
GREAT NORTHERN RAILWAY CO.
62nd ANNUAL REPORT • 1950
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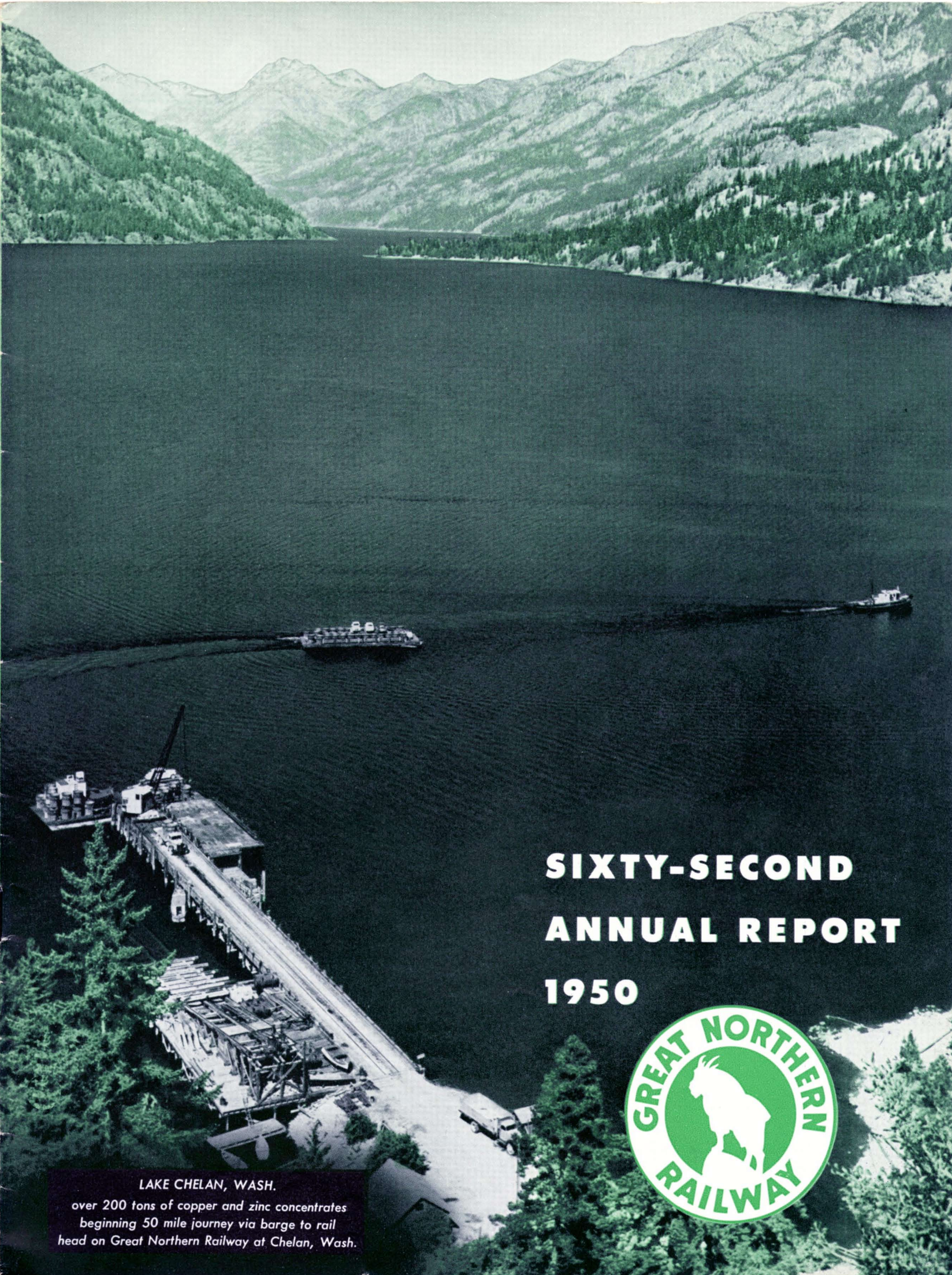
GREAT NORTHERN
GREAT NORTHERN RAILWAY

ON THE COVER

Cover picture shows the "Internationals", operating between Seattle, Wash., and Vancouver, B. C., meeting along Puget Sound south of Bellingham, Wash. These two new, 5-car streamlined trains were placed in service in June, 1950, and together make three round trips per day. They have been well received by the public and have resulted in a substantial increase in passenger earnings on this section of Great Northern Railway.



SIXTY-SECOND ANNUAL REPORT 1950

GREAT NORTHERN RAILWAY

LAKE CHELAN, WASH.
over 200 tons of copper and zinc concentrates beginning 50 mile journey via barge to rail head on Great Northern Railway at Chelan, Wash.

GREAT NORTHERN RAILWAY COMPANY

STOCKHOLDERS

33,655 Stockholders, November 21, 1950.

BOARD OF DIRECTORS

Term Expires May 10, 1951.

J. STEWART BAKER . . . . . New York
Chairman, Bank of the Manhattan Co.

JAMES F. OATES, JR. . . . . Chicago
Chairman, The Peoples Gas Light and Coke Co.

FRANK J. GAVIN. . . . . St. Paul
President, Great Northern Ry. Co.

FREDERICK K. WEYERHAEUSER . . St. Paul
President, Weyerhaeuser Sales Co.

Term Expires May 8, 1952

THOMAS L. DANIELS . . . . Minneapolis
President, Archer-Daniels-Midland Co.

WILLIAM L. McKNIGHT . . . . . St. Paul
Chairman of the Board,
Minnesota Mining & Mfg. Co.

N. STOCKHAMMER . . . . . New York
Assistant Secretary and Assistant Treasurer
Great Northern Railway Co.

ARCHIBALD W. WITHERSPOON. .Spokane
Chairman of the Board,
Old National Bank of Spokane

Term Expires May 14, 1953

F. PEAVEY HEFFELFINGER . . Minneapolis
Executive Vice President, F. H. Peavey & Co.

GRANT KEEHN. . . . . New York
Executive Vice President, The First National
Bank of the City of New York

RICHARD C. LILLY . . . . . St. Paul
Chairman of the Board,
First National Bank of St. Paul

WALTER G. SEEGER . . . . . St. Paul
Chairman of the Board,
Seeger Refrigerator Co.

EXECUTIVE COMMITTEE

FRANK J. GAVIN — F. PEAVEY HEFFELFINGER
RICHARD C. LILLY — WILLIAM L. McKNIGHT — WALTER G. SEEGER

OFFICERS

F. J. GAVIN, President . . . . . St. Paul
V. P. TURNBURKE, Vice President, Executive Department . . . . . St. Paul
T. BALMER, Vice President . . . . . Seattle
J. M. BUDD, Vice President, Operating Department . . . . . St. Paul
E. C. MATTHIAS, Vice President and General Counsel . . . . . St. Paul
C. E. FINLEY, Vice President, Traffic Department. . . . . St. Paul
F. L. PAETZOLD, Secretary and Treasurer . . . . . St. Paul
J. A. TAUER, Comptroller . . . . . St. Paul
C. W. MOORE, Executive Assistant . . . . . St. Paul
V. N. WAHLBERG, General Auditor. . . . . St. Paul
I. G. POOL, General Manager, Lines East of Williston . . . . . .Duluth
I. E. MANION, General Manager, Lines West of Williston. . . . . Seattle
J. B. SMITH, General Superintendent Transportation . . . . . St. Paul
J. L. ROBSON, General Superintendent Motive Power . . . . . St. Paul
H. J. SEYTON, Chief Engineer . . . . . St. Paul
A. N. CRENSHAW, Purchasing Agent . . . . . St. Paul
J. GARING, Right of Way, Land and Tax Commissioner . . . . . St. Paul
N. STOCKHAMMER, Assistant Secretary and Assistant Treasurer . . . . . New York
H. F. SMITH, Assistant Secretary and Assistant Treasurer . . . . . New York
C. F. ZIEGAHN, Assistant Secretary . . . . . St. Paul

EMPLOYES

28,490 Average Number for 1950

Principal Office: Great Northern Building, St. Paul (1), Minn.
Financial and Transfer Office: 2 Wall Street, New York (5), N. Y.
Annual Meeting of Stockholders, St. Paul, Minnesota, May 10, 1951

GREAT NORTHERN RAILWAY COMPANY

EXECUTIVE DEPARTMENT

F. J. GAVIN
PRESIDENT

ST. PAUL 1, MINNESOTA

March 30, 1951

To Great Northern Stockholders:

In 1950 the volume of freight traffic was some 5% above that of 1949, and with slightly higher rates, the freight revenue for the year increased to $195.6 million, the highest on record. Revenues from all sources of $227.5 million were also at a peak. In spite of higher wage rates, material costs, and taxes, the net income was $28.2 million - $9.11 per share, comparing favorably with the $8.91 per share for 1948 and considerably better than the $6.05 per share for 1949.

Dividends paid in 1950 were $3.50 per share, the same as for 1948, but $.50 less than the 1949 dividends of $4.00 per share.

During the early months of 1950 unusually severe weather, flood conditions in the Red River valley, and a late opening of navigation on the Great Lakes had increased costs and reduced revenues. By the end of April a net deficit of $8.9 million had accumulated. In addition, there was a threat of no less than three strikes among the operating employes. This eventually led to a work stoppage of switchmen on June 25, lasting nearly two weeks, during which freight movements practically were stopped, and only the most important passenger trains were operated. The late spring created considerable uncertainty as to crop prospects for the year. Considering these factors your Directors reduced the two mid-year quarterly dividends by 25 cents each. After the Korean conflict began, revenues and earnings increased, and the former rate of $1 per share was restored for the year-end dividend.

A nation-wide strike was called by the Brotherhood of Railroad Trainmen and the Order of Railway Conductors for August 28. These unions refused to accept wage increases and other findings and recommendations of an Emergency Board created by the President of the United States under the Railway Labor Act. As a result, the country's railroads were taken over on August 27 by an Executive Order providing for operation by the Secretary of the Army in the name of the United States Government. This order continued in effect for the remainder of the year and into 1951.

New five-car, diesel-operated passenger trains were put in service in June--two "Internationals", making a total of three round trips daily between Seattle, Wash., and Vancouver, B. C., and one "Red River", making a daily round trip between Grand Forks, N. D., and St. Paul, Minn. These trains have been well received and generously patronized by the public.

After hearings extending over nearly four years, the Interstate Commerce Commission in December awarded increases in railway mail pay, retroactive to February 19, 1947, of some 18.5% over the former rates including a temporary interim raise of 25%. The most recent advance amounted to approximately $4,650,000, of which $3,340,000 applied to years prior to 1950. As a result the net income for 1950, after taxes, was increased some $1,895,000, or $.61 per share by the accruals for previous years.

On August 2 a 15-year equipment trust of $14,130,000 was sold through competitive bidding at a net interest cost of 2.46% and a coupon of 2-3/8%, covering equipment costing $17,688,000 with a 20% down payment.

Assuming a continuation of the present high tempo of industrial activity and favorable crops, it is anticipated that net earnings for 1951 will be fairly substantial.

For the Board of Directors,

F. J. Gavin
President.

GREAT NORTHERN RAILWAY
HIGHLIGHTS OF 1950

ITEM	1950	1949	1948	1947	1946
Financial Data in Millions of Dollars:					
Net Income	$ 28.2*	$ 18.7	$ 27.6	$ 22.5	$ 23.5
Dividends Paid	10.8	12.4	10.8	9.3	9.3
Operating Revenues	227.5†	212.3	216.3	193.8	167.4
Taxes	34.5	26.0	24.0	24.5	11.0
Fixed Charges	7.9	7.7	7.5	7.7	8.7
Rate of Return on Property Investment	4.3%	3.4%	4.6%	4.1%	4.5%
Averages:					
Per Share (3,092,561 shares, 1950):					
Net Income	$ 9.11	$ 6.05	$ 8.91	$ 7.28	$ 7.59
Dividends Paid	3.50	4.00	3.50	3.00	3.00
Fixed Charges	2.57	2.49	2.43	2.49	2.80
Percent Expenses to Revenues	71.3%	76.3%	75.0%	74.1%	77.5%
Times Fixed Charges Earned	4.6	3.4	4.7	3.9	3.7

*Includes $1.9 million account of additional Railway Mail Pay applicable to prior years.
†Includes $3.3 million for additional Railway Mail Pay applicable to prior years.

