

IN THE
DISTRICT COURT OF THE UNITED STATES
FOR THE NORTHERN DISTRICT OF ILLINOIS,
EASTERN DIVISION.

Guaranty Trust Company of New York and Merrel P. Callaway, <i>Complainants,</i> <i>against</i> Chicago, Milwaukee and St. Paul Railway Company, <i>et al.,</i> <i>Defendants.</i>	}	In Equity, Consolidated Cause No. 4931.
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AND IN THE CONSTITUENT CAUSES OF SAID CONSOLIDATED CAUSE.

FINAL REPORT OF RECEIVERS AND PETITION FOR
DISCHARGE.

Now come H. E. Byram, Mark W. Potter and Edward J. Brundage, Receivers herein, and respectfully show to the Court as follows:

By order of this Honorable Court entered March 18, 1925, the undersigned were appointed Receivers of the properties and assets of Chicago, Milwaukee and St. Paul Railway Company, with powers of receivers in equity, and on that date they took possession and commenced the operation of the railroad system of said Railway Company.

On January 13, 1928, there was delivered to Chicago, Milwaukee, St. Paul and Pacific Railroad Company (hereinafter called the Railroad Company), the assignee of the purchasers of the properties of said Railway Company at the sale held pursuant to this Court's Final Decree of Fore-

closure and Sale entered April 26, 1926, (hereinafter called the Final Decree) a deed to said properties, in form approved by this Court's Decree Confirming Sale and Approving Deed entered January 19, 1927 (hereinafter called the Decree Confirming Sale) and by this Court's order entered January 11, 1928, duly executed by the Special Master and the other parties therein referred to, including the Receivers. The Railroad Company simultaneously executed and delivered to the Receivers a counterpart of said Special Master's Deed. By said deed there were transferred to the Railroad Company all of the railroads and other properties and assets formerly of Chicago, Milwaukee and St. Paul Railway Company, including all of the properties and assets in the possession of the Receivers, and the Railroad Company agreed to pay and discharge, in accordance with the provisions of the Final Decree and of the Decree Confirming Sale, as part of the purchase price of the properties sold, all unpaid indebtedness and liabilities of the Receivers contracted or incurred in the management and operation of the railroads and property in their possession and to assume and discharge all obligations of the Receivers under any existing executory leases and contracts entered into, assumed or adopted by the Receivers.

On January 13, 1928, the Railroad Company produced to the Receivers an original counterpart of said deed and immediately thereupon, pursuant to Article Sixth of the Decree Confirming Sale, the Receivers delivered to the Railroad Company possession of all the railroads and other properties and assets of every kind, character and description conveyed, assigned and transferred by said deed and in their possession and control, and thereupon the Receivers did terminate their operation and control of said railroad and other properties.

From time to time during the receivership, the Receivers have filed herein their monthly reports and accounts of receipts and disbursements from the date of their appointment

on March 18, 1925, up to and including December 31, 1927. There is attached hereto marked "Exhibit A" the Receivers' statement of receipts and disbursements from December 31, 1927 to and including January 13, 1928.

The Receivers deem it proper that they should present to the Court in this their final report a summary statement of the general results, physical and financial, which have been brought about during the receivership in respect of the railroads and property in their possession.

The Order of your Honorable Court to preserve the railroads and property taken over in proper condition and repair has at all times received earnest and careful consideration by the Receivers to the end that the greatest advantage might accrue to the property commensurate with the funds coming into their hands from time to time from the operation of the property. Expenditures chargeable to investment account have been made solely for the purpose of reducing operating expenses or increasing revenue. All such expenditures have been the subject of detailed study on the part of the various local officers and approved by the general officers before receiving final approval by either the Receivers or authorization of your Honorable Court.

The gross expenditures not including C. T. H. & S. E. Ry. or C. M. & G. Ry. chargeable to investment account divided between Road and Equipment during the years 1925, 1926 and 1927 compared with the nine years preceding the Receivership are as follows:

Year	Road	Equipment	Total
1916	\$12,438,000	\$ 5,906,000	\$ 18,344,000
1917	7,879,000	3,982,000	11,861,000
1918	7,090,000	6,106,000	13,196,000
1919	8,179,000	17,559,000	25,738,000
1920	3,947,000	8,297,000	12,244,000
1921	2,641,000	3,802,000	6,443,000
1922	2,279,000	10,608,000	12,887,000
1923	3,189,000	20,929,000	24,118,000
1924	2,469,000	2,589,000	5,058,000
Total 1916 to 1924 inclusive	\$50,111,000	\$79,778,000	\$129,889,000
Average annual expenditures for nine years preceding Receivership	\$ 5,568,000	\$ 8,864,000	\$ 14,432,000
1925	4,350,000	14,848,000	19,198,000
1926	5,550,000	653,000	6,203,000
1927*	6,830,000	3,414,000	10,244,000
Average 1925, 1926, 1927	\$ 5,577,000	\$ 6,305,000	\$ 11,882,000

* December partly estimated.

