ 34,579,813
Iowa.....	1,482	11,154,337	7,527	4,372	11,158,709
Wisconsin.....	4,656	32,869,496	7,060	905	32,870,401
Minnesota.....	1,966	14,003,129	7,123	0	14,003,129
Michigan.....	89	833,908	9,370	0	833,908
Missouri.....	257	1,987,153	7,732	0	1,987,153
Indiana.....	219	1,589,314	7,257	0	1,589,314
South Dakota.....	718	4,930,937	6,868	70	4,931,007
North Dakota.....	78	490,866	6,293	3,060	493,926
Montana.....	825	6,421,482	7,784	2,843	6,424,325
Idaho.....	88	600,335	6,822	0	600,335
Washington.....	1,132	8,591,795	7,590	564	8,592,359
All other.....	134	1,058,983	7,903	0	1,058,983
Total.....	16,526	\$119,089,765	\$7,206	\$33,597	\$119,123,362

**TOTAL PAYROLLS AND COMPANY CONTRIBUTIONS**

YEAR	Total Payrolls—Regular Employees	COMPANY CONTRIBUTIONS		Total	Average per Employee	STRAIGHT TIME RATE	
		Retirement and Unemployment Taxes	Health and Welfare Benefits			Average Per Hour	% Inc. Over 1939
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
1964.....	115,432,302	9,802,397	4,207,092	129,441,791	7,614	2.884	297.8
1965.....	119,089,765	10,197,336	4,539,841	133,826,942	8,098	3.023	317.0

## EQUIPMENT OWNED

	Jan. 1, 1965 Number	Added (New)	Retired	All Other Including Reclassi- fications	December 31, 1965	
					Number	Capacity
<b>LOCOMOTIVES</b>						
DIESEL-ELECTRIC (UNITS)						
Freight .....	159	.....	36	+ 2	125	7,622,503
Passenger .....	66	.....	.....	- 2	64	3,883,277
Multiple purpose.....	289	24	7	*+ 7	313	19,897,563
Switching .....	264	.....	9	*+ 4	259	15,402,614
ELECTRIC (Units)						
Freight .....	77	.....	13	.....	64	4,226,565
Switching .....	4	.....	.....	.....	4	179,375
Total .....	859	24	65	+ 11	829	51,211,897
<b>FREIGHT CARS</b>						
Tons						
Box .....	20,106	13	2,006	**+1,033	19,146	970,924
Gondola .....	7,073	.....	493	.....	6,580	381,675
Hopper .....	4,507	110	42	+ 1	4,576	277,268
Ballast .....	834	.....	.....	.....	834	58,380
Ore .....	794	.....	150	+ 150	794	56,630
Stock .....	2,004	.....	122	.....	1,882	75,280
Flat .....	3,376	1	125	#+ 55	3,307	167,653
Refrigerator .....	1,167	.....	144	##+ 157	1,180	66,088
Tank .....	2	.....	.....	.....	2	100
Caboose .....	454	.....	6	.....	448	.....
Total .....	40,317	124	3,088	+1,396	38,749	2,053,998
<b>PASSENGER CARS</b>						
Passengers						
Coaches .....	212	10	40	.....	182	17,489
Sleepers .....	31	.....	.....	.....	31	732
Parlor .....	12	.....	.....	.....	12	444
Parlor cafe .....	4	.....	.....	.....	4	160
Dining .....	16	.....	.....	.....	16	704
Tap, lounge and observation.....	4	.....	.....	.....	4	384
Baggage, express and mail.....	241	.....	23	+ 16	234	.....
Passenger and baggage.....	2	.....	.....	.....	2	80
Total .....	522	10	63	+ 16	485	19,993
<b>COMPANY SERVICE EQUIPMENT</b>						
Business cars .....	9	.....	.....	- 2	7	.....
Ballast and dumpcars.....	85	.....	.....	.....	85	.....
Derrick cars .....	17	.....	.....	.....	17	.....
Boarding outfit cars.....	315	.....	6	.....	309	.....
Snow removing cars.....	136	.....	.....	.....	136	.....
Other company service equipment.....	1,090	1	30	+ 39	1,100	.....
Total .....	1,652	1	36	+ 37	1,654	.....
<b>FLOATING EQUIPMENT</b>						
Car floats.....	4	.....	2	.....	2	.....
<b>HIGHWAY VEHICLES</b>						
Passenger automobiles .....	212	25	24	.....	213	.....
Trucks .....	535	62	45	.....	552	.....
Other .....	136	1	1	.....	136	.....
Total .....	883	88	70	.....	901	.....
<b>LEDGER VALUE</b>						
	December 31, 1965		December 31, 1964		INCREASE OR DECREASE	
Locomotives .....	\$120,376,873		\$122,057,294		Dec. \$1,680,421	
Freight cars .....	179,400,168		177,833,746		Inc. 1,566,422	
Passenger cars .....	32,002,748		32,042,091		Dec. 39,343	
Work equipment .....	6,670,335		6,508,145		Inc. 162,190	
Floating equipment.....	180,005		278,731		Dec. 98,726	
Miscellaneous equipment.....	3,052,772		2,992,152		Inc. 60,620	
Total .....	\$341,682,901		\$341,712,159		Dec. \$ 29,258	

