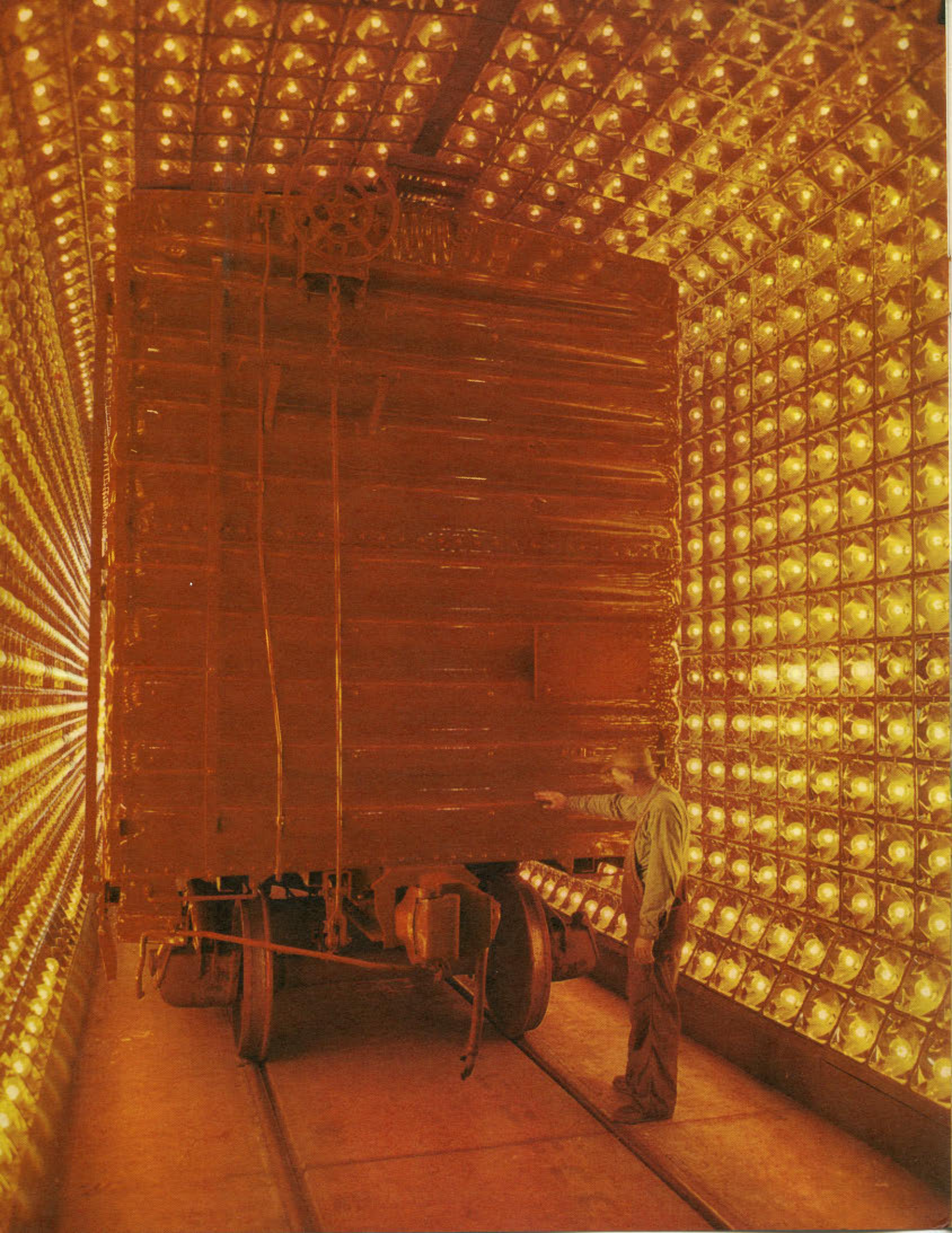


1963
ANNUAL
REPORT





Infra-red paint drying oven at Albina, Oregon (see page 17).



UNION PACIFIC RAILROAD COMPANY • SIXTY-SEVENTH ANNUAL REPORT

(INCLUDING ITS LEASED LINES)

YEAR ENDED DECEMBER 31, 1963

Directors and Officers	2	Investment in Road and Equipment	16
Highlights	3	New Equipment	16
Letter to Stockholders	4	Other Improvements	17
Income from Transportation Operations	6	Affiliated Companies (Transportation)	18
Railway Operating Revenues	6	Oil and Gas Operations	19
Railway Operating Expenses	7	Trona Development	20
Railway Tax Accruals	8	Iron Mountain Ore	21
Income from Investments and Other Sources	9	Mineral Exploration and Development	21
Funded Debt	10	Calnev Pipe Line Company	21
Capital Stock and Stockholders	10	Industrial Development	22
Dividends on Common Stock	10	Property Acquisitions	23
Retained Income	11	Affiliated Companies (Land)	23
Working Capital	11	Map of Union Pacific System	24
Proposed Rock Island Merger	12	Central Pacific Case	26
Mergers Proposed by Others	12	Freight Revenue Divisions	26
Map of Proposed Union Pacific-Rock Island Merger	13	Federal Transportation Legislation	26
Freight Traffic	14	Union Pacific Railroad Foundation	26
Employes and Wages	14	List of Tables	27
Safety Awards	15	Opinion of Independent Public Accountants	45
Coal-Burning Gas-Turbine Locomotive	15	Kansas (States of the "Union Pacific West")	48

DIRECTORS AND OFFICERS • Union Pacific Railroad Company (April 1, 1964)

DIRECTORS

FRANK E. BARNETT, New York, N. Y.
COURTNEY C. BROWN, Scarsdale, N. Y.
W. DALE CLARK, Omaha, Nebr.
GEORGE S. ECCLES, Salt Lake City, Utah
WALTER D. FLETCHER, New York, N. Y.
ARTEMUS L. GATES, Locust Valley, N. Y.
ELBRIDGE T. GERRY, Delhi, N. Y.
THOMAS P. JERMAN, Short Hills, N. J.
THOMAS KERR, Portland, Ore.

E. ROLAND HARRIMAN, Chairman, Arden, N. Y.

OSCAR T. LAWLER, Los Angeles, Calif.
HAROLD B. LEE, Salt Lake City, Utah
ROBERT A. LOVETT, Locust Valley, N. Y.
WILLARD B. MILLARD, JR., Omaha, Nebr.
GEORGE S. MOORE, New Canaan, Conn.
WILLIAM C. MULLENDORE, Los Angeles, Calif.
JOHN S. SINCLAIR, Wilton, Conn.
ARTHUR E. STODDARD, Omaha, Nebr.
REGINALD M. SUTTON, New York, N. Y.

EXECUTIVE COMMITTEE

COURTNEY C. BROWN
GEORGE S. MOORE

ROBERT A. LOVETT, Chairman

JOHN S. SINCLAIR
E. ROLAND HARRIMAN, Ex Officio

GENERAL OFFICERS

E. ROLAND HARRIMAN, Chairman, Board of Directors,
New York, N. Y.

ROBERT A. LOVETT, Chairman, Executive Committee,
New York, N. Y.

A. E. STODDARD, President,
Omaha, Nebr.

R. M. SUTTON, Vice-President and Controller,
New York, N. Y.

FRANK E. BARNETT, Vice-President and General Counsel,
New York, N. Y.

C. W. ROSSWORN, Secretary,
New York, N. Y.

D. A. POWELL, Treasurer, New York, N. Y.

Transportation Division (OMAHA)

E. H. BAILEY, Chief Executive Officer
and Vice-President, Operations

J. R. MacANALLY, Vice-President, Traffic

F. J. MELIA, Vice-President and Western General Counsel

A. D. HANSON, Vice-President, Labor Relations

L. J. BACHMAN, Assistant to President

E. M. KERRIGAN, General Auditor

J. A. BUNJER, Chief Engineer

G. A. O'KEEFE, Assistant Treasurer

Natural Resources Division (LOS ANGELES)

LEE S. OSBORNE, Chief Executive Officer

D. B. PINNELL, General Manager, Petroleum

D. O. CHURCHILL, Assistant to Chief Executive Officer

E. R. MILLER, General Auditor

G. A. O'KEEFE, Assistant Treasurer (Omaha)

Land Division (OMAHA)

A. C. RITTER, Chief Executive Officer

R. R. LINES, General Land and Tax Commissioner

F. J. MELIA, Western General Counsel

E. M. KERRIGAN, General Auditor

G. A. O'KEEFE, Assistant Treasurer

Offices

120 Broadway, New York, N. Y. 10005
1416 Dodge Street, Omaha, Nebr. 68102
422 West 6th Street, Los Angeles, Calif. 90014

Annual Meeting of Stockholders, Salt Lake City, Utah,
Second Tuesday in May.

HIGHLIGHTS - 1963



	1963	1962	1961
Railway operating revenues	\$519,104,479	\$512,124,915	\$499,324,448
Railway operating expenses	\$372,131,540	\$370,157,101	\$360,798,813
Operating ratio	71.69%	72.28%	72.26%
Taxes (other than Federal income taxes)	\$ 36,780,201	\$ 37,869,279	\$ 36,479,525
Federal income taxes	\$ 38,100,000	\$ 35,600,000	\$ 50,131,264
Net income from transportation operations	\$ 51,111,725	\$ 46,775,328	\$ 31,182,611
Net income from oil and gas operations	\$ 21,542,808	\$ 23,888,982	\$ 26,030,815
Income available for fixed charges	\$ 88,003,049	\$ 85,643,864	\$ 72,397,753
Fixed charges	3,781,342	3,153,738	3,011,628
Net income under I.C.C. accounting rules	\$ 84,221,707	\$ 82,490,126	\$ 69,386,125
Reduction in income necessary to conform with generally accepted accounting principles	15,242,353	13,860,492	3,117,024
Net income	\$ 68,979,354	\$ 68,629,634	\$ 66,269,101
<hr/>			
Net income (after preferred dividends) per share of common stock:			
Under I.C.C. accounting rules	\$3.58	\$3.50	\$2.92
Under generally accepted accounting principles	\$2.90	\$2.88	\$2.78
<hr/>			
Dividends declared per share of common stock	\$1.50	\$1.60	\$1.60
Dividends paid per share of common stock	1.70	1.60	1.60
Number of preferred and common stockholders on December 31	99,119	102,073	99,624
<hr/>			
Expenditures for improvements to transportation property	\$ 75,803,463	\$ 64,404,130	\$ 49,898,133
Depreciation accruals on transportation property	\$ 41,427,945	\$ 39,103,437	\$ 38,032,536
<hr/>			
Ton-miles of revenue freight carried (1000's)	35,076,458	33,187,576	32,408,549
Average revenue per ton-mile (cents)	1.290	1.333	1.335
<hr/>			
Revenue passengers carried one mile (1000's)	1,068,517	1,173,616	1,149,737
Average revenue per passenger-mile (cents)	2.332	2.345	2.312
<hr/>			
Average number of employees	34,361	34,861	34,886
Total wages paid	\$228,200,827	\$227,575,481	\$221,474,080

TO OUR STOCKHOLDERS:

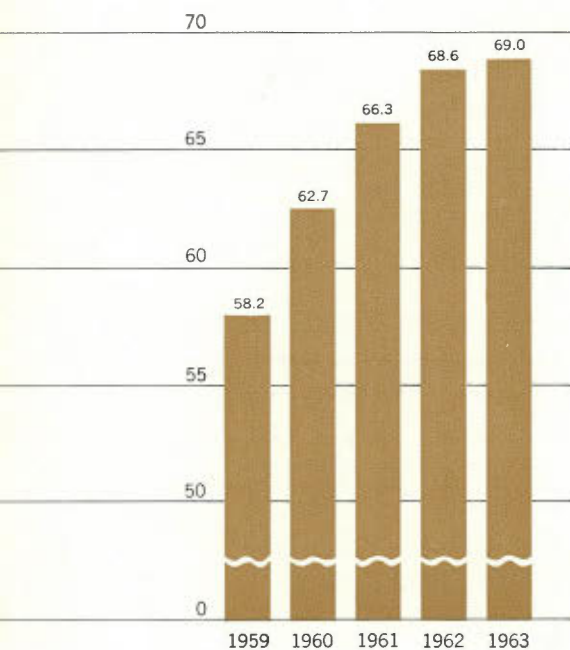
The year 1963 was an active and interesting one for the Union Pacific. The year's developments are covered in considerable detail on the pages following this letter, but they may be briefly highlighted here.

There were both plus and minus factors affecting income in 1963, but net earnings under Interstate Commerce Commission accounting regulations increased 2.1 per cent, and adjusted net income also increased slightly. Improvements in transportation earnings and interest income more than made up for a drop in oil and gas income and increases in fixed charges and "miscellaneous deductions."

With prosperous business conditions throughout the year, total operating revenues amounted to \$519.1 million, the best showing in the last ten years. This figure excludes \$5.3 million from revenue received on transcontinental freight traffic in the last half of the year, as explained on page 26 of the report.

The tabulation below shows the breakdown of net income (under accounting rules prescribed by the I.C.C.) by Operating Divisions, for 1963 compared with 1962:

Adjusted Net Income
1959-1963 (millions of dollars)



	1963	1962	Increase (+) or Decrease (-)
Transportation Division	\$67,224,967	\$63,390,740	+\$3,834,227
Natural Resources Division	14,633,385	16,667,774	- 2,034,389
Land Division	239,374	798,979	- 559,605
Non-Divisional	2,123,981	1,632,633	+ 491,348
Total	\$84,221,707	\$82,490,126	+\$1,731,581

Our interests in Rangely oil field were sold for \$62.2 million on September 26, 1963. This was an unusual transaction. On the basis of the estimated future income decline in the field, the sale at this price was too favorable an opportunity to let pass, but a short-term effect of the sale was a considerable reduction in oil and gas income, as pointed out on page 19. Accordingly, the sale proceeds (less capital gain taxes) have been earmarked for reinvestment in new natural resources projects from which attractive income yields may be anticipated.

* * *

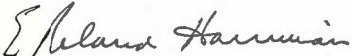
The first step in a new dividend policy for the common stock was taken by establishing a regular quarterly rate of 40 cents per share, starting October 1, 1963. Later in 1963, a year-end extra of 10 cents per share was declared along with the quarterly of 40 cents, payable January 2, 1964, making the annual rate \$1.70 per share compared with the previous \$1.60 rate.

Then, on March 26, 1964, a quarterly dividend of 45 cents per share was declared payable July 1st, thus placing the common on a regular annual basis of \$1.80 per share, with the contemplated discontinuance of year-end extras.

This liberalization of the Company's dividend policy recognizes for our Stockholders the growth in earnings from the large amount of additional capital put back into the property since the war. Union Pacific income per share of course includes earnings from oil, gas and other minerals in substantial amounts, a supplemental source of income that is not available to most railroad companies.

* * *

Further delays occurred during 1963 in the efforts of the railroad industry to effectuate revisions of employe work rules along the lines recommended early in 1962 by a distinguished Presidential Railroad Commission. The dispute finally reached Congress, which set up an Arbitration Board to determine the firemen and train-crew size issues. In November, 1963, the Arbitration Board filed an award which disposed of the firemen issue and provided for further handling, with ultimate arbitration on individual railroads, as to train-crew size. The award directed that most of the firemen could be eliminated through "natural attrition," with generous provisions for protection of the vast majority of present holders of the jobs. The unions sued in Federal court to have the award set aside, but the District Court, and later the Court of Appeals, supported the railroads' position. The Supreme Court declined to review the case on April 27, 1964, and it therefore appears that the award of the Arbitration Board will become effective May 7, 1964.


Chairman of the Board of Directors
New York, N. Y., April 30, 1964


Chairman of the Executive Committee


President

On April 22, 1964, President Johnson announced that a settlement had been reached on certain other issues in dispute which were not submitted to arbitration.

* * *

The Company's activities having to do with the proposed merger with the Rock Island were potentially important for the future of the Rock Island and the Union Pacific. Managements of the two railroads signed a comprehensive Plan and Agreement of Merger; an agreement was reached with the Southern Pacific for purchase from the Union Pacific, after the merger, of certain Rock Island properties in and south and southwest of Kansas City; and the merger proposal, including the conversion of Union Pacific preferred stock into debentures, was presented to our stockholders and approved. These developments represent a significant advance toward a merger which we believe will be highly beneficial to the more than 110,000 stockholders of the Rock Island and the Union Pacific, and the general public. Two steps still remain: the management of the Rock Island has yet to obtain approval of its stockholders, and Interstate Commerce Commission authorization will be required before the merger can be put into effect.

* * *

President Johnson has strongly recommended reform of outdated and unfair Federal regulatory laws covering transportation, principally H.R. 9903, but prospects for enactment of legislation in 1964 are dimmed by the usual complications. Our Stockholders can help by writing to their representatives at Washington, indicating their support of such legislation.

* * *

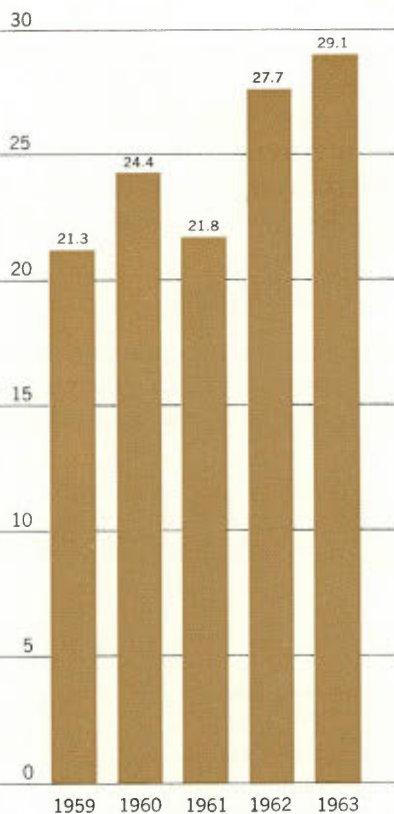
The Board of Directors takes this opportunity to express its sincere appreciation for the cooperation and loyalty of Union Pacific officers and employes throughout the year.

The Board of Directors records with sorrow the death of GEORGE E. ROOSEVELT on September 3, 1963. Mr. Roosevelt had served as a Director since March, 1941, and had been a member of the Executive Committee since October, 1946.

OPERATING REVENUES

	1963	Increase (+) or Decrease (-) vs. 1962		Per cent
		Amount		
Freight	\$452,408,084	+	\$9,898,624	2.2
Passenger	24,920,210	-	2,595,819	9.4
Mail	23,307,734	+	246,021	1.1
Express	4,401,311	+	75,812	1.8
Switching	6,919,575	-	91,896	1.3
Other	7,147,565	-	553,178	7.2
Total	\$519,104,479	+	\$6,979,564	1.4

**Gross Freight Revenue
from Transportation of
Automobiles and Parts
1959-1963** (millions of dollars)



Income from Transportation Operations

	1963	Increase (+) or Decrease (-) vs. 1962	
		Amount	Per cent
Railway operating revenues ..	\$519,104,479	+\$6,979,564	1.4
Railway operating expenses ..	372,131,540	+ 1,974,439	.5
Revenues over expenses ..	\$146,972,939	+\$5,005,125	3.5
Taxes (other than Federal income taxes)	\$36,780,201	-\$1,089,078	2.9
Equipment rents (debit)	19,312,637	- 854,402	4.2
Joint facility rents (debit)	1,568,376	+ 112,208	7.2
Total deductions	\$57,761,214	-\$1,831,272	3.1
Net before Federal income taxes	\$89,211,725	+\$6,836,397	8.3
Federal income taxes	38,100,000	+ 2,500,000	7.0
Net income from Transpor- tation Operations	\$51,111,725	+\$4,336,397	9.3

Railway Operating Revenues

Freight revenue for 1963 excludes approximately \$5.3 million, representing a portion of the revenue received on transcontinental freight traffic, as explained on page 26. Notwithstanding this accounting adjustment, total freight revenue for the year was \$452.4 million, the highest figure since 1957, and an increase of 2.2 per cent over 1962. Many factors were involved in this favorable showing, but the most outstanding was the sustained improvement in the general level of the economy compared with the previous year, largely because of the exceptional strength of consumer demand. For example, sales of passenger automobiles were not only greater than in 1962, but exceeded the previous high of 1955.

The largest revenue increase for an individual commodity was shown for wheat, which resulted primarily from heavier movement of this grain from Nebraska, Kansas and Colorado to Pacific Northwest ports for export to the Far East. Other commodities showing substantial revenue increases, in order of their importance, were paper products, soda ash, automobiles and parts, sugar, lumber, and canned food products. The commodities with the largest *decreases* were livestock, potatoes, and sorghum grains. Details of freight tonnage and gross revenue, by commodities, are shown in Table 7 on page 36.

Thirty-five billion ton-miles of revenue freight were handled (the highest volume since the war year of 1945), representing an increase of 5.7 per cent over 1962. However, the effect of this improvement was partly offset by a decrease of 3.2 per cent in average revenue per ton-mile.

The decrease of 9.4 per cent in Passenger revenue resulted chiefly from a decrease of 9 per cent in number

of passengers carried one mile, compared with 1962 when the Seattle World's Fair was a favorable factor. There was a decrease of 2.7 per cent in passenger-train miles operated.

Railway Operating Expenses

The increase in Operating expenses amounted to only five-tenths of one per cent compared with 1962. This constitutes a rather gratifying achievement in view of the substantially greater volume of freight traffic handled, the effect of wage increases granted to nonoperating employees effective February 1 and May 1, 1962, (mentioned in last year's report) and a sharp rise in depreciation charges. Almost the entire amount of the increase in maintenance of equipment expenses was represented by the additional charge of \$2.2 million for depreciation caused by the acquisition of new equipment.

More than half of the 2.2 per cent increase in traffic expenses represented expanded expenditures for promotional advertising.

Particularly noteworthy was the slight decrease in transportation expenses in the face of stepped-up freight business. The ratio of transportation expenses to total operating revenues, a significant index for measuring operating efficiency, was 34.29 per cent compared with 34.83 per cent in 1962. These results may be attributed chiefly to savings realized through further streamlining of operating methods, and economies made possible by large capital expenditures for a wide variety of modern improvements to plant.