That the funds coming into the hands of the Receivers have been conservatively used in expenditures chargeable to investment account is shown by the comparison between the average of the three years 1925, 1926 and 1927 and the nine years preceding the Receivership, wherein the average expenditures for the three years for Road were \$9,000 more and for Equipment \$2,559,000 less than the average for the nine year period or a total of \$2,550,000 less.

The number of units of equipment purchased and constructed since Receivership compared with the nine years preceding Receivership, not including the C. T. H. & S. E. is as follows:

Year	Steam Locomotives	Electric Locomotives	Freight Train Cars	Passenger Train Cars
1916	..	31	2,132	..
1917	1	7	2,096	1
1918	50	..	1,754	..
1919	50	2	5,050	18
1920	72	15	..	..
1921	29	..	..	..
1922	25	..	5,743	..
1923	75	..	7,821	..
1924	..	..	643	..
Total 1916 to 1924 Incl...	302	55	25,239	19
Average per year	34	6	2,804	2
1925	..	..	6,634	..
1926	1	..	10	..
1927	..	..	1,006	..
Average 1925, 1926, 1927	0	..	2,550	0

The steam locomotive purchased in 1926 was a second-hand narrow gauge secured from the Birmingham Rail and Locomotive Company.

The estimate of Coverdale and Colpitts of the number of units of equipment to be purchased during the years 1925 to 1927 are as follows:

Year	Steam Locomotives	Electric Locomotives	Freight Train Cars	Passenger Train Cars
1925	..	..	..	..
1926	..	..	6,500	..
1927	40	..	6,500	..

From the foregoing it will be seen that the purchase of new equipment by the Receivers has been considerably less than the average for the period of nine years preceding Receivership and also than the estimate of Coverdale and Colpitts.

The number of steam locomotives owned, their average tractive effort and the number of revenue freight train cars and their average capacity as of Dec. 31, 1924 and Dec. 31, 1927 are as follows:

	Dec. 31, 1924	Dec. 31, 1927
Steam Locomotives Owned	2,039	1,768
Average Tractive Effort (Pounds)	36,487	39,160
Revenue Freight Train Cars	64,171	61,285
Average Capacity (Tons)	42.1	43.4

While the number of steam locomotives has decreased 271 units due to the retirement of obsolete light locomotives, the Receivers have obtained a greater use from the locomotives in service by running power through terminals instead of changing. The adequacy of motive power has been maintained without resorting to the purchase of new locomotives, there having been 248 locomotives in serviceable condition stored as of July 9, 1927, all of which were available for the heavy fall business.

During the year 1927, 500 automobile and 500 stock cars have been received from the car builders.

New rail laid during the years 1925, 1926 and 1927 in betterments and renewals compared with the nine years preceding Receivership is as follows:

	130 # Rail		100 # Rail		80 # Rail		85 # Rail & Less		Total	
	Tons Miles		Tons Miles		Tons Miles		Tons Miles		Tons Miles	
1916			4,578	29.1	30,342	214.5	4,041	34.3	38,961	277.9
1917			3,184	20.3	8,460	59.8	2,156	18.4	13,800	98.5
1918			4,978	31.7	10,681	75.5	846	7.1	16,505	114.3
1919			6,283	40.6	12,391	87.6	10,344	82.7	29,118	210.9
1920			4,521	28.8	6,945	49.1	872	8.1	12,338	86.0
1921			1,934	12.3	11,457	81.0	207	1.5	13,598	94.8
1922			2,854	18.2	12,438	87.9	...	...	15,292	106.1
1923			1,785	11.4	22,225	227.9	103	.8	34,113	240.1
1924			5,848	37.2	31,418	222.1	35	.3	37,299	259.6
Total			36,065	229.6	156,355	1105.4	18,604	153.2	211,024	1488.2
Average Per Yr...			3,005	19.1	13,030	92.1	1,550	12.8	17,585	124.0
1925			10,548	67.1	35,240	249.2	505	3.8	46,293	320.1
1926	30	0.1	24,655	156.9	33,213	234.8	61	.5	57,959	392.2
1927*	10,465	51.2	41,170	262.0	1,508	10.7	115	.9	53,258	324.8
Total	10,495	51.3	76,373	486.0	69,961	494.7	681	5.2	157,510	1037.1
Average 1925, 26, 27	3,498	17.1	25,458	162.0	23,320	164.9	227	1.7	52,503	345.7