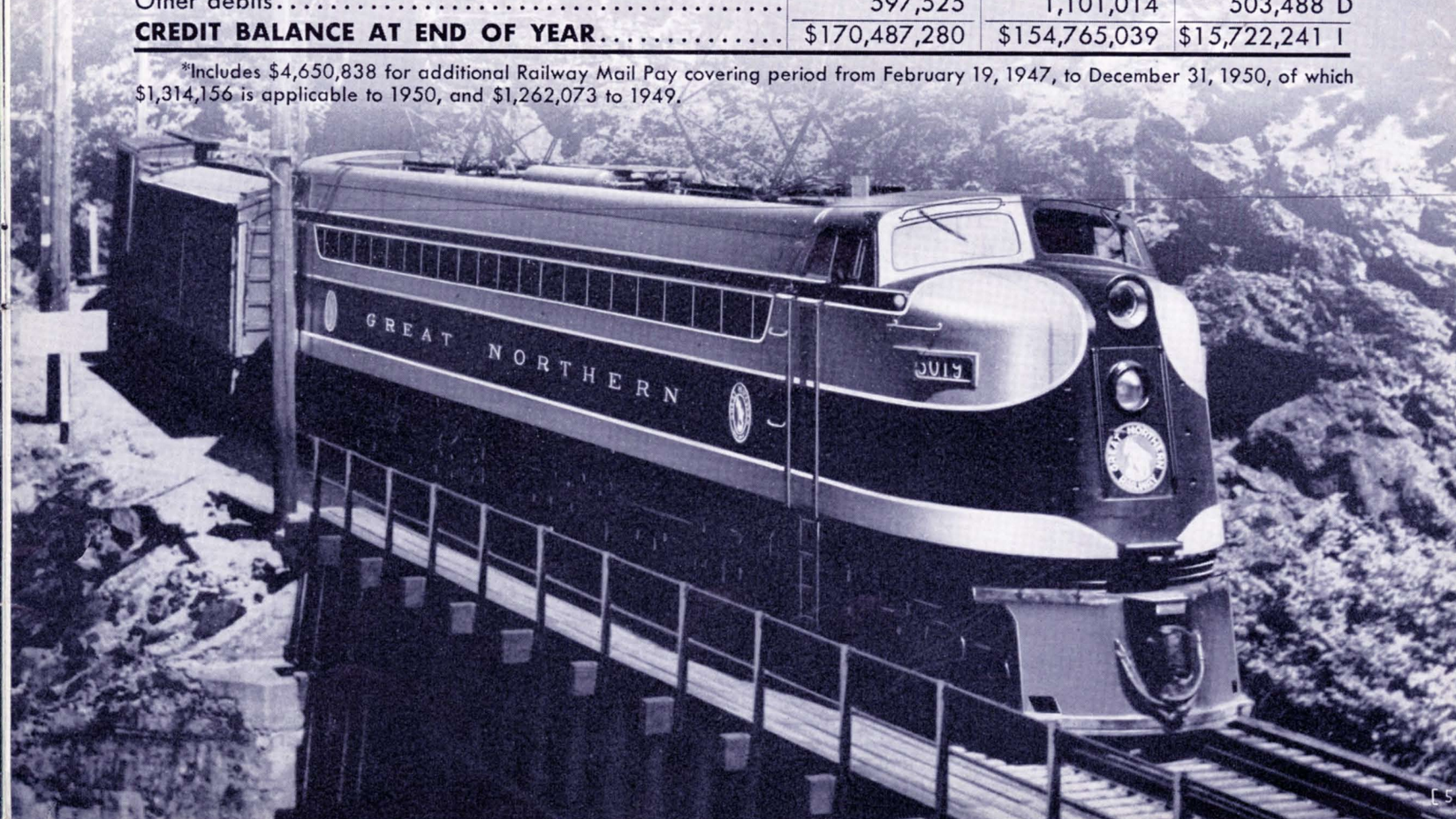
Finishing Main Rod on Milling Machine

GREAT NORTHERN RAILWAY COMPANY

INCOME AND PROFIT AND LOSS ACCOUNT, 1950 AND 1949

INCOME ACCOUNT	Year 1950	Year 1949	Increase—I Decrease—D
Freight revenues	$195,579,886	$184,061,536	$11,518,350 I
Passenger revenues	11,068,436	11,688,120	619,684 D
All other operating revenues*	20,867,935	16,517,573	4,350,362 I
TOTAL RAILWAY OPERATING REVENUES	227,516,257	212,267,229	15,249,028 I
Maintenance of way and structures	37,376,839	39,955,795	2,578,956 D
Maintenance of equipment	36,681,194	35,153,208	1,527,986 I
Transportation expenses	76,260,000	75,057,443	1,202,557 I
All other operating expenses	11,806,431	11,785,362	21,069 I
TOTAL RAILWAY OPERATING EXPENSES	162,124,464	161,951,808	172,656 I
NET REVENUE FROM RAILWAY OPERATIONS	65,391,793	50,315,421	15,076,372 I
Railway tax accruals	34,458,432	25,990,822	8,467,610 I
Equipment and joint facility rents—Net Debit	3,500,056	3,779,564	279,508 D
NET RAILWAY OPERATING INCOME	27,433,305	20,545,035	6,888,270 I
Dividend income	5,938,992	4,279,252	1,659,740 I
Interest income	2,345,067	1,329,647	1,015,420 I
Other income accounts (net credit)	401,911	240,401	161,510 I
INCOME AVAILABLE FOR FIXED CHARGES	36,119,275	26,394,335	9,724,940 I
Fixed charges	7,934,336	7,692,719	241,617 I
NET INCOME	$ 28,184,939	$ 18,701,616	$ 9,483,323 I
PROFIT AND LOSS ACCOUNT			
CREDITS			
CREDIT BALANCE AT BEGINNING OF YEAR	$154,765,039	$150,749,415	$ 4,015,624 I
Net income as above	28,184,939	18,701,616	9,483,323 I
Other credits	333,791	160,235	173,556 I
DEBITS			
Income appropriated for sinking fund reserves	1,375,000	1,375,000	.....
Dividend appropriations of surplus	10,823,964	12,370,213	1,546,250 D
Other debits	597,525	1,101,014	503,488 D
CREDIT BALANCE AT END OF YEAR	$170,487,280	$154,765,039	$15,722,241 I

*Includes $4,650,838 for additional Railway Mail Pay covering period from February 19, 1947, to December 31, 1950, of which $1,314,156 is applicable to 1950, and $1,262,073 to 1949.



TRANSPORTATION AND NATIONAL DEFENSE

Defense Transport Administrator Knudson, in a recent address, said: "The answer to the question as to whether our transportation system will be able to meet fully the increasing transportation demands depends very largely on whether it will be permitted to have the materials and manpower required to carry out proposed improvement and enlargement programs. ****While every mode of transportation performs a necessary and useful service, we cannot ignore that no other form of transportation can produce mass transportation to the extent that the railroads can."

Nothing has been done toward relieving taxpayers of the burden of transportation subsidies. The American railway system must remain the Nation's major transportation medium. Despite this, the Government has been supporting the enlargement and development of air, highway and water transportation, weakening the railways by diverting traffic from them, and thus increasing the cost of handling the remaining traffic.

An encouraging development is the current Senate Committee study and investigation with special reference to "whether existing conditions conform to the national transportation policy" and to "the effect of large expenditures of public moneys and private capital upon transportation charges".

NET INCOME

Your Company's net income for 1950 was $28.2 million or $9.11 per share, including a non-recurring item of $2.6 million for back mail pay, or 85 cents per share. Income from dividends, funded securities and other miscellaneous items accounted for $7.4 million of the total net income. For 1949 the net income was $18.7 million—$6.05 per share.

For the second time in recent years the Net Income exceeded the Net Railway Operating Income, meaning that outside income received from dividends, interest, etc., was more than the bond interest and other deductions, and the final Net Income was somewhat more than the net from operating the railroad.

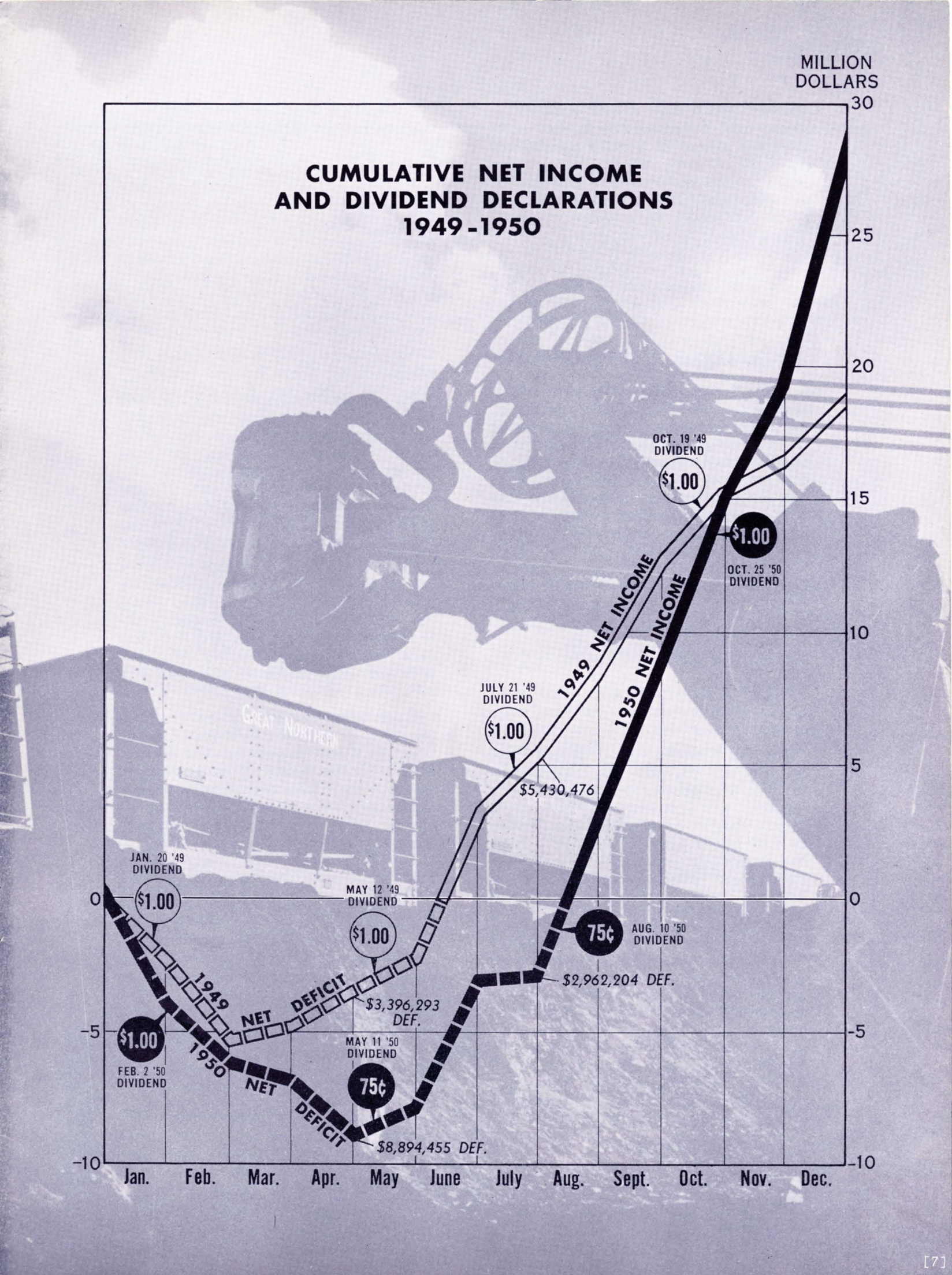
Financial results during the first half of the year were most disappointing. At the end of July, 1950, there was a Net Deficit of nearly $3.0 million, or $8.4 million below the $5.4 million of Net Income reported for the first seven months of 1949.