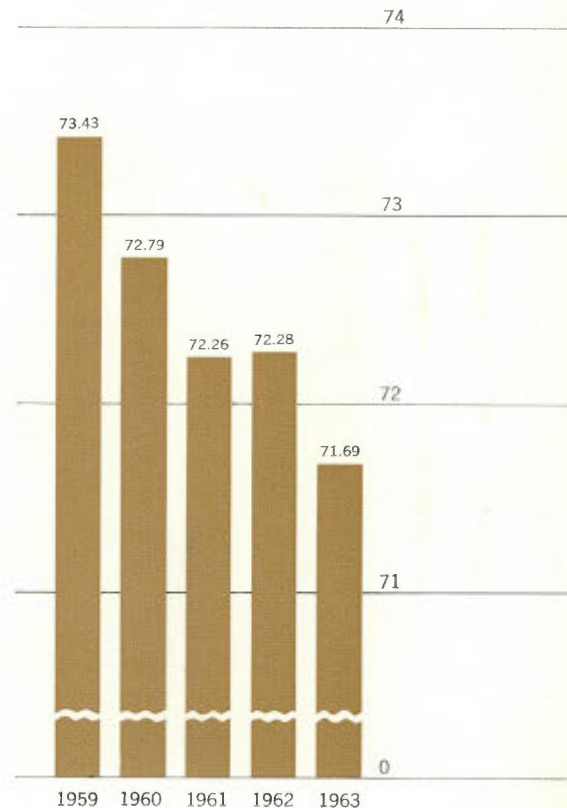
Maintenance of way and structures expenses, which were practically the same as in 1962 despite the heavier wear and tear on road and track facilities in 1963, reflect the benefits gained through increased mechanization and the introduction of other operational innovations. The quantities of rails, ties and ballast applied in main track renewals during the year, compared with 1962, are tabulated below:

	1963	1962	Increase (+) or Decrease (-)	Per cent
New rails (track miles)	101.71	101.91	— .20	.2
Second-hand rails (track miles)	80.21	62.95	+ 17.26	27.4
Total rails (track miles)	181.92	164.86	+ 17.06	10.3
Ties (number)	689,079	749,964	— 60,885	8.1
Ballast (cubic yards)	588,602	464,137	+124,465	26.8

A breakdown of operating expenses by primary accounts, compared with the previous year, is shown in Table 4 on pages 31 through 34.

	1963		Increase (+) or Decrease (-) vs. 1962	
	Amount	Per cent	Amount	Per cent
Maintenance:				
Way & structures	\$57,054,399	—	\$22,154	—
Equipment	94,237,116	+	2,250,613	2.4
Total	\$151,291,515	+	\$2,228,459	1.5
Traffic	14,208,950	+	300,967	2.2
Transportation	177,989,972	—	381,902	.2
Misc. operations	7,128,217	—	404,949	5.4
General	21,512,886	+	231,864	1.1
Total	\$372,131,540	+	\$1,974,439	.5

Ratio of Total Operating Expenses
to Total Operating Revenues
1959-1963 (per cent)



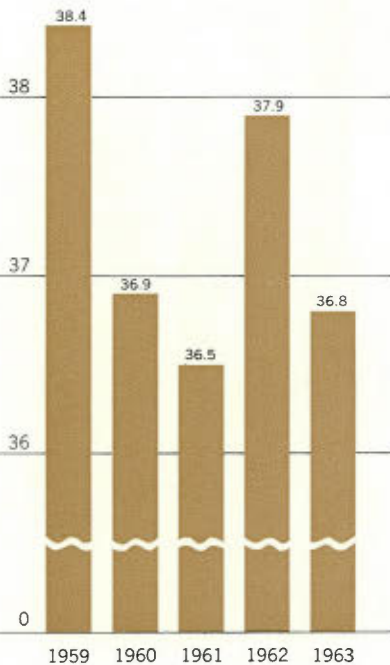
RAILWAY TAX ACCRUALS

	1963	Increase (+) or Decrease (-) vs. 1962	
		Amount	Per cent
Federal income	\$38,100,000	+\$2,500,000	7.0
Federal retirement ..	11,998,286	+ 19,027	.2
Federal unemploy- ment insurance	6,502,252	- 108,419	1.6
Other Federal	26,052	+ 4,178	19.1
Total Federal	\$56,626,590	+\$2,414,786	4.5
State and county	18,253,611	- 1,003,864	5.2
Grand total	\$74,880,201	+\$1,410,922	1.9

**Railway Tax Accruals Other than
Federal Income Taxes**

1959-1963 (millions of dollars)

39



Railway Tax Accruals

The increase of 7 per cent in Federal income taxes resulted primarily from an increase in taxable income for the year. The principal factors that resulted in the net increase of \$2.5 million compared with 1962 are tabulated below:

	Increase (+) or Decrease (-) in Tax
(a) Increased income from Transportation Operations	+\$3,555,000
(b) Increased interest income	+ 975,000
(c) Decreased income from Oil and Gas Operations	- 680,000
(d) Increase in the excess of depreciation and amortiza- tion deductible for tax purposes over the depreciation recorded in the accounts under I.C.C. regulations	- 1,200,000
Increased investment tax credit:	
(e) Temporary tax saving (net)	- 185,000
(f) Permanent tax saving (net)	- 340,000
(g) Adjustments for prior years and other income and adjustments—Net	+ 375,000
Net increase	<u>+\$2,500,000</u>

The sum of items (d) and (e) above (\$1,385,000) represents the approximate increase, compared with 1962, in temporary reductions in income taxes, expected to be offset by additional taxes at some future time, for which current net income was adjusted to conform with generally accepted accounting principles.

It should be noted that the Revenue Act of 1964 amended previous provisions covering the investment tax credit, with the result that the entire amount of this particular tax reduction may now be considered a permanent tax saving. This liberalization of the tax law will be reflected currently in the adjustment of net income, starting in 1964.

Most of the decrease of 5.2 per cent in State and county taxes represents a net decline in the aggregate liability incurred for sales and use taxes in various states. State and county taxes by classes in 1963, compared with 1962, were as follows:

	1963	Increase (+) or Decrease (-) vs. 1962
Ad valorem and other property taxes	\$16,655,479	+ \$69,358
Income and franchise taxes	1,449,721	- 232,870
Sales and use taxes	148,411	- 840,352
Total	<u>\$18,253,611</u>	<u>-\$1,003,864</u>

Table 5 on page 34 shows a breakdown of all taxes for the year, charged to income or retained income, including those that are not classified as "Railway tax accruals." Total taxes amounted to \$4.19 per share of common stock in 1963, compared with \$3.37 per share in 1962.

Income from Investments and Other Sources

	1963	Increase (+) or Decrease (—) vs. 1962	
		Amount	Per cent
Net income from oil and gas operations	\$21,542,808	—\$2,346,174	9.8
Royalties from oil and gas leases	407,494	+ 11,517	2.9
Dividends on stocks owned (Table 15)	4,330,710	— 43,914	1.0
Interest on bonds and notes owned (Table 16)	6,897,321	+ 1,825,434	36.0
Other interest income	720,916	+ 45,839	6.8
Rent income from transportation property	968,731	+ 41,802	4.5
Miscellaneous income	2,741,916	— 121,230	4.2
Profits and losses—net (property sales, etc.)	754,365	— 313,401	29.4
Total income from investments and other sources	\$38,364,261	— \$900,127	2.3

An analysis of the decrease in Net income from oil and gas operations is included among the subjects discussed under the caption, "Natural Resources Division," starting on page 19.

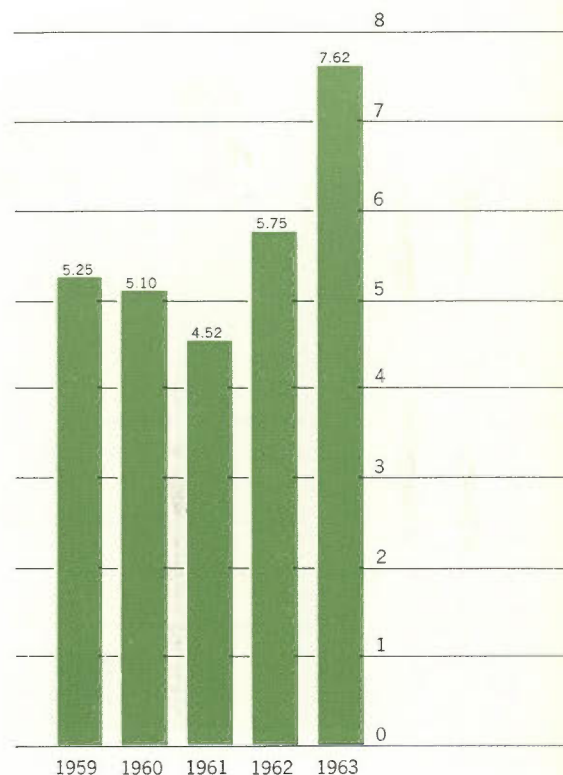
The decrease in Dividends on stocks owned resulted entirely from the fact that Pullman Co. did not declare any dividends on its capital stock in 1963, whereas a dividend of \$1.00 per share, creditable to income, was received by the Union Pacific in 1962 on its holding of 43,914 shares.

The increase of 36 per cent in Interest on bonds and notes owned is attributable to the investment of substantially greater funds in negotiable time certificates of deposit and U. S. Treasury obligations, and a somewhat higher average yield on such investments, partially offset by the effect of a net reduction in investments in interest-bearing obligations of affiliated companies.

The small decrease in Miscellaneous income was the net result of a substantial increase in charges for research expenditures in connection with methods for processing ores obtained from the Company's holdings in the Iron Mountain area of Wyoming, and an increase in compensation received from Pacific Fruit Express Co. for services rendered and privileges granted, due to recomputation of such compensation for three prior years.

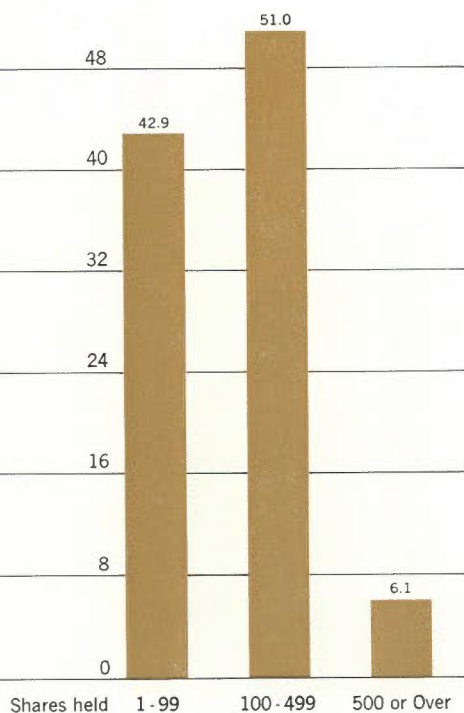
The item for Profits and losses—net excludes the profit from sale of the Company's interests in Rangely oil field, which was so large and so unusual in character that it was credited to retained income (see page 11), to avoid a highly misleading distortion of net income for the current year. The decrease in net profits from other capital transactions included in this account, compared with 1962, had no particular significance; fairly wide fluctuations in such profits from year to year are to be expected.

Interest Income
1959-1963 (millions of dollars)



Percentage Grouping of Stockholders of Record by Number of Shares Held (December 31, 1963)

PER CENT OF TOTAL
56



Funded Debt

Outstanding funded debt resumed its downward trend in 1963, with a decline of \$2,215,294 at the close of the year compared with December 31, 1962. This reduction represents amount of maturing equipment obligations paid (\$3,481,755) and face value of Company bonds (\$693,000) reacquired at current market prices, in anticipation of sinking fund requirements, less the amount of liability incurred (\$1,959,461) for the portion of cost of equipment delivered in 1963, financed under an equipment purchase agreement dated September 1, 1962.

Capital Stock and Stockholders

There was no change during the year in the number of shares of preferred and common stock outstanding.

The number of Stockholders of record at the close of 1963 was 99,119, representing a decrease of 2,954 compared with December 31, 1962. At the regular Annual Meeting in May, 1963, at which a large delegation of Directors was in attendance, 27,872,964 shares were voted, or 86.1 per cent of the total 32,383,545 shares outstanding. As shown in the chart on this page, most of our Stockholders are relatively small holders.

Dividends on Common Stock

Dividends have been paid for 64 consecutive years on the common stock.

For a number of years, annual dividends declared on the common amounted to \$1.60 per share, consisting of four quarterly dividends of 30 cents each and a year-end extra of 40 cents. However, on August 29, 1963, the Board of Directors increased the quarterly rate, starting with October 1st, to 40 cents per share, also representing an annual rate of \$1.60 per share.

Later in the year, the Board of Directors declared a dividend of 50 cents per share payable January 2, 1964, consisting of a quarterly dividend of 40 cents and an extra dividend of 10 cents. The tabulation below shows dividends declared and dividends paid in 1963, compared with corresponding amounts in 1962.

Common dividends in 1963			Common dividends in 1962		
Payment date	Amount per share		Payment date	Amount per share	
	Declared in 1963	Paid in 1963		Declared in 1962	Paid in 1962
Jan. 2, 1963	—	\$.70*	Jan. 2, 1962	—	\$.70*
Apr. 1, 1963	\$.30	.30	Apr. 2, 1962	\$.30	.30
Jul. 1, 1963	.30	.30	Jul. 2, 1962	.30	.30
Oct. 1, 1963	.40	.40	Oct. 1, 1962	.30	.30
Jan. 2, 1964	.50†	—	Jan. 2, 1963	.70*	—
Total	\$1.50	\$1.70	Total	\$1.60	\$1.60

* Quarterly dividend of \$.30 and extra dividend of \$.40.

† Quarterly dividend of \$.40 and extra dividend of \$.10.

Effective with the dividend payable July 1, 1964, the regular quarterly rate will be further increased to 45 cents per share, as explained on page 5 in the Letter to Stockholders.

Retained Income

Retained income crossed the billion-dollar mark in 1963, reaching \$1.06 billion at the end of the year. This amount represents all of the Company's income and profits since its incorporation in 1897 that have been retained in the business and used for various purposes—principally capital improvements to the property—to maintain and increase earning capacity. The increase of \$90.9 million in 1963 is analyzed below:

Net income for the year	\$68,979,354	
Tax reductions applicable to future years under generally accepted accounting principles, but credited to current income under accounting rules prescribed by I.C.C.	15,242,353	
Profit from sale of interests in Rangely field	\$61,073,111	
Less:		
Estimated income taxes applicable to above profit	16,719,847	44,353,264
Total credits		<u>\$128,574,971</u>
Less:		
Dividends declared on U.P.R.R.Co. and St.J.&G.I.Ry.Co. preferred and common stocks	37,627,819	
Net increase in Retained Income		<u>\$90,947,152</u>

Working Capital

The Company's working capital on December 31, 1963, was \$207,562,819, current assets having been 2.59 times the amount of current liabilities. The increase in working capital compared with the close of 1962 was \$61,185,938, as shown below:

WORKING CAPITAL ON DECEMBER 31, 1962	\$146,376,881
ADDITIONS:	
Net income (excluding net profits from capital transactions)	\$68,224,989
Current income tax reductions applicable to future years under generally accepted accounting principles	15,242,353
Non-cash charges to income for depreciation and retirements of property	43,727,297
Portion of freight revenue received on transcontinental traffic (less liability for applicable income taxes) excluded from income	2,535,000
Proceeds from sale of interests in Rangely field (less liability for income taxes on profit)	45,525,778
Proceeds from sales of other property	1,396,425
Deposits by affiliated companies in excess of advances	1,013,604
Maturities of securities of affiliated companies in excess of such securities acquired	2,409,703
Total	<u>\$180,075,149</u>
DEDUCTIONS:	
Dividends declared in 1963 on Union Pacific Railroad Company preferred and common stocks	\$37,625,577
Expenditures for improvements to transportation property	75,803,463
Cost of retiring funded debt less final equipment financing under 1962 equipment purchase agreement	2,112,790
Capitalized cost of oil and gas facilities and improvements to miscellaneous property	2,092,325
Miscellaneous—net	1,255,056
Total	<u>\$118,889,211</u>
NET INCREASE IN WORKING CAPITAL	61,185,938
WORKING CAPITAL ON DECEMBER 31, 1963	<u>\$207,562,819</u>

	Dec. 31, 1963	Increase (+) or Decrease (—) vs. Dec. 31, 1962
Current assets	\$338,495,143	+\$82,890,878
Current liabilities	130,932,324	+ 21,704,940
Working capital	<u>\$207,562,819</u>	<u>+\$61,185,938</u>
Ratio of current assets to current liabilities	2.59	+ .25

Haskins & Sells, Certified Public Accountants, at the Company's request and on a date selected by the Accountants, made an unannounced examination of the Company's cash and securities in the custody of the Company's Officers, obtained confirmations with respect to its cash and securities held by depositaries, and determined that the amounts thereof agreed with those shown on the Company's books.

Proposed Rock Island Merger

As stated in the 1962 annual report, joint studies were undertaken by Union Pacific, Rock Island, and Southern Pacific as to the desirability of a merger of Rock Island into Union Pacific, to be followed by the sale to Southern Pacific of Rock Island properties south and southwest of, and certain properties in, Kansas City, on terms agreed upon with the Southern Pacific. The studies convinced the managements of Union Pacific and Rock Island that the proposed merger would benefit both railroads and their Stockholders, and would be in the public interest.

Among other advantages, Union Pacific would benefit from Rock Island's direct connections with eastern railroads at Chicago, Peoria, and St. Louis, and Rock Island would be helped by Union Pacific's financial resources in accomplishing necessary improvement of its properties. Such an end-to-end merger will produce unified operations, with faster and better service to the public, between the Pacific Coast and major Illinois and Missouri gateways, and will enable the merged company to compete on more even terms with through truck lines and with other western railroads. The map on the following page shows the lines involved in the proposed merger.

A Plan and Agreement of Merger, dated June 27, 1963, was approved by the respective Boards of Directors of Union Pacific and Rock Island for submission to their Stockholders. Terms of the merger plan include provisions for issuance of .718 share of Union Pacific common stock to Rock Island Stockholders in exchange for each share of Rock Island stock; assumption of Rock Island debt by Union Pacific; and conversion of each share of Union Pacific preferred stock into \$10 principal amount of 30-year 4¾% debentures. Union Pacific Stockholders approved the proposed merger at a Special Meeting held on November 22, 1963.

A Special Meeting of Rock Island Stockholders was scheduled for November 15, 1963, to vote on the proposed merger. However, the Chicago and North Western and a so-called "committee" of Rock Island stockholders undertook solicitation of proxies from Rock Island stockholders against the proposed merger, and the character of their solicitation activities was such that the Union Pacific petitioned the Federal District Court at Chicago to issue an injunction against holding the Special Meeting of Stockholders on the scheduled date, charging that the North Western and the so-called "committee" had made unlawful, misleading statements in violation of the proxy rules of the Securities and Exchange Commission. The court postponed the meeting as requested, and hearings were held on the charges that had been made. On Feb-

ruary 18, 1964, the court found that the charge of unlawful solicitation had been substantiated, that the so-called "committee" was "merely a paper organization," and that the North Western had violated the proxy rules. The court held that all proxies received for the November 15th meeting should be invalidated and that Rock Island should fix a new meeting date which should not be earlier than 60 days after February 18th. Such meeting was called for June 12, 1964, and later postponed to July 17, 1964.

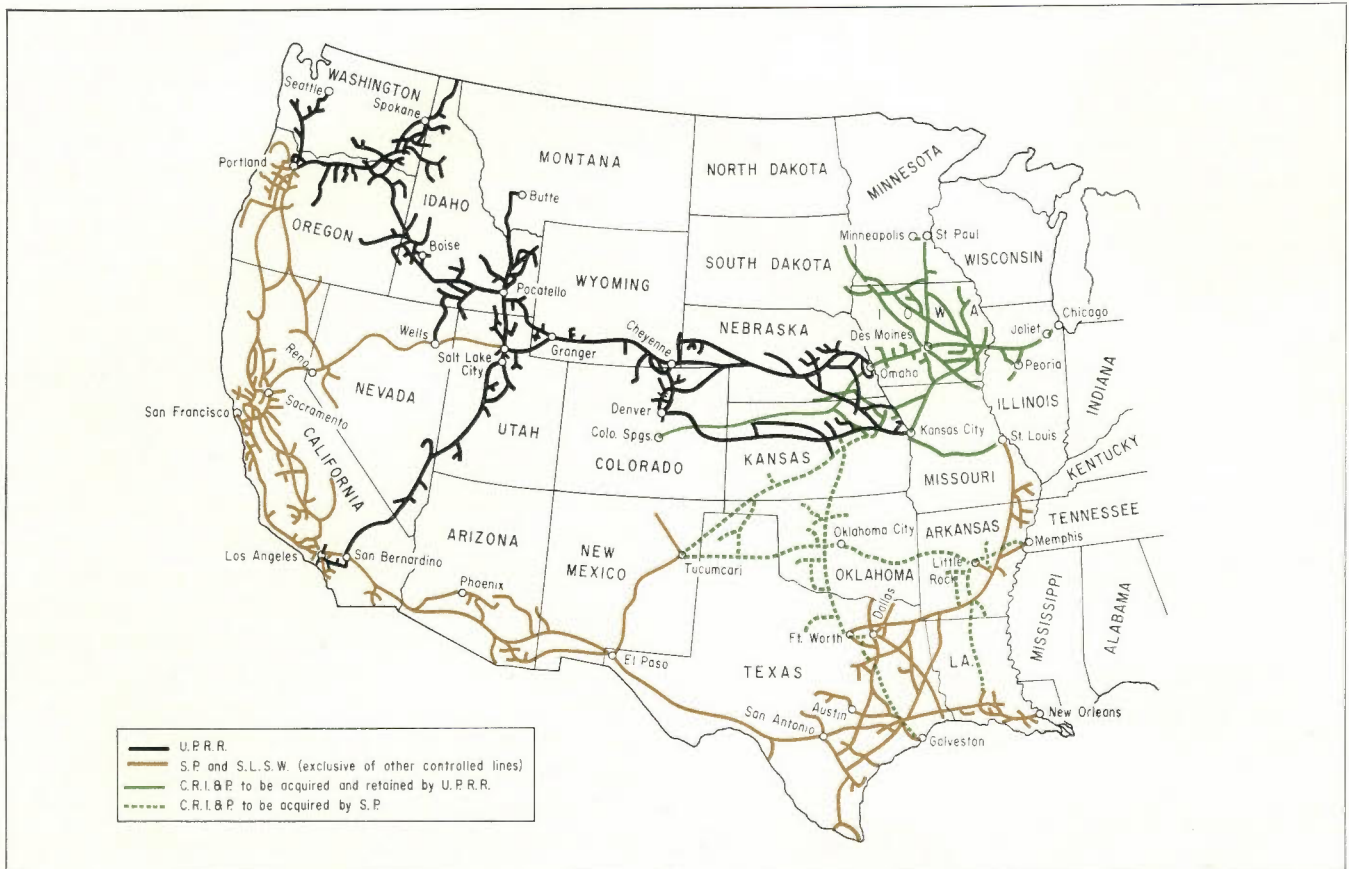
Before the merger can be consummated it will also be necessary to obtain approval of the Interstate Commerce Commission. This may require considerable time.

