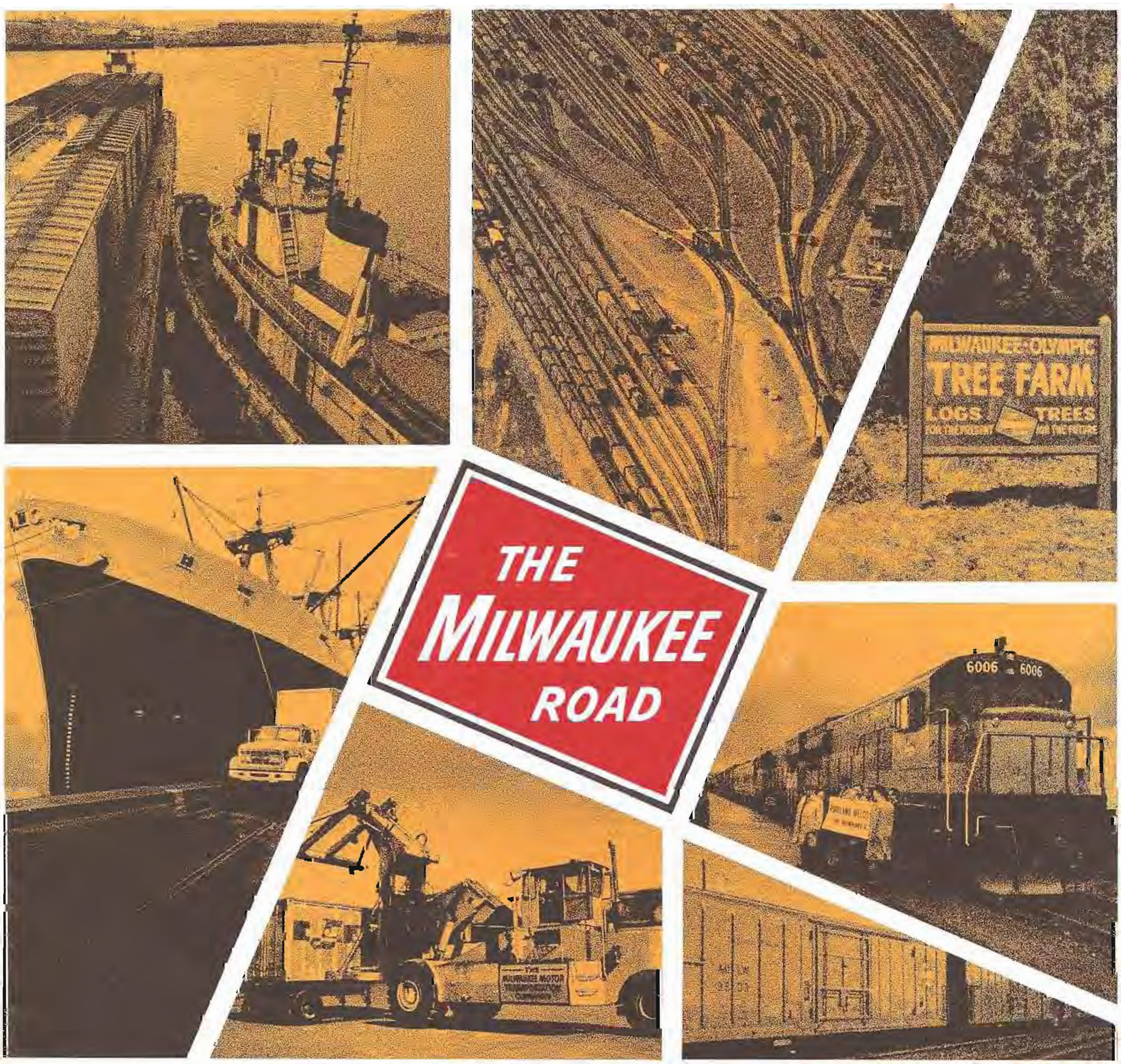
annual report 1971



Chicago, Milwaukee, St. Paul and Pacific Railroad Company

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY • ANNUAL REPORT 1971

BOARD OF DIRECTORS

Terms Expiring:

1972 Curtiss E. Crippen
Laurence S. Kaplan
William G. Karnes
Arthur M. Wirtz

1973 Philip W. Pillsbury
William J. Quinn
Franklin B. Schmick

1974 Tilden Cummings
Joseph A. Maun
Patrick L. O'Malley
Louis Quarles*

EXECUTIVE COMMITTEE

Arthur M. Wirtz, *Chairman*
Curtiss E. Crippen
Tilden Cummings
Joseph A. Maun
William J. Quinn

FINANCE COMMITTEE

Tilden Cummings, *Chairman*
Curtiss E. Crippen
William G. Karnes
Joseph A. Maun
Louis Quarles
William J. Quinn
Arthur M. Wirtz

CONTENTS

OFFICERS

WILLIAM J. QUINN
Chairman of the Board and Chief Executive Officer ....CHICAGO

CURTISS E. CRIPPEN
President ....CHICAGO

FRANCIS G. McGINN
Vice President—Operation ....CHICAGO

RAYMOND K. MERRILL
Vice President—Law ......CHICAGO

RICHARD F. KRATOCHWILL
Vice President—Finance and Accounting ....CHICAGO

GEORGE H. KRONBERG
Vice President—Traffic ....CHICAGO

BYRON E. LUTTERMAN
Vice President and Western Counsel ....SEATTLE

BURTON J. WORLEY
Vice President—Chief Engineer ....CHICAGO

EDWARD J. STOLL
Vice President—Real Estate, Economic and Resource Development ....CHICAGO

LAWRENCE W. HARRINGTON
Vice President—Labor Relations ....CHICAGO

GAYLORD A. KELLOW
Vice President—Management Services ....CHICAGO

JAMES P. REEDY
General Counsel ....CHICAGO

ROLAND W. SPANGENBERG
General Solicitor ....CHICAGO

FRITZ H. MILLER
Comptroller ....CHICAGO

JAMES T. TAUSSIG
Secretary ....CHICAGO

CHARLES L. SCHIFFER
Treasurer ....CHICAGO

STOCK TRANSFER OFFICES

The Chase Manhattan Bank, New York, N.Y. 10015

The First National Bank of Chicago, Chicago, Illinois 60670

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

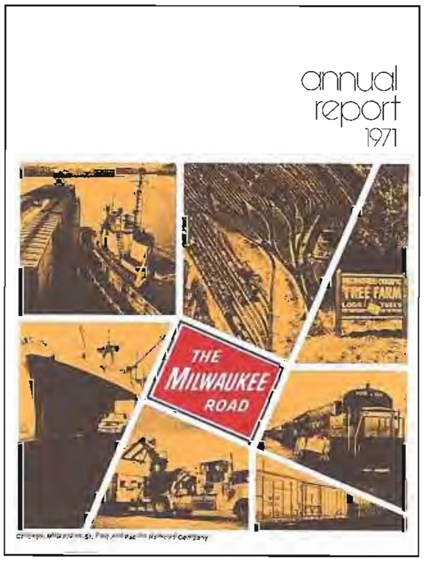
ANNUAL MEETING

May 9, 1972, 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.

Morton Weinress resigned as a Director, effective November 18, 1971.

*Louis Quarles died February 7, 1972. He had been a director since May 13, 1947.



THE COVER

A complex of industrial activities on land and sea, in freight yards, in the forests of the Pacific Northwest and at dockside . . . all of these, taken together, represent the economic contribution which the Milwaukee Road and its subsidiaries make to 15 states of the Midwest, West and Pacific Northwest. Oregon, the 15th Milwaukee Road state, was added in March 1971 with the extension of the railroad's service to Portland, as shown in one of the pictures comprising this cover montage.

Highlights of Operations

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

	1971	1970
Operating revenues	$301,568,452	$283,197,199
Operating expenses	250,442,725	244,470,485
Taxes, federal, state and local	25,405,726	25,578,842
Net operating income (loss)	2,931,643	(6,879,593)
Other income—net	9,000,903	6,050,913
Income (loss) available for fixed charges	11,932,546	(828,680)
Fixed charges	6,759,938	7,381,414
Contingent charges	2,769,977	2,782,079
Income (loss) before extraordinary item	2,402,631	(10,992,173)
Extraordinary item—one-time costs and losses resulting from discontinuance of intercity passenger service	(24,195,917)	....
Net loss	(21,793,286)	(10,992,173)

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

	1971	1970
Traffic statistics:		
Freight revenues	$273,900,941	$248,728,957
Net ton-miles of revenue freight (thousands)	16,471,079	17,510,170
Averages:		
Freight revenue per carload	$ 297	$ 247
Freight revenue per ton-mile	1.663¢	1.420¢
Tons per carload	44.9	44.2
Length of haul (miles)	399	394
Total wages	$149,999,813	$139,893,739
Average number of employees	14,203	14,803
Miles of road at December 31	10,513	10,448

To The Shareholders:

Sharply improved operating revenues in 1971 enabled the Milwaukee Road to produce consolidated income of $2,402,631, before an extraordinary item described below, compared with a net loss of $10,992,173 in 1970. The gain was in keeping with the pattern of progress which characterized the year, despite work stoppages and the slowness of economic recovery.

