

**GREAT NORTHERN
RAILWAY COMPANY**

66th
ANNUAL REPORT
1954



GREAT NORTHERN

GREAT NORTHERN RAILWAY HIGHLIGHTS OF 1954

ITEM	1954	1953	1952	1951	1950
Average Per Share of Capital Stock (6,049,519 shares Dec. 31, 1954)					
Net Income.....	\$ 4.21	\$ 4.92	\$ 4.55	\$ 3.91	\$ 4.56
Dividends Paid.....	2.10	2.00	2.00	2.00	1.75
Operating Revenues.....	41.37	44.02	42.53	40.54	36.78
Taxes.....	5.03	6.52	6.25	6.02	5.57
Fixed Charges.....	1.34	1.33	1.31	1.34	1.28
Income Account (Millions of Dollars)					
Net Income.....	\$ 25.4	\$ 29.9	\$ 27.7	\$ 23.9	\$ 28.2
Dividend Paid.....	12.7	12.2	12.2	12.4	10.8
Operating Revenues.....	250.3	268.0	260.2	248.0	227.5
Wages.....	123.1	126.5	125.8	123.2	106.1
Taxes.....	30.4	39.7	38.1	36.9	34.5
Fixed Charges.....	8.1	8.1	8.0	8.2	7.9
Financial Condition Dec. 31 (Millions of Dollars)					
Cash and Special Deposits.....	\$ 55.8	\$ 55.6	\$ 53.9	\$ 61.7	\$ 53.7
Total Current Assets.....	102.2	107.4	99.7	108.9	102.8
Current Liabilities.....	43.6	52.3	50.9	64.7	52.9
Working Capital.....	58.6	55.1	48.8	44.2	49.9
Financial Statistics					
Times Fixed Charges Earned.....	4.1	4.7	4.5	3.9	4.6
Per Cent Return on Property Investment.....	3.6	4.1	3.9	3.6	4.3
Per Cent Revenues taken by Transportation Expenses.....	33.4	32.1	33.4	35.2	33.5
Per Cent Revenues taken by All Operating Expenses.....	75.4	72.7	73.6	74.3	71.3
Operating Statistics					
Net Ton Miles (Billions).....	17.3	18.6	17.5	18.0	16.0
Passengers Carried One Mile (Millions).....	497.2	558.8	612.0	589.5	494.3
Train Load—Net Tons.....	1,396.7	1,440.3	1,384.0	1,426.1	1,364.3
Net Ton Miles per Freight Car Day.....	1,050.0	1,172.3	1,123.3	1,234.0	1,074.3
Net Ton Miles per Train Hour.....	24,766.6	24,350.5	22,690.4	22,578.3	21,149.5

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RADIO EQUIPPED
SAFETY WORK SAFELY

Cover picture shows new yard office at twilight, Hillyard, Wash. The back cover shows a view of the Hillyard yard from the Yardmaster's "crow's nest".

66TH ANNUAL REPORT

GREAT NORTHERN RAILWAY COMPANY

1954



EMPIRE BUILDER
ALONG PUGET SOUND

GREAT NORTHERN RAILWAY COMPANY

STOCKHOLDERS

33,102 Stockholders, November 24, 1954.

BOARD OF DIRECTORS

Term Expires May 12, 1955.

JOHN M. BUDD St. Paul WILLIAM L. McKNIGHT St. Paul
President, Chairman of the Board,
Great Northern Ry. Co. Minnesota Mining & Mfg. Co.

THOMAS L. DANIELS Minneapolis ARCHIBALD W. WITHERSPOON. .Spokane
President, Chairman of the Board,
Archer-Daniels-Midland Co. Old National Bank of Spokane

Term Expires May 10, 1956

Term Expires May 9, 1957

F. PEAVEY HEFFELFINGER . . Minneapolis J. STEWART BAKER New York
President, Chairman of the Board,
F. H. Peavey & Co. Bank of the Manhattan Co.

GRANT KEEHN New York FRANK J. GAVIN. St. Paul
Executive Vice President, Chairman of the Board,
The First National Bank of the City of New York Great Northern Ry. Co.

RICHARD C. LILLY St. Paul JAMES F. OATES, JR. Chicago
Director, Chairman,
First National Bank of St. Paul The Peoples Gas Light and Coke Co.

WALTER G. SEEGER St. Paul FREDERICK K. WEYERHAEUSER . . St. Paul
Chairman of the Board, President,
Seeger Refrigerator Co. Weyerhaeuser Sales Co.

EXECUTIVE COMMITTEE

JOHN M. BUDD FRANK J. GAVIN F. PEAVEY HEFFELFINGER
RICHARD C. LILLY WILLIAM L. McKNIGHT WALTER G. SEEGER
FREDERICK K. WEYERHAEUSER

OFFICERS

F. J. GAVIN, Chairman of the Board St. Paul
J. M. BUDD, President St. Paul
V. P. TURNBURKE, Vice President, Executive Department St. Paul
T. BALMER, Vice President Seattle
I. G. POOL, Vice President, Operating Department St. Paul
C. E. FINLEY, Vice President, Traffic Department. St. Paul
E. C. MATTHIAS, Vice President and General Counsel St. Paul
J. A. TAUER, Vice President and Comptroller St. Paul
F. L. PAETZOLD, Secretary and Treasurer St. Paul
C. A. PEARSON, Assistant to the President St. Paul
C. W. MOORE, Executive Assistant St. Paul
A. KANE, General Solicitor St. Paul
C. O. HOOKER, General Manager, Lines East of Williston Duluth
T. A. JERROW, General Manager, Lines West of Williston Seattle
A. W. CAMPBELL, General Superintendent Transportation. St. Paul
J. L. ROBSON, Chief Mechanical Officer St. Paul
R. R. MANION, Chief Engineer. St. Paul
W. N. NORRIS, General Auditor St. Paul
A. N. CRENSHAW, Director of Purchases St. Paul
J. C. KENADY, Land and Tax Commissioner St. Paul
R. M. O'KELLY, Assistant Secretary and Assistant Treasurer New York
E. V. FINK, Assistant Treasurer and Transfer Agent. New York
A. SELANDER, Assistant Treasurer and Transfer Agent St. Paul
C. F. ZIEGAHN, Assistant Secretary and Transfer Agent. St. Paul

EMPLOYEES

26,970 Average Number for 1954

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 12, 1955

GREAT NORTHERN RAILWAY COMPANY
EXECUTIVE DEPARTMENT

J. M. BUDD
PRESIDENT

ST. PAUL 1, MINNESOTA

March 31, 1955

To Great Northern Shareholders:

Although there was a reduction in gross revenue and Net income during 1954, the directors felt justified in raising the annual dividend rate on the new common stock in the middle of the year from \$2.00 per share to \$2.20 because of substantial prospective earnings.

The shareholders at the annual meeting on May 13, 1954 approved a plan for reclassifying the only outstanding capital stock from preferred to common, and splitting the shares on a two-for-one basis. The changes were made effective on July 2, 1954.

Operating revenues of \$268 million in 1953 were reduced to \$250 million in 1954. Reduced movement of iron ore accounted for the greatest part of the loss. Smaller steel production and greater use of scrap iron reduced iron ore traffic from 32.3 million long tons in 1953 to only 21.0 million long tons in 1954. Revenue from this traffic alone decreased \$12 million - over 35%. The volume of other well diversified freight traffic held up much better with a decrease in revenue of only 2%. The movement of grain increased from 221 million bushels in 1953 to 228 million bushels in 1954. Lumber, livestock and potatoes also moved in larger volume, but coal, cement and most manufactured articles decreased in volume.

Passenger traffic fell off sharply on most railroads and the Great Northern was no exception. Passenger revenues dropped from \$12.5 million in 1953 to \$11.0 million in 1954. Revenues for handling U. S. mail increased from \$7.6 to \$8.2 million, however, because of a 10% increase in the rates.

Net income of \$25.4 million in 1954 compared with \$29.9 million for 1953. The earnings per share were \$4.21 in 1954 and \$4.92 in 1953. Fixed charges were covered 4.2 times although the return on net property investment was only 3.4%.

Your Company continues to grow with the territory it serves and 209 new industries were located on company-owned property. Additional industries located on adjoining private property. Included were potato warehouses and processing plants, lumber yards, grain elevators, oil refineries, various types of distribution warehouses, and several fertilizer installations, particularly anhydrous ammonia distributing plants. These will permit better agricultural production.

Improved service to the public in 1954 was made possible by centralized traffic control installations on 87 miles of line at three locations in Minnesota and Montana; first extensive use of radio on through freight trains between the Twin Cities and Seattle; and first trailer-on-flat-car service between Twin Cities and Duluth-Superior and between Twin Cities and Fargo-Moorhead, resulting in faster delivery of small freight shipments and decrease in damage to lading. Freight train schedules operated with connecting lines between Los Angeles and Portland, Tacoma, Seattle and Vancouver, B. C. were reduced up to 24 hours.

With the receipt of 37 new diesel locomotive units, complete dieselization was put into effect west of Minot, N. D. permitting the abandonment of extensive steam enginehouses at Williston, N. D. and Havre, Mont. Major improvements to shop facilities at Hillyard, Wash. were completed, including conversion of part of the former steam locomotive repair facilities to a modern diesel shop. A new freight car shop building was constructed at St. Cloud, Minn.

In order to keep improving and modernizing the railroad to maintain a favorable competitive position, work contemplated in 1955 includes: construction of a new modern car-retarder freight classification yard at Minot, N. D.; construction of 1,000 box cars; and the purchase of dome coaches and full-length dome lounge cars for Empire Builder trains on the run between Chicago and Seattle-Portland.

The program of eliminating unprofitable branch line and main line local passenger trains was continued in 1954, resulting in a reduction of nearly 450,000 passenger train miles per year. Similar reductions are planned in 1955. Passenger trains now operate on only 4,720 miles of road out of the total 8,300 miles of road in the system operations.

There is every indication that 1955 will be another good year for your Company. Greater demand for steel will substantially increase the movement of iron ore in 1955. Estimates indicate that there were more bushels of grain on farms and in country elevators on January 1, 1955 than on January 1, 1954. New home construction continues at a high rate which will stimulate lumber traffic. The modern railroad plant has been well maintained, and with the continuing loyal and skillful co-operation of officers and employees we look forward to 1955 with confidence.


President

NET INCOME

Your Company's Net income for 1954 was \$25.4 million—\$4.21 per share. For 1953 the Net income was an all-time high of \$29.9 million, or \$4.92 per share, allowing for the two-for-one split in shares in 1954.

Dividend rates were increased from \$2.00 to \$2.20 per year, effective for the last two quarters of 1954.

Fixed charges were earned 4.1 times in 1954 and the rate of return earned on the depreciated value of the property was 3.6%.

In 1954 industrial production was somewhat below the record performance of the previous year, and this brought a decrease in Great Northern's Operating revenues from the peak of \$268.0 million in 1953 to \$250.3 million in 1954, a difference of over \$17.7 million. A large portion of this decline was due to the \$12.1 million decrease in revenue from iron ore as a result of smaller steel production.

The volume of freight traffic handled dropped from 18.6 billion revenue ton miles in 1953 to 17.3 billion in 1954. This loss was almost entirely due to the falling off in iron ore traffic. For all other freight traffic the decrease in ton miles produced on Great Northern was only three hundredths of one per cent, despite the nation-wide lower tempo of industrial activity. This is an indication of the diversity of traffic enjoyed in the growing territory served by your railroad.

Wage rates for the operating crafts were 5 cents per hour higher for all of 1954, and fringe benefits in the form of increased vacations were applicable to practically all crafts. Because of the decrease in man hours, however, the payroll was down \$4.5 million.