In this connection: The North Western filed an application with the I.C.C. on July 5, 1963, for authority to acquire control of the Rock Island through acquisition of Rock Island stock in exchange for North Western common stock and income bonds and a cash payment. Union Pacific, Rock Island, and Southern Pacific intervened in opposition to the application.

Mergers Proposed by Others

Proposals for control of Western Pacific: In September, 1963, an Interstate Commerce Commission Examiner issued a proposed report approving the Santa Fe application for authority to acquire control of the Western Pacific and denying the opposing application by Southern Pacific for similar authority. The Union Pacific, which is supporting Southern Pacific's application, filed exceptions to the Examiner's proposed report. Three stockholders (who are also directors) of the Western Pacific, disagreeing with the Examiner's report and with their management's support of the proposal for acquisition by the Santa Fe, insisted that a Special Meeting of Stockholders should be held to vote on various proposals. Accordingly, such a meeting was called by management and held on January 18, 1964. Of the Western Pacific shares represented at that meeting a majority were voted against Santa Fe control of the company and a majority were also voted against Southern Pacific control. Shortly thereafter the Western Pacific Board of Directors met and by a majority vote elected to continue support of Santa Fe's application for control, but to ask Santa Fe to better its proposed exchange ratio. Various parties to the I.C.C. proceedings filed exceptions to the Examiner's proposed report on or before the due date of February 5, 1964, including the three stockholders mentioned who, acting as a "Western Pacific Stockholders' Protective Committee," renewed their insistence that the Western Pacific remain independent.

Map of Proposed Union Pacific-Rock Island Merger



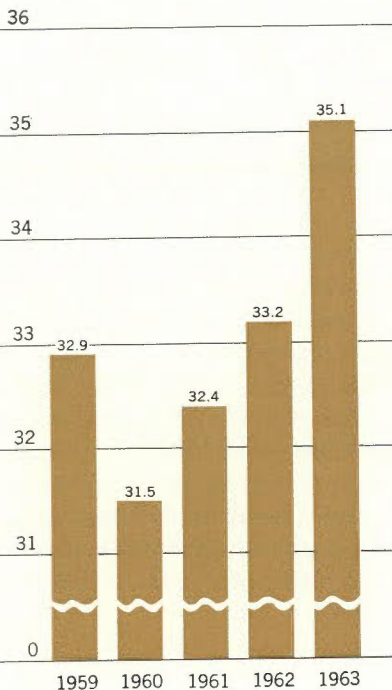
Proposed merger of "Northern Lines"—N. P. Ry., G. N. Ry., C. B. & Q. R. R., and S. P. & S. Ry.: As previously reported, this proposed merger would form a railroad system of about 25,000 miles extending from the North Pacific Coast to the Great Lakes. The Union Pacific intervened in the case, primarily to insure protection of existing through routes, joint rates and gateways for interchange of traffic, in case the merger is approved, and satisfactory stipulations were made by the applicants on these matters. During the course of the

many public hearings the Milwaukee Road presented evidence in support of a condition which, if granted by the Commission, would give that line trackage rights from Longview Junction, Washington, to Portland, Oregon, where it does not now operate. The Union Pacific presented evidence in opposition to this condition. Hearings were concluded and briefs filed by all parties on January 4, 1963, but the Interstate Commerce Commission Examiner had not issued a proposed report up to the time this annual report went to press.

TRANSPORTATION DIVISION



Ton-Miles of
Revenue Freight Carried
1959-1963 (billions)



Freight Traffic

The volume of freight traffic moved during the year exceeded that for 1962 by a satisfactory margin and the gain was well distributed among different commodities. There was an increase of 5.1 per cent in number of tons handled, and with an increase in average length of haul per ton, total ton-miles carried rose by 5.7 per cent. But these figures are only part of the favorable showing. The substantially greater volume of freight was moved with increases in freight-train miles and loaded freight-car miles of only eight-tenths of one per cent and 1 per cent, respectively.

Use of fewer cars and locomotives to haul greater tonnage results in many operating economies, which are reflected in improved net transportation income. In achieving heavier loads per car, the two most important factors are the Company's stepped-up program of acquiring cars of larger capacity and the "incentive" basis of pricing that offers lower freight rates for more heavily loaded cars. An innovation during 1963 was the development of a triple-deck car for livestock customarily loaded in double-deck cars, and an order was placed for 1964 delivery of 300 of them. Because of the 50% increase in capacity, acquisition of these cars is equivalent to purchasing 450 two-deck cars at a greatly reduced cost.

The movement of grain traffic from the Great Plains to West Coast ports for export, inaugurated in 1962 through modern rate-making procedure, has continued to expand and was the primary reason for an increase of \$3.5 million in revenue from wheat traffic in 1963. Prospects for growth of this business appear promising.

A Department of Cost and Economic Research was established early in 1963. Its assistance has already proved invaluable in assuring the soundness of rate adjustments essential to promote increased traffic, and through its studies of constantly changing economic factors in the complex field of freight pricing.

Employees and Wages

In 1963, labor organizations representing operating employes, who work on trains and in railway yards, filed nation-wide demands for wage increases and a carrier-financed health and welfare plan covering such employes and their dependents. Organizations representing non-operating employes served demands for wage increases; for protection against loss of jobs under a wide variety of situations, including transfer of work, discontinuance or consolidation of facilities, and technological changes; for more favorable vacation and paid holiday provisions; and for increased benefits under existing health, welfare and insurance plans. Negotiations are in progress on all demands.

Work Rules. Following the U. S. Supreme Court decision on March 4, 1963, upholding the railroads' right to revise employe work rules, the carriers announced changes in the rules effective April 8, 1963. The date was deferred upon appointment of an Emergency Board under the Railway Labor Act. The Board's recommendations endorsed proposals made in 1962 by the Presidential Railroad Commission. The railroads accepted the Board's recommendations, but the unions rejected them. Thereafter the railroads repeatedly postponed the effective date, in response to governmental appeals. Negotiations with the unions were fruitless, and another board was appointed by the President to report on the facts and issues. On July 22nd the President forwarded the board's report to Congress with recommendations for legislation. On August 28th, by a Joint Resolution of Congress, an Arbitration Board was set up to arbitrate the firemen question and the proper size of train crews. On November 26th, the Board issued its award, specifically disposing of the firemen issue, and specifying a procedure for ultimate disposition of the question of train crew size through negotiations by the parties and, if necessary, by submission to a special arbitration tribunal for final decision. The award reconfirmed the views of three previous governmental boards—that firemen-helpers are not essential for safe and efficient operation of most road freight and yard diesels, but that the great majority of present firemen-helpers should be eliminated only by "natural attrition." Despite the latter generous proposal, the unions attacked the award in Federal District Court in Washington, D.C., but the court decided against the unions' contentions. Four unions filed notices of appeal with the U. S. Court of Appeals, which on February 20, 1964, upheld the lower court's decision. This was the fifth court decision that supported the railroads' position on work rules. The unions, however, are seeking a review of this decision by the U. S. Supreme Court.

In any event, it appears that further difficulties may be encountered in applying the proposed rule changes affecting firemen-helpers and size of train crews in view of the unions' position that such changes ordered by the Arbitration Board violate the so-called "full-crew" laws in a number of states, including several in Union Pacific territory. The railroads, on the other hand, contend that many of these laws are inapplicable or unconstitutional and that in view of the Arbitration Board's decision the others should be repealed.

Safety Awards

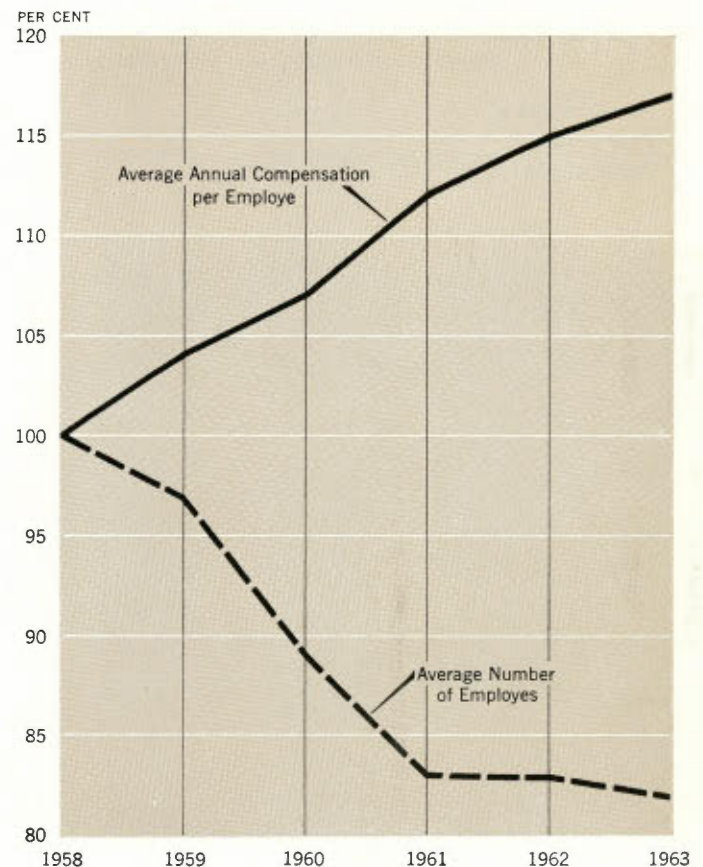
For its safety record in 1962, the Union Pacific received three national awards in 1963: From the *American Museum of Safety*, the E. H. Harriman Memorial Gold

Medal, Group A (large railroads), and from the *National Safety Council*, the Railroad Employes' National Safety Award, Group A, and the Industrial Safety Award of Honor. Neither the Harriman Gold Medal nor the Railroad Employes' Award may be bestowed upon the same railroad in two successive years, but for the fourth time in eight years, the Union Pacific received both honors.

Coal-Burning Gas-Turbine Locomotive

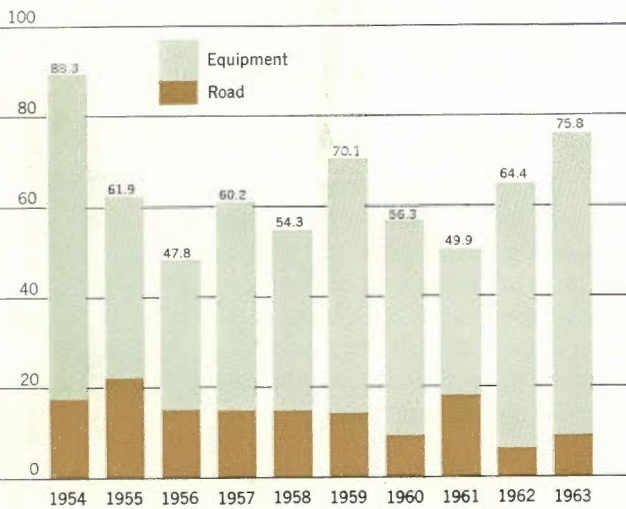
Testing of this experimental locomotive in road service was continued, and a number of improvements were made in the coal-processing equipment and controls. The Union Pacific is following with interest the efforts of the Office of Coal Research, U. S. Department of the Interior, to develop a low-ash coal, because a successful outcome of this research project might provide significant assistance in the Company's undertaking.

Trends of Average Annual Compensation per Employe and Average Number of Employes 1958-1963 (1958=100%)



TRANSPORTATION DIVISION

Gross Expenditures for
Road and Equipment
1954-1963 (millions of dollars)



Investment in Road and Equipment

Gross expenditures for improvements to road and equipment property in 1963 totaled \$75.8 million, an increase of \$11.4 million, or 17.7 per cent, compared with 1962. A summary of property expenditures and retirements during the year is shown below:

Expenditures:		
New equipment	\$64,297,898	
Equipment rebuilt, improvements to existing equipment, etc.	2,166,444	\$66,464,342
Road property		9,339,121
Total		\$75,803,463
Retirements:		
Cost of equipment retired (including equipment for rebuilding or conversion)		\$26,415,543
Cost of road property retired and replaced	\$2,510,877	
Cost of road property retired and not replaced	2,911,576	5,422,453
Total		\$31,837,996
Increase in Road and Equipment Property		\$43,965,467

In the last 10 years, gross expenditures for improvements to transportation property have aggregated \$629.6 million. Such huge outlays of funds are necessary in the interests of providing first-class service to the public, maintaining the Company's competitive position, and effecting operating economies in the face of constantly rising costs.

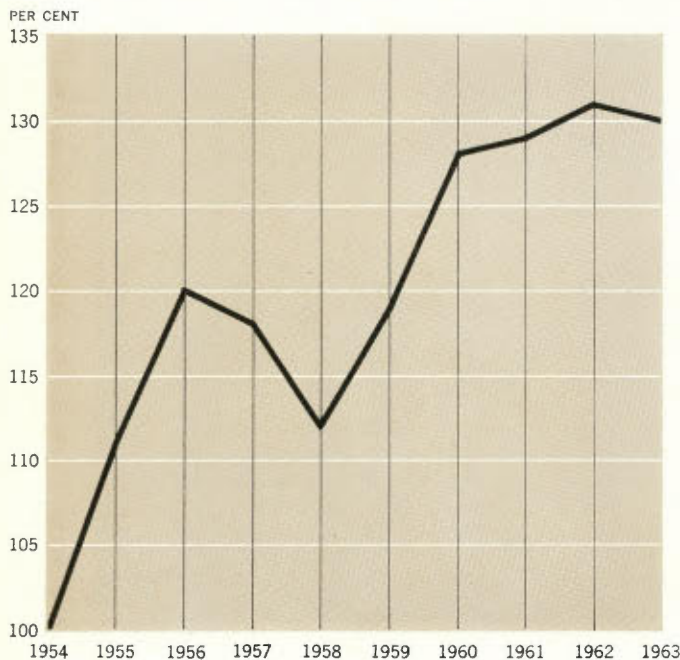
New Equipment

New equipment delivered and on order is tabulated below:

	Ordered	Delivered	On order at close of year
Locomotives			
Diesel			
Freight	100	79	21
Passenger	5	3	2
Total	105	82	23
Freight-Train Cars			
PURCHASES:			
Automobile and Box	250	50	200
Refrigerator—Mechanical	1,000	500	500
Gondola	160	160	
Covered hopper	450	450	
Flat	61	61	
Stock	300		300
Caboose	100		100
CONSTRUCTION IN COMPANY SHOPS:			
Automobile and Box	1,197	1,097	100
Ore	100		100
Flat	275	175	100
Total	3,893	2,493	1,400
Passenger-Train Cars			
Coach	15		15
Baggage-Mail	9	9	
Postal-Storage	100		100
Total	124	9	115

Twenty-one of the diesel-electric freight locomotive units ordered in 1963 (three of which were delivered during the year) are 5,000 H.P. units of a newly-developed type. They are designed for operation in groups of three to provide 15,000 H.P. locomotives for through freight trains.

Flat Cars Owned at
Close of Year
1954-1963 (1954=100%)



Other Improvements

Excellent progress has been made on the construction of new automated power plant facilities at Omaha, mentioned in last year's report. When this modern plant is placed in operation, significant economies should be realized, with a material increase in efficiency.

Construction plans are under way for erection of a three-story office building, adjacent to the Union Pacific freight station in City of Commerce, California, required to provide adequate office space for expanded departments of the Transportation and Natural Resources Divisions at Los Angeles, following sale of the leased building occupied in the past.

Trailer-freight station facilities are being substantially enlarged and rearranged at Los Angeles East Yard to accommodate the rapid expansion of TOFC traffic at this major terminal, and effectuate greater efficiency and economy. The new facilities will include two miles of track, paved parking areas, paved roadways, service buildings, and necessary communication, drainage, water, air, floodlighting and electrical systems.

Gratifying savings have been realized through installation of an infra-red drying oven in the building where freight cars are paint-sprayed at Albina, Oregon. With the quick-drying process it has become practical to substitute a single extra-heavy coat of paint for the three successive coats that were formerly required; also, since the drying time is now thirty minutes compared with a period of eight to twelve hours when the drying was done outdoors (weather permitting) the freight cars can be put back into service at a much faster rate.

Under the program, mentioned in the 1962 report, for extension of the microwave radio system from Salt Lake City to Los Angeles, the segment from Los Angeles to Las Vegas was placed in operation in February, 1964, and completion of the segment between Las Vegas and Salt Lake City is anticipated late in the year. An extension of the system northward from Salt Lake City to Pocatello has been started.

At a number of main-line locations, electronic apparatus was installed for the automatic detection of "hot-boxes" on cars in fast-moving trains. These trackside detection systems discover and transmit early warnings of abnormally high temperatures in journal boxes resulting from overheated axles, thus reducing train delays and promoting safer and more efficient operations.

An 813-foot, double track, steel bridge over the Elkhorn River near Waterloo, Nebraska, was improved by substitution of a ballast deck for the existing open deck, to reduce maintenance expense and fire hazard. At the same time the bridge was raised 2½ feet to provide a greater safety margin when the river reaches peak levels.

Between Ontario and Riverside, California, about 14 miles of track were relaid with heavier rail. Because this territory is subject to severe sanding conditions that cause excessive maintenance of rail joints, continuous welded rail was used for the track renewal.



Laying welded rail between Ontario and Riverside.

An electronic monitor checks for hotbox trouble as trains speed by.



TRANSPORTATION DIVISION

Affiliated Companies

SPOKANE INTERNATIONAL RAILROAD COMPANY

Net income for the year was practically the same as in 1962. A decrease of 3.2 per cent in income from transportation operations was compensated for by greater income from other sources, chiefly as a result of increased dividends received on Western Pacific stock owned.

In June, 1963, Spokane International began direct operation of its freight trains to and from the Union Pacific's East Spokane Yard, to expedite traffic interchange. Coordinated switching operations and consolidation of the two companies' freight house personnel have resulted in better operating efficiency and improved service to the public.

Property improvements in 1963 included replacement of the station building at Bonners Ferry, Idaho, with a modern station, installation of a 150-ton capacity track scale at Sandpoint, Idaho, and various bridge and track improvements.

UNION PACIFIC MOTOR FREIGHT COMPANY

With the further extension of Union Pacific Trailer-Freight service in 1963, the Motor Freight Company performed increased terminal work and handled a substantially greater volume of trailers in pickup and delivery service. Additional Trailer-Freight rates have been established between Union Pacific and connecting railroads where warranted by traffic opportunities. The growth of Trailer-Freight service for transportation of perishable commodities has been particularly noteworthy and reflects a combination of favorable factors—use of the new Pacific Fruit Express trailers, attractive

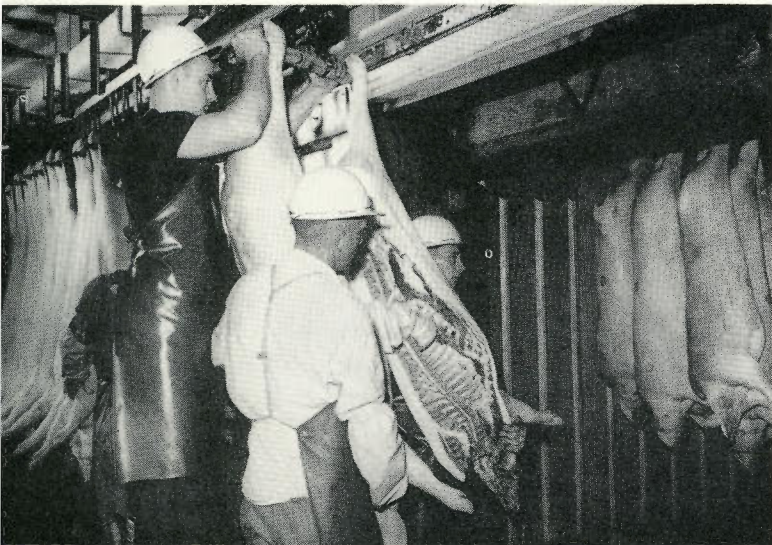
interline rates, faster rail service, and the Motor Freight Company's success in maintaining consistently prompt pickup and delivery of trailers.

PACIFIC FRUIT EXPRESS COMPANY

The 1,000 mechanical refrigerator cars, which last year's report stated would be leased from the parent companies (500 each from Union Pacific and Southern Pacific), were delivered and placed in service in 1963. The cars are the largest ever built, providing for a 40 per cent greater payload than standard mechanical refrigerator cars. This large capacity is an important factor in reducing transportation costs to the railroads, shippers and consumers. Another 1,000 cars have been ordered by the parent companies for leasing on the same basis in 1964, which will bring the company's fleet of mechanical refrigerator cars to 4,700 or about half of the total number of such cars serving the nation.

The 200 mechanically refrigerated highway trailers ordered in 1962 were delivered in 1963, and the company also acquired fifty 85-foot, and a hundred 89-foot flat cars for piggyback service. The present piggyback fleet consists of 617 highway trailers and 300 flat cars. There is such an active demand for this equipment that it may be necessary to order more units in 1964. Piggyback equipment is highly advantageous for transportation of certain perishable commodities because of its flexibility of operation, and is also in great demand for westbound shipments of general freight, especially forwarder merchandise. Such two-way loaded movements result in a gratifyingly high utilization of the equipment for revenue service.

Loading westbound refrigerated trailer.



