

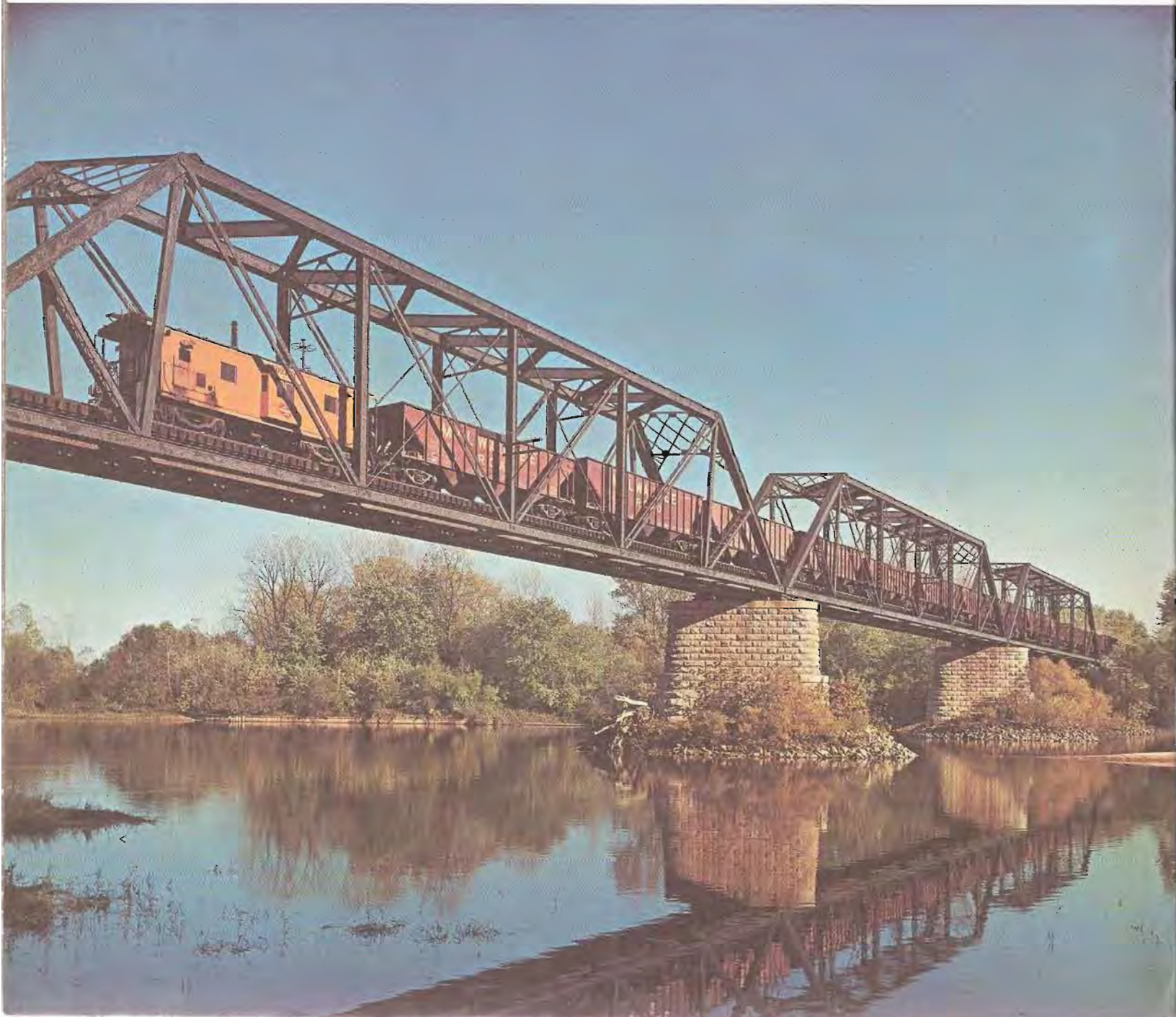
# ANNUAL REPORT

1967



CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

• A Milwaukee Road unit train which hauls coal on a daily schedule from an Indiana mine to a power plant in the vicinity of Terre Haute.



## BOARD OF DIRECTORS

### TERMS EXPIRING:

<b>1968</b>	ARTHUR S. BOWES JOSHUA GREEN	JOSEPH A. MAUN LOUIS QUARLES EDWIN O. SCHIEWE
<b>1969</b>	JAMES M. BARKER CURTISS E. CRIPPEN	LEO T. CROWLEY WILLIAM J. FROELICH ARTHUR M. WIRTZ
<b>1970</b>	J. PATRICK LANNAN FRANCIS G. MCGINN	PHILIP W. PILLSBURY FRANKLIN B. SCHMICK JOHN P. WAGNER

## EXECUTIVE COMMITTEE

J. PATRICK LANNAN, <i>Chairman</i>	
CURTISS E. CRIPPEN	FRANCIS G. MCGINN
LEO T. CROWLEY	LOUIS QUARLES
WILLIAM J. FROELICH	ARTHUR M. WIRTZ

## FINANCE COMMITTEE

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JAMES M. BARKER	†LOUIS QUARLES
CURTISS E. CRIPPEN	EDWIN O. SCHIEWE
†WILLIAM J. FROELICH	JOHN P. WAGNER
J. PATRICK LANNAN	ARTHUR M. WIRTZ

† Alternate Members

## STOCK TRANSFER OFFICES

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

## OFFICERS

LEO T. CROWLEY <i>Chairman of the Board</i> .....	CHICAGO
CURTISS E. CRIPPEN <i>President</i> .....	CHICAGO
FRANCIS G. MCGINN <i>Vice President—Operation</i> .....	CHICAGO
EDWIN O. SCHIEWE <i>Vice President and General Counsel</i> ....	CHICAGO
RICHARD F. KRATOCHWILL <i>Vice President-Finance and Accounting</i> ..	CHICAGO
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EDWARD J. STOLL <i>Vice President-Real Estate and Industrial Development</i> .....	CHICAGO
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WILLIAM E. ROSS <i>Comptroller</i> .....	CHICAGO
JAMES T. TAUSSIG <i>Secretary</i> .....	CHICAGO
CHARLES T. LANNON <i>Treasurer</i> .....	CHICAGO

## REGISTRARS

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

## ANNUAL MEETING • May 14, 1968, Chicago, Illinois

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

GENERAL OFFICES: 516 WEST JACKSON BOULEVARD / CHICAGO, ILLINOIS 60606

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# ANNUAL REPORT

## 1967



LEO T. CROWLEY



CURTISS E. CRIPPEN

## To the Shareholders

An upturn in carloadings during the closing months of 1967 enabled the Milwaukee Road and its subsidiary companies to produce net income of \$5,066,542 for the full year. This favorable development, in combination with events of earlier months, had the effect of marking 1967 as a year of contrasts and economic cross currents for the Milwaukee Road. Much of the railroad industry experienced the same unevenness.

Although some significant bright spots were evident, three unfavorable factors—lagging production, shifts in the usual pattern of grain movements, and sharply escalating wage rates—dominated the year's operation.

The traffic improvement toward the close of the year brought consolidated revenues to \$261,446,099 for the 12 months. In 1966, a year of heavy grain movements and generally favorable economic conditions, consolidated net income was \$14,772,170 on operating revenues of \$266,681,148.

Even in the face of inflationary pressures, including an increase of about \$8.2 million in wage rates and related payroll costs, and mounting equipment, material and supply prices, consolidated operating expenses for 1967 were held to \$210,060,080, compared with \$211,023,816 in 1966.

The railroad company alone realized net income of \$2,733,925 in 1967 on operating revenues of \$256,386,737. In 1966, the railroad had net income of \$12,141,513 on revenues of \$262,279,976.

Results for the past year reflect the settlement of the transcontinental "divisions" case, and 1966 figures have been adjusted to be on a comparable basis.

In addition to the adverse factors already mentioned, there were others that affected the national economy and were inevitably reflected in railroad industry earnings. These included work stoppages in the automobile and rubber industries, the extended strike in the copper industry, and strikes and threats of strikes in the railroad industry. Monetary problems—both international and domestic—contributed to the uncertainties of an economy already less than vigorous.

For the Milwaukee Road, which normally derives more than 10 per cent of its gross operating revenues from grain carloadings alone, adverse market conditions and

other factors resulting in a decline of more than 22 per cent in that traffic confronted the Company with an obstacle difficult to surmount.

Aside from factors of immediate economic import, the year's most significant development had to do with the progress of the Milwaukee Road - Chicago and North Western consolidation proposal, which went forward in a manner strongly indicative of the sound economic logic underlying it.



This undertaking, together with the preparation and presentation of Milwaukee Road testimony in the complex Rock Island case and in the Norfolk and Western attempt to merge with the Chesapeake and Ohio - Baltimore and Ohio, made an unusual demand on the time and energy of many of the Company's principal officers.

In general, there is reason to be optimistic, both as to the Milwaukee Road's own consolidation effort and its status with respect to other mergers. Although the favorable action of the Interstate Commerce Commission in the Northern Lines merger case had not become effective when this report was in preparation, conditions in that decision can be expected to correct in some degree the Milwaukee Road's historic handicaps in competing for long-haul traffic.

As outlined elsewhere in this report, the railroad made important progress during 1967 in the promotion of export-import traffic, in computerization, real estate and industrial development, market research, personnel training programs, management services, the acquisition of new locomotives and cars, and in other areas that occupy prominent places in the long-range picture.

The upward trend of traffic during the early weeks of 1968 is encouraging. Higher volume, particularly in grain, is important to near-term prospects. Equally important at this point appears to be the ability of the industry to effect, quickly, freight rate increases of a magnitude sufficient to be meaningful in relationship to the substantial cost increases for wages, materials and equipment.

By Order of the Board of Directors  
February 15, 1968

  
Chairman of the Board  
  
President

## Highlights of Operation

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

	1967	1966
Operating revenues .....	\$261,446,099	\$266,681,148
Operating expenses .....	210,060,080	211,023,816
Taxes, federal, state and local .....	22,595,582	19,203,540
Net operating income .....	12,765,727	20,141,660
Other income—net .....	6,738,393	6,979,707
Income available for fixed charges .....	19,504,120	27,121,367
Fixed charges .....	8,784,193	6,628,988
Contingent charges .....	5,653,385	5,720,209
Net income .....	\$ 5,066,542	\$ 14,772,170
Net income per share of Common .....	\$ 1.14	\$ 5.60
Times fixed charges earned .....	2.22	4.09
Times Preferred dividend earned .....	1.95	5.70
Dividends paid:		
Series A Preferred—\$5.00 per share .....	\$ 2,593,260	\$ 2,593,260
Common—\$1.00 per share .....	2,176,263	2,169,587
Total dividends paid .....	4,769,523	4,762,847
Number of stockholders at December 31:		
Series A Preferred .....	4,612	4,737
Common .....	7,448	8,086

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

Traffic statistics:		
Net ton-miles of revenue freight (thousands) .....	16,740,102	16,776,046
Freight revenue .....	\$220,467,892	\$223,270,911
Passengers carried one mile .....	397,940,239	441,180,272
Passenger revenue .....	\$ 11,197,058	\$ 12,081,689
Gross ton miles per train-hour .....	77,224	74,377
Gross tons per train .....	3,524	3,408
Net ton-miles per train-hour .....	35,641	34,253
Net tons per train .....	1,627	1,569
Total wages .....	\$122,077,114	\$122,977,387
Average number of employees .....	15,665	16,470
Gross capital expenditures:		
For road property improvements .....	\$ 4,535,022	\$ 5,519,698
For equipment .....	33,297,370	29,495,943
TOTAL .....	37,832,392	35,015,641
Miles of road at December 31 .....	10,511.05	10,509.94



● Loading coal in hopper cars of a Milwaukee Road unit train at an Indiana mine.

## Traffic Developments

Although the slower pace of the national economy in 1967 was reflected in a trend toward reduced carloadings throughout the railroad industry, the Milwaukee Road was able to achieve very encouraging volume increases in certain categories of freight traffic.