Good crop yields, the stimulus of the Korean conflict, and favorable weather conditions contributed to a much better performance during the last part of the year. The results for the year also were improved by the increase in dividend received from Chicago, Burlington & Quincy Railroad Co. of $1.7 million and the $1.0 million larger interest payment by Spokane, Portland and Seattle Railway Co. Your Company owns 48.59% of the common stock of the former and 50% of the stock and bonds of the latter company.

Continuous and persistent sub-zero weather covered practically the entire railway in the early months of the year, reducing revenues because fewer cars were loaded. Operating costs were increased as the smaller freight trains operated required more train miles to move a given tonnage, with resultant poorer fuel performance, while many branch lines were blocked by snow. Floods in the Red River Valley along the Minnesota-North Dakota state line increased maintenance and operating costs from April to June, 1950, while all service to Winnipeg, Man., was completely suspended for more than five weeks.

The opening of navigation on the Great Lakes was delayed until the first week in May, the latest in sixteen years and nearly six weeks later than in 1949. This delay deprived your Company of the movement of between three and four million tons of iron ore. The extremely wet season so postponed the spring crop seeding that there was grave concern whether there would be enough growing weather to bring the smaller seeded acreage to maturity. In late June, when conditions had improved, the switchmen struck against a Fact-Finding Board's award of increased wages. Freight movements practically ceased, with only the most important passenger trains running, staffed by officer personnel. This strike lasted nearly two weeks, but it was long after this before cars from off-line loading points began arriving on Great Northern in appreciable quantities. As a result of the strike, the number of box cars on line was greatly diminished, cars under load being diverted to other railroads not affected by the strike to secure delivery at destinations. By the middle of August there were over 6,000 fewer box cars of all ownerships on line than the number owned by Great Northern, a loss of nearly 30%.

During the latter months of the year conditions returned to normal, and with a record traffic volume the former deficits were absorbed and the net of nearly $28.2 million produced for the year.


CUMULATIVE NET INCOME
AND DIVIDEND DECLARATIONS
1949-1950
MILLION DOLLARS
30
25
20
15
10
5
0
-5
-10
Jan.
Feb.
Mar.
Apr.
May
June
July
Aug.
Sept.
Oct.
Nov.
Dec.
JAN. 20 '49 DIVIDEND
$1.00
MAY 12 '49 DIVIDEND
$1.00
JULY 21 '49 DIVIDEND
$1.00
OCT. 19 '49 DIVIDEND
$1.00
$1.00
OCT. 25 '50 DIVIDEND
$1.00
FEB. 2 '50 DIVIDEND
MAY 11 '50 DIVIDEND
75¢
AUG. 10 '50 DIVIDEND
75¢
1949 NET INCOME
1950 NET INCOME
1949 NET DEFICIT
1950 NET DEFICIT
$5,430,476
$3,396,293 DEF.
$8,894,455 DEF.
$2,962,204 DEF.
GREAT NORTHERN

FINANCIAL CHANGES IN 20 YEARS (IN MILLIONS)

ITEM	CALENDAR YEAR			ITEM	AS OF DECEMBER 31		
	1950	1940	1930		1950	1940	1930
OPERATING REVENUES	$227.5	$101.7	$105.0	NET EXCESS CURRENT ASSETS OVER CURRENT LIABILITIES	$50.0	$20.3	$30.6
FIXED CHARGES	7.9	14.2	18.9	CASH INCLUDING TEMPORARY INVESTMENTS	53.5	25.1	40.9
NET INCOME	28.2	10.2	18.0	CURRENT LIABILITIES	52.9	21.4	36.1
TIMES FIXED CHARGES EARNED	4.6	1.7	2.0	INVESTMENT IN TRANSPORTATION PROPERTY	717.3	568.2	527.1
PER CENT FIXED CHARGES OF OPERATING REVENUES	3.5%	14.0%	18.0%	FUNDED DEBT	264.0	332.5	356.3
AVERAGE INTEREST RATE ON BONDS OUTSTANDING	3.0%	4.2%	5.3%				

FINANCIAL CONDITION

At the close of 1950, your Company's Current Assets of $102.9 million exceeded the Current Liabilities of $52.9 million by $50.0 million. In fact, the Cash and Temporary Cash investments of $53.5 million were more than all the Current Liabilities. This is a material improvement over conditions at the end of 1949, when the excess of Current Assets was only $37.0 million. However, the ratio of Current Assets to Current Liabilities of 1.95 in 1950 was only slightly above the 1.94 for 1949.

OPERATING REVENUES

In 1950 railway operating revenues of $227.5 million were an all-time high. The increase over 1949 was $15.2 million or 7.2%.

For the reasons set out under "Net Income" above, revenues lagged during the first part of the year. It was not until the first week in November, 1950, that revenues equalled those of the same period in 1949. Thus the entire increase of $15.2 million—1950 over 1949—was earned in the final seven weeks of last year.

Revenues during the last two months of 1949 were abnormally low. During that period the cumulative effects of the steel and iron ore mining strikes, the restricted grain movement and shortage of box cars, contributed to depression of the 1949 operating revenues. In addition, as the result of an Interstate Commerce Commission decision, there was taken into December, 1950, accounts some $4.7 million of additional mail pay going back nearly four years. Over $3.3 million of this amount applied to years prior to 1950.

1. FREIGHT SERVICE

The $195.6 million of freight revenue for 1950 was the largest on record and $11.5 million or 6.3% above the 1949 figures.

The volume of freight traffic in 1950—16.0 billion revenue net ton miles—was exceeded in six out of the seven years between 1942 and 1948, the higher 1950 revenue being due to a larger average revenue per ton mile. No substantial general increase in freight rates was authorized during 1950, but the increase of September 1, 1949, was effective for the last four months of 1949, and for the full year of 1950.

Although the $35.6 million of revenue from grain in 1950 was down some $4.0 million from the grain revenue of 1949, it substantially exceeded the receipts of 1946, 1947 and 1948. Grain shipments of nearly 208 million bushels in 1950 compared with more than 235 million bushels for 1949.

In spite of a very late opening of the Great Lakes shipping season, a total of 23.6 million long tons of iron ore were handled over the docks in Allouez, Wisc., in 1950, as compared with 22.4 million long tons the previous year. Shortage of iron ore at lower lake ports and maximum demand for steel resulted in the inauguration of an all-rail movement from the Mesabi Range to eastern furnaces in 1950. Your Company handled nearly 140,000 long tons of iron ore in this movement which is continuing into 1951.

Lumber handled in 1950 totaled nearly 88,000 cars—15% better than in 1949, and the 17,690 cars of refined petroleum products forwarded from the Montana fields in 1950 represented an increase of 22%. Fruit loadings in the Wenatchee, Wash., region were almost the same in 1949 and 1950, or about 20,000 cars; but, the potato movement was down nearly 6,000 cars, or 22%.

The grain crop of 1950 is estimated at 198 million bushels, or about 8 million bushels more than the 1949 yield. This grain should move before this year's crop matures.

There is a large demand for iron ore, and the prospect is for a very heavy movement in 1951.

Early in 1951 the railroads filed a request with the Interstate Commerce Commission for an increase in freight rates of 6% with certain maxima on fresh fruits, lumber, and sugar to preserve market relationships. It may be necessary later on to ask for a further increase account of higher wages granted non-operating employes effective February 1, 1951. The higher rates for Great Northern will amount to approximately $1.8 million per year for each 1% increase granted.

2. PASSENGER SERVICE

Passenger revenues in 1950 were $11.1 million as compared with $11.7 million for the preceding year. Passenger service was discontinued between St. Paul, Minn., and Winnipeg, Man., for more than five weeks in May and June, 1950, because of flood conditions in the Red River Valley and in Canada. The switchmen's strike during the last week of June and first week of July seriously curtailed passenger traffic over the entire railway. As a result, passenger revenues at the end of August were $1.3 million less than for the first eight months of 1949. Beginning with September, 1950, however, an increase in passenger revenues was reported for each month over the comparable period in 1949.

Arrivals by train at Glacier National Park stations during 1950 increased one-third over those for 1949, due partly to special train movements to or from the Boy Scout Jamboree. The house count at Glacier Park hotels, chalets and camps for 1950 decreased 4%.

In January, 1950, passenger fares between Seattle, Wash., and Portland, Ore., and between Seattle, Wash., and Vancouver, B. C., were reduced approximately 30% to meet highway competition. Increased patronage at the lower rates has raised the earnings on these trains.

In June, 1950, two new five-car streamlined passenger trains were placed in service between Seattle, Wash., and Vancouver, B. C., with a reduction in scheduled running time. The cover picture on this report shows these "Internationals" meeting along Puget Sound south of Bellingham, Wash. Simultaneously, another new five-car streamliner, the "Red River" was placed in daily, round trip service between Grand Forks, N. D., and St. Paul, Minn. These trains have been favorably received and supported by the public.

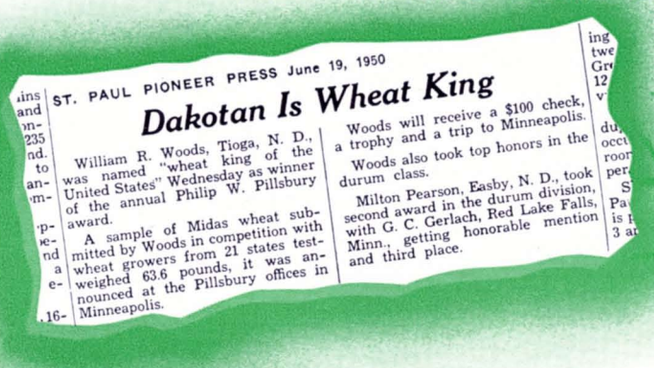
New equipment is being delivered for five new "Empire Builders", and it is expected they will be placed in service before the heavy tourist season in the summer of 1951. Streamlined equipment on the present "Empire Builder" will be transferred to the second transcontinental train, thus providing two, fine, daily streamline passenger trains between Chicago and Seattle-Portland.

3. MAIL SERVICE

Railway Mail revenues in 1950 totaled $11.7 million, or $4.9 million more than in 1949. Most of the increase was due to higher rates and back mail pay.

The railways of the United States made application to the Interstate Commerce Commission for increased railway mail pay in February, 1947. During that year the Commission granted an interim increase of 25%. After extended hearings, the Commission in December, 1950, approved an agreement between the railways and the Post Office Department for an additional increase of approximately 18.5%, retroactive to February, 1947. For Great Northern this amounted to $4.7 million of which $3.3 million applied to the period prior to 1950. This increase was taken up in December, 1950, accounts.

PRIZE WINNING WHEAT GROWN ALONG GREAT NORTHERN



ST. PAUL PIONEER PRESS June 19, 1950

Dakotan Is Wheat King

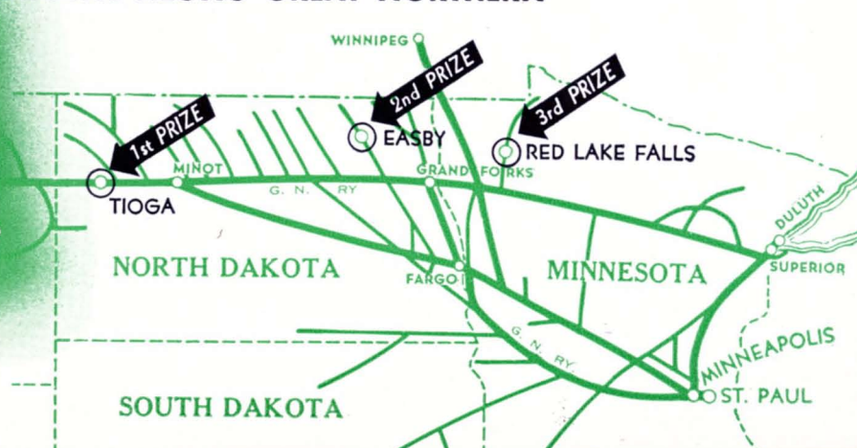
William R. Woods, Tioga, N. D., was named "wheat king of the United States" Wednesday as winner of the annual Philip W. Pillsbury award.