* December partly estimated.

During the nine years preceding Receivership there were laid an average of 17,585 tons or 124.0 track miles of new rail in renewals or betterments a year, while during the years 1925, 1926 and 1927 an average of 52,503 tons or 345.7 track miles a year were laid.

Projects Undertaken by the Receivers.

It is not possible within the scope of this report to mention all of the projects undertaken by the Receivers either for the purpose of improving the property, for reducing operating expenses or to increase revenue and therefore only the more important ones will be dealt with.

New Yard at South St. Paul, Minn.

Terminal facilities at St. Paul and Minneapolis were inadequate for handling freight traffic due to a restriction of such facilities caused by a portion of the terminal property at St. Paul being required in the construction of the St. Paul Union Depot and facilities. On January 1, 1925 the Railway Company exercised an option for joint use and operation of the lines of the Northern Pacific Railway Company between St. Paul and Duluth resulting in an increase of freight traffic.

For the economical and efficient handling of such freight traffic this yard and facilities were constructed at a cost of approximately \$1,425,000. Trains entering St. Paul from the South terminate their runs at this yard where they are broken up and classified and cars for Minneapolis handled by transfer trains. Savings in yard and train operation are estimated to amount to between \$250,000 and \$300,000 a year.

New City Ticket Office at Minneapolis, Minn.

For a period of approximately five years preceding Receivership the Railway Company occupied premises on the ground floor 25 feet by 80 feet on Second Avenue South near Sixth Street, Minneapolis, which were used for its City Ticket office. The rental for this space which is located four or five blocks from the center of the retail district and not on street of direct travel would have been \$4,560 a year beginning September 1, 1925. Due to the location, benefits to which the Receivers believed the Railway entitled in view of its importance as a passenger carrier entering the City of Minneapolis, were not received. After a careful investigation into the advantages from a passenger traffic standpoint and rental values, the Receivers concluded to rent space in the Hotel Radisson which is located in the heart of the retail district and in close proximity to the principal thoroughfares leading to said retail district. That the change in location was an advantageous one, is borne out by the ticket sales during the first year of operation, wherein the increase was sufficient in one year to pay the increased rent for the entire term of ten years.

Busses for Transporting Employees of Bensenville, Illinois Terminal.

Two busses for carrying employes from Bensenville terminal to Chicago replacing trains making eleven round trips a day were purchased, resulting in a saving estimated to be

about \$9,000 a month of which \$5,000 to \$6,000 represents reduction in the Railway's proportion of expenses of maintenance and operation of the new Union Depot, Chicago, Ill. by reason of eliminating the eleven trains previously run.

Branch Line to Hollandale Colony, Minnesota.

A branch line seven miles in length was constructed and put in service during August, 1926, to serve about 14,000 acres of highly productive reclaimed farm land in Freeborn County, Minnesota. The cost of constructing this branch including side tracks, etc., amounted to about \$175,000 exclusive of right of way and grading donations and the station earnings for the ten months ended May, 1927, were \$91,405. The gross earnings for the year 1927 were approximately \$114,000.

New Location for City Passenger and Ticket Office, New York City.

After termination of Federal Control the Railway Company established its passenger offices on the 15th floor of the building at 42 Broadway. Owing to its location in the extreme downtown district and the further disadvantage of being on the 15th floor, and therefore, not desirable or convenient for patrons, the Receivers have secured space on Fifth Avenue near 45th Street for a period of ten years. The new location is convenient to the leading hotels, passenger stations and the mid-town retail district and is considered one of the best locations in that city for passenger business. While the new office has been but recently opened, the increase in ticket sales indicates the move to the new location will prove profitable. The location of this office, being on the street level and at the corner of 5th Avenue and one of the principal cross town streets with windows overlooking these streets, gives it great value for display advertising. Full advantage is being taken of this feature.