New Bonners Ferry station.



Oil and Gas Operations

	1963	Increase (+) or Decrease (-) vs. 1962	
		Amount	Per cent
Receipts	\$36,119,888	— \$3,180,010	8.1
Production expenses (including depreciation)	\$10,778,800	— \$1,694,283	13.6
Taxes (other than income taxes*)	1,793,859	+ 126,644	7.6
Development expenses	2,004,421	+ 733,803	57.8
Total charges against receipts	\$14,577,080	— \$833,836	5.4
Net income from oil and gas operations	\$21,542,808†	— \$2,346,174	9.8
Capitalized development costs ..	\$1,547,616	— \$16,660‡	1.1

* Federal taxes on income from oil and gas operations were approximately \$6,535,000 in 1963 and \$7,089,500 in 1962.

† Excludes profit from sale of interests in Rangely field, which was credited to retained income (see page 11).

‡ Figure for 1962 restated.

NATURAL RESOURCES DIVISION

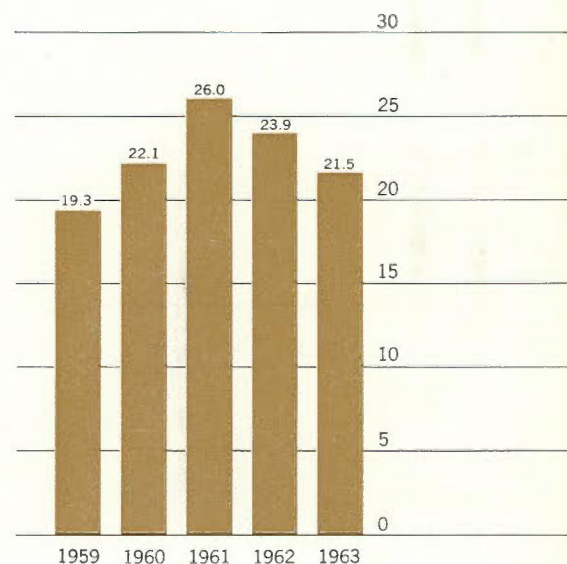


Almost half of the decrease in net income shown in the above table resulted from termination of Union Pacific interests in Rangely field on September 26, 1963. The balance was occasioned chiefly by reduced production in Patrick Draw field and greater drilling expenses in Table Rock field, partially offset by increased oil production and decreased expenses in Wilmington field.

The Company's interests in oil rights and properties in Rangely field were sold to two oil companies for an aggregate amount of \$62,245,625. The sale at this price was considered an advantageous transaction on the basis of a long-range forecast of the rate of income decline for the field. The net proceeds, after taxes on the substantial capital gain realized, have been earmarked for reinvestment in other attractive income-yielding projects, with a view to extension and diversification of activities of the Natural Resources Division.

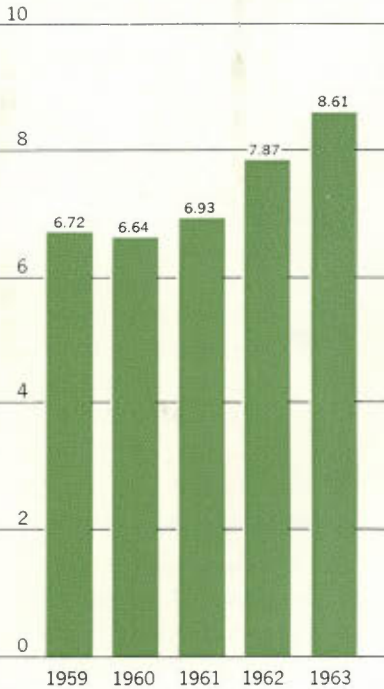
Net income from Wilmington field again showed an increase in 1963, with oil production up 9.4 per cent, reflecting continued beneficial results of the water injection program. There were two substantial and unusual expense items in 1963; one represented the cost of fill material acquired at an advantageous price from a contractor excavating Dominguez Channel adjacent to the field; the other was a nonrecurring charge for adjustment of depreciation in connection with unitization of facilities. However, there was an over-all net decrease in expenses compared with 1962 when there were even larger extraordinary expenses, including the charge for an estimated payment in settlement of the Government's suit for damages in connection with land subsidence in the field. Compromise settlement of this suit was accomplished in 1963. The Company's share of the total settlement paid was about \$1,555,000, or slightly more than the estimated amount charged against 1962 income.

Net Income from Oil and Gas Operations
(Before Federal Income Taxes)
1959-1963 (millions of dollars)



NATURAL RESOURCES DIVISION

Union Pacific Share of
Wilmington Field
Oil Production
1959-1963 (millions of barrels)



UNION PACIFIC SHARE OF OIL AND GAS PRODUCTION
IN PRINCIPAL FIELDS

Principal oil fields	Wells at close of 1963	U.P.R.R. percentage of interest	Barrels of oil in 1963	Increase (+) or Decrease (-) vs. 1962	
				Barrels	Per cent
Wilmington (Calif.) ..	1,352	53	8,607,832	+ 738,120	9.4
East Los Angeles (Calif.)	34	50	167,939	- 13,891	7.6
Patrick Draw (Wyo.) ..	137	55	2,051,647	- 643,698	23.9
West Desert Springs (Wyo.)	9	92	105,942	- 29,109	21.6
Rangely (Colo.)			1,487,267	- 586,996*	28.3
Pierce (Colo.)	18	47	232,568	- 43,540	15.8
Total			12,653,195	- 579,114	4.4

Principal gas fields	Wells at close of 1963	U.P.R.R. percentage of interest	M cu. ft. of gas in 1963	Decrease (-) vs. 1962	
				M cu. ft.	Per cent
Church Buttes (Wyo.) ..	11	49	4,977,645	- 157,421	3.1
Table Rock (Wyo.)	11	50	3,430,164	- 998,388†	22.5
Total			8,407,809	- 1,155,809	12.1

* Decrease in 1963 production to September 26th, compared with 1962 production for the full year.

† Chiefly in "makeup gas," previously paid for by purchaser under "take or pay" provisions of gas-sale contract.

Production of oil in Patrick Draw field continued to drop in 1963 because of curtailment measures necessitated by a rising gas-oil ratio and restrictions in effect under Wyoming regulations governing the beneficial disposition of gas produced. During 1963, the Company's gas plant in the field processed approximately ten billion cubic feet of gas that was produced with the oil. This was an increase of about one billion cubic feet over the previous year, but only about 18.4 million gallons of liquid products were extracted compared with 18.5 million gallons in 1962, because of a decline in liquid content of the gas produced. The Company's share of the liquid products and residue gas is approximately 50 per cent. Union Pacific also receives fees for processing the portion of gas that is owned by other producers. Ten wells were drilled in the field in 1963, all in the Arch Unit area, of which seven were completed as productive oil wells and two as productive gas wells, and one was abandoned as a dry hole.

An additional productive oil well was completed during the year in East Los Angeles field.

In Table Rock field, a successful deep test gas well was drilled and completed in 1963.

Two additional gas wells were completed in Desert Springs field (one each in the Desert Springs and Playa Units) bringing the total productive gas wells in this field to fifteen—nine in the Desert Springs Unit and six in the Playa Unit. In Wamsutter field, about ten miles to the east, a second productive gas well was completed. At year's end, all the wells in these two Wyoming fields were closed in for lack of a market outlet for the gas; however, commercial production is scheduled to commence in 1964.

Trona Development

In the first full year of operation of the trona mine and refinery of Stauffer Chemical Company of Wyoming (49 per cent owned by Union Pacific), approximately 247,000 tons of trona were mined, from which about 144,600 tons of merchantable soda ash were produced.

Construction of a second refinery unit was commenced in July, 1963, with completion scheduled for the latter part of 1964. The capacity of the plant will be doubled when the new unit is in full-scale operation, early in 1965. Expansion of the plant is being financed by sale of additional capital stock to the parent companies—Union Pacific and Stauffer Chemical Company.

Trona operations in the same general area by FMC Corporation continued to afford Union Pacific substantial freight traffic during the year, in addition to royalties on production from Union Pacific lands.

Iron Mountain Ore

The pilot plant operation at Niagara Falls for the recovery of titanium and vanadium from slag produced under a second smelting program was satisfactorily completed in December, 1963. An outside firm is continuing its study of the feasibility of commercial application of the combined smelting and slag-treating processes that have been employed experimentally.

Mineral Exploration and Development

The Company's geologists continued with mineral inventory surveys in Union Pacific lands and in areas tributary to the rail line, as part of an over-all plan for stimulating mineral development and associated industrial activities.

In a re-survey of fluor spar deposits, field examinations were made in California, Nevada, Utah, Idaho and Montana. Large resources of this mineral were confirmed and a report on the exploratory study is nearing completion, with figures for production and reserves both in previously-known deposits and recent discoveries.

Detailed investigations were also made of important deposits of marble, perlite, ocher, and manganese near Pioche, Nevada.

As stated in last year's annual report, vast coal reserves underlie Company lands. A power company is presently evaluating a portion of these reserves for possible future use in a steam generating plant.

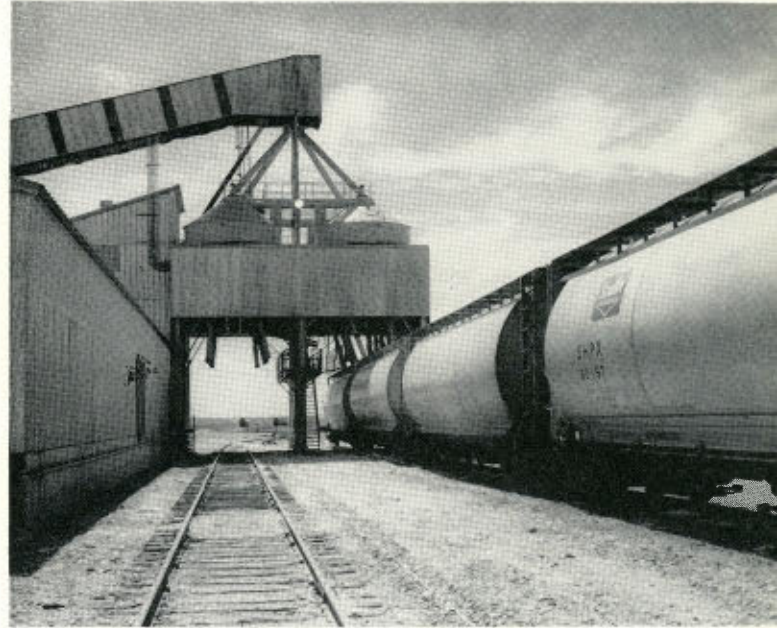
Calnev Pipe Line Company

This affiliated company's pipe line between Colton, California, and Las Vegas, Nevada, handled a 24 per cent greater average daily volume of petroleum products in 1963 than in 1962. Net income increased 25 per cent.

Installation of additional pumping facilities at Colton has been almost completed. With these facilities, the daily capacity of the pipe line will be further increased by about 10 per cent.

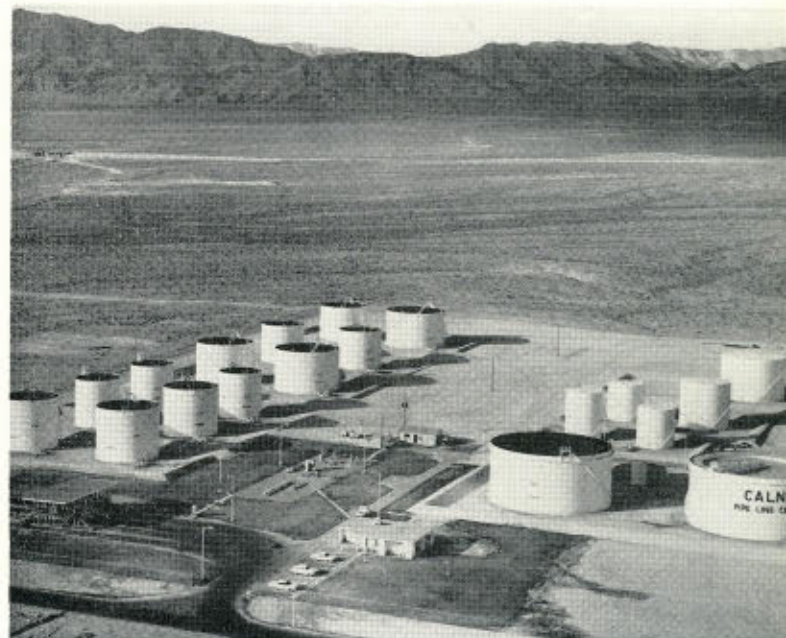
MINERAL ROYALTY INCOME

	1963	Increase (+) or Decrease (-) vs. 1962
Royalties from:		
Oil and gas	\$407,494	+ \$11,517
Coal	116,866	+ 20,586
Trona	302,256	+ 35,468
Miscellaneous	39,727	- 973
Total	\$866,343	+ \$66,598



Loading soda ash in specialized freight cars.

Calnev pipe line terminal at Las Vegas.





LAND DIVISION

Industrial Development

Reflecting the rapid industrial expansion in territory served by the Union Pacific, and the active efforts of Company representatives, 215 more industries were welcomed to our lines in 1963, with excellent prospects for healthy additions to our growing freight traffic.

Several plants recently constructed on Union Pacific rails are shown in accompanying photographs. Other examples of new construction activities of major industries are briefly described below.

Kellogg Company has purchased a 36-acre site at Omaha, Nebraska, and started construction of the first 9-acre unit of a multi-million dollar plant for the manufacture, packaging, and warehousing of cereals. On a 13.6-acre site in the same city, General Motors Corporation has built a warehouse and zone office building for the distribution of automobile parts to dealers in the area.

At Laramie, Wyoming, Packer's Cold Storage, Inc., purchased 12.4 acres of land from the Union Pacific and in July, 1963, completed a \$500,000 structure for the storage of frozen foods in transit.

On land acquired from the Company at Denver, Colorado, a warehouse for hides has been constructed by Colorado By-Products Company.

In the Company's North Salt Lake Industrial District which was completed in 1962 at Salt Lake City, Utah, Nationwide Papers, Inc., purchased a 5-acre site and made preparations for construction of a half-million dollar warehouse and office building.

Four industries at Los Angeles, California:

Dart Warehouse Corporation constructed a warehouse and office building, containing 60,000 square feet of space, on land purchased from the Company.

Zellerbach Paper Company is building a large warehouse adjacent to its present plant in Union Pacific Industrial District No. 3.

Anaconda Wire & Cable Company has leased and is occupying a new warehouse and office building on land acquired from Union Pacific.

United Merchants & Manufacturers, Inc., is now leasing an office and warehouse building for handling textiles, draperies and other dry goods. This building is also erected on land purchased from Union Pacific.

An 11.5-acre building is under construction in La Habra, California, by Alpha Beta Acme Markets, Inc., which will handle warehousing and distribution.



Kraft Foods warehouse at Denver.

National Biscuit Company plant at Omaha.



At Las Vegas, Nevada, Builders Center, Inc., has constructed a warehouse and office building on land purchased from the Company, for the storage of cabinets and kitchen appliances. The building cost about \$650,000.

Western Farmers Association has erected a half-million dollar plant in the Swan Island Industrial District at Portland, Oregon. The new, fully-automated plant will be used for receiving, processing and distributing both poultry and eggs. Also at Portland, Ashgrove Lime and Portland Cement Company has completed a \$2 million plant on a 30-acre tract in the River Gate Industrial District. It will produce high calcium quick lime and hydrated lime for chemical and construction industries of the Northwest.

At Seattle, Washington, the Hotpoint Division of General Electric Company is constructing a new half-million dollar appliance sales and distribution warehouse on land purchased from Union Pacific.

Kaiser Aluminum & Chemical Corporation has completed a \$3 million modernization program in Trentwood, Washington, involving the replacement of remelting furnaces and installation of facilities for treating aluminum coil.

Boise Cascade Corporation has started to build a plywood mill, costing \$2.5 million, adjacent to its present stud mill at Elgin, Oregon. The new mill will turn out approximately 6 million feet of plywood per month.

Property Acquisitions

The Union Pacific has purchased 84.8 acres of additional land at Muncie, Kansas, just west of Kansas City, to provide more sites for new industries.

Development of the Company's 438-acre East Denver Industrial Tract No. 3 should be completed in 1964.

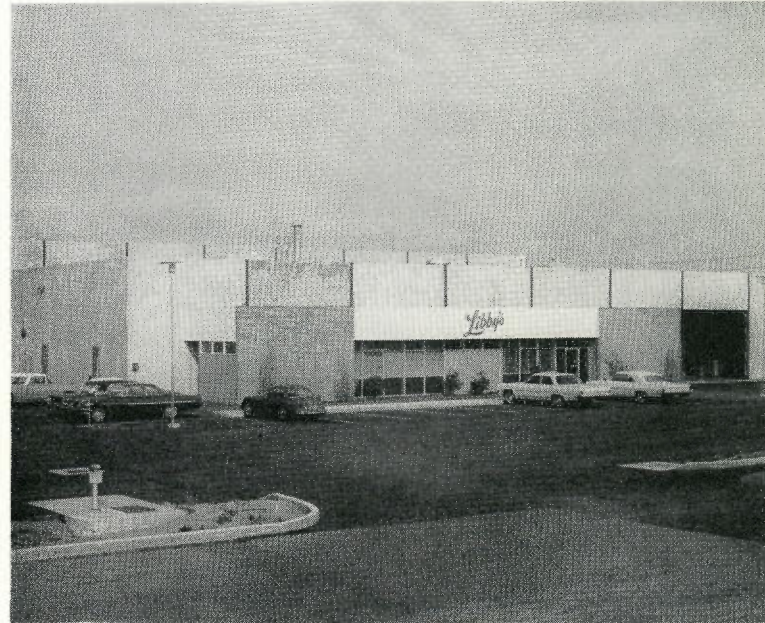
Affiliated Companies

LAS VEGAS LAND AND WATER COMPANY

Dubois Chemicals, Inc., of Cincinnati, Ohio, purchased an 11-acre site in the City of Industry, California, and is constructing a plant for manufacturing soaps, detergents, and related chemicals, at a cost of \$850,000. In this Industrial District, also, Warnock-Bancroft Equipment Company is building a warehouse and repair building for handling heavy road equipment.

UNION LAND COMPANY

Byrd Sales Company, Inc., has purchased land in our East Denver Industrial District, at Denver, Colorado, for construction of a warehouse for storage and distribution of beer and other beverages. In the same Industrial District, South Drive, Inc., acquired a 6-acre tract and has constructed an office and warehouse building for lease to Frigidaire Sales Corporation, and another warehouse for lease to M & M Transfer and Storage, Inc.










Libby, McNeill & Libby plant at Portland.

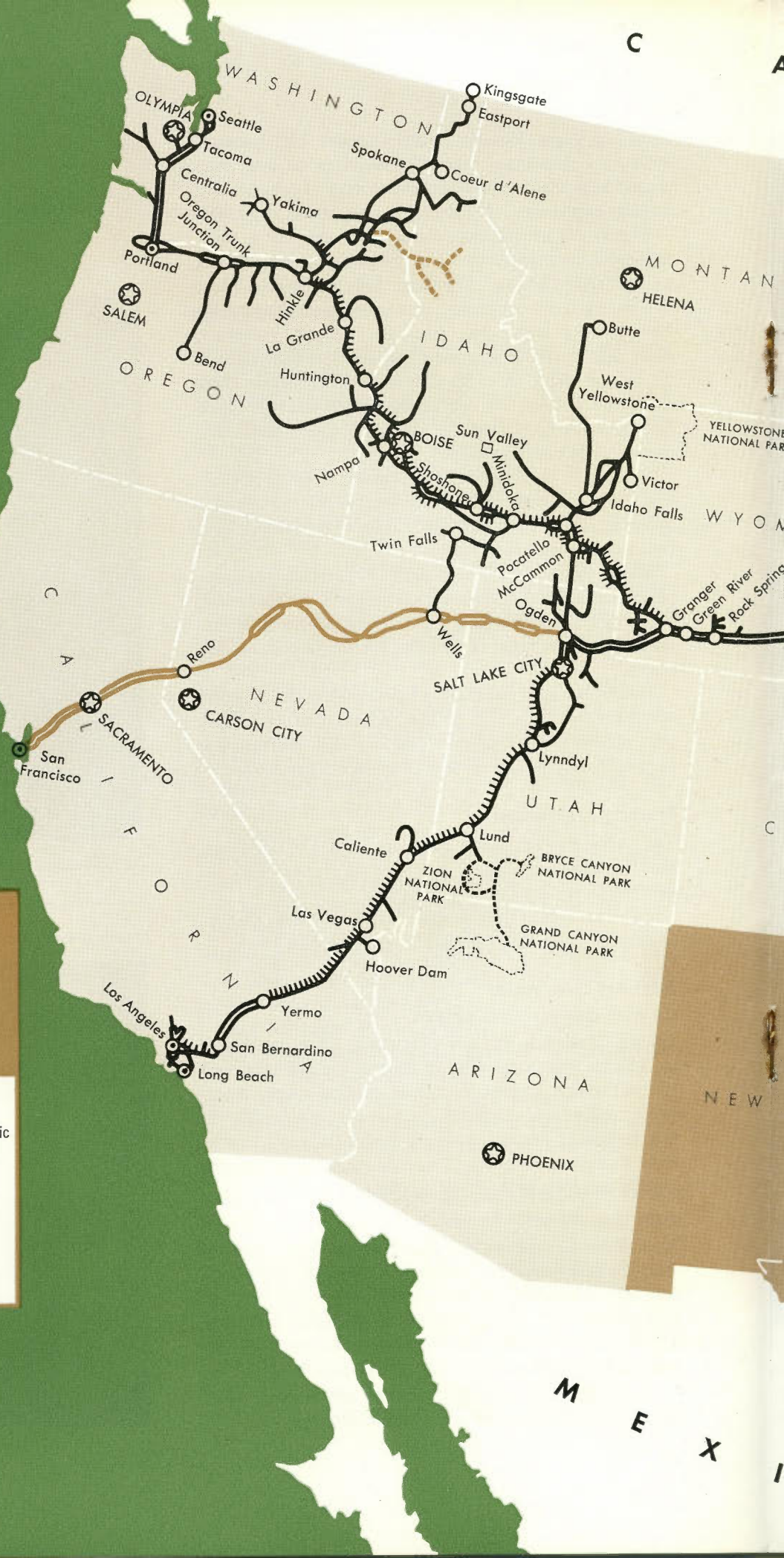
Omaha plant of Weyerhaeuser Company.



