Industrial Park and will offer prime sites to companies seeking to locate on the east bank of the Mississippi River.

Closely affiliated with real estate development is the new town of Park Forest South in the south suburbs of Chicago. This new community lies just beyond the famous village of Park Forest, which is served by the electric commuter lines of the Illinois Central Railroad. Your company has reached preliminary agreement with the developer to extend its suburban service further south when such service is warranted. In return, a subsidiary will have an equity position in the residential and commercial development of this community which is expected to be the showcase of the decade.

These merger developments should lead no one to believe that our faith in railroading has faltered. Our concept of diversification embraces growing contributions from an expanding railroad.

During 1968 our transportation division pitted its new operating methods, equipment and selling concepts against bad weather, strikes that curtailed traffic and higher wages that added considerably to expenses.

The innovations in operations and marketing are bearing fruit. The Rent-a-Train concept became a reality when the first train was inaugurated between Gibson City, Ill., and Baton Rouge, La. A fast overnight piggyback train was started between Chicago and Memphis. New unit coal trains began operating in 1968 and more are scheduled for 1969.

The investment in computer-communications facilities has sharpened our rail operations and improved service to shippers. This system will help to hold operating costs in line and price services more realistically.

Railroad management has been streamlined and separated from Industries. Your railroad has a distinguished new president, Alan S. Boyd, who served so ably as the nation's first Secretary of Transportation. I will remain as chairman and chief executive officer of the railroad. Important other changes are noted elsewhere in this report.

Plans for the merger of the Illinois Central and Gulf, Mobile and Ohio railroads are being implemented. Stockholders of both organizations approved the merger in the spring of 1968. On November 12, hearings began before an Interstate Commerce Commission examiner and concluded on January 10, 1969. Hearings will be resumed on April 9, 1969.

During 1968 the Illinois Central Railroad commenced direct freight service into Nashville, Tenn., over a portion of the Tennessee Central railroad. Purchase of this line will be completed in 1969. The railroad also acquired full ownership of the Waterloo railroad by buying the Rock Island railroad's half interest.

Increased expenditures for improvements are budgeted for 1969 at nearly $93 million compared with $76 million for 1968. The railroad's total for 1969 will approach $74 million, the second highest capital outlay in company history. Abex capital improvements will be the highest ever for that company, $19.4 million, compared with $12 million in both 1968 and 1967.

We look forward with assurance. Whatever direction the economy may take, I am firmly convinced that your company will perform more effectively with its greater stature and the increased opportunities offered by its many-faceted markets.

We ask that you join us in thanks to all who have worked to make 1968 a good year. The many things they have done are described in greater detail on the following pages. We hope you will read them.

William B. Johnson

William B. Johnson
Chairman, President and Chief Executive Officer