Elevator "E," Milwaukee, Wisconsin.

On June 17, 1924, a wooden grain elevator at Milwaukee owned by the Railway Company was destroyed by fire, excepting concrete storage tanks of a capacity of 600,000 bushels and remained unrebuilt as of the date of Receivership although the storage tanks were under lease to Armour Grain Company at a rental of \$250 a month. The lack of adequate grain handling facilities at this point diverted a large tonnage of grain business which naturally would go to Milwaukee for lake shipment to eastern points which avoided the expense, delay and congestion of handling through Chicago. Grain originating in Wisconsin, Iowa, Minnesota and North and South Dakota delivered through Milwaukee yields the same revenue as though shipped through Chicago with an eighty-five mile longer haul. In addition, the terminal expense, belt line charges, return of empty cars, etc., of shipping through Chicago is approximately seventeen dollars a car. The Receivers were obliged to pay large sums for switching of cars of grain delivered to elevators located on other railroads in Milwaukee. To overcome these disadvantages, the Receivers during 1926 caused the construction of a new modern, concrete fireproof elevator with the necessary machinery, together with tracks and unloading facilities permitting a capacity of sixty cars per ten hours, which with the concrete storage tanks not destroyed provides an approximate storage capacity of 1,300,000 bushels. The work cost approximately \$500,000 and the plant complete has been leased for a term of ten years at an adequate annual rental equivalent to a reasonable interest on the investment. By construction of this plant the Receivers estimate gross revenue from increased tonnage will amount to between \$300,000 and \$350,000 a year.

New Pullman Equipment.

The Railway Company for many years owned and operated its own sleeping cars and the Receivers for two years continued such operation. The sleeping cars used upon the Railway's two principal trains, the "Pioneer Limited" operated between Chicago and Minneapolis and the "Olympian" running between Chicago and Seattle and Tacoma, were constructed many years ago and, although of steel construction were not as modern in style, equipment or furnishings as sleeping cars operated on lines of competing railways between these points. In order to maintain the prestige and character of service on these trains, it was desirable that the cars should be of the latest type and equipped with up-to-date furnishings and conveniences. The Receivers were not in a position to purchase or provide new equipment such as the demands of travel require and entered into an agreement with the Pullman Company to furnish new and modern equipment for these trains under arrangements similar to those in effect between it and carriers competing with the Railway. The Pullman Company maintains the cars and supervises the conduct of its employees. Had such an arrangement been in effect during the years 1924 and 1925 the Receivers would have received approximately \$62,000 per annum in earnings from these trains. It is estimated there will be a saving to the Receivers in respect of the care and repairs of the cars, inspection, wages, etc., of approximately \$260,000 a year and that with the advantage of the new equipment they will derive as much, or greater, net earnings as they would have received under the former arrangement without incurring the cost of the investment. Another advantage is that the Pullman Company will furnish sleeping cars when required on special occasions of increased travel, which the Receivers were not in a position to furnish because their sleeping car equipment was sufficient for only normal conditions of travel.

The sleeping cars formerly in service on these trains are being used to replace all the wooden cars in service on other trains, which would either have had to be rebuilt at considerable cost or replaced with new cars. By this arrangement the general character of the sleeping car service on the entire railway has been improved.

Roller Bearing Equipment.

The new passenger equipment furnished by the Pullman Company for use on the "Pioneer Limited" and the "Olympian" each weighed approximately 12,000 pounds more than cars formerly operated in these trains, due in part to the interior construction being of steel instead of wood. Owing to the additional weight and greater consumption of steam for heating it became necessary either to use heavier power or reduce the resistance of the train and continue in service the same power formerly used. The power could have been increased by purchasing new locomotives. A reduction of train resistance could be obtained by applying roller bearings to the new cars furnished by the Pullman Company. The Receivers concluded not to incur the cost of new locomotives, but to install roller bearings on all the new cars furnished by the Pullman Company. In addition to the cars furnished by the Pullman Company roller bearings have been applied to the cars of the Receivers operated in these trains.

The estimated savings effected by reduced train resistance through installation of roller bearings making possible the handling of these trains without purchasing new locomotives, together with the reduction and consumption of fuel and lubricants will be sufficient to pay for the roller bearings in slightly more than two years. A large amount of favorable comment has been received for the progressive step taken by the Receivers in being the first to equip a complete trans-continental train with roller bearings.