\*Rebuilt, \*\*Rebuilt 2, #Rebuilt 30, ##Rebuilt 138.

# CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

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

## BOARD OF DIRECTORS

### TERMS EXPIRING:

1966

JAMES M. BARKER	WILLIAM J. FROELICH
LEO T. CROWLEY	WILLIAM J. QUINN
WALTER J. CUMMINGS	ARTHUR M. WIRTZ

1967

J. PATRICK LANNAN	PHILIP W. PILLSBURY
‡ JAMES D. NORRIS	FRANKLIN B. SCHMICK
WILLIAM L. O'BRIEN	JOHN P. WAGNER

1968

ARTHUR S. BOWES	JOSHUA GREEN
JEROME C. EPPLER	JOSEPH A. MAUN
JOHN B. GALLAGHER	LOUIS QUARLES

## EXECUTIVE COMMITTEE

J. PATRICK LANNAN, *Chairman*

LEO T. CROWLEY	JOHN B. GALLAGHER
WALTER J. CUMMINGS	WILLIAM J. QUINN
WILLIAM J. FROELICH	ARTHUR M. WIRTZ

## FINANCE COMMITTEE

LEO T. CROWLEY, *Chairman*

JAMES M. BARKER	J. PATRICK LANNAN
WALTER J. CUMMINGS	WILLIAM J. QUINN
JEROME C. EPPLER	LOUIS QUARLES*
WILLIAM J. FROELICH*	JOHN P. WAGNER
JOHN B. GALLAGHER*	ARTHUR M. WIRTZ

\*Alternate Members

‡Mr. Norris died February 25, 1966

WILLIAM J. QUINN	CHICAGO
<i>President</i> .....	
W. W. KREMER	CHICAGO
<i>Vice President—Traffic</i> .....	
F. G. MCGINN	CHICAGO
<i>Vice President—Operation</i> .....	
C. E. CRIPPEN	CHICAGO
<i>Vice President—Finance and Accounting</i> .....	
E. O. SCHIEWE	CHICAGO
<i>Vice President and General Counsel</i> .....	
L. H. DUGAN	SEATTLE
<i>Vice President and Western Counsel</i> .....	
R. K. MERRILL	CHICAGO
<i>General Solicitor</i> .....	
J. P. REEDY	CHICAGO
<i>General Solicitor</i> .....	
R. F. KRATOCHWILL	CHICAGO
<i>Comptroller</i> .....	
J. T. TAUSSIG	CHICAGO
<i>Secretary</i> .....	
C. T. LANNON	CHICAGO
<i>Treasurer</i> .....	

The Chase Manhattan Bank,  
New York, N.Y. 10015  
Room 732, Union Station,  
Chicago, Illinois 60606

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

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

May 10, 1966, 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.*