A sample of Midas wheat submitted by Woods in competition with wheat growers from 21 states testweighed 63.6 pounds, it was announced at the Pillsbury offices in Minneapolis.

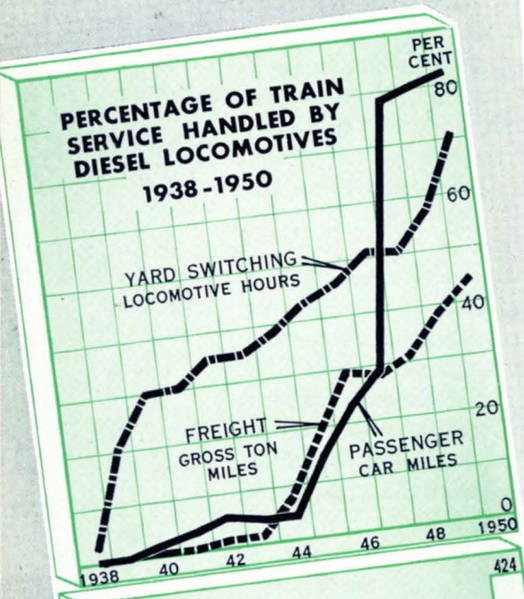
Woods will receive a $100 check, a trophy and a trip to Minneapolis.

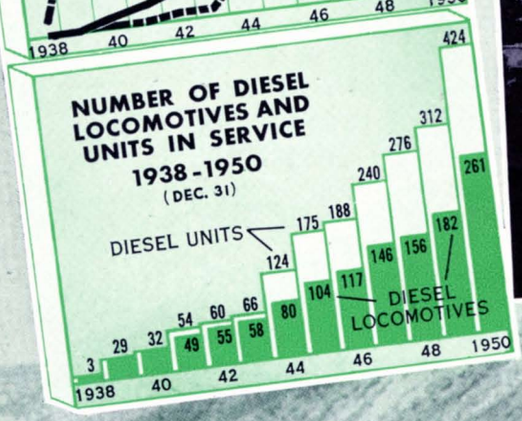
Woods also took top honors in the durum class.

Milton Pearson, Easby, N. D., took second award in the durum division, with G. C. Gerlach, Red Lake Falls, Minn., getting honorable mention and third place.

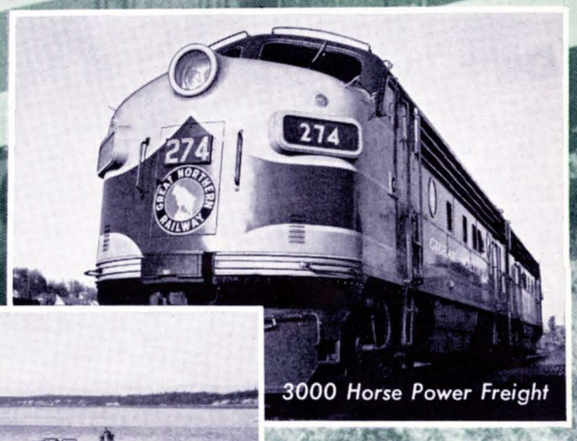


Great Northern Railway Acquires 80 New Diesel Locomotives in 1950 at a Cost of Over $17,000,000

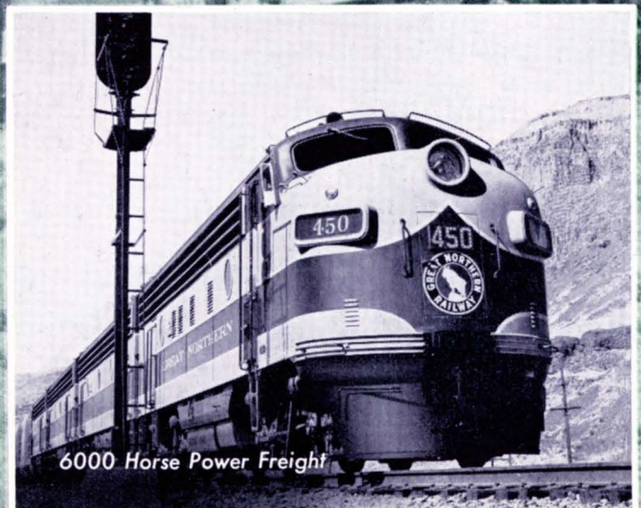




Building Great Northern Diesel Locomotives



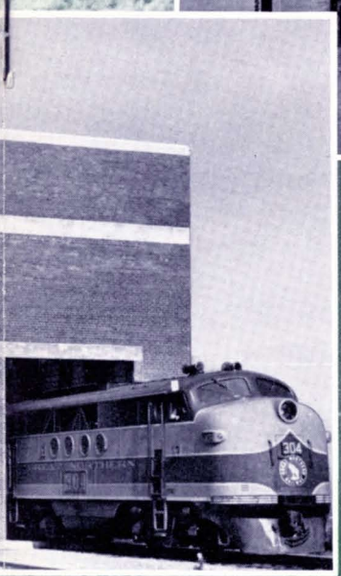
3000 Horse Power Freight

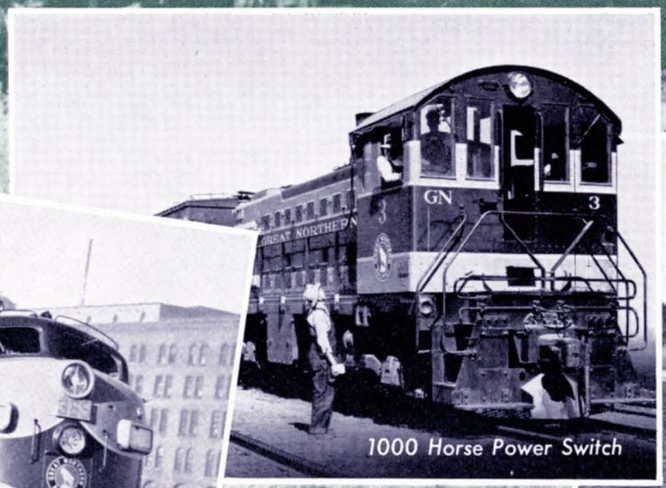


6000 Horse Power Freight

600 Horse Power Switch

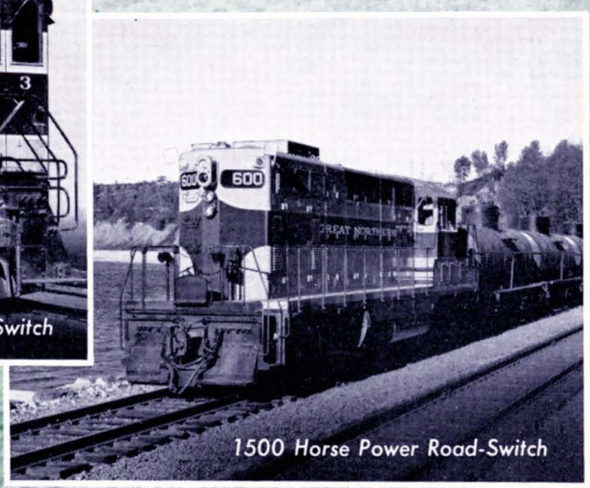
3 Views of New Diesel Locomotive Shops at Havre and Great Falls, Mont.





1000 Horse Power Switch

4500 Horse Power Passenger



1500 Horse Power Road-Switch

OPERATING EXPENSES

Notwithstanding the substantial increase in revenues in 1950 ($15.2 million or 7.2% including back mail pay) there was an increase of only $172,656 or 1/10th of 1% in operating expenses.

The condition of the track structure has been improved with the application in 1950 of 156 track miles of new 115-lb. rail. While this was somewhat less than the 239 track miles relaid in 1949, more crushed rock ballast was applied to main line track in 1950—over 500,000 cubic yards compared with 428,000 cubic yards in 1949. Old ballast is excavated to the bottom of the ties and the track then is lifted from four to six inches on new crushed rock, which is free of earthy matter contained in pit run material. The crushed rock provides better drainage, strengthens the track and makes a more solid roadbed, permitting higher speed operation and maintaining better surface and alignment at lower cost.

In 1950 roadbed stabilization in mucky terrain was continued. Cement grouting was done over a total of 6.4 miles of track at various locations. In 1949 about 5 miles of roadbed was grouted.

The condition of equipment also was satisfactory at the close of 1950, with unserviceable locomotives reduced to 9.1%, unserviceable freight cars 3.4%, and unserviceable passenger cars 2.8% (eliminating 26 express refrigerators withdrawn from service and being rebuilt).

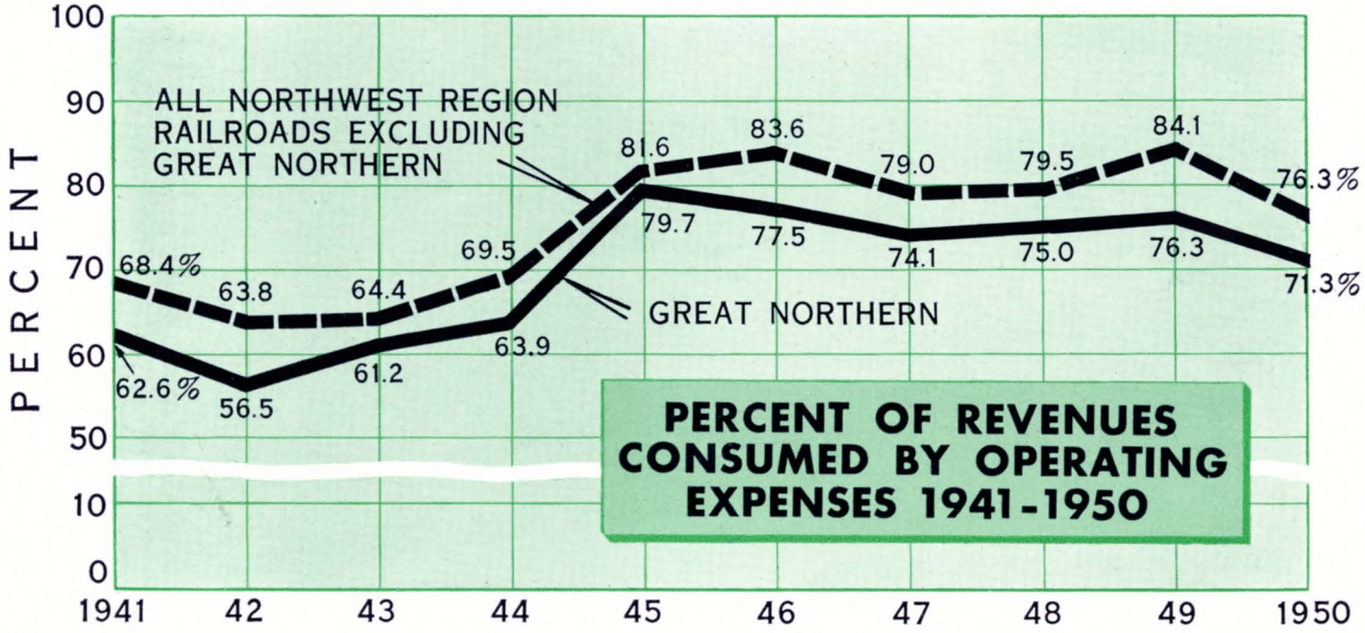
The increasing use of diesel locomotives is making itself felt. In spite of the increase in train service from the larger volume handled, and an increase in unit cost of the various classes of fuel, the total charges for train and yard fuel in 1950 were approximately $700,000 less than for 1949. Locomotive repair costs decreased more than $600,000 in 1950, reflecting the increased use of diesel power.

One of the larger increases was in Freight train car repairs, $10.9 million for 1950 and $9.6 million for 1949, an increase of $1.3 million. A more extensive car rebuilding program was in effect, and every effort was made to keep cars on line in good repair and available for loading because of the general box car shortage during most of the year. Charges for Equipment depreciation increased nearly $750,000 in 1950.