City Ticket Office, Chicago, Illinois.

Prior to Federal Control the Railway Company maintained a city ticket office in the Marquette Building on the north side of Adams Street between Clark and Dearborn Streets. During Federal Control this office was discontinued and space was assigned the Railway Company in the consolidated ticket office in the Insurance Exchange Building on Jackson Boul. with other competing railroads operating in the Northwestern and Western Territory. The experience of the passenger officials in other cities where city ticket offices have been taken out of consolidated offices and established in separate locations has been that it is more advantageous for passenger business to have separate ticket offices. The Receivers considered a number of possible locations and decided to locate a separate ticket office on the ground floor in a new building at the corner of Clark and Monroe Streets which is in a highly improved section of the loop district and reasonably near some of the larger hotels and retail district. The lease is for a term of fifteen years and, while the annual rental is approximately \$28,000 a year more than the cost in the consolidated ticket office, it is estimated the increase in ticket receipts will be not less than \$150,000 a year. In addition, the office which overlooks both streets provides a valuable means of display advertising. The window display has received notice by national publications.

Gallatin Gateway to Yellowstone Park.

Yellowstone Park, situated in the northwest corner of the State of Wyoming and a considerable distance south of the main line of the Railway, has not been available for solicitation of passenger business by the Receivers for the reason they had no arrangements by stage route or other for transporting passengers to and from the Park. For many years the Northern Pacific, Union Pacific and Burlington, compet-

ing lines, have had such facilities with the result that the Railway was unable to participate in the tourist travel to the Park, which has grown to be a large and important business. During 1926 the Receivers made arrangements to open a highway route between Three Forks, Montana, and the West Yellowstone entrance to the Park, a distance of approximately 117 miles. Although such arrangements were not perfected until August 1, 1926, the Receivers transported nearly 1,500 passengers in and out of the Park during the 1926 season. In order to develop this new business to the fullest extent, the Receivers, during the early part of 1927 reconditioned the branch line running southerly from Three Forks, Montana to Gallatin Gateway, formerly Salesville, Montana, approximately 32 miles, built a combined hotel and station facilities at Gallatin Gateway including terminal facilities and on June 17, 1927 opened the new route to Gallatin Gateway by rail and to the Park via the Gallatin Canyon by motor coach. By providing rail transportation to Gallatin Gateway, the motor coach journey is shortened through an uninteresting country from a scenic point of view, and a better division of the revenue made with the motor coach line. This route has been extensively advertised and the response from the traveling public has been generous, the travel to and from the Park during the 1927 season being in excess of 5,000 passengers. In addition to the revenue gained from this new business, the Receivers are now able to actively compete with other carriers for Coast travel where the passengers desire to make a side trip to Yellowstone Park.

Telegraph and Telephone Manifest System.

For some years the telegraph and telephone facilities of the Railway have been inadequate to take care of the requirements of train operation and provide prompt reporting of the movement of loaded freight through certain designated stations as employed by other competing carriers. This serv-

ice, which is given in response to inquiries from shippers regarding movement and location of loaded freight, is highly important and the Receivers have been at a disadvantage in this respect. During the year 1928 there ~~was~~^{will be} completed additions and improvements to the telegraph and telephone facilities which will enable the Railroad to furnish as good if not better service of information regarding car movements as its competitors. These improvements and additions will also greatly facilitate the movement of trains, secure greater safety and reduce the expense of dispatching. It is estimated an annual payroll saving amounting to \$20,000 can be made by the elimination of many relay operators.

Advertising Campaign.

The Receivers increased materially the advertising appropriation for the years 1925 and 1926 over prior years. For the year 1927 it was decided that more definite action was required and the services of one of the largest advertising firms were obtained to plan a campaign for the year 1927. Several members of this advertising firm traveled over the entire railroad and obtained first hand information from business men, farmers and others regarding the conditions in their communities or regions and obtained the benefit of the views of these men regarding the industrial and agricultural opportunities, scenic attractions, etc. from an advertising standpoint.

The advertising campaign for 1927 has taken the form of regional advertising in magazines, passenger advertising in magazines and newspapers and colonization advertising in farm journals and weekly papers.