For reasons outlined elsewhere in this report, the Board's action in forming a holding company was one of far-reaching significance. This decision received the strong support of the railroad shareholders, and it was apparent by year end that the success of the Chicago Milwaukee Corporation exchange offer was assured. The offer was declared effective on January 14, 1972.

As was indicated in our report a year ago, the Milwaukee Road entered 1971 aware of its new posture in the northern tier of states and the Pacific Northwest, largely as a result of Interstate Commerce Commission conditions put into effect upon consummation of the Burlington Northern merger in 1970. Those new possibilities produced increasingly tangible results as the year progressed.

The extension of Milwaukee Road service to Portland, Ore., which occurred on March 22, 1971, removed a major and long-standing obstacle to the normal flow of transcontinental traffic on the Milwaukee Road. It also gave shippers new routing possibilities for traffic moving north and south along the Pacific Coast between western Canada and the vast regions to the south of Portland. The potentialities of the Portland entry are very encouraging and are already evident in the Company's operating revenues.


CURTISS E. CRIPPEN


WILLIAM J. QUINN

Likewise, the opening in 1970 of 11 gateways in the West and Pacific Northwest for the interchange of traffic between the Milwaukee and the Burlington Northern on a competitive basis continued to produce additional revenues in 1971.

The Milwaukee Road's new potential will be further enhanced by its entry into Louisville as an Interstate Commerce Commission condition to the Louisville and Nashville-Monon Railroad merger. Although the required authority for that service extension has already been granted, I.C.C. hearings to determine the terms under which it may be accomplished are still in progress.

Favorable results in 1971 were due principally to the introduction of the important new services and routes mentioned above, as well as to freight rate increases and savings attributable to the transfer to Amtrak of intercity passenger service. Consolidated operating revenues were $301,568,452, the highest in the Company's history. Expenses for the full year amounted to $250,442,725. A year ago, consolidated revenues were $283,197,199 and expenses were $244,470,485.

Railroad operations showed a net loss of $3,942,829 for the year, before the extraordinary item, on revenues of $295,751,045 and expenses of $243,113,185, compared with a net loss of $8,891,108 in 1970 on operating revenues of $277,540,108 and operating expenses of $237,411,328.

The final results for 1971 reflect the inclusion of an extraordinary charge of $24,195,917 representing one-time costs and losses sustained by reason of the takeover of intercity rail passenger service by the National Railroad Passenger Corporation (Amtrak). The principal items included in this extraordinary charge are provision for labor protective and severance payments, a charge by Amtrak of $5.9 million as an entry fee, losses incident to the discontinuance of the use of certain passenger terminals, and the write-off of intercity passenger rolling stock and facilities. Since the takeover by Amtrak on May 1, 1971, certain remaining intercity operations have been performed by the Milwaukee Road under contract with Amtrak.

Despite the several favorable factors which began to manifest themselves in 1971, carloadings declined somewhat by comparison with 1970, principally as a result of strikes in the railroad industry and the three-month dock strike on the West Coast. Other adverse factors included work stoppages at several large traffic producing firms served by the Milwaukee, and the generally slow pace of industrial activity.

The Board of Directors omitted declaration of a dividend on the Company's Series A preferred stock at its January, 1971 meeting. Because of a deficiency in available net income for 1971, as defined in the mortgages and the debenture indenture, there will be no interest payable during 1972 on outstanding general mortgage bonds Series A and B, or the 5 per cent income debentures of the Company, and there will be no contingent interest payable on the modified Terre Haute bonds.

It is expected that the extensions of line, the added competitive services and the capital improvement program will become increasingly important to the Milwaukee Road in the years ahead.

William J. Quinn
Chairman of the Board

Curtiss E. Crippen
President

February 17, 1972

Piggyback-Container Traffic

Owing to the mounting popularity of containers for the movement of import-export traffic, and to the sharply increased share of that traffic moving long haul in 1971, the Milwaukee Road's over-all revenues from piggyback and container traffic last year were at least equal to those of 1970. This proved to be the case despite a decrease in the volume of domestic piggyback traffic, partly as a result of a slowdown in the economy. Long haul container traffic moving either direct from the Pacific North Coast ports, or long haul through the Portland and/or Sumas gateways, increased by more than 60 per cent in 1971.

Freight Rates

In recognition of mounting operating costs which the railroad industry has borne and continues to bear, the Interstate Commerce Commission approved additional freight rate increases effective April 12, 1971. Subject to certain commodity exceptions, the I.C.C. order has the effect of authorizing an additional 6 per cent on traffic within Eastern territory, 4 per cent within Western territory, and 4 per cent from one territory to another. No additional increase was authorized on traffic within the South. Subsequent to the I.C.C.'s final order involving interstate traffic, various state commissions have ruled favorably. Consequently, the increases are now applicable on intrastate traffic within most of the states served by the Milwaukee.

On February 1, 1972, the I.C.C. approved a request by the nation's railroads to apply, effective February 5, a 2½ per cent interim emergency surcharge on charges for freight services. This surcharge is subject to an expiration date of June 5, 1972, and it is contemplated that prior to that date the carriers will have filed petitions with the Commission for a permanent selective increase to become effective concurrently with the expiration of the 2½ per cent emergency surcharge.

Passenger Service

The Milwaukee Road was among several major railroads which joined the National Railroad Passenger Corporation (Amtrak) in 1971. That quasi-public corporation, which went into operation on May 1, 1971, was created by Congress to establish a basic national rail passenger system and to relieve participating railroads of the burden involved in operating intercity passenger service. The Milwaukee Road continues to operate intercity passenger trains under contract with that new corporation.

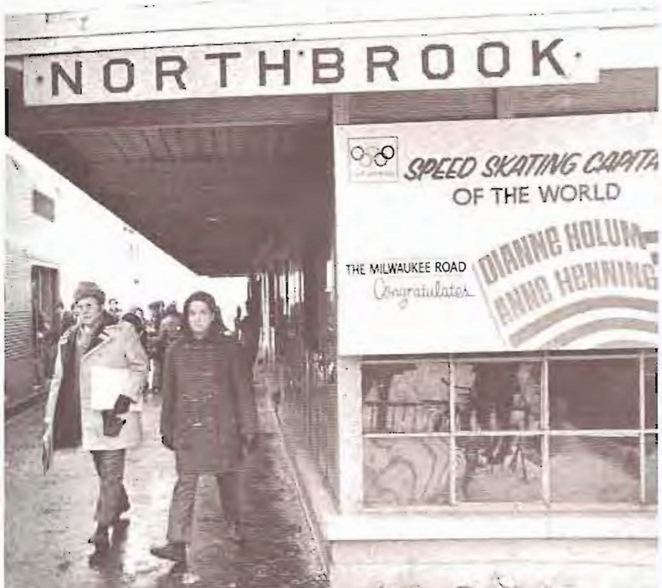
Certain one-time costs and charges resulting from the Milwaukee Road's entry into Amtrak are treated as an "extraordinary item" in arriving at 1971 operating results, as explained elsewhere in this report.

Milwaukee Road commuter service in the Chicago area continued to attract new riders in 1971, producing a 2.2 per cent increase over the previous year. A modest gain in revenues from suburban operations was due largely to a fare increase which became effective on May 29.

Activity related to the creation of mass transit districts in the Milwaukee Road suburban areas continued at an accelerated pace during the year. The Northwest Suburban Mass Transit District, formed along the Milwaukee's suburban line west of Chicago in March, 1971, made simultaneous preliminary grant applications to the Federal Urban Mass Transportation Administration and to the State of Illinois. The grants are to be used by the District to purchase commuter equipment, and to make other capital improvements necessary to upgrade and expand commuter service.

Municipalities and townships north of Chicago, including several on the Milwaukee Road's north suburban line, filed ordinances in November, 1971, creating the North Suburban Mass Transit District, the largest such district in Illinois. It will also serve as a vehicle through which funds may become available to improve and expand other mass transit services in the area.

Chicago Tribune Photo



Labor Negotiations

Operations of the Milwaukee Road and the railroad industry were seriously affected by two railroad strikes in 1971.