A reduction of nearly one-fourth was made in Loss and Damage expenses which were $1.6 million for 1950 and $2.1 million for 1949, a saving of one-half million dollars. In 1948 Loss and Damage payments were $2.8 million, the decrease in two years to 1950 being $1.2 million or 43%. Better loading and bracing, bulkheading, the use of special devices and more careful packing and handling largely accounted for this improved showing. Charges for injuries to persons were also down fractionally. Traffic expenses decreased nearly $250,000, and clerical expenses in 1950 were less by over $100,000.

Unprofitable passenger trains were discontinued in 1950 accounting for more than 220,000 train miles during a full year. This should result in a net annual saving of nearly $200,000. The earnings of all your Company's passenger trains are under continuous study.

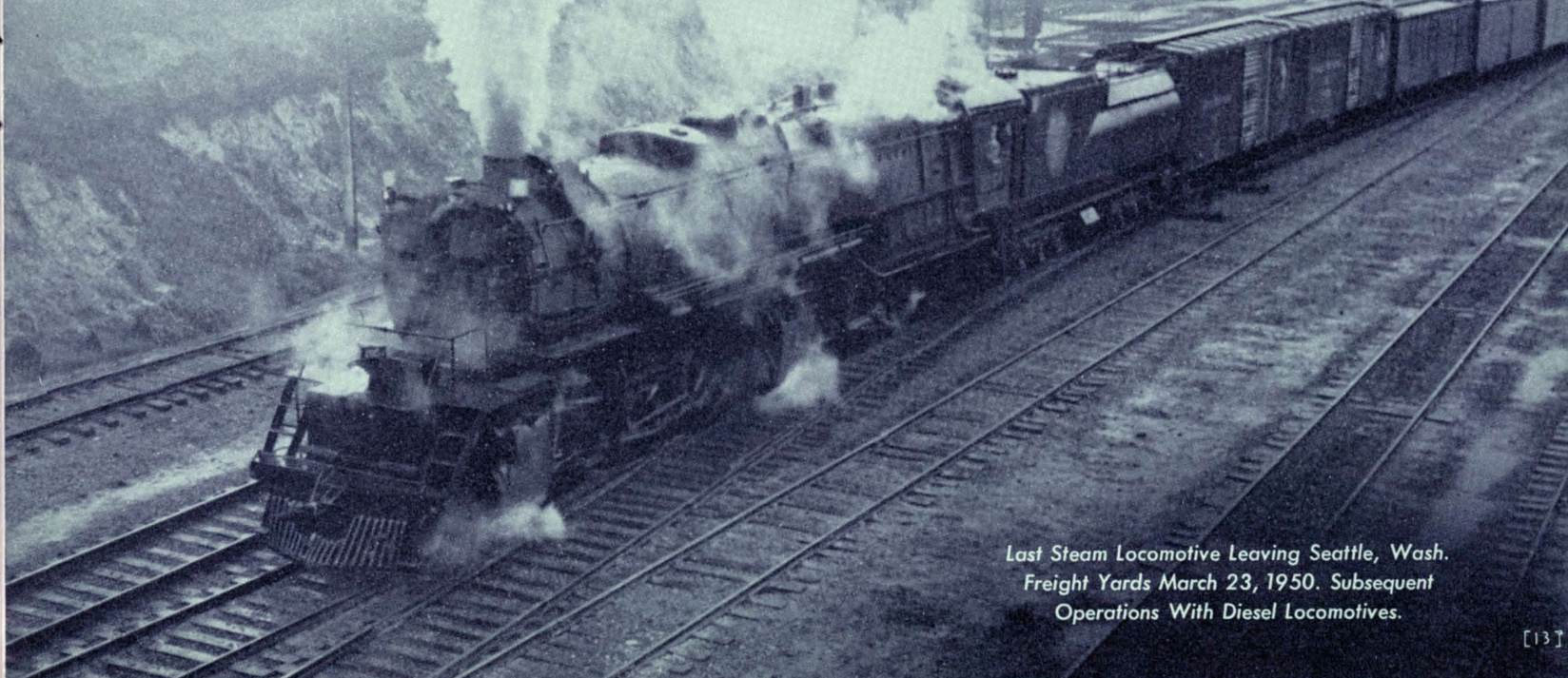
Charges for Operating Expenses are shown in detail on pages 8 and 9 of the "Statistical Supplement" to this report.



SIMPLIFIED BALANCE SHEET

GREAT NORTHERN'S FINANCIAL POSITION AT END OF YEAR

	December 31, 1950	December 31, 1949	Increase—I Decrease—D
QUICK ASSETS:			
Cash and special deposits	$ 53,653,566	$ 38,174,649	$15,478,917 I
Due from agents, conductors and others	21,467,513	11,238,478	10,229,035 I
Material and supplies on hand	27,720,595	27,090,698	629,897 I
Total quick assets, readily convertible into cash	$102,841,674	$ 76,503,825	$26,337,849 I
CURRENT LIABILITIES:			
Employees' pay checks outstanding	$ 5,480,634	$ 4,679,304	$ 801,330 I
Taxes not yet due	26,418,397	17,979,932	8,438,465 I
Bondholders' interest payable January 1	3,464,777	3,464,777	.....
Other current liabilities	17,504,858	13,408,739	4,096,119 I
Total current liabilities	$ 52,868,666	$ 39,532,752	$13,335,914 I
"WORKING CAPITAL":			
The excess of quick assets over current liabilities	$ 49,973,008	$ 36,971,073	$13,001,935 I
GREAT NORTHERN'S INVESTMENTS:			
Road, equipment and other property, less depreciation	$566,141,127	$544,599,793	$21,541,334 I
48.59% of Chicago, Burlington & Quincy R. R. Co. stock	109,245,456	109,245,456	.....
50% of Spokane, Portland and Seattle Ry. Co. stock and bonds	45,798,500	45,798,500	.....
Other stocks, bonds, etc	21,010,898	31,428,970	10,418,072 D
Deferred and unadjusted items	13,333,346	13,066,020	267,326 I
Total investments	$755,529,327	$744,138,739	$11,390,588 I
GREAT NORTHERN'S OTHER OBLIGATIONS:			
To investors for bonds and notes outstanding	$264,020,188	$255,270,884	$ 8,749,304 I
To all others	3,454,487	5,100,991	1,646,504 D
Total owed in addition to current liabilities	$267,474,675	$260,371,875	$ 7,102,800 I
NET WORTH:			
"Working Capital" plus "Investments" minus "Other Obligations"	$538,027,660	$520,737,937	$17,289,723 I
CAPITAL STOCK	272,838,550	272,838,550	.....
BALANCE:			
"Net Worth" minus "Capital Stock"—largely invested in the property	$265,189,110	$247,899,387	$17,289,723 I



Last Steam Locomotive Leaving Seattle, Wash. Freight Yards March 23, 1950. Subsequent Operations With Diesel Locomotives.

TAXES

Railway tax accruals for 1950 of nearly $34.5 million were $8.5 million more than in 1949, and most of this increase was in United States Income Tax. With a substantially larger Net Income in 1950, and a higher tax rate on taxable income, 38% in 1949 and 42% in 1950, the accrual for United States Income Tax was $16,925,000 for 1950, and $8,775,000 for 1949, increase $8,150,000. This tax rate will be substantially increased for 1951.

Under the present law your Company was not subject to excess profits taxes for 1950, and no accrual was made on this account.

WAGE INCREASES

The year 1950 was one of strife with the train service labor organizations. The Switchmen's Union of North America, refusing to accept the findings of a Presidential Emergency Board, struck five important western railroads, including Great Northern, on June 25, in an effort to enforce their demand for a 40-hour week with retention of 48 hours' pay. The strike was called off on July 6. Final settlement, effective October 1, included acceptance of the recommendations of the Emergency Board for an 18 cents per hour increase, an additional negotiated 5 cents per hour, and quarterly automatic wage adjustment, based on changes in the cost of living, in consideration of a 3-year moratorium on changes in wages and rules.

The Brotherhood of Railroad Trainmen and the Order of Railway Conductors also declined to accept the findings of a Presidential Emergency Board, and called a strike for August 28, 1950, whereupon the President of the United States issued an Executive Order providing for taking over the Nation's railroads on August 27, 1950, and their operation by the Secretary of the Army. This control extended into 1951.

On December 21, 1950, a signed agreement on principles was reached with the heads of the operating brotherhoods that would have disposed of all matters in dispute, including the demand for a 40-hour week. However, this agreement was not ratified by the General Committee of the brotherhoods. The agreement provided in part for road men to receive 5 cents per hour increase, effective October 1, 1950, and an additional 5 cents per hour on January 1, 1951, with quarterly adjustment of wages to be made on basis of cost of living index, and a moratorium on proposals for changes in basic rates and rules declared until October 1, 1953.

The above increases would cost approximately $2.25 million per year, of which $560,000 was included in 1950 accounts covering the last three months of the year.

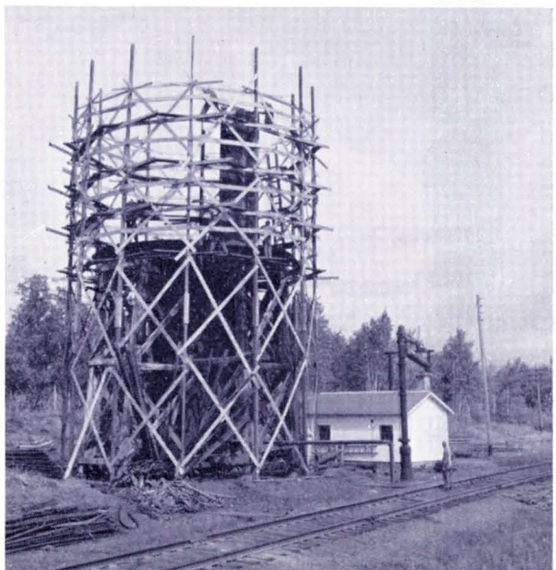
The non-operating unions presented a demand, late in 1950, for an increase of 25 cents per hour. Negotiation of this request on a national basis was conducted and, effective February 1, 1951, an increase of 12½ cents per hour was agreed upon. Provision was also included for a quarterly cost of living adjustment with a moratorium on any further wage increase until October 1, 1953. The 12½-cent per hour initial increase will cost Great Northern approximately $6.9 million per year.