General piggyback traffic was a prime example of the year's "pluses," producing a gain of 17.3 per cent over the 1966 level of that traffic. Likewise, paper and allied products traffic volume increased by 5.7 per cent; motor vehicle shipments, even in the face of automobile industry strikes, gained 8.4 per cent; fresh and frozen meat shipments were up by nearly 9 per cent; and non-industrial chemical shipments increased by more than 14 per cent.

In total, Milwaukee Road carloading volume declined 5.7 per cent, closely paralleling the railroad industry as a whole.

The Milwaukee's experience in this regard is attributable primarily to the changed pattern of the grain movement in both domestic and export traffic. This, in turn, resulted both from unfavorable grain market conditions and a shift in federal government policies with regard to grain exports. Lumber and forest products, which always figure prominently in this railroad's overall traffic volume, also remained at reduced levels.

In other developments involving sales and service, a management training program that has been carried on successfully since 1965 was refined and improved during 1967. Forty-three representatives of the sales and service department have participated to date in this three-phase program involving six weeks of classroom instruction and case history exercises, field trips to key railroad operations, and lectures by

department heads. A special six-month training program has been designed for new sales and service department employees recruited from colleges and universities.

Further progress was made during the year in improving traffic reporting functions. Sales personnel and management are now more quickly and thoroughly informed of such matters as sales trends, pattern changes, volume shifts and other matters relating to traffic movements on the railroad.

Special selective information is also being made available to sales representatives specializing in certain traffic areas, such as import-export, coal traffic and rail-highway sales.

The improved information supplied by a computerized reporting network is being provided in a more usable format, thus making for better sales analysis, more informed salesmanship and a better potential for higher freight revenues.

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### Unit Train Operations

Although overall grain movements on the Milwaukee Road were at a considerably lower level in 1967 than in 1966, a total of 20 unit trains of grain were handled in movements originating in Duluth or Minneapolis, Minn., and terminating in Buffalo, N.Y. Also, more than 300 multiple-carload shipments of grain moved during the year from Duluth, Minneapolis or St. Paul to East Coast or Gulf ports.

A sufficient number of unit train movements of grain have taken place in the early part of 1968 to indicate a growing momentum of grain shipments. It is believed that substantial volumes of grain may be moved before early summer, in part as the result of various federal programs and commitments.

In January, 1968, the Milwaukee Road proposed multiple carload rates on grain moving between Rosalia, Wash., and Seattle. This incentive rate reduction could be of major economic importance to the grain producing areas of eastern Washington and northern Idaho. Whitman County, in this area, produces more wheat than any other county in the United States, its grain harvest in 1967 being about 23 million bushels. As one result of the new proposed rate, a major grain shipper has announced plans to build a 300,000-bushel inland grain terminal at Rosalia. Lowered transportation costs offered under this incentive rate could benefit farmers in the area, and an increase in volume of grain shipments would bring the potential of

increased freight revenues to the Milwaukee Road.

The unit coal train which the Milwaukee Road began operating in 1963 continued to operate throughout 1967, moving huge volumes of coal from mines to a Wabash River generating plant. Tonnage carried in this operation should increase by about 50 per cent in 1968, when a new generating plant is scheduled to begin operation.

### Containerization

Containerization, the term used to describe transport in wheel-less piggyback vans and other freight containers carried on railroad flatcars, trucks and seagoing vessels, ranks today as the topic receiving more intensive and enthusiastic attention than any other.

The concept is revolutionizing overseas shipping, as evidenced by the millions of dollars being invested in container-carrying ships and in port facilities for handling containers. Since a large percentage of these containers move to or from inland points, there is great interest in the railroad industry in the growth and development of this new and highly efficient method of shipping. Containers are handled by the railroads in much the same way as piggyback trailers.

Of particular interest to the Milwaukee Road is the use of containers in United States-Japan trade, especially the portion of this trade that moves through North Pacific Coast ports, including Seattle, Tacoma and Longview, Wash. Trade between Japan and the United States currently totals approximately \$7 billion annually.

Because of present volume and the significant potential this trade holds for our railroad, a delegation of Milwaukee Road officials visited Japan in May of 1967, and again in early 1968, to review the progress of containerization there. Another primary purpose was to inform Japanese shippers of Milwaukee Road trailer and container handling capabilities, and to persuade them to use this railroad's freight services on shipments moving between the Pacific Northwest and the Midwest.

### Piggyback

The volume of piggyback shipments carried on the Milwaukee Road in 1967 grew by more than 17 per cent, as compared to an industry gain of only 3.8 per cent.

During the year, an important innovation in trailer handling equipment was put into service at Piggyback Park in Bensenville, Ill. Known as a Piggy Packer, it is a four-wheel-drive vehicle that uses two huge lifting arms to take trailers from flatcars or put them aboard trains. Used primarily to supplement operations of the two gantry cranes at the Park, the Piggy Packer offers speed and flexibility of operation in trailer handling.

A new trailer maintenance facility at the Park went into full use during July, and has become a prominent factor in the control of trailer maintenance expenses for the Milwaukee Motor Transportation Company, the railroad's piggyback subsidiary.

Also in 1967, a new facility for handling piggyback traffic was placed in operation at Ottumwa, Ia.

In October, a demonstration of prototype all-purpose trailer-container railroad cars was held at Piggyback Park. This occasion represented the only time that all four of the prototype cars were assembled at one location. There were 237 railroad industry representatives present for the demonstration, conducted as part of the quarterly meeting of the National Railroad Piggyback Association. Following the demonstration, the best features of the four cars have been combined into one design for a car which will become a standard for piggyback and container carrying railroad cars.



● Giant gantry crane lifts trailer onto flat car at Bensenville Piggyback Park.



## Passenger Service

Milwaukee Road commutation traffic in the Chicago area continued its steady growth during 1967, producing a revenue increase of more than 6 per cent, as compared to 1966. A new ticket-by-mail option initiated in May, 1967, has proved to be very popular with commuters.

During the past summer, this railroad joined the Union Pacific and Southern Pacific railroads in offering a "Uni-Pac" one-fare package plan on the jointly operated "Cities" trains. The plan includes rail fare, reserved seat or Pullman accommodations and all meals. The attractive new service which is available between Chicago and either San Francisco or Los Angeles, enhances the pleasure of train travel by enabling the passenger to assess his total travel costs, including meals, in advance.

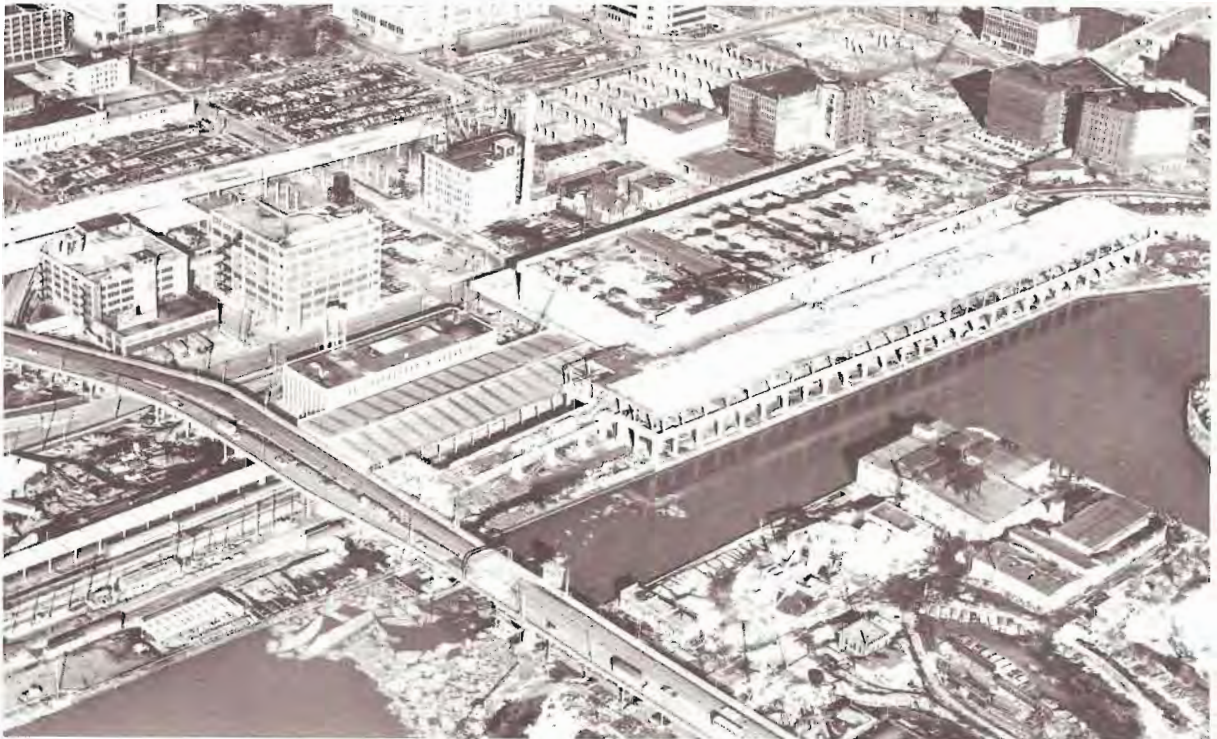
The Milwaukee Road, together with other western and southwestern railroads, received permis-

sion to increase one-way and round-trip rail fares by 5 per cent, with certain exceptions. This increase, which took effect on December 1, 1967, does not include suburban commutation fares.

The Post Office Department action in removing substantial volumes of mail traffic from passenger trains led to a large number of decisions in the railroad industry to discontinue trains which were already marginal or deficit-producing operations. One pair of Milwaukee Road trains was withdrawn from service in 1967 and Interstate Commerce Commission hearings were held late in the year in connection with the railroad's proposal to discontinue two additional pairs. Decisions in the latter cases are expected early in 1968.

Bulk mail and preferential mail continues to move on a number of Milwaukee Road trains, the Post Office Department's action having been directed primarily at certain railway post office car operations.

- The new Post Office under construction at Milwaukee on air rights and land acquired from the railroad company adjacent to our new passenger station.



## Real Estate and Industrial Development

During 1967 a total of 128 new industries were located on sites served by the Milwaukee Road, and 51 others expanded their existing facilities. These industries offer an excellent potential for new traffic in 1968 and future years.

The Milwaukee Land Company, a subsidiary, again played an important role in attracting new industries by acquiring a total of 702 acres of additional land for development purposes.

The Hiawatha Industrial District at Royal City, Wash., an area of 235 acres, was opened in June with the dedication of a new branch line serving that section of the Columbia Basin Irrigation Project. Two industries have already located on the railroad's trackage at that point. A second industrial park, established at the Royal City terminus by the Beverly-Royal City Port District, is also served by the Milwaukee Road.

Announcement was made late in 1967 of plans for the opening and full development of a 237-

acre industrial district at Bensenville, Ill., where necessary utilities will be installed during 1968. Sanitary facilities for the 123-acre district at Rockford, Ill., are now nearing completion and the first industry to occupy that industrial district is expected to begin operation during the first quarter of 1968.

Rental income from the leasing of railroad property, which passed the two million dollar mark in 1966 for the first time in the company's history, rose again in 1967, reaching the level of \$2.3 million annually.

The second 20-story building to be constructed in Chicago on air rights over Union Station Company trackage was completed in 1967 and occupancy began late in the year. Additional commutation revenues are anticipated as a result of these two attractive office buildings being located on sites so close to the railroad's suburban operation in Union Station.

- The 240-acre Milwaukee Road Hiawatha Industrial District at Franklin Park, Illinois (20 miles west of Chicago). The road's automatic classification yard and Clearing Industrial District in background.



## Computer Development and Management Services

The most modern "third generation" computer equipment, coordinated with railroad communications and operations, has been installed in the Milwaukee's Carscope office. By comparison with the previous capabilities of Carscope, the computer system develops more comprehensive management reports designed to improve equipment utilization and provide better service and information to shippers.