The first one, called by the Brotherhood of Railway Signalmen, began on May 17 and continued for two days before Congress intervened with emergency legislation that barred further strike action until October 1. In November, a wage agreement was reached which followed the pattern of earlier settlements with other unions, most of which called for a 42 per cent wage hike over a period of 42 months.

Although the Milwaukee Road was not one of the 10 railroads directly involved in the extremely costly selective strikes called by the United Transportation Union between July 16 and August 2, the effect of these work stoppages was keenly felt by all major railroads and by many industries using railroad service. The Milwaukee Road lost traffic which normally would have been interchanged with the struck carriers and, in addition, was obliged to make large contributions to service interruption insurance premiums for the benefit of those railroads which bore the strike.

The central issue in the United Transportation Union strikes involved work rule changes which the railroads have long considered necessary for economical operation. Some of those work rule changes are embodied in the agreement which ended the controversy with the conductors, brakemen, yardmen and locomotive firemen represented by that organization. These changes generally followed the recommendations of the Presidential Emergency Board which had been appointed to resolve the dispute. The parties have also agreed on a wage increase of approximately 42 per cent over a period of 42 months.

Due to the fact that UTU members and those represented by the Brotherhood of Locomotive Engineers are basically engaged in the movement of trains, an agreement arrived at in 1971 with the latter organization, and containing similar work rule changes, could not be implemented until the UTU agreement had been ratified.

Agreements covering wages, fringe benefits and other matters were also reached during the past year with several other labor organizations.

During 1971, the Milwaukee Road arranged for approximately 11 additional inter-seniority district freight operations in the railroad's Eastern Region, utilizing agreements in effect with certain operating labor organizations. The result has been better service to shippers at reduced operating costs, as well as generally desirable work assignments for the employees involved.

Wage increases and expanded fringe benefits for Milwaukee Road employees added approximately $15.1 million to the Company's operating expenses in 1971, as compared with 1970.

Freight Car and Locomotive Programs

The railroad's ability to meet the freight car needs of shippers was enhanced in 1971 by acquiring additional equipment and continuing the Company's own successful car rebuilding program.

A total of 675 new freight cars was acquired, including 325 50-foot boxcars of 70-ton capacity; 200 60-foot boxcars of 100-ton capacity; 100 "jumbo" refrigerator cars of 70-ton capacity; and 50 Airslide covered hoppers of 100-ton capacity. The railroad also acquired 571 additional freight cars, including 250 reconditioned 50-foot double door boxcars; 196 high class 50-foot insulated boxcars; and 125 50-foot boxcars equipped with load restraining devices.

A total of 666 freight cars was put through the car rebuilding program and returned to service in like-new condition. Included were boxcars, hopper cars and gondolas converted to log flats. Major modifications were made during the year to 130 cars, adapting them to special service, and 60 cabooses were given complete rebuilding and refurbishing.

At present, the 1972 equipment program provides for 50 new diesel locomotives and 200 boxcars, in addition to the rebuilding of approximately 500 freight cars of various types. Of the 50 diesel locomotives, 25 were included in the 1971 budget but the manufacturer was unable to deliver them by the end of the year. Ranging from 2,300 to 3,600 h.p., these 25 units will satisfy a number of service needs. Twenty-three of the locomotives included in the 1972 portion of the program will be 3,000 h.p., and two will be 2,300 h.p.

Restoration of the investment tax credit late in 1971 will be helpful to the railroad in the lease financing of new equipment.

Operating and Engineering Department Programs

In the summer of 1971, a new east-west freight train was added between St. Paul, Minn., and Seattle-Tacoma, Wash., with an improved connection to Portland. Improvements were also made in north-south service between Sumas, Wash., the interchange point with Canadian railroads, and Tacoma.

A new department, under the supervision of the Director of Operating Systems, was created in 1971 as an adjunct to the Operating Department. Its first major undertaking will be the installation of a satellite computer system in the Chicago Terminal to handle car, locomotive and train data. This information will be interchanged with Carscope, the Operating Department computer complex located in the Chicago general offices. The new satellite computer will be installed early in 1972 and will serve as a pilot operation for more extensive installations now being considered for improved operational controls.

The generally strong upward trend of motor vehicle carloadings in recent years called for the expansion in 1971 of several automobile marshalling facilities on the system. The yard at Spokane, Wash., was redesigned to increase its capacity by almost 50 per cent. At Kent, Wash., site of the largest such facility on the railroad, the area for temporary parking of automobiles and trucks awaiting distribution to dealers was also substantially enlarged. In addition, new trackage was laid and a larger area set aside for the specialized Vert-A-Pac cars used in transporting subcompact Vega automobiles. At both Minneapolis, Minn., and Council Bluffs, Ia., new areas were paved in anticipation of the introduction of Vert-A-Pac service. Yard capacity at Minneapolis was increased from 2,150 vehicles to 2,750 and new lighting was installed.

A series of training programs and seminars enabled the Engineering Department to improve the skills of many highly trained supervisors and employees engaged in signaling work or in the operation of complex new machines. These programs proved invaluable in preparing individuals for field assignment and advancement.

The Milwaukee continued its efforts to avoid pollution problems by installing industrial and sanitary waste disposal facilities at several locations.

Industrial Development and Real Estate

In mid-year 1971, the former Real Estate and Industrial Development Department assumed additional functions related to geology and economic resources, and was renamed the Real Estate, Economic and Resource Development Department. The Agricultural and Mineral Development Department, which had performed a vital service in the earlier years of the railroad, was discontinued and its functions were assumed by the renamed department and the Traffic Department.

Industrial development activity continued to grow steadily in 1971. Eighty-eight potential traffic producing industries either located new plants or completed substantial expansion programs along the Milwaukee Road during the year.

An extensive file of aerial photographs which has proven very effective in attracting new industries to the railroad was further expanded to include many new and attractive plant sites adjacent to Milwaukee Road trackage.

During the year, the railroad realized nearly $2 million from property sales. Land and approximately five miles of trackage serving the former Larson Air Base at Moses Lake, Wash., were acquired for industrial development.

Lease rental income for the railroad continued to expand, reaching an annual level of more than $2.5 million.

The Milwaukee Land Company subsidiary acquired 425 acres of land for industrial purposes and sold about 140 acres to industries locating adjacent to the railroad.

Status Report Regulatory Actions, Legislation and Other Matters

Portland Extension

Milwaukee Road authority to operate directly to and from the Southern Pacific yard in Portland, Ore., a matter now pending before the Interstate Commerce Commission, will be a further stimulus to the already gratifying volume of traffic moving to and from that important gateway. The railroad's service extension to Portland was effected in March, 1971, utilizing trackage rights over the Burlington Northern between Portland and Longview, Wash., in accordance with an I.C.C. condition to its approval of the Burlington Northern merger.

Louisville Extension

After some delay, the Louisville and Nashville-Monon Railroad merger was consummated on July 31, 1971. As a condition to its approval of that merger, the Interstate Commerce Commission awarded the Milwaukee Road trackage rights over the former Monon Railroad between Bedford and New Albany, Ind., and the right to acquire an interest in the Kentucky and Indiana Terminal Railway between New Albany and Louisville, Ky., over which it can reach the important Louisville gateway.

Hearings have been held by the Commission to fix the terms of the Milwaukee's use of the trackage between Bedford and Louisville. A decision from the Commission and the start of Milwaukee Road operations to and from Louisville are expected later in the year.

Union Pacific - Rock Island Merger

Action is still awaited in connection with the Milwaukee Road application to be included in the Union Pacific or the Southern Pacific if the Interstate Commerce Commission approves the acquisition by Union Pacific or Southern Pacific of all or part of the Rock Island. The Commission will conduct hearings on the Milwaukee's inclusion application after an examiner's report and recommended order relating to the Union Pacific and Southern Pacific's proposed acquisitions of the Rock Island are issued. Such a report and recommended order are expected in 1972.

Legislation

New impetus has been given to efforts calling for greater Federal involvement in national transportation problems. The Surface Transportation Act of 1971, introduced in Congress in November, 1971, proposes legislation designed to aid all surface carriers. It contains a number of provisions similar to recommendations set forth earlier in the Association of American Railroads' ASTRO report. The A.A.R., the American Trucking Association and the Water Transport Association, recognizing their mutuality of interest in the establishment of a sound,

even-handed national transportation policy, have joined in support of the proposed legislation.