PACIFIC OCEAN

UNION PACIFIC RAILROAD

-  Double Track
 -  Single Track
 -  Track with Centralized Traffic Control
 -  Camas Prairie Railroad
 -  Single Track
 -  Double Track
 -  Motor Coach Routes to National Parks
- } Union Pacific Railroad
 } Solid Through Train Connections



Serves All the West!

MEXICO

A N A D A



See
"Kansas"
page
48

MISCELLANEOUS MATTERS OF INTEREST

Central Pacific Case

As previously reported, the Interstate Commerce Commission denied on October 1, 1962, the Denver & Rio Grande Western's petition for nullification of a condition in the Commission's 1923 order approving control of Central Pacific by Southern Pacific. That condition required Southern Pacific to solicit Central Pacific-Union Pacific routing of freight traffic between a defined territory in California and Oregon and specified territory east of Ogden, Utah. On May 29, 1963, the Rio Grande filed suit in Federal District Court at Denver to have the Commission's order set aside. Union Pacific and Southern Pacific intervened in support of the Commission's order. On April 20, 1964, the court remanded the case to the I.C.C. for further consideration.

Freight Revenue Divisions

I.C.C. Docket No. 31503. The Interstate Commerce Commission on March 21, 1963, issued an order prescribing revenue divisions on transcontinental freight traffic, under which Eastern and Midwestern railroads would receive substantially larger shares of the freight revenue, and the Western railroads, including Union Pacific, correspondingly less. The Western railroads filed suit in Federal court at Los Angeles and obtained a stay of the order which would have become effective July 1, 1963. This stay was conditioned upon a resettlement of the divisions if the Commission's order is ultimately upheld. By order dated December 31, 1963, the Commission, with minor changes, denied reconsideration of its decision. The court has now been asked to continue its stay and review the Commission's decision on its merits, and this action is now pending.

The Commission issued an accounting order requiring the Western railroads to exclude from their freight revenues, and set aside in reserves, the estimated portion of their present revenues that they would have to give up if the order is upheld. The amount so set aside by Union Pacific for the last half of 1963 was \$5,280,000, but this was only an estimate, because the provisions of the Commission's order of March 31, 1963, are too incomplete and ambiguous to enable definite determination of its effects.

I.C.C. Docket No. 31627. In a separate proceeding involving divisions between Eastern railroads and Western Trunk Line railroads, including Union Pacific, operating in territory between Chicago and Denver, the Com-

mission's order of May 7, 1962, prescribed divisions somewhat more favorable to the Eastern railroads than existing divisions. This order was set aside by Federal District Court at Denver on January 31, 1964, in a suit instituted by a group of Western Trunk Line railroads. The court held that the new divisions had been improperly prescribed, and directed the Commission to give proper effect to evidence introduced by the Western Trunk Lines.

Federal Transportation Legislation

Committees of the Senate and House of Representatives held hearings during 1963 on urgently needed changes in outdated and unfair Federal regulatory laws covering transportation. President Johnson has indicated strong support for such legislation, and the House Interstate and Foreign Commerce Committee's report of February 18, 1964, urged enactment of H.R.9903, titled "Transportation Amendments of 1964," stating that the bill was supported by the Secretary of Commerce and that assurances of support had been received from the Air Transport Association, the American Trucking Associations, the Association of American Railroads, and the Freight Forwarders Institute. Our Stockholders can also help passage of this desirable bill by recommending it to their representatives at Washington.

Union Pacific Railroad Foundation

During 1963 the Union Pacific Railroad Foundation carried on with its program of assistance to a broad cross-section of privately supported agencies devoted to such community purposes as education, health, social welfare, research, and cultural activities. As in previous years, the Executive Director made extensive railroad trips through Union Pacific territory. Trips of this kind offer opportunities for review and discussion of the programs and activities that are to receive grants or are under consideration for grants. They also provide occasions, from time to time, for formal presentation of grants at functions which are useful in publicizing the recipient organizations' activities and need for support.

It is gratifying to be able to report that the Foundation is fulfilling its objective of making a worthwhile contribution to the well-being of communities from which the Company derives so much of its own well-being, and that this is engendering considerable good will for the Company.



TABLES

	Page
1. General balance sheet	28
2. Income account	30
3. Railway operating revenues	31
4. Railway operating expenses	31
5. Taxes	34
6. Railway operating statistics	35
7. Freight traffic by commodities	36
8. Transportation property improvements and retirements	37
9. Railway equipment owned	38
10. Track mileage	39
11. Track mileage operated—by States	39
12. Summary of income and selected statistics for last ten years	40
13. Capital stock outstanding	42
14. Funded debt outstanding and interest thereon	42
15. Stocks owned and dividends thereon	43
16. Bonds and notes owned and income yield	44
17. Balance sheets and income and retained income accounts of affiliated companies	46

NOTE: The General Balance Sheet, Income Account and certain other tables, are stated on a consolidated basis for Union Pacific Railroad Co. and its Leased Lines, namely, Oregon Short Line Railroad Co., Oregon-Washington Railroad & Navigation Co., Los Angeles & Salt Lake Railroad Co., and The St. Joseph and Grand Island Railway Co.

TABLE 1 — GENERAL BALANCE SHEET — ASSETS

	December 31, 1963	December 31, 1962	Increase	Decrease
CURRENT ASSETS				
Cash	\$37,882,385	\$39,385,244		\$1,502,859
Temporary cash investments (Table 16)	218,220,090	137,597,264	\$80,622,826	
Special deposits	102,738	102,738		
Traffic and car-service balances—net	12,459,691	12,417,518	42,173	
Net balance receivable from agents and conductors ...	8,754,155	7,288,084	1,466,071	
Miscellaneous accounts receivable	7,878,114	9,675,108		1,796,994
Interest and dividends receivable	2,589,685	1,872,705	716,980	
Accrued accounts receivable	25,767,334	23,188,642	2,578,692	
Material and supplies	23,843,888	23,566,471	277,417	
Other current assets	997,063	510,491	486,572	
Total Current Assets	<u>\$338,495,143</u>	<u>\$255,604,265</u>	<u>\$82,890,878</u>	
INVESTMENTS				
Investments in affiliated companies:				
Stocks (Table 15)	\$29,057,218	\$28,614,366	\$442,852	
Notes (Table 16)	24,443,105	27,295,660		\$2,852,555
Advances	28,016,241	30,536,723		2,520,482
Total Investments in Affiliated Companies ...	<u>\$81,516,564</u>	<u>\$86,446,749</u>		<u>\$4,930,185</u>
Other investments:				
Stocks (Table 15)	\$43,348,086	\$43,004,094	\$343,992	
Bonds and notes (Table 16)	6,074,342	5,986,382	87,960	
Total Other Investments	<u>\$49,422,428</u>	<u>\$48,990,476</u>	<u>\$431,952</u>	
Reserve for adjustment of investments in securities (credit)	<u>\$19,130,514</u>	<u>\$19,132,314</u>		<u>\$1,800</u>
Total Investments	<u>\$111,808,478</u>	<u>\$116,304,911</u>		<u>\$4,496,433</u>
PROPERTIES				
Road and equipment property	\$1,674,788,630	\$1,630,823,163	\$43,965,467	
Reserves for depreciation and amortization	408,059,924	391,000,996	17,058,928	
Transportation property less recorded depreciation and amortization	\$1,266,728,706	\$1,239,822,167	\$26,906,539	
Miscellaneous physical property	\$53,980,288	\$60,030,205*		\$6,049,917
Reserve for depreciation	31,775,849	35,685,761*		3,909,912
Miscellaneous physical property less recorded deprecia- tion	\$22,204,439	\$24,344,444		\$2,140,005
Total Properties (less recorded depreciation and amortization)	<u>\$1,288,933,145</u>	<u>\$1,264,166,611</u>	<u>\$24,766,534</u>	
OTHER ASSETS AND DEFERRED CHARGES				
Other assets	\$5,280,028	\$5,091,755	\$188,273	
Deferred charges	3,586,499	2,271,319	1,315,180	
Total Other Assets and Deferred Charges ...	<u>\$8,866,527</u>	<u>\$7,363,074</u>	<u>\$1,503,453</u>	
Grand Total	<u>\$1,748,103,293</u>	<u>\$1,643,438,861</u>	<u>\$104,664,432</u>	

* Restated.



TABLE 1 — GENERAL BALANCE SHEET — LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 1963	December 31, 1962	Increase	Decrease
CURRENT LIABILITIES				
Audited accounts and wages payable	\$19,836,563	\$17,672,733	\$2,163,830	
Miscellaneous accounts payable	1,405,724	1,473,297		\$67,573
Interest matured unpaid	16,943	20,357		3,414
Dividends matured unpaid:				
Dividend on common stock payable in January of following year	11,214,618	15,700,465		4,485,847
Dividends due but unclaimed	431,463	399,272	32,191	
Unmatured interest accrued	1,224,911	1,175,609	49,302	
Accrued accounts payable	37,583,133	33,952,313	3,630,820	
Taxes accrued	55,309,637	35,667,890	19,641,747	
Other current liabilities	3,909,332	3,165,448	743,884	
Total Current Liabilities	<u>\$130,932,324</u>	<u>\$109,227,384</u>	<u>\$21,704,940</u>	
EQUIPMENT OBLIGATIONS DUE WITHIN ONE YEAR	<u>\$3,525,299</u>	<u>\$3,124,698</u>	<u>\$400,601</u>	
FUNDED DEBT (Table 14)				
Bonds	\$111,299,000	\$111,992,000		\$693,000
Equipment obligations	14,628,435	16,551,330		1,922,895
Total Funded Debt	<u>\$125,927,435</u>	<u>\$128,543,330</u>		<u>\$2,615,895</u>
AMOUNTS PAYABLE TO AFFILIATED COMPANIES	<u>\$7,914,818</u>	<u>\$9,421,697</u>		<u>\$1,506,879</u>
RESERVES				
Fire insurance reserve	\$33,883,097	\$33,256,459	\$626,638	
Casualty and other reserves	8,776,352	11,600,434		\$2,824,082
Total Reserves	<u>\$42,659,449</u>	<u>\$44,856,893</u>		<u>\$2,197,444</u>
OTHER LIABILITIES AND DEFERRED CREDITS				
Other liabilities	\$611,257	\$801,481		\$190,224
Unamortized premium on funded debt	1,787,220	1,934,439		147,219
Other deferred credits	2,002,343	4,563,895		2,561,552
Total Other Liabilities and Deferred Credits	<u>\$4,400,820</u>	<u>\$7,299,815</u>		<u>\$2,898,995</u>
STOCKHOLDERS' EQUITY				
Common stock	\$224,302,350	\$224,302,350		
Preferred stock	99,585,381	99,587,081		\$1,700†
Total Capital Stock (Table 13)	<u>\$323,887,731</u>	<u>\$323,889,431</u>		<u>\$1,700</u>
Premium on common stock	\$4,327,919	\$4,327,919		
Other capital surplus	3,575,237	2,742,942	\$832,295	
Total Capital Surplus	<u>\$7,903,156</u>	<u>\$7,070,861</u>	<u>\$832,295</u>	
Retained income—appropriated	\$50,560,426	\$49,895,426	\$665,000	
Retained income—unappropriated	<u>1,010,806,046</u>	<u>920,523,894</u>	<u>90,282,152</u>	
Total Retained Income (see page 11)	<u>\$1,061,366,472</u>	<u>\$970,419,320</u>	<u>\$90,947,152</u>	
Consolidation surplus‡	\$39,585,789	\$39,585,432	\$357	
Total Stockholders' Equity	<u>\$1,432,743,148</u>	<u>\$1,340,965,044</u>	<u>\$91,778,104</u>	
Grand Total	<u>\$1,748,103,293</u>	<u>\$1,643,438,861</u>	<u>\$104,664,432</u>	

NOTE: Balance sheet is prepared in accordance with I.C.C. accounting regulations and therefore does not reflect the cumulative effect of certain reductions in Federal income taxes due to deductions for depreciation and amortization allowed for tax purposes in excess of such amounts accrued in the accounts, and the temporary tax savings portion of the investment credit. As of December 31, 1968, such tax reductions have amounted to approximately \$121,000,000, which it is anticipated will be offset by additional taxes at some future time.

† Represents par value of 17 shares of second preferred stock of The St. Joseph and Grand Island Railway Company, purchased from the public.

‡ Consolidation surplus has arisen through acquisition at various times from the public, by other companies included in this consolidated balance sheet, of securities issued by Los Angeles & Salt Lake R.R. Co. and The St. Joseph and Grand Island Ry. Co., for amounts less than those at which carried on the issuing companies' books.

TABLE 2 — INCOME ACCOUNT

TRANSPORTATION OPERATIONS	1963	1962	Increase (+) or Decrease (—)
Operating revenues (Table 3)	\$519,104,479	\$512,124,915	+ \$6,979,564
Operating expenses (Table 4)	<u>372,131,540</u>	<u>370,157,101</u>	+ 1,974,439
Revenues over expenses	\$146,972,939	\$141,967,814	+ \$5,005,125
*Railway tax accruals (Table 5)	<u>74,880,201</u>	<u>73,469,279</u>	+ 1,410,922
Railway Operating Income	\$72,092,738	\$68,498,535	+ \$3,594,203
Equipment rents (debit)	19,312,637	20,167,039	— 854,402
Joint facility rents (debit)	<u>1,668,376</u>	<u>1,556,168</u>	+ 112,208
Net Income from Transportation Operations	<u>\$51,111,725</u>	<u>\$46,775,328</u>	<u>+ \$4,336,397</u>
INCOME FROM INVESTMENTS AND OTHER SOURCES			
*Net income from oil and gas operations (see page 19)	\$21,542,808	\$23,888,982	— \$2,346,174
Royalties from oil and gas leases	407,494	395,977	+ 11,517
Dividends on stocks owned (Table 15)	4,330,710	4,374,624	— 43,914
Interest on bonds and notes owned (Table 16)	6,897,321	5,071,887	+ 1,825,434
Other interest income	720,916	675,077	+ 45,839
Rents from lease of road	122,579	122,579	
Miscellaneous rents	846,152	804,350	+ 41,802
Miscellaneous income	2,741,916	2,863,146	— 121,230
Profits and losses—net (property sales, etc.)	<u>754,365</u>	<u>1,067,766</u>	— 313,401
Total	<u>\$38,364,261</u>	<u>\$39,264,388</u>	— \$900,127
Total Income	<u>\$89,475,986</u>	<u>\$86,039,716</u>	<u>+ \$3,436,270</u>
Miscellaneous tax accruals	\$415,303	\$311,685	+ \$103,618
Other deductions from income	<u>1,057,634</u>	<u>84,167</u>	+ 973,467†
Total deductions from income	<u>\$1,472,937</u>	<u>\$395,852</u>	<u>+ \$1,077,085</u>
Income available for fixed charges	<u>\$88,003,049</u>	<u>\$85,643,864</u>	<u>+ \$2,359,185</u>
FIXED CHARGES			
Interest on funded debt	\$3,764,812	\$3,141,455	+ \$623,357
Other fixed charges	<u>16,530</u>	<u>12,283</u>	+ 4,247
Total	<u>\$3,781,342</u>	<u>\$3,153,738</u>	<u>+ \$627,604</u>
Net income under accounting rules prescribed by I.C.C.	\$84,221,707	\$82,490,126	+ \$1,731,581
†Reduction necessary to conform accounting for current Federal income taxes to generally accepted accounting principles	<u>15,242,353</u>	<u>13,860,492</u>	+ 1,381,861
NET INCOME	<u>\$68,979,354</u>	<u>\$68,629,634</u>	<u>+ \$349,720</u>
Net income per share of common stock (after preferred dividends):			
Under accounting rules prescribed by I.C.C.	\$3.58	\$3.50	+ \$.08
Under generally accepted accounting principles	2.90	2.88	+ .02
DIVIDENDS DECLARED ON UNION PACIFIC RAILROAD CO. STOCK			
On preferred stock (4%)	\$3,981,724	\$3,981,724	—
On common stock (see page 10)	<u>33,643,853</u>	<u>35,886,776</u>	— \$2,242,923
Total dividends declared	<u>\$37,625,577</u>	<u>\$39,868,500</u>	<u>— \$2,242,923</u>

* "Railway tax accruals" include Federal taxes on income from all sources. Such taxes on income from oil and gas operations were approximately \$6,535,000 in 1963 and \$7,089,500 in 1962.

† Reduction consists of (1) the tax effect arising from excess of depreciation and amortization allowed for tax purposes over depreciation recorded in the accounts under accounting rules prescribed by Interstate Commerce Commission, and (2) a portion of the 7% investment tax credit, both of which it is anticipated will be offset by additional taxes at some future time.

‡ The increase is chiefly due to expenses incurred in connection with merger activities.



TABLE 3—RAILWAY OPERATING REVENUES

	1963	1962	Increase (+) or Decrease (-)
TRANSPORTATION			
Freight	\$452,408,084	\$442,509,460	+ \$9,898,624
Passenger	24,920,210	27,516,029	- 2,595,819
Baggage	96,261	77,481	+ 18,780
Mail	23,307,734	23,061,713	+ 246,021
Express	4,401,310	4,325,499	+ 75,811
Other passenger-train	159,954	169,009	- 9,055
Milk	33,811	56,675	- 22,864
Switching	6,919,575	7,011,471	- 91,896
Other	387	10,807	- 10,420
Total	\$512,247,326	\$504,738,144	+ \$7,509,182
INCIDENTAL			
Dining and buffet	\$3,176,719	\$3,605,065	- \$428,346
Hotel and restaurant	569,196	463,312	+ 105,884
Station, train, and boat privileges	97,938	108,324	- 10,386
Demurrage	1,041,773	1,137,598	- 95,825
Communication	57,345	64,789	- 7,444
Rents of buildings and other property	446,044	457,033	- 10,989
Miscellaneous	1,203,186	1,209,002	- 5,816
Total	\$6,592,201	\$7,045,123	- \$452,922
JOINT FACILITY			
Joint facility—credit	\$451,257	\$471,081	- \$19,824
Joint facility—debit	186,305	129,433	+ 56,872
Total	\$264,952	\$341,648	- \$76,696
Total Operating Revenues	\$519,104,479	\$512,124,915	+ \$6,979,564

TABLE 4—RAILWAY OPERATING EXPENSES

	1963	1962	Increase (+) or Decrease (-)
MAINTENANCE OF WAY AND STRUCTURES			
SUPERVISION			
Superintendence	\$4,889,452	\$4,679,340	+ \$210,112
Roadway maintenance	\$3,311,669	\$3,518,621	- \$206,952
Tunnels and subways	31,722	97,879	- 66,157
Bridges, trestles, and culverts	1,735,314	1,731,303	+ 4,011
Ties	3,046,936	3,356,193	- 309,257
Rails	1,833,781	2,468,061	- 634,280
ROADWAY AND TRACK			
Other track material	3,203,916	2,751,746	+ 452,170
Ballast	951,756	742,001	+ 209,755
Track laying and surfacing	15,583,390	15,116,644	+ 466,746
Fences, snowsheds, and signs	668,481	434,419	+ 234,062
Communication systems	1,000,430	950,043	+ 50,387
Signals and interlockers	1,954,403	2,050,252	- 95,849
Removing snow, ice, and sand	539,977	763,242	- 223,265
Total	\$33,861,775	\$33,980,404	- \$118,629
STRUCTURES			
Station and office buildings	\$2,499,471	\$2,160,715	+ \$338,756
Roadway buildings	305,518	247,860	+ 57,658
Water stations	188,163	170,807	+ 17,356
Fuel stations	96,187	148,577	- 52,390
Shops and enginehouses	1,390,217	1,285,048	+ 105,169
Wharves and docks	46,615	27,628	+ 18,987
Power plants	109,438	62,813	+ 46,625
Power-transmission systems	257,042	240,447	+ 16,595
Miscellaneous structures	39,701	38,175	+ 1,526
Total	\$4,932,352	\$4,382,070	+ \$550,282
MISCELLANEOUS			
Roadway machines	\$1,146,005	\$960,181	+ \$185,824
Dismantling retired road property	284,205	435,402	- 151,197
Small tools and supplies	1,756,388	1,512,657	+ 243,731
Public improvements—maintenance	648,062	479,178	+ 168,884
Injuries to persons	445,315	465,728	- 20,413
Insurance	92,862	95,649	- 2,787
Stationery and printing	71,134	81,194	- 10,060
Right-of-way expenses	18,157	6,692	+ 11,465
Employees' health and welfare benefits	1,450,071	1,612,054	- 161,983
Other expenses	12,378	96,829	- 84,451
Maintaining joint tracks, yards, and other facilities—debit	1,894,514	2,630,077	- 735,563
Maintaining joint tracks, yards, and other facilities—credit	1,074,022	1,439,940	- 365,918
Total	\$6,745,069	\$6,935,701	- \$190,632
DEPRECIATION AND RETIREMENTS			
Road property—depreciation	\$6,461,599	\$6,370,477	+ \$91,122
Retirements—road	164,152	728,561	- 564,409
Total	\$6,625,751	\$7,099,038	- \$473,287
Total Maintenance of Way and Structures	\$57,054,399	\$57,076,553	- \$22,154
Percentage Ratio to Operating Revenues	10.99	11.14	- .15

TABLE 4—RAILWAY OPERATING EXPENSES (Continued)

MAINTENANCE OF EQUIPMENT		1963	1962	Increase (+) or Decrease (-)
SUPERVISION	Superintendence	\$3,814,390	\$3,865,428	- \$51,038
	Steam locomotives—repairs	\$28,750*	\$120,687*	+ \$91,937
EQUIPMENT REPAIRS	Diesel and gas-turbine locomotives—repairs	24,839,117	26,146,391	- 1,307,274
	Freight-train cars—repairs	16,976,159	15,442,454	+ 1,533,705
	Passenger-train cars—repairs	6,744,696	6,851,059	- 106,363
	Work equipment—repairs	574,692	404,862	+ 169,830
	Miscellaneous equipment—repairs	834,649	708,144	+ 126,505
	Total	\$49,940,563	\$49,432,223	+ \$508,340
MISCELLANEOUS	Shop machinery	\$1,171,078	\$1,150,506	+ \$20,572
	Power-plant machinery	199,405	250,385	- 50,980
	Dismantling retired equipment	131,661	106,553	+ 25,108
	Injuries to persons	327,251	412,377	- 85,126
	Insurance	809,853	784,292	+ 25,561
	Stationery and printing	77,657	71,777	+ 5,880
	Employees' health and welfare benefits	2,450,957	2,442,378	+ 8,579
	Other expenses	56*	313,096	- 313,152
	Joint maintenance of equipment expenses—debit	559,729	600,497	- 40,768
	Joint maintenance of equipment expenses—credit	44,335	24,357	+ 19,978
	Total	\$5,683,200	\$6,107,504	- \$424,304
DEPRECIATION AND RETIREMENTS	Equipment—depreciation	\$34,587,191	\$32,353,361	+ \$2,233,830
	Shop and power-plant machinery—depreciation	379,155	379,599	- 444
	Retirements—equipment	167,383*	151,612*	- 15,771
	Total	\$34,798,963	\$32,581,348	+ \$2,217,615
	Total Maintenance of Equipment	\$94,237,116	\$91,986,503	+ \$2,250,613
	Percentage Ratio to Operating Revenues	18.15	17.96	+ .19
TRAFFIC				
TRAFFIC PROMOTION	Superintendence	\$2,830,055	\$2,721,635	+ \$108,420
	Outside agencies	7,319,014	7,262,611	+ 56,403
	Advertising	2,677,387	2,508,332	+ 169,055
	Traffic associations	314,713	299,140	+ 15,573
	Industrial and immigration bureaus	292,623	316,962	- 24,339
	Total	\$13,433,792	\$13,108,680	+ \$325,112
MISCELLANEOUS	Insurance	\$12,644	\$12,672	- \$28
	Stationery and printing	435,560	477,648	- 42,088
	Employees' health and welfare benefits	325,690	308,158	+ 17,532
	Other expenses	1,264	825	+ 439
	Total	\$775,158	\$799,303	- \$24,145
	Total Traffic	\$14,208,950	\$13,907,983	+ \$300,967
	Percentage Ratio to Operating Revenues	2.74	2.72	+ .02
TRANSPORTATION				
SUPERVISION	Superintendence	\$5,468,572	\$5,450,035	+ \$18,537
	Dispatching trains	2,411,334	2,370,404	+ 40,930
	Total	\$7,879,906	\$7,820,439	+ \$59,467
STATION SERVICE	Station employees	\$18,577,403	\$18,631,496	- \$54,093
	Weighing, inspection, and demurrage bureaus	426,670	393,095	+ 33,575
	Station supplies and expenses	1,645,494	1,590,643	+ 54,851
	Total	\$20,649,567	\$20,615,234	+ \$34,333

* Credit.