INDUSTRIAL DEVELOPMENT

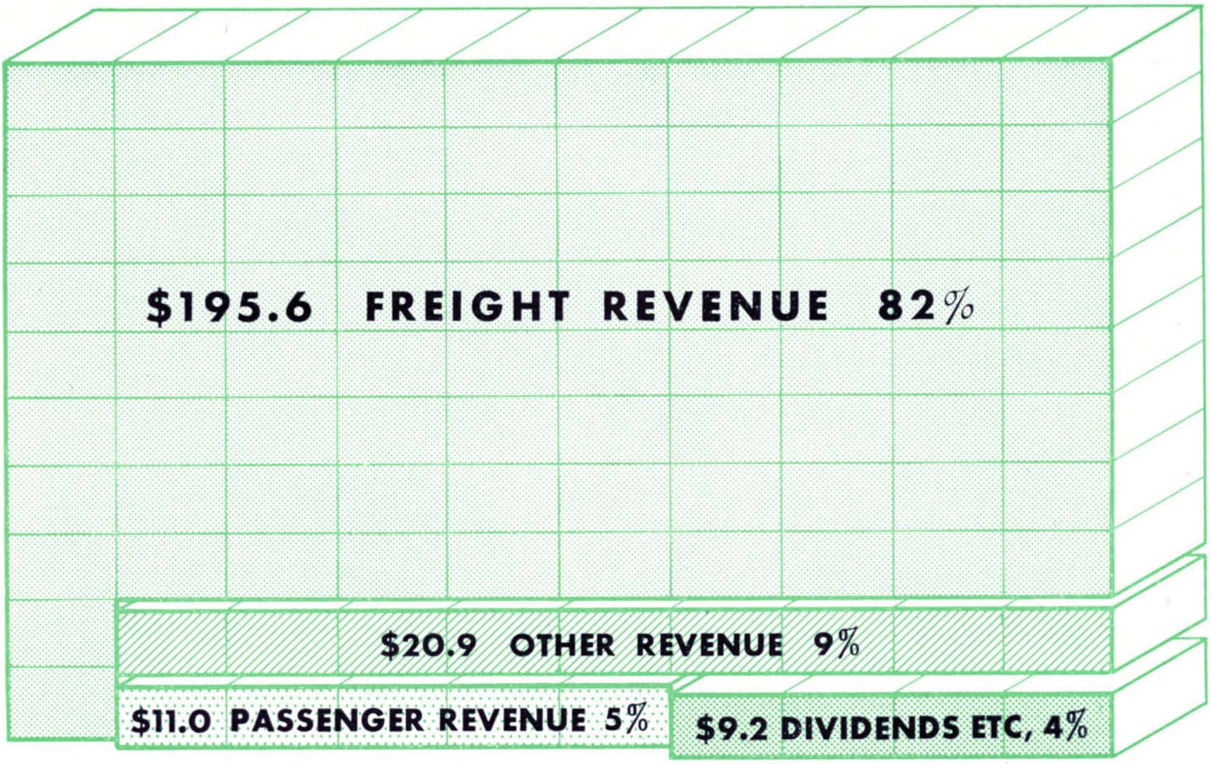
Many industries withheld expansion during 1950 due to high construction costs and prospective material shortages. However, approximately 275 new industries were located on Great Northern tracks, and other new plants began operations in territory served by your railway. These industries included grain elevators, general warehouses, bulk oil and propane gas facilities, lumber manufacturing and storage plants, warehouses for handling potatoes, fruits, vegetables, and agricultural implements, and various other products.

The aluminum plant just east of Spokane, Wash., expanded operations by adding a seventh pot line, and announcement was made of the location of another large aluminum reduction plant at a local point on Great Northern near Kalispell, Mont. This plant will use power from the nearby Hungry Horse Dam development when it becomes available in 1952.

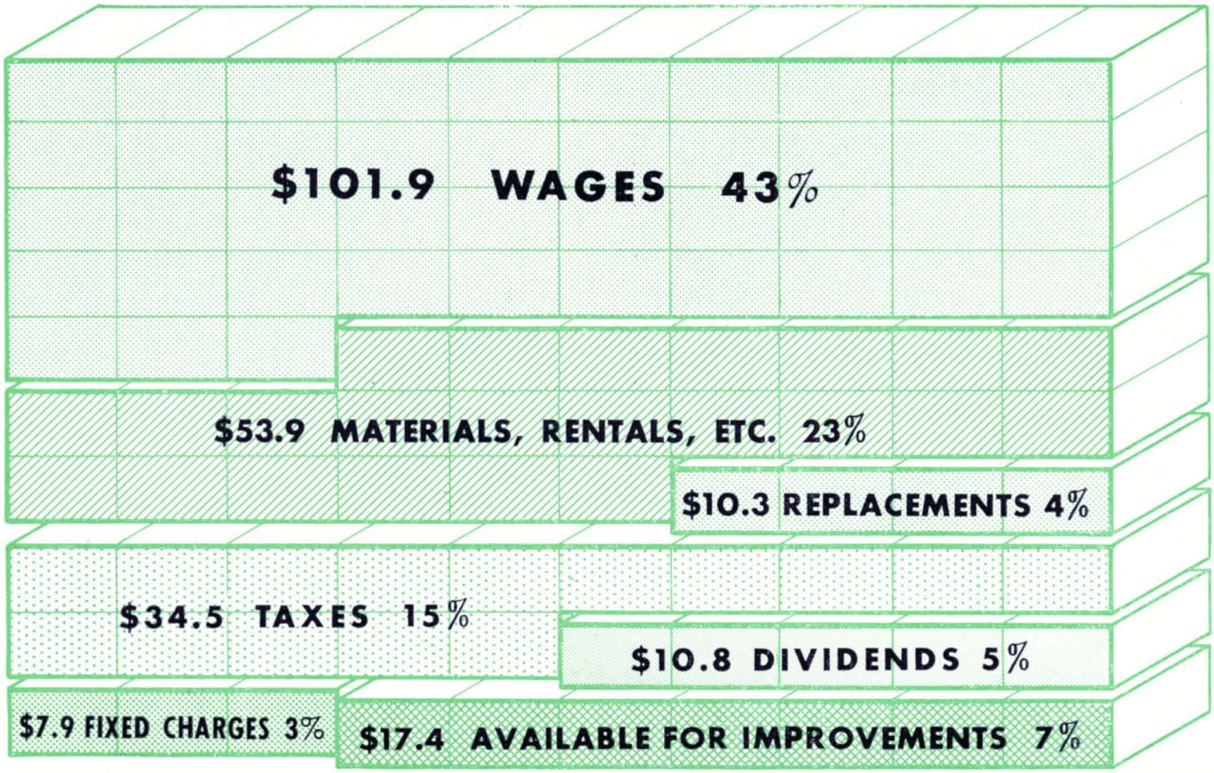
Dismantling water tank not needed with Diesel operation



1950 INCOME - $236.7 MILLIONS



1950 OUTGO - $236.7 MILLIONS



VOLUME OF TRAFFIC AND OPERATING AVERAGES

ITEM	1950	1949	1948	1947	1946
REVENUE NET TON MILES (1000's)	16,047,498	15,380,005	16,399,435	16,276,479	14,769,179
PASSENGERS CARRIED ONE MILE (1000's)	494,307	501,964	542,792	630,362	869,967
TRAIN LOAD—NET TONS ALL FREIGHT	1,364	1,333	1,345	1,284	1,216
REVENUE PER NET TON MILE (cents)	1.219	1.197	1.140	1.013	.932
REVENUE PER PASSENGER MILE (cents)	2.239	2.328	2.331	2.076	1.837
NET TON MILES PER TRAIN HOUR	21,150	20,621	21,072	19,991	18,652
FREIGHT LOCOMOTIVE MILES PER LOCOMOTIVE DAY	82.6	82.7	84.4	89.8	82.1
FREIGHT CAR MILES PER CAR DAY	47.0	45.7	48.6	48.5	47.3
NET TON MILES PER FREIGHT CAR DAY	1,074	1,010	1,092	1,074	996

POWER AND IRRIGATION PROJECTS

1. HUNGRY HORSE DAM

During 1950 construction was actively progressed on Hungry Horse Dam, on the south fork of the Flathead River in western Montana. The railhead for the dam area is Great Northern's station at Coram. All cement and fly-ash used in this construction is handled into Coram by Great Northern. Over 1 million cubic yards of concrete were poured in 1950, raising the dam to a height of 235 feet. The project now is nearly one-half completed. The objective for 1951 is to place an additional 1.2 million cubic yards of concrete. The power capacity will be 285,000 kilowatts, with the first power produced in 1952.

2. CHIEF JOSEPH DAM

Work was begun on Chief Joseph Dam in 1950. It is located on the Columbia River about 55 miles northeast of Wenatchee, Wash., and served exclusively by Great Northern. The Chief Joseph project primarily is for power purposes and will have an ultimate generating capacity of 1,728,000 kilowatts, exceeded in size only by the Grand Coulee plant, which is about 50 miles upstream on the Columbia. Peak of construction is expected in 1953, and the first four generators are scheduled for service in 1956.

3. COLUMBIA BASIN PROJECTS

Construction on dams, canals, laterals, etc., was continued in 1950, and it is expected that some 87,000 acres of land will be brought under irrigation in 1952, much of it adjacent to Great Northern lines. The water, impounded behind Grand Coulee Dam, will be pumped from there into storage reservoirs, and thence by canal to the area to be irrigated.

4. ALBENI FALLS DAM

This dam is on the Pend Oreille River, a tributary of the Columbia River, along Great Northern near the Idaho-Washington state line. It is a multi-purpose power development, flood control and irrigation project. The first construction stage has been contracted for and completion is scheduled for 1955.

5. ROCK ISLAND DAM

A powerhouse now is located on the Columbia River adjacent to Great Northern tracks at Rock Island, 10 miles east of Wenatchee, Wash. It now is proposed to raise the dam, and increase its generator capacity so that additional power will be available to industries interested in locating in that area.

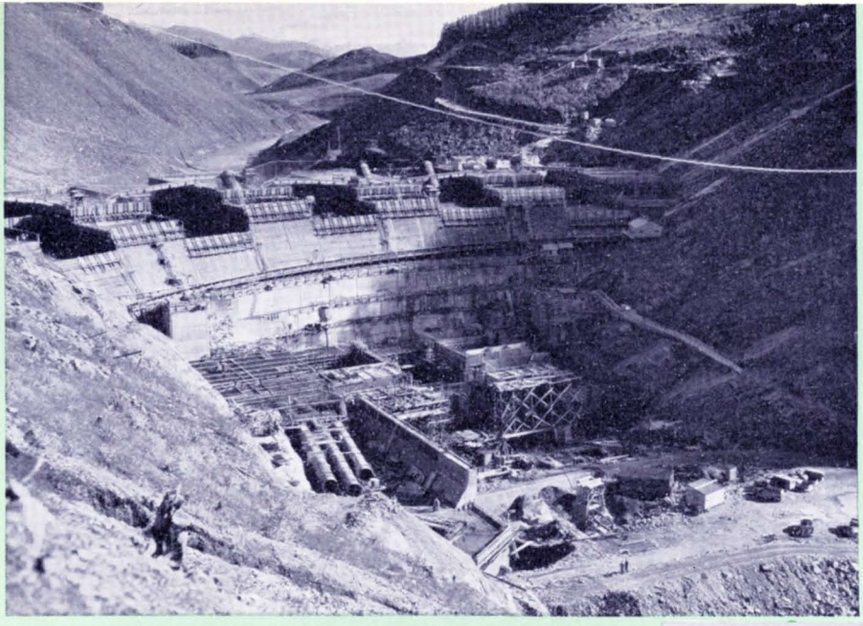
6. TIBER DAM

This is an irrigation project, located on the Marias River 14 miles south of Chester, Mont., and will serve about 127,000 acres in exclusive Great Northern territory. Housing for workers now is being constructed, as well as an access road, sewer and water systems, etc. Bids have been returned for construction of the dam, but award has not been made, as the Government is not starting new projects of this kind which will not contribute directly to the national defense.

7. McNARY DAM

The McNary Dam is on the Columbia River, some 20 miles west of Pasco, Wash. It is partially served by Spokane, Portland and Seattle Railway. Most of the work on the Washington side of the dam has been completed. The first two generators on this multi-purpose project are scheduled for installation in 1953, and completion is planned for 1957, with an installed capacity of 980,000 kilowatts.