The Milwaukee Road and other railroads serving Wisconsin and Indiana collaborated in an intensive effort in 1971 to gain repeal of antiquated laws still in effect in those states requiring unneeded personnel on freight trains. The 1907 Wisconsin law requires a five-man crew, and the Indiana law, in effect since 1937, requires a six-man crew on each freight train of 70 cars or more. The full crew laws in those two states cost the railroads serving them more than $35.5 million in 1971. The outcome of the repeal efforts is still inconclusive.

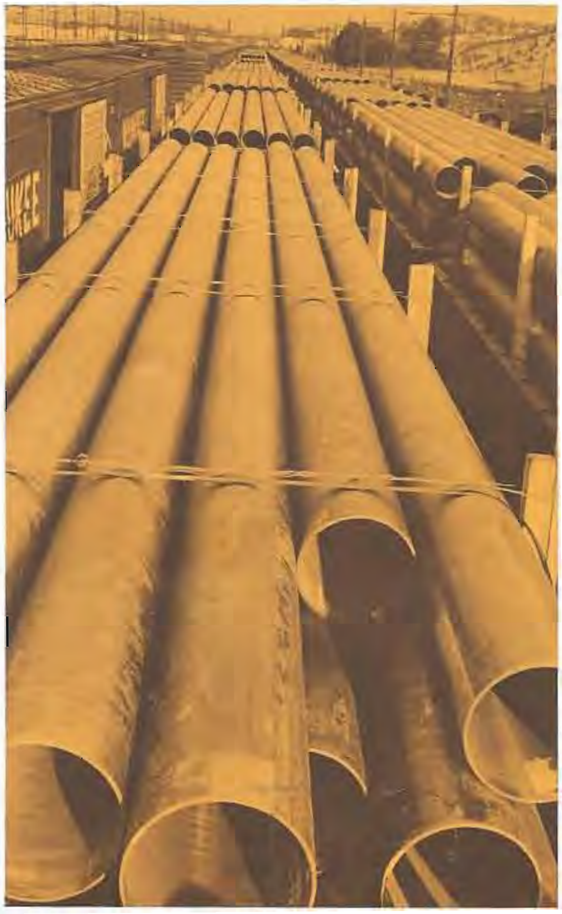
Litigation

The suit pending at the time of the 1970 Annual Report to Stockholders, brought by the Company for alleged violations of the Securities Exchange Act, has resulted in an agreed final order restraining the defendants from the various activities of which the Company had complained.

The suit by a preferred stockholder pending in the United States Court of Appeals involved the question of the rights of preferred stockholders to elect certain of the directors of the Company. A settlement was reached and the stockholder will dismiss his appeal.

The Milwaukee Road's continuing programs of executive and supervisor training were improved and expanded in 1971. Conducted by a professional corporate training staff, the programs introduce much that is new, useful and timely in helping railroad management with human resources problems of today and tomorrow.

In addition to classes held at corporate headquarters in Chicago, others are conducted at selected points throughout the railroad system.



America's Resourceful Railroad

THE MILWAUKEE ROAD

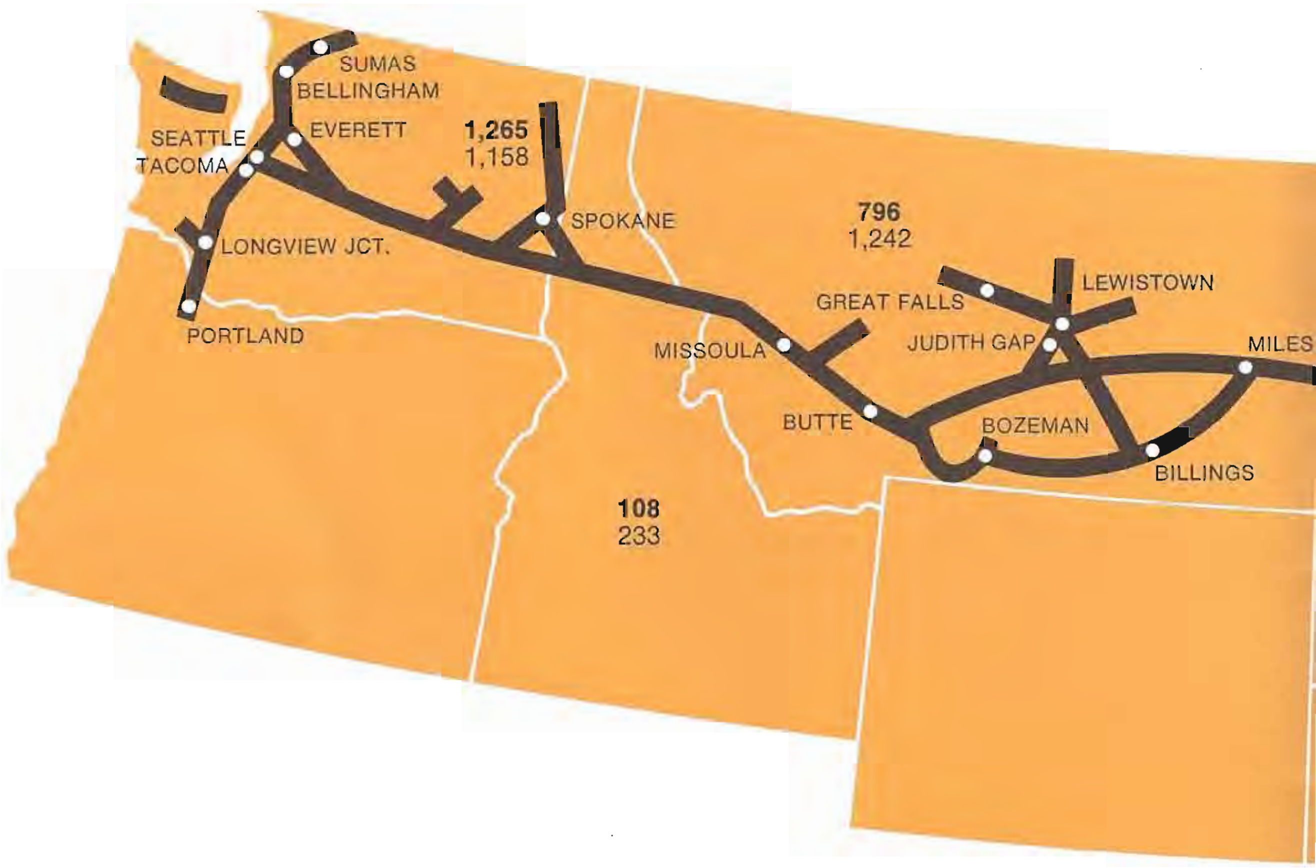
KEY

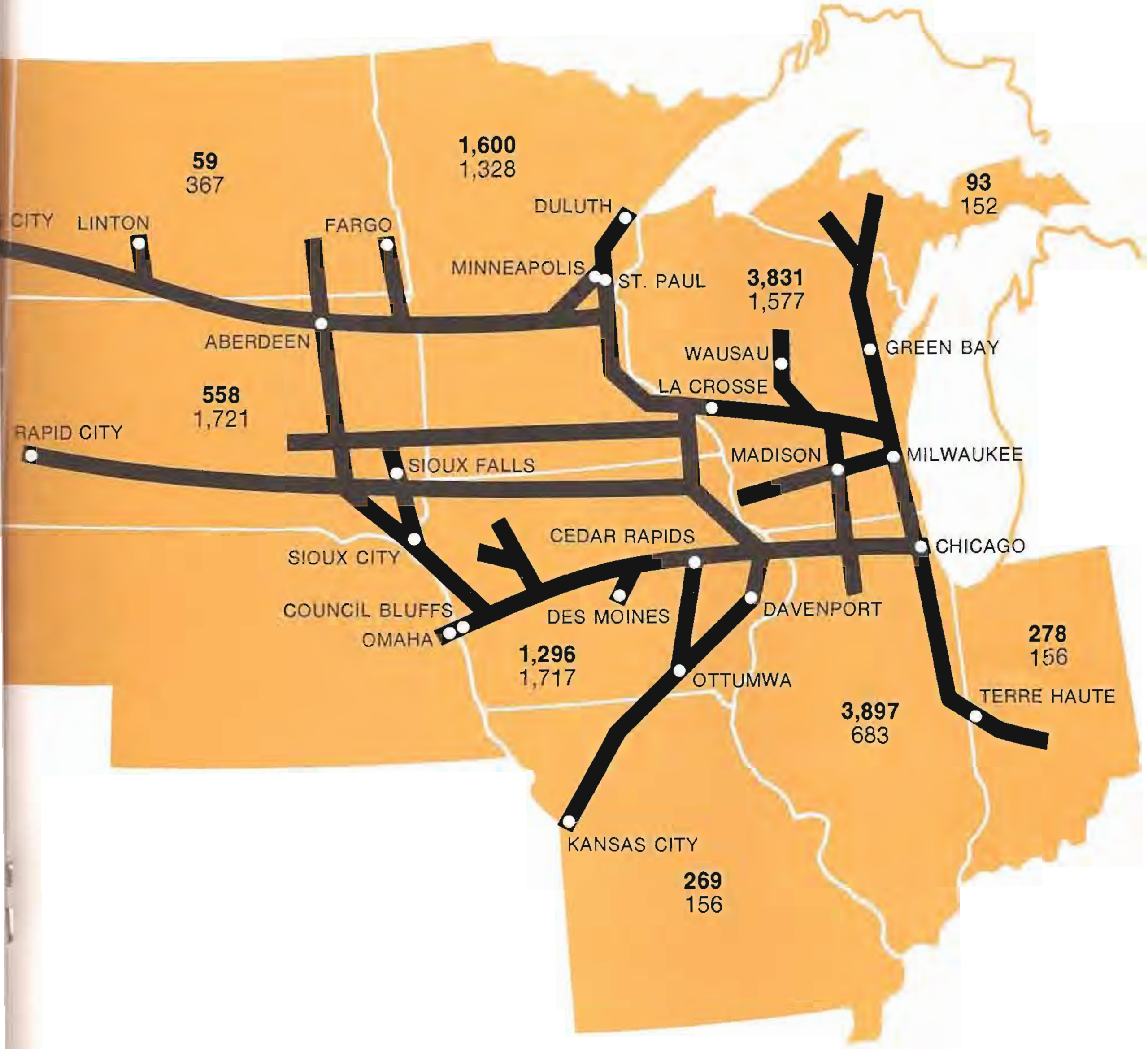
Bold face figures represent Number of Employees in each state