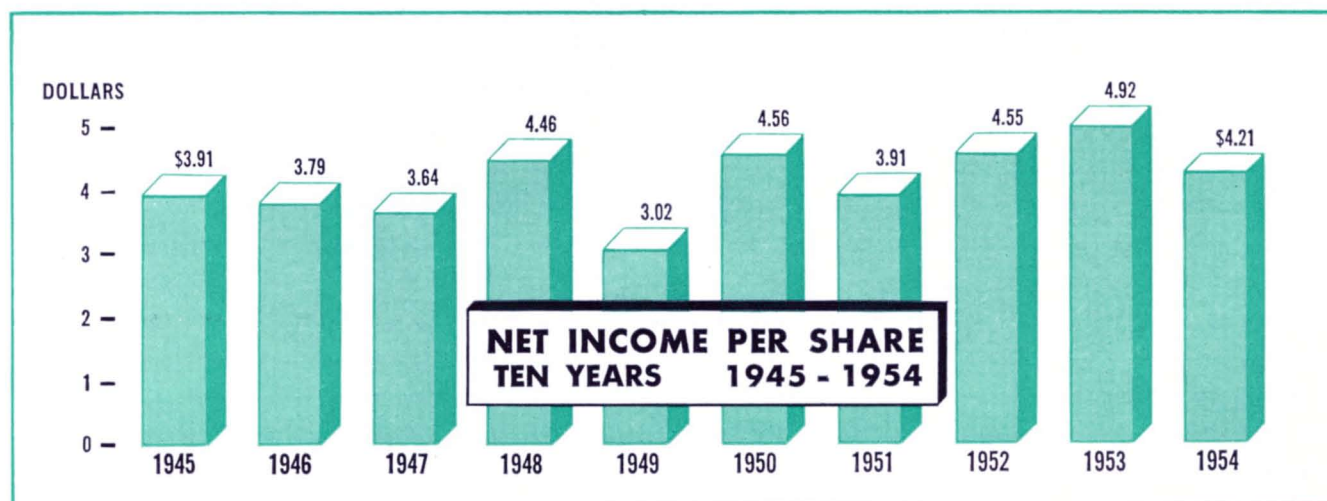
Income from sources other than railroad operations of \$9.8 million in 1954 was about \$1.0 million below similar figure for 1953 due to non-recurring interest received from the Spokane, Portland and Seattle Railway Company in the earlier year. Dividends received from ownership of stock in Chicago, Burlington & Quincy R. R. Co. were the same in both years, namely \$6.2 million.

Fixed charges were practically the same in both 1953 and 1954, slightly less than \$8.1 million.

EQUITY IN UN-DISTRIBUTED EARNINGS

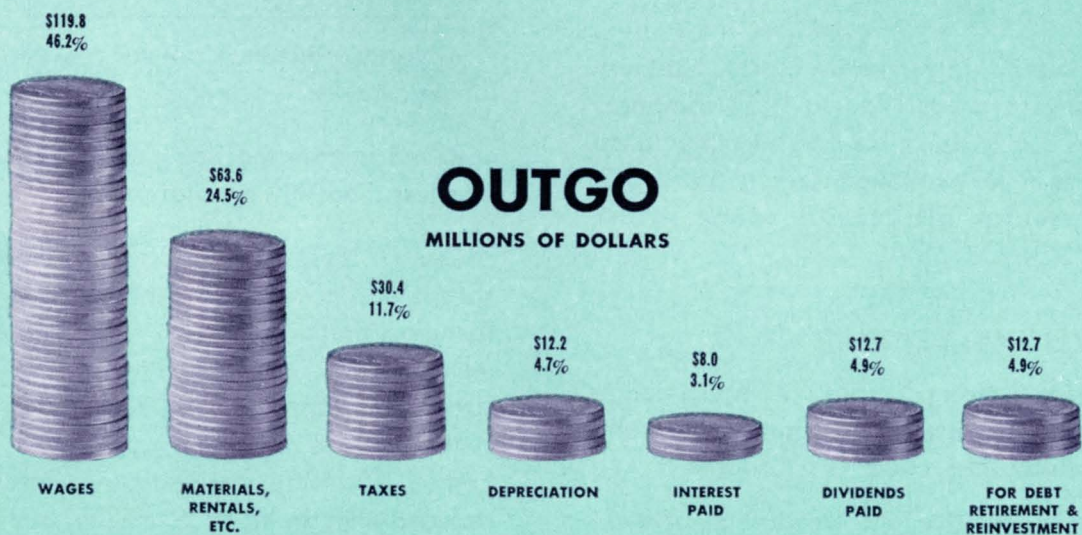
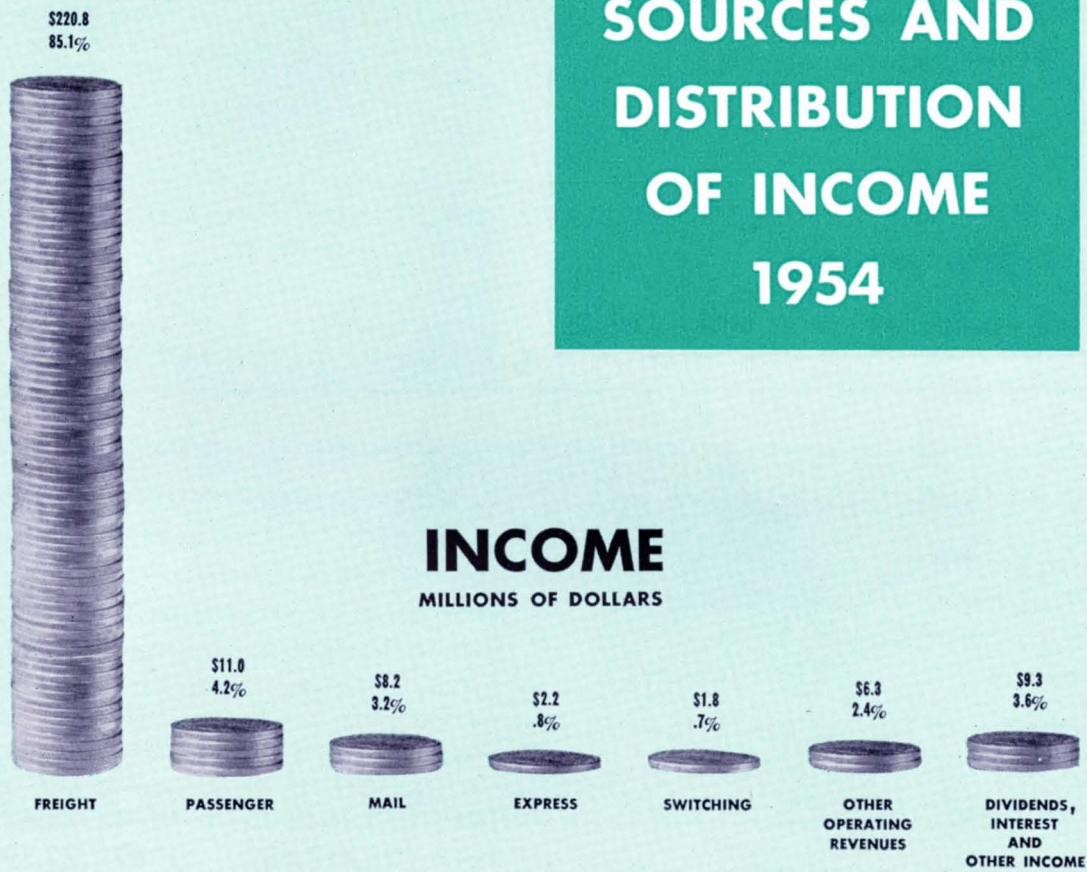
Great Northern has a potential element of strength in the undistributed earnings applicable to its complete ownership of Western Fruit Express Company, its half ownership of Spokane, Portland and Seattle Railway Company, and its nearly one-half ownership of stock of Chicago, Burlington & Quincy R.R. Co.

For 1954 these undistributed earnings amounted to nearly \$7.6 million, equivalent to \$1.25 per share of Great Northern stock. In 1953 similar figures were \$7.7 million and \$1.26 per share, and for the 5 years prior to 1954 they averaged \$1.30 per share of Great Northern stock.



ALL YEARS ADJUSTED TO BASIS OF SPLITTING SHARES OF STOCK 2 FOR 1 IN 1954

SOURCES AND DISTRIBUTION OF INCOME 1954



GREAT NORTHERN'S SIMPLIFIED INCOME STATEMENT FOR 1954

GREAT NORTHERN TOOK IN:

For transportation of:	
FREIGHT.....	\$220,762,186
PASSENGERS.....	10,974,533
For other services.....	18,517,642
Total for services rendered.....	\$250,254,361
From dividends, interest, etc.....	9,796,122
TOTAL INCOME.....	\$260,050,483

IT COST GREAT NORTHERN:

For materials, rentals and other ex-	
penses for maintaining properties	
and conducting transportation...	\$ 64,080,781
For replacement of properties as old	
wears out.....	12,238,136
For retirement and unemployment taxes	6,870,719
For all other taxes.....	23,565,803
For interest on long-term debt.....	7,960,872
THESE ITEMS TOTAL.....	\$114,716,311

LEAVING FOR EMPLOYEES, SHAREHOLDERS AND REINVESTMENT....\$145,334,172—100.0%

GREAT NORTHERN DISTRIBUTED:

TO EMPLOYEES FOR WAGES AND SALARIES.....	\$119,892,713—	82.5%
TO SHAREHOLDERS FOR USE OF THEIR MONEY.....	\$ 12,724,524—	8.8%
TO RETIRE DEBT AND TO BE REINVESTED IN RAILWAY.....	\$ 12,716,935—	8.7%

OPERATING REVENUES

Railway operating revenues in 1954 of \$250.3 million were below the \$260.2 million and \$268.0 million reported for the all-time peak years of 1952 and 1953, respectively.

A comparison of 1954 with 1953 shows:

Operating Revenues	1954	1953	Increase—I or Decrease—D	
	(Millions)	(Millions)	Amount (Millions)	Per Cent
Iron ore.....	\$ 22.2	\$ 34.3	\$12.1—D	35.3%—D
Other freight....	201.7	206.3	4.6—D	2.2%—D
Passenger.....	11.0	12.5	1.5—D	12.0%—D
Mail.....	8.2	7.6	.6—I	7.9%—I
All other.....	7.2	7.3	.1—D	1.4%—D
Total.....	250.3	268.0	17.7—D	6.6%—D

The 6.6% decrease in Great Northern operating revenues 1953 to 1954 compares with an 8.8% decrease for all other large railroads in the Northwest Region and 12.1% decrease for all Class I roads in the United States.

1. FREIGHT SERVICE

The only freight rate changes during 1954 were a few reductions to meet competitive situations.

The demand for and production of steel was curtailed during the year. Long tons of iron ore handled over Great Northern docks at Allouez, Wis. totaled 32.3 million for the record year of 1953 and only 21.0 million

in 1954. Great Northern handled 34.6% of the total ore tonnage moved from all upper lake ports in 1954 which was slightly in excess of the 1953 figure. The tonnage of iron ore handled over Great Northern docks for the last several years has been:

Year	Long Tons	Year	Long Tons
1941	25,484,085	1948	26,625,700
1942	28,717,689	1949	22,399,287
1943	24,936,189	1950	23,640,360
1944	23,551,664	1951	28,550,903
1945	21,936,386	1952	25,811,870
1946	17,217,388	1953	32,330,722
1947	23,131,944	1954	21,045,549

Advance indications are for a substantially larger movement of iron ore in 1955.