Daily reports analyzing the location and use of freight cars provide transportation department personnel with data to better control distribution and assignment.

Video display units, the first to be installed by a midwestern railroad, provide instantaneous information to answer inquiries from customers concerning the location of cars. On-line and off-line traffic personnel now have direct access via

railroad communication circuits to current information regarding all cars on line.

Third generation computer equipment is also scheduled for delivery in the fall of 1968 to replace all present systems now used for accounting, sales analysis, inventory control, claim settlements and many other functions. The changeover will provide additional capacity needed to expand computer operations into new areas.

A Cost Section under a manager of cost research has been established in the Management Services Department. The new section will take over and strengthen present costing functions to support the railroad's pricing activities. The cost section will also carry out studies and analyses designed to assist and support the cost reduction and control programs of all departments.

## Freight Car and Locomotive Program

During 1967 the railroad acquired 1,460 new freight cars of various types, including 972 wide-door box cars of 70-ton capacity, 300 covered hopper cars of 100-ton capacity and a variety of other cars specially suited to shipper needs.

In addition, 25 diesel locomotives equipped for high speed, heavy duty freight operation went into service during the year. Of these, 21 are 3,000 h.p. units and the other four are 2,800 h.p.

A number of diesel locomotives acquired in prior years underwent improvements to upgrade their performance and expand their versatility.

The company's freight car rebuilding program returned 1,350 freight cars to maximum serviceability. This program involves strengthening cars, converting them to other uses or equipping them with special devices.

## Improvement Budget—1968

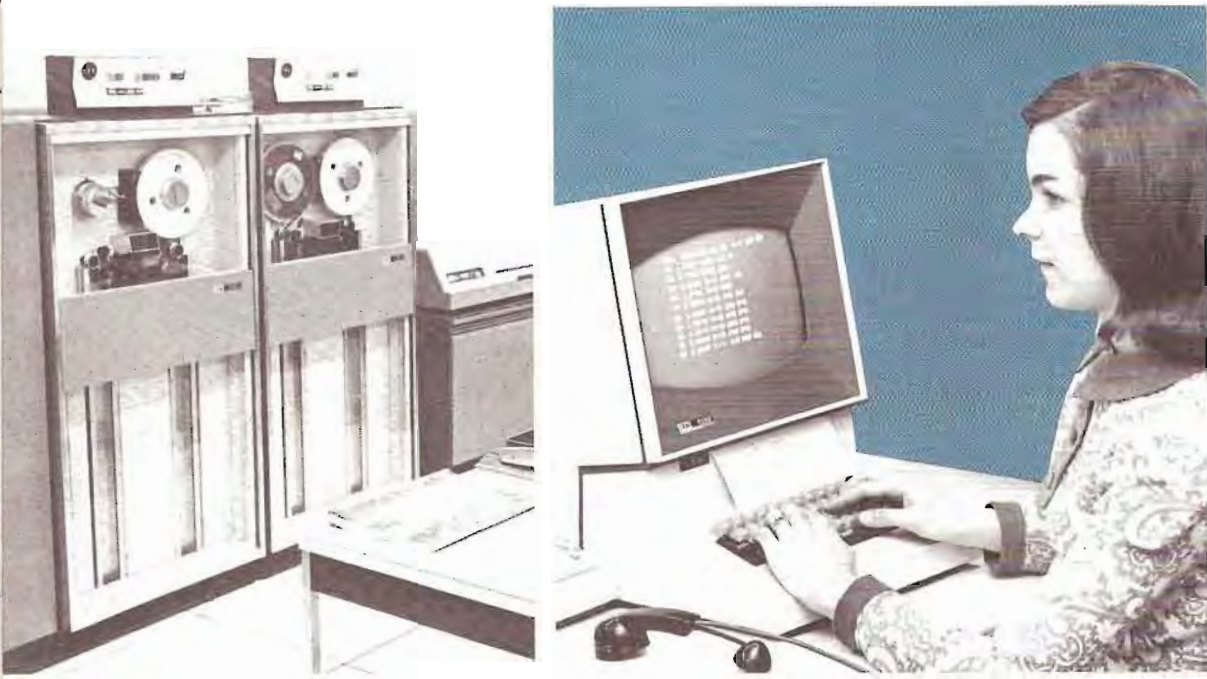
Present plans provide for Milwaukee Road capital expenditures of approximately \$24.5 million in 1968, of which \$15 million will be for new freight cars and locomotives. Additional equipment may be acquired during the year if the demands of traffic require it.

The 25 diesel locomotives included in these budget provisions, ranging in horsepower from 3,000 to 3,600, were delivered early in 1968 and put into main line freight service.

Also scheduled for delivery during the year are

500 freight cars of various types, including 200 covered hopper cars of 100-ton capacity which are in demand for grain and other bulk commodity loading.

Approximately \$3 million has been budgeted for the car rebuilding program which the railroad has been carrying on continuously since 1963. About 900 freight cars of various types will be processed during the year and returned to service in like-new condition.



- Part of the bank of magnetic tape and disc storage units in Carscope which update hourly data about freight cars and piggyback vans on the railroad.
- A video display unit employed in the Carscope section to check location of freight cars.
- The Carscope operation with the 360 Computer Complex in background. Operators shown get instant responses from the computer to answer customers' inquiries.



## Engineering Programs

A 6.4-mile branch line which the railroad started constructing in the Royal Slope region of the Columbia Basin Irrigation Project in Washington State late in 1966 was completed and opened for service in June, 1967.

Built at a cost of approximately \$1 million, it presented a difficult engineering challenge. In order to rise from the main line connecting point near Smyrna to its terminus at Royal City, the right of way had to be built in a long, looping curve around Natural Corral Coulee on a huge fill approximately one-half mile long and 80 feet high.

Dedication of the line, which taps a rich agricultural area of more than 90,500 irrigable acres, attracted a great deal of public attention and was attended by dignitaries representing federal and state agencies.

The railroad's teleprinter system was converted to a higher capacity operation for use in connection with Carscope, the computerized car reporting and location system described elsewhere in this report. A key element in this changeover was the equipping of 30 freight yards with new IBM keypunch units and solid state code translators which convert punch card impulses to teletype-writer codes, or vice versa. The result is improved train list transmission and reception for the Carscope operation.

The railroad continued to devote close attention to grade separation and grade crossing signal protection projects during 1967 and participated with governmental agencies in the completion of a number of such improvements. Negotiations are in progress with respect to many others that are being considered for 1968 completion.

## The "Divisions" Case

Progress of the important transcontinental "divisions" case has been reported in these pages each year since 1955. The settlement of certain aspects of the case was detailed in the 1965 annual report, and the remaining issues and the status thereof were included in the report for 1966.

The remaining issues were successfully concluded in 1967 by a decision of the United States Supreme Court which in effect upheld the original order of the Interstate Commerce Commission granting to the Milwaukee Road and several other

midwestern railroads increased divisions of joint line revenues on traffic moving between eastern and midwestern states on the one hand, and far western states on the other. The new divisions became effective as of July 1, 1963, as ordered by the Commission. The estimated amount of increased divisions, including interest, that is applicable to the year 1967, and is included in 1967 earnings, is \$3,297,700.

Accounting for the settlement is reported in the 1967 financial statements and notes thereto.

## Dividends

On January 18, 1968, 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 27, June 20, September 19 and December 19, 1968, to holders of record at the close of business on March 8, May 31, August 30 and November 29, 1968, respectively.

By applying liberalized depreciation deductions permitted under Internal Revenue Service rules, the railroad company will have no federal taxable income for the year of 1967. It is, therefore, the opinion of management that dividend distributions to stockholders during 1967 are from other than earnings and profits and are nontaxable

as dividend income to shareholder recipients. Such payments apply against and reduce the cost or other basis of the stock on which received. Any portion of distributions received in excess of the basis should be treated as a gain from a sale or exchange of property.

Final determination as to the taxability of these payments will be made by the Internal Revenue Service.

A ruling has been received from the Internal Revenue Service that dividend distributions during 1966 on the preferred and common stock were from other than earnings and profits and are nontaxable to stockholder recipients.

## Labor Negotiations

Negotiations between the railroads and one or more of the railroad labor organizations representing operating and non-operating employes were in progress throughout the greater part of 1967 and the agreements reached followed generally a pattern of 5 per cent wage rate increases. The agreements also included certain vacation liberalization provisions and other benefits. For the most part, they became effective January 1, 1968, although some carried retroactive provisions.

Of the many negotiations that were in progress those involving the six shopcraft organizations commanded the greatest public attention and, because of the mode of settlement finally employed, may be regarded as the most significant.

A series of special actions by the President of the United States and Congress, intended to forestall a work stoppage by the shopcrafts, proved to be unavailing and a strike occurred on July 16 and 17. A brief interruption in service took place on most Class I railroads, including the Milwaukee Road.

The crisis was ended by congressional action on July 17, prohibiting a strike for 90 days and creating a special arbitration board to assist the parties and to conduct intensive mediation. The board, which was empowered to make a final

determination of the controversy in the absence of agreement, found it necessary to resort to that alternative. Its decision provided for a general increase of 6 per cent effective January 1, 1967, another increase of 5 per cent effective July 1, 1968, plus special increases for skilled employes.

The year 1968 opened with the carriers and railroad labor organizations arriving at a national agreement consolidating all health and welfare policies for 615,000 employes represented by 30 unions. This agreement, which constitutes the largest private health and welfare plan in the United States, will cost the carriers about \$220 million annually.

Several issues involving wage increase requests, vacation and holiday allowances, rule changes and other matters are still awaiting national agreement.

The Milwaukee Road estimates, on the basis of agreements already concluded and pattern increases where settlements are pending, that its labor costs in 1968 will be at an annual rate \$8.5 million greater than the 1967 level and \$16.7 million greater than the 1966 level. Labor costs, for this purpose, include wages and all wage supplements such as payroll taxes, vacation allowances, health and welfare benefits and other fringe benefits.

## Merger Proposals

### Milwaukee Road - Chicago and North Western Consolidation

The Interstate Commerce Commission hearing in connection with the consolidation of the Milwaukee Road and the Chicago and North Western Railway was closed on January 12, 1968. The examiner has set April 26 for the filing of briefs for all parties, after which time the examiner will issue his recommended report. It is expected that this report will be released before the end of the year, which will enable the full Commission to consider the consolidation and perhaps reach its final decision in 1969.

### Great Northern - Northern Pacific - Burlington Lines

After lengthy hearings and a favorable examiner's report, the Interstate Commerce Commission, in April, 1966, rejected the examiner's report and denied the application of the Great Northern, Northern Pacific and Burlington Lines to merge. The applicant roads filed a petition for reconsideration, the Commission reopened the proceedings, and after further hearings the Commission, on December 15, 1967, approved the merger subject to all of the conditions which the Milwaukee Road had sought. At the writing of this annual

report, several petitions for reconsideration of the Commission's order of December 15, 1967 are pending. If the Commission affirms its order, the applicants will be in a position to consummate the merger, unless some of the parties seek a review in court.

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

Interstate Commerce Commission approval of this merger has been enjoined by a three-judge United States District Court in Minneapolis. The Court, on January 25, 1968, sent the case back to the Commission for additional findings in connection with some of the issues. At this writing, it is not known whether the decision of the three-judge court will be appealed or if the case will go back to the Commission for further findings. In any event, the further action required will result in some additional delay in the consummation of this merger.

### **The Rock Island Case**

The merger application of the Union Pacific and Rock Island Railroads and the opposing application of the North Western Railway for control of the Rock Island through stock ownership have been the subject of a hearing before the Interstate Commerce Commission since May, 1966. The case also involves a Southern Pacific application to purchase a portion of the Rock Island in the event of the latter's merger with the Union Pacific, and an application by the Santa Fe to acquire a portion of the Rock Island in the event the North Western is granted control.