Light face figures represent Miles of Road in each state

Total average Number of Employees during 1971 . . . 14,203

Total Miles of Road as of December 31, 1971 . . . 10,513





59
367
1,600
1,328
93
152
CITY
LINTON
FARGO
DULUTH
MINNEAPOLIS
ST. PAUL
3,831
1,577
ABERDEEN
GREEN BAY
WAUSAU
LA CROSSE
558
1,721
RAPID CITY
SIOUX FALLS
MADISON
MILWAUKEE
CEDAR RAPIDS
CHICAGO
SIOUX CITY
COUNCIL BLUFFS
DES MOINES
DAVENPORT
OMAHA
278
156
1,296
1,717
OTTUMWA
TERRE HAUTE
3,897
683
KANSAS CITY
269
156

Consolidated Balance Sheet

December 31, 1971 with comparative figures for 1970

ASSETS	1971	1970
CURRENT ASSETS		
Cash and temporary cash investments	$ 9,885,451	$ 10,558,665
Accounts receivable	30,491,421	27,023,721
Material and supplies, at cost	20,777,834	19,116,121
Other current assets	5,343,327	3,659,747
Total current assets	66,498,033	60,358,254
SPECIAL FUNDS	1,830,769	970,434
INVESTMENTS (note 5)		
Affiliated companies	19,364,481	18,858,473
Other companies	1,454,293	1,655,763
Total investments	20,818,774	20,514,236
PROPERTIES (note 3)		
Road	655,026,440	655,703,070
Equipment	332,166,343	349,723,894
Other elements of investment (credits)	(110,467,500)	(110,895,595)
	876,725,283	894,531,369
Less allowances for depreciation and amortization	309,352,169	305,034,104
Transportation properties	567,373,114	589,497,265
Other property, less depreciation	9,237,955	9,324,713
Total properties	576,611,069	598,821,978
OTHER ASSETS AND DEFERRED CHARGES	9,563,097	9,567,332
Total assets	$675,321,742	$690,232,234

See accompanying notes to consolidated financial statements.

Consolidated Balance Sheet

December 31, 1971 with comparative figures for 1970

LIABILITIES AND SHAREHOLDERS' EQUITY	1971	1970
CURRENT LIABILITIES		
Note payable to bank	$ 4,899,000	$ 4,899,000
Accounts payable	31,984,227	28,980,101
Payroll and vacation pay	16,694,385	17,396,015
Accrued taxes (note 4)	8,062,988	8,348,231
Other current liabilities	2,334,297	254,322
Total current liabilities (exclusive of debt installments due within one year)	63,974,897	59,877,669
DEBT INSTALLMENTS DUE WITHIN ONE YEAR	12,141,310	13,317,927
LONG-TERM DEBT (note 5)		
Mortgage bonds	122,950,200	123,287,200
Five per cent income debentures	55,634,000	55,634,000
Equipment obligations	52,408,828	62,079,540
Other	341,526	381,842
Total long-term debt	231,334,554	241,382,582
RESERVES AND OTHER LIABILITIES	26,550,111	12,539,900
Total liabilities	334,000,872	327,118,078
SHAREHOLDERS' EQUITY		
Capital stock		
Common Stock—no par value (stated value $100 per share). Authorized 2,637,451 shares (including 311,274 shares reserved for conversion of outstanding General Mortgage bonds, Series B); issued 2,179,892 shares	217,989,200	217,989,200
Preferred Stock—par value $100 per share, 5% participating. Authorized 1,150,000 shares; issued 518,652 shares	51,865,200	51,865,200
	269,854,400	269,854,400
Retained income	71,466,470	93,259,756
Total shareholders' equity	341,320,870	363,114,156
CONTINGENT LIABILITIES (note 6).		
Total liabilities and shareholders' equity	$675,321,742	$690,232,234

Statement of Consolidated Operations

Year ended December 31, 1971 with comparative figures for 1970

	1971	1970
OPERATING REVENUES		
Freight	$279,619,929	$254,305,906
Passenger, mail and express	7,776,363	14,634,932
Other	14,172,160	14,256,361
	301,568,452	283,197,199
OPERATING EXPENSES (including depreciation and retirement charges of $19,224,261 in 1971 and $19,296,551 in 1970)		
Transportation	121,453,701	124,124,076
Maintenance of way and structures	49,517,423	45,685,312
Maintenance of equipment	51,727,761	47,076,281
Traffic	8,156,254	7,686,013
General and other	19,587,586	19,898,803
	250,442,725	244,470,485
Net revenue from operations	51,125,727	38,726,714
TAXES AND RENTS (note 4)		
Payroll and other taxes	25,405,726	25,578,842
Equipment and joint facility rents, net	22,788,358	20,027,465
	48,194,084	45,606,307
Net operating income (loss)	2,931,643	(6,879,593)
OTHER INCOME		
Gain on sales of properties and timber, net	6,736,775	2,958,329
Dividends and interest	653,216	1,029,821
Miscellaneous, net (note 3)	1,610,912	2,062,763
	9,000,903	6,050,913
	11,932,546	(828,680)
FIXED INTEREST ON LONG-TERM DEBT (including amortization of discount)	6,759,938	7,381,414
	5,172,608	(8,210,094)
CONTINGENT INTEREST ON LONG-TERM DEBT (note 9)	2,769,977	2,782,079
Income (loss) before extraordinary item	2,402,631	(10,992,173)
EXTRAORDINARY ITEM (note 2)	(24,195,917)	....
Net loss	$(21,793,286)	$(10,992,173)
PER SHARE INCOME (LOSS) applicable to common stock (note 8)		
Income (loss) before extraordinary item	$ 1.10	$ (5.04)
Extraordinary item	(11.10)	....
Net loss	$ (10.00)	$ (5.04)

Statement of Consolidated Retained Income

Year ended December 31, 1971 with comparative figures for 1970

	1971	1970
Balance at January 1	$ 93,259,756	$104,251,929
Deduct net loss	21,793,286	10,992,173
Balance at December 31	$ 71,466,470	$ 93,259,756

See accompanying notes to consolidated financial statements.