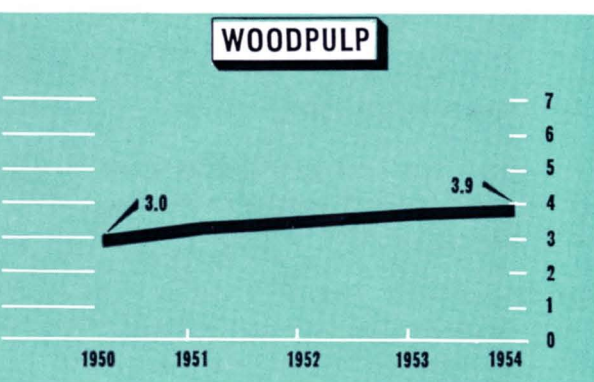
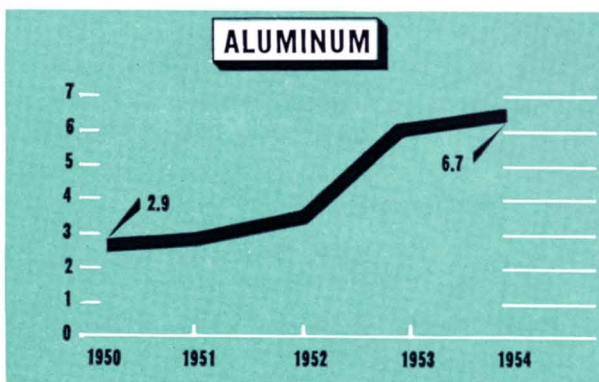
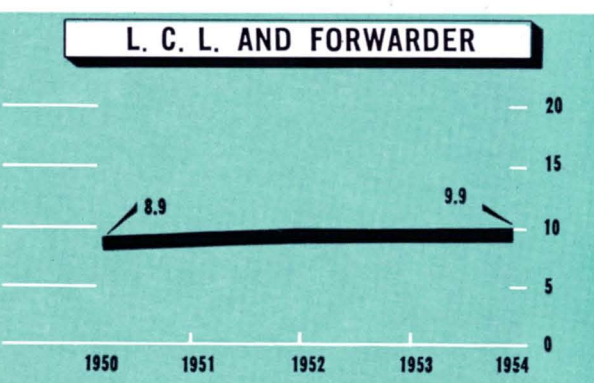
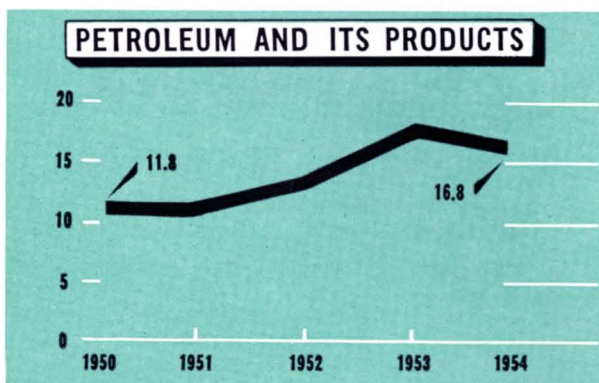
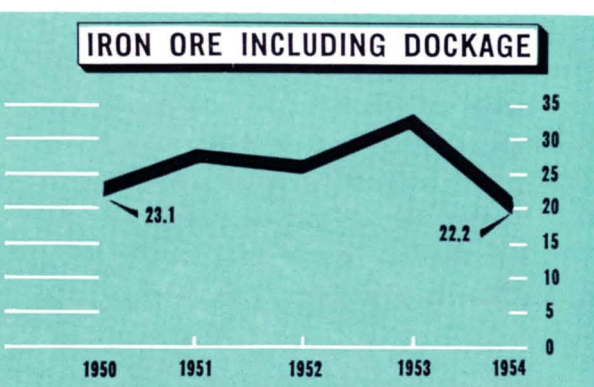
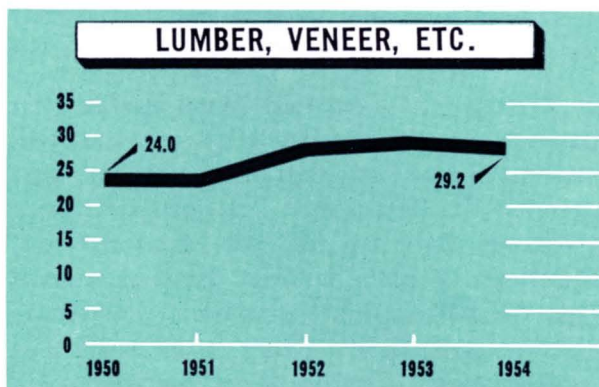
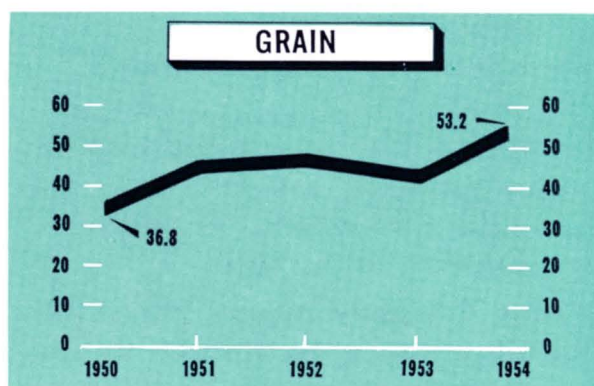
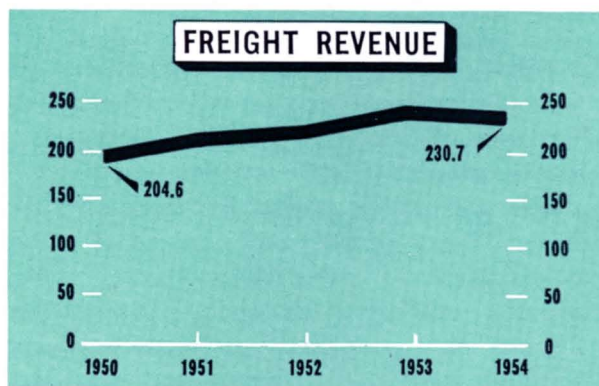
Revenue from the iron ore traffic in 1954 was less than 9% of total revenues.

One of the important crops of North Dakota is Durum wheat, which is used in manufacturing macaroni flour. Almost the entire supply of this grain for the United States comes from North Dakota. The average crop in the last ten years was nearly 30 million bushels. In 1954, however, rust infestation reduced the yield to 5 million bushels as well as damaging other grains to a lesser extent. New rust resistant strains of seed have been developed, and ample seed will be available for the 1957 crop.

*** GROSS FREIGHT REVENUES**

5 YEARS 1950 - 1954

MILLIONS OF DOLLARS



Despite a restriction of 19% on wheat acreage, the shipment of all grains over Great Northern line for the 1954 crop year (year ended June 30, 1955) is estimated at 196 million bushels. For the 1953 crop year it was 210 million bushels.

For 1955 a further restriction averaging 12% is to be applied to the 1954 wheat acreage but Durum wheat has been exempted due to the recent acute shortage in its production.

Your Company enjoys important diversification in its freight traffic. The decrease of nearly 15,000 carloads received from connecting lines in the important "Manufactures and Miscellaneous" grouping of commodities was more than made up by increases in other categories. As a result, for the entire year 1954 Great Northern actually handled nearly 3,000 more carloads of freight than in 1953, aside from the iron ore traffic.

An indication of the traffic growth of the territory is the increase in 1954

of over 22,000 cars in traffic originating on line, omitting iron ore. For "Manufactures and Miscellaneous", high rated commodities, 131,084 cars originated on line in 1954 compared with 131,838 cars in 1953.

Nearly 500 oil wells were producing in the Williston Basin area served by the Great Northern at the end of 1954. During the last quarter of 1954 a pipeline was placed in operation taking most of the crude oil from Tioga, N. D. Increased production at other points, particularly the Poplar-Sprole, Mont., area, largely offset this loss. As a result the 28,448 cars of crude petroleum products handled from North Dakota and Montana points in 1954 was down only 757 cars—2.6% from the 29,205 cars originated in 1953.

During 1954 a most significant land leasing activity was the acquisition by major oil companies of large amounts of land in the Black-foot Indian Reservation just east of Glacier National Park on the main line of Great Northern. It is the hope of those companies that a southeastern extension of the Turner Valley and Pincher Creek fields in Alberta will be found. Drilling of the first well in this area has just been started.

GREAT NORTHERN'S FINANCIAL POSITION AT END OF YEAR

QUICK ASSETS:		1954	CURRENT LIABILITIES:		1954
Cash and special deposits.....	\$	55,763,621	Employees' pay checks outstanding.....	\$	6,712,084
Due from agents, conductors and others.....		17,735,120	Taxes not yet due.....		20,245,877
Material and supplies on hand.....		28,672,537	Bond interest due and paid January 1..		3,143,002
Total quick assets, readily convertible into cash.....	\$	102,171,278	Other current liabilities.....		13,548,251
			Total current liabilities.....	\$	43,649,214
"WORKING CAPITAL":					
The excess of quick assets over current liabilities.....					
GREAT NORTHERN'S INVESTMENTS:					
Road, equipment and other property, less depreciation.....		621,264,133			
48.59% of Chicago, Burlington & Quincy R. R. Co. stock.....		109,245,457			
50% of Spokane, Portland and Seattle Ry. Co. stock and bonds.....		45,798,500			
Unexpended proceeds from sale of equipment trusts.....		8,880,000			
Other stocks, bonds, etc.....		19,503,464			
Deferred and unadjusted items.....		7,398,566			
Total investments.....		\$812,090,120			\$799,442,725
GREAT NORTHERN'S OTHER OBLIGATIONS:					
To investors for bonds and notes outstanding.....		274,351,053			
To all others.....		8,860,549			
Total owed in addition to current liabilities.....		\$283,211,602			\$271,624,326
NET WORTH:					
"Working Capital" plus "Investments" minus "Other Obligations"...					
		\$587,400,582			\$582,878,673
CAPITAL STOCK.....					
		\$266,856,780			\$268,300,777
RETAINED EARNINGS:					
"Net Worth" minus "Capital Stock"—largely invested in the property					
		\$320,543,802			\$314,577,896

2. PASSENGER SERVICE

Most railroads in the United States reported substantial declines in passenger revenue in 1954 compared with 1953 and Great Northern was no exception. Military traffic was lower in 1954 and the special movement of nearly 8,000 Boy Scouts to and from the Jamboree at Santa Ana, Calif. in 1953 accentuated the decrease on your railroad.

The average revenue per passenger mile of 2.21 cents was the lowest since 1947.

The Family Plan arrangement was in effect on passenger trains during most of 1954. Under this plan a wife or older child, when accompanying the head of the family paying the regular round trip rate, can make a round trip by paying a one-way fare for journeys begun on Monday, Tuesday or Wednesday. Children between the ages of 5 and 12 years can travel for half of the one-way fare.

A reduction in the excise tax on passenger transportation from 15% to 10% became effective April 1, 1954.

3. MAIL AND EXPRESS SERVICES

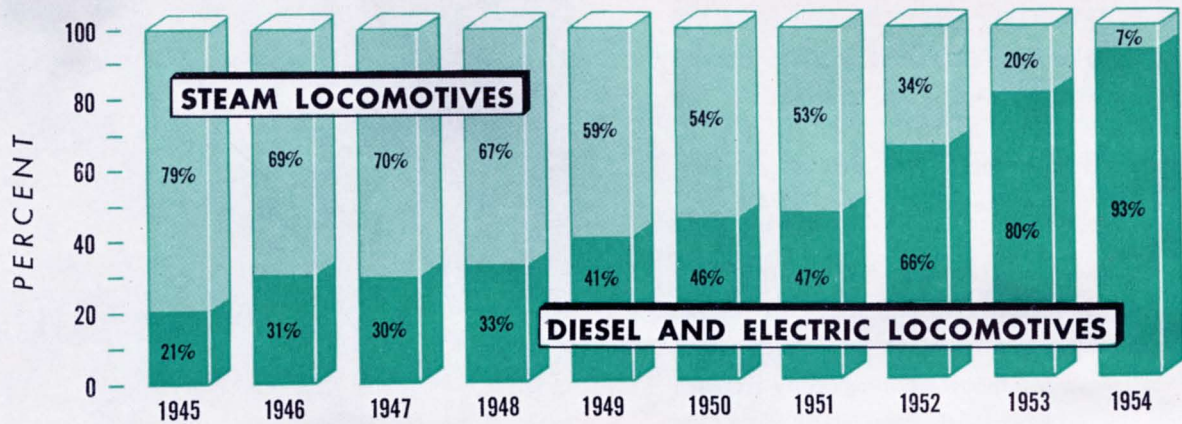
Revenue from handling Mail in 1954 of over \$8.2 million was \$650 thousand higher than the 1953 receipts of nearly \$7.6 million. A 10% increase in rates ordered by the Interstate Commerce Commission retroactively to October 1, 1953, largely accounts for the higher revenues in 1954 which included \$207 thousand applicable to 1953 operations. The Post Office Department's use of trucks and planes resulted in curtailment of rail service in some areas and complete elimination in others.

Express revenues were down nearly 12%. A new 20-year contract between the railroads and their wholly-owned Railway Express Agency was made effective March 1, 1954. It replaces the expiring 25-year contract and provides a more current basis for distributing Express revenues between carriers.



THE SECOND ELECTRONIC COMPUTING MACHINE GOES THROUGH THE WINDOW INTO THE ACCOUNTING DEPARTMENT AT GREAT NORTHERN GENERAL OFFICE BUILDING.

PERCENT OF FREIGHT GROSS TON MILES HANDLED BY DIESEL AND ELECTRIC LOCOMOTIVES 1945-1954



EASTBOUND FREIGHT TRAIN IN THE MONTANA ROCKIES ALONG FLATHEAD RIVER NEAR GLACIER NATIONAL PARK.