At the writing of this report, hearings for the presentation of evidence by various protestants had recently been concluded and were scheduled to reconvene in Washington, D. C., on April 8 for the cross-examination of the applicant's rebuttal testimony.

The Milwaukee Road opposes the Union Pacific

proposal to merge with the Rock Island, and supports the North Western bid for control. On January 8, 1968, the Commission ordered the North Western to present evidence showing the effect its control of the Rock Island would have if the North Western, Milwaukee, and Great Western were merged into one system and the Milwaukee and North Western conditions in the Northern Lines merger case were in effect. In line with our support of the North Western, the Milwaukee is cooperating in the presentation of these studies. It is contemplated that the hearing on all phases of these proposals will end some time in the fall of 1968, after which the case will be subject to the customary Commission procedures.

### **Norfolk and Western - Chesapeake and Ohio Merger**

The Milwaukee Road has participated in the Interstate Commerce Commission hearing involving the bid of the Norfolk and Western to merge with the Chesapeake and Ohio - Baltimore and Ohio, including Norfolk and Western control of the so-called "Dereco Lines" (Erie Lackawanna, Delaware and Hudson, Boston and Maine, Reading Company, and the Central of New Jersey).

The Norfolk and Western is seeking to form a large railroad system in the East that would be competitive with the newly formed Penn-Central. Unfortunately, such a Norfolk and Western system would have certain adverse effects on Milwaukee Road traffic originating and terminating in the midwestern area between the Mississippi and Missouri Rivers. The Milwaukee appeared in these proceedings seeking protective conditions to offset its estimated losses.

The hearing began on April 17, 1967 and all evidence has been submitted to the Commission except that involving a few of the Dereco Lines. That testimony is scheduled to be heard in March and April of this year. It is anticipated that the entire case will be submitted to the Commission by late summer.

## Source and Application of Funds

Consolidated working capital amounted to \$24,832,132 at December 31, 1967. Following is a

summary of consolidated fund sources and applications in 1967:

### SOURCES:

Earnings:	
Net income .....	\$ 5,066,542
Depreciation provisions .....	19,022,380
Other non-fund items (credits) .....	(893,612)
TOTAL FROM EARNINGS	23,195,310
Equipment borrowing .....	31,935,513
Revolving credit agreement .....	3,000,000
Salvage and proceeds from property retirements and sales, less gain therefrom included in net income .....	2,947,256
Recovery applicable to prior years under Transcontinental Divisions Case settlement—estimated .....	10,222,000
TOTAL SOURCES	<u>\$71,300,079</u>

### APPLICATIONS:

Property additions and betterments:	
Road .....	\$ 4,430,019
Equipment .....	33,249,239
Other .....	1,032,271
Investment in capital stock of Indiana Harbor Belt Railroad Company .....	2,465,000
Principal payments on equipment debt ..	15,631,220
Other debt retirement .....	2,509,467
Dividends:	
Preferred .....	2,593,260
Common .....	2,176,263
Investments in and advances to jointly-owned terminal and other companies ..	817,351
Miscellaneous applications .....	174,962
Increase in working capital .....	6,221,027
TOTAL APPLICATIONS	<u>\$71,300,079</u>

## Reduction of Mortgage Bonds

Mortgage bonds and debentures in the principal amount of \$1,356,300 were reacquired in 1967.

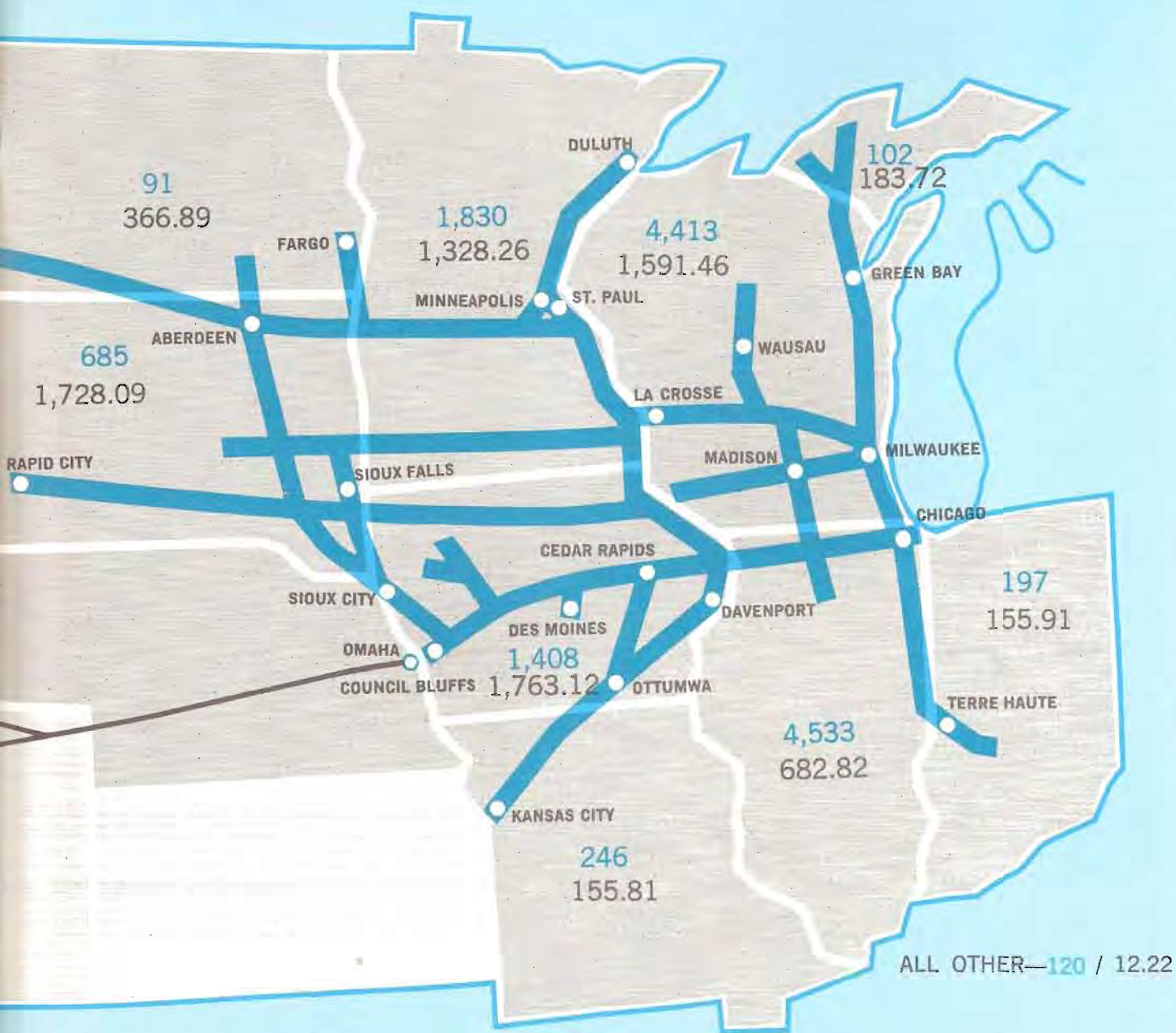
As shown by the following table covering the post-reorganization period from December 1, 1945, to December 31, 1967 mortgage bonds reacquired

have totaled \$64,081,500, approximately 33 per cent of the original issue. In addition, \$4,350,000 of debentures have been reacquired. The resulting reduction in annual interest requirements is \$3,041,984.

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 .....	\$ 6,307,600	\$2,280,100	\$1,680,700	\$10,268,400	4%	\$ 410,736
General Mortgage 4½% Income Bonds, Series A .....	29,659,300	610,000	512,100	30,781,400	4½	1,385,163
General Mortgage 4½% Convertible Income Bonds, Series B .....	19,570,200	.....	324,500	19,894,700	4½	895,262
Five Per Cent Income Debentures Series A .....	3,600,000	.....	750,000	4,350,000	5	217,500
The Bedford Belt Ry. Co. First Mortgage Bonds .....	.....	19,000	51,000	70,000	4¼	2,975
The Southern Indiana Ry. Co. First Mortgage Bonds .....	.....	550,000	256,000	806,000	4¼	34,255
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 .....	\$59,137,100	\$3,578,100	\$5,716,300	\$68,431,500	.....	\$3,041,984



America's resourcefu



railroad



**KEY**

Blue figures represent *Number of Employees* in each state

Black figures represent *Miles of Road* in each state

Total average *Number of Employees* during 1967 ..... **15,665**

Total *Miles of Road* as of December 31, 1967..... **10,511.05**

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

**Consolidated Balance Sheet**

December 31, 1967 with comparative figures for 1966

	ASSETS	
	1967	1966
<b>CURRENT ASSETS</b>		
Cash and temporary cash investments .....	\$ 26,312,531	\$ 26,078,477
Accounts receivable .....	33,644,919	29,715,826
Material and supplies, at cost .....	16,324,401	15,508,758
Other current assets .....	2,174,654	1,749,482
<b>Total current assets</b> .....	<u>78,456,505</u>	<u>73,052,543</u>
 <b>SPECIAL FUNDS</b> .....	 1,676,358	 5,921,254
 <b>INVESTMENTS, at cost (note 3)</b>		
Affiliated companies .....	17,754,354	14,472,002
Other companies .....	770,676	532,256
<b>Total investments</b> .....	<u>18,525,030</u>	<u>15,004,258</u>
 <b>PROPERTIES (note 4)</b>		
Road .....	646,217,947	643,899,282
Equipment .....	381,946,861	363,629,694
Other elements of investment (credits) .....	(122,074,883)	(122,230,531)
	<u>906,089,925</u>	<u>885,298,445</u>
 Less allowances for depreciation and amortization	 283,208,946	 278,561,976
Transportation properties .....	622,880,979	606,736,469
Other property, less depreciation .....	14,411,741	14,608,196
<b>Total properties</b> .....	<u>637,292,720</u>	<u>621,344,665</u>
 <b>OTHER ASSETS AND DEFERRED CHARGES</b> .....	 6,096,967	 5,415,424
 <b>Total assets</b> .....	 <u>\$742,047,580</u>	 <u>\$720,738,144</u>

See accompanying notes to consolidated financial statements.

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

**Consolidated Balance Sheet**

December 31, 1967 with comparative figures for 1966

	LIABILITIES AND SHAREHOLDERS' EQUITY	
	1967	1966
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 32,992,803	\$ 35,044,300
Payroll and vacation pay .....	12,133,303	10,578,710
Accrued taxes (note 5) .....	7,940,171	8,268,530
Other current liabilities .....	558,096	549,898
Total current liabilities (exclusive of debt installments due within one year) .....	53,624,373	54,441,438
<b>DEBT INSTALLMENTS DUE WITHIN ONE YEAR</b> ...	16,805,752	15,067,098
<b>LONG-TERM DEBT</b>		
Mortgage bonds .....	125,445,000	127,267,300
Five per cent income debentures .....	55,634,000	55,634,000
Equipment obligations .....	99,820,173	86,879,089
Other .....	3,170,887	1,050,954
Total long-term debt .....	284,070,060	270,831,343
<b>RESERVES AND OTHER LIABILITIES</b>	5,742,016	9,134,081
Total liabilities .....	360,242,201	349,473,960
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (note 6)		
Common Stock—no par value (stated value \$100 per share). Authorized 2,637,451 shares (including 314,202 shares reserved for conversion of outstanding General Mortgage bonds, Series B, and 21,284 shares reserved under the restricted stock option plan); issued and outstanding 2,176,930 shares .....	217,693,000	217,558,600
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
Retained income	269,558,200	269,423,800
Appropriated .....	44,135,444	44,118,832
Unappropriated .....	68,111,735	57,721,552
Total shareholders' equity .....	112,247,179	101,840,384
<b>CONTINGENT LIABILITIES (note 7)</b> .....	381,805,379	371,264,184
Total liabilities and shareholders' equity ....	<u>\$742,047,580</u>	<u>\$720,738,144</u>

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

**Statement of Consolidated Income**

Year ended December 31, 1967 with comparative figures for 1966.