Statement of Consolidated Changes in Financial Position

Year ended December 31, 1971 with comparative figures for 1970

	1971	1970
SOURCE OF FUNDS		
From operations:		
Income (loss) before extraordinary item	$ 2,402,631	$(10,992,173)
Add expenses not requiring outlay of working capital in the current period:		
Depreciation and retirement charges	19,407,324	19,385,835
Accrual for contingent bond interest	2,769,977	2,782,079
Other	242,434	(816,773)
Working capital provided from operations, exclusive of effect of extraordinary item	24,822,366	10,358,968
Extraordinary item (note 2)	(24,195,917)	....
Less portion not requiring outlay of working capital in the current period	17,905,195	....
Working capital used by extraordinary item	(6,290,722)	....
Working capital provided from operations and extraordinary item	18,531,644	10,358,968
Proceeds from sales of properties and timber, less gain reflected in results of operations	729,121	2,803,040
Salvage	1,702,341	2,732,464
Equipment and other borrowing	2,641,593	2,784,210
Reclassification of casualty reserves from current liabilities	941,765	....
Drawdown of funds on deposit with mortgage trustee	2,223,534	3,085,182
Miscellaneous sources, net	....	136,734
	$26,769,998	$ 21,900,598
APPLICATION OF FUNDS		
Property additions and betterments	$ 7,293,289	$ 10,555,197
Principal payments on equipment debt	13,362,303	14,655,881
Other debt retirement	297,180	146,122
Investment in terminal and other companies	669,830	798,547
Deposit of property sale and insurance proceeds with mortgage trustee	2,386,880	2,013,387
Car-hire funds earmarked per I.C.C. order for investment in equipment	616,420	....
Miscellaneous applications, net	101,545	....
Increase (decrease) in working capital	2,042,551	(6,268,536)
	$26,769,998	$ 21,900,598
Analysis of Changes in Working Capital		
Increase (decrease) in current assets:		
Cash and temporary cash investments	$ (673,214)	$ (1,199,927)
Receivables	3,467,700	(2,678,419)
Material and supplies	1,661,713	2,886,183
Other current assets	1,683,580	133,236
	6,139,779	(858,927)
Increase (decrease) in current liabilities:		
Accounts payable	3,004,126	272,088
Payroll and vacation pay	(701,630)	5,408,408
Accrued taxes	(285,243)	(111,671)
Other current liabilities	2,079,975	(159,216)
	4,097,228	5,409,609
Increase (decrease) in working capital	$ 2,042,551	$ (6,268,536)

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements December 31, 1971

1. Principles of Consolidation

The accompanying financial statements include the accounts of Chicago, Milwaukee, St. Paul and Pacific Railroad Company and subsidiaries, all of which are wholly owned. Significant inter-company items have been eliminated in consolidation. Equity in the underlying net assets of the subsidiaries exceeded the cost of investments therein by $21,041,437 at December 31, 1971. This excess consisted of $21,287,831 representing undistributed earnings of the subsidiaries since acquisition, included in consolidated retained income, less $246,394, representing excess of the cost of investments over subsidiary net assets at acquisition, included in other assets and deferred charges.

2. Extraordinary Item

On May 1, 1971 the Company, along with most other railroads performing intercity rail passenger service, was relieved of responsibility for such service. Since that date certain remaining operations over the lines of the Company have been performed under an interim contract with National Railroad Passenger Corporation (Amtrak). One-time costs and losses incurred or anticipated as a result of the Amtrak take-over have been treated in the accompanying statement of consolidated operations as an extraordinary item. The costs and losses consist principally of the Amtrak entry fee, estimated severance and protective payments to employees, charges for termination of joint terminal arrangements, and loss on passenger rolling stock and facilities. In 1970, the last full year of intercity passenger operation by the Company, expenses reported to the Interstate Commerce Commission as solely related to the service exceeded related revenues by $9,029,499.

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.

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.

In conformity with Interstate Commerce Commission accounting rules ratable depreciation provisions are not made in the case of certain roadway properties (principally land, grading and track) which totaled approximately $408,089,000 at December 31, 1971. Instead, these properties are accounted for by an alternative generally accepted accounting practice in which replacement costs are recorded as operating expenses and only additions and betterments are capitalized. The carrying amount of such properties is included in operating expenses at the time of retirement.

Other elements of investment arose in connection with the reorganization of the Company as of January 1, 1944. The account was credited as of that date with an amount sufficient to reduce properties and other assets to the aggregate of the capitalization and other liabilities established by the Court. Starting in 1962, consistent with accounting rules of the Interstate Commerce Commission, the 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 write-off amounted to $428,095 in 1971 and $626,288 in 1970.

4. Federal Income Taxes

Federal income tax liabilities have been settled through the year 1967. Based in part upon unaudited returns and estimated tax data for 1971, the available consolidated loss carry-forward as of December 31, 1971 amounted to $33,773,000, which will expire as follows: 1972—$1,666,000, 1973—$2,924,000, 1974—$2,833,000, 1975—$10,542,000, 1976—$15,808,000. The available investment credit carryforward as of December 31, 1971 amounted to approximately $11,078,000, which will expire as follows: 1974—$1,474,000, 1975—$1,941,000, 1976—$2,900,000, 1977—$2,861,000, 1978—$1,173,000, 1979—$604,000, 1980—$125,000.

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 estimated cumulative amount of income tax benefit arising from the additional depreciation claimed for tax purposes is $36,365,000, after addition of $924,000 in respect of the 1971 income before extraordinary item and deduction of $7,944,000 in respect of the 1971 extraordinary item. No consideration has been given to investment credit carryforwards in computing the foregoing amounts.

5. Long-Term Debt

Long-term debt at December 31, 1971 exclusive of installments due within one year is summarized on page 26 of this report.

Substantially all of the properties of the Company and its investments in common stock of certain wholly-owned subsidiaries are pledged under its mortgages and equipment obligations.

Investments in affiliated companies include $7,111,574 pledged as collateral to mortgage bonds. Investments are listed on page 24 of this report.

Maturities of long-term debt, exclusive of contingent sinking fund requirements, during each of the years 1972 to 1976 are approximately $12,141,000, $10,351,000, $8,866,000, $7,488,000, and $5,984,000.

6. Contingent Liabilities and Long-term Leases

The Company is liable, jointly with other railroads, as guarantor of certain obligations of affiliated companies amounting to $67,874,000 at December 31, 1971. Also, the Company is 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 $39,900,134.

Under long-term noncancelable equipment leases expiring in 1972 through 1989, the Company and subsidiaries are obligated as of December 31, 1971 to pay rentals of $96,915,145, of which $10,758,177 is payable within one year.

The Company carries a service interruption policy under which it may be obligated to pay additional premiums up to a maximum of $7,851,620 for certain work stoppages. Such premiums in the amount of $1,312,350 were paid in 1971 and included in the statement of consolidated operations as a reduction of miscellaneous other income.

The Company is a defendant in two lawsuits initiated by REA Express, Inc. against a large number of railroads and other companies seeking substantial monetary damages and other relief. In the opinion of Company's counsel the suits are without merit.

7. Pension Plan

An unfunded non-contributory plan covers employees whose duties are executive, supervisory, or professional in character. The accounting practice followed 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 1971 was $1,416,639 and the actuarially computed value of vested benefits was approximately $17,539,000 as of August 1, 1971.

8. Per Share Loss

Per share loss applicable to common stock is based upon the number of shares outstanding at the close of each year. No recognition was given to a dividend requirement because of actions by the Board of Directors of the Company to omit preferred dividends in respect of the years 1970 and 1971. Contingent issuances of common stock have an anti-dilutive effect upon the per-share loss amounts for both years.

9. Contingent Interest

Contingent interest is payable only to the extent of applicable "available net income" as defined in the debt indentures. Because the amount of such available net income was negative no contingent interest is payable in 1972 in respect of the year 1971 and none was payable in 1971 in respect of the year 1970. Provision has nevertheless been made in 1971 and 1970 accounts for that contingent interest which is cumulative. Provision has not been made in either year for interest on the Five Per Cent Income Debentures.

10. Other Matters

During 1971 the Accounting Principles Board of the American Institute of Certified Public Accountants issued its Opinion No. 18 extending applicability of the equity method of accounting to investments in common stock of corporate joint ventures and certain companies owned 50 per cent or less. Under the equity method the investment is adjusted to recognize the investor's share of investee earnings or losses subsequent to the date of the investment, and such adjustments are included in the periodic earnings of the investor.

The opinion, which is effective for fiscal periods beginning after December 31, 1971, has not been applied in the accompanying financial statements. Had it been applied the effect, based upon unaudited investee financial statements, would have been to decrease the 1971 net loss by $1,126,451 and increase the 1970 net loss by $506,336.

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, 1971 and the related statements of consolidated operations, retained income, and changes in financial position 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) 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 aforementioned financial statements present fairly the financial position of Chicago, Milwaukee, St. Paul and Pacific Railroad Company and its subsidiaries at December 31, 1971 and the results of their operations and changes in financial position 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 25, 1972

PEAT, MARWICK, MITCHELL & CO.