IMPROVEMENTS IN SERVICE

During 1954 expedited north-bound freight service was inaugurated between Los Angeles and Vancouver, B. C. on three-days-per-week schedules in connection with the A.T.&S.F. and W.P. railway lines. The regular schedule was shortened 24 hours. The new service is stimulating the use of the railroads.

Centralized traffic control for 64 miles west of Minneapolis was placed in operation late in 1954. This is the first installation of this kind on Great Northern and is located on the line of greatest traffic density outside of the iron ore movement. Switches and signals are controlled from a central point, speeding up train movements with greater safety and flexibility of operation with substantial economies.

Improvement and expansion of communication facilities was continued in 1954, not only for speedier and safer train operations but also to expedite handling of reports and special correspondence. Main line freight diesel engines, cabooses and electric locomotives were equipped with radio for head-to-rear-end, train-to-train and train-to-wayside communication. Coverage of the main line in freight service has been completed except for wayside stations between Havre and Wenatchee, scheduled for 1955, when passenger locomotives will also be completely equipped. Switch engines on the Mesabi Range and at Hillyard, Wash., were fitted with radio.

Modern telephone checker systems were installed at principal freight houses, enabling speedier and more efficient movement of less carload shipments through the freight houses.

To reduce delays to less carload freight shipments, trucking service was established over 925 route miles on traffic originating at St. Paul or Minneapolis and destined to points served by Great Northern throughout Minnesota.

Trailer-on-flat-car service was begun in 1954 between the Twin Cities and Head-of-the-Lakes and between the Twin Cities and Fargo-Moorhead. As a result, service on smaller shipments has been better and damage claims reduced.

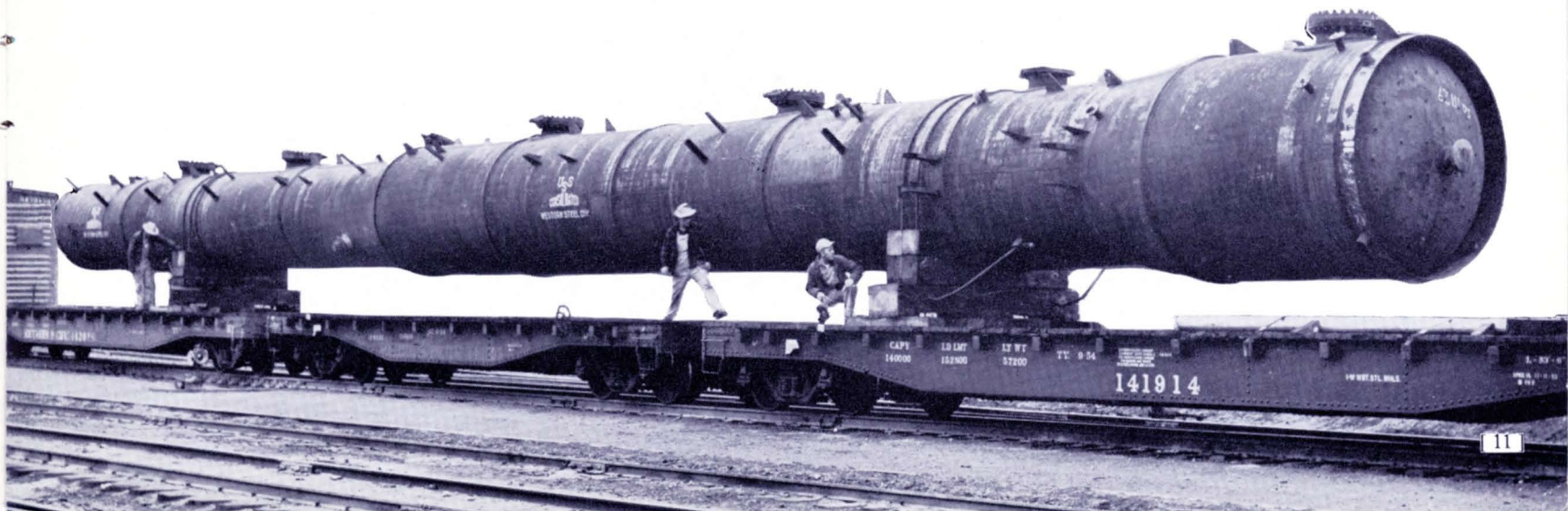
Trucking of livestock between Minneapolis and South St. Paul was begun early in January, 1954 to reduce terminal delays. A circuitous all-rail route had been temporarily established due to an important bridge across the Mississippi River being out of service on a connecting switching line. Saving in delivery time has been 3 to 8 hours.

Passenger service was improved by re-routing the Western Star over the St. Cloud-Fergus Falls line between the Twin Cities and Fargo. This provided a new area with streamlined transcontinental passenger train service with no increase in train miles.

Dome coaches and lounge cars will be placed in service on the Empire Builder in 1955.

Additional unprofitable passenger train service was eliminated, saving approximately 250,000 train miles in 1954. These savings will total 450,000 train miles for a full year. Passenger trains are now operating on only 4,720 miles of the total system miles of road operated of approximately 8,300.

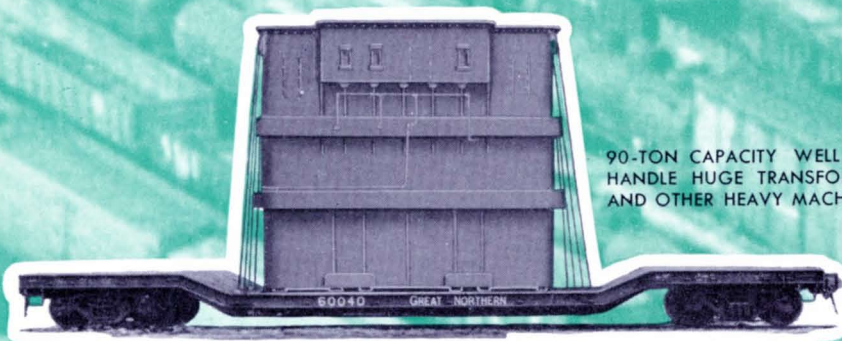
77-TON DISTILLING UNIT 119 FEET LONG ON THREE FLAT CARS MOVES OVER GREAT NORTHERN'S COAST LINE.



Some specialized equipment furnished GREAT NORTHERN SHIPPERS



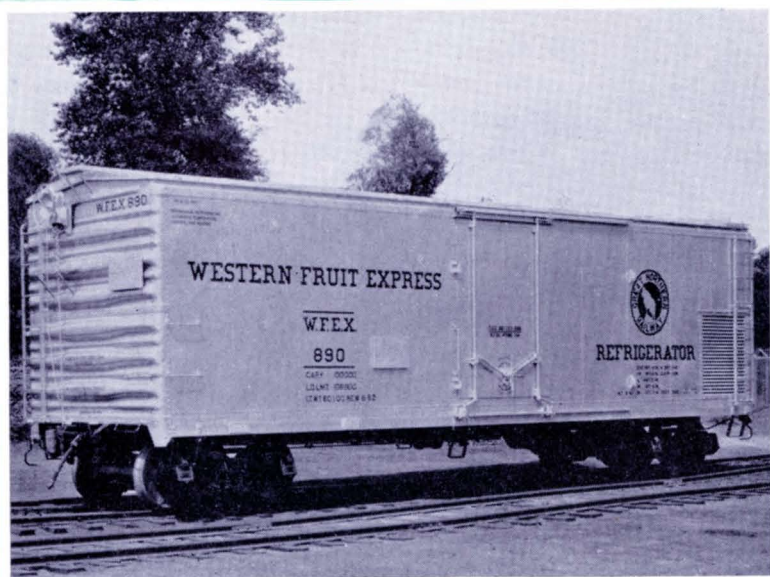
TRAILER-ON-FLAT-CAR SERVICE EXPEDITES LESS-CARLOAD MOVEMENTS WITH REDUCTION IN DAMAGE CLAIMS.



90-TON CAPACITY WELL CARS HANDLE HUGE TRANSFORMERS AND OTHER HEAVY MACHINERY.

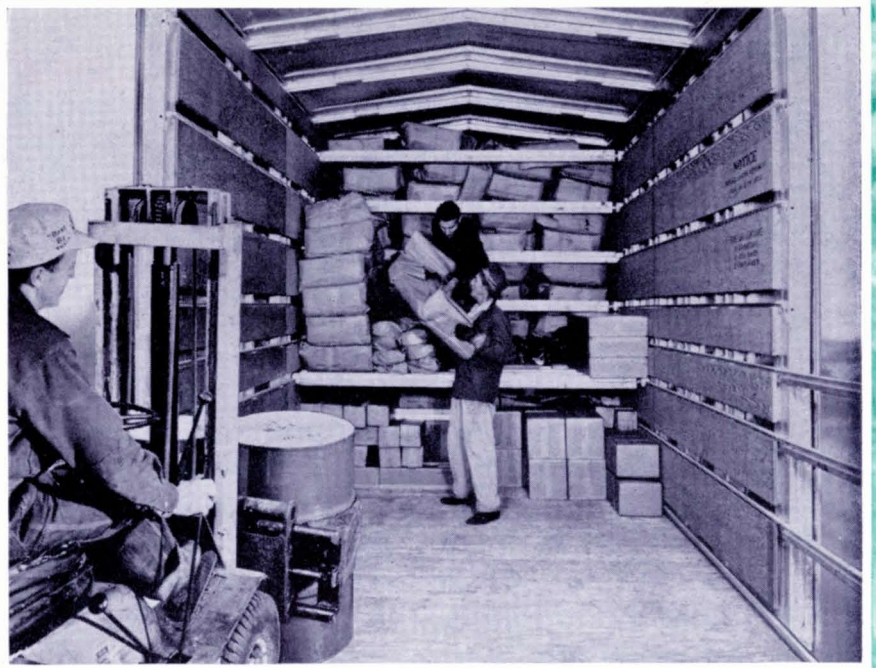


AIRSLIDE HOPPER-TYPE CARS ARE USED FOR BULK SHIPMENTS.



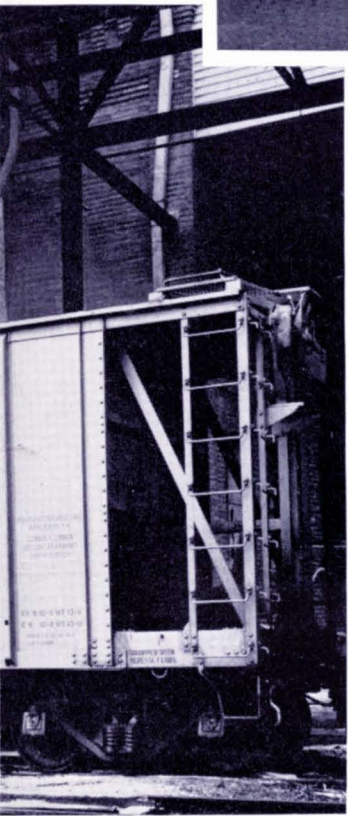
ONE OF 110 ALL-PURPOSE MECHANICAL REFRIGERATOR CARS. CAN FURNISH HEAT OR COLD AS NEEDED AND MAINTAIN ANY FIXED INSIDE TEMPERATURE OF ZERO DEGREES OR ABOVE. WESTERN FRUIT EXPRESS CO. IS A WHOLLY-OWNED SUBSIDIARY OF GREAT NORTHERN RY. CO. THE W.F.E. AND ITS ASSOCIATED COMPANIES OWN OVER TWO-THIRDS OF ALL MECHANICAL REFRIGERATOR CARS IN THE UNITED STATES.





THESE CARS HAVE DIFFERENT KINDS OF SPECIAL DEVICES FOR BRACING CARGO SO IT MAY TRAVEL DAMAGE FREE.

OVER 400 COVERED HOPPERS ARE USED FOR HANDLING BULK CEMENT, SAND, SILICON, ETC. WHEN CARS ARE SCARCE THEY ARE USED FOR GRAIN LOADING.



ENTS OF FLOUR AND SUGAR.



FIFTEEN FOOT WIDE DOORS PERMIT MECHANICAL LOADING OF LUMBER AND OTHER COMMODITIES.



FLAT CARS WITH SPECIAL END BULKHEADS ARE PROVIDED FOR GYPSUM BOARD LOADING.