Regional advertising is a departure from the usual railroad practice but is considered desirable for the following reasons:

1. It cements relations between the Railway and the residents of the various regions thus exploited.

2. It benefits from a traffic point of view by developing inquiries from residents or other parts of the country who might wish to travel to or establish themselves in the various sections advertised.

3. It is effective in developing Good Will by showing that the Railway is a progressive carrier in a country of great resources.

The results thus far in 1927 have been quite satisfactory. Business men and other residents of the eleven regions treated separately have been generous in the commendation of the program. It is difficult to ascertain definitely the financial benefits which have accrued for the reason that travelers and others who patronize the Railway because of its attractive advertising do not in all cases make mention of it when buying tickets or making other inquiries.

In addition to the increased patronage due to advertising its greatest value, however, lies in retaining the Good Will of the public.

Electrification Black River to Seattle.

Prior to July 5, 1927 operation of the line from Black River to Seattle, a distance of 14.3 miles, had been by steam which necessitated the changing of power at Black River. This form of operation was not only costly but caused delay to trains entering and leaving Seattle and Tacoma. During 1927 two tracks for passenger train operation and three tracks in the Union Passenger Station at Seattle have been electrified. The estimated saving will be about 11.6 per cent after allowing interest on the investment. In addition to the money saving, there will be a saving in time of approximately twenty minutes a train on passenger trains handled into Seattle and Tacoma. By electrifying this short piece of track electric operation is definitely established into Seattle.

Water Treatment.

From March 18, 1925 to December 31, 1927 there have been twenty-six water softening plants placed in operation at costs approximating \$10,000 each. This is at a greater rate of construction than prior to receivership as the benefits to be obtained from treating water have been more fully demonstrated. It has been the experience on the Railway that the savings in maintenance and operation of locomotives have paid the cost of construction of water softening plants in approximately one year. Due principally to the treatment of boiler water, the mileage of locomotives between boiler failures on the road has increased during receivership from approximately 300,000 miles to 1,500,000 miles which is ample evidence of the wisdom in continuing the treatment of hard water. There have been nine additional plants constructed in territories where the waters are only moderately hard and boilers can be kept clean by treating with soda ash. At points where soft water could be procured from the ground the Receivers have drilled and equipped seventeen deep wells thereby substituting water equally as good as treated water for the hard and dirty water formerly obtained from rivers.

Shop Tool and Power Plant Machinery.

The purchase of new labor saving, shop tools and power plant machinery has been increased during the period of receivership as the saving in operating expenses by the use of modern tools and machinery yields a high return on the investment. In addition to the benefits obtained from the use of the new purchases, the tools and machinery replaced have been used to good advantage by relocating them at points where lighter work is done thereby reducing the cost of labor at these points.

The cost of new tools and machinery purchased during the years 1922 to 1926 inclusive is as follows:

1922	1923	1924	Average 1922 to 1924	1925	1926	Average 1925 and 1926
\$75,029	\$126,834	\$101,459	\$101,107	\$219,514	\$459,554	\$339,534

Figures for 1927 are not yet available.

Development of Agriculture and Industry.

For a number of years agriculture in the territory served by the Railway particularly in the Northwest has been in a state of severe depression due to crop failures, low prices, etc. combined with a lack of knowledge of diversified and other modern methods of farming. With a view of assisting the farmer along the lines of the Railway to overcome these unfortunate conditions within their control, the Receivers have expanded the previously existing industrial department into a larger and better equipped one for the work to be done. Instructors and lecturers are sent into the field with exhibition cars which are welcomed by the farming communities. Their time has been devoted largely to the development of the dairying industry, improvement in the grade of live stock, diversification and rotation of crops and the advantages to be gained by the use of power machinery. A large amount of power machinery is being purchased by farmers along the line thereby increasing their unit production. Due to the use of this new and improved power machinery thousands of acres of new land are now being put under cultivation. With such a large territory to cover the progress must of necessity be slow, but there is ample evidence of the awakening of the Northwestern farmer to the advantage of diversification and improved farming methods.

The industrial growth in the territory served by the Railway has been fairly satisfactory. The most notable development perhaps is the growth of the paper and pulp industry in the Pacific Northwest which seems to indicate now that

much of the wood pulp used by Wisconsin manufacturers will eventually come from the Pacific Northwest, thereby adding a new product for the western lines for movement to the paper mills in Wisconsin Territory.

General.