Investments — December 31, 1971

DESCRIPTION	NUMBER OF SHARES	EXTENT OF CONTROL—PER CENT	LEDGER AMOUNT
AFFILIATED COMPANIES			
Wholly-owned Subsidiaries			
CAPITAL STOCKS			
Bremerton Freight Car Ferry, Incorporated . . . . A	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	1,700,000
ADVANCES			
Bremerton Freight Car Ferry, Inc.	. . . .	. . . .	63,929
TOTAL—WHOLLY-OWNED SUBSIDIARIES			2,418,929
Jointly-owned Terminal, Switching, and Other Companies			
CAPITAL STOCKS			
Chicago, Terre Haute & Southeastern Railway Company	40,787.50	54.02	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	8⅓	183,333
Minneapolis Eastern Railway Company . . . . A	625	50	15,475
The Minnesota Transfer Railway Company . . . . A	913	11⅑	91,300
The Pullman Company . . . . A	9,426	1.28	263,928
The St. Paul Union Depot Company . . . . A	1,036	12½	130,475
Trailer Train Company . . . . A	500	2.44	98,860
TOTAL CAPITAL STOCKS			6,651,972
NOTES			
Delta Alaska Terminal Ltd.	. . . .	6.67	14,445
Trailer Train Company . . . . A	. . . .	2.44	462,000
TOTAL NOTES			476,445
ADVANCES			
Chicago Union Station Company	. . . .	25	7,947,659
Davenport, Rock Island & North Western Railway Company	. . . .	50	1,208,195
Des Moines Union Railway Company	. . . .	50	1,549,431
Kansas City Terminal Railway Company	. . . .	8⅓	1,330,048
The Minnesota Transfer Railway Company	. . . .	11⅑	331,206
The St. Paul Union Depot Company	. . . .	12½	1,246,937
TOTAL ADVANCES			13,613,476
			20,741,893
ALLOWANCE FOR LOSS	. . . .	. . . .	(1,377,412)
TOTAL—JOINTLY-OWNED TERMINAL, SWITCHING, AND OTHER COMPANIES			19,364,481
OTHER COMPANIES	. . . .	. . . .	1,454,293
TOTAL INVESTMENTS			23,237,703
EQUITY IN UNDISTRIBUTED EARNINGS OF SUBSIDIARIES SINCE ACQUISITION	. . . .	. . . .	21,287,831
TOTAL			$44,525,534

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
ROAD				
Engineering	$ 18,665,648	$ 153,610	$ 180,806	$ 18,638,452
Land for transportation purposes	38,097,151	(10,975)	341,452	37,744,724
Other right-of-way expenditures	539,847	7,902	1,380	546,369
Grading	143,546,982	921,094	1,119,121	143,348,955
Tunnels and subways	10,209,662	....	....	10,209,662
Bridges, trestles, and culverts	77,847,263	1,819,251	1,664,344	78,002,170
Ties	35,079,458	161,724	345,454	34,895,728
Rails	69,710,425	408,534	421,897	69,697,062
Other track material	50,378,604	435,329	238,381	50,575,552
Ballast	26,511,991	105,727	175,669	26,442,049
Track laying and surfacing	33,991,580	210,818	209,607	33,992,791
Fences, snowsheds, and signs	5,394,386	32,064	47,056	5,379,394
Station and office buildings	28,674,412	51,290	1,292,852	27,432,850
Roadway buildings	1,856,674	10,657	53,356	1,813,975
Water stations	787,914	163	95,386	692,691
Fuel stations	887,052	1,902	(17,573)	906,527
Shops and enginehouses	19,471,500	135,229	117,929	19,488,800
Storage warehouses	49,522	(54)	....	49,468
Wharves and docks	1,750,879	(11,354)	....	1,739,525
TOFC/COFC facilities	....	1,054,562	....	1,054,562
Communication systems	9,124,534	125,681	81,865	9,168,350
Signals and interlockers	23,944,479	492,197	279,022	24,157,654
Power plants	1,486,123	15,002	12,801	1,488,324
Power-transmission systems	9,846,894	(209)	(4,264)	9,850,949
Miscellaneous structures	584,446	21,578	9,254	596,770
Roadway machines	11,046,206	60,601	552,579	10,554,228
Roadway small tools	317,895	288	253	317,930
Public improvements—construction	17,207,696	388,143	154,803	17,441,036
Other expenditures—road	335	....	....	335
Shop machinery	7,590,605	86,964	17,024	7,660,545
Power-plant machinery	5,596,963	107,967	87,833	5,617,097
Other	1,489,902	....	....	1,489,902
TOTAL ROAD	651,687,028	6,785,685	7,478,287	650,994,426
EQUIPMENT				
Locomotives	115,953,581	140,802	717,358	115,377,025
Freight-train cars	194,504,101	2,355,499	6,744,754	190,114,846
Passenger-train cars	23,909,593	....	13,294,733	10,614,860
Floating equipment	180,005	....	....	180,005
Work equipment	7,213,396	490,516	57,552	7,646,360
Miscellaneous equipment	3,483,716	431,513	332,066	3,583,163
TOTAL EQUIPMENT	345,244,392	3,418,330	21,146,463	327,516,259
IMPROVEMENTS ON LEASED PROPERTY				
Road	597,522	....	....	597,522
Equipment	1,048,498	372,712	16,445	1,404,765
TOTAL IMPROVEMENTS ON LEASED PROPERTY	1,646,020	372,712	16,445	2,002,287
TOTAL ROAD AND EQUIPMENT PROPERTIES	$998,577,440	$10,576,727	$28,641,195	$980,512,972

( ) Denotes contra items.

Units of Equipment Owned

	Jan. 1, 1971	Added	Retired	Dec. 31, 1971
Locomotives	740	1	11	730
Freight cars	31,776	678	2,363	30,091
Passenger cars	309	....	237	72
Company service equipment	1,655	59	51	1,663
Floating equipment	2	....	....	2
Highway vehicles	935	100	103	932
TOTAL	35,417	838	2,765	33,490

Consolidated Long-Term Debt —December 31, 1971

DESCRIPTION	Date of Maturity	Amount as of Dec. 31, 1971	Held by Company and Subsidiaries	Principal Amount Outstanding Dec. 31, 1971	INTEREST Rate (per cent) Fixed	INTEREST Rate (per cent) Contingent	INTEREST Accrued During Year
First mortgage bonds, Series A	Jan. 1, 1994	$ 50,030,900	$ 795,600	$ 49,235,300	4	....	$1,969,412
First mortgage bonds, Series B	Jan. 1, 1994	(b)	(b)	....	5½	....	....
First mortgage bonds, Series C	Jan. 1, 1994	(b)	(b)	....	6	....	....
General mortgage income bonds, Series A	Jan. 1, 2019	25,662,800	978,100 (c)	24,684,700	......	4½ (f)	1,131,782
General mortgage convertible income bonds, Series B...(a)	Jan. 1, 2044	31,451,900	324,500	31,127,400	......	4½ (f)	1,400,733
The Bedford Belt Ry. Co. first mortgage bonds..	Jan. 1, 1994	331,000	153,000 (d)	178,000	2¾	1½ (g)	7,565
The Southern Indiana Ry. Co. first mortgage bonds	Jan. 1, 1994	6,058,000	256,000	5,802,000	2¾	1½ (g)	243,094
Chicago, Terre Haute & Southeastern Ry. Co.:							
First and refunding mortgage bonds..	Jan. 1, 1994	9,244,000	2,060,000 (e)	7,184,000	2¾	1½ (g)	305,320
Income mortgage bonds	Jan. 1, 1994	6,335,800	1,597,000	4,738,800	2¾	1½ (g)	201,399
Five per cent income debentures, Series A..	Jan. 1, 2055	55,800,000	166,000	55,634,000	......	5 (h)	....
Equipment obligations:							
Trust certificates	1972 - 1976	3,405,000	....	3,405,000	4-4⅞	....	267,485
Conditional sale agreements	1972 - 1982	49,003,828	....	49,003,828	4.4-9½	....	3,645,757
Other long-term obligations— Milwaukee Land Company	1972 - 1978	341,526	....	341,526	......	....	....
TOTAL		$237,664,754	$6,330,200	$231,334,554			$9,172,547

(a) Convertible into common stock on basis of one share of common stock for each $100.00 principal amount of bonds.
(b) First mortgage Series B bonds in the principal amount of $5,500,000 and Series C bonds in the principal amount of $1,848,000 have been authenticated and pledged, along with a mortgage note receivable in the principal amount of $2,058,817, as collateral to short-term bank borrowings.
(c) Includes $466,000 held by subsidiary company.
(d) $100,000 pledged under Chicago, Terre Haute and Southern Railway Company first and refunding mortgage.
(e) $1,515,000 pledged under Chicago, Milwaukee, St. Paul and Pacific Railroad Company first mortgage.
(f) Cumulative to 13½%.
(g) Cumulative to 4½%.
(h) Noncumulative.