OPERATING EXPENSES

Operating expenses in 1954 of \$188.6 million were down \$6.3 million—3.2% from the \$194.9 million reported for 1953. The percentage decrease was only half as great as the percentage decrease in Operating revenues. This is the usual experience because of the expense connected with fixed train, station, yard and clerical services that must be maintained. In addition, increases in wages to the highest level in the railroad industry occurred in 1954. Considering these facts, the ratio of Operating revenues consumed by Operating expenses in 1954 was not unfavorable when compared with years prior to 1953, particularly in the Transportation Ratio, viz.:

Year	Percentage of Operating Revenues Consumed by Operating Expenses	
	Transportation Expenses	All Operating Expenses
1954	33.4%	75.4%
1953	32.1	72.7
1952	33.4	73.6
1951	35.2	74.3
1950	33.5	71.3
1949	35.4	76.3
1948	36.9	75.0
1947	35.9	74.1
1946	36.6	77.5

Weather conditions were not as favorable for low cost operation in 1954 as for the previous years. Very severe weather with heavy snow and extremely low temperatures occurred over the greater part of the railroad early in the year. The Kootenai River in western Montana and Idaho was at flood stage in May, through traffic was interrupted and forced to a long detour over a neighboring railroad for a week.

With the receipt of 37 diesel locomotive units, the service being given by steam locomotives was reduced in 1954 to 7% for freight service and 4% for yard service. In 1953 these percentages were 20% and 10%, respectively. Practically no passenger service was handled by steam locomotive in either year.

As a result, the principal expense items of locomotive cost declined in 1954, both absolutely and relatively.

Year	Locomotive fuel and Power	Locomotive Repairs	Total Expense Items	Operating Revenues	Revenues Consumed by Expense Items
	(Millions)	(Millions)	(Millions)	(Millions)	(Per Cent)
1951	\$13.4	\$13.4	\$26.8	\$248.0	10.8
1952	11.0	14.0	25.0	260.2	9.6
1953	10.1	11.7	21.8	268.0	8.1
Avg. 3 yrs. 1951-53	11.5	13.0	24.5	258.7	9.5
1954	9.6	9.9	19.5	250.3	7.8

Payments for Loss and damage freight were down nearly \$90 thousand—4% in 1954 compared with 1953. Other casualty expenses, including Injuries to persons, Clearing wrecks and Damage to property and Livestock, decreased from an average of \$1.9 million for the 3 years ended 1953 to \$1.4 million in 1954.

Maintenance of the property was continued in line with the previously established program. The 37,600 net tons of new rail laid exceeded the 36,400 ton average for 1952 and 1953, and the 760 thousand yards of crushed rock and stone ballast applied was 100 thousand yards in excess of each of the two previous years. As ties in track are now practically all treated, it was possible to reduce the 910 thousand ties applied in 1953 to 723 thousand in 1954.

Rolling stock has been well maintained, the percentage unserviceable at the end of the year being:

	Dec. 31 1954	Dec. 31 1953
Per cent unserviceable		
Locomotives.....	5.1%	7.1%
Freight cars.....	2.7	3.4
Passenger cars....	4.0	4.6

At the end of 1954 there were 343 steam locomotives on line, including 41 sold late in the year and delivered in 1955. Obsolete and unserviceable steam locomotives are being retired under a program providing for the retention of only 150 of the better units after the end of 1956. It is planned that these steam locomotives will be used as necessary for handling peak seasonal traffic until due for heavy repairs, at which time they will be retired.

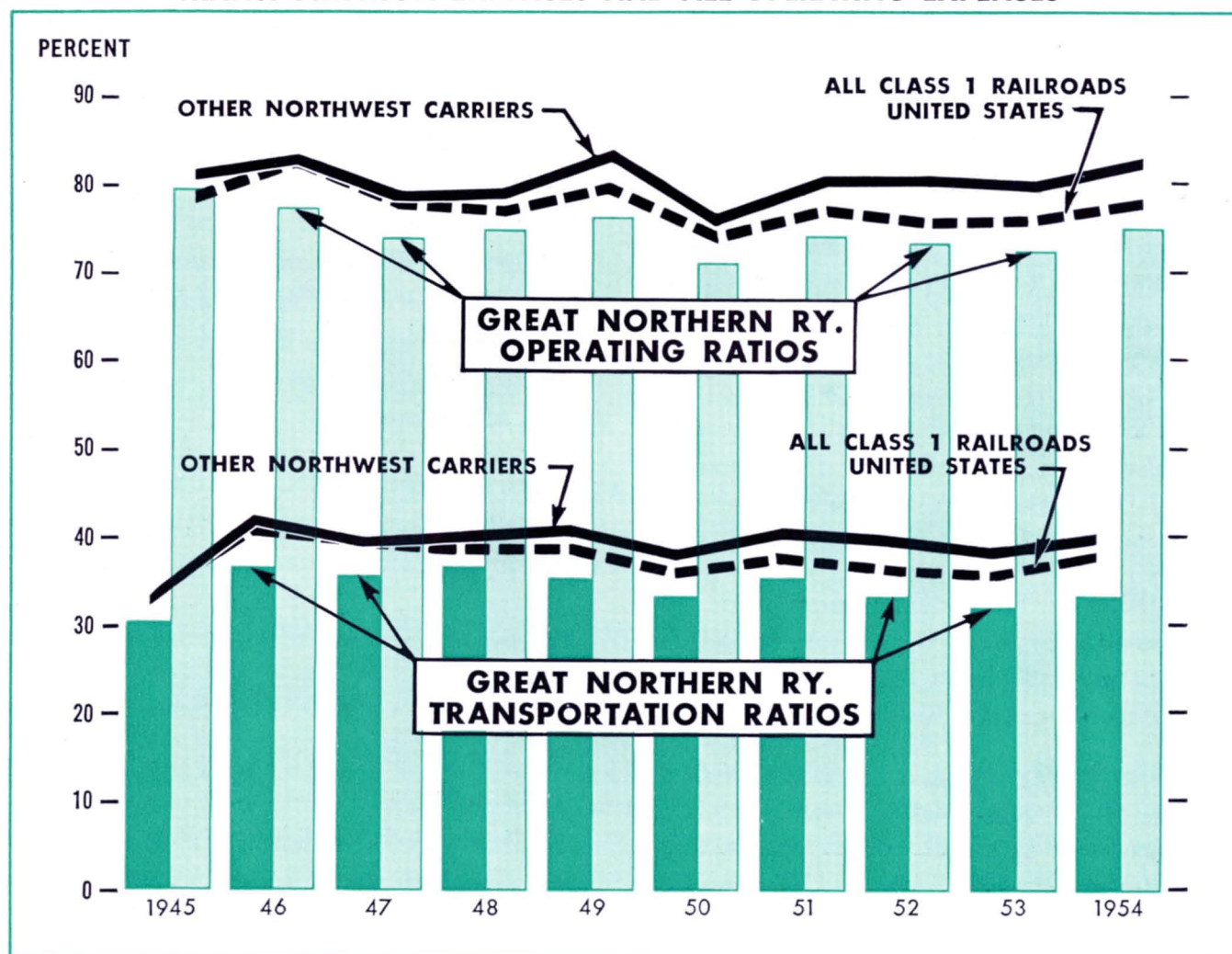
As the steam locomotives have become fully depreciated no charges were included for steam locomotive depreciation in the 1954 Operating expense accounts.

VOLUME OF TRAFFIC AND OPERATING AVERAGES

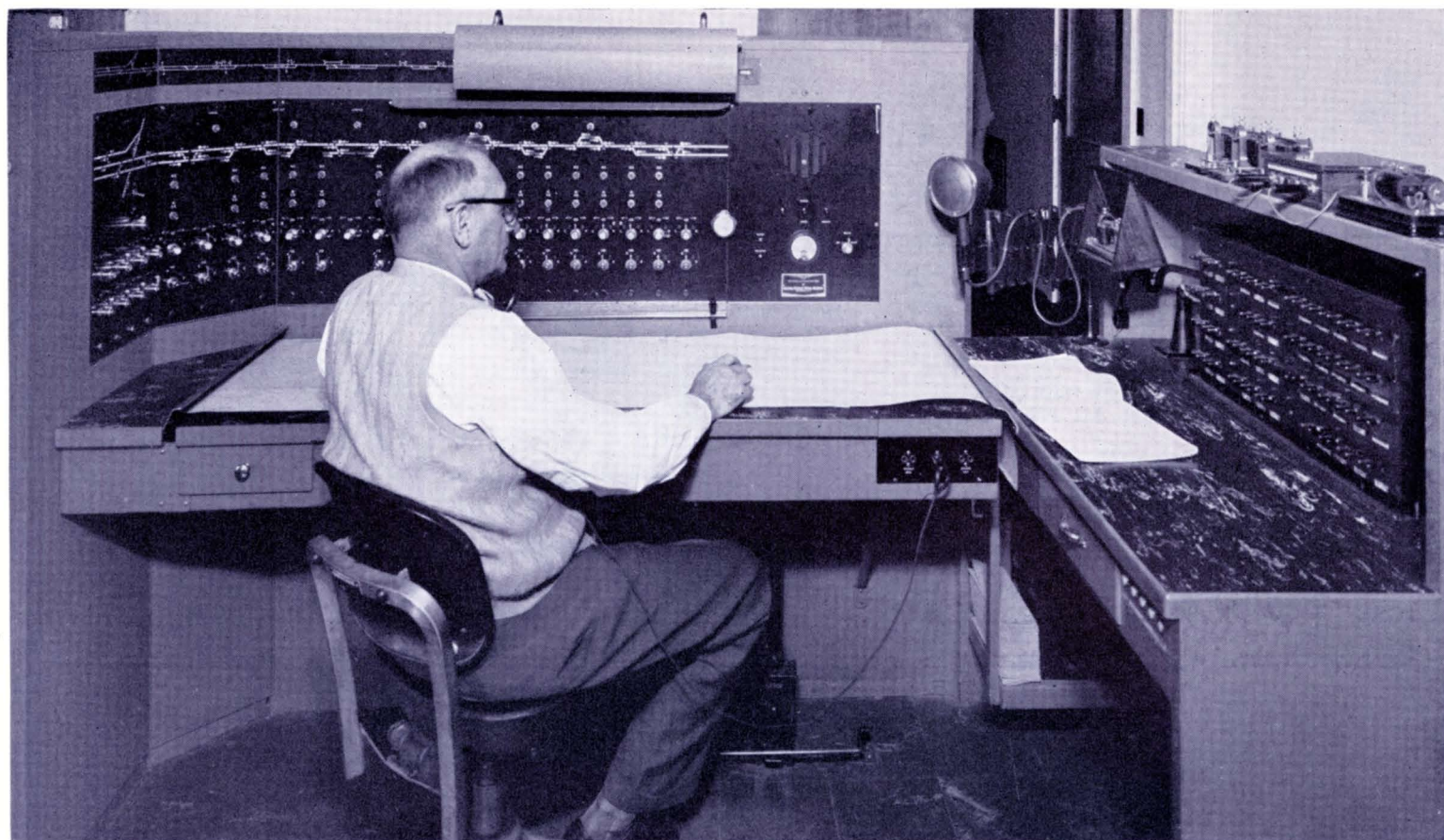
ITEM	1954	1953	1952	1951	1950
REVENUE NET TON MILES (1000's).....	17,255,531	18,586,111	17,518,226	18,041,425	16,047,498
PASSENGERS CARRIED ONE MILE (1000's).....	497,173	558,784	612,030	589,519	494,307
TRAIN LOAD—NET TONS ALL FREIGHT.....	1,397	1,440	1,384	1,426	1,364
FREIGHT LOCOMOTIVE MILES PER LOCOMOTIVE DAY	84.2	85.5	82.5	83.2	82.6
FREIGHT CAR MILES PER CAR DAY.....	46.5	50.0	48.1	51.6	47.0
NET TON MILES PER FREIGHT CAR DAY.....	1,050	1,172	1,123	1,234	1,074
REVENUE PER NET TON MILE (cents).....	1.279	1.269	1.292	1.195	1.219
REVENUE PER PASSENGER MILE (cents).....	2.207	2.238	2.307	2.290	2.239
NET TON MILES PER TRAIN HOUR.....	24,767	24,351	22,690	22,578	21,150

TRANSPORTATION AND OPERATING RATIOS

REPRESENTING PER CENT OF OPERATING REVENUES CONSUMED BY
*TRANSPORTATION EXPENSES AND ALL OPERATING EXPENSES



*INCLUDES STATION, TRAIN, YARD AND TERMINAL EXPENSES



NERVE CENTER, CENTRALIZED TRAFFIC CONTROL

TAXES

The 1954 Railway tax accruals of \$30.4 million were less than the \$39.7 million for 1953. This decrease was almost entirely due to a smaller United States income tax accrual resulting from a lower taxable income. Amendment to the Railroad Retirement Tax Act enacted into law provided that the maximum taxable compensation on which both the railroad and employee is paying a tax of $6\frac{1}{4}\%$ be increased from \$300 to \$350 per month per employee, effective July 1, 1954, increasing Great Northern's tax contributions approximately \$600 thousand per year.