TABLE 4—RAILWAY OPERATING EXPENSES (Continued)

TRANSPORTATION (Concluded)		1963	1962	Increase (+) or Decrease (—)
YARD SERVICE	Yardmasters and yard clerks	\$7,697,934	\$7,551,904	+ \$146,030
	Yard conductors and brakemen	14,616,836	14,473,088	+ 143,748
	Yard switch and signal tenders	835,924	842,028	— 6,104
	Yard enginemen	8,561,403	8,436,621	+ 124,782
	Yard switching fuel	1,043,342	996,227	+ 47,115
	Lubricants for yard locomotives	145,570	123,153	+ 22,417
	Other supplies for yard locomotives	57,685	66,892	— 9,207
	Enginehouse expenses—yard	1,679,858	1,695,454	— 15,596
	Yard supplies and expenses	591,878	614,261	— 22,383
	Total	\$35,230,430	\$34,799,628	+ \$430,802
TRAIN SERVICE	Train enginemen	\$21,225,282	\$21,195,951	+ \$29,331
	Trainmen	29,384,089	29,384,260	— 101,171
	Train fuel	21,381,197	21,084,296	+ 296,901
	Water for train locomotives	292,433	328,925	— 36,492
	Lubricants for train locomotives	1,674,275	1,736,616	— 62,341
	Other supplies for train locomotives	236,138	271,991	— 35,853
	Enginehouse expenses—train	4,738,030	4,974,470	— 236,440
	Train supplies and expenses	13,202,977	13,624,510	— 421,533
	Operating sleeping cars	1,395,002	1,138,676	+ 256,326
Total	\$93,428,423	\$93,739,695	— \$311,272	
CASUALTIES	Clearing wrecks	\$373,460	\$404,389	— \$30,929
	Damage to property	91,365	97,188	— 5,823
	Damage to livestock on right-of-way	49,175	50,733	— 1,558
	Loss and damage—freight	6,127,045	6,572,078	— 445,033
	Loss and damage—baggage	9,758	7,971	+ 1,787
	Injuries to persons	1,920,661	1,921,213	— 552
Total	\$8,571,464	\$9,053,572	— \$482,108	
MISCELLANEOUS	Signal and interlocker operation	\$998,419	\$974,987	+ \$23,432
	Crossing protection	596,174	598,409	— 2,235
	Drawbridge operation	137,083	127,117	+ 9,966
	Communication system operation	1,501,722	1,462,036	+ 39,686
	Stationery and printing	674,063	622,496	+ 51,567
	Insurance	239,648	228,588	+ 11,060
	Employees' health and welfare benefits	2,119,152	1,980,582	+ 138,570
	Other expenses	401,556	368,955	+ 32,601
	Operating joint yards and terminals—debit	7,641,159	7,948,443	— 307,284
	Operating joint yards and terminals—credit	2,649,933	2,508,259	+ 141,674
	Operating joint tracks and facilities—debit	807,575	777,261	+ 30,314
	Operating joint tracks and facilities—credit	236,436	237,309	— 873
	Total	\$12,230,182	\$12,343,306	— \$113,124
Total Transportation	\$177,989,972	\$178,371,874	— \$381,902	
Percentage Ratio to Operating Revenues	34.29	34.83	— .54	
MISCELLANEOUS OPERATIONS				
DINING CAR AND HOTEL	Dining and buffet service	\$5,888,101	\$6,376,197	— \$488,096
	Hotels and restaurants	959,947	875,905	+ 84,042
	Total	\$6,848,048	\$7,252,102	— \$404,054
MISCELLANEOUS	Producing power sold	\$9,080	\$10,754	— \$1,674
	Other miscellaneous operations	3,345	3,224	+ 121
	Employees' health and welfare benefits	263,887	263,288	+ 599
	Operating joint miscellaneous facilities—debit	3,857	3,798	+ 59
Total	\$280,169	\$281,064	— \$895	
Total Miscellaneous Operations	\$7,128,217	\$7,533,166	— \$404,949	
Percentage Ratio to Operating Revenues	1.37	1.47	— .10	

TABLE 4—RAILWAY OPERATING EXPENSES (Concluded)

	1963	1962	Increase (+) or Decrease (-)
GENERAL			
ADMINISTRATION			
Salaries and expenses of general officers	\$1,726,705	\$1,750,379	- \$23,674
Salaries and expenses of clerks and attendants	10,505,297	10,429,907	+ 75,390
General office supplies and expenses	1,703,755	1,612,063	+ 91,692
Law expenses	1,997,967	1,773,131	+ 224,836
Total	<u>\$15,933,724</u>	<u>\$15,565,480</u>	<u>+ \$368,244</u>
MISCELLANEOUS			
Insurance	\$22,047	\$203,185	- \$181,138
Employes' health and welfare benefits	642,842	596,807	+ 46,035
Pensions	2,440,332	2,128,536	+ 311,796
Stationery and printing	580,913	603,908	- 22,995
Other expenses	1,616,384	1,879,271	- 262,887
General joint facilities—debit	283,686	314,912	- 31,226
General joint facilities—credit	7,042	11,077	- 4,035
Total	<u>\$5,579,162</u>	<u>\$5,715,542</u>	<u>- \$136,380</u>
Total General	<u>\$21,512,886</u>	<u>\$21,281,022</u>	<u>+ \$231,864</u>
Percentage Ratio to Operating Revenues	<u>4.15</u>	<u>4.16</u>	<u>- .01</u>
Total Operating Expenses	<u>\$372,131,540</u>	<u>\$370,157,101</u>	<u>+ \$1,974,439</u>
Percentage Ratio to Operating Revenues	<u>71.69</u>	<u>72.28</u>	<u>- .59</u>

TABLE 5—TAXES

	1963	1962	Increase (+) or Decrease (-)
Railway tax accruals:			
Federal:			
Income	\$38,100,000	\$35,600,000	+ \$2,500,000
Retirement	11,998,286	11,979,259	+ 19,027
Unemployment insurance	6,502,252	6,610,671	- 108,419
Other	26,052	21,874	+ 4,178
Total Federal	<u>\$56,626,590</u>	<u>\$54,211,804</u>	<u>+ \$2,414,786</u>
State and county:			
Ad valorem and other property taxes	\$16,655,479	\$16,586,121	+ \$69,358
Income and franchise taxes	1,449,721	1,682,591	- 232,870
Sales and use taxes	148,411	988,763	- 840,352
Total state and county	<u>\$18,253,611</u>	<u>\$19,257,475</u>	<u>- \$1,003,864</u>
Total railway tax accruals	<u>\$74,880,201</u>	<u>\$73,469,279</u>	<u>+ \$1,410,922</u>
Taxes on miscellaneous operating property	1,857,722	1,737,124	+ 120,598
Miscellaneous tax accruals	415,304	311,685	+ 103,619
Total taxes charged against income	<u>\$77,153,227</u>	<u>\$75,518,088</u>	<u>+ \$1,635,139</u>
Income taxes charged against retained income	16,719,847		+ 16,719,847
Grand Total	<u>\$93,873,074</u>	<u>\$75,518,088</u>	<u>+\$18,354,986</u>
Taxes per share of common stock	<u>\$4.19</u>	<u>\$3.37</u>	<u>+ \$.82</u>



TABLE 6—RAILWAY OPERATING STATISTICS

	1963	1962	Increase	Decrease	Per Cent
Average miles of road operated	9,704.62	9,705.14		.52	—
FREIGHT TRAFFIC					
Revenue Freight					
Cars of revenue freight loaded on line	919,406	900,400	19,006		2.1
Cars of revenue freight received from connections	718,930	716,497	2,433		.3
Total cars of revenue freight handled	1,638,336	1,616,897	21,439		1.3
Tons of revenue freight carried	59,917,378	56,993,275	2,924,103		5.1
Ton-miles, revenue freight	35,076,457,907	33,187,576,270	1,888,881,637		5.7
Average distance hauled per ton (miles)	585.41	582.31	3.10		.5
Average revenue per ton	\$7.55	\$7.76		\$.21	2.7
Average revenue per ton-mile (cents)	1.290	1.333		.043	3.2
Average revenue per train mile	\$18.74	\$18.47	\$.27		1.5
Revenue and Company Freight					
Tons of all freight carried	63,096,944	60,450,758	2,646,186		4.4
Ton-miles, all freight	36,126,148,313	34,406,394,132	1,719,754,181		5.0
Gross ton-miles (cars and contents) all freight	82,888,668,243	79,577,002,879	3,311,665,364		4.2
Average net ton-miles per mile of road per day	10,196	9,710	486		5.0
PASSENGER TRAFFIC					
Revenue passengers carried	1,345,407	1,470,361		124,954	8.5
Revenue passengers carried one mile	1,068,517,392	1,173,615,549		105,098,157	9.0
Average journey per passenger (miles)	794.20	798.18		3.98	.5
Average revenue per passenger-mile (cents)	2.332	2.345		.013	.6
Average revenue per train mile—passengers only	\$3.12	\$3.35		\$.23	6.9
Average total revenue per train mile	\$5.73	\$5.88		\$.15	2.6
TRAIN AND CAR STATISTICS					
Freight					
Train miles—Ordinary	23,956,252	23,745,464	210,788		.9
Light (locomotive with caboose)	179,449	209,847		30,398	14.5
Total	24,135,701	23,955,311	180,390		.8
Train hours	840,372	839,293	1,079		.1
Locomotive miles	25,650,282	25,543,975	106,307		.4
Car miles in freight trains:					
Freight cars—Loaded	1,150,017,049	1,139,118,080	10,898,969		1.0
Freight cars—Empty	646,543,523	630,712,956	15,830,567		2.5
Caboose	23,915,713	23,679,128	236,585		1.0
Passenger-train cars	7,738,398	8,107,670		369,272	4.6
Total car miles	1,828,214,683	1,801,617,834	26,596,849		1.5
Average freight-train speed—miles per hour	28.72	28.54	.18		.6
Average tons per loaded car mile—all freight	31.36	30.16	1.20		4.0
Average car miles per freight-train mile	74.99	74.53	.46		.6
Percentage of loaded to total freight-carrying car miles	64.01	64.36		.35	.5
Average net tons per train mile—all freight	1,507.66	1,448.62	59.04		4.1
Average gross tons per train mile	3,460.00	3,351.25	108.75		3.2
Average gross ton-miles per train hour	98,633	94,814	3,819		4.0
Passenger					
Train miles—Passenger	7,991,661	8,214,709		223,048	2.7
Mail and express	1,797,621	1,795,679	1,942		.1
Total	9,789,282	10,010,388		221,106	2.2
Train hours	189,636	194,496		4,860	2.5
Locomotive miles	9,823,251	10,046,111		222,860	2.2
Car miles in passenger trains:					
Passenger-carrying cars	67,216,884	70,046,356		2,829,472	4.0
Other passenger-train cars	72,309,094	72,535,763		226,669	.3
Freight-train cars	2,064,650	2,030,707	33,943		1.7
Total car miles	141,590,628	144,612,826		3,022,198	2.1
Average passenger-train speed—miles per hour	51.62	51.47	.15		.3
Average car miles per passenger-train mile	14.46	14.45	.01		.1
Average passengers per train mile	133.70	142.87		9.17	6.4
Average passengers per passenger-carrying car mile	17.37	18.25		.88	4.8

TABLE 7 — FREIGHT TRAFFIC BY COMMODITIES

Commodity	TONS				GROSS FREIGHT REVENUE			
	1963	Per Cent of Total	1962	Per Cent of Total	1963	Per Cent of Total	1962	Per Cent of Total
PRODUCTS OF AGRICULTURE								
Wheat	4,901,559	8.18	3,890,458	6.82	\$27,967,915	5.95	\$24,425,688	5.35
Corn	1,325,559	2.21	1,458,566	2.56	6,056,200	1.29	6,900,406	1.51
Other grain and grain products	2,272,641	3.79	2,193,060	3.85	9,087,194	1.93	9,570,923	2.10
Sugar beets	4,036,729	6.74	3,830,578	6.72	3,888,196	.83	3,695,341	.81
Potatoes, other than sweet	1,010,949	1.69	1,134,007	1.99	13,880,142	2.95	15,101,733	3.31
Fresh fruits and vegetables	1,827,824	3.05	1,858,267	3.26	25,714,047	5.47	26,020,557	5.70
Other products of agriculture	775,692	1.30	784,901	1.38	6,792,417	1.44	7,027,595	1.54
Total	16,150,953	26.96	15,149,837	26.58	\$93,386,111	19.86	\$92,742,243	20.32
ANIMALS AND PRODUCTS								
Livestock	363,871	.61	442,678	.78	\$7,652,860	1.63	\$9,173,794	2.01
Meats and other edible packing house products	261,457	.43	230,748	.41	4,183,894	.89	3,601,207	.79
Other animals and products	231,639	.39	224,306	.39	3,237,981	.69	3,171,654	.69
Total	856,967	1.43	897,732	1.58	\$15,074,735	3.21	\$15,946,655	3.49
PRODUCTS OF MINES								
Bituminous coal	3,999,795	6.68	3,914,868	6.87	\$11,833,256	2.52	\$11,448,100	2.51
Iron ore	3,379,178	5.64	3,321,459	5.83	10,029,652	2.13	9,700,282	2.13
Other ores and concentrates	1,115,541	1.86	1,195,043	2.10	3,734,922	.79	4,253,997	.93
Gravel, sand, and stone	2,411,592	4.02	2,387,467	4.19	4,338,175	.92	4,448,605	.97
Phosphate rock	2,287,454	3.82	2,031,665	3.56	3,073,465	.65	2,766,726	.61
Other products of mines	2,041,811	3.41	2,009,605	3.52	10,652,828	2.27	10,329,393	2.26
Total	15,235,371	25.43	14,860,107	26.07	\$43,662,298	9.28	\$42,947,103	9.41
PRODUCTS OF FORESTS								
Lumber, shingles, and lath	4,285,677	7.15	4,242,918	7.44	\$47,469,043	10.10	\$46,207,676	10.12
Veneer, plywood, and built-up wood	1,720,686	2.87	1,679,958	2.95	15,128,886	3.22	14,855,670	3.26
Other products of forests	1,562,223	2.61	1,245,314	2.19	4,816,032	1.02	4,068,366	.89
Total	7,568,586	12.63	7,168,190	12.58	\$67,413,961	14.34	\$65,131,712	14.27
MANUFACTURES AND MISCELLANEOUS								
Petroleum products	632,290	1.06	667,587	1.17	\$3,790,045	.81	\$3,966,707	.87
Iron and steel, including scrap	2,210,089	3.69	2,078,502	3.65	21,568,292	4.59	21,304,410	4.67
Other metals and alloys	698,699	1.17	729,404	1.28	9,820,238	2.09	9,793,963	2.15
Fertilizers	933,935	1.56	845,299	1.48	5,796,704	1.23	5,273,323	1.15
Sodium (soda) products	1,159,045	1.93	988,377	1.73	9,249,612	1.97	7,891,818	1.73
Other chemicals and products	1,047,383	1.75	979,917	1.72	13,381,400	2.84	12,622,120	2.77
Machinery and parts	409,679	.68	388,895	.68	10,773,422	2.29	10,255,452	2.25
Automobiles, other vehicles, and parts	952,443	1.59	854,652	1.50	29,062,695	6.18	27,691,623	6.07
Cement, brick, lime, and plaster	1,953,611	3.26	1,742,731	3.06	7,380,088	1.57	6,724,101	1.47
Paper and products	1,370,938	2.29	1,252,383	2.20	17,359,604	3.69	15,893,757	3.48
Ammunition and explosives	80,141	.13	82,401	.15	2,487,209	.53	2,415,621	.53
Canned and other foods and beverages	3,683,661	6.15	3,518,440	6.17	39,382,018	8.37	36,944,538	8.09
Other manufactures and miscellaneous	4,231,907	7.06	4,041,551	7.09	55,053,203	11.71	53,056,971	11.62
Total	19,363,821	32.32	18,170,139	31.88	\$225,104,530	47.87	\$213,834,404	46.85
Forwarder Traffic	590,141	.98	587,539	1.03	\$19,211,815	4.08	\$19,062,311	4.18
Total Carload Freight	59,765,839	99.75	56,833,544	99.72	\$463,853,450	98.64	\$449,664,428	98.52
All less than carload freight	151,539	.25	159,731	.28	6,371,788	1.36	6,764,480	1.48
Total All Commodities	59,917,378	100.00	56,993,275	100.00	\$470,225,238	100.00	\$456,428,908	100.00

NOTE: Total gross freight revenue shown above exceeds freight revenue reported in Table 3 for 1963 and 1962 by \$17,817,154 and \$13,919,448, respectively. The difference for 1963 includes \$5,280,000 excluded from freight revenue and set aside in a reserve, as explained on page 26; other differences in both years represent principally absorbed switching and drayage charges, adjustments of prior settlements with foreign lines, and other allowances, deducted from revenue but not classified by commodities.



TABLE 8—TRANSPORTATION PROPERTY IMPROVEMENTS AND RETIREMENTS

<u>Interstate Commerce Commission Property Classification</u>	<u>Expenditures for Improvements During Year</u>	<u>Credits for Retirements During Year</u>	<u>Net Increase or Decrease in Investment</u>
Engineering	\$88,621	\$101,044	\$12,423
Land for transportation purposes	203,106	84,122	118,984
Other right-of-way expenditures	12,350	1,314	11,036
Grading	170,021	168,674	1,347
Tunnels and subways	227	4,997	5,224
Bridges, trestles, and culverts	1,242,157	234,497	1,007,660
Ties	164,366	112,611	51,755
Rails	279,238	242,830	36,408
Other track material	458,332	158,680	299,652
Ballast	51,996	75,160	23,164
Track laying and surfacing	163,936	66,742	97,194
Fences, snowsheds, and signs	3,834	44,878	41,044
Station and office buildings	558,252	437,008	121,244
Roadway buildings	149,895	235,260	85,365
Water stations	7,909	245,733	237,824
Fuel stations	25,889	18,926	6,963
Shops and enginehouses	124,889	921,203	796,314
Wharves and docks	315	40	275
Communication systems	696,168	433,163	263,005
Signals and interlockers	705,479	269,953	435,526
Power plants	6,047	49,027	55,074
Power-transmission systems	28,062	32,365	4,303
Miscellaneous structures	15,535	11,745	3,790
Roadway machines	1,777,970	511,131	1,266,839
Public improvements—Construction	131,387	17,259	114,128
Shop machinery	680,312	342,879	337,433
Power-plant machinery	13,381	97,501	84,120
Total expenditures for road	<u>\$7,747,126*</u>	<u>\$4,918,742</u>	<u>\$2,828,384</u>
Other locomotives	\$17,961,950	\$18,308,589	\$346,639
Freight-train cars	47,943,300	6,684,353	41,258,947
Passenger-train cars	1,487,007	630,126	856,881
Work equipment	698,782	542,889	155,893
Miscellaneous equipment	598,249	249,586	348,663
Total expenditures for equipment	<u>\$68,689,288*</u>	<u>\$26,415,543</u>	<u>\$42,273,745</u>
General expenditures	<u>.....</u>	<u>\$586,643</u>	<u>\$586,643</u>
Construction work in progress	<u>\$632,951*</u>	<u>\$82,932†</u>	<u>\$550,019</u>
Grand Total	<u>\$75,803,463</u>	<u>\$31,837,996</u>	<u>\$43,965,467</u>

* Includes debit or credit adjustments in various accounts in connection with new account, "Construction work in progress."