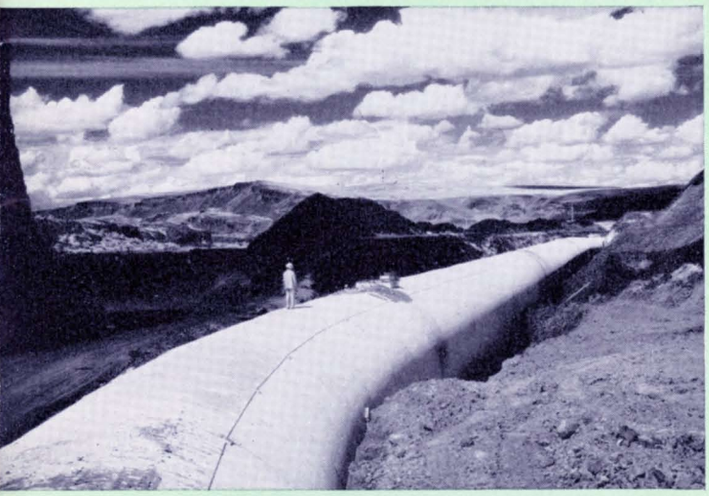
SOME POWER AND IRRIGATION PROJECTS ALONG GREAT NORTHERN LINE

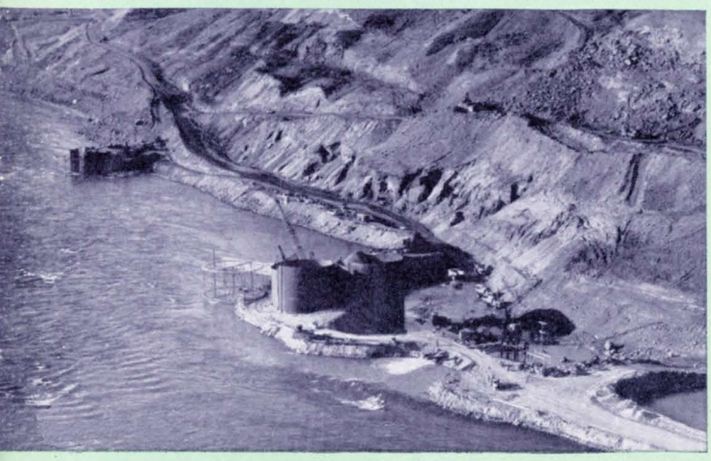


Hungry Horse Dam, South Fork of Flathead River, Western Montana

Unloading Cement at Rail Head, Coram, Mont. for Hungry Horse Dam

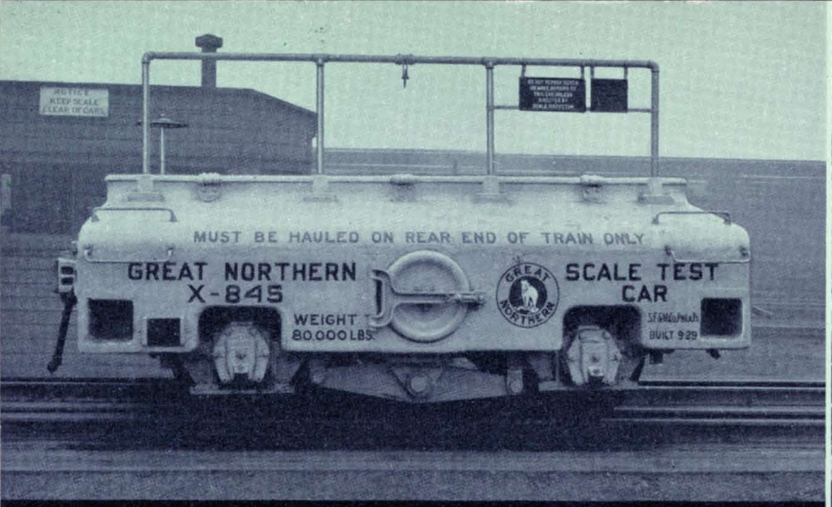
25 Foot Soap Lake Siphon, Columbia Basin Irrigation Project, East Central Washington





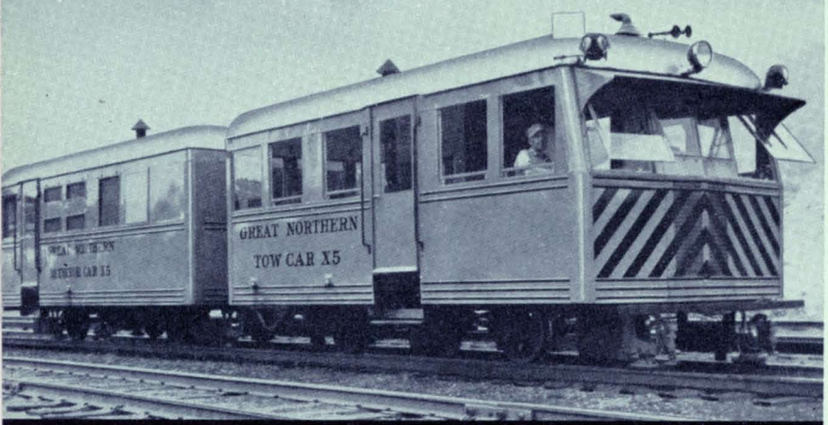
Chief Joseph Dam, Columbia River, Bridgeport, Wash.

Site of Albeni Falls Dam on Pend Oreille River, Albeni Falls, Ida.



Scale Test Car

Car Shakeout for Unloading Iron Ore

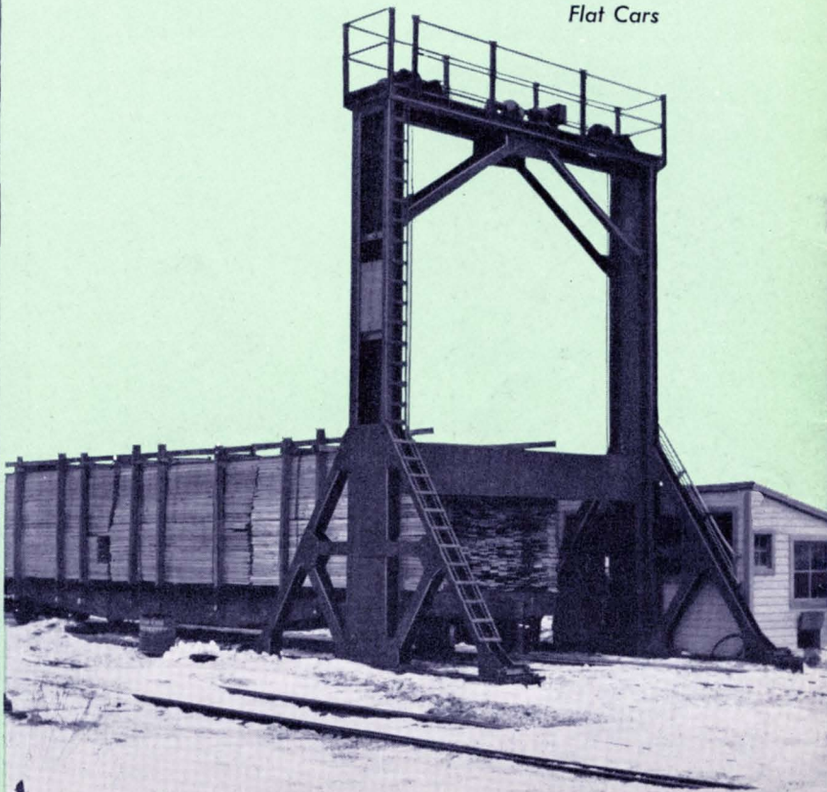


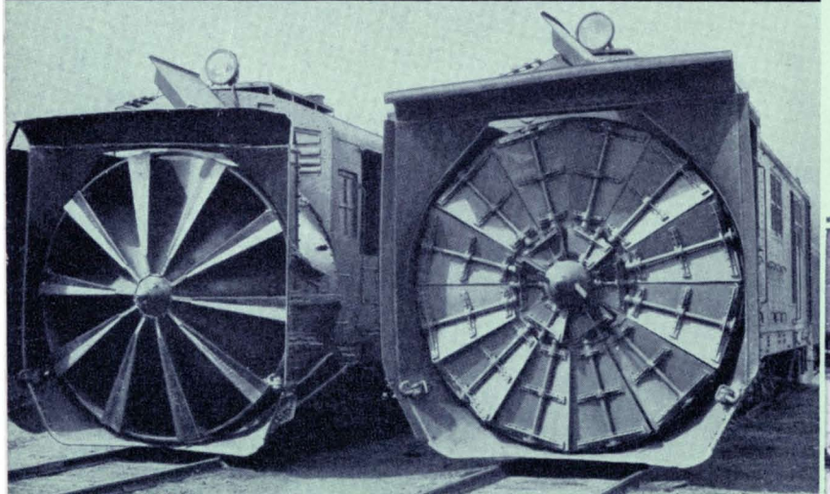
Detects Rail Flaws

SOME GREAT NORTHERN RAILWAY SPECIALIZED EQUIPMENT

250 Ton Railway Crane

Straightens Load on Flat Cars





Rotary Snow Plows

PROPERTY IMPROVEMENTS

During 1950 the cash expenditure for property improvements was $34.8 million compared with $29.6 million in 1949. Expenditures for fixed property amounted to $7.8 million, and $27.0 million was invested in equipment.

1. FIXED PROPERTY IMPROVEMENTS

Important work completed during 1950 included an enlarged electric shop for repair of diesel motors in St. Paul, Minn.; remodeling and extending an engine house in Seattle, Wash., for handling diesel locomotives; construction of diesel locomotive housing and servicing facilities at seven points in Montana; erection of a large addition to truck garage in Great Falls, Mont.; and replacement of timber with steel bridge near Chappell, Mont. Continuous welded rail was placed for nearly 4 miles in the Cascade Tunnel completing the work begun in 1949. Iron ore steaming lines were extended in Allouez, Wisc.

Work was nearly completed on new power plants in St. Paul, Minn., and Grand Forks, N. D.; extension to the diesel shop in Havre, Mont.; extension and improvements to freight house in Great Falls, Mont.; and installation of a 7,500 KWA frequency motor generator set at Skykomish, Wash. Rearranging and enlarging terminal tracks and facilities in Sioux City, Ia., was also begun.

2. NEW EQUIPMENT

Equipment delivered in 1950 included 80 diesel locomotives of all classes, totaling 120 units of power. Two 5-car streamlined passenger trains were received for service between Seattle, Wash., and Vancouver, B. C., each consisting of a mail-baggage car, two coaches, a cafe-coach and a parlor-lounge car. A similar train, including a mail-baggage car, three coaches and a cafe-parlor car, was delivered and assigned to the Grand Forks, N. D.-St. Paul, Minn., run. Seventy-two additional passenger cars were received for the new "Empire Builder".

The Western Fruit Express Company, a wholly-owned subsidiary, purchased 500 new, all steel refrigerator cars in 1950, and completely rebuilt 100 additional refrigerator cars.

In addition to the passenger cars still to be delivered, equipment scheduled for receipt during 1951 includes 39 diesel locomotives, 1,000 fifty-ton all-steel box cars, to be built in Company shops, 250 seventy-ton solid bottom and end gondola cars, and 100 seventy-ton covered hopper cars. The cost of this new equipment is estimated at $13,450,000. Western Fruit Express Company will purchase an additional 400 new refrigerator cars.

DEBT CHANGES

During 1950 a 1 to 15-year Equipment Trust of $14,130,000 was sold by competitive bidding. Funds received are to be used to help finance acquisition of 47 diesel locomotive units and 78 passenger train cars, estimated to cost $17,688,000. The price received was 99.379% of the principal amount for a 2⅜% coupon, the net interest cost to Great Northern being 2.46%.

There was no change in 1950 in mortgage bonds outstanding of $215.4 million. Considering the issue of the new Equipment Trust for $14.1 million, and the pay offs made on existing equipment paper, there was a net increase of $8.7 million in equipment obligations during the year. On December 31, 1950, the amount of equipment obligations outstanding was nearly $48.7 million.

Westbound Freight East of Glacier National Park

GENERAL

As of November 21, 1950, there were 33,655 owners of Great Northern stock, with holdings averaging 92 shares.

During 1950 dividends of $3.50 per share were paid, the first and last quarterly dividends being at $1 per share, the other two at 75 cents per share.

Dividends received by Great Northern from Chicago, Burlington & Quincy Railroad Co. in 1950 totaled $5.8 million, as compared with $4.1 million in 1949. Spokane, Portland and Seattle Railway Co. paid Great Northern $2 million in interest charges in 1950 as compared with $1 million in 1949.

During the year Lake Mining Company paid in full its promissory note in the principal amount of $3,630,246 previously issued for the purchase of Great Northern's interest in certain iron ore mining properties in St. Louis County, Minnesota.