Revenue Freight by Principal Commodity Groups — 1971 and 1970

	1971		1970		Increase + or Decrease −	
	TONS CARRIED	PERCENT OF TOTAL	TONS CARRIED	PERCENT OF TOTAL	TONS	PERCENT
Grain	4,328,025	10.48	5,155,139	11.59	− 827,114	−16.04
Soybeans (incl. oil seeds, nuts or kernels)	827,202	2.00	876,205	1.97	− 49,003	− 5.59
Potatoes, other than sweet	187,326	.45	198,090	.44	− 10,764	− 5.43
Fresh fruits and fresh vegetables	198,213	.48	265,636	.60	− 67,423	−25.38
Livestock	41,135	.10	51,677	.12	− 10,542	−20.40
All other farm products (includes sugarbeets)	235,157	.57	396,058	.89	− 160,901	−40.63
Metallic ores	70,031	.17	135,178	.30	− 65,147	−48.19
Coal	5,075,260	12.29	6,174,576	13.89	−1,099,316	−17.80
Non-metallic minerals; except fuels	2,825,780	6.84	3,189,423	7.17	− 363,643	−11.40
Meat, fresh, chilled or frozen	676,231	1.64	785,288	1.77	− 109,057	−13.89
Dairy products	355,638	.86	361,339	.81	− 5,701	− 1.58
Canned or preserved fruits, vegetables and seafoods	820,341	1.98	857,154	1.93	− 36,813	− 4.29
Grain mill products	2,130,280	5.16	2,223,045	5.00	− 92,765	− 4.17
Malt liquors	720,610	1.74	683,763	1.54	+ 36,847	+ 5.39
Beverages or flavoring extracts (except malt liquor)	499,711	1.21	527,217	1.19	− 27,506	− 5.22
All other food or kindred products (incl. sugar)	1,452,486	3.52	1,526,429	3.43	− 73,943	− 4.84
Primary forest products (incl. logs & pulpwood)	2,149,002	5.20	2,154,028	4.84	− 5,026	− .23
Lumber or dimension stock	2,241,861	5.43	1,949,791	4.38	+ 292,070	+14.98
All other lumber or wood products (incl. plywood)	912,747	2.21	849,441	1.91	+ 63,306	+ 7.45
Pulp or pulp mill products	663,670	1.61	715,212	1.61	− 51,542	− 7.21
All other paper or allied products	2,296,837	5.56	2,318,034	5.21	− 21,197	− .91
Industrial chemicals	1,417,090	3.43	1,413,644	3.18	+ 3,446	+ .24
All other chemicals or allied products	1,640,790	3.97	1,633,316	3.67	+ 7,474	+ .46
Petroleum or coal products and (crude petroleum, natural gas/gasoline)	673,516	1.63	869,753	1.96	− 196,237	−22.56
Stone, clay or glass products	1,822,314	4.41	1,792,198	4.03	+ 30,116	+ 1.68
Coke oven or blast furnace products (pig iron, slag and coke)	288,186	.70	292,751	.66	− 4,565	− 1.56
Primary iron or steel products (ingots, plates, bars, tinplate)	1,180,091	2.86	1,407,530	3.17	− 227,439	−16.16
All other primary metal products	738,986	1.79	741,257	1.67	− 2,271	− .31
Fabricated metal products (except ordnance, machinery and transportation equipment)	343,804	.83	366,684	.82	− 22,880	− 6.24
Farm machinery or equipment	134,492	.32	146,659	.33	− 12,167	− 8.30
All other machinery; except electrical	210,902	.51	225,601	.51	− 14,699	− 6.52
Electrical machinery or equipment	167,474	.40	186,015	.42	− 18,541	− 9.97
Motor vehicles	596,164	1.44	420,576	.95	+ 175,588	+41.75
All other transportation equipment	709,950	1.72	501,454	1.13	+ 208,496	+41.58
Waste or scrap materials	1,246,649	3.02	1,361,452	3.06	− 114,803	− 8.43
Freight forwarder and shipper association traffic	346,851	.84	419,665	.94	− 72,814	−17.35
All other carload traffic	1,076,577	2.61	1,284,636	2.89	− 208,059	−16.20
TOTAL CARLOAD TRAFFIC	41,301,379	99.98	44,455,914	99.98	−3,154,535	− 7.10
SMALL PACKAGED FREIGHT SHIPMENTS (L.C.L. MERCHANDISE)	6,292	.02	8,395	.02	− 2,103	−25.05
GRAND TOTAL, CARLOAD AND L.C.L. TRAFFIC	41,307,671	100.00	44,464,309	100.00	−3,156,638	− 7.10

Revenue Freight Traffic Statistics—excluding truck service

YEAR	TONS CARRIED	TON MILES	AVERAGE HAUL—MILES	FREIGHT REVENUE* TOTAL	PER TON	PER TON MILE (CENTS)
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	186,209,480	4.70	1.321
1964	40,765,392	14,701,598,590	360.64	192,244,906	4.72	1.308
1965	42,781,557	15,908,663,519	371.86	204,326,584	4.78	1.284
1966	46,049,835	16,776,045,534	364.30	222,702,956	4.84	1.328
1967	43,653,258	16,740,101,489	383.48	219,760,892	5.03	1.313
1968	44,671,548	17,195,926,735	384.94	236,708,355	5.30	1.377
1969	45,567,264	17,188,156,086	377.20	239,233,790	5.25	1.392
1970	44,464,309	17,510,170,011	393.80	248,728,957	5.59	1.420
1971	41,307,671	16,471,078,636	398.74	273,900,941	6.63	1.663

*Data for the years 1963 through 1967 restated to reflect results of Transcontinental Divisions Case resettlement.

Revenue Passenger Statistics

YEAR	PASSENGERS CARRIED	PASSENGER MILES	AVERAGE DISTANCE TRAVELED—MILES	PASSENGER REVENUES TOTAL	PER PASSENGER	PER PASSENGER MILE (CENTS)
COMMUTATION						
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
1968	5,929,176	132,948,378	22.42	4,699,463	.79	3.535
1969	6,043,438	135,362,336	22.40	5,006,486	.83	3.699
1970	5,954,260	134,261,044	22.55	4,955,884	.83	3.691
1971	6,087,882	139,026,950	22.84	5,319,566	.87	3.826
OTHER THAN COMMUTATION						
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
1968	1,134,799	228,992,585	201.79	6,080,686	5.36	2.655
1969	974,654	195,352,855	200.43	5,434,213	5.58	2.782
1970	645,751	132,996,543	205.96	4,228,106	6.55	3.179
1971	182,096	28,145,528	154.56	902,380	4.96	3.206

Employment and Compensation

YEAR	AVERAGE NUMBER OF EMPLOYEES	TOTAL WAGES	AVERAGE WAGES PER HOUR WORKED	WAGE SUPPLEMENTS PAYROLL TAXES	WAGE SUPPLEMENTS HEALTH AND WELFARE BENEFITS	AGGREGATE LABOR COSTS AMOUNT	AVERAGE PER EMPLOYEE	AVERAGE PER HOUR WORKED
1962	17,430	$112,513,236	$3.292	$ 9,407,264	$3,051,767	$124,972,267	$ 7,170	$3.657
1963	16,883	112,643,912	3.329	9,412,272	3,283,233	125,339,417	7,424	3.704
1964	17,000	115,765,619	3.442	9,802,397	4,207,092	129,775,108	7,634	3.858
1965	16,526	118,776,619	3.653	10,197,336	4,539,841	133,513,796	8,079	4.106
1966	16,470	123,281,577	3.793	11,515,053	4,611,812	139,408,442	8,464	4.289
1967	15,665	121,812,537	4.017	12,165,512	4,621,477	138,599,526	8,848	4.571
1968	15,473	128,590,553	4.190	13,478,562	5,418,475	147,487,590	9,532	4.806
1969	15,636	136,880,939	4.398	14,288,053	5,600,690	156,769,682	10,026	5.037
1970	14,803	139,893,739	4.781	14,837,868	6,774,336	161,505,943	10,910	5.520
1971	14,203	149,999,813	5.347	15,086,689	7,022,141	172,108,643	12,118	6.135

Aerial view in an easterly direction, showing several of the new office buildings erected in recent years in the new Gateway Center area of downtown Chicago. The tall white structure dominating the picture at right center is the 35-story South Riverside Plaza building now in the final stages of construction over the completely modernized Union Station concourse. This building and the twin structures shown to the north of it were built on air rights over Union Station trackage. The Union Station office building, housing the Milwaukee Road general offices, occupies the square block just west of the South Riverside Plaza building.

THE MILWAUKEE ROAD

Chicago, Milwaukee, St. Paul and Pacific Railroad Company