	1967	1966
<b>OPERATING REVENUES</b>		
Freight .....	\$225,480,745	\$227,493,045
Passenger, mail and express .....	22,195,944	24,371,192
Other .....	13,769,410	14,816,911
	<u>261,446,099</u>	<u>266,681,148</u>
<b>OPERATING EXPENSES (including depreciation and retirement charges of \$18,993,620 in 1967 and \$17,618,596 in 1966)</b>		
Transportation .....	109,814,121	107,574,542
Maintenance of way and structures .....	33,544,295	37,556,781
Maintenance of equipment .....	41,708,332	40,761,006
Traffic .....	7,205,976	7,194,751
General and other .....	17,787,356	17,936,736
	<u>210,060,080</u>	<u>211,023,816</u>
Net revenue from operations .....	51,386,019	55,657,332
<b>TAXES AND RENTS (note 5)</b>		
Payroll and other taxes .....	22,595,582	19,203,540
Equipment and joint facility rents, net .....	16,024,710	16,312,132
	<u>38,620,292</u>	<u>35,515,672</u>
Net operating income .....	12,765,727	20,141,660
<b>OTHER INCOME</b>		
Gain on sales of properties and timber, net .....	3,710,605	3,125,959
Dividends and interest .....	1,021,126	1,695,570
Miscellaneous, net (notes 2 and 4) .....	2,006,662	2,158,178
	<u>6,738,393</u>	<u>6,979,707</u>
	19,504,120	27,121,367
<b>FIXED INTEREST ON LONG-TERM DEBT (including amortization of discount) .....</b>		
	8,784,193	6,628,988
	<u>10,719,927</u>	<u>20,492,379</u>
<b>CONTINGENT INTEREST ON LONG-TERM DEBT ..</b>		
	5,653,385	5,720,209
Net income (note 2) .....	<u>\$ 5,066,542</u>	<u>\$ 14,772,170</u>
<b>PER SHARE EARNINGS applicable to Common Stock based upon the number of shares outstanding at the close of each year, after recognition of dividend requirements (\$2,593,260) on Preferred Stock .....</b>		
	\$ 1.14	\$ 5.50
<b>PRO FORMA PER SHARE EARNINGS applicable to Common Stock determined according to the method stated above and on the basis of the assumption that the outstanding General Mortgage 4½% convertible income bonds (Series B) were converted into 314,202 Common shares, and eliminating the interest requirements on the Series B bonds .....</b>		
	\$ 1.56	\$ 5.46

See accompanying notes to consolidated financial statements.

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

**Statement of Consolidated Retained Income**

Year ended December 31, 1967 with comparative figures for 1966.

	1967	1966
Balance at January 1		
As previously reported.....	\$101,840,384	\$ 96,235,646
Adjustments (note 2).....	10,222,000	6,800,000
As restated .....	<u>112,062,384</u>	<u>103,035,646</u>
ADD:		
Net income (note 2) .....	5,066,542	14,772,170
Restoration of unused reserve for land grant re- payments .....	.....	458,192
	<u>117,128,926</u>	<u>118,266,008</u>
DEDUCT:		
Excess of stated value over option price of Common Stock issued under stock option plan (note 6)....	112,224	1,440,777
Dividend on Preferred Stock—\$5.00 per share .....	2,593,260	2,593,260
Dividend on Common Stock—\$1.00 per share .....	2,176,263	2,169,587
	<u>4,881,747</u>	<u>6,203,624</u>
Balance at December 31.....	<u>\$112,247,179</u>	<u>\$112,062,384</u>

See accompanying notes to consolidated financial statements.

**Accountants' Report**

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

We have examined the consolidated balance sheet of Chicago, Milwaukee, St. Paul and Pacific Railroad Company and its subsidiaries as of December 31, 1967 and the related statements 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 5) and other elements of investment (note 4) have 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 statements of consolidated income and retained income present fairly the financial position of Chicago, Milwaukee, St. Paul and Pacific Railroad Company and its subsidiaries at December 31, 1967 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, as restated (note 2).

PEAT, MARWICK, MITCHELL & CO.

Chicago, Illinois  
February 26, 1968

## Notes to Consolidated Financial Statements

December 31, 1967

**1. Principles of Consolidation**—The accompanying consolidated financial statements include the accounts of Chicago, Milwaukee, St. Paul and Pacific Railroad Company and subsidiaries, all of which are wholly owned. Significant intercompany items have been eliminated in consolidation.

**2. Restatement of 1966 Results**—By decision of the United States Supreme Court in the Transcontinental Divisions Case, the Railroad Company became entitled in 1967 to receive increased divisions of certain interline freight revenues effective July 1, 1963. Including interest, the estimated amount applicable to periods prior to 1967 is \$10,222,000. Of this amount, \$3,422,000 is applicable to 1966 and has been included in the income accounts of that year as restated, and the balance of \$6,800,000 has been credited to retained income at January 1, 1966. In reports to the Interstate Commerce Commission, consistent with accounting rules prescribed by that Commission, the prior-year amount of \$10,222,000 is being included in 1967 net income as a special "prior period item."

No federal income tax will accrue on the foregoing \$10,222,000 because of the election of liberalized depreciation deductions for income tax purposes. The tax reduction of approximately \$4,906,000 and the 1966 portion thereof have been reflected in the restated Cumulative and 1966 columns, respectively, of the table shown in Note 5, below.

Discount on mortgage bonds and debentures reacquired, heretofore reported as a direct addition to retained income, has been included in Other Income in 1967. The 1966 statements of consolidated income and retained income have been restated to make them comparable with 1967 in this respect. The discount amounted to \$171,321 in 1967 and \$589,569 in 1966.

**3. Investments**—Investments in affiliated companies include \$7,632,378 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.

**4. 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.

Provisions for depreciation of equipment property and road property classed as depreciable are calculated by the straight-line method and according to the group plan. Depreciation of railroad track assets (ties, rails, other track material, ballast and track laying and surfacing) is accounted for by the "replacement" method under which the costs of replacement in kind, rather than periodic ratable depreciation provisions, are recorded as operating expenses. Exclusive of the track assets, road property classed as non-depreciable (principally land and grading) amounted to \$197,297,219 at December 31, 1967. Reference should be made to page 27 of this report for a breakdown of road and equipment properties into the primary classifications prescribed by the Interstate Commerce Commission.

Other elements of investment arose in connection with the reorganization of the 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 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 non-depreciable pre-reorganization properties retired. The write-off amounted to \$155,649 in 1967 and \$171,876 in 1966.

**5. 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, which has not been reflected in the financial statements, is contingent upon the outcome of a suit pending in the United States Court of Claims relating to tax refunds claimed by the Railroad Company for the years 1942 through 1951. On the basis of unaudited returns filed for the years since 1960 and estimated tax data for 1967, a consolidated loss carry forward of \$15,177,000 was available as of December 31, 1967, and there was available an unused Investment Tax Credit of approximately \$11,800,000.

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:

Tax reduction (increase) from:	1967	1966 (Restated)	Cumulative to Dec. 31, 1967 (Restated)
Amortization of defense facilities .....	\$(1,297,400)	\$(1,304,700)	\$13,767,700
Use of guideline lives and declining-balance method ...	2,362,100	6,858,000	25,768,400
Other differences in depreciation bases and rates .....	1,272,000	1,561,000	19,178,500

**6. 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. 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, and options have been exercised for 45,966 shares and 7,750 shares at \$16.00 and \$16.50 a share, respectively, including, in 1967, 1,344 shares at \$16.50 a share. At December 31, 1967, options were outstanding for the purchase of 34 shares at \$16.00 a share and 21,250 shares were available for option. The excess of stated value over option price of shares exercised is charged to retained income.

**7. 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 \$88,618,693 at December 31, 1967. 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 \$72,998,647.

Under long-term noncancelable leases expiring in 1968 through 1986, the Railroad Company and subsidiaries were obligated as of December 31, 1967 to pay rentals of \$24,317,265, of which \$3,140,933 is payable in 1968.

**8. Pension Plan**—The Company has an unfunded non-contributory plan covering employees whose duties are executive, supervisory or professional in character. The accounting practice followed by the Company is to accrue the cost of current benefit payments to beneficiaries under the plan, but not less than the actuarially computed normal cost plus 40-year amortization of prior service cost. Expense for 1967 was \$1,325,584, and the actuarially computed value of vested benefits totaled \$19,500,000 as of December 31, 1967.

**9. 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.

## Balance Sheet

December 31, 1967 with comparative figures for 1966

	ASSETS	
	1967	1966
<b>CURRENT ASSETS</b>		
Cash and temporary cash investments .....	\$ 24,350,696	\$ 23,011,840
Accounts receivable .....	33,688,611	29,785,982
Material and supplies, at cost .....	16,166,336	15,412,853
Other current assets .....	1,981,454	1,603,897
Total current assets .....	<u>76,187,097</u>	<u>69,814,572</u>
SPECIAL FUNDS .....	1,676,358	5,921,254
INVESTMENTS .....	34,064,716	29,211,327
<b>PROPERTIES</b>		
Road and equipment .....	1,021,530,874	1,000,822,382
Other elements of investment .....	(122,074,883)	(122,230,531)
Allowances for depreciation and amortization ...	(278,255,790)	(273,715,290)
Transportation properties .....	621,200,201	604,876,561
Nonoperating properties, less depreciation .....	4,311,807	4,529,941
Total properties .....	<u>625,512,008</u>	<u>609,406,502</u>
OTHER ASSETS AND DEFERRED CHARGES .....	4,265,987	3,968,280
Total assets .....	<u>\$ 741,706,166</u>	<u>\$ 718,321,935</u>

	LIABILITIES AND SHAREHOLDERS' EQUITY	
	1967	1966
<b>CURRENT LIABILITIES</b>		
Accounts payable .....	\$ 33,715,512	\$ 35,311,869
Payroll and vacation pay .....	12,003,590	10,526,017
Accrued taxes .....	7,784,750	8,127,723
Other current liabilities .....	556,294	547,781
Total current liabilities (exclusive of debt installments due within one year) .....	<u>54,060,146</u>	<u>54,513,390</u>
DEBT INSTALLMENTS DUE WITHIN ONE YEAR ...	15,925,685	13,949,146
LONG-TERM DEBT .....	284,381,173	269,714,169
RESERVES AND OTHER LIABILITIES .....	5,533,783	8,881,046
Total liabilities .....	<u>359,900,787</u>	<u>347,057,751</u>
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock		
Common stock .....	217,693,000	217,558,600
Preferred stock .....	51,865,200	51,865,200
Total .....	<u>269,558,200</u>	<u>269,423,800</u>
Retained income .....	112,247,179	101,840,384
Total shareholders' equity .....	<u>381,805,379</u>	<u>371,264,184</u>
Total liabilities and shareholders' equity ...	<u>\$ 741,706,166</u>	<u>\$ 718,321,935</u>

( ) Denotes contra items.

**Statement of Income**

Year ended December 31, 1967 with comparative figures for 1966.