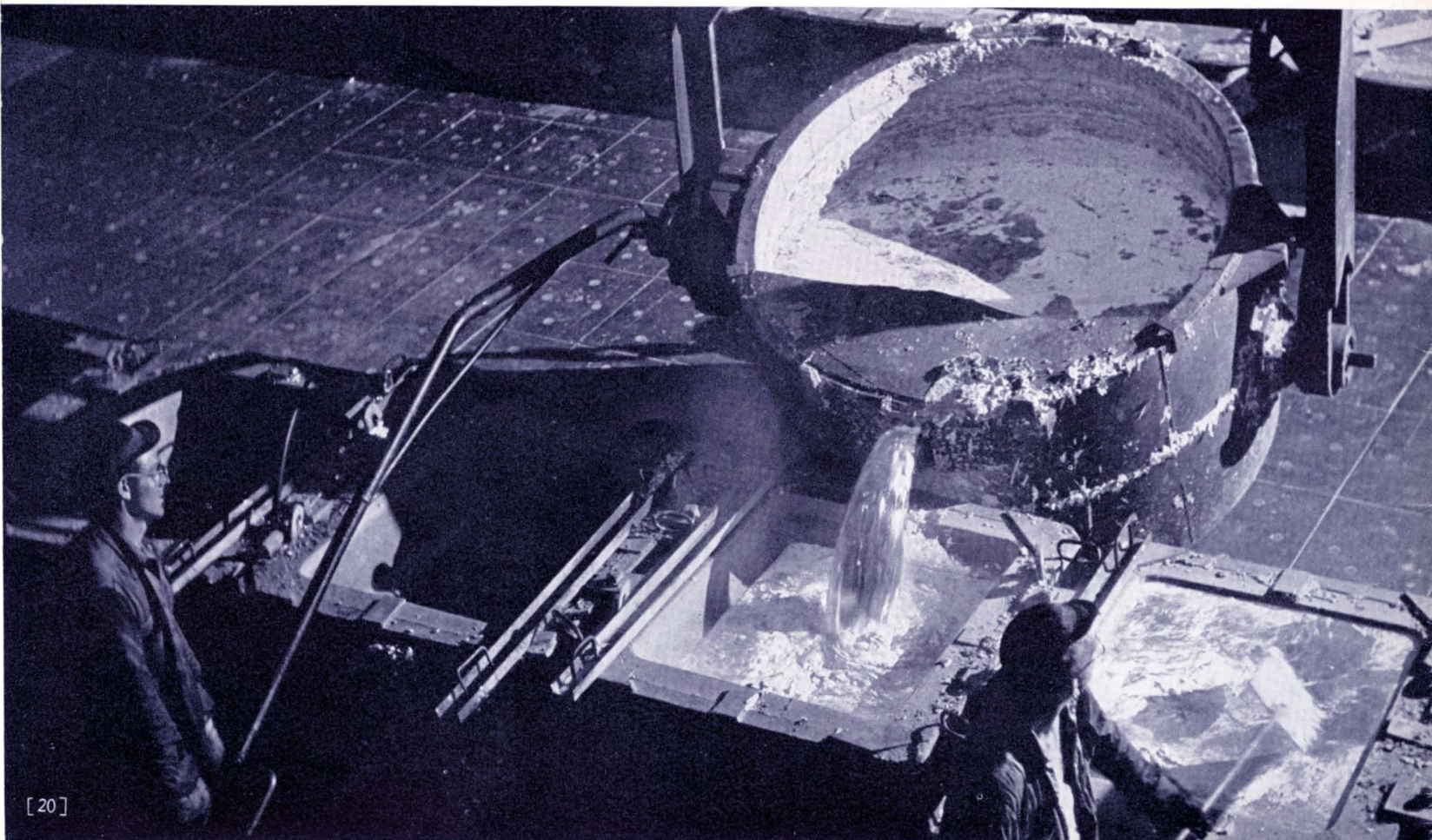
Late in 1950 Great Northern applied to the Interstate Commerce Commission for permission to acquire the stock of Pacific Coast Railroad, a 29-mile line in and near Seattle, Wash. Included is trackage and industrial property on which considerable future development may be expected in the Renton district, one of the fastest growing suburbs of Seattle. Cost of capital stock of Pacific Coast Railroad will be $1,700,000, payable in 10 equal annual installments, with interest on the unpaid balance at 3%.

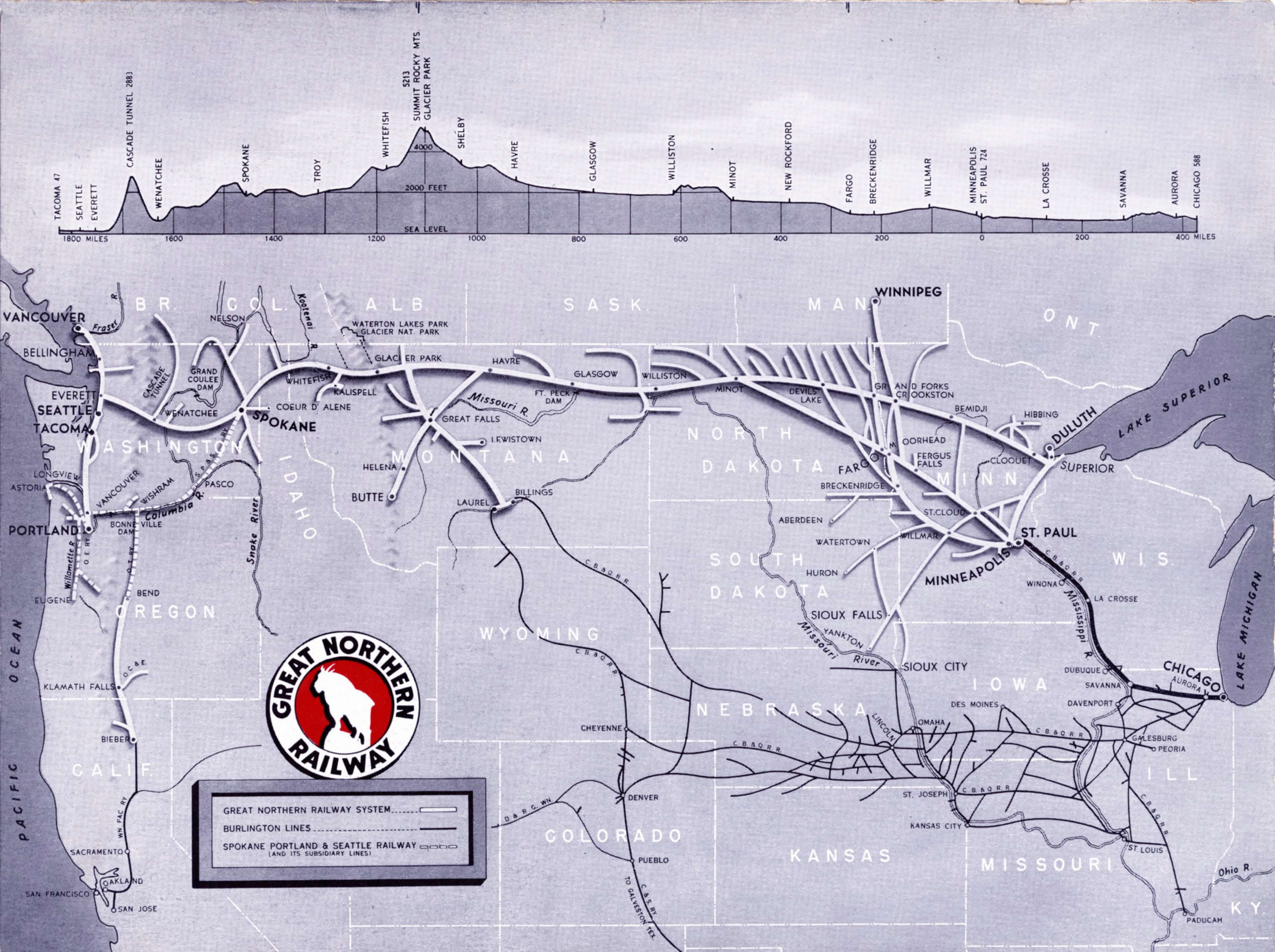
Your Company will use its resources and personnel in developing industrial property adjoining the Pacific Coast Railroad. It is anticipated that present operating expenses of that railroad will be reduced by eliminating overhead, the use of superior Great Northern shop and repair facilities, as well as the latest mechanical equipment for track maintenance, and conversion of operations from steam power to diesel power.

In spite of the emphasis by the Government on preparations for defense, the Nation's railways must have sympathetic consideration in the allocation of essential materials, specifically rail and metals for construction and maintenance of cars and locomotives.

Tension in international affairs is mounting and the Nation's railroads must place themselves in position to meet demands for movement of men and supplies for the armed forces. Great Northern is preparing for this responsibility by putting its plant in the best possible shape, and acquiring more new and improved motive power, freight and passenger equipment.

Pouring molten aluminum at plant on Great Northern Railway, Mead, Wash.




TACOMA 47
SEATTLE
EVERETT
CASCADE TUNNEL 2883
WENATCHEE
SPOKANE
TROY
WHITEFISH
5213
SUMMIT ROCKY MTS.
GLACIER PARK
SHELBY
HAVRE
GLASGOW
WILLISTON
MINOT
NEW ROCKFORD
FARGO
BRECKENRIDGE
WILLMAR
MINNEAPOLIS
ST. PAUL 724
LA CROSSE
SAVANNA
AURORA
CHICAGO 588
4000
2000 FEET
SEA LEVEL
1800 MILES
1600
1400
1200
1000
800
600
400
200
0
200
400 MILES
B R. C O L.
A L B.
S A S K.
M A N.
ONT.
WINNIPEG
VANCOUVER
Fraser R.
NELSON
Kootenai R.
WATERTON LAKES PARK
GLACIER NAT. PARK
BELLINGHAM
GLACIER PARK
HAVRE
GLASGOW
WILLISTON
MINOT
DEVILS LAKE
GRAND FORKS
CROOKSTON
BEMIDJI
HIBBING
DULUTH
LAKE SUPERIOR
EVERETT
SEATTLE
TACOMA
CASCADE TUNNEL
GRAND COULEE DAM
WHITEFISH
KALISPELL
WENATCHEE
COEUR D' ALENE
SPOKANE
Missouri R.
FT. PECK DAM
GREAT FALLS
LEWISTOWN
HELENA
BUTTE
LAUREL
BILLINGS
WASHINGTON
IDAHO
MONTANA
NORTH DAKOTA
MOORHEAD
FERGUS FALLS
CLOQUET
SUPERIOR
FARGO
BRECKENRIDGE
ABERDEEN
ST.CLOUD
WATERTOWN
WILLMAR
HURON
MINNEAPOLIS
ST. PAUL
MINN.
WIS.
LONGVIEW
ASTORIA
VANCOUVER
WISHRAM
S.P.&S. RY.
PASCO
Columbia R.
BONNEVILLE DAM
PORTLAND
O.E. RY.
Willamette R.
Snake River
C.B.&Q.R.R.
WINONA
Mississippi R.
LA CROSSE
LAKE MICHIGAN
EUGENE
BEND
OREGON
SIOUX FALLS
YANKTON
Missouri River
WYOMING
SOUTH DAKOTA
SIOUX CITY
CHICAGO
AURORA
DUBUQUE
SAVANNA
IOWA
DES MOINES
DAVENPORT
O.C.&E.
KLAMATH FALLS
CHEYENNE
NEBRASKA
OMAHA
LINCOLN
GALESBURG
PEORIA
BIEBER
CALIF.
ILL.
WN. PAC. RY.
DENVER
D.&R.G.W.
ST. JOSEPH
KANSAS CITY
COLORADO
KANSAS
MISSOURI
ST. LOUIS
Ohio R.
SACRAMENTO
PUEBLO
TO GALVESTON TEX.
C.&S. RY.
OAKLAND
SAN FRANCISCO
SAN JOSE
PACIFIC OCEAN
PADUCAH
KY.
GREAT NORTHERN RAILWAY
GREAT NORTHERN RAILWAY SYSTEM
BURLINGTON LINES
SPOKANE PORTLAND & SEATTLE RAILWAY
(AND ITS SUBSIDIARY LINES)

SERVES THE BEST OF THE GREAT NORTHWEST

WISCONSIN
MINNESOTA
IOWA
SOUTH DAKOTA
NORTH DAKOTA
MONTANA
IDAHO
WASHINGTON
OREGON
CALIFORNIA
MANITOBA
BRITISH COLUMBIA