Under the 1954 Internal Revenue Code, it seemed desirable and necessary to include year end liabilities on the Balance Sheet for certain items as follows:

Personal injury claims.....	\$ 300,000
Loss and damage freight claims.....	460,000
Overcharge claims.....	700,000
Vacation pay.....	5,000,000
	<hr/>
Total.....	\$6,460,000
	<hr/>

The foregoing items were handled through Profit and Loss and not charged to Income.

In former years estimated accruals in the accounts for the first three items have been considered each year. The last item, while not included in the accounts, was also considered in the income tax returns. It represents the amount to be paid for vacations to employees in 1955 which was earned by their term of service in 1954.

The tax bill was 20% higher than the entire Net income and nearly $2\frac{1}{2}$ times the amount paid shareholders as dividends.

GLACIER NATIONAL PARK

A new contract has been entered into with the Secretary of the Interior for operation of hotels and chalets in Glacier National Park for a 20-year period. The contract is assignable and may be terminated by the Company at the end of any year on six months' notice.

AMORTIZATION OF EMERGENCY FACILITIES

Under the accounting rules of the Interstate Commerce Commission, only normal depreciation may be charged in the Operating expense accounts. At the same time larger charges for amortizing over 60 months a proportion of the investment in certain Government approved defense projects are used in determining the United States income tax included in the accounts under Railway tax accruals.

For the last three years the situation has been as follows:

	1954 (Millions)	1953 (Millions)	1952 (Millions)
Investment authorized for rapid amortization, Dec. 31.....	\$56.0	\$42.3	\$34.1
Amortization used in determining U. S. income tax.....	8.1	6.5	4.1
Normal depreciation charged in income account.....	1.6	1.3	.8
Difference not deducted in determining Net income.....	6.5	5.2	3.3
Net income after U. S. income taxes: As stated in accounts.....	25.4	29.9	27.7
If amortization had not been permitted for tax purposes.....	22.0	27.2	26.0
Tax Deferment:			
Total.....	3.4	2.7	1.7
Per share of stock.....	\$.56	\$.45	\$.28

When the 60-month amortization period has expired the normal depreciation will continue in the accounts, but no allowance for either depreciation or amortization may be used in computing income taxes. This will

have the effect of increasing income taxes payable and of decreasing the reported Net income in future years after the expiration of such 60-month period.

Thus, the tax reduction now being realized is not a tax saving but simply a tax deferment.

FUNDED DEBT

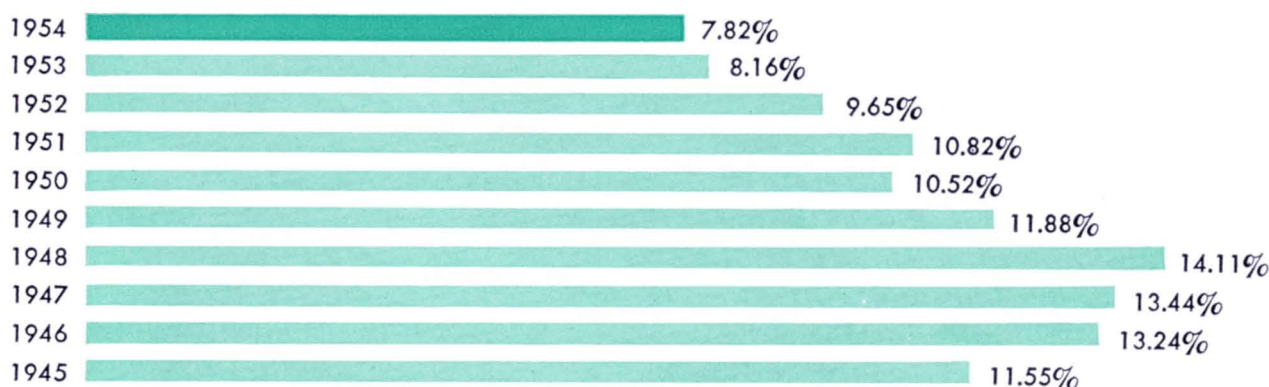
There was no change in mortgage bonds outstanding during 1954, same remains at \$203,662,900.

Equipment obligations increased due to a sale of equipment trust certificates in December, 1954 to take care of 1955 equipment requirements. For the past 4 years the equipment obligations outstanding at the end of the year have been:

Year	Equipment Obligations December 31
1954.....	\$69,609,153
1953.....	63,225,591
1952.....	62,784,113
1951.....	70,295,740

To provide payment for 80% of the cost of 37 diesel locomotive units, a 1 to 15 year equipment trust of \$5,070,000 was sold by competitive bids in January, 1954, at a net interest cost to the Company of 2.83%. In December, 1954, a similar equipment trust of \$8,880,000 was sold at a net interest cost of 2.72%. The equipment covered by this trust was 1,000 box cars, 12 dome coaches and 5 full length dome lounge cars.

PER CENT OF OPERATING REVENUES CONSUMED BY FUEL AND LOCOMOTIVE REPAIRS 1945 - 1954



LABOR MATTERS

Increased wages for railroad employees have kept pace with the trend in other industries. Operating employees (those directly associated with the movement and switching of trains) and a small group of non-operating employees were granted increases of 5 cents per hour, effective December 16, 1953, and a third week's vacation after 15 years continuous service, adding approximately \$1.4 million to the payroll costs.

The unions representing a majority of the non-operating employees sought additional fringe benefits in lieu of basic wage increases. A Presidential Emergency Board appointed to hear the issues recommended benefits estimated to cost 7½ cents per employee-hour including a third week's vacation for all employees with 15 years continuous service, payment for seven recognized holidays and equal sharing of premiums for health and surgical insurance. An agreement, effective March 1, 1955, provides employee hospital and surgical insurance with a \$6.80 monthly payment to be shared equally by each employee and the company. This applies to non-operating employees only, not including their dependents.

A three-man Presidential Emergency Board rejected the proposal of the Union that conductors and brakemen should be paid according to the weight of the locomotive hauling the train. The Board urged further negotiations between the interested parties to determine a pay boost for the conductors on through freight trains to erase what it termed an "inequity". They also suggested the formation of a commission to study a complete revision of the pay structure for the operating crafts.

Unsettled wage issues include demands for increases in pay for all switchmen of 28 cents per hour in 5-day work week yards and 32 cents per hour in the optional 6 and 7 day work week yards. Also, the union representing firemen and hostlers is demanding increases of 32 cents per hour and a minimum daily guarantee of \$18. The Brotherhood of Locomotive Engineers has filed demands on most railroads, including Great Northern, for pay increases of 22½% for engineers.

MESABI RANGE IRON ORE RESERVES

The 1952 report contained a full discussion of the decrease in reserves of merchantable iron ore on the Mesabi Range, excluding taconite. The latest figures published by the Mines Experiment Station of the University of Minnesota bear out the earlier figures showing a much smaller decrease in the reserve as compared with the shipments. For the year 1952 there were 59.5 million tons shipped from the Mesabi Range, the reserve decreasing 13.7 million tons. For 1953 similar figures were 76.0 million tons shipped, 13.2 million tons decrease in reserve. For the five years ended 1953 there were 321.6 million tons shipped and the reserve decreased 67.2 million tons.

Based on the average decline in reserves for the 5 years ended 1953, the high grade merchantable iron ore on the Mesabi Range would have a life of over 60 years, with an average yearly production of over 64 million tons. During those five years Great Northern handled a yearly average of more than 26.5 million tons over the Allouez, Wis., ore docks. These computations give no consideration to possible movement of iron ore obtained from treating low grade taconite.

SAFETY RECORD

The excellent record established by Great Northern in 1953 of having the lowest employee-casualties per million man hours of any of the 16 largest railroads (with 50 million man-hours or more) was repeated in 1954. The 1954 Great Northern ratio of 2.69 casualties per million man hours compares with a 6.28 ratio for the other larger roads and a 6.45 ratio for all railroads. Great Northern's 1953 ratio was 3.13 casualties per million man hours.

A reportable casualty is one which keeps an employee from performing his regular duties for more than 3 days during the first 10 days following an accident.

Payments for injuries to persons have dropped from 57 cents per \$100 of Operating revenues in 1951 and 1952 to 39 cents per \$100 of Operating revenues in 1954.