† Debit adjustment.

TABLE 9 — RAILWAY EQUIPMENT OWNED

	Owned at Beginning of Year	Acquired		Total Acquired	Retired	Owned at Close of Year
		Purchased or Built	Rebuilt or Converted			
LOCOMOTIVES						
Diesel						
Freight units	907	79	....	79	68	918
Passenger units	115	3	....	3	5	113
Road-Switch	53	....	....	....	....	53
Switch	272	....	....	....	....	272
Total Diesel	<u>1,347</u>	<u>82</u>	<u>....</u>	<u>82</u>	<u>73</u>	<u>1,356</u>
Gas-Turbine	49	....	....	....	11	38
Steam	1	....	....	....	....	1
FREIGHT-TRAIN CARS						
Automobile	7,059	750	215	965	451	7,573
Box	22,324	397	....	397	989	21,732
Refrigerator—Mechanical	....	500	....	500	....	500*
Gondola	17,829†	610	....	610	173	18,266†
Ballast	26	....	....	....	....	26
Flat	3,020	236	25	261	276	3,005
Stock	3,102	....	....	....	351	2,751
Tank	1,237	....	....	....	....	1,237
Caboose	662	....	....	....	49	613
Total Freight-Train Cars	<u>55,259</u>	<u>2,493</u>	<u>240</u>	<u>2,733</u>	<u>2,289</u>	<u>55,703</u>
PASSENGER-TRAIN CARS						
Postal	126	....	....	....	5	121
Baggage	248	....	....	....	10	238
Baggage-combination	62	9	....	9	1	70
Coach	266	....	....	....	....	266
Coach-combination	2	....	....	....	....	2
Sleeping	199	....	....	....	15	184
Dining and Lunch Counter-Cafe	70	....	....	....	....	70
Club and Lounge	44	....	....	....	....	44
Auxiliary steam generator	2	....	....	....	....	2
Total Passenger-Train Cars	<u>1,019</u>	<u>9</u>	<u>....</u>	<u>9</u>	<u>31</u>	<u>997</u>
WORK EQUIPMENT						
Business	18	....	1	1	....	19
Instruction	10	....	....	....	....	10
Roadway	423	....	176	176	7	592
Boarding	1,252	....	10	10	83	1,179
Tool	394	....	55	55	6	443
Miscellaneous	617	6	1	7	27	597
Total Work Equipment Units	<u>2,714</u>	<u>6</u>	<u>243</u>	<u>249</u>	<u>123</u>	<u>2,840</u>

* Leased to Pacific Fruit Express Co.

† Includes cars owned jointly with Utah Ry. : 108 at beginning of year, and 84 at close of year.



TABLE 10 — TRACK MILEAGE

	Miles of Road	Miles of Additional Main Track	Miles of Yard Tracks and Sidings
Wholly owned	9,012.06	1,307.64	4,134.94
Owned jointly with other companies	90.88	2.00	188.24
Total owned	9,102.94	1,309.64	4,323.18
Owned but not operated	60.36	1.70	44.09
Total owned and operated	9,042.58	1,307.94	4,279.09
Operated but not owned:			
Trackage rights granted by other companies	657.49	259.25	504.41
Operated under lease or contract	1.30	.....	6.78
Total operated at close of year	9,701.37	1,567.19	4,790.28
Total operated at beginning of year	9,704.81	1,567.21	4,814.02
Decrease during year	3.44	.02	23.74
Average mileage operated during year	9,704.62	1,567.19	4,799.65
Mileage maintained at close of year	8,906.64	1,306.73	4,127.83
Average mileage maintained during year	8,909.89	1,306.73	4,133.96

TABLE 11 — TRACK MILEAGE OPERATED — BY STATES

State	Miles of Road		Miles of Additional Main Track		Miles of Yard Tracks and Sidings	
	Mileage	Per cent of total	Mileage	Per cent of total	Mileage	Per cent of total
California	351.32	3.62	111.15	7.09	553.01	11.55
Colorado	641.51	6.61	13.82	.88	304.29	6.35
Idaho	1,987.17	20.49	103.90	6.63	744.80	15.55
Iowa	2.25	.02	2.25	.14	83.86	1.75
Kansas	1,106.16	11.40	68.82	4.39	472.30	9.86
Missouri	1.98	.02	1.54	.10	18.12	.38
Montana	142.61	1.47	.75	.05	46.01	.96
Nebraska	1,332.47	13.74	466.84	29.79	615.00	12.84
Nevada	366.85	3.78	.....	.....	131.01	2.73
Oregon	1,120.48	11.55	37.33	2.38	476.18	9.94
Utah	817.28	8.43	104.95	6.70	426.85	8.91
Washington	1,021.92	10.53	147.33	9.40	450.46	9.40
Wyoming	809.37	8.34	508.51	32.45	468.39	9.78
Total	9,701.37	100.00	1,567.19	100.00	4,790.28	100.00

TABLE 12—SUMMARY OF INCOME AND

Transportation Operations			
	1963	1962	1961
OPERATING REVENUES			
Freight	\$452,408,084	\$442,509,460	\$432,656,039
Passenger	24,920,210	27,516,029	26,577,395
Other	41,776,185	42,099,426	40,091,014
Total operating revenues	<u>\$519,104,479</u>	<u>\$512,124,915</u>	<u>\$499,324,448</u>
OPERATING EXPENSES			
Maintenance of way and structures	\$57,054,399	\$57,076,553	\$54,867,529
Maintenance of equipment	94,237,116	91,986,503	90,721,127
Transportation	177,989,972	178,371,874	174,047,033
Other	42,850,053	42,722,171	41,163,124
Total operating expenses	<u>\$372,131,540</u>	<u>\$370,157,101</u>	<u>\$360,798,813</u>
Operating ratio (per cent—operating expenses of operating revenues)	<u>71.69</u>	<u>72.28</u>	<u>72.26</u>
RAILWAY TAX ACCRUALS			
Federal income	\$38,100,000	\$35,600,000	\$50,131,264
Other Federal	18,526,590	18,611,804	17,346,449
State and county	18,253,611	19,257,475	19,133,076
Total railway tax accruals	<u>\$74,880,201</u>	<u>\$73,469,279</u>	<u>\$86,610,789</u>
Equipment and joint facility rents—net charge	<u>\$20,981,013</u>	<u>\$21,723,207</u>	<u>\$20,732,235</u>
Net income from transportation operations	<u>\$51,111,725</u>	<u>\$46,775,328</u>	<u>\$31,182,611</u>
Income from Investments and Other Sources			
Net income from oil and gas operations(a)	21,542,808	23,888,982	26,030,815
Other income	16,067,088	14,307,640	13,725,045
Profits and losses—net (property sales, etc.)	754,365	1,067,766	2,442,946
Total income	<u>\$89,475,986</u>	<u>\$86,039,716</u>	<u>\$73,381,417</u>
Miscellaneous deductions from income	1,472,937	395,852	983,664
Income available for fixed charges	<u>\$88,003,049</u>	<u>\$85,643,864</u>	<u>\$72,397,753</u>
Fixed Charges			
Total fixed charges	3,781,342	3,153,738	3,011,628
Net income under accounting rules prescribed by I.C.C.	<u>\$84,221,707</u>	<u>\$82,490,126</u>	<u>\$69,386,125</u>
Net income per share of common stock outstanding December 31st(b):			
Under accounting rules prescribed by I.C.C.	\$3.58	\$3.50	\$2.92
Under generally accepted accounting principles(c)	<u>2.90</u>	<u>2.88</u>	<u>2.78</u>
Dividends (4%) declared on preferred stock	<u>\$3,981,724</u>	<u>\$3,981,724</u>	<u>\$3,981,724</u>
Dividends declared on common stock	33,643,853(d)	35,886,776	35,886,776
Common dividends per share(b)	\$1.50(d)	\$1.60	\$1.60
Statistics			
Freight train miles (excluding miles of trains consisting only of locomotive with caboose)	23,956,252	23,745,464	23,493,295
Ton-miles of revenue freight carried (thousands)	35,076,458	33,187,576	32,408,549
Average revenue per ton-mile (cents)	1.290	1.333	1.335
Average distance hauled per ton (miles)	585.41	582.31	578.74
Average net tons per train mile—all freight	1,507.66	1,448.62	1,418.22
Average gross ton-miles per train hour	98,633	94,814	93,512
Passenger train miles (excluding mail and express)	7,991,661	8,214,709	8,166,187
Revenue passengers carried one mile (thousands)	1,068,517	1,173,616	1,149,737
Average revenue per passenger-mile (cents)	2.332	2.345	2.312
Average journey per passenger (miles)	794.20	798.18	795.05
Average passengers per train mile	133.70	142.87	140.79
Average number of employes	34,361	34,861	34,886
Total wages paid	\$228,200,827	\$227,575,481	\$221,474,080
Wages and other employe benefits charged to operating expenses, per share of common stock(b)	\$10.00	\$9.98	\$9.85
Other operating expenses, per share of common stock(b)	6.59	6.52	6.24
U.P.R.R. Co. preferred stock—shares outstanding December 31st(b)	9,954,310	9,954,310	9,954,310
U.P.R.R. Co. common stock—shares outstanding December 31st(b)	22,429,235	22,429,235	22,429,235
Number of U.P.R.R. Co. Stockholders December 31st(f)	99,119	102,073	99,624

(a) Before Federal income taxes, which are included above under "Railway Tax Accruals."

(b) Figures for years prior to 1956 are adjusted to basis of shares outstanding after stock split effective July 2, 1956.

(c) After reduction of income, to conform accounting for current Federal income taxes to generally accepted accounting principles, consisting of (1) the tax effect arising from excess of depreciation and amortization allowed for tax purposes over depreciation recorded in the accounts under I.C.C. accounting rules, and (2) (effective in 1962) a portion of the 7% investment tax credit.

(d) See comments under "Dividends on Common Stock" on page 10. There was no change in the regular annual rate of \$1.60 per share.

(e) \$1.60 per share on 22,229,100 shares issued prior to 1953; \$.70 per share on 200,135 shares issued October 6, 1958.

(f) A holder of both common and preferred stock is counted as one Stockholder.



SELECTED STATISTICS FOR LAST TEN YEARS

1960	1959	1958	1957	1956	1955	1954
\$428,271,329	\$449,037,095	\$440,671,942	\$452,889,155	\$448,156,607	\$441,533,942	\$413,155,686
27,519,034	27,929,586	27,931,280	28,047,383	29,221,502	30,208,680	31,574,599
38,394,101	38,800,752	36,611,969	36,123,564	36,938,719	37,619,854	37,056,166
<u>\$494,184,464</u>	<u>\$515,767,433</u>	<u>\$505,215,191</u>	<u>\$517,060,102</u>	<u>\$514,316,828</u>	<u>\$509,362,476</u>	<u>\$481,786,451</u>
\$52,513,678	\$60,276,353	\$61,670,102	\$66,786,261	\$66,072,353	\$67,118,142	\$62,677,817
89,360,481	94,554,428	93,302,139	95,484,961	92,805,641	92,362,845	88,984,865
176,168,400	180,844,539	174,504,919	178,843,172	177,070,374	173,677,610	176,146,147
41,698,477	43,066,483	41,780,785	41,240,323	40,306,356	37,367,733	38,050,051
<u>\$359,741,036</u>	<u>\$378,741,803</u>	<u>\$371,257,945</u>	<u>\$382,354,717</u>	<u>\$376,254,724</u>	<u>\$370,526,330</u>	<u>\$365,858,880</u>
<u>72.79</u>	<u>73.43</u>	<u>73.49</u>	<u>73.95</u>	<u>73.16</u>	<u>72.74</u>	<u>75.94</u>
\$43,092,694	\$38,528,677	\$34,800,000	\$38,800,000	\$40,000,000	\$40,300,000	\$33,500,000
18,678,574	18,330,304	15,473,903	15,799,677	15,212,270	13,517,848	12,886,778
18,264,000	20,076,000	19,530,000	19,090,000	18,326,000	18,700,000	17,300,000
<u>\$80,035,268</u>	<u>\$76,934,981</u>	<u>\$69,803,903</u>	<u>\$73,689,677</u>	<u>\$73,538,270</u>	<u>\$72,517,848</u>	<u>\$63,686,778</u>
<u>\$22,265,560</u>	<u>\$23,262,674</u>	<u>\$20,692,259</u>	<u>\$22,197,684</u>	<u>\$22,386,672</u>	<u>\$22,578,806</u>	<u>\$22,679,243</u>
<u>\$32,142,600</u>	<u>\$36,827,975</u>	<u>\$43,461,084</u>	<u>\$38,818,024</u>	<u>\$42,137,162</u>	<u>\$43,739,492</u>	<u>\$29,561,550</u>
22,098,416	19,347,089	24,566,034	29,097,113	26,603,162	28,075,475	33,743,135
14,947,620	13,526,160	14,694,740	15,383,756	15,380,910	13,207,325	12,133,390
3,038,229	1,501,996	1,075,133	410,998	1,270,145	1,671,124	633,433
<u>\$72,226,865</u>	<u>\$71,203,220</u>	<u>\$83,796,991</u>	<u>\$83,709,891</u>	<u>\$85,391,379</u>	<u>\$86,693,416</u>	<u>\$76,071,508</u>
<u>503,662</u>	<u>558,987</u>	<u>524,623</u>	<u>517,349</u>	<u>869,979</u>	<u>826,477</u>	<u>786,006</u>
<u>\$71,723,203</u>	<u>\$70,644,233</u>	<u>\$83,272,368</u>	<u>\$83,192,542</u>	<u>\$84,521,400</u>	<u>\$85,866,939</u>	<u>\$75,285,502</u>
4,065,156	4,429,554	4,485,409	4,533,768	4,682,410	4,968,559	5,029,404
<u>\$67,658,047</u>	<u>\$66,214,679</u>	<u>\$78,786,959</u>	<u>\$78,658,774</u>	<u>\$79,838,990</u>	<u>\$80,898,380</u>	<u>\$70,256,098</u>
\$2.84	\$2.77	\$3.34	\$3.36	\$3.41	\$3.46	\$2.98
2.62	2.42	2.78	2.77	2.89	2.91	2.58
<u>\$3,981,724</u>	<u>\$3,981,724</u>	<u>\$3,981,724</u>	<u>\$3,981,724</u>	<u>\$3,981,724</u>	<u>\$3,981,724</u>	<u>\$3,981,724</u>
35,886,776	35,886,776	35,706,655	35,566,560	35,566,560	35,566,560	31,120,740
\$1.60	\$1.60	(e)	\$1.60	\$1.60	\$1.60	\$1.40
23,237,229	25,639,585	24,462,007	25,945,041	27,836,956	29,091,418	28,244,519
31,532,831	32,874,828	31,681,958	33,924,603	34,846,925	34,861,396	32,065,877
1,358	1,366	1,391	1,335	1,286	1,267	1,288
565.61	591.30	585.99	594.76	601.12	619.94	615.37
1,401.31	1,322.47	1,339.52	1,358.31	1,303.32	1,254.13	1,195.33
92,120	88,263	85,653	83,742	78,956	77,736	75,216
8,934,395	9,331,086	9,824,143	10,211,060	10,465,835	11,369,756	14,510,457
1,232,604	1,242,182	1,234,134	1,236,427	1,363,680	1,437,009	1,459,288
2,233	2,248	2,263	2,268	2,143	2,102	2,164
783.90	781.43	771.83	751.27	752.49	736.68	741.42
137.96	133.12	125.62	121.09	130.30	126.39	100.57
37,589	40,565	41,780	45,729	47,346	49,744	49,823
<u>\$229,981,761</u>	<u>\$242,343,020</u>	<u>\$239,773,386</u>	<u>\$245,321,667</u>	<u>\$240,842,542</u>	<u>\$235,446,579</u>	<u>\$231,035,018</u>
\$10.07	\$10.63	\$10.55	\$10.79	\$10.53	\$10.23	\$10.02
5.97	6.26	6.00	6.41	6.40	6.44	6.44
9,954,310	9,954,310	9,954,310	9,954,310	9,954,310	9,954,310	9,954,310
22,429,235	22,429,235	22,429,235	22,229,100	22,229,100	22,229,100	22,229,100
96,884	87,705	82,023	77,211	67,129	58,701	58,325

TABLE 13 — CAPITAL STOCK OUTSTANDING

Company and Class of Stock	Par Value of Capital Stock Outstanding December 31, 1963		
	Common	Preferred	Total
UNION PACIFIC RAILROAD CO.			
Common Stock (par value \$10 per share)	\$224,292,350		\$224,292,350
Preferred Stock (par value \$10 per share)		\$99,543,100	99,543,100
Total	<u>\$224,292,350</u>	<u>\$99,543,100</u>	<u>\$323,835,450</u>
THE ST. JOSEPH AND GRAND ISLAND RAILWAY CO. (See Note)			
Common Stock (par value \$100 per share)	\$10,000		\$10,000
First Preferred Stock (par value \$100 per share)		\$34,510	34,510
Second Preferred Stock (par value \$100 per share)		7,771	7,771
Total	<u>\$10,000</u>	<u>\$42,281</u>	<u>\$52,281</u>
Grand Total	<u>\$224,302,350</u>	<u>\$99,585,381</u>	<u>\$323,887,731</u>

NOTE: Par value (\$100 per share) of capital stocks owned within the System:

Description	Owned by:	
	U. P. R. R. Co.	O. S. L. R. R. Co.
O. S. L. R. R. Co. Capital Stock	\$100,000,000	—
O-W. R. R. & N. Co. Capital Stock	—	\$50,000,000
L. A. & S. L. R. R. Co. Capital Stock	12,500,000	12,500,000
St. J. & G. I. Ry. Co. Common Stock	4,590,000	—
“ First Preferred Stock	5,464,890	—
“ Second Preferred Stock	3,492,230	—
Des Chutes R. R. Co. Capital Stock	—	100,000

TABLE 14 — FUNDED DEBT OUTSTANDING AND INTEREST THEREON

Company and Character of Funded Debt	Date of Issue	Date of Maturity	Interest Payable	Outstanding		Interest Accrued Charged to Income Account	
				December 31, 1963	Increase (+) or Decrease (-) vs. Dec. 31, 1962	Year 1963	Increase (+) or Decrease (-) vs. Year 1962
UNION PACIFIC RAILROAD CO.							
Refunding Mortgage 2½% Bonds, Series C	Mar. 1, 1946	Mar. 1, 1991	Mar. & Sept.	\$68,606,000	— \$75,000	\$1,715,935	— \$4,116
Thirty Year 2⅞% Debenture Bonds	Feb. 1, 1946	Feb. 1, 1976	Feb. & Aug.	42,693,000	— 618,000	1,235,355	— 11,691
Total Bonds				<u>\$111,299,000</u>	<u>— \$693,000</u>	<u>\$2,951,290</u>	<u>— \$15,807</u>
Equipment Purchase Agreement, 4⅞%	Jun. 1, 1962	1964 to 1970	Jun. & Dec.	\$10,536,597	—\$1,621,014	\$479,213	+\$347,321
Equipment Purchase Agreements, 4.15%	Sept. 1, 1962	1964 to 1967	Mar. & Sept.	7,617,137	+ 98,720	334,309	+ 291,843
Total Equipment Purchase Agreements				<u>\$18,153,734</u>	<u>—\$1,522,294</u>	<u>\$813,522</u>	<u>+\$639,164</u>
Grand Total				<u>\$129,452,734</u>	<u>—\$2,215,294</u>	<u>\$3,764,812</u>	<u>+\$623,357</u>

NOTE A: Union Pacific Railroad Co. is a guarantor of the principal of and interest on \$36,280,000 face value of serial bonds, bearing interest rates varying from 1⅞% to 3%, issued by Kansas City Terminal Railway Co., maturing 1964-74, such issue having also as guarantors eleven other railroads which are joint tenants of the union depot and terminal facilities.

NOTE B: Union Pacific Railroad Co. is a guarantor of 50% of the principal of and interest on \$6,909,984 face value of Pacific Fruit Express Co. 4.47% equipment obligation maturing semi-annually 1964-73, and 50% of the principal of and interest on \$3,630,374 face value of that company's 4½% equipment obligation maturing semi-annually 1964-67.

NOTE C: Union Pacific Railroad Co. and thirty-seven other proprietary companies of Trailer Train Co. are obligated to advance any sums that may be needed by Trailer Train Co. for payment of principal of and interest on certain of its equipment obligations which amounted to \$104,585,279 on December 31, 1963.

NOTE D: Face value of bonds owned within the System by Union Pacific Railroad Co.:

O. S. L. R. R. Co. First & Consolidated Mortgage 4% Bonds, due December 1, 1980 (Extended)	\$41,487,000
L. A. & S. L. R. R. Co. First Mortgage 4% Fifty-Year Bonds, due July 1, 1981 (Extended)	59,022,000



TABLE 15—STOCKS OWNED AND DIVIDENDS THEREON

Company	Total Shares Outstanding Dec. 31, 1963	Number of Shares Owned		Dividends Credited to Income Account	
		Dec. 31, 1963	Increase (+) or Decrease (-) vs. Dec. 31, 1962	Year 1963	Increase (+) or Decrease (-) vs. Year 1962
Investments in Affiliated Companies					
TRANSPORTATION DIVISION					
Camas Prairie Railroad Co.	1,000	500			
Denver Union Terminal Railway Co.	300	50			
Kansas City Terminal Railway Co.	22,000	1,833.3			
Leavenworth Depot & Railroad Co.	240	80			
Northern Pacific Terminal Co. of Oregon	30,000	12,000			
Ogden Union Railway and Depot Co.	3,000	1,500			
Overland Terminal Warehouse Co.	1,150	1,150			
Pacific Fruit Express Co.	240,000	120,000		\$2,880,000	
Portland Traction Co.	84,490	42,245			
Pullman Co.	731,350	43,914			— \$43,914
Railway Express Agency, Inc.(a)	1,999,188	51,900			
St. Joseph Terminal Railroad Co.	3,000	1,500			
Spokane International Railroad Co.	199,248	199,127	+ 18(b)		
Trailer Train Co.	19,500	500			
Union Pacific Motor Freight Co.	50	50			
Union Pacific Stage Co.	30	30			
Utah Parks Co.	250	250			
Yakima Valley Transportation Co.	10,000	10,000			
NATURAL RESOURCES DIVISION					
Calnev Pipe Line Co.	1,000,000	700,000			
Stauffer Chemical Co. of Wyoming(c)	49,000	24,010	+ 4,410		
Union Pacific Water Co.	1,783	1,783		17,830	
LAND DIVISION					
Kansas City Industrial Land Co.	9,000	9,000			
Las Vegas Land and Water Co.	500	500			
Union Land Co.	100	100			
Total Dividends—Affiliated Companies				\$2,897,830	— \$43,914
Other Investments(d)					
Illinois Central Industries, Inc.		716,440(e)		\$1,432,880	
Chicago, Rock Island & Pacific Railroad Co.		12,000	+ 12,000(b)		
Miscellaneous		8	— 50		
Total Dividends—Other than Affiliated Companies				\$1,432,880	
Grand Total Dividends on Stocks Owned				\$4,330,710	— \$43,914

(a) Capital stock of Railway Express Agency, Inc., was split in 1963 by issuance of 2,076 shares (each of \$1.00 par value) in exchange for each of 963 outstanding shares of no par value.