	1967	1966
<b>OPERATING REVENUES</b>		
Freight .....	\$220,467,892	\$223,270,911
Passenger, mail and express .....	22,158,714	24,205,109
Other .....	13,760,131	14,803,956
	<u>256,386,737</u>	<u>262,279,976</u>
 <b>OPERATING EXPENSES (including depreciation and retirement charges of \$18,492,437 in 1967 and \$17,030,401 in 1966)</b>		
Transportation .....	106,894,237	105,141,020
Maintenance of way and structures .....	33,333,122	37,357,898
Maintenance of equipment .....	40,088,603	39,291,517
Traffic .....	7,135,224	7,124,955
General and other .....	16,734,117	16,970,922
	<u>204,185,303</u>	<u>205,886,312</u>
Net revenue from railway operations .....	52,201,434	56,393,664
 <b>TAXES AND RENTS</b>		
Payroll and other taxes .....	22,083,000	18,729,000
Equipment and joint facility rents, net .....	18,679,049	18,257,919
	<u>40,762,049</u>	<u>36,986,919</u>
Net railway operating income .....	11,439,385	19,406,745
 <b>OTHER INCOME</b>		
Gain on sales of properties, net .....	2,151,276	803,694
Dividends and interest .....	1,805,950	2,244,749
Miscellaneous, net .....	1,781,359	2,005,872
	<u>5,738,585</u>	<u>5,054,315</u>
	17,177,970	24,461,060
 <b>FIXED INTEREST ON LONG-TERM DEBT</b>		
(including amortization of discount) .....	8,774,424	6,598,538
	<u>8,403,546</u>	<u>17,862,522</u>
 <b>CONTINGENT INTEREST ON LONG-TERM DEBT..</b>		
Net income of Railroad Company .....	5,669,621	5,721,009
	<u>2,733,925</u>	<u>12,141,513</u>
 <b>EQUITY IN UNDISTRIEUTED EARNINGS OF SUBSIDIARIES</b>		
Net income .....	2,332,617	2,630,657
	<u>\$ 5,066,542</u>	<u>\$ 14,772,170</u>

## Statement of Available Net Income

Year ended December 31, 1967

INCOME AVAILABLE FOR FIXED CHARGES.....	\$ 17,177,970
FIXED CHARGES	
Rent for leased roads and equipment.....	420
Interest on long-term debt	
On First Mortgage 4% Bonds, Series A.....	1,969,470
On modified Terre Haute bonds.....	517,205
On equipment obligations.....	6,107,627
On miscellaneous obligations.....	81,688
Interest on unfunded debt.....	10,154
Amortization of discount on long-term debt.....	87,860
Total fixed charges.....	<u>8,774,424</u>
Income after fixed charges.....	8,403,546
ADD—Charges to operating expenses representing the service value of nondepreciable roadway property retired and not replaced....	117,359
Prior period item—estimated revenues and interest, applicable to 1966 and prior years, resulting from settlement of Transcontinental Divisions Case.....	<u>10,222,000</u>
AVAILABLE NET INCOME—as defined in the First Mortgage and General Mortgage indentures.....	<u>18,742,905</u>
APPLICATION OF SUCH AVAILABLE NET INCOME	
Appropriated for sinking fund for retirement of First Mortgage 4% Bonds, Series A.....	401,092
Contingent interest on General Mortgage 4½% Income Bonds, Series A.....	1,191,500
Contingent interest on modified Terre Haute bonds.....	281,712
Contingent interest on General Mortgage 4½% Convertible Income Bonds, Series B.....	1,413,909
Appropriated for sinking fund for retirement of General Mortgage 4½% Income Bonds, Series A and Series B.....	<u>543,393</u>
Remaining available net income.....	<u>14,911,299</u>
DEDUCT—Charges to operating expenses representing the service value of nondepreciable roadway property retired and not replaced	<u>117,359</u>
AVAILABLE NET INCOME—as defined in the indenture relating to Five Per Cent Income Debentures, Series A.....	<u>14,793,940</u>
APPLICATION OF SUCH AVAILABLE NET INCOME	
Contingent interest on Five Per Cent Income Debentures, Series A.....	2,782,500
Appropriated for sinking fund for retirement of Five Per Cent Income Debentures, Series A.....	<u>234,150</u>
Remainder available for payment of dividends or any other proper corporate purposes.....	<u>3,016,650</u>
	<u>\$ 11,777,290</u>

Investments—December 31, 1967

DESCRIPTION	NUMBER OF SHARES	EXTENT OF CONTROL—PER CENT	LEDGER AMOUNT
<b>AFFILIATED COMPANIES</b>			
<i>Wholly-owned Subsidiaries</i>			
CAPITAL STOCKS			
Bremerton Freight Car Ferry, Incorporated.....	10,000	100	\$ 105,000
Milwaukee Land Company.....A	5,000	100	500,000
The Milwaukee Motor Transportation Company.....A	500	100	50,000
TOTAL CAPITAL STOCKS .....			655,000
NOTE			
Milwaukee Land Company.....A		100	2,652,000
ADVANCES			
Milwaukee Land Company.....		100	905,640
The Milwaukee Motor Transportation Company.....		100	3,329,551
TOTAL ADVANCES .....			4,235,191
TOTAL INVESTMENTS—WHOLLY-OWNED SUBSIDIARIES .....			
			7,542,191
<i>Jointly-owned Terminal, Switching, and Other Companies</i>			
CAPITAL STOCKS			
Chicago, Milwaukee and North Western Corporation.....	50	50	500
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	37,240	49	3,985,000
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 $\frac{1}{9}$	91,300
The Pullman Company.....	9,426	1.28	263,928
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 .....			6,658,132
NOTES			
Delta Alaska Terminal Ltd.....		6.67	26,667
Minneapolis Eastern Railway Company.....		50	3,500
Railway Express Agency, Incorporated.....		2.6	751,804
Trailer Train Company.....A		2.44	231,000
TOTAL NOTES .....			1,012,971
ADVANCES			
Chicago Union Station Company.....		25	5,947,970
Davenport, Rock Island & North Western Railway Company.....		50	1,199,357
Des Moines Union Railway Company.....		50	1,248,332
Kansas City Terminal Railway Company.....		8 $\frac{1}{3}$	1,110,722
The Minnesota Transfer Railway Company.....		11 $\frac{1}{9}$	315,465
The St. Paul Union Depot Company.....		12 $\frac{1}{2}$	261,405
TOTAL ADVANCES .....			10,083,251
TOTAL INVESTMENTS—AFFILIATED COMPANIES .....			
			25,296,545
<b>OTHER COMPANIES</b> .....			
			770,676
TOTAL INVESTMENTS AT COST .....			
			26,067,221
EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES			
SINCE ACQUISITION .....			7,997,495
TOTAL .....			\$34,064,716

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	Balance at December 31
<b>ROAD</b>				
Engineering .....	\$ 18,578,332	\$ 41,981	\$ 49,691	\$ 18,570,622
Land for transportation purposes .....	37,729,458	52,283	355,905	37,425,836
Other right-of-way expenditures .....	528,558	3,283	1,214	530,627
Grading .....	142,565,000	530,137	1,332	143,093,805
Tunnels and subways .....	10,275,252	48	61,069	10,214,231
Bridges, trestles, and culverts .....	75,824,900	710,255	185,821	76,349,334
Ties .....	34,623,270	200,590	86,041	34,737,819
Rails .....	69,083,005	251,406	68,300	69,266,111
Other track material .....	49,108,784	407,388	24,611	49,491,561
Ballast .....	26,425,153	87,556	33,161	26,479,548
Track laying and surfacing .....	33,169,697	310,556	55,909	33,424,344
Fences, snowsheds, and signs .....	5,362,946	26,795	1,843	5,387,898
Station and office buildings .....	28,265,613	846,612	662,887	28,449,338
Roadway buildings .....	2,002,208	7,294	17,974	1,991,528
Water stations .....	809,419	20,529	12,447	817,501
Fuel stations .....	896,173	7,701	1,696	902,178
Shops and enginehouses .....	19,279,450	16,119	41,997	19,253,572
Storage warehouses .....	64,349	(1,800)	.....	62,549
Wharves and docks .....	1,726,813	70,906	38,655	1,759,064
Communication systems .....	8,581,402	284,782	56,515	8,809,669
Signals and interlockers .....	23,429,277	133,688	125,205	23,437,760
Power plants .....	1,544,853	11,852	.....	1,556,705
Power-transmission systems .....	9,737,959	184,867	21,345	9,901,481
Miscellaneous structures .....	619,095	934	2,704	617,325
Roadway machines .....	10,600,147	119,325	407,421	10,312,051
Roadway small tools .....	319,963	67	.....	320,030
Public improvements—Construction .....	16,381,726	219,133	29,411	16,571,448
Other expenditures—Road .....	335	.....	.....	335
Shop machinery .....	7,726,455	40,728	39,300	7,727,883
Power-plant machinery .....	5,594,640	10,007	811	5,603,836
TOTAL ROAD	640,854,232	4,595,022	2,383,265	643,065,989
<b>CONSTRUCTION WORK IN PROGRESS</b> .....	60,000	(60,000)	.....	.....
<b>IMPROVEMENTS ON LEASED PROPERTY</b> .....	597,522	.....	.....	597,522
<b>EQUIPMENT</b>				
Locomotives .....	124,919,436	5,612,172	3,841,559	126,690,049
Freight-train cars .....	192,551,421	27,308,438	8,614,477	211,245,382
Passenger-train cars .....	31,672,617	278,554	1,822,621	30,128,550
Floating equipment .....	180,005	.....	.....	180,005
Work equipment .....	6,766,869	45,789	154,432	6,658,226
Miscellaneous equipment .....	3,220,280	52,417	307,546	2,965,151
TOTAL EQUIPMENT	359,310,628	33,297,370	14,740,635	377,867,363
TOTAL ROAD AND EQUIPMENT PROPERTIES	\$1,000,822,382	\$37,832,392	\$17,123,900	\$1,021,530,874

## Units of Equipment Owned

	Jan. 1, 1967	Added	Retired	Dec. 31, 1967
Locomotives .....	833	25	36	822
Freight cars .....	38,668	2,810	2,684	38,794
Passenger cars .....	477	....	30	447
Company service equipment .....	1,654	27	34	1,647
Floating equipment .....	2	....	....	2
Highway vehicles .....	956	19	104	871
TOTAL	42,590	2,881	2,888	42,583

( ) Denotes contra item.