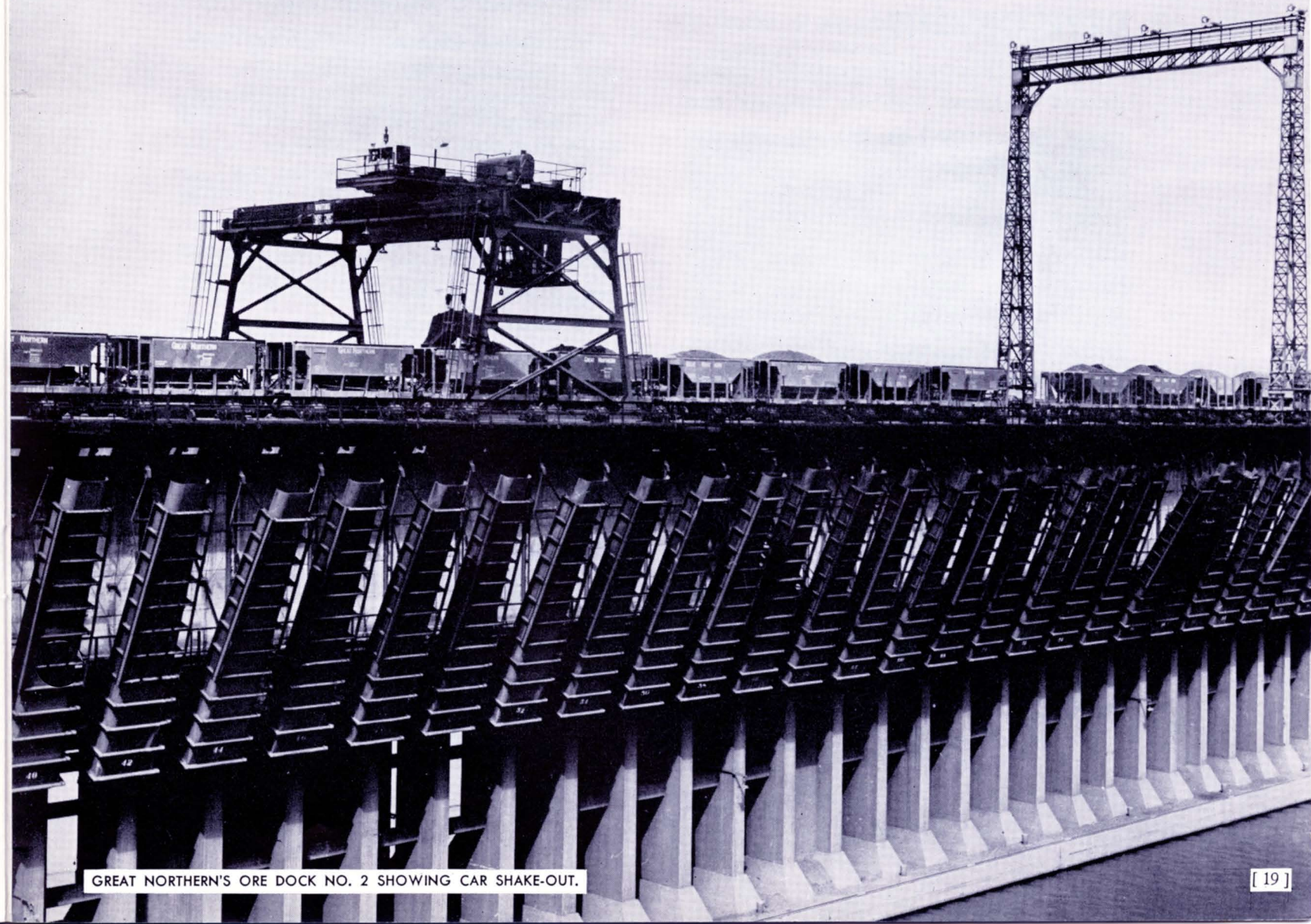
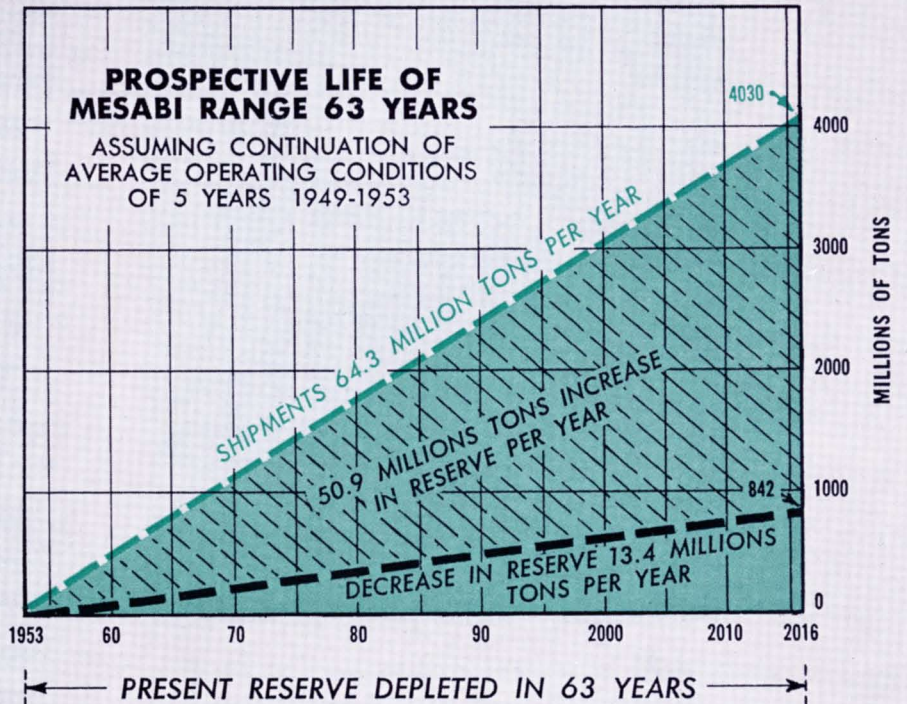
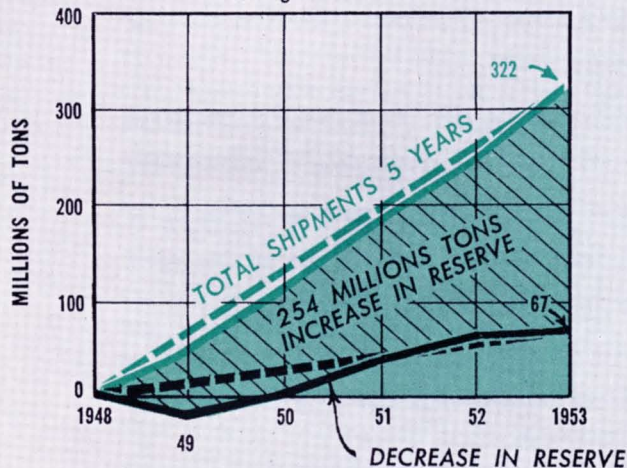
THE MESABI IRON RANGE SERVED BY GREAT NORTHERN HAS A PROSPECTIVE LIFE OF 63 YEARS

BASED ON AVERAGE PERFORMANCE FOR 5 YEARS 1949-1953

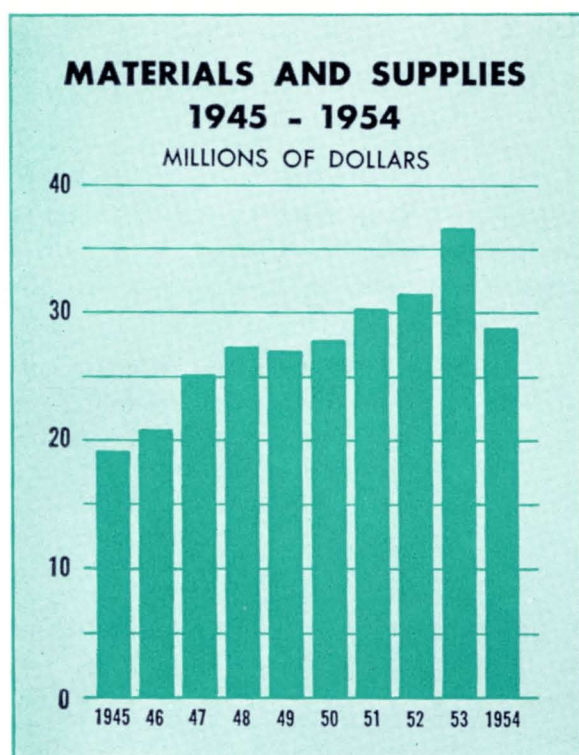
DIRECT SHIPPING ORE - NOT INCLUDING TACONITE

MESABI RANGE		
YEAR	SHIPMENTS MILLIONS OF TONS	*DECREASE IN RESERVE MILLIONS OF TONS
1949	52.7	14.3 (INCREASE)
1950	60.1	17.5
1951	73.3	37.1
1952	59.5	13.7
1953	76.0	13.2
TOTAL	321.6	67.2
AVG.	64.3	13.4

* Latest figures available.



GREAT NORTHERN'S ORE DOCK NO. 2 SHOWING CAR SHAKE-OUT.



INDUSTRIAL DEVELOPMENT

During 1954 some 209 new industries were located on Great Northern property and others were located on adjoining property served by your Company's trackage.

Some of the more important industrial projects completed during the year 1954 included: a large sheet steel and aluminum products manufacturing plant, a \$7 million oil refinery and a \$12 million beet sugar refinery, all located in Minnesota; a 300,000 bushel grain elevator in Iowa; a fertilizer plant, a \$17 million gas separation plant, a 1,500 barrel per day oil refinery and a light weight aggregate manufacturing plant, at various locations in North Dakota; expansion of refining units and construction of a \$1 million fluid coking unit in Montana; a \$4.7 million aluminum cable plant and extrusion mill, a new Kraft paper products plant, a cold storage plant for frozen foods and a large oil refinery, all in Washington; and a new hardboard plant in Oregon.

Under construction at the end of 1954 were:

A \$2 million addition to oil refinery at St. Paul, Minn.

Box manufacturing plant at Minneapolis, Minn.

An additional large grocery warehouse at Thief River Falls, Minn.

Additional 800,000 bushel grain storage facilities at Sioux City, Ia.

A \$45 million aluminum reduction plant at Conkelley, Mont.

A \$2.5 million aluminum rod and wire mill at Great Falls, Mont.

Large wholesale grocery warehouse at Great Falls, Mont.

Aluminum skimmings processing plant at Spokane, Wash.

Second unit in expansion of paper plant at Everett, Wash.

Oil refinery at Anacortes, Wash.

Warehouses at Quincy and Seattle, Wash., and Vancouver, B. C.

A \$2.7 million expansion in shell casing plant at Sedro-Woolley, Wash.

Plans were approved during the year by the Federal Power Commission for the distribution of natural gas into the Pacific Northwest from the San Juan Basin in northwestern New Mexico. Feasibility studies are being progressed by American and Canadian interests looking toward bringing natural gas from the Peace River country in Alberta and British Columbia to the United States border near Vancouver, B. C. The availability of this fuel should do much to assist in relieving occasional power shortages in the area as well as providing fuel for many types of industry requiring this specific form of fuel.

Additional property for industrial sites was acquired during 1954 totaling nearly 400 acres in Minnesota, North Dakota and Washington.

IRRIGATION PROJECTS

Construction is continuing in the Columbia Basin Irrigation Project on schedule. In Great Northern territory some 81,000 acres have water available, and for 1955 another 15,000 acres are scheduled to take water. Altogether, at that time, nearly 1,400 farms will be provided for.

Some of the principal crops being produced are potatoes, beans, peas, onions, sugar beets and wheat. The first trees are being set out for future apple, pear and other soft fruit orchards. Nearly 5,000 carloads of freight were handled in and out from Great Northern stations in the Columbia Basin in 1954, an increase of 31% over 1953.

Work on the Tiber Dam on the Marias River south of Chester, Mont., proceeded rapidly in 1954 and is now 75% complete. The earth-fill and riprapping will be completed in 1955. Land contracts are being signed looking to the formation of an irrigation district. Some 127,000 acres local to Great Northern will be irrigated by this project.

On the Missouri Diversion unit in northeastern Montana some controversy developed after bids were let for the construction of the dam and the project was not progressed. A congressional appropriation has been secured for continued study of this project.

Study is being continued on the Missouri-Souris Irrigation Project in central and north central North Dakota, with water conservancy districts being surveyed and a feasibility report due late in 1955.

POWER PROJECTS

During 1954 work was continued on Chief Joseph Dam, located on the Columbia River downstream 51 miles from Grand Coulee Dam. The dam and powerhouse are practically complete and it is expected that the first power will be produced in 1955. Present plans call for 16 generators to be put into operation with possible expansion to 27 generating units producing 1,728,000 kilowatts.

The Albeni Falls Dam on the Clark Fork of the Columbia River in northwestern Idaho is

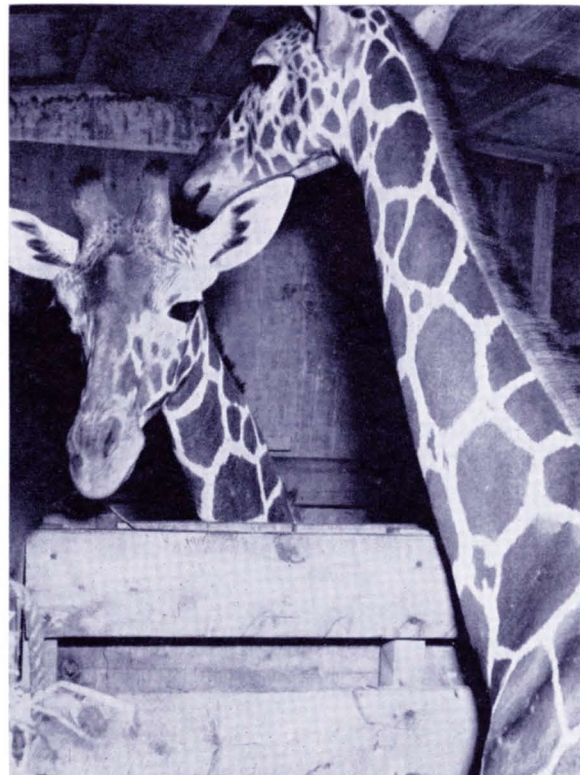
practically complete, with a power capacity of 42,600 kilowatts.

Gavin's Point Dam on the Missouri River west of Yankton, S. D., is now 45% complete. The power capacity will be 100,000 kilowatts, to be finished in 1956.

Three important developments occurred in 1954 under award by the Federal Power Commission to certain Public Utility Districts of preliminary 3-year permits to study the feasibility of the following power projects adjacent to Great Northern Railway:

1. Dam and reservoir on the Chiwawa River, with generating plant, near Leavenworth, Wash., 145,000 kilowatts capacity.
2. Rocky Reach Dam, on Columbia River 10 miles north of Wenatchee, Wash., 585,000 kilowatts capacity.
3. Wells Dam on Columbia River, 18 miles below Chief Joseph Dam, 588,000 kilowatts capacity.

Studies of the preliminary plans are being progressed although it may be some time before construction is actually begun.



A STRANGE CARGO RIDES GREAT NORTHERN RAILS FROM ST. PAUL TO SEATTLE.

PROPERTY INVESTMENT

Cash expenditures of \$20.8 million during 1954 were divided almost equally between road property and new equipment. During 1953 these items were \$11.6 million for road property and \$15.5 million for new equipment, total \$27.1 million.

The 37 diesel locomotive units received early in 1954 have extended complete dieselization to the entire territory west of Minot, N. D.