The receivers regularly have met in conference to discuss the matters in their charge and relating to the property. During most of the period covered by the receivership, meetings and conferences have been held weekly and all matters of major importance have received the consideration of all three receivers.

During the receivership there was a change in the chief officials at the head both of the traffic and transportation departments and a substantial rearrangement and readjustment of the personnel of those departments have been made. The traffic department was the subject of special study and consideration by the receivers, who concluded that that department was not properly organized when the property went into the hands of the Receivers. The Chief Traffic Officer appointed by the Receivers was called upon to submit a plan for a change and enlargement of the personnel and a substantial change and enlargement was made. The Receivers are satisfied that such changes had a very important and very favorable traffic bearing sufficient to far more than justify the expansion and increased expense involved.

The dockets which were before the Receivers at their various conferences show that during the receivership particular consideration has been given by the Receivers to 1287 matters brought before them for their consideration.

During the same period 1953 authorities for expenditure involving particular work and expenditure were acted upon by the Receivers.

The total amount involved in such A. F. E.'s was upwards of \$23,300,000.

The matter of purchases has received special and careful consideration by the Receivers, who put in a system designed to bring to their attention all proposed expenditures to be made in the ordinary course in the purchase of materials, supplies, etc., before the expenditures were made.

The total operating revenues during the receivership to December 31, 1927 have been \$453,555,608.

For the same period the operating expenses have been \$363,393,899 and the net operating revenues have been \$90,161,709.

Taxes have been approximately \$24,992,000.

The income from the operations of the property was sufficient to pay all interest on undisturbed obligations, meet all maintenance expenditures and expenditures for additions and betterments and other current obligations. It was not necessary to issue any Receivers' notes or create new obligations with the exception of those issued for the purchase of new equipment.

Operating Expenses.

Expenditures in connection with the operation of the Railway have also received the careful attention and study of the Receivers. A comparison of the pounds of coal consumed per 1,000 gross ton miles in steam freight road operation during the years 1922, 1923 and 1924 with the years 1925, 1926 and 1927 is as follows:

Combined years 1922-1923-1924 178 pounds	Combined years 1925-1926-1927 155 pounds	Saving 23 pounds
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As the average gross ton miles for the years 1925, 1926

and 1927 were 29,790,285,000 the saving in coal consumed based on 23 pounds per 1,000 gross ton miles was 342,588 tons. The average charge out price of coal for the same period was \$2.6473 a ton, resulting in an annual saving of fuel consumed during the years 1925, 1926 and 1927 over the average of the years 1922, 1923 and 1924 of \$906,933 for steam freight road operation only. A similar saving in proportion to fuel used during 1925, 1926 and 1927 for passenger and yard service amounted to \$623,317 a year, or a total estimated saving of \$1,530,250 a year.

The following additional operating statistics show the results obtained:

	1922	1923	1924	1925	1926	1927
Gross tons per train.....	1,366	1,431	1,523	1,630	1,656	1,703
Miles per car day.....	26.8	28.8	26.8	29.3	30.4	31.4
Net tons per train.....	626	645	680	714	712	728
Cars per train.....	38	40	42	45	46	46
Net ton miles per train hour..	7,076	7,259	7,810	8,531	8,740	9,131
Gross ton miles per train hour	15,433	16,107	17,492	19,473	20,337	21,364
Car miles per train hour....	427	447	481	535	560	581
Train miles per train hour..	11.3	11.3	11.5	11.9	12.3	12.5
Miles between locomotive failures	28,111	56,739	60,543	64,290	75,062	84,501*

* First eleven months of 1927.

Officers and Employees.

A report of this nature would not be complete without reference being made to the efficient and loyal support given by the officers and employees during the period of receivership with its attendant discouraging conditions. The Receivers gratefully acknowledge the splendid work done and the co-operation received, which have contributed in no small measure to the results obtained.

WHEREFORE, the undersigned Receivers, having fully accounted to the Court for all their acts as Receivers, pray the approval by the Court of their said acts and that an order may be entered herein finally discharging them as Receivers herein and releasing their sureties from liability on

their bonds, and for such other order as may be proper and according to equity.

H. C. Byram

Edward J. Brundage
Receivers.

Dated February 13th, 1928.

H. H. Field
General Counsel for Receivers.

STATE OF ILLINOIS, ss.
COUNTY OF COOK.