(b) Purchased from public.

(c) Stauffer Chemical Co. of Wyoming issued 9,000 additional shares of capital stock during 1963 to finance expansion of its soda ash plant, of which 4,410 shares (49%) were acquired by Union Pacific.

(d) Union Pacific also held indirectly (through its ownership of 99.94% of Spokane International R.R. Co. capital stock) 600,750 shares of Denver & Rio Grande Western R.R. Co. common stock, and 199,500 shares of Western Pacific R.R. Co. common stock (an increase of 9,500 shares compared with 1962, due to a 5% stock dividend in 1963).

(e) Received in exchange for an equal number of shares of Illinois Central R.R. Co. common stock.

TABLE 16 — BONDS AND NOTES OWNED AND INCOME YIELD

	Maturity	Face Value Owned		Current Income Yield		
		Dec. 31, 1963	Increase (+) or Decrease (-) vs. Dec. 31, 1962	Year 1963	Increase (+) or Decrease (-) vs. Year 1962	
Temporary Cash Investments						
UNITED STATES OF AMERICA:						
Treasury 3¼% Certificates of Indebtedness, Series B	May 15, 1963		— \$2,700,000	\$30,938	— \$19,968	
Treasury 3½% Certificates of Indebtedness, Series C	Aug. 15, 1963		— 2,500,000	50,586	+ 20,703	
Treasury 3½% Certificates of Indebtedness, Series D	Nov. 15, 1963		— 6,580,000	165,902	+ 141,601	
Treasury 3¼% Certificates of Indebtedness, Series A	Feb. 15, 1964	\$11,500,000	+ 11,500,000	306,068	+ 306,068	
Treasury 3¼% Notes, Series E	Feb. 15, 1963		— 11,500,000	46,240	— 328,168	
Treasury 1½% Notes, Series EA	Apr. 1, 1963		— 5,000,000	37,754	— 110,344	
Treasury 1½% Notes, Series EA	Apr. 1, 1964	6,000,000	+ 6,000,000	75,021	+ 75,021	
Treasury 1½% Notes, Series EO	Oct. 1, 1964	6,000,000	+ 6,000,000	60,373	+ 60,373	
Treasury 3¾% Notes, Series F	Nov. 15, 1964	2,500,000	+ 2,500,000	34,114	+ 34,114	
Treasury 1½% Notes, Series EA	Apr. 1, 1965	9,000,000	+ 9,000,000	49,357	+ 49,357	
Treasury 3¾% Notes, Series C	May 15, 1965	7,140,000	+ 7,140,000	35,292	+ 35,292	
Treasury 1½% Notes, Series EA	Apr. 1, 1966	9,000,000	+ 9,000,000	111,377	+ 111,377	
Treasury 2½% Bonds	Feb. 15, 1965	11,000,000	+ 3,000,000	299,757	+ 37,317	
Treasury 2½% Bonds, 1967-1962	June 15, 1967	3,000,000	+ 3,000,000	88,004	+ 88,004	
Treasury 3¾% Bonds	Nov. 15, 1968	2,700,000	+ 2,700,000	31,230	+ 31,230	
Treasury 2½% Bonds, 1968-1963	Dec. 15, 1968	4,000,000		137,841	+ 128,115	
Treasury Bills	Various			171,258*	— 118,927	
Treasury securities held under Repurchase Agreements		21,100,000	— 8,400,000	623,418*	+ 346,065	
Interest on other Treasury securities†				27,489	— 625,378	
Total U.S. Government Securities		\$92,940,000	+\$23,160,000	\$2,382,019	+ \$261,852	
Negotiable Time Certificates of Deposit	Various	127,000,000	+ 58,000,000	3,164,687*	+ 1,659,131	
Total Temporary Cash Investments		\$219,940,000	+\$81,160,000	\$5,546,706	+\$1,920,983	
Investments in Affiliated Companies						
		Total Outstanding Dec. 31, 1963				
Calnev Pipe Line Co.						
6½% First Mortgage Promissory Notes (maturing semi-annually, 1964-1975)		\$7,939,056	\$7,939,056	— \$661,588	\$503,151	— \$23,639
Pacific Fruit Express Co.						
Equipment Purchase Contract 4¼%, dated November 15, 1956 (maturing semi-annually, 1964-1967)		9,131,640	4,565,820	— 1,304,520	228,504	— 54,876
Equipment Purchase Contract 4½%-5%, dated August 20, 1959 (maturing semi-annually, 1964-1975)		20,883,378	3,864,734	— 322,061	193,639	— 14,493
Equipment Purchase Contract 4½%, dated September 6, 1961 (maturing semi-annually, 1964-1967)		3,630,374	1,383,920	— 461,307	76,116	+ 2,945
Railway Express Agency, Inc.						
5% Promissory Note		27,637,054	722,889		36,144	
St. Joseph Terminal Railroad Co.						
6% Demand Note		350,000	175,000		10,500	
Stauffer Chemical Co.‡						
5-year 5% Notes		11,000,000	5,390,000		7§	— 412§
Trailer Train Co.						
4¾% Equipment Trust Certificates, Series 1 (1964)		9,120,000	400,000	— 100,000	18,506	+ 12,622
Total Obligations of Affiliated Companies		\$24,441,419	— \$2,849,476	\$1,066,567	— \$77,853	
Other Investments						
	Maturity					
Baltimore & Ohio Railroad Co.						
First Consolidated Mortgage 4% Bonds, Series B	Sept. 1, 1980	\$1,940,000			\$77,600	
Pittsburgh, Youngstown & Ashtabula Railway Co.						
First General Mortgage 4½% Gold Bonds, Series D	June 1, 1977	1,485,000			66,825	
Miscellaneous (principally property-sale and other contracts)		2,689,279	+ \$87,959	139,623	— \$17,696	
Total Other Bonds and Notes		\$6,114,279	+ \$87,959	\$284,048	— \$17,696	
Grand Total Income Yield on Bonds and Notes Owned				\$6,897,321	+\$1,825,434	

* Includes interest on similar securities that were not owned at the close of the year.

† Interest received in 1963 on Treasury securities acquired during the year but disposed of prior to December 31st, compared with interest received in 1962 on Treasury securities disposed of prior to December 31st of that year.

‡ Stauffer Chemical Co. is not an affiliated company, but its notes are held as security for loans made by the Union Pacific to Stauffer Chemical Co. of Wyoming whose capital stock is owned jointly by Union Pacific (49%) and Stauffer Chemical Co. (51%).

§ Interest for years 1962 and 1963 was waived.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

912 FIRST NATIONAL BANK BUILDING

OMAHA 2

To the Board of Directors of
Union Pacific Railroad Company.

We have examined the financial statements of the six wholly owned affiliated companies of the Union Pacific Railroad Company for the year ended December 31, 1963, included in Columns 8 to 13, inclusive, in the accompanying Table 17. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the companies at December 31, 1963 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

February 24, 1964

**TABLE 17 — BALANCE SHEETS AND INCOME AND
Subject to Interstate Commerce Commission Accounting**

BALANCE SHEET DECEMBER 31, 1963					
	Union Pacific Motor Freight Co. (1)	Yakima Valley Transportation Co. (2)	Union Pacific Stage Co. (3)	Spokane International R.R. Co. (4)	Portland Traction Co. (5)
ASSETS					
Property investment (stated at cost or less)	\$4,196,694	\$1,087,022	—	\$11,558,264	\$2,718,540
Reserves for depreciation (credit)	2,232,376	243,734	—	1,884,395	1,417,020
Other investments	—	—	—	16,761,888	—
Cash: In banks	—	106,695	—	410,598	357,879
On deposit with Union Pacific R.R. Co.	—	—	\$22,808	—	200,000
On deposit with other stockholder	—	—	—	—	200,000
Accounts receivable	34,200	4,563	12,409	159,166	77,333
Material and supplies	16,690	21,674	—	23,411	23,050
Other current assets	79,654	9	—	20,577	5,312
Other assets and deferred charges	897	169	161	24,483	44,631
Total	<u>\$2,095,759</u>	<u>\$976,398</u>	<u>\$35,378</u>	<u>\$27,073,992</u>	<u>\$2,209,725</u>
LIABILITIES AND STOCKHOLDER EQUITY					
Funded debt	—	—	—	—	—
Payable to Union Pacific Railroad Co.	\$858,997	\$188,725	—	\$16,573,513	—
Tax liability	22,215	3,474	—	286,027	\$179,959
Other current liabilities	367,087	18,534	\$11,810	513,196	404,998
Other liabilities and deferred credits	8,421	—	—	155,878	24,665
Reserves for insurance, casualties, etc.	18,044	—	19,350	12,442	—
Total liabilities	<u>\$1,274,764</u>	<u>\$210,733</u>	<u>\$31,160</u>	<u>\$17,541,056</u>	<u>\$609,622</u>
Capital stock	\$5,000	\$500,000	\$3,000	\$3,273,360	\$1,300,000
Paid-in capital surplus	—	100,000	—	—	—
Retained income, as shown below	815,995	165,665	1,218	6,259,576	300,103
Total stockholder equity	<u>\$820,995</u>	<u>\$765,665</u>	<u>\$4,218</u>	<u>\$9,532,936</u>	<u>\$1,600,103</u>
Total	<u>\$2,095,759</u>	<u>\$976,398</u>	<u>\$35,378</u>	<u>\$27,073,992</u>	<u>\$2,209,725</u>
INCOME ACCOUNT, YEAR ENDED DECEMBER 31, 1963					
Revenues	\$3,708,932	\$152,603	—	\$3,035,326	\$946,822
Expenses and rents	3,373,657	150,990	—	1,976,159	567,012
Net	\$335,275	\$1,613	—	\$1,059,167	\$379,810
Other income	403	6	—	831,941	9,269
Total	<u>\$335,678</u>	<u>\$1,619</u>	<u>—</u>	<u>\$1,891,108</u>	<u>\$389,079</u>
Interest on long-term debt	—	—	—	\$486,000	—
Federal income taxes	\$3,222*	\$154*	—	227,157	\$127,288
Other taxes	282,188	14,024	—	301,759	119,033
Other deductions	35	150	—	5,547	963
Balance transferred to retained income	<u>\$56,677</u>	<u>\$12,401†</u>	<u>—</u>	<u>\$870,645</u>	<u>\$141,795</u>
RETAINED INCOME					
Retained income, December 31, 1962	\$759,318	\$178,066	\$1,218	\$5,388,931	\$158,308
Income balance, as shown above	56,677	12,401†	—	870,645	141,795
Miscellaneous profits and losses—Net	—	—	—	—	—
Absorption of loss by U.P.R.R. Co. (credit)	—	—	—	—	—
Total	<u>\$815,995</u>	<u>\$165,665</u>	<u>\$1,218</u>	<u>\$6,259,576</u>	<u>\$300,103</u>
Less dividends	—	—	—	—	—
Retained income, December 31, 1963	<u>\$815,995</u>	<u>\$165,665</u>	<u>\$1,218</u>	<u>\$6,259,576</u>	<u>\$300,103</u>

(1) Owns and operates motor trucks, tractors and trailers, and provides a motor truck operation supplemental to rail freight service of U.P.R.R.Co. in various cities and States. This includes pick-up and delivery of LCL shipments and of trailers operated in "piggyback" service, and substitute highway service. (2) Owns and operates electric railway for freight service, connecting with U.P.R.R.Co. at Yakima, Wash. (3) Operates motor coaches between East Los Angeles and other Southern California points, for accommodation of rail passengers. All revenues and income are paid over to, and all expenses are borne by, U.P.R.R.Co. (4) Owns and operates railroad for freight service between Spokane, Wash., and Eastport, Idaho. U.P.R.R.Co. owned 99.94% of capital stock at close of year. (5) Owns and operates railroad for freight service in Portland, Ore., area. U.P.R.R.Co. and S.P. Co. each own 50% of capital stock.
* Credit. † Debit.



RETAINED INCOME ACCOUNTS OF AFFILIATED COMPANIES

Regulations

Not Subject to Interstate Commerce Commission Accounting Regulations

Pacific Fruit Express Co. (6)	Calnev Pipe Line Co. (7)	Utah Parks Co. (8)	Union Pacific Water Co. (9)	Las Vegas Land and Water Co. (10)	Union Land Co. (11)	Kansas City Industrial Land Co. (12)	Overland Terminal Warehouse Co. (13)
\$229,675,973	\$10,220,914	\$4,076,324	\$1,218,196	\$5,775,607	\$3,577,439	\$26,990	\$1,287,300
116,938,116	839,699	3,504,174	1,068,891	368,777	555,010	325	837,927
—	—	—	—	919,453	—	832,907	—
790,027	227,904	—	—	—	—	—	22,469
6,593,010	—	—	273,631	—	—	727,563	96,165
6,593,010	—	—	—	—	—	—	—
8,559,764	456,669	10,632	9,821	40,837	1,959	42,286	38,800
1,791,546	54,294	209,780	8,703	—	—	—	—
81,220	1,038,122‡	1,435	—	—	—	—	4,978
695,372	40,668	—	—	571,284	64,909	109,447	8,311
<u>\$137,841,806</u>	<u>\$11,198,872</u>	<u>\$793,997</u>	<u>\$441,460</u>	<u>\$6,938,404</u>	<u>\$3,089,297</u>	<u>\$1,738,868</u>	<u>\$620,096</u>
\$50,909,318	\$7,939,056	—	—	—	—	—	—
—	—	\$729,392	—	\$3,500,186	\$2,146,259	—	—
142,115†	302,563	12,242	\$12,209	264,015	55,558	\$12,818	\$25,072
14,484,688	264,154	23,941	3,420	125	1,782	336	58,258
175,151	—	2,400	—	33,474	29,479	32,506	—
2,747,679	—	1,022	27,851	—	—	—	—
<u>\$68,174,721</u>	<u>\$8,505,773</u>	<u>\$768,997</u>	<u>\$43,480</u>	<u>\$3,797,800</u>	<u>\$2,233,078</u>	<u>\$45,660</u>	<u>\$83,330</u>
\$24,000,000	\$1,000,000	\$25,000	\$178,300	\$50,000	\$10,000	\$900,000	\$115,000
—	—	—	—	—	10,785	466,371	100,000
45,667,085	1,693,099	—	219,680	3,090,604	835,434	326,837	321,766
<u>\$69,667,085</u>	<u>\$2,693,099</u>	<u>\$25,000</u>	<u>\$397,980</u>	<u>\$3,140,604</u>	<u>\$856,219</u>	<u>\$1,693,208</u>	<u>\$536,766</u>
<u>\$137,841,806</u>	<u>\$11,198,872</u>	<u>\$793,997</u>	<u>\$441,460</u>	<u>\$6,938,404</u>	<u>\$3,089,297</u>	<u>\$1,738,868</u>	<u>\$620,096</u>
\$66,970,226	\$2,587,405	\$1,474,657	\$93,305	\$925,977§	\$178,669	\$9,260	\$652,192
51,606,406	848,315	1,388,871	51,560	74,693	80,145	14,119	557,513
\$15,363,820	\$1,739,090	\$85,786	\$41,745	\$851,284	\$98,524	\$4,859†	\$94,679
87,909	209,696	640	465	72,931	22	48,278	50
\$15,451,729	\$1,948,786	\$86,426	\$42,210	\$924,215	\$98,546	\$43,419	\$94,729
\$2,403,143	\$503,151	—	—	—	—	—	—
430,160*	386,206	—	\$1,176	\$213,019	\$14,634	\$13,615	\$46*
4,480,463	204,090	\$101,671	18,308	110,351	34,984	2,963	90,940
4,794,534	1,016	—	—	5,085	—	—	—
<u>\$4,203,749</u>	<u>\$854,323</u>	<u>\$15,245†</u>	<u>\$22,726</u>	<u>\$595,760</u>	<u>\$48,928</u>	<u>\$26,841</u>	<u>\$3,835</u>
\$46,743,336	\$838,776	—	\$214,784	\$2,494,844	\$786,506	\$299,996	\$317,931
4,203,749	854,323	\$15,245†	22,726	595,760	48,928	26,841	3,835
—	—	—	—	—	—	—	—
—	—	15,245	—	—	—	—	—
\$50,947,085	\$1,693,099	—	\$237,510	\$3,090,604	\$835,434	\$326,837	\$321,766
5,280,000	—	—	17,830	—	—	—	—
<u>\$45,667,085</u>	<u>\$1,693,099</u>	<u>—</u>	<u>\$219,680</u>	<u>\$3,090,604</u>	<u>\$835,434</u>	<u>\$326,837</u>	<u>\$321,766</u>

(6) Furnishes refrigerator cars and refrigerated highway trailers, and provides protection against heat and cold for perishable freight on lines of U.P.R.R.Co. and S.P. Co., each of which owns 50% of capital stock. (7) Owns and operates pipe line from Colton, Calif., to Las Vegas, Nev., for transportation of refined petroleum products. U.P.R.R.Co. owns 70% of capital stock. (8) Owns and operates hotels and other tourist facilities (including motor coaches) in National Parks in Utah and Arizona. (9) Owns and operates water facilities in Wyoming to supply U.P.R.R.Co. and others. (10) Holds industrial lands for sale or lease in California. (11) Holds industrial lands for sale or lease in Nebraska, Wyoming, Kansas, Colorado, and Utah. (12) Holds industrial lands for sale or lease at Kansas City, Kans. (13) Owns and operates public warehouse at Los Angeles, Calif.

‡ Principally short-term U.S. Treasury obligations.

§ Includes profit from sale of office building in Los Angeles, which had been leased to U.P.R.R.Co.



States of the "Union Pacific West"

5. KANSAS

The inspiring motto of the State is *Ad Astra Per Aspera*, which may be freely translated as, "Through adversity to the stars." This is singularly appropriate, for in the early years Kansas endured more than her share of adversities. Her pioneers had not only to contend with the hardships inherent in all frontier undertakings, but were also forced to undergo other extraordinary ordeals—blizzards in the winter, floods in the spring, droughts in the summer, grasshopper plagues and famine. In addition, there were the bitter civil conflicts that arose when "Bleeding Kansas" was torn by antagonisms engendered by the slavery issue. But the stout-hearted Kansans struggled doggedly on through all their difficulties, and with indomitable faith in the future and unflagging industry, they finally attained the high level of economic prosperity and civic and cultural progress that Kansas enjoys today.

As in other regions, the railroads were an essential factor in the State's development. In its early history Kansas had the covered wagon, stagecoach, and Pony Express, but like their modern equivalents on today's highways, these agencies were unable to provide the efficient, mass transportation that only the railroads could supply. In 1859, the year that Kansas was admitted to the Union as the 34th State, construction of its first railroad was begun—the Elwood & Marysville. This was later included in The St. Joseph and Grand Island Railway, which is now operated as part of the Union Pacific. Other railroads were rapidly organized and built, including of course the line of the Union Pacific running west from Kansas City across the entire State.

The Union Pacific now operates 1,106 miles of railroad in Kansas, or about 11 per cent of its total line. In a single year, about 70,000 freight cars are loaded with Kansas products on our line. A large proportion of this freight represents agricultural commodities, such as wheat, corn and sorghum grains, but many other products are produced and shipped over the Union Pacific. For example, Kansas contributes more than half of the

automobile traffic originating on the Union Pacific; and even larger proportions of the total tonnages of salt and insulating materials loaded on the Company's line come from Kansas mines.

With the vast acreage devoted to farms, Kansas is primarily an agricultural State, but other industries are expanding at a swift pace. The capacity of commercial grain storage plants ranks second in the nation. Meat packing plants turn out more than a billion pounds of meat annually. The State leads in grain milling, producing approximately 16 per cent of the nation's total flour. Dairy manufacturing does an enormous business. Additional farm-related industries are poultry production, soybean processing, alfalfa dehydration, canneries, and tanneries.

A few of the many other products manufactured in Kansas are airplanes and parts, automobile assemblies, tires and rubber goods, wallboard, cellophane, cement, sewer pipe and coal-processing equipment. Kansas ranks among the first ten States in the value of its mineral products, which include petroleum, natural gas, salt, coal, lead, zinc, gypsum, and rock.

Hard-working though they are, the people of the "Sunflower State" find time for extensive activities in the fields of recreation and culture. In addition to their county fairs, rodeos, and local festivals of various kinds, there is widespread interest in music, drama, and the fine arts, which are fostered by numerous community and private organizations. The State is also proud of its many beautiful outdoor recreational areas, which are provided by its rivers, natural lakes, and huge reservoirs in connection with governmental dam projects.

Kansas has an excellent educational system. It has forty-three institutions of higher education, including five state colleges and universities, and two city universities.

The Union Pacific takes pride in the fact that the great State of Kansas is included in the territory it serves, and is grateful for the major contribution that Kansas has made over the years to the Company's transportation business.

"THE COMING OF THE RAILROAD"

One of the historical murals in the State Capitol at Topeka, Kansas, painted by Kansas-born John Stewart Curry. In the artist's words: "A more auspicious phase of the history of the late 1860's and early 1870's is shown in this picture of pioneer folk eager to take their first train ride . . ."



Kansas Wheat and the Capital City, Topeka