1. FIXED PROPERTY IMPROVEMENTS

Some of the important fixed property improvements completed in 1954 were the conversion of a machine shop to a diesel shop and a new yard office at Hillyard, Wash.; a large modern steel car shop at St. Cloud, Minn.; a new line location for entry into Butte, Mont.; centralized traffic control between Delano and Willmar, Minn.; gantry crane shakeout on iron ore dock at Allouez, Wis., and radio equipment for freight train operation between Minneapolis and Seattle except for wayside stations in the Havre, Mont., to Wenatchee, Wash., section to be completed in 1955.

Passing tracks were extended at 6 points and automatic crossing signals or short arm gates were installed at 29 crossings. Station

remodelling or new construction was completed at 9 locations.

For 1955 an important project is the new modern car-retarder freight classification yard at Minot, N. D.

2. NEW EQUIPMENT

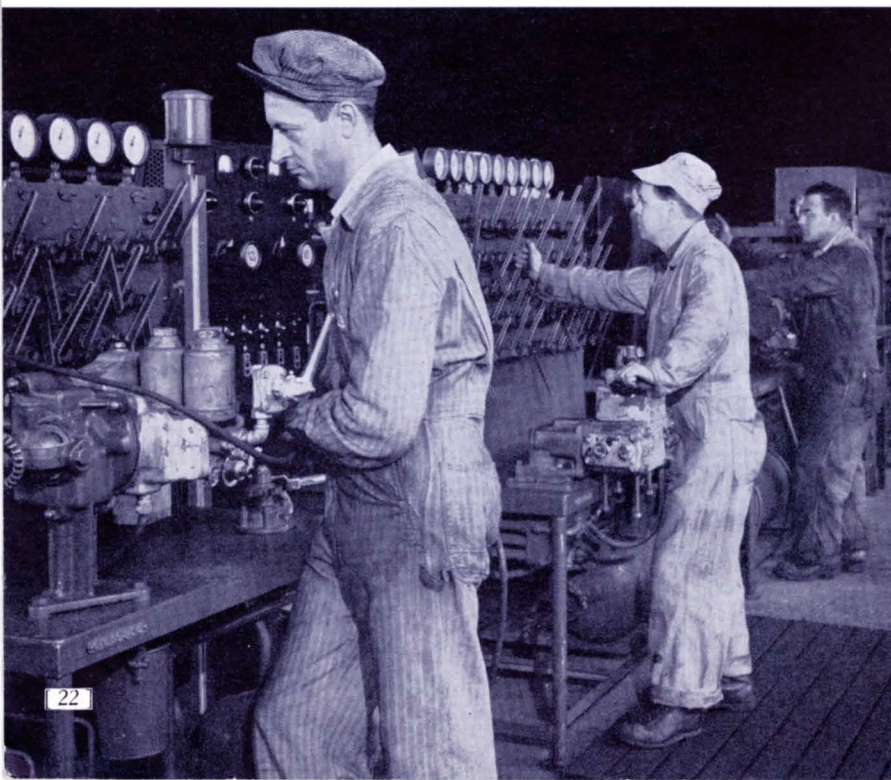
During 1954 a total of 37 diesel locomotive units were received, including 23 road-switch units, 12 freight units and 2 freight and passenger units.

The balance of 194 fifty-ton flat cars of the 200 ordered in 1952 was received in 1954. Twenty-five specially equipped cars were purchased for certain high class commodity loading. A total of 126 refrigerator cars, including 50 mechanical all-purpose cars, was received by Western Fruit Express Co., a wholly owned subsidiary, in 1954, and that company has on order 174 refrigerator cars and 50 mechanical all-purpose cars for 1955 delivery.

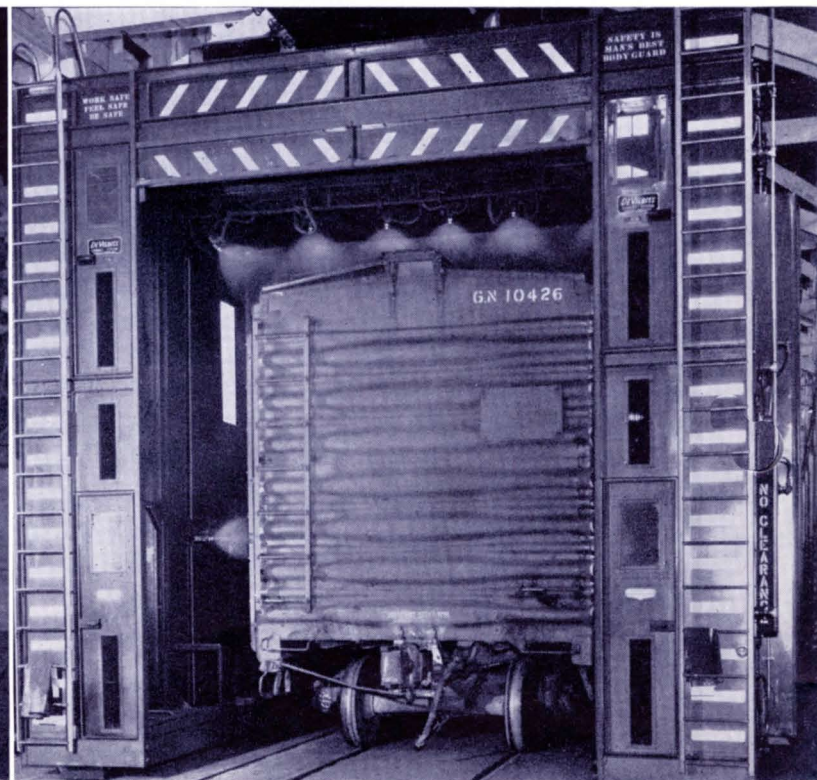
Equipment expected for 1955 delivery includes 500 single door and 500 double door, all steel box cars, and 25 mill type gondolas, all to be built in Company shops, and 25 air dump cars to be purchased.

New passenger equipment scheduled for 1955 delivery includes 12 dome coaches and 5 full dome lounge cars to equip the Empire Builder with dome cars for both coach and sleeping car passengers.

AIR BRAKE INSPECTION AND REPAIR ROOM.



AUTOMATIC TRAVELING PAINT SPRAY BOOTH SPREADS PAINT EVENLY AT THE RATE OF 12 MINUTES PER CAR.



LITIGATION

Practically all of the railroads of the country are involved in proceedings before the Interstate Commerce Commission involving Class Rates and Divisions. One case applies to Class Rate traffic moving to, from, and within the territory west of the North Dakota-Montana state line. In the Divisions cases, lines in various sections of the country are seeking an increased share of the through revenues from the Western railroads, while the latter are attempting to increase their division of rates on many commodities.

The Chicago, Milwaukee, St. Paul and Pacific Railroad Company has commenced a case before the Interstate Commerce Commission to open the Spokane Gateway so that it may get a greater share of the business to and from the Spokane, Portland and Seattle Ry. Co. and its subsidiaries, the Oregon Trunk and Oregon Electric. Since most of this business east of Spokane now moves over Great Northern or Northern Pacific lines, these two parent companies have intervened to oppose the opening of the gateway. Several hearings have already been held and further hearings will be held during the spring and summer.

Riss & Company, a trucking firm, has brought suit against some 85 railroads, including Great Northern, to recover large damages, claiming that the defendants have conspired to destroy trade and ruin the plaintiff in violation of the Sherman Antitrust Act. In answering the complaint, the railroads charged that Riss & Company has been operating on the highways without proper authority and have counterclaimed for damages caused by such alleged illegal operation.

The above three cases will probably be before the Commission and the courts for several years.

The Interstate Commerce Commission has decided that all 17 complaints filed by the Government against the railroads to recover alleged freight overcharges on shipments of war material moving between 1941 and 1946 should be dismissed.

The 1942 action brought against railroads and truck lines for damages claimed for failure to serve the strike-bound plant of Montgomery Ward & Co. at Portland, Ore., during 1940-1941 has been closed. The court assessed damages against each defendant, with Great Northern paying a judgment of \$7,250.

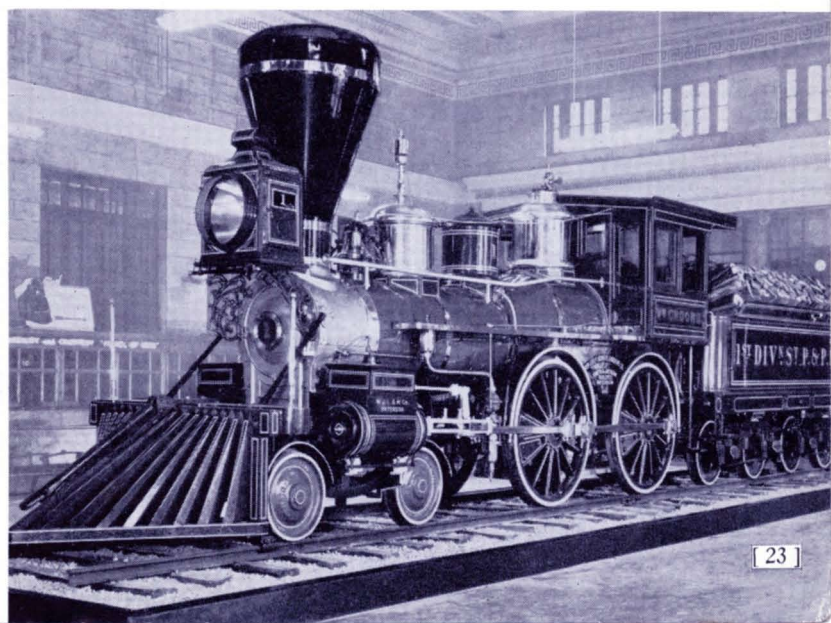
SHAREHOLDERS

Effective July 2, 1954, each share of Preferred stock of Great Northern Railway Co. became two shares of new Common stock under the plan approved by the shareholders at the annual meeting, May 13, 1954. As a result, the number of shares held by each shareholder was doubled. The 33,102 shareholders as of November 24, 1954, had holdings as follows:

Shares	Number of Shareholders	Per Cent of All Shareholders
1 to 100	24,998	75.5%
101 to 200	5,509	16.7
Over 200	2,595	7.8
Total	33,102	100.0

The average number of shares owned per shareholder was 183.

THE WM. CROOKS, FIRST LOCOMOTIVE IN MINNESOTA, MADE ITS INITIAL RUN JUNE 28, 1862. IT IS NOW ON EXHIBITION IN THE ST. PAUL UNION DEPOT. THE ST. PAUL AND PACIFIC R.R. WAS AN EARLY PREDECESSOR OF GREAT NORTHERN RY. CO.



FEDERAL PLANNING ON TRANSPORTATION

Transportation has been given special attention by the National government during the past year.

President Eisenhower has recently suggested to Congress the expenditure of \$101 billion over a 10-year period for a national highway building program.

In addition, President Eisenhower, in the early summer of 1954, formed a Cabinet Committee on Transport Policy and Organization under the chairmanship of the Secretary of Commerce for a comprehensive review and recommendations covering over-all transportation policies. The report of this committee, which was to have been submitted to the President December 1, 1954, has just been made public.

While the principles declared and the actions recommended in the report appear encouraging, it is too early to foretell the results, if any, that may be realized. However, it is felt by railway management that the Federal government must take into consideration the effect of a greatly improved and expanded highway system on competitive transportation.

FOR 1955

Prospects are favorable for a 1955 volume of traffic in excess of that handled in 1954. Spring moisture conditions are generally somewhat better than they were at the same time last year. While there was a smaller volume of wheat in storage at local elevators and on farms at the beginning of 1955, this was more than offset by a much larger volume of other grain stored, particularly barley. Grain, potato and total loadings so far in 1955 have exceeded those of 1954. Increased demand for steel will undoubtedly result in a larger movement of iron ore to upper lake ports. With the receipt of the new dome cars beginning late in the spring of 1955, it is anticipated that revenues from passenger traffic will also be higher during the coming year.

There was a substantial improvement in Net income during the first two months of 1955 compared with 1954. Considering the improved condition of the physical plant and the able organization available, it is believed that your Company will efficiently handle its fair share of the available traffic under whatever circumstances may arise.

The Directors and Management wish to again record their deep appreciation of the co-operation and loyalty of officers, employees, shareholders and patrons during the year 1954.

LOADING SUGAR BEETS AT A BEET DUMP.





GREAT NORTHERN RAILWAY SYSTEM.....

BURLINGTON LINES.....

SPOKANE PORTLAND & SEATTLE RAILWAY.....

(AND ITS SUBSIDIARY LINES)