H. E. Byram, being first duly sworn, deposes and says that he is one of the Receivers named in the foregoing Report and makes this Affidavit on behalf of all of said Receivers; that he has read the foregoing Report and knows the contents thereof, and that the same is true to the best of his knowledge and belief.

Subscribed and sworn to before me this 13th day of February, 1928.

(seal)

W. D. Millard
Notary Public.

EXHIBIT A

CHICAGO, MILWAUKEE AND ST. PAUL RAILWAY.
H. E. Byram, Mark W. Potter and Edward J. Brundage, Receivers.

Financial and Accounting Departments.

Cash Report for the period January 1st to 13th, inclusive, 1928.
Chicago Treasurer and New York Office Combined.

Showing separately the Receipts and Disbursements applicable to the Accounts prior and subsequent to date of Receivership.

January 1st to 13th, inclusive, 1928

Receivers for

	Corporate Account	Receivers Account	Total
Balance January 1st:			
John Dickie, Treasurer.....			\$ 6,457,830.11
New York Office.....			2,454,222.67
			<u>\$ 8,912,052.78</u>
Receipts from January 1st to 13th, inclusive			
Agents and Conductors.....	\$ 117.86	\$6,921,963.97	\$ 6,922,081.83
Other Companies Traffic and Car Service Balances.....	23.60	32,908.18	32,936.78
Other Companies and Individuals.....	2,322.02	331,803.77	334,125.79
American Railway Express Co.....	11,884.98		11,884.98
Deposit by General Agent, New York.....		11,720.79	11,720.79
Miscellaneous Interest, etc.....		14,305.99	14,305.99
United States Trust Co.—Amounts deposited in lieu of Mortgaged property sold—Returned....	35,471.65	151,242.69	186,714.34
Income from Securities Owned.....	* 820.00	6,520.03	5,700.03
Transfer of balance of Treasurers Special Fund for payment of Officers Payrolls from Working Funds to Cash.....		1,914.73	1,914.73
Transfer of balance of fund of Samuel Greengard, Cashier, Seattle, from Working Funds to Cash.....		126,988.93	126,988.93
Total Receipts.....	<u>\$49,005.11</u>	<u>\$7,599,369.08</u>	<u>\$ 7,648,374.19</u>
			<u>\$16,560,426.97</u>

January 1st to 13th, inclusive, 1928

Receivers for

	Corporate Account	Receivers Account	Total
Disbursements from January 1st to 13th, incl.			
Vouchers:			
General	\$7,919.81	\$1,348,106.95	\$ 1,356,026.76
Taxes—Wisconsin	11.60	23.65	35.25
" Idaho		122,937.01	122,937.01
" Missouri		88,422.77	88,422.77
" Michigan		774.92	774.92
" Montana		26,677.14	26,677.14
Total Vouchers	\$ 7,931.41	\$1,586,942.44	\$ 1,594,873.85
Payrolls—General		3,210,574.90	3,210,574.90
Other Companies Traffic and Car Service Balances	*500.66	426,679.24	426,178.58
Station Agents Drafts		317,852.49	317,852.49
Other Companies and Individuals	63,245.99	354,344.27	417,590.26
Interest on Funded Debt	2,434,668.75		2,434,668.75
Corporate:			
United States Government			
Note	\$ 300,000.00		
Equipment Trust Certificate "C"	742.50		
Milw. & Nor. R. R. First Mtg.			
Bonds	202.50		
Milw. & Nor. R. R. Consol.			
Mtg. Bonds	1,620.00		
General Mortgage Bonds	1,743,963.75		
Ten Year Gold Bonds of 1924	388,140.00		
Total	\$2,434,668.75		
Cowlitz, Chehalis & Cascade Ry. General and			
Refd. Gold Bonds purchased at par including			
accrued interest		4,006.00	4,006.00
Checks to General Agent, New York		11,720.79	11,720.79
Salaries, Expenses, Rents, etc., New York Office		1,569.00	1,569.00
Total Disbursements	\$2,505,345.49	\$5,913,689.13	\$ 8,419,034.62
Balance January 13th			\$ 8,141,392.35
Treasurers Account, Chicago	\$7,808,660.61		
Cashier—Seattle, Wash.	126,983.93		
N. Y. Office—Sou. District of N. Y.	16,458.76		
N. Y. Office—Nor. District of Ill.	189,284.05		
	\$8,141,392.35		

Chicago, Illinois,
February 11th, 1928.

*Due to adjustment of previous reports.