Equipment Obligations—December 31, 1967

DESCRIPTION	Date of Lease or Agreement	Date of Final Maturity	Original Cost of Equipment	Amount Originally Issued	Amount Outstanding Dec. 31, 1967	Principal Payable During 1968	INTEREST		
							Rate	Payable	Accrued During Year
<b>EQUIPMENT TRUST CERTIFICATES:</b>									
Series PP	Mar. 1, 1952	Mar. 1, 1967	\$ 3,215,855	\$ 2,400,000	\$ .....	\$ .....	27%	M. & S.	\$ 383
Series QQ	Sept. 1, 1952	Sept. 1, 1967	5,441,323	3,990,000	.....	.....	31%	M. & S.	3,463
Series RR	Jan. 1, 1954	Jan. 1, 1969	10,379,112	7,650,000	765,000	510,000	3 1/2%	J. & J.	27,892
Series SS	July 1, 1954	July 1, 1969	9,931,620	7,800,000	1,040,000	520,000	2 3/4%	J. & J.	32,175
Series TT	Nov. 1, 1954	Nov. 1, 1969	9,141,903	7,200,000	960,000	480,000	2 7/8%	M. & N.	35,650
Series UU	Jan. 1, 1956	Jan. 1, 1971	9,655,380	7,500,000	1,750,000	500,000	3 3/8%	J. & J.	63,283
Series VV (1st Install.)	Feb. 1, 1957	Feb. 1, 1972	11,745,718	{ 3,000,000	900,000	200,000	4	F. & A.	38,667
Series VV (2nd Install.)	Feb. 1, 1957	Feb. 1, 1972		{ 6,000,000	1,800,000	400,000	4 3/8%	F. & A.	84,584
Series WW	Jan. 1, 1958	Jan. 1, 1973	6,814,810	5,400,000	1,980,000	360,000	4 1/8%	J. & J.	85,388
Series XX	Feb. 1, 1959	Feb. 1, 1974	7,419,495	5,850,000	2,535,000	390,000	4 1/2%	F. & A.	119,325
Series YY (1st Install.)	Feb. 1, 1960	Feb. 1, 1975	9,662,652	{ 5,000,000	1,500,000	200,000	4 7/8%	F. & A.	76,375
Series YY (2nd Install.)	Feb. 1, 1960	Feb. 1, 1975		{ 4,650,000	2,325,000	310,000	4 3/4%	F. & A.	115,346
Series ZZ	Mar. 1, 1961	Mar. 1, 1976	7,378,434	5,850,000	3,315,000	390,000	4	M. & S.	139,100
<b>CONDITIONAL SALES 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	1,841,183	766,000	4 1/2%	J. & D.	106,129
M.L.C. Equipment Co.	June 1, 1964	June 1, 1971	4,660,500	4,660,500	2,457,367	717,000	4 5/8%	J. & D.	136,489
M.L.C. Equipment Co.	Feb. 1, 1966	Feb. 1, 1973	1,560,000	1,560,000	1,317,800	240,000	5	F. & A.	68,934
M.L.C. Equipment Co.	June 1, 1966	June 1, 1973	1,716,000	1,716,000	1,448,832	264,000	5 1/2%	J. & D.	76,926
M.L.C. Equipment Co.	Jan. 1, 1967	Jan. 1, 1974	1,450,000	1,450,000	1,447,100	223,088	6 1/4%	J. & J.	49,924
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	1,858,582	328,008	4.40	M. & N.	91,056
General American Transportation Corporation	May 1, 1958	Nov. 1, 1973	6,165,438	6,165,438	2,299,257	411,029	4.40	M. & N.	113,277
United States Railway Equipment Co.	May 1, 1958	Nov. 1, 1973	570,706	570,706	228,283	38,047	4.40	M. & N.	11,021
General Motors Corp.	Jan. 15, 1959	Mar. 1, 1974	8,680,000	8,680,000	3,761,334	578,667	5	M. & S.	200,122
General Motors Corp.	May 1, 1961	May 1, 1976	1,717,036	1,332,480	755,072	88,832	5 1/4%	M. & N.	42,362
The Budd Company	May 1, 1961	May 1, 1976	6,209,241	4,817,520	2,729,928	321,168	5 1/4%	M. & N.	153,157
Pullman, Incorporated	Dec. 1, 1961	Jan. 1, 1977	7,774,308	7,774,308	4,868,325	518,287	Var.	J. & J.	269,648
General American Transportation Corporation	Dec. 1, 1961	Jan. 1, 1977	720,281	720,281	444,012	48,019	Var.	J. & J.	25,103
M.L.C. Equipment Co.	Feb. 1, 1963	Feb. 15, 1970	4,800,000	4,800,000	1,734,226	740,000	5	F. & A.	100,920
Pullman, Incorporated	Mar. 1, 1963	Mar. 1, 1978	691,166	691,166	473,957	48,269	Var.	M. & S.	23,358
General Motors Corp.	Mar. 1, 1963	Mar. 1, 1978	3,137,953	2,809,153	1,989,145	182,224	Var.	M. & S.	97,673
General American Transportation Corporation	Mar. 1, 1963	Mar. 1, 1978	902,942	902,942	619,180	63,058	Var.	M. & S.	30,515
Pullman, Incorporated	Jan. 1, 1964	Jan. 1, 1979	2,197,429	2,197,429	1,642,837	146,495	4 7/8%	J. & J.	83,710
General American Transportation Corporation	Jan. 1, 1964	Jan. 1, 1979	2,497,127	2,496,000	1,877,358	166,400	4 7/8%	J. & J.	94,128
The Budd Company	Sept. 1, 1964	Sept. 1, 1979	3,592,394	2,871,000	2,296,800	191,400	Var.	M. & S.	113,436
Pullman, Incorporated	Jan. 1, 1965	Jan. 1, 1980	1,531,010	1,531,010	1,275,842	102,067	Var.	J. & J.	60,743
General Motors Corp.	May 1, 1965	May 1, 1980	2,578,046	2,578,046	2,148,372	171,870	Var.	M. & N.	107,417
General Electric Co.	May 1, 1965	May 1, 1980	2,578,634	2,578,634	2,148,861	171,909	Var.	M. & N.	107,416
General Electric Co.	Jan. 15, 1966	Jan. 15, 1981	1,310,876	1,310,800	1,179,720	87,387	Var.	J. & J.	63,671
General Motors Corp.	Jan. 15, 1966	Jan. 15, 1981	2,619,806	2,619,200	2,357,280	174,613	Var.	J. & J.	129,271
Pullman, Incorporated	June 1, 1966	June 1, 1981	2,871,986	2,871,986	2,584,788	191,466	5 3/8%	J. & D.	145,779
General American Transportation Corporation	June 1, 1966	June 1, 1981	1,284,353	1,284,353	1,155,918	85,624	5 3/8%	J. & D.	65,159
Magor Car Corp.	June 1, 1966	June 1, 1981	194,750	194,750	175,275	12,984	5 3/8%	J. & D.	9,940
General American Transportation Corporation	July 1, 1966	July 1, 1981	11,791,372	11,791,372	11,005,280	786,091	6	J. & J.	675,421
General Electric Co.	July 1, 1966	July 1, 1981	1,302,111	1,302,111	1,215,303	86,807	6	J. & J.	76,392
General Motors Corp.	July 1, 1966	July 1, 1981	3,054,093	3,054,093	2,850,487	203,606	6	J. & J.	179,802
General American Transportation Corporation	Jan. 15, 1967	Jan. 15, 1982	2,459,824	2,459,824	2,377,830	163,987	6 3/8%	J. & J.	141,259
Thrall Car Manufacturing Co.	Jan. 15, 1967	Jan. 15, 1982	978,573	978,573	945,953	65,240	6 3/8%	J. & J.	61,864
Pullman, Incorporated	Jan. 15, 1967	Jan. 15, 1982	16,229,648	16,229,648	15,688,664	1,081,969	6 3/8%	J. & J.	836,189
General Motors Corp.	Jan. 15, 1967	Jan. 15, 1982	4,589,030	4,589,030	4,436,058	305,943	6 3/8%	J. & J.	290,045
General Electric Co.	Jan. 15, 1967	Jan. 15, 1982	873,816	873,816	844,690	58,253	6 3/8%	J. & J.	57,421
LaSalle National Bank, Assignee of the Sellers:									
M.L.C. Equipment Co.	Jan. 2, 1964	Jan. 15, 1971	1,449,030	1,449,030	757,480	223,000	4 3/4%	J. & J.	39,101
M.L.C. Equipment Co.	Feb. 15, 1965	Feb. 15, 1972	3,975,100	3,975,100	2,722,956	611,554	Var.	F. & A.	140,283
M.L.C. Equipment Co.	April 1, 1967	April 1, 1974	1,170,000	1,170,000	1,170,000	180,000	6	A. & O.	19,630
M.L.C. Equipment Co.	Sept. 1, 1967	Sept. 1, 1974	300,000	300,000	300,000	46,154	5 3/4%	M. & S.	1,533
The First National Bank of Madison, Wisc., Assignee of the Sellers:									
M.L.C. Equipment Co.	June 1, 1965	June 1, 1972	5,038,600	5,038,600	3,444,523	775,170	Var.	J. & J.	189,172
<b>TOTAL EQUIPMENT OBLIGATIONS</b>			<b>\$227,915,606</b>	<b>\$204,591,024</b>	<b>\$115,745,858</b>	<b>\$15,925,685</b>			<b>\$6,107,627</b>
<b>PAYMENTS MATURING IN YEARS ENDING:</b>									
December 31, 1968	\$15,925,685	December 31, 1973	\$ 8,769,197	December 31, 1978	\$ 4,400,887				
December 31, 1969	15,670,673	December 31, 1974	7,130,017	December 31, 1979	4,019,564				
December 31, 1970	13,473,081	December 31, 1975	6,168,969	December 31, 1980	3,526,894				
December 31, 1971	12,114,520	December 31, 1976	5,513,969	December 31, 1981	3,027,935				
December 31, 1972	10,403,532	December 31, 1977	4,763,247	December 31, 1982	837,688				
					<b>TOTAL</b>	<b>\$115,745,858</b>			

## Mortgage Bonds and Debentures—December 31, 1967

DESCRIPTION	Date of Issue	Date of Maturity	Amount Originally Issued or Assumed	Amount as of Dec. 31, 1967	Amount Held by Company and Subsidiaries	Amount Outstanding Dec. 31, 1967	INTEREST		
							Rate	Payable	Accrued During Year
First mortgage bonds, Series A....	Jan. 1, 1944	Jan. 1, 1994	\$ 59,515,100	\$ 50,916,000	\$1,680,700	\$ 49,235,300	4 %	J. & J.	\$1,969,470
First mortgage bonds, Series B....	July 1, 1961	Jan. 1, 1994	#	#	#	.....	5½	J. & J.	.....
First mortgage bonds, Series C....	June 1, 1967	Jan. 1, 1994	#	#	#	.....	6	J. & J.	.....
General mortgage income bonds, Series A .....	Jan. 1, 1944	Jan. 1, 2019	57,256,600	26,975,800	978,100	25,997,700	4½	April	1,191,500
General mortgage convertible income bonds, Series B.....	Jan. 1, 1944	Jan. 1, 2044	51,422,100	31,744,700	324,500	31,420,200	4½	April	1,413,909
The Bedford Belt Ry. Co. first mortgage bonds .....	Jan. 1, 1946	Jan. 1, 1994	350,000	331,000	151,000	180,000	4¼	J.A. & J.	7,650
The Southern Indiana Ry. Co. first mortgage bonds .....	Jan. 1, 1946	Jan. 1, 1994	7,287,000	6,737,000	256,000	6,481,000	4¼	J.A. & J.	275,708
Chicago, Terre Haute and Southeastern 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	4¼	J.A. & J.	314,160
Income mortgage bonds.....	Jan. 1, 1946	Jan. 1, 1994	6,335,800	6,335,800	*1,597,000	4,738,800	4¼	J.A. & J.	201,399
Total mortgage bonds.....			191,737,600	132,492,300	7,047,300	125,445,000			
Five per cent income debentures, Series A .....	Jan. 1, 1955	Jan. 1, 2055	60,000,000	56,400,000	766,000	55,634,000	5	M. & S.	2,782,500

#First Mortgage Bonds, Series B in the principal amount of \$5,500,000 and Series C bonds in the principal amount of \$1,848,000 have been authenticated 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.

## Railway Operating Revenues

	1967	1966	INCREASE	DECREASE
<b>TRANSPORTATION</b>				
Freight .....	\$220,467,892	\$223,270,911	.....	\$2,803,019
Passenger .....	11,197,058	12,081,689	.....	884,631
Baggage .....	35,849	43,905	.....	8,056
Parlor and chair car .....	41,616	51,333	.....	9,717
Mail .....	9,214,713	10,153,636	.....	938,923
Express .....	1,746,943	1,969,784	.....	222,841
Other passenger-train .....	96,780	102,760	.....	5,980
Switching .....	5,803,391	6,453,937	.....	650,546
<b>TOTAL TRANSPORTATION REVENUE</b>	<b>248,604,242</b>	<b>254,127,955</b>	<b>.....</b>	<b>5,523,713</b>
<b>INCIDENTAL</b>				
Dining and buffet .....	889,634	1,039,169	.....	149,535
Station, train, and boat privileges .....	39,109	42,759	.....	3,650
Storage—Freight .....	2,982	3,021	.....	39
Demurrage .....	2,625,786	2,728,905	.....	103,119
Communication .....	14,613	19,374	.....	4,761
Rents of buildings and other property .....	281,799	248,864	32,935	.....
Miscellaneous .....	714,296	578,901	135,395	.....
<b>TOTAL INCIDENTAL OPERATING REVENUE</b>	<b>4,568,219</b>	<b>4,660,993</b>	<b>.....</b>	<b>92,774</b>
<b>JOINT FACILITY</b>				
Joint facility—Credit .....	3,153,363	3,498,866	.....	345,503
Joint facility—Debit .....	(60,913)	7,838	(68,751)	.....
<b>TOTAL JOINT FACILITY OPERATING REVENUE</b>	<b>3,214,276</b>	<b>3,491,028</b>	<b>.....</b>	<b>276,752</b>
<b>TOTAL RAILWAY OPERATING REVENUE</b>	<b>\$256,386,737</b>	<b>\$262,279,976</b>	<b>.....</b>	<b>\$5,893,239</b>

( ) Denotes contra item.

## Revenue Freight by Principal Commodity Groups—1967 and 1966

	1967		1966		INCREASE + OR DECREASE -	
	TONS CARRIED	PERCENT OF TOTAL	TONS CARRIED	PERCENT OF TOTAL		
					TONS	PERCENT
Grain .....	5,073,848	11.62	6,248,298	13.57	- 1,174,450	- 18.80
Soybeans (Incl. Oil Seeds, Nuts or Kernels).....	688,074	1.58	676,037	1.47	+ 12,037	+ 1.78
Potatoes, other than sweet.....	206,524	.47	246,962	.54	- 40,438	- 16.37
Fresh Fruits and Fresh Vegetables.....	240,847	.55	310,364	.67	- 69,517	- 22.40
Livestock .....	82,859	.19	106,307	.23	- 23,448	- 22.06
All Other Farm Products (Includes Sugarbeets) ..	493,450	1.13	516,261	1.12	- 22,811	- 4.42
Metallic Ores .....	344,444	.79	366,549	.80	- 22,105	- 6.03
Coal .....	5,475,153	12.54	5,162,333	11.21	+ 312,820	+ 6.06
Nonmetallic Minerals; except Fuels.....	2,870,870	6.57	3,777,979	8.21	- 907,109	- 24.01
Meat, fresh, chilled or frozen.....	964,750	2.21	848,728	1.84	+ 116,022	+ 13.67
Dairy Products .....	402,238	.92	325,639	.71	+ 76,599	+ 23.52
Canned or Preserved Fruits, Vegetables and Seafoods .....	1,080,288	2.47	1,029,642	2.24	+ 50,646	+ 4.92
Grain Mill Products.....	2,068,692	4.74	2,047,020	4.45	+ 21,672	+ 1.06
Malt Liquors .....	728,388	1.67	841,735	1.83	- 113,347	- 13.47
Beverages or Flavoring Extracts (Except Malt Liquors) .....	441,655	1.01	483,069	1.05	41,414	- 8.57
All Other Food or Kindred Products (Incl. Sugar) .....	1,388,600	3.18	1,452,885	3.16	- 64,285	- 4.42
Primary Forest Products (Incl. Logs and Pulpwood) .....	2,198,711	5.04	2,181,657	4.74	+ 17,054	+ .78
Lumber or Dimension Stock.....	1,939,889	4.44	2,041,009	4.43	- 101,120	- 4.95
All Other Lumber or Wood Products (Incl. Plywood) .....	927,513	2.12	959,425	2.08	- 31,912	- 3.33
Pulp or Pulp Mill Products.....	644,130	1.47	709,835	1.54	- 65,705	- 9.26
All Other Paper or Allied Products.....	2,112,903	4.84	2,057,265	4.46	+ 55,638	+ 2.70
Industrial Chemicals .....	1,305,003	2.99	1,297,042	2.82	+ 7,961	+ .61
All Other Chemicals or Allied Products.....	1,596,450	3.66	1,273,021	2.76	+ 323,429	+ 25.41
Petroleum or Coal Products and Crude Petroleum, Natural Gas or Gasoline.....	937,318	2.15	1,039,410	2.26	- 102,092	- 9.82
Stone, Clay or Glass Products.....	2,015,441	4.62	2,238,664	4.85	- 223,223	- 9.97
Coke Oven or Blast Furnace Prod. (Pig Iron, Slag and Coke).....	330,590	.76	382,270	.83	- 51,680	- 13.52
Primary Iron or Steel Prod. (Ingots, Plates, Bars, Tinplate) .....	1,430,931	3.28	1,762,699	3.83	- 331,768	- 18.82
All Other Primary Metal Products.....	715,481	1.64	866,790	1.88	- 151,309	- 17.46
Fabricated Metal Prod. (Except Ordnance, Machinery and Transportation Equip.).....	497,148	1.14	449,275	.98	+ 47,873	+ 10.66
Farm Machinery or Equipment.....	204,790	.47	223,875	.49	- 19,085	- 8.52
All Other Machinery; Except Electrical.....	266,093	.61	271,030	.59	- 4,937	- 1.82
Electrical Machinery or Equipment.....	186,621	.43	185,756	.40	+ 865	+ .47
Motor Vehicles .....	422,279	.97	384,154	.83	+ 38,125	+ 9.92
All Other Transportation Equipment.....	601,254	1.38	690,689	1.50	- 89,435	- 12.95
Waste or Scrap Materials.....	1,227,453	2.81	1,294,311	2.81	- 66,858	- 5.17
Freight Forwarder and Shipper Association Traffic .....	382,844	.88	387,005	.84	- 4,161	- 1.08
All Other Carload Traffic.....	1,151,530	2.64	904,303	1.96	+ 247,227	+ 27.34
<b>TOTAL CARLOAD TRAFFIC .....</b>	<b>43,645,052</b>	<b>99.98</b>	<b>46,039,293</b>	<b>99.98</b>	<b>- 2,394,241</b>	<b>- 5.20</b>
<b>SMALL PACKAGED FREIGHT SHIPMENTS (L.C.L. MERCHANDISE) .....</b>	<b>8,206</b>	<b>.02</b>	<b>10,542</b>	<b>.02</b>	<b>- 2,336</b>	<b>- 22.16</b>
<b>GRAND TOTAL, CARLOAD AND L.C.L. TRAFFIC .....</b>	<b>43,653,258</b>	<b>100.00</b>	<b>46,049,835</b>	<b>100.00</b>	<b>- 2,396,577</b>	<b>- 5.20</b>

### Revenue Freight Traffic Statistics—excluding truck service

YEAR	TONS CARRIED	TON MILES	AVERAGE HAUL—MILES	FREIGHT REVENUE		
				TOTAL	PER TON	PER TON MILE (CENTS)
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	186,312,480*	4.70	1.322
1964	40,765,392	14,701,598,590	360.64	192,566,906*	4.72	1.310
1965	42,781,557	15,908,663,519	371.86	205,004,584*	4.79	1.289
1966	46,049,835	16,776,045,534	364.30	223,270,956*	4.85	1.331
1967	43,653,258	16,740,101,489	383.48	220,467,892	5.05	1.317

\*Restated to include estimated increased divisions.

### Revenue Passenger Statistics—excluding bus service

YEAR	PASSENGERS CARRIED	PASSENGER MILES	AVERAGE DISTANCE TRAVELED—MILES	PASSENGER REVENUES		
				TOTAL	PER PASSENGER	PER PASSENGER MILE (CENTS)
<b>† COMMUTATION</b>						
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
1966	5,206,590	119,237,506	22.90	4,048,877	.78	3.396
1967	5,588,527	126,741,996	22.68	4,292,212	.77	3.387

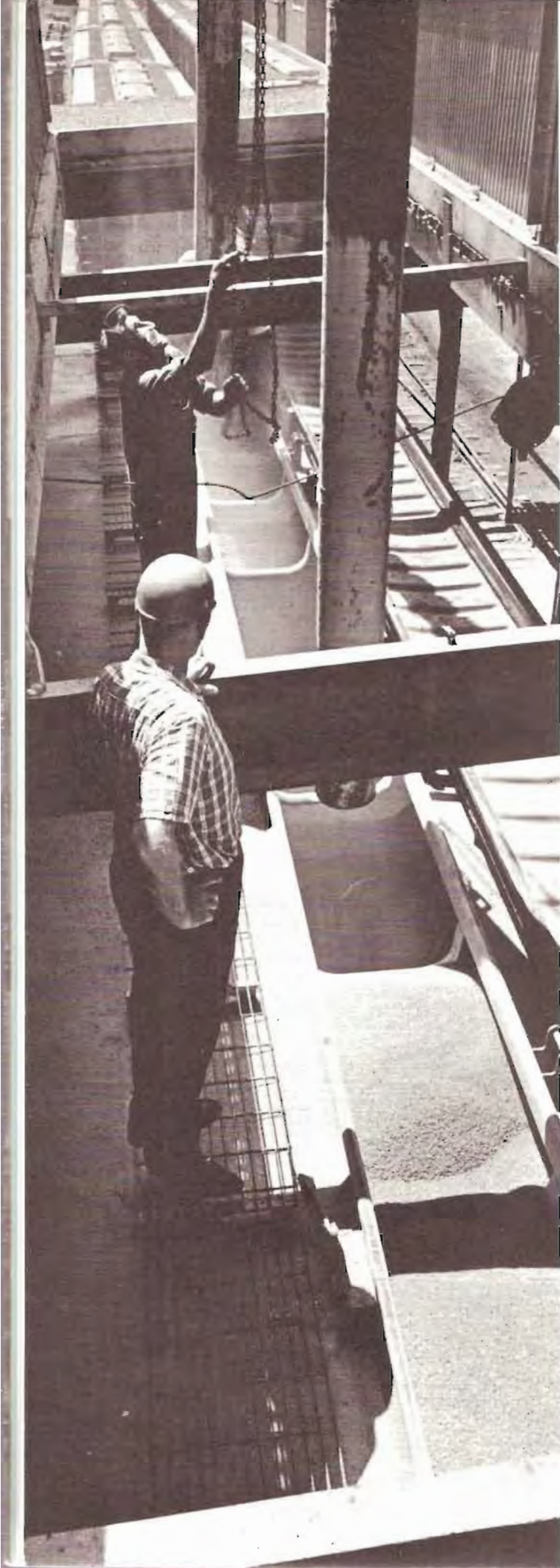
† Beginning with year 1959, includes cash fares, single and round trip tickets sold for travel within suburban area, which in prior years were included in "other than commutation."

### OTHER THAN COMMUTATION

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
1966	1,415,992	321,018,025	226.71	8,046,954	5.68	2.507
1967	1,268,672	270,351,017	213.10	6,921,767	5.46	2.560

### Employment and Compensation

YEAR	AVERAGE NUMBER OF EMPLOYEES	TOTAL WAGES	AVERAGE WAGES PER HOUR WORKED	WAGE SUPPLEMENTS		AGGREGATE LABOR COSTS		
				PAYROLL TAXES	HEALTH AND WELFARE BENEFITS	AMOUNT	AVERAGE PER EMPLOYEE	AVERAGE PER HOUR WORKED
1958	23,402	\$128,356,603	\$2.881	\$ 8,420,346	\$1,934,613	\$138,711,562	\$5,927	\$3.114
1959	22,243	128,399,667	2.996	9,894,538	1,819,163	140,113,368	6,299	3.270
1960	20,229	121,135,807	3.109	9,969,699	1,646,241	132,751,747	6,562	3.407
1961	18,406	112,701,787	3.206	9,099,691	2,867,995	124,669,473	6,773	3.547
1962	17,430	112,440,997	3.290	9,407,264	3,051,767	124,900,028	7,166	3.654
1963	16,883	112,688,082	3.330	9,412,272	3,283,233	125,383,587	7,427	3.705
1964	17,000	115,466,193	3.433	9,802,397	4,207,092	129,475,682	7,616	3.849
1965	16,526	119,123,362	3.664	10,197,336	4,539,841	133,860,539	8,100	4.117
1966	16,470	122,977,387	3.784	11,515,053	4,611,812	139,104,252	8,446	4.280
1967	15,665	122,077,114	4.026	12,165,512	4,621,477	138,864,103	8,865	4.579



- In a non-stop operation Milwaukee Road continuous hatch grain cars pass under loading chute where loading of each car is concluded in minutes.
- Mississippi River elevator site of the Farmers Union Grain Terminal Association on the Milwaukee Road at St. Paul.



- A Milwaukee Road unit train of covered hopper cars used to haul grain loaded in Minnesota and consigned to eastern seaboard destinations. Portion of Pig's Eye Yard at St. Paul in background.



■ A Milwaukee Road grain train of high cube hopper cars moving as a "unit train" passing Lake Pewaukee-Wisconsin.





**ANNUAL REPORT • 1967**

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY