





UNION PACIFIC RAILROAD COMPANY / SIXTY-EIGHTH ANNUAL REPORT

(INCLUDING ITS LEASED LINES)

YEAR ENDED DECEMBER 31, 1964

*Left, a night scene
in the Company's
busy freight yard at
Kansas City, Kansas.*



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DIRECTORS AND OFFICERS / UNION PACIFIC RAILROAD COMPANY

(April 1, 1965)

DIRECTORS

E. ROLAND HARRIMAN, Chairman, Arden, N. Y.
EDD H. BAILEY, Omaha, Nebr.
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 KERR, Portland, Ore.
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, Santa Monica, Calif.
REGINALD M. SUTTON, New York, N. Y.

EXECUTIVE COMMITTEE

ROBERT A. LOVETT, Chairman
COURTNEY C. BROWN
GEORGE S. MOORE
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.
E. H. BAILEY, 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
D. F. WENGERT, 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
S. J. HOW, Assistant to President
J. W. GODFREY, Assistant to President, Industrial Relations
A. O. MERCER, 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
A. O. MERCER, General Auditor
G. A. O'KEEFE, Assistant Treasurer

Offices

120 Broadway, New York, N. Y. 10005
1416 Dodge Street, Omaha, Nebr. 68102
5480 Ferguson Drive, Los Angeles, Calif. 90022

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

Highlights ■ 1964

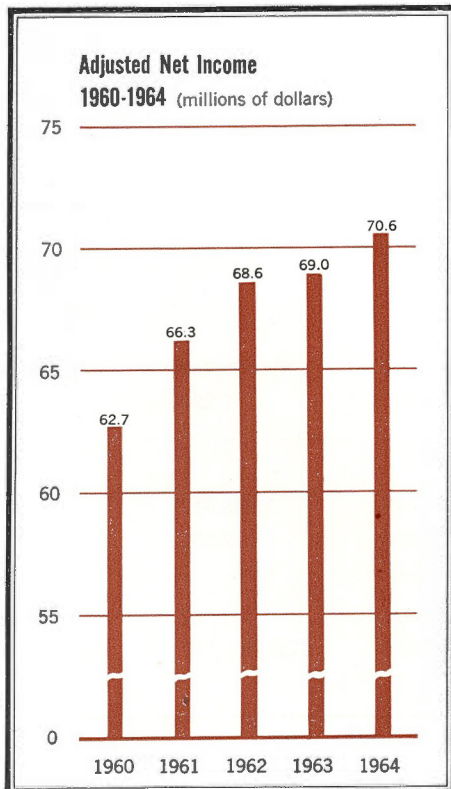
	1964	1963	1962
Railway operating revenues	\$529,079,193	\$519,104,479	\$512,124,915
Railway operating expenses	\$395,191,886	\$372,131,540	\$370,157,101
Operating ratio	74.69%	71.69%	72.28%
Taxes (other than Federal income taxes) ..	\$ 39,736,341	\$ 36,780,201	\$ 37,869,279
Federal income taxes	\$ 23,300,000	\$ 38,100,000	\$ 35,600,000
Net income from transportation operations	\$ 53,468,218	\$ 51,111,725	\$ 46,775,328
Net income from oil and gas operations ...	\$ 18,524,209	\$ 21,542,808	\$ 23,888,982
Income available for fixed charges	\$ 89,177,527	\$ 88,003,049	\$ 85,643,864
Fixed charges	<u>3,713,884</u>	<u>3,781,342</u>	<u>3,153,738</u>
Net income under I.C.C. accounting rules ..	\$ 85,463,643	\$ 84,221,707	\$ 82,490,126
Reduction in income necessary to conform with generally accepted accounting prin- ciples	<u>14,831,711</u>	<u>15,242,353</u>	<u>13,860,492</u>
Net income	<u>\$ 70,631,932</u>	<u>\$ 68,979,354</u>	<u>\$ 68,629,634</u>
<hr/>			
Net income (after preferred dividends) per share of common stock:			
Under I.C.C. accounting rules	\$3.64	\$3.58	\$3.50
Under generally accepted accounting principles	\$2.98	\$2.90	\$2.88
<hr/>			
Dividends paid per share of common stock .	\$1.80	\$1.70	\$1.60
Number of preferred and common stock- holders on December 31	98,761	99,119	102,073
<hr/>			
Expenditures for improvements to trans- portation property	\$107,876,141	\$ 75,803,463	\$ 64,404,130
Depreciation accruals on transportation property	\$ 42,937,777	\$ 41,427,945	\$ 39,103,437
<hr/>			
Ton-miles of revenue freight carried (thousands)	36,921,477	35,076,458	33,187,576
Average revenue per ton-mile (cents)	1.251	1.290	1.333
<hr/>			
Revenue passengers carried one mile (thousands)	1,055,943	1,068,517	1,173,616
Average revenue per passenger-mile (cents)	2.304	2.332	2.345
<hr/>			
Average number of employes	33,891	34,861	34,861
Total wages paid	\$234,137,646	\$228,200,827	\$227,575,481

TO OUR STOCKHOLDERS:

The Transportation Division moved the largest volume of freight traffic ever handled in a peacetime year, and transportation revenues exceeded those in 1963 by a substantial margin despite an increase of \$5.3 million in the amount excluded from freight revenue on transcontinental freight traffic, as explained on page 26. Moreover, by means of huge expenditures for transportation property improvements (\$107.9 million in 1964 alone) many significant cuts in railway expenses were effected during the year through further streamlining of operating methods. However, the benefits from these causes were canceled out late in the year by the effects of nation-wide agreements with employe organizations for sharp retroactive increases in wage rates and fringe benefits.

The Natural Resources Division's income was reduced by a sizable dip in earnings from oil and gas operations—primarily a reflection of the loss of income from Union Pacific interests in Rangely field, which were sold in September, 1963. First steps have been taken for reinvestment of the net proceeds from the Rangely sale (temporarily invested in short-term securities) by initiation of several new undertakings in the field of natural resources; other projects are under consideration.

Net income for 1964 with Divisional allocations, compared with 1963, is shown below:



Net Income	1964	1963	Increase (+) or Decrease (-)
Transportation Division	\$67,788,719	\$67,224,967	+\$ 563,752
Natural Resources Division	13,840,508	14,633,385	- 792,877
Land Division	290,876	239,374	+ 51,502
Non-Divisional	3,543,540	2,123,981	+ 1,419,559
Total (I.C.C. basis)	\$85,463,643	\$84,221,707	+\$1,241,936
Deferred Tax Adjustment ..	(14,831,711)	(15,242,353)	- (410,642)
Adjusted Net Income ..	\$70,631,932	\$68,979,354	+\$1,652,578

Dividends paid on common stock aggregated \$1.80 per share in 1964, equal to about 60% of adjusted net income per share after preferred dividend requirements.

In addition to the effect of the steep increase in employes' compensation on net income for 1964, further increases in wage rates will become effective in each of the years 1965 and 1966. Under these circumstances, it is of some satisfaction to be able to report that a good start was made on realization of savings under the settlement of the controversy, outlined in previous reports, regarding unneeded firemen on diesel locomotives.

The net saving from this source approximated \$1 million after deducting severance payments to employes of relatively short service whose jobs were eliminated. The savings should be greater in 1965 because of reduced severance payments, higher wage scales in effect, and a full year's normal "attrition" through retirements and other causes.

Two encouraging events in connection with the proposed Rock Island merger must be noted here for the record. On January 7, 1965, Rock Island stockholders approved the terms of the proposed merger, including a new basis for exchange of stock, which is outlined on page 12 of this report. And on March 8, 1965, the Interstate Commerce Commission authorized the Company to issue negotiable Certificates of Deposit to Rock Island stockholders who deposit their shares in accordance with terms of Union Pacific's Exchange Offer. The new merger terms are being presented to our own stockholders for action at the regular Annual Meeting on May 11, 1965.

As announced in the brief report, Mr. Arthur E. Stoddard retired from the presidency at the close of 1964, but will continue to serve the Company as a member of the Board of Directors. Mr. Stoddard started with the Union Pacific 48 years ago and was president for the last 16 years. The Board is gratefully mindful of the outstanding progress made by the Company during the period of his distinguished administration. Mr. Edd H. Bailey was elected to succeed Mr. Stoddard. Mr. Bailey has served the Union Pacific 42 years in many capacities and the Board considers the Company fortunate in having available in its ranks this well qualified, broadly experienced executive to be the new president.

The Board of Directors sincerely appreciates the cooperation and loyal support of our officers and employes during the year.



Edd H. Bailey, New President

E. Melvyn Harriman

Chairman of the Board of Directors

Robert H. Smith

Chairman of the Executive Committee

E. H. Bailey

President

Year in Review

INCOME FROM TRANSPORTATION OPERATIONS

	1964	Increase (+) or Decrease (—) vs. 1963	
		Amount	Per cent
Railway operating revenues ..	\$529,079,193	+\$ 9,974,714	1.9
Railway operating expenses..	395,191,886	+ 23,060,346	6.2
Revenues over expenses ..	\$133,887,307	—\$13,085,632	8.9
Taxes (other than Federal income taxes)	\$ 39,736,341	+\$ 2,956,140	8.0
Equipment rents (debit)	16,032,533	— 3,280,104	17.0
Joint facility rents (debit)	1,350,215	— 318,161	19.1
Total deductions	\$ 57,119,089	—\$ 642,125	1.1
Net before Federal income taxes	\$ 76,768,218	—\$12,443,507	13.9
Federal income taxes	23,300,000	— 14,800,000	38.8
Net income from Transpor- tation Operations	\$ 53,468,218	+\$ 2,356,493	4.6

RISE IN OPERATING REVENUES

Freight revenue for 1964, highest in the Company's history, was \$9.3 million more than in 1963, despite exclusion from the revenue account of \$10.6 million, twice the amount so excluded in 1963, representing part of the revenue received on transcontinental freight traffic, as explained on page 26. The larger volume of traffic in 1964 reflects the generally heavier movement of a widely diversified number of commodities because of greater industrial production and a rise in consumer demand. The increase in total revenue ton-miles handled was 5.3 per cent. However, the effect of this on revenue was partially offset by a decrease of 3 per cent in average revenue per ton-mile which to a certain extent, of course, resulted from the accounting mentioned in connection with transcontinental freight traffic.

The commodities showing the largest revenue increases were canned, packaged and frozen foods, veneer and plywood, iron ore, ammunition and explosives, machinery, cattle and fresh meats, automobile parts, and coal and coke. The two commodities with the largest revenue decreases were corn and potatoes; the crop yields of both were reduced and there was less movement of corn for export. Details of freight tonnage and gross revenue, by commodities, may be found in Table 7 on page 36.

The decrease of 2.4 per cent in Passenger revenue was caused principally by a decrease of 1.2 per cent in average revenue per passenger-mile. Passenger-miles also decreased about 1.2 per cent, but the mileage of passenger-carrying trains was reduced by 3.3 per cent, and the gross revenue per train-mile was thus one per cent higher than in 1963.

OPERATING REVENUES

	1964	Increase (+) or Decrease (—) vs. 1963	
		Amount	Per cent
Freight	\$461,718,186	+\$9,310,102	2.1
Passenger	24,325,277	— 594,933	2.4
Mail	23,628,322	+ 320,588	1.4
Express	4,411,509	+ 10,198	.2
Switching	7,462,408	+ 542,833	7.8
Other	7,533,491	+ 385,926	5.4
Total	\$529,079,193	+\$9,974,714	1.9

OPERATING EXPENSES

	1964	Increase (+) or Decrease (—) vs. 1963	
		Amount	Per cent
Maintenance:			
Way & structures	\$ 59,556,550	+\$ 2,502,151	4.4
Equipment	100,284,822	+ 6,047,706	6.4
Total	\$159,841,372	+\$ 8,549,857	5.7
Traffic	14,341,599	+ 132,649	.9
Transportation	190,713,887	+ 12,723,915	7.1
Misc. operations	6,997,277	— 130,940	1.8
General	23,297,751	+ 1,784,865	8.3
Total	\$395,191,886	+\$23,060,346	6.2

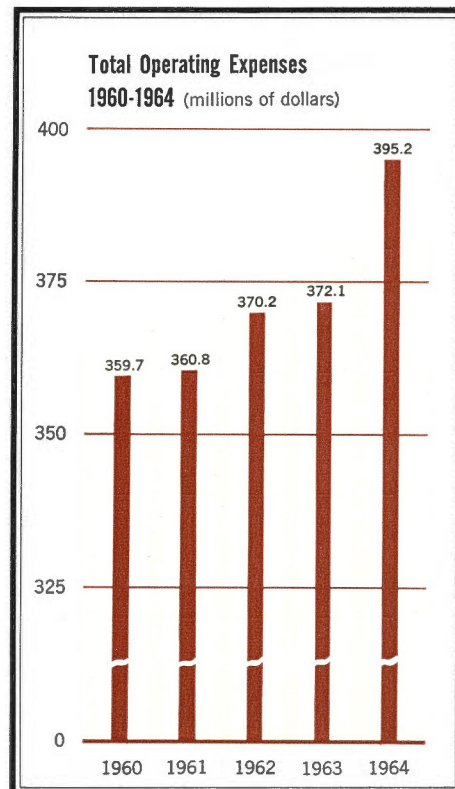
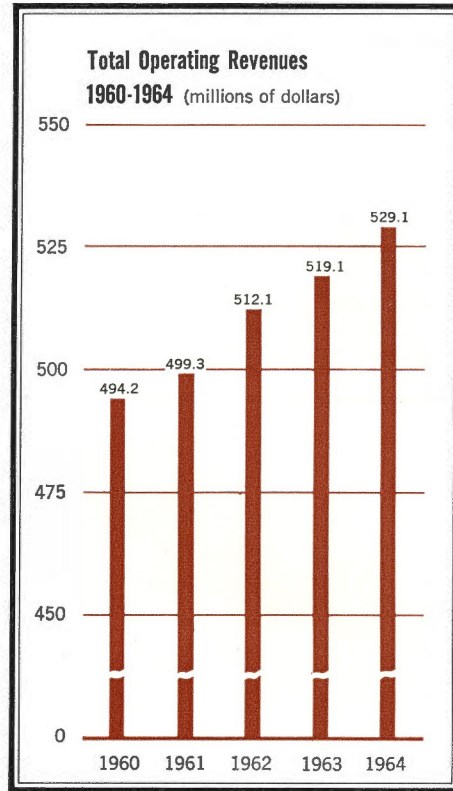
WHY OPERATING EXPENSES WENT UP

Much the most important single cause of the 6.2 per cent increase in Operating expenses was the substantial retroactive increase in employees' wage rates and fringe benefits, as the result of nation-wide agreements with employe organizations, which is discussed more fully on page 14. However, a number of other major factors were also involved, including the considerably greater volume of freight handled; larger amounts billed by Pacific Fruit Express Co. for supplying protective services for perishable freight, in accordance with an amended basis for such billing prescribed by the Interstate Commerce Commission; heavier depreciation charges due to new equipment acquisitions; and an increase in net charges from bills exchanged with other railroads for maintenance and operation of joint facilities. Another item of consequence was a charge to operating expenses of \$1.3 million representing the ledger value of nondepreciable property retired in connection with unprofitable branch lines abandoned during the year. Such abandonments had the effect of reducing current income taxes in 1964, and will of course result in savings in future years by eliminating the expense of maintaining and operating the lines.

As a partial offset to the increases in expenses enumerated above, many operating economies were effected by the management, most of which were made possible by massive expenditures for property improvements. There were also net savings through a first-year reduction in number of unneeded firemen on freight and yard diesels and certain other employes, following settlement of work-rule controversies, but such savings for the current year were diminished by the amount of severance payments to employes of relatively short service whose jobs were eliminated.

The quantities of rails, ties and ballast applied in main track renewals during the year, compared with 1963, are tabulated below:

	1964	1963	Increase (+) or Decrease (-)	Per cent
New rails (track miles)	114.41	101.71	+ 12.70	+12.5
Second-hand rails (track miles)	36.09	80.21	- 44.12	-55.0
Total rails (track miles)	150.50	181.92	- 31.42	-17.3
Ties (number)	507,573	689,079	-181,506	-26.3
Ballast (cubic yards)	658,591	588,602	+ 69,989	+11.9



RAILWAY TAX ACCRUALS

	1964	Increase (+) or Decrease (-) vs. 1963	
		Amount	Per cent
Federal income	\$23,300,000	-\$14,800,000	38.8
Federal retirement ..	13,092,465	+ 1,094,179	9.1
Federal unemploy- ment insurance	6,585,191	+ 82,939	1.3
Other Federal	24,714	- 1,338	5.1
Total Federal	\$43,002,370	-\$13,624,220	24.1
State and county	20,033,971	+ 1,780,360	9.8
Grand total	\$63,036,341	-\$11,843,860	15.8

RAILWAY TAX ACCRUALS DECLINED

The decrease of 38.8 per cent in Federal income taxes resulted principally from a decrease in taxable income, an increase in the investment tax credit, and a reduction in the tax rate from 52% to 50%, effective January 1, 1964. The decrease in taxable income was due to various factors, such as those reflected in the income statement and an increase in the excess of depreciation deductible for tax purposes over depreciation recorded in the accounts under I.C.C. regulations, which resulted chiefly from heavy expenditures for new equipment.

Under the provisions of the Revenue Act of 1964 the investment tax credit no longer involves a concurrent reduction in the tax depreciation base. It is therefore a permanent tax saving and no portion thereof is included in the deferred tax adjustment of net income for 1964.

The increase of 9.1 per cent in Federal retirement tax was due to an increase in the wage tax base. Effective November 1, 1963, the tax rate of 7¼% became applicable to the first \$450 of each employee's monthly wages instead of to the first \$400. (The tax rate was further increased to 8½% on January 1, 1965.)

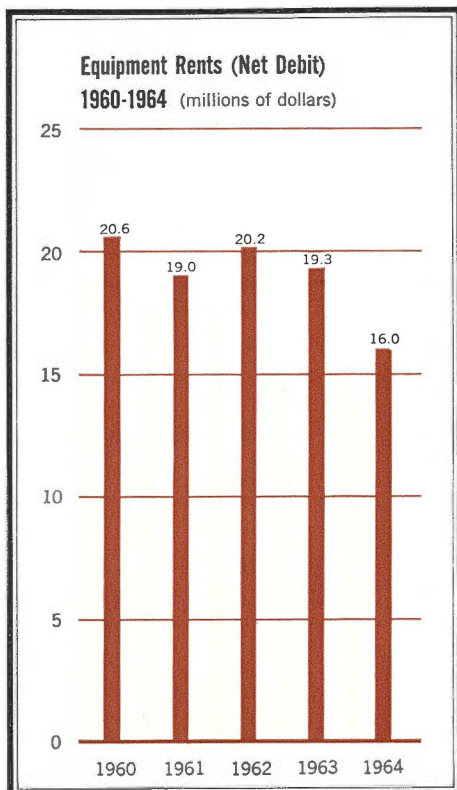
The increase of 9.8 per cent in State and county taxes was due primarily to a general rise in ad valorem and other property taxes, and increased purchases subject to sales and use taxes. State and county taxes by classes in 1964, compared with 1963, were as follows:

	1964	Increase vs. 1963
Ad valorem and other property taxes	\$17,896,592	\$1,241,113
Income and franchise taxes	1,522,514	72,793
Sales and use taxes	614,865	466,454
Total	\$20,033,971	\$1,780,360

Table 5 on page 34 shows a breakdown of all taxes for the year, including those that are not classified as "Railway tax accruals."

DROP IN EQUIPMENT RENTS

The reduced net charge for Equipment rents resulted chiefly from an increase in net per diem rental received for interchange of freight cars with other railroads and increased rental received from Pacific Fruit Express Co. for mechanical refrigerator cars because of additional units under lease. The increase in net per diem receipts was caused by a number of factors, including multilevel rates effective January 1, 1964, which replaced the previous flat rate per car-day regardless of type, an increase in number of car-days of Union Pacific cars used by other railroads, and a decrease in number of car-days of other railroads' cars used on the Company's line.



INCOME FROM INVESTMENTS AND OTHER SOURCES

	1964	Increase (+) or Decrease (—) vs. 1963	
		Amount	Per cent
Net income from oil and gas operations	\$18,524,209	—\$3,018,599	14.0
Royalties under oil, gas, and other mineral leases	848,615	— 17,729	2.0
Dividends on stocks owned (Table 15)	3,906,626	— 424,084	9.8
Interest on bonds and notes owned (Table 16)	8,816,888	+ 1,919,567	27.8
Other interest income	839,134	+ 118,218	16.4
Rent income from transportation property	1,097,985	+ 129,254	13.3
Miscellaneous income	2,793,148	+ 510,082	22.3
Profits and losses—net (property sales, etc.)	2,514,419	+ 1,374,022	120.5
Total income from investments and other sources	<u>\$39,341,024</u>	<u>+\$ 590,731</u>	<u>1.5</u>

Analysis of the decrease in Net income from oil and gas operations will be found on page 19, in the "Natural Resources Division" section of the report.

The decrease in Dividends on stocks owned was due chiefly to a reduction in dividends received from Pacific Fruit Express Co., partially offset by dividends received from Pullman Co. which declared none in 1963.

The increase of 27.8 per cent in Interest on bonds and notes owned resulted from a substantially larger average investment in negotiable time certificates of deposit and U.S. Treasury obligations with a somewhat higher average yield thereon, partially offset by the effect of a reduction in interest-bearing securities owned of affiliated companies.

The increase of 22.3 per cent in Miscellaneous income was due primarily to reduced expenditures by the Natural Resources Division in connection with a special research undertaking.

The item for Profits and losses-net includes a profit from the sale of Sun Valley resort facilities which is discussed on page 17.

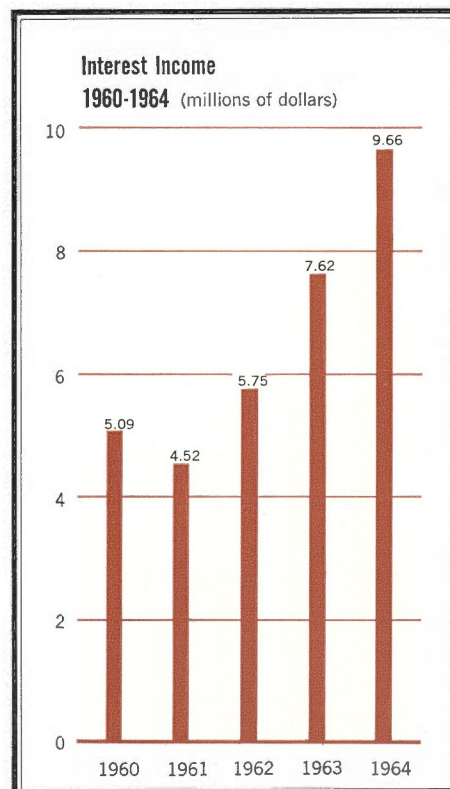
HIGHER DIVIDENDS ON COMMON STOCK

Dividends on Union Pacific common stock have been paid uninterruptedly for 65 years.

The quarterly dividend rate was increased in 1964. Effective with the July 1st dividend, the Board of Directors adopted a quarterly rate of 45 cents per share in place of the previous 40-cent rate. This had the effect of raising total common dividends paid in 1964 to \$1.80 per share, compared with \$1.70 in 1963 and \$1.60 in 1962.

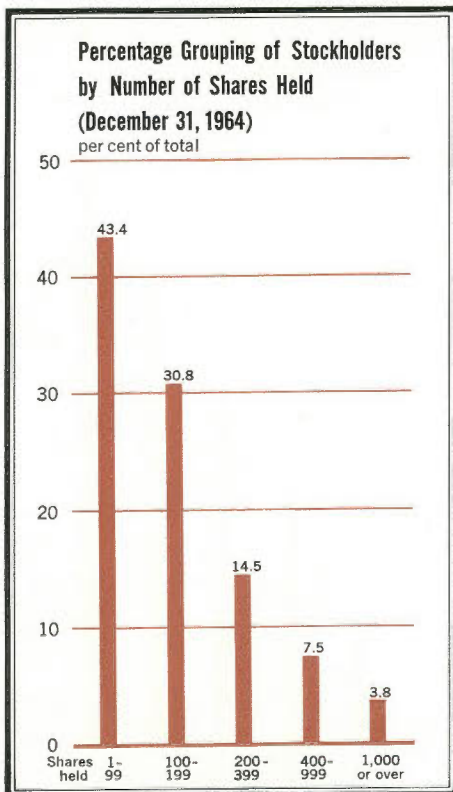
Common dividends in 1964			Common dividends in 1963		
Payment date	Declared in 1964	Paid in 1964	Payment date	Declared in 1963	Paid in 1963
Jan. 2, 1964	—	\$.50*	Jan. 2, 1963	—	\$.70†
Apr. 1, 1964	\$.40	.40	Apr. 1, 1963	\$.30	.30
Jul. 1, 1964	.45	.45	Jul. 1, 1963	.30	.30
Oct. 1, 1964	.45	.45	Oct. 1, 1963	.40	.40
Jan. 2, 1965	.45	—	Jan. 2, 1964	.50*	—
Total	<u>\$1.75</u>	<u>\$1.80</u>	Total	<u>\$1.50</u>	<u>\$1.70</u>

* Quarterly dividend of \$.40 and extra dividend of \$.10.
† Quarterly dividend of \$.30 and extra dividend of \$.40.





High-speed processing of dividend checks.



REDUCTION IN FUNDED DEBT

Outstanding funded debt was further reduced in 1964 by \$5,141,300 or 4 per cent. The reduction represented the aggregate amount of maturing equipment obligations (\$3,525,300) and the face value of Company bonds (\$1,616,000) reacquired at current market prices, in anticipation of sinking fund requirements — \$877,000 of Refunding Mortgage 2½% Bonds and \$739,000 of Thirty-Year 2⅞% Debenture Bonds.

CAPITAL STOCK AND OUR STOCKHOLDERS

Total outstanding capital stock of Union Pacific Railroad Company on December 31, 1964, consisted of 22,429,235 shares of common stock and 9,265,610 shares of preferred stock, each of \$10 par value. The number of preferred shares reflected a decrease of 688,700 shares compared with the close of 1963, as the result of Company purchases, from time to time, of preferred shares offered on the open market at reasonable prices. This policy was considered prudent and desirable because of savings realizable through a reduction in preferred dividend payments which are not deductible from taxable income.

The number of Stockholders of record on December 31, 1964, was 98,761, a decrease of 358 compared with the previous year. As shown in the chart at the left, most of our Stockholders are relatively small holders.

RETAINED INCOME

Retained income at close of 1964 was \$1.1 billion. This represents the portion of the Company's accumulated income and profits, during the 68 years since its incorporation, that has been retained in the business and used for improvements to the property and other purposes, to maintain and increase earning power. The increase of \$42.4 million in 1964 is analyzed below:

Net income for the year	\$70,631,932
Tax reductions applicable to future years under generally accepted accounting principles, but credited to current income under accounting rules prescribed by I.C.C.	14,831,711
Total credits	\$85,463,643
Less:	
Dividends declared on U.P.R.R.Co. and St.J.&G.I.Ry.Co. preferred and common stock	43,095,287
Net increase in Retained Income	<u>\$42,368,356</u>

WORKING CAPITAL REMAINS AMPLE

The Company's working capital at the close of 1964 was \$193,402,348, current assets having been 2.69 times the amount of current liabilities. The decrease in working capital compared with December 31, 1963, was \$14,160,471, as detailed below:

	Dec. 31, 1964	Increase (+) or Decrease (-) vs. Dec. 31, 1963
Current assets	\$308,129,493	—\$30,365,650
Current liabilities	114,727,145	— 16,205,179
Working capital	\$193,402,348	—\$14,160,471
Ratio of current assets to current liabilities	2.69	+ .10

WORKING CAPITAL ON DECEMBER 31, 1963		\$207,562,819
ADDITIONS:		
Net income (excluding net profits from capital transactions)	\$ 68,117,513	
Current income tax reductions applicable to future years under generally accepted accounting principles	14,831,711	
Non-cash charges to income for depreciation, retirements of property, and accrual for expanded vacation allowances in 1965	50,980,784	
Portion of freight revenue received on transcontinental traffic (less liability for applicable income taxes) excluded from income	5,320,000	
Proceeds from sales of land and other property	3,960,087	
Deposits by affiliated companies in excess of advances to them	2,073,625	
Securities of affiliated companies redeemed in excess of those acquired	3,008,672	
Miscellaneous—net	3,132,873	
Total	<u>\$151,425,265</u>	
DEDUCTIONS:		
Dividends declared in 1964 on Union Pacific Railroad Company preferred and common stocks	\$ 43,093,045	
Expenditures for improvements to transportation property (excluding value of parts from equipment retired and rebuilt)	104,733,708	
Cost of retiring funded debt and preferred stock	11,365,290	
Current liability set up for estimated flood damage	4,000,000	
Capitalized expenditures for oil and gas development and improvements to miscellaneous property	2,393,693	
Total	<u>\$165,585,736</u>	
NET DECREASE IN WORKING CAPITAL		14,160,471
WORKING CAPITAL ON DECEMBER 31, 1964		<u>\$193,402,348</u>

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.

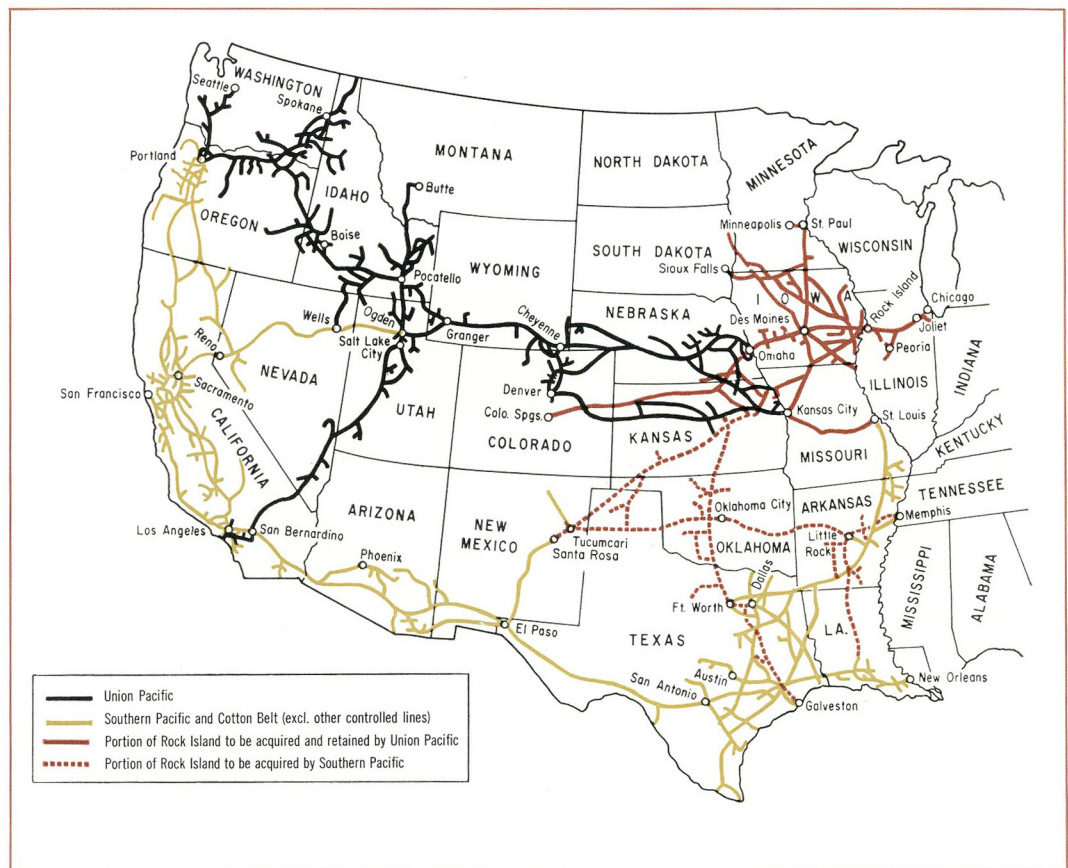
Union Pacific and Rock Island trains side by side at Council Bluffs.



PROPOSED ROCK ISLAND MERGER

Last year's report stated the reasons for believing that merger of the Union Pacific and Rock Island would be highly beneficial to the stockholders of both companies and advantageous to the general public, and also recounted the progress made up to that time, including negotiation of a Merger Agreement by Union Pacific and Rock Island managements, and approval of this agreement by Union Pacific stockholders at a Special Meeting on November 22, 1963.

Map of Proposed Union Pacific Rock Island Merger



Subsequent developments convinced the Union Pacific Board of Directors that a new basis for exchange of Rock Island stock would be desirable. Accordingly, Union Pacific entered into a new Merger Agreement with Rock Island dated June 1, 1964, providing for merger of Rock Island into Union Pacific and the issuance in exchange for each share of Rock Island stock of one share of new Union Pacific convertible preferred stock, paying cumulative dividends of \$1.80 annually and convertible at any time into 85/100 share of Union Pacific common stock, with unconverted shares being callable after 5 years from date of issue. Effective September 1, 1964, Union Pacific made a new offer, subject to I.C.C. approval, for each share of Rock Island stock, as follows: (1) One share of such new Union Pacific convertible preferred, plus (2) a contingent cash payment equal to the amount by which \$1.80 per share per annum for the period from July 1, 1964, to the earlier of June 30, 1967, or the date of consummation of the exchange offer, should exceed the aggregate dividends paid per share by the Rock Island on its stock during the same period.

The time for acceptance of the exchange offer has been extended several times and is presently scheduled to expire on June 1, 1965. The contingent cash payment referred to in the preceding paragraph will be payable only to those Rock Island stockholders whose acceptance of the exchange offer is in force on the date of consummation of the offer. The contingent cash payment is

not provided for under the merger agreement.

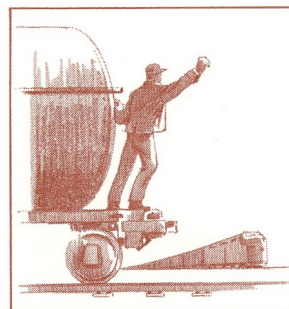
As indicated in last year's report, an agreement with Southern Pacific provided that after Union Pacific acquisition of Rock Island properties by merger under the terms then proposed, Union Pacific would sell to Southern Pacific the Rock Island properties south and southwest of, and certain properties in, Kansas City. In the light of the new merger agreement with Rock Island, a new agreement has been made with Southern Pacific which provides that if Union Pacific acquires the Rock Island by merger the above-specified properties will be sold to Southern Pacific, subject to I.C.C. approval, in consideration of its payment to Union Pacific of \$120,000,000 (increased or decreased under a formula related in part to interim changes in Rock Island's total indebtedness).

The response to Union Pacific's exchange offer has been favorable and, at the request of Union Pacific, the Rock Island called a Special Meeting of stockholders for January 7, 1965, at which the Rock Island stockholders approved the proposed merger by more than the required two-thirds of outstanding shares. The new merger proposal is being submitted to Union Pacific stockholders for approval at their Annual Meeting on May 11, 1965. As previously stated, before the merger can be made effective, authority must be obtained from the Interstate Commerce Commission, and a joint application for such authority was filed in September, 1964, by Union Pacific and Rock Island.

Transportation Division

RECORD PEACETIME FREIGHT TRAFFIC

The 36.9 billion ton-miles of revenue freight handled in 1964 was 5.3 per cent more than in 1963 and was only half of one per cent less than the all-time high volume in the war year 1944, when the average distance hauled per ton was 650 miles compared with about 588 miles in 1964. The number of revenue tons handled, 62.8 million, was the highest in the Company's history and exceeded 1963, the previous record, by 4.9 per cent. All major commodity groups of carload freight showed increases in tonnage hauled compared with 1963, as shown below:

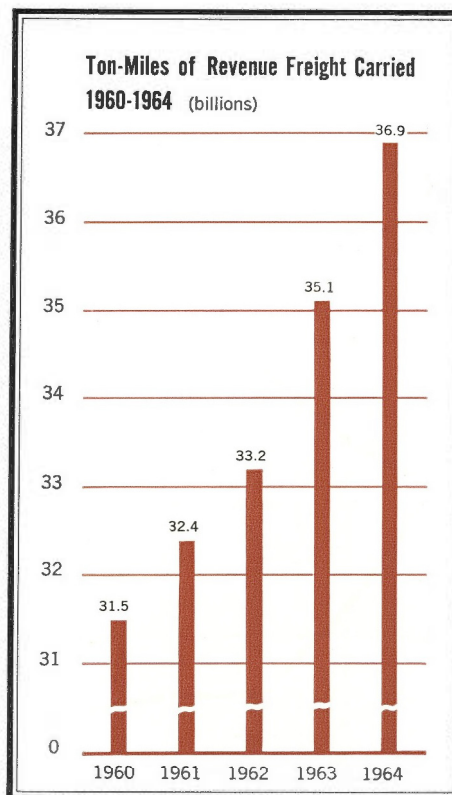


	Tons in 1964	Increase (+) or Decrease (-) vs. 1963
Products of agriculture	16,240,154	+ 89,201
Animals and products	987,751	+ 130,784
Products of mines	16,405,970	+ 1,170,599
Products of forests	8,008,835	+ 440,249
Manufactures and miscellaneous	20,458,868	+ 1,095,047
Forwarder traffic	600,602	+ 10,461
Total carload freight	62,702,180	+ 2,936,341
Less-than-carload	139,926	- 11,613
Grand total	62,842,106	+ 2,924,728

The relatively small increase in tons of agricultural products was chiefly due to reduction in tonnage of grains handled—particularly corn, the volume of which decreased sharply because of lighter crops and less movement for export. Most of the increases for the other commodity groups resulted from a nation-wide increase in industrial production, strong consumer demand, and good business conditions throughout Union Pacific territory. Of the total tonnage handled, 61.4 per cent originated on the Company's line.

Competitive rate problems continued to receive close attention, and rate adjustments were progressed wherever studies indicated that such action would prove profitable. The Company's Department of Cost and Economic Research, mentioned in last year's report, furnished much helpful information in this field, which insured the soundness of adjustments undertaken in transportation pricing.

The favorable trend of increased tonnage per car continued in 1964, as a result of acquiring more large capacity freight cars, coupled with the effect of "incentive rates" that apply to more heavily loaded cars. To illustrate: Despite the increase, referred to above, of 5.3 per cent in ton-miles of revenue freight carried, the mileage of freight trains went up only 2.9 per cent and loaded freight-car miles rose by only 2.3 per cent.





Quitting time at Omaha Headquarters Building.

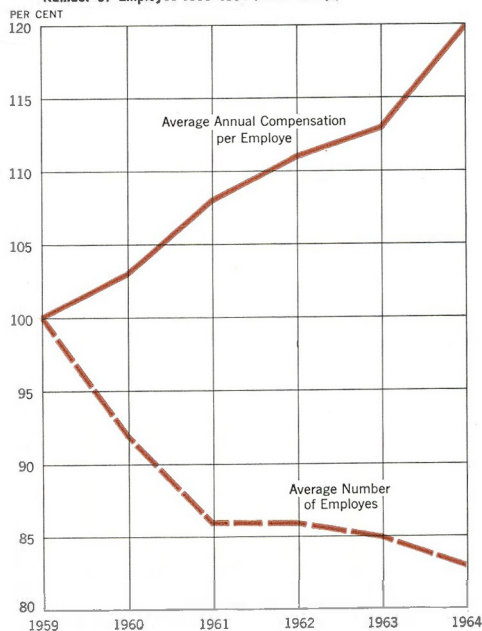
EMPLOYEES AND WAGES

Work Rules. The prolonged controversy over employment of unneeded firemen on freight and yard diesel locomotives was settled in 1964. The settlement, in which all three branches of the Federal government had become involved, provided for eventual elimination of about nine-tenths of the firemen on diesels in freight and yard service, but included many provisions for protection of the employes concerned, including severance pay to employes with relatively short service whose jobs were eliminated. As a result of the settlement, the Company's savings during the year 1964, after deducting severance payments, were approximately \$1 million. Excess crew laws in five states were a hampering factor, but late in 1964, voters repealed the excess crew laws in California, and Nevada's Supreme Court held that the Nevada crew law was inapplicable to diesel freight trains. In January, 1965, a Nebraska District Judge declared the provisions of a Nebraska crew law to be inapplicable to firemen in freight diesel service, and railroads operating in the two remaining states in Union Pacific territory where excess crew laws have been in effect—Washington and Oregon—are seeking repeal of such laws.

In accordance with recommendations of two Presidential Emergency Boards with respect to union demands for "job stabilization," agreements have been entered into with eleven nonoperating employe organizations, providing for protection against loss of jobs.

Wage Increases. Economies realized through reduction in number of firemen and certain other operating employes were greatly overshadowed by increased wage rates and fringe benefits granted to all employes, under nation-wide agreements, which added approximately \$13.5 million to the Company's expenses in 1964. Included in the additional fringe benefits was provision for a fourth week of vacation for all employes with 20 years or more of service, effective with the year 1965. Agreements based on recommendations of an Emergency Board appointed by President Johnson were reached in November and December with eight "non-operating" labor organizations, providing for wage increases of 27 cents per hour over a 3-year period—9 cents per hour retroactively to January 1, 1964, and 9 cents per hour effective January 1st in each of the years 1965 and 1966. Agreement with the other three non-operating labor organizations was not reached until February, 1965, but the increased wages granted thereunder, applicable to 1964, were included in the year's operating expenses on an estimated basis. Agreements were also reached in 1964 with the "operating" labor organizations, providing for wage increases comparable to those granted to nonoperating employes.

Trends of Average Annual Compensation per Employe and Average Number of Employes 1959-1964 (1959=100%)



PROPERTY INVESTMENT GROWS

Gross expenditures for new equipment and other property improvements in 1964 reached an all-time high figure of \$107.9 million. Property expenditures and retirements are summarized below:

Expenditures:			
New equipment	\$88,733,356		
Equipment rebuilt, improvements to existing equipment, etc.	3,377,286	\$ 92,110,642	
Road property		15,765,499	
Total expenditures		\$107,876,141	
Ledger Value of Retirements:			
Equipment retired (including equipment to be rebuilt or converted)		\$ 36,815,757	
Road property retired and replaced	\$ 2,475,604		
Branch lines and other road property retired and not replaced	11,624,369	14,099,973	
Total retirements		\$ 50,915,730	
Increase in Road and Equipment Property			\$ 56,960,411

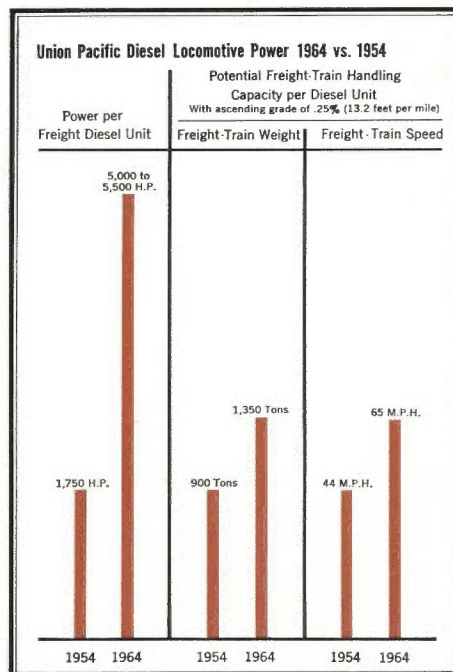
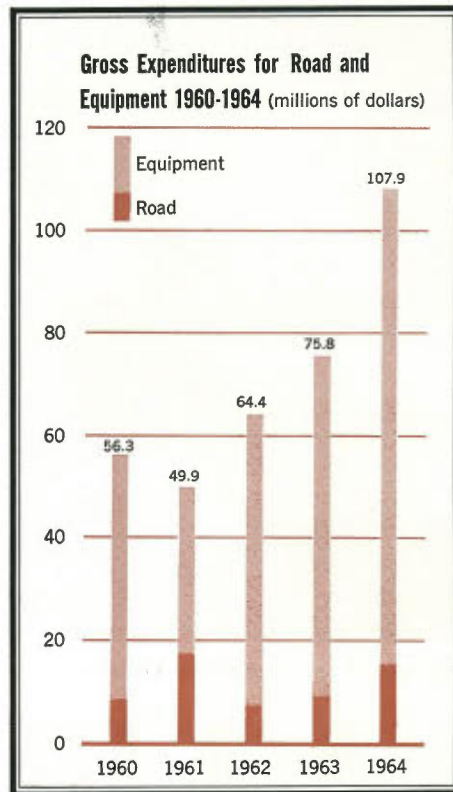
Such huge annual outlays for property improvements are essential for attracting and handling increased business and effecting operating economies to offset continually rising wages and other costs. In recent years such investment expenditures have had the beneficial side-effect of significant reductions in current Federal income taxes.

BIG NEW EQUIPMENT PROGRAM

New equipment delivered and on order in 1964:

<i>Locomotives</i>	Ordered	Delivered	On order at close of year
Diesel			
Freight	89	66	23
Passenger	2	2	.....
Total	91	68	23
Freight-Train Cars			
PURCHASES:			
Box	430	330	100
Refrigerator—Mechanical	1,250	500	750
Gondola	200	200	.....
Covered hopper	625	225	400
Flat	100	88	12
Stock	300	300	.....
Caboose	100	100	.....
CONSTRUCTION IN COMPANY SHOPS:			
Box	4,000	974	3,026
Ore	50	50	.....
Flat	617	402	215
Total	7,672	3,169	4,503
Passenger-Train Cars			
Coach	15	8	7
Postal-Storage	100	100	.....
Total	115	108	7

The 66 diesel freight locomotives delivered in 1964 included 42 of the most powerful units in the world: 12 were General Electric Company 5,000 HP units, model U-50, of the same type as those described in last year's report; 27 were 5,000 HP units designed by Electro-Motive Division, General Motors Corporation, model DD-35; and 3 were 5,500 HP units built by Alco Products, Inc. The accompanying chart graphically reflects the tremendous advances in our diesel motive power compared with ten years ago.





At the controls in automated power plant at Omaha.



Improvement work on Missouri River Bridge.

Modernization of our freight car fleet was accelerated in 1964. All the freight cars acquired are equipped with roller bearings for improved high-speed performance, and 1,130 box cars, 500 refrigerator cars and 400 flat cars acquired have cushioning devices for greater protection against impact damage to cars and contents. Fifty of the box cars are of the largest type ever built—86½ feet in interior length and 17 feet in height; they are particularly suitable for moving automobile parts and other relatively light but bulky commodities.

MAJOR FIXED PROPERTY IMPROVEMENTS

The new automated power plant and steam generating facilities at Omaha were completed during the year, and improvements were added, consisting of a standby emergency electrical generator and facilities for the recovery and return to the steam plant of condensation from steam piped to the shop area.

The 3-story office building at Los Angeles, mentioned last year, was completed and is now occupied by personnel of the Transportation, Natural Resources and Land Divisions.

Fifty-four acres of additional right of way were purchased at Becks, Utah, near Salt Lake City, on which to construct extensive trailer-freight facilities, including 1½ miles of trackage, to provide for unloading of automobiles from multi-level flat cars and reloading them on highway transports.

The double-track steel bridge, one-third of a mile long, over the Missouri River at Omaha, was improved by installing a ballast deck in place of an open deck, for the purpose of reducing maintenance and other expenses and danger of fire.

Major yard expansion projects have been started at East Spokane and Argo (near Seattle), Washington. There has been a tremendous increase in rail traffic at both locations, and the enlargement programs are necessary to improve service to our patrons and expedite switching operations, in addition to producing substantial savings in expenses.

Work was started on the installation of a consolidated interlocking control system between Council Bluffs, Iowa, and Gilmore Junction, Nebraska, a distance of about 11 miles. The project will involve laying about 3½ miles of additional tracks and construction or extensive rearrangement of other facilities, but it will result in substantial operating economies.

The trackside electronic detectors of hotboxes, which were installed in 1963, functioned so effectively that 16 more installations were made at strategic locations on the Company's lines in 1964.

Extension of the microwave radio system from Salt Lake City north to Pocatello was substantially completed during the year and two further extensions of the system, Pocatello to Huntington (325 miles) and Huntington to Hinkle (205 miles) were authorized.



Flood damage at one point on the main line along Meacham Creek, in Oregon.

SEVERE FLOODS IN NORTHWEST

Catastrophic floods in Washington, Oregon and Idaho struck our properties in December, 1964, and again in January, 1965. An unusual combination of deep snows followed by warm winds and heavy rains brought run-offs too great for creeks and rivers to carry, causing gigantic floods and landslides and consequent wreckage of properties. Railroad service was restored within days by temporary repairs but most of 1965 will be required for permanent rehabilitation. Estimated damage of \$4,000,000 in December was charged to the Company's insurance reserve and set up as a current liability in 1964 accounts. Another \$1,700,000 has been similarly set up for January damages. Restoration work will be charged against the current liability account, and income will not be distorted thereby. However, income will reflect heavy losses in revenues due to rail lines being out of service and because of the enormous damage suffered by many shippers.

SALE OF SUN VALLEY

The world-famous vacation resort at Sun Valley, Idaho, was opened to the public by the Union Pacific on December 21, 1936. At that time and for years thereafter, Sun Valley generated considerable passenger traffic for the Company, but with the growth of travel by private automobiles and other forms of transportation, this benefit progressively diminished in importance. Moreover, it became evident that the property would require extensive capital expenditures for improvement and expansion, on which the income return would be much less than on an equivalent outlay for improvements to the

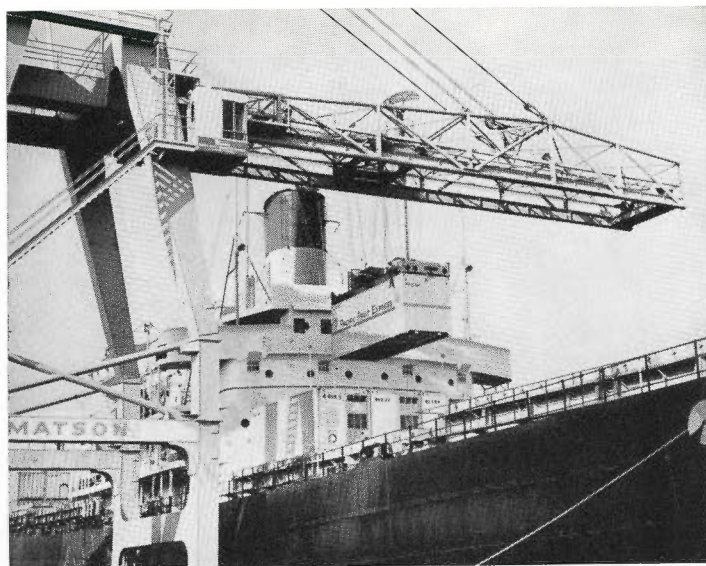
Company's transportation plant. Thus an offer by Janss Corporation to purchase Sun Valley at a price yielding a million-dollar profit was considered an excellent opportunity for advantageous disposition of the property. Janss Corporation is a successful firm in the resort field, well fitted to develop and operate Sun Valley in conjunction with its management of other first-class resorts in Colorado, California and Hawaii.

BRANCH LINE ABANDONMENTS

During the year 1964, a number of unnecessary and unprofitable branch lines, with an aggregate length of about 106 miles, as listed below, were abandoned by the Company after receiving appropriate authority from the Interstate Commerce Commission to do so:

<u>Name of branch</u>	<u>Location</u>	<u>Approximate mileage</u>
Junction City	Gear and Clay Counties, Kans.	51.8
Gering	Scotts Bluff County, Nebr.	8.3
Superior	Sweetwater County, Wyo.	9.1
Bear River	Box Elder County, Utah	8.5
Brogan	Malheur County, Ore.	5.2
	Eight branches, each less than 5 miles long, in various states	22.7
	Total	105.6

These abandonments entailed a charge of about \$1.3 million to operating expenses for ledger value of the nondepreciable property retired. However, they also had the effect of substantially reducing taxable income for the year, and there will be annual savings in future through elimination of expenses for maintaining and operating the branches.



Loading a PFE container aboard a ship bound for Hawaii.

SPOKANE INTERNATIONAL INCOME RISES

Net transportation income of Spokane International Railroad Co. was \$702,197, an increase of 32.4 per cent over 1963. Freight revenue was \$3,100,063, an increase of 6.3 per cent which resulted from greater traffic volume—particularly in sulphur from Canada. Total net income was \$1,011,259, or 16.2 per cent more than in 1963.

Prospects for further traffic expansion are encouraging. Consolidation of transportation facilities at Spokane with those of Union Pacific, referred to last year, has made available for industrial development the property formerly occupied by Spokane International's shop and yard facilities. Several new industries occupied locations during 1964 in an industrial park at Velox, northeast of Spokane, served by the company and another railroad, and further growth there is anticipated.

PACIFIC FRUIT EXPRESS DIVERSIFIES

To meet urgent requests by shippers of perishable freight for large-capacity mechanical refrigerator cars, 500 additional units were leased by Pacific Fruit Express Co. from the Union Pacific and 500 from Southern Pacific. Arrangements have been made to obtain 1,500 more units in 1965 on a similar lease basis. In response to the growing demand for piggyback service, 430 more mechanically refrigerated highway trailers and 188 more 89-foot flat cars were acquired in 1964.

A new ship-rail service, in conjunction with Matson Navigation Co., has been undertaken for movement of canned pineapple from Hawaii to midwestern and

eastern cities with return movement of general merchandise to Hawaii. For this joint service, fifty specially designed, insulated 24-foot containers were ordered, twelve of which were delivered during the year. The balance will be delivered as and when needed.

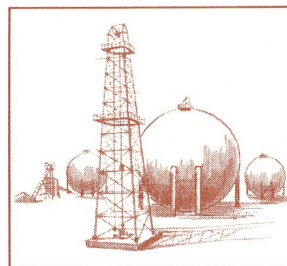
Another service innovation was inaugurated at mid-year. It is a consolidator-forwarder operation performed by a separate division of Pacific Fruit Express Co., known as Pacific Forwarding Express. The initial entry into this field consisted of piggyback rail movement of fresh perishable products from Arizona and California areas to midwestern distribution points for deliveries via highway to cities in surrounding territories. This new operation supplements regular piggyback rail service and provides even greater flexibility of service to shippers than was previously available.

MOTOR FREIGHT COMPANY ACTIVITIES

Union Pacific Motor Freight Co. made its first use of diesel trucks and tractors in over-the-road and pickup and delivery services during 1964. Performance of the diesels has been excellent and studies indicate that significant operating economies can be effected by their use.

Completion of Union Pacific's expanded trailer-freight facilities at Los Angeles in 1964 enabled the Motor Freight Company to perform its trailer-freight functions at this major terminal with greatly improved efficiency and dispatch. The new facilities include trackage for flat cars having an aggregate capacity of 220 trailers, and ingeniously designed ramp equipment, adaptable to all types of piggyback flat cars, for efficient unloading of trailers and containers from cars.

Natural Resources Division



OIL AND GAS OPERATIONS INCOME DIPS

	1964	Decrease compared with 1963	
		Amount	Per cent
Receipts	\$30,195,281	\$5,924,607	16.4
Production expenses (including depreciation)	\$ 8,318,721	\$2,460,079	22.8
Taxes (other than income taxes*)	1,744,845	49,014	2.7
Development expenses	1,607,506	396,915	19.8
Total charges against receipts	\$11,671,072	\$2,906,008	19.9
Net income from oil and gas operations	\$18,524,209	\$3,018,599	14.0
Capitalized development costs ..	\$ 1,325,423	\$ 237,300†	15.2

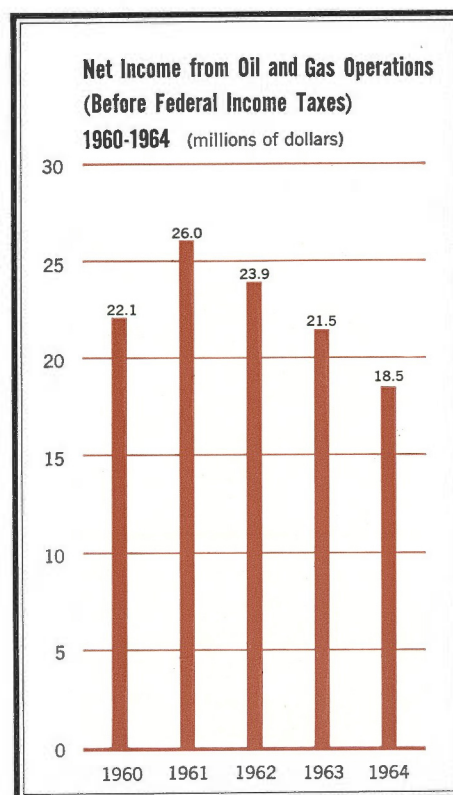
* Federal taxes on income from oil and gas operations were approximately \$4,900,000 in 1964 and \$6,535,000 in 1963.
† Figure for 1963 restated.

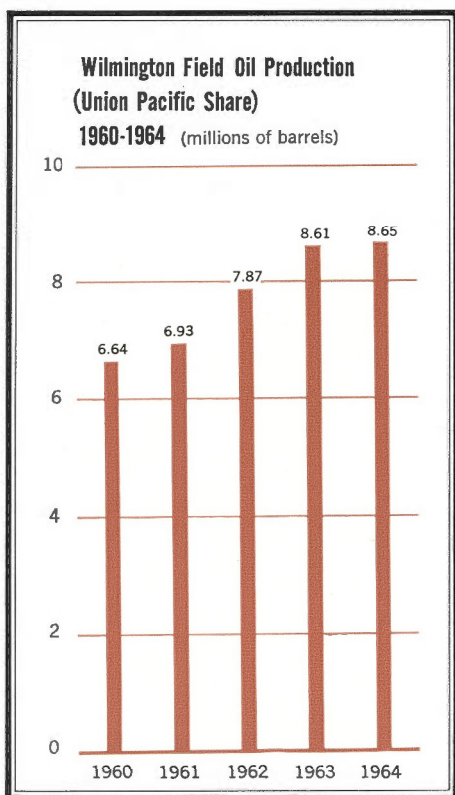
The decrease of \$3 million in net income resulted primarily from the sale on September 26, 1963, of the Company's interests in Rangely field, which in 1963 earned \$3.6 million. There was also a considerable drop in earnings from Patrick Draw field because of reduced production, but this was more than offset by improved net income from Wilmington and Table Rock fields, chiefly because of reduced expenses in both fields.

Last year's report stated that net proceeds from sale of Rangely field had been earmarked for reinvestment in other projects with a view to extension and diversification in the field of natural resources. Several undertakings have been initiated under this program, including leases of land in new territory where oil prospects appear promising, and extension of interests in trona development. The outcome of such ventures will be reported on when further advanced. Various other possible projects are under consideration.

Net income from Wilmington field again showed an increase in 1964. While oil production increased only slightly, expenses decreased substantially compared with 1963 when there were two large unusual expense items which were discussed in the report for 1963.

Production of oil in Patrick Draw field continued to drop in 1964 because of curtailment measures necessitated by a rising gas-oil ratio and restrictions under Wyoming regulations as to disposition of gas produced. During 1964, the Company's gas plant processed approximately 11 billion cubic feet of gas that was produced with the oil. This was an increase of about 10 per cent over the previous year, but the volume of liquid products extracted was slightly less than in 1963 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. To enable expansion





**UNION PACIFIC SHARE OF OIL AND GAS PRODUCTION
IN PRINCIPAL FIELDS**

Principal oil fields	Wells at close of 1964	U.P.R.R. percent- age of interest	Barrels of oil in 1964	Increase (+) or Decrease (-) vs. 1963	
				Barrels	Per cent
Wilmington (Calif.) ..	1,349	53	8,646,426	+ 38,594	.4
East Los Angeles (Calif.)	34	50	133,929	- 34,010	20.3
Patrick Draw (Wyo.)	150	45	1,655,768	- 395,879	19.3
West Desert Springs (Wyo.)	9	92	67,558	- 38,384	36.2
Rangely (Colo.)*				- 1,487,267	100.0
Pierce (Colo.)	18	47	218,242	- 14,326	6.2
Total			10,721,923	- 1,931,272	15.3

Principal gas fields	Wells at close of 1964	U.P.R.R. percent- age of interest	M cu. ft. of gas in 1964	Increase (+) or Decrease (-) vs. 1963	
				M cu. ft.	Per cent
Church Buttes (Wyo.)	11	49	4,785,949	- 191,696	3.9
Table Rock (Wyo.)	11	50	4,266,646	+ 836,482†	24.4
Total			9,052,595	+ 644,786	7.7

* Interests sold in 1963.

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

of secondary recovery measures, including water-flood- ing, in Patrick Draw field, unitization agreements cov- ering a large segment of the field, designated as the Monell Unit, were put into effect on December 1, 1964, under which production and expenses are apportioned equitably among producers. Success with such sec- ondary recovery measures should result in ultimate pro- duction of millions of additional barrels of oil that would not otherwise be recovered.

The Arch Unit in Patrick Draw field could not be in- cluded in the Monell unitization because it is in a differ- ent stage of development from the rest of the field, but secondary recovery measures are being conducted there- in under a cooperative arrangement with the Monell Unit. In the Arch Unit, seven wells were drilled, of which five were completed as productive oil wells and one as a productive gas well, and one was abandoned as a dry hole.

In Dutton Creek field, operated by Union Pacific under a joint arrangement, a small productive oil well was drilled and completed in 1964.

An additional gas well was completed in Wamsutter field, bringing the total number of productive gas wells in the field to three. The 15 productive gas wells in Desert Springs field (Desert Springs and Playa Units) remained unchanged, a well drilled during 1964 having been unsuccessful. At year's end, all wells in these two Wyoming fields were closed in, but commercial produc- tion commenced in January, 1965.

TRONA DEVELOPMENT EXPANDS

Stauffer Chemical Company of Wyoming (49 per cent owned by Union Pacific) completed the second full year of operation of its trona mine and refining facilities for production of soda ash. Refinery capacity was doubled with completion of a second refinery unit in September, 1964, and full-scale production was reached by the end of the year, resulting in a favorable increase in net in- come to the company.

FMC Corporation's trona operations provided sub- stantial freight traffic for Union Pacific, as well as royalti- es on the production from Company lands.

Several major companies are engaged in exploration activity directed toward evaluation of other promising trona-bearing lands, and one company has formally announced plans for a trona mining and refining com- plex, which should result in additional freight traffic for Union Pacific.

OTHER MINERAL DEVELOPMENT

The pilot plant operations at Niagara Falls and a study by an outside firm have established the technical and economic feasibility of extracting titanium and vana-

dium from slag produced by smelting Iron Mountain ores, and further studies are being conducted.

Detailed investigations were made in 1964 of important deposits of industrial clay, high-purity silica, volcanic ash, magnesite, perlite, and gypsum in southern Utah and Nevada and of a newly discovered phosphate mineral area located near Ogden, Utah.

A field survey of oil shales underlying Company lands in Wyoming was completed, the results of which determined the existence of low grade oil shales.

A comprehensive report covering large deposits of fluorspar in California, Nevada, Utah, Idaho and Montana has been completed and is being evaluated.

The Company's extensive coal fields at Superior, Wyoming, were further evaluated as to probable reserves. A power company is continuing to evaluate a portion of these reserves for possible future use in a steam generating plant.

MINERAL ROYALTY INCOME		
	1964	Increase (+) or Decrease (-) vs. 1963
Royalties from:		
Oil and gas	\$488,926	+ \$81,431
Trona	222,902	- 79,354
Coal	106,883	- 9,983
Miscellaneous	29,904	- 9,823
Total	\$848,615	- \$17,729

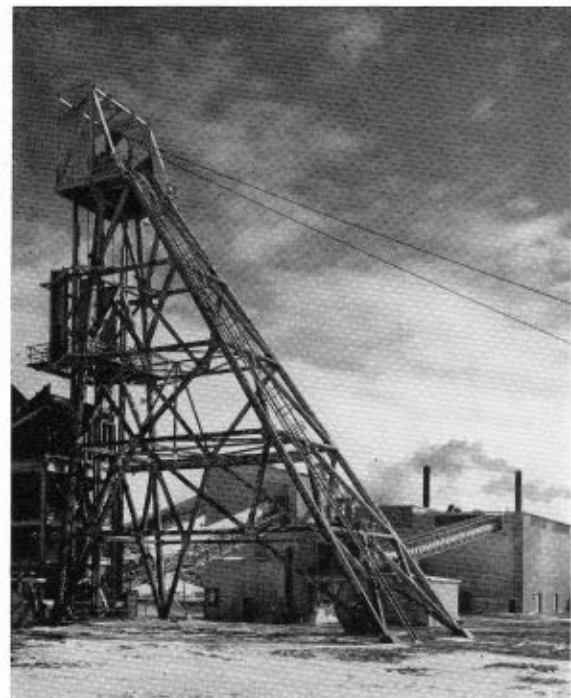
CALNEV PIPE LINE INCOME UP

Calnev Pipe Line Company's pipe line between Colton, California, and Las Vegas, Nevada, handled an average daily volume of petroleum products in 1964 that was 8.6 per cent greater than in 1963. Net income increased 17.6 per cent. Negotiations are currently under way with various companies to further increase deliveries through the pipe line.

DISSOLUTION OF WATER COMPANY

Union Pacific Water Co. was the source of water used by the Union Pacific at Rawlins and Hanna, Wyoming, and furnished water for domestic consumption to various nearby towns. However, dieselization of operations reduced the railroad's water requirements to such an extent that it was no longer necessary to maintain an independent water supply. Accordingly, dissolution of the Water Company was authorized, and various water rights, pumping plants, and other facilities were transferred, as a partial liquidating dividend at the close of 1964, to Union Pacific Railroad Co., its parent, which thereupon donated such property to the City of Rawlins to augment its water facilities.

Head frame for trona mining shaft, Stauffer Chemical Company of Wyoming.



Land Division



MORE INDUSTRIES LOCATED ON LINE

The Company was successful during the year in increasing by 197 the number of traffic-producing industries located on Union Pacific rails. The accompanying photographs show two important plants completed in previous years. The following are some of the widely diversified new plants completed or under construction by major industries in 1964.

At Omaha, Nebraska: Fruehauf Corporation (Independent Metal Products Division) is constructing a 7-acre plant on a 44-acre site for the manufacture of a complete line of tanks and bulk-haul trailers; American Storehouse, Inc. (Hinky Dinky Stores, a local grocery chain) is constructing a multi-million dollar warehouse and office building; and International Harvester Company has completed an office and warehouse building for distribution of agricultural machinery and parts.

Platte Valley Packing Company is building a hog and cattle slaughtering plant at Darr, Nebraska, costing more than \$800,000, which is nearing completion.

Wycon Chemical Company, a Division of Colorado Oil and Gas Corporation, is putting up a \$6 million plant at Cheyenne, Wyoming, for the manufacture of nitrogen fertilizer and related industrial products.

At Denver, Colorado, General Foods Corporation completed an office and warehouse building on a 12-acre tract of land purchased from the Union Pacific in the East Denver Industrial District. Also at Denver, the W. H. Kistler Stationery Company completed construction of a million-dollar warehouse in the Mile-Hi Industrial District.

Monfort Packing Company announced plans for a \$1.8 million expansion program for its meat packing facilities at Greeley, Colorado, with completion anticipated for July, 1965.

At Pocatello, Idaho, J. R. Simplot Company placed on stream a \$5 million plant for production of anhydrous ammonia, to complement its acidulated phosphate operations at this location. The firm will make both dry and liquid ammonium phosphates and ammonium sulphate for use as fertilizers.

Fibreboard Paper Products Corporation completed an additional manufacturing plant at South Gate, California, costing \$1.3 million, for processing corrugated paper. In the same area, Purex Corporation, Ltd., a major manufacturer of soaps and detergents, expanded its facilities by erecting a large warehouse.

U. S. Steel Corporation Plant at Geneva, Utah.



At City of Commerce, California, the Challenge Cream & Butter Association is constructing on a 14-acre tract a plant which will cost, including land, approximately \$2.7 million. It will be used for bulk milk processing, butter packaging, ice cream manufacturing, and other dairy product operations.

Certain-teed Products Corporation acquired a 42-acre site at Crestmore, California, for a \$6 million plant which is almost completed, for manufacturing asbestos pipe and other building materials. In the same area, Riverside Cement Company, a Division of American Cement Corporation, has begun construction of a \$3 million addition to its existing plant.

At Las Vegas, Nevada, De Luca Importing Co. & Nevada Beverage, wholesaler of foreign and domestic liquors and beer, completed a new facility costing about \$1.5 million.

Late in the year, Fibreboard Paper Products Corporation started shipments of processed gypsum over a new 12-mile spur track constructed by Union Pacific from Apex, Nevada, to the plant and quarry site. A further development of this company's \$6 million construction program includes a plaster and plasterboard manufacturing plant which is scheduled to start operations soon.

At Moapa, Nevada, the Nevada Power Company is constructing a \$16 million steam generating plant which will use coal mined in Utah and transported to the plant via the Union Pacific.

At Portland, Oregon, John Deere Company started construction of a warehouse and parts distribution center for farm machinery, on a 20-acre site in Union Pacific's Rockwood Industrial District.

Minnesota Mining & Manufacturing Company is now occupying its new building on a 5-acre tract in the Andover Industrial Park at Seattle, Washington, where it handles a complete line of abrasives, adhesive tapes, and other products.

The Union Land Company, a Union Pacific subsidiary, sold a tract of land in its North Omaha Industrial District and two tracts in its East Denver Industrial District, on which warehouse buildings were constructed by industries.

INDUSTRIAL PROPERTY ACQUIRED

At Denver, Colorado, 25 acres were purchased adjacent to industrial property previously acquired, and about 50 acres were purchased at Muncie, Kansas, to provide sites for new industries at that location.







General Motors warehouse in North Salt Lake Industrial District.



PACIFIC OCEAN



UNION PACIFIC RAILROAD

	Double Track	} Union Pacific Railroad
	Single Track	
	Camas Prairie Railroad	} Solid Through Train Connections
	Single Track	
	Double Track	
	Motor Coach Routes to National Parks	



Serves All the West!

MEXICO

A N A D A



See "Missouri" page 48

GULF OF MEXICO

MISCELLANEOUS MATTERS OF INTEREST

MERGERS PROPOSED BY OTHERS

Proposals for control of Western Pacific: As indicated in previous reports, Southern Pacific filed an application with the Interstate Commerce Commission in 1960 for authority to acquire control of Western Pacific and shortly thereafter Santa Fe filed an opposing application asking that it be permitted to acquire such control. Union Pacific intervened in support of Southern Pacific's application and in opposition to that of Santa Fe. On January 27, 1965, the Commission denied both applications, holding that the public interest required that Western Pacific continue as an independent carrier.

Proposed merger of "Northern Lines" (N.P. Ry., G. N. Ry., C.B. & Q.R.R. and S.P. & S. Ry.): An I.C.C. Examiner issued a proposed report on August 24, 1964, recommending approval of this 25,000-mile merger, but the Commission's decision has not yet been rendered. Union Pacific intervened to urge that its interests be protected by prescribed conditions as to through routes, joint rates, etc., should the merger be authorized.

Proposed merger of North Western and Chicago Great Western: A joint application for approval of such a merger was filed by these railroads with the I.C.C. on November 13, 1964. Hearings on the proposal were opened by the Commission on March 1, 1965.

Proposed merger of North Western and Milwaukee: The two railroads have entered into an agreement providing for a consolidation of the two companies on terms previously announced.

FREIGHT REVENUE DIVISIONS

I.C.C. Docket No. 31503. An I.C.C. order effective July 1, 1963, prescribed revised divisions of revenue on trans-continental freight traffic, under which Eastern and Midwestern railroads would receive much larger shares of such revenue, and Western railroads, including Union Pacific, correspondingly less. The Western railroads sued in Federal District Court at Los Angeles to have the order set aside and on February 17, 1965, the court so ruled, remanding the case to the Commission for further consideration. Opposing railroads have appealed from this decision to the U. S. Supreme Court.

Under the Commission's accounting order in 1963, Western railroads were required to exclude from freight revenues, and set aside in reserves, the estimated portion of revenues that they would be deprived of, should the order prescribing revised divisions be upheld. The amount so set aside by Union Pacific for the year 1964 was \$10,640,000, compared with \$5,280,000 for six months of 1963. The Company is continuing to follow

the I.C.C. accounting order, pending final settlement of the question.

I.C.C. Docket No. 31627. This involves freight revenue divisions between Eastern railroads and Western Trunk Lines, including Union Pacific, operating in territory between Chicago and Denver. Following a court decision that set aside an I.C.C. order prescribing increased divisions for Eastern railroads, the I.C.C. dismissed and discontinued the proceeding. Eastern railroads, other than New York Central and its affiliates, then filed a new complaint (*Docket No. 34515*) attacking present divisions. New York Central and affiliates are attempting to negotiate a settlement with Western Trunk Lines.

CENTRAL PACIFIC CASE

The Federal District Court at Denver on April 20, 1964, set aside the Interstate Commerce Commission's 1962 order which had denied Denver & Rio Grande's petition for nullification of a condition in an order of the Commission in 1923 when it approved Southern Pacific's control of Central Pacific. The condition in question requires Southern Pacific to solicit Central Pacific-Union Pacific routing of freight traffic between certain specified western and eastern territories. Pursuant to the Court's order, the Commission reopened the case on June 17, 1964. Rio Grande filed a brief in support of its contentions and Union Pacific and Southern Pacific filed a joint brief in opposition thereto.

UNION PACIFIC RAILROAD FOUNDATION

As so frequently pointed out, one of the most challenging problems faced by our nation today is that of providing adequate educational opportunities for our youth. This is partly because of the tremendous upsurge in the number of young people of school and college age, and also because technological advances and other aspects of our modern society make it urgently necessary that a steadily increasing proportion of the total population should have the benefit of higher education.

Without overlooking other areas of community needs such as health, research and cultural activities, the Union Pacific Railroad Foundation devoted a substantial portion of its budget in 1964, as in previous years, to the assistance of colleges and universities in Union Pacific territory. This is felt to be one of the most useful ways of contributing to the interests of communities served by the Union Pacific, as well as being an especially fruitful source of public good will.



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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, 1964	December 31, 1963	Increase	Decrease
CURRENT ASSETS				
Cash	\$ 32,228,936	\$ 37,882,385	.....	\$ 5,653,449
Temporary cash investments (Table 16)	192,406,032	218,220,090	.....	25,814,058
Special deposits	92,038	102,738	.....	10,700
Traffic and car-service balances—net	14,738,001	12,459,691	\$ 2,278,310	
Net balance receivable from agents and conductors .	7,877,552	8,754,155	.....	876,603
Miscellaneous accounts receivable	9,847,767	7,878,114	1,969,653	
Interest and dividends receivable	2,477,908	2,589,685	.....	111,777
Accrued accounts receivable	27,124,055	25,767,334	1,356,721	
Material and supplies	20,426,162	23,843,888	.....	3,417,726
Other current assets	911,042	997,063	.....	86,021
Total Current Assets	\$ 308,129,493	\$ 338,495,143	.....	\$30,365,650
INVESTMENTS				
Investments in affiliated companies:				
Stocks (Table 15)	\$ 29,639,708	\$ 29,057,218	\$ 582,490	
Notes (Table 16)	20,851,942	24,443,105	.....	\$ 3,591,163
Advances	27,528,667	28,016,241	.....	487,574
Total Investments in Affiliated Companies	\$ 78,020,317	\$ 81,516,564	.....	\$ 3,496,247
Other investments:				
Stocks (Table 15)	\$ 43,015,314	\$ 43,348,086	.....	\$ 332,772
Bonds and notes (Table 16)	5,858,963	6,074,342	.....	215,379
Total Other Investments	\$ 48,874,277	\$ 49,422,428	.....	\$ 548,151
Reserve for adjustment of investments in securities	\$ 19,130,514	\$ 19,130,514	.....
Total Investments	\$ 107,764,080	\$ 111,808,478	.....	\$ 4,044,398
PROPERTIES				
Road and equipment property	\$1,731,749,041	\$1,674,788,630	\$56,960,411	
Reserves for depreciation and amortization	412,210,187	408,059,924	4,150,263	
Transportation property less recorded depreciation and amortization	\$1,319,538,854	\$1,266,728,706	\$52,810,148	
Miscellaneous physical property	\$ 50,295,094	\$ 53,980,288	.....	\$ 3,685,194
Reserve for depreciation	28,431,334	31,775,849	.....	3,344,515
Miscellaneous physical property less recorded de- preciation	\$ 21,863,760	\$ 22,204,439	.....	\$ 340,679
Total Properties (less recorded depreciation and amortization)	\$1,341,402,614	\$1,288,933,145	\$52,469,469	
OTHER ASSETS AND DEFERRED CHARGES				
Other assets	\$ 4,211,008	\$ 5,280,028	.....	\$ 1,069,020
Deferred charges	3,973,328	3,586,499	\$ 386,829	
Total Other Assets and Deferred Charges .	\$ 8,184,336	\$ 8,866,527	.....	\$ 682,191
Grand Total	\$1,765,480,523	\$1,748,103,293	\$17,377,230	



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

	December 31, 1964	December 31, 1963	Increase	Decrease
CURRENT LIABILITIES				
Audited accounts and wages payable	\$ 22,193,119	\$ 19,836,563	\$ 2,356,556	
Miscellaneous accounts payable	965,093	1,405,724	.....	\$ 440,631
Interest matured unpaid	14,601	16,943	.....	2,342
Dividends matured unpaid:				
Dividend on common stock payable in January of following year	10,093,156	11,214,618	.....	1,121,462
Dividends due but unclaimed	438,946	431,463	7,483	
Unmatured interest accrued	1,176,832	1,224,911	.....	48,079
Accrued accounts payable	47,348,912	37,583,133	9,765,779	
Taxes accrued	28,839,475	55,309,637	.....	26,470,162
Other current liabilities	3,657,011	3,909,332	.....	252,321
Total Current Liabilities	<u>\$ 114,727,145</u>	<u>\$ 130,932,324</u>	<u>.....</u>	<u>\$16,205,179</u>
EQUIPMENT OBLIGATIONS DUE WITHIN ONE YEAR	<u>\$ 3,525,299</u>	<u>\$ 3,525,299</u>	<u>.....</u>	<u>.....</u>
FUNDED DEBT (Table 14)				
Bonds	\$ 109,683,000	\$ 111,299,000	.....	\$ 1,616,000
Equipment obligations	11,103,135	14,628,435	.....	3,525,300
Total Funded Debt	<u>\$ 120,786,135</u>	<u>\$ 125,927,435</u>	<u>.....</u>	<u>\$ 5,141,300</u>
AMOUNTS PAYABLE TO AFFILIATED COMPANIES	<u>\$ 9,500,869</u>	<u>\$ 7,914,818</u>	<u>\$ 1,586,051</u>	<u>.....</u>
RESERVES				
Insurance reserve	\$ 30,619,323	\$ 33,883,097	.....	\$ 3,263,774
Casualty and other reserves	12,032,744	8,776,352	\$ 3,256,392	
Total Reserves	<u>\$ 42,652,067</u>	<u>\$ 42,659,449</u>	<u>.....</u>	<u>\$ 7,382</u>
OTHER LIABILITIES AND DEFERRED CREDITS				
Other liabilities	\$ 760,810	\$ 611,257	\$ 149,553	
Unamortized premium on funded debt	1,634,429	1,787,220	.....	\$ 152,791
Other deferred credits	3,529,341	2,002,343	1,526,998	
Total Other Liabilities and Deferred Credits	<u>\$ 5,924,580</u>	<u>\$ 4,400,820</u>	<u>\$ 1,523,760</u>	<u>.....</u>
STOCKHOLDERS' EQUITY				
Common stock	\$ 224,302,350	\$ 224,302,350	.....	.....
Preferred stock (see page 10)	92,698,381	99,585,381	.....	\$ 6,887,000
Total Capital Stock (Table 13)	<u>\$ 317,000,731</u>	<u>\$ 323,887,731</u>	<u>.....</u>	<u>\$ 6,887,000</u>
Premium on common stock	\$ 4,327,919	\$ 4,327,919	.....	.....
Other capital surplus	3,715,161	3,575,237	\$ 139,924	
Total Capital Surplus	<u>\$ 8,043,080</u>	<u>\$ 7,903,156</u>	<u>\$ 139,924</u>	<u>.....</u>
Retained income—appropriated	\$ 51,225,426	\$ 50,560,426	\$ 665,000	
Retained income—unappropriated	1,052,509,402	1,010,806,046	41,703,356	
Total Retained Income (see page 10)	<u>\$1,103,734,828</u>	<u>\$1,061,366,472</u>	<u>\$42,368,356</u>	<u>.....</u>
Consolidation surplus*	\$ 39,585,789	\$ 39,585,789	.....	.....
Total Stockholders' Equity	<u>\$1,468,364,428</u>	<u>\$1,432,743,148</u>	<u>\$35,621,280</u>	<u>.....</u>
Grand Total	<u>\$1,765,480,523</u>	<u>\$1,748,103,293</u>	<u>\$17,377,230</u>	<u>.....</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. However, record accounts are maintained for setting up such tax reductions, which it is anticipated will be offset by additional taxes at some future time. The accruals in such accounts for 1964 were reduced by \$4,750,640, representing the aggregate portions (52%) of the 7% investment tax credits in 1962 and 1963, which were previously treated as temporary tax reductions, but which under the provisions of the Revenue Act of 1964 are considered to have been permanent tax savings. As of December 31, 1964, the total amount in the record accounts was approximately \$127,132,000.

* 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	1964	1963	Increase (+) or Decrease (-)
Operating revenues (Table 3)	\$529,079,193	\$519,104,479	+ \$ 9,974,714
Operating expenses (Table 4)	395,191,886	372,131,540	+ 23,060,346
Revenues over expenses	\$133,887,307	\$146,972,939	— \$13,085,632
*Railway tax accruals (Table 5)	63,036,341	74,880,201	— 11,843,860
Railway Operating Income	\$ 70,850,966	\$ 72,092,738	— \$ 1,241,772
Equipment rents (debit)	16,032,533	19,312,637	— 3,280,104
Joint facility rents (debit)	1,350,215	1,668,376	— 318,161
Net Income from Transportation Operations	\$ 53,468,218	\$ 51,111,725	+ \$ 2,356,493
INCOME FROM INVESTMENTS AND OTHER SOURCES			
*Net income from oil and gas operations (see page 19)	\$ 18,524,209	\$ 21,542,808	— \$ 3,018,599
Royalties under oil, gas, and other mineral leases	848,615	866,344	— 17,729
Dividends on stocks owned (Table 15)	3,906,626	4,330,710	— 424,084
Interest on bonds and notes owned (Table 16)	8,816,888	6,897,321	+ 1,919,567
Other interest income	839,134	720,916	+ 118,218
Rents from lease of road	122,473	122,579	— 106
Miscellaneous rents	975,512	846,152	+ 129,360
Miscellaneous income	2,793,148	2,283,066	+ 510,082
Profits and losses—net (property sales, etc.)	2,514,419	1,140,397†	+ 1,374,022
Total	\$ 39,341,024	\$ 38,750,293	+ \$ 590,731
Total Income	\$ 92,809,242	\$ 89,862,018	+ \$ 2,947,224
Miscellaneous tax accruals	\$ 522,365	\$ 415,303	+ \$ 107,062
Other deductions from income	3,109,350	1,443,666†	+ 1,665,684
Total deductions from income	\$ 3,631,715	\$ 1,858,969	+ \$ 1,772,746
Income available for fixed charges	\$ 89,177,527	\$ 88,003,049	+ \$ 1,174,478
FIXED CHARGES			
Interest on funded debt	\$ 3,602,618	\$ 3,764,812	— \$ 162,194
Other fixed charges	111,266	16,530	+ 94,736
Total	\$ 3,713,884	\$ 3,781,342	— \$ 67,458
Net income under accounting rules prescribed by I.C.C.	\$ 85,463,643	\$ 84,221,707	+ \$ 1,241,936
‡Reduction necessary to conform accounting for current Federal income taxes to generally accepted accounting principles	14,831,711	15,242,353	— 410,642
NET INCOME	\$ 70,631,932	\$ 68,979,354	+ \$ 1,652,578
Net income per share of common stock (after preferred dividends):			
Under accounting rules prescribed by I.C.C.	\$3.64	\$3.58	+ \$.06
Under generally accepted accounting principles	2.98	2.90	+ .08
DIVIDENDS DECLARED ON UNION PACIFIC RAILROAD CO. STOCK			
On preferred stock	\$ 3,841,884	\$ 3,981,724	— \$ 139,840
On common stock (see page 9)	39,251,161	33,643,853	+ 5,607,308
Total dividends declared	\$ 43,093,045	\$ 37,625,577	+ \$ 5,467,468

* "Railway tax accruals" include Federal taxes on income from all sources. Such taxes on income from oil and gas operations were approximately \$4,900,000 in 1964 and \$6,535,000 in 1963.

† Restated.

‡ Reduction represents tax effect of the excess of depreciation and amortization allowed for tax purposes over depreciation recorded in the accounts under I.C.C. regulations, which it is anticipated will be offset by additional taxes at some future time. (Figure for 1963 also includes a portion (52%) of the 7% investment tax credit, but under the 1964 tax law the entire investment tax credit is treated as a permanent tax saving.)



TABLE 3—RAILWAY OPERATING REVENUES

	1964	1963	Increase (+) or Decrease (-)
TRANSPORTATION			
Freight	\$461,718,186	\$452,408,084	+ \$9,310,102
Passenger	24,325,277	24,920,210	— 594,933
Baggage	97,857	96,261	+ 1,596
Mail	23,628,322	23,307,734	+ 320,588
Express	4,411,509	4,401,310	+ 10,199
Other passenger-train	162,883	159,954	+ 2,929
Milk	22,805	33,811	— 11,006
Switching	7,462,408	6,919,575	+ 542,833
Other	271	387	— 116
Total	<u>\$521,829,518</u>	<u>\$512,247,326</u>	+ \$9,582,192
INCIDENTAL			
Dining and buffet	\$ 3,133,102	\$ 3,176,719	— \$ 43,617
Hotel and restaurant	668,554	569,196	+ 99,358
Station, train, and boat privileges	87,990	97,938	— 9,948
Demurrage	1,283,069	1,041,773	+ 241,296
Communication	50,210	57,345	— 7,135
Rents of buildings and other property	458,347	446,044	+ 12,303
Miscellaneous	1,286,158	1,203,186	+ 82,972
Total	<u>\$ 6,967,430</u>	<u>\$ 6,592,201</u>	+ \$ 375,229
JOINT FACILITY			
Joint facility—credit	\$ 445,025	\$ 451,257	— \$ 6,232
Joint facility—debit	162,780	186,305	— 23,525
Total	<u>\$ 282,245</u>	<u>\$ 264,952</u>	+ \$ 17,293
Total Operating Revenues	<u>\$529,079,193</u>	<u>\$519,104,479</u>	+ \$9,974,714

TABLE 4—RAILWAY OPERATING EXPENSES

	1964	1963	Increase (+) or Decrease (-)
MAINTENANCE OF WAY AND STRUCTURES			
SUPERVISION			
Superintendence	\$ 5,155,986	\$ 4,889,452	+ \$ 266,534
Roadway maintenance	\$ 3,154,352	\$ 3,311,669	— \$ 157,317
Tunnels and subways	89,627	31,722	+ 57,905
Bridges, trestles, and culverts	1,745,083	1,735,314	+ 9,769
Ties	2,325,621	3,046,936	— 721,315
Rails	2,567,171	1,833,781	+ 733,390
ROADWAY AND TRACK			
Other track material	3,203,358	3,203,916	— 165,558
Ballast	1,059,524	951,756	+ 107,768
Track laying and surfacing	15,094,444	15,533,390	— 438,946
Fences, snowsheds, and signs	417,397	668,481	— 251,084
Communication systems	1,045,693	1,000,430	+ 45,263
Signals and interlockers	2,277,137	1,954,403	+ 322,734
Removing snow, ice, and sand	750,825	539,977	+ 210,848
Total	<u>\$ 33,565,232</u>	<u>\$ 33,861,775</u>	— \$ 296,543
STRUCTURES			
Station and office buildings	\$ 2,180,941	\$ 2,499,471	— \$ 318,530
Roadway buildings	224,978	305,518	— 80,540
Water stations	263,145	188,163	+ 74,982
Fuel stations	107,530	96,187	+ 11,343
Shops and enginehouses	1,412,960	1,390,217	+ 22,743
Wharves and docks	944*	46,615	— 47,559
Power plants	52,462	109,438	— 56,976
Power-transmission systems	296,848	257,042	+ 39,806
Miscellaneous structures	18,931	39,701	— 20,770
Total	<u>\$ 4,556,851</u>	<u>\$ 4,932,352</u>	— \$ 375,501
MISCELLANEOUS			
Roadway machines	\$ 1,293,732	\$ 1,146,005	+ \$ 147,727
Dismantling retired road property	326,366	284,205	+ 42,161
Small tools and supplies	1,728,888	1,756,388	— 27,500
Public improvements—maintenance	599,958	648,062	— 48,104
Injuries to persons	537,825	445,315	+ 92,510
Insurance	98,392	92,862	+ 5,530
Stationery and printing	68,699	71,134	— 2,435
Right-of-way expenses	880*	18,157	— 19,037
Employees' health and welfare benefits	1,543,450	1,450,071	+ 93,379
Other expenses	32,504	12,378	+ 20,126
Maintaining joint tracks, yards, and other facilities—debit	2,580,305	1,894,514	+ 685,791
Maintaining joint tracks, yards, and other facilities—credit	985,249	1,074,022	— 88,773
Total	<u>\$ 7,823,990</u>	<u>\$ 6,745,069</u>	+ \$1,078,921
DEPRECIATION AND RETIREMENTS			
Road property—depreciation	\$ 6,365,991	\$ 6,461,599	— \$ 95,608
Retirements—road	2,088,500	164,152	+ 1,924,348
Total	<u>\$ 8,454,491</u>	<u>\$ 6,625,751</u>	+ \$1,828,740
Total Maintenance of Way and Structures	<u>\$ 59,556,550</u>	<u>\$ 57,054,399</u>	+ \$2,502,151
Percentage Ratio to Operating Revenues	<u>11.26</u>	<u>10.99</u>	+ .27

* Credit.

TABLE 4—RAILWAY OPERATING EXPENSES (Continued)

		1964	1963	Increase (+) or Decrease (-)
MAINTENANCE OF EQUIPMENT				
SUPERVISION	Superintendence	\$ 3,904,588	\$ 3,814,390	+ \$ 90,198
	Locomotives—repairs	\$ 27,135,844	\$ 24,810,367	+ \$2,325,477
EQUIPMENT REPAIRS	Freight-train cars—repairs	18,296,029	16,976,159	+ 1,319,870
	Passenger-train cars—repairs	7,271,940	6,744,696	+ 527,244
	Work equipment—repairs	537,187	574,692	- 37,505
	Miscellaneous equipment—repairs	916,433	834,649	+ 81,784
	Total	\$ 54,157,433	\$ 49,940,563	+ \$4,216,870
MISCELLANEOUS	Shop machinery	\$ 1,194,777	\$ 1,171,078	+ \$ 23,699
	Power-plant machinery	161,350	199,405	- 38,055
	Dismantling retired equipment	149,926	131,661	+ 18,265
	Injuries to persons	277,534	327,251	- 49,717
	Insurance	860,341	809,853	+ 50,488
	Stationery and printing	79,635	77,657	+ 1,978
	Employees' health and welfare benefits	2,444,391	2,450,957	- 6,566
	Other expenses	147,271	56*	+ 147,327
	Joint maintenance of equipment expenses—debit	580,804	559,729	+ 21,075
	Joint maintenance of equipment expenses—credit	19,715	44,335	- 24,620
	Total	\$ 5,876,314	\$ 5,683,200	+ \$ 193,114
DEPRECIATION AND RETIREMENTS	Equipment—depreciation	\$ 36,183,635	\$ 34,587,191	+ \$1,596,444
	Shop and power-plant machinery—depreciation	388,151	379,155	+ 8,996
	Retirements—equipment	225,299*	167,383*	- 57,916
	Total	\$ 36,346,487	\$ 34,798,963	+ \$1,547,524
	Total Maintenance of Equipment	\$100,284,822	\$ 94,237,116	+ \$6,047,706
	Percentage Ratio to Operating Revenues	18.95	18.15	+ .80
TRAFFIC				
TRAFFIC PROMOTION	Superintendence	\$ 2,772,514	\$ 2,830,055	- \$ 57,541
	Outside agencies	7,507,944	7,319,014	+ 188,930
	Advertising	2,665,706	2,677,387	- 11,681
	Traffic associations	323,757	314,713	+ 9,044
	Industrial and immigration bureaus	299,990	292,623	+ 7,367
	Total	\$ 13,569,911	\$ 13,433,792	+ \$ 136,119
MISCELLANEOUS	Insurance	\$ 16,888	\$ 12,644	+ \$ 4,244
	Stationery and printing	425,599	435,560	- 9,961
	Employees' health and welfare benefits	328,028	325,690	+ 2,338
	Other expenses	1,173	1,264	- 91
	Total	\$ 771,688	\$ 775,158	- \$ 3,470
	Total Traffic	\$ 14,341,599	\$ 14,208,950	+ \$ 132,649
	Percentage Ratio to Operating Revenues	2.71	2.74	- .03
TRANSPORTATION				
SUPERVISION	Superintendence	\$ 5,787,907	\$ 5,468,572	+ \$ 319,335
	Dispatching trains	2,396,285	2,411,334	- 15,049
	Total	\$ 8,184,192	\$ 7,879,906	+ \$ 304,286
STATION SERVICE	Station employees	\$ 19,313,986	\$ 18,577,403	+ \$ 736,583
	Weighing, inspection, and demurrage bureaus	449,427	426,670	+ 22,757
	Station supplies and expenses	1,607,071	1,645,494	- 38,423
	Total	\$ 21,370,484	\$ 20,649,567	+ \$ 720,917

* Credit.



TABLE 4—RAILWAY OPERATING EXPENSES (Continued)

		1964	1963	Increase (+) or Decrease (-)
TRANSPORTATION (Concluded)				
		1964	1963	Increase (+) or Decrease (-)
	Yardmasters and yard clerks	\$ 7,976,439	\$ 7,697,934	+ \$ 278,505
	Yard conductors and brakemen	15,880,413	14,616,836	+ 1,263,577
	Yard switch and signal tenders	883,792	835,924	+ 47,868
	Yard enginemn	8,157,810	8,561,403	— 403,593
YARD SERVICE	Yard switching fuel	995,061	1,043,342	— 48,281
	Lubricants for yard locomotives	172,306	145,570	+ 26,736
	Other supplies for yard locomotives	65,141	57,635	+ 7,456
	Enginehouse expenses—yard	1,689,963	1,679,858	+ 10,105
	Yard supplies and expenses	542,169	591,878	— 49,709
	Total	<u>\$ 36,363,094</u>	<u>\$ 35,230,430</u>	<u>+ \$ 1,132,664</u>
	Train enginemn	\$ 22,300,948	\$ 21,225,282	+ \$ 1,075,666
	Trainmen	31,128,782	29,283,089	+ 1,845,693
	Train fuel	21,676,510	21,381,197	+ 295,313
	Water for train locomotives	267,292	292,433	— 25,141
	Lubricants for train locomotives	1,620,034	1,674,275	— 54,241
TRAIN SERVICE	Other supplies for train locomotives	269,889	236,138	+ 33,751
	Enginehouse expenses—train	4,938,659	4,738,030	+ 200,629
	Train supplies and expenses	16,713,338	13,202,977	+ 3,510,361
	Operating sleeping cars	1,303,147	1,395,002	— 91,855
	Total	<u>\$ 100,218,599</u>	<u>\$ 93,428,423</u>	<u>+ \$ 6,790,176</u>
	Clearing wrecks	\$ 589,739	\$ 373,460	+ \$ 216,279
	Damage to property	231,265	91,365	+ 139,900
CASUALTIES	Damage to livestock on right-of-way	44,806	49,175	— 4,369
	Loss and damage—freight	6,585,007	6,127,045	+ 457,962
	Loss and damage—baggage	10,386	9,758	+ 628
	Injuries to persons	2,477,762	1,920,661	+ 557,101
	Total	<u>\$ 9,938,965</u>	<u>\$ 8,571,464</u>	<u>+ \$ 1,367,501</u>
	Signal and interlocker operation	\$ 1,085,302	\$ 998,419	+ \$ 86,883
	Crossing protection	648,676	596,174	+ 52,502
	Drawbridge operation	142,000	137,083	+ 4,917
	Communication system operation	1,565,367	1,501,722	+ 63,645
	Stationery and printing	677,412	674,063	+ 3,349
MISCELLANEOUS	Insurance	254,581	239,648	+ 14,933
	Employees' health and welfare benefits	4,230,138	2,119,152	+ 2,110,986
	Other expenses	395,241	401,556	— 6,315
	Operating joint yards and terminals—debit	7,665,638	7,641,159	+ 24,479
	Operating joint yards and terminals—credit	2,555,778	2,649,933	— 94,155
	Operating joint tracks and facilities—debit	755,385	807,575	— 52,190
	Operating joint tracks and facilities—credit	225,409	236,436	— 11,027
	Total	<u>\$ 14,638,553</u>	<u>\$ 12,230,182</u>	<u>+ \$ 2,408,371</u>
	Total Transportation	<u>\$ 190,713,887</u>	<u>\$ 177,989,972</u>	<u>+ \$ 12,723,915</u>
	Percentage Ratio to Operating Revenues	<u>36.05</u>	<u>34.29</u>	<u>+ 1.76</u>
MISCELLANEOUS OPERATIONS				
DINING CAR AND HOTEL	Dining and buffet service	\$ 5,784,085	\$ 5,888,101	— \$ 104,016
	Hotels and restaurants	933,348	959,947	— 26,599
	Total	<u>\$ 6,717,433</u>	<u>\$ 6,848,048</u>	<u>— \$ 130,615</u>
MISCELLANEOUS	Producing power sold	\$ 7,870	\$ 9,080	— \$ 1,210
	Other miscellaneous operations	2,780	3,345	— 565
	Employees' health and welfare benefits	265,630	263,887	+ 1,743
	Operating joint miscellaneous facilities—debit	3,564	3,857	— 293
	Total	<u>\$ 279,844</u>	<u>\$ 280,169</u>	<u>— \$ 325</u>
	Total Miscellaneous Operations	<u>\$ 6,997,277</u>	<u>\$ 7,128,217</u>	<u>— \$ 130,940</u>
	Percentage Ratio to Operating Revenues	<u>1.32</u>	<u>1.37</u>	<u>— .05</u>

TABLE 4—RAILWAY OPERATING EXPENSES (Concluded)

	GENERAL	1964	1963	Increase (+) or Decrease (-)
ADMINISTRATION	Salaries and expenses of general officers	\$ 1,828,808	\$ 1,726,705	+ \$ 102,103
	Salaries and expenses of clerks and attendants	10,829,918	10,505,297	+ 324,621
	General office supplies and expenses	1,793,058	1,703,755	+ 89,303
	Law expenses	2,061,600	1,997,967	+ 63,633
	Total	\$ 16,513,384	\$ 15,933,724	+ \$ 579,660
MISCELLANEOUS	Insurance	\$ 30,981	\$ 22,047	+ \$ 8,934
	Employees' health and welfare benefits	648,499	642,842	+ 5,657
	Pensions	2,672,903	2,440,332	+ 232,571
	Stationery and printing	500,204	580,913	- 80,709
	Other expenses	2,556,083	1,616,384	+ 939,699
	General joint facilities—debit	385,239	283,686	+ 101,553
	General joint facilities—credit	9,542	7,042	+ 2,500
	Total	\$ 6,784,367	\$ 5,579,162	+ \$ 1,205,205
	Total General	\$ 23,297,751	\$ 21,512,886	+ \$ 1,784,865
	Percentage Ratio to Operating Revenues	4.40	4.15	+ .25
Total Operating Expenses	\$395,191,886	\$372,131,540	+ \$23,060,346	
Percentage Ratio to Operating Revenues	74.69	71.69	+ 3.00	

TABLE 5—TAXES

Railway tax accruals:	1964	1963	Increase (+) or Decrease (-)
Federal:			
Income	\$ 23,300,000	\$ 38,100,000	— \$14,800,000
Retirement	13,092,465	11,998,286	+ 1,094,179
Unemployment insurance	6,585,191	6,502,252	+ 82,939
Other	24,714	26,052	— 1,338
Total Federal	\$ 43,002,370	\$ 56,626,590	— \$13,624,220
State and county:			
Ad valorem and other property taxes	\$ 17,896,592	\$ 16,655,479	+ \$ 1,241,113
Income and franchise taxes	1,522,514	1,449,721	+ 72,793
Sales and use taxes	614,865	148,411	+ 466,454
Total state and county	\$ 20,033,971	\$ 18,253,611	+ \$ 1,780,360
Total railway tax accruals	\$ 63,036,341	\$ 74,880,201	— \$11,843,860
Taxes on miscellaneous operating property	1,807,887	1,857,722	— 49,835
Miscellaneous tax accruals	522,365	415,304	+ 107,061
Total taxes charged against income	\$ 65,366,593	\$ 77,153,227	— \$11,786,634
Income taxes charged against retained income .....	.....	16,719,847	— 16,719,847
Grand Total	\$ 65,366,593	\$ 93,873,074	— \$28,506,481
Taxes per share of common stock	\$2.91	\$4.19	— \$1.28



TABLE 6 — RAILWAY OPERATING STATISTICS

	1964	1963	Increase	Decrease	Per Cent
Average miles of road operated	9,634.41	9,704.62	.....	70.21	.7
FREIGHT TRAFFIC					
Revenue Freight					
Cars of revenue freight loaded on line	928,703	919,406	9,297	.....	1.0
Cars of revenue freight received from connections	746,046	718,930	27,116	.....	3.8
Total cars of revenue freight handled	1,674,749	1,638,336	36,413	.....	2.2
Tons of revenue freight carried	62,842,106	59,917,378	2,924,728	.....	4.9
Ton-miles, revenue freight	36,921,477,348	35,076,457,907	1,845,019,441	.....	5.3
Average distance hauled per ton (miles)	587.53	585.41	2.12	.....	.4
Average revenue per ton	\$7.35	\$7.55	.....	\$.20	2.6
Average revenue per ton-mile (cents)	1.251	1.290	.....	.039	3.0
Average revenue per train mile	\$18.60	\$18.74	.....	\$.14	.7
Revenue and Company Freight					
Tons of all freight carried	66,209,683	63,096,944	3,112,739	.....	4.9
Ton-miles, all freight	37,949,121,140	36,126,148,313	1,822,972,827	.....	5.0
Gross ton-miles (cars and contents) all freight	88,082,639,208	82,888,668,243	5,193,970,965	.....	6.3
Average net ton-miles per mile of road per day	10,761	10,196	565	.....	5.5
PASSENGER TRAFFIC					
Revenue passengers carried	1,335,278	1,345,407	.....	10,129	.8
Revenue passengers carried one mile	1,055,942,974	1,068,517,392	.....	12,574,418	1.2
Average journey per passenger (miles)	790.80	794.20	.....	3.40	.4
Average revenue per passenger-mile (cents)	2.304	2.332	.....	.028	1.2
Average revenue per train mile—passengers only	\$3.15	\$3.12	\$.03	.....	1.0
Average total revenue per train mile	\$5.87	\$5.73	\$.14	.....	2.4
TRAIN AND CAR STATISTICS					
Freight					
Train miles—Ordinary	24,625,868	23,956,252	669,616	.....	2.8
Light (locomotive with caboose)	199,559	179,449	20,110	.....	11.2
Total	24,825,427	24,135,701	689,726	.....	2.9
Train hours	845,110	840,372	4,738	.....	.6
Locomotive miles	26,444,307	25,650,282	794,025	.....	3.1
Car miles in freight trains:					
Freight cars—Loaded	1,176,964,520	1,150,017,049	26,947,471	.....	2.3
Freight cars—Empty	675,249,649	646,543,523	28,706,126	.....	4.4
Caboose	24,613,559	23,915,713	697,846	.....	2.9
Passenger-train cars	6,769,890	7,738,398	.....	968,508	12.5
Total car miles	1,883,597,618	1,828,214,683	55,382,935	.....	3.0
Average freight-train speed—miles per hour	29.38	28.72	.66	.....	2.3
Average tons per loaded car mile—all freight	32.19	31.36	.83	.....	2.6
Average car miles per freight-train mile	75.21	74.99	.22	.....	.3
Percentage of loaded to total freight-carrying car miles	63.54	64.01	.....	.47	.7
Average net tons per train mile—all freight	1,540.81	1,507.66	33.15	.....	2.2
Average gross tons per train mile	3,576.83	3,460.00	116.83	.....	3.4
Average gross ton-miles per train hour	104,226	98,633	5,593	.....	5.7
Passenger					
Train miles—Passenger	7,727,821	7,991,661	.....	263,840	3.3
Mail and express	1,782,732	1,797,621	.....	14,889	.8
Total	9,510,553	9,789,282	.....	278,729	2.8
Train hours	184,633	189,636	.....	5,003	2.6
Locomotive miles	9,545,485	9,823,251	.....	277,766	2.8
Car miles in passenger trains:					
Passenger-carrying cars	65,723,449	67,216,884	.....	1,493,435	2.2
Other passenger-train cars	72,487,540	72,309,094	178,446	.....	.2
Freight-train cars	1,934,184	2,064,650	.....	130,466	6.3
Total car miles	140,145,173	141,590,628	.....	1,445,455	1.0
Average passenger-train speed—miles per hour	51.51	51.62	.....	.11	.2
Average car miles per passenger-train mile	14.74	14.46	.28	.....	1.9
Average passengers per train mile	136.64	133.70	2.94	.....	2.2
Average passengers per passenger-carrying car mile	17.42	17.37	.05	.....	.3

TABLE 7 — FREIGHT TRAFFIC BY COMMODITIES

Commodity	TONS				GROSS FREIGHT REVENUE			
	1964	Per Cent of Total	1963	Per Cent of Total	1964	Per Cent of Total	1963	Per Cent of Total
PRODUCTS OF AGRICULTURE								
Wheat	4,875,106	7.76	4,901,559	8.18	\$ 27,188,727	5.63	\$ 27,967,915	5.95
Corn	785,763	1.25	1,325,559	2.21	3,727,553	.77	6,056,200	1.29
Other grain and grain products	1,999,233	3.18	2,272,641	3.79	8,178,562	1.69	9,087,194	1.93
Sugar beets	4,848,473	7.71	4,036,729	6.74	4,675,161	.97	3,888,196	.83
Potatoes, other than sweet	998,684	1.59	1,010,949	1.69	12,626,683	2.61	13,880,142	2.95
Fresh fruits and vegetables	1,990,685	3.17	1,827,824	3.05	27,297,969	5.65	25,714,047	5.47
Other products of agriculture	742,210	1.18	775,692	1.30	6,308,552	1.31	6,792,417	1.44
Total	<u>16,240,154</u>	<u>25.84</u>	<u>16,150,953</u>	<u>26.96</u>	<u>\$ 90,003,207</u>	<u>18.63</u>	<u>\$ 93,386,111</u>	<u>19.86</u>
ANIMALS AND PRODUCTS								
Livestock	376,356	.60	363,871	.61	\$ 8,162,219	1.69	\$ 7,652,860	1.63
Meats and other edible packing house products	343,962	.55	261,457	.43	4,890,663	1.01	4,183,894	.89
Other animals and products	267,433	.42	231,639	.39	3,421,904	.71	3,237,981	.69
Total	<u>987,751</u>	<u>1.57</u>	<u>856,967</u>	<u>1.43</u>	<u>\$ 16,474,786</u>	<u>3.41</u>	<u>\$ 15,074,735</u>	<u>3.21</u>
PRODUCTS OF MINES								
Bituminous coal	4,297,827	6.84	3,999,795	6.68	\$ 12,728,234	2.63	\$ 11,833,256	2.52
Iron ore	3,826,627	6.09	3,379,178	5.64	11,367,540	2.35	10,029,652	2.13
Other ores and concentrates	974,158	1.55	1,115,541	1.86	3,319,151	.69	3,734,922	.79
Gravel, sand, and stone	2,233,024	3.55	2,411,592	4.02	4,472,154	.93	4,338,175	.92
Phosphate rock	2,764,164	4.40	2,287,454	3.82	3,504,500	.73	3,073,465	.65
Other products of mines	2,310,170	3.68	2,041,811	3.41	11,141,344	2.31	10,652,828	2.27
Total	<u>16,405,970</u>	<u>26.11</u>	<u>15,235,371</u>	<u>25.43</u>	<u>\$ 46,532,923</u>	<u>9.64</u>	<u>\$ 43,662,298</u>	<u>9.28</u>
PRODUCTS OF FORESTS								
Lumber, shingles, and lath	4,370,625	6.95	4,285,677	7.15	\$ 47,540,617	9.84	\$ 47,469,043	10.10
Veneer, plywood, and built-up wood ...	1,844,876	2.94	1,720,686	2.87	16,858,164	3.49	15,128,886	3.22
Other products of forests	1,793,334	2.85	1,562,223	2.61	4,874,073	1.01	4,816,032	1.02
Total	<u>8,008,835</u>	<u>12.74</u>	<u>7,568,586</u>	<u>12.63</u>	<u>\$ 69,272,854</u>	<u>14.34</u>	<u>\$ 67,413,961</u>	<u>14.34</u>
MANUFACTURES AND MISCELLANEOUS								
Petroleum products	640,626	1.02	632,290	1.06	\$ 3,670,463	.76	\$ 3,790,045	.81
Iron and steel, including scrap	2,283,379	3.63	2,210,089	3.69	22,092,208	4.57	21,568,292	4.59
Other metals and alloys	754,210	1.20	698,699	1.17	10,189,483	2.11	9,820,238	2.09
Fertilizers	992,285	1.58	933,935	1.56	5,872,871	1.22	5,796,704	1.23
Sodium (soda) products	1,272,767	2.02	1,159,045	1.93	10,172,369	2.11	9,249,612	1.97
Other chemicals and products	1,075,589	1.71	1,047,383	1.75	12,829,267	2.66	13,381,400	2.84
Machinery and parts	457,362	.73	409,679	.68	11,959,356	2.48	10,773,422	2.29
Automobiles, other vehicles, and parts .	1,091,650	1.74	952,443	1.59	30,328,921	6.28	29,062,695	6.18
Cement, brick, lime, and plaster	1,745,469	2.78	1,953,611	3.26	6,596,224	1.36	7,380,088	1.57
Paper and products	1,465,060	2.33	1,370,938	2.29	17,872,930	3.70	17,359,604	3.69
Ammunition and explosives	113,568	.18	80,141	.13	3,782,432	.78	2,487,209	.53
Canned and other foods and beverages .	3,919,250	6.24	3,683,661	6.15	41,604,882	8.61	39,382,018	8.37
Other manufactures and miscellaneous .	4,647,653	7.40	4,231,907	7.06	58,377,996	12.08	55,053,203	11.71
Total	<u>20,458,868</u>	<u>32.56</u>	<u>19,363,821</u>	<u>32.32</u>	<u>\$235,349,402</u>	<u>48.72</u>	<u>\$225,104,530</u>	<u>47.87</u>
Forwarder Traffic	600,602	.96	590,141	.98	\$ 19,577,010	4.05	\$ 19,211,815	4.08
Total Carload Freight	<u>62,702,180</u>	<u>99.78</u>	<u>59,765,839</u>	<u>99.75</u>	<u>\$477,210,182</u>	<u>98.79</u>	<u>\$463,853,450</u>	<u>98.64</u>
All less than carload freight	139,926	.22	151,539	.25	5,845,701	1.21	6,371,788	1.36
Total All Commodities	<u>62,842,106</u>	<u>100.00</u>	<u>59,917,378</u>	<u>100.00</u>	<u>\$483,055,883</u>	<u>100.00</u>	<u>\$470,225,238</u>	<u>100.00</u>

NOTE: Total gross freight revenue shown above exceeds freight revenue reported in Table 3 for 1964 and 1963 by \$21,337,697 and \$17,817,154, respectively. The differences include \$10,640,000 in 1964 and \$5,280,000 in 1963, representing amounts withheld 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

Interstate Commerce Commission Property Classification	Expenditures for Improvements During Year	Credits for Retirements During Year	Net Increase or Decrease in Investment
Engineering	\$ 266,238	\$ 299,159	\$ 32,921
Land for transportation purposes	127,874	133,661	5,787
Other right-of-way expenditures	20,647	8,213	12,434
Grading	367,233	609,750	242,517
Tunnels and subways .....	.....	5,474*	5,474
Bridges, trestles, and culverts	1,078,807	553,113	525,694
Ties	266,810	518,990	252,180
Rails	367,784	598,229	230,445
Other track material	866,109	431,337	434,772
Ballast	107,359	73,206	34,153
Track laying and surfacing	302,100	306,836	4,736
Fences, snowsheds, and signs	30,436	51,847	21,411
Station and office buildings	2,237,100	677,874	1,559,226
Roadway buildings	266,676	245,586	21,090
Water stations	224,134	3,132,088	2,907,954
Fuel stations	53,398	89,818	36,420
Shops and enginehouses	130,812	1,752,535	1,621,723
Wharves and docks	103	.....	103
Communication systems	1,678,573	276,294	1,402,279
Signals and interlockers	1,051,395	305,088	746,307
Power plants	519,450	85,698	433,752
Power-transmission systems	50,143	115,026	64,883
Miscellaneous structures	12,795	22,489	9,694
Roadway machines	1,931,680	1,119,262	812,418
Roadway small tools	113†	258	371
Public improvements—Construction	182,616	126,383	56,233
Other expenditures—Road .....	.....	405	405
Shop machinery	614,363	193,590	420,773
Power-plant machinery	684,535	415,886	268,649
Total expenditures for road	\$ 13,439,057	\$12,137,147	\$ 1,301,910
Other locomotives	\$ 24,314,304	\$23,485,761	\$ 828,543
Freight-train cars	57,873,069	9,600,327	48,272,742
Passenger-train cars	5,877,047	2,951,260	2,925,787
Work equipment	990,332	94,646	895,686
Miscellaneous equipment	3,954,341	683,763	3,270,578
Total expenditures for equipment	\$ 93,009,093	\$36,815,757	\$56,193,336
General expenditures .....	.....	\$ 2,024,718	\$2,024,718
Construction work in progress	\$ 1,427,991	\$ 61,892*	\$ 1,489,883
Grand Total	\$107,876,141	\$50,915,730	\$56,960,411

* Debit adjustment.

† Credit adjustment.

TABLE 9 — RAILWAY EQUIPMENT OWNED

	Owned at Beginning of Year	Acquired			Retired	Owned at Close of Year
		Purchased or Built	Rebuilt or Converted	Total Acquired		
LOCOMOTIVES						
Diesel						
Freight units	918	66	....	66	105	879
Passenger units	113	2	....	2	....	115
Road-Switch	53	....	....	....	10	43
Switch	272	....	....	....	....	272
Total Diesel	<u>1,356</u>	<u>68</u>	<u>....</u>	<u>68</u>	<u>115</u>	<u>1,309</u>
Gas-Turbine	38	....	....	....	7	31
FREIGHT-TRAIN CARS						
Box*	29,305	1,304	....	1,304	1,689	28,920
Refrigerator—Mechanical**	500	500	....	500	2	998
Gondola	18,266†	475	....	475	464†	18,277
Ballast	26	....	....	....	2	24
Flat‡	3,005	490	....	490	107	3,388
Stock	2,751	300	....	300	336	2,715
Tank	1,237	....	....	....	1	1,236
Caboose	613	100	....	100	31	682
Total Freight-Train Cars	<u>55,703</u>	<u>3,169</u>	<u>....</u>	<u>3,169</u>	<u>2,632</u>	<u>56,240</u>
PASSENGER-TRAIN CARS						
Postal	121	100	....	100	6	215
Baggage	238	....	....	....	5	233
Baggage-combination	70	....	....	....	3	67
Coach	266	8	....	8	20	254
Coach-combination	2	....	....	....	2	....
Sleeping	184	....	....	....	9	175
Dining and Lunch Counter-Cafe	70	....	5	5	7	68
Club and Lounge	44	....	....	....	2	42
Auxiliary steam generator	2	....	....	....	....	2
Total Passenger-Train Cars	<u>997</u>	<u>108</u>	<u>5</u>	<u>113</u>	<u>54</u>	<u>1,056</u>
WORK EQUIPMENT						
Business	19	....	1	1	1	19
Instruction	10	....	1	1	....	11
Roadway	592	30	39	69	3	658
Boarding	1,179	2	8	10	14	1,175
Tool	443	....	....	....	1	442
Miscellaneous	597	2	16	18	9	606
Total Work Equipment Units	<u>2,840</u>	<u>34</u>	<u>65</u>	<u>99</u>	<u>28</u>	<u>2,911</u>

* Includes cars classified last year as "Automobile."

** Leased to Pacific Fruit Express Co.

† Includes 84 cars owned jointly with Utah Ry.

‡ Includes cars leased to Pacific Fruit Express Co.: 124 at beginning of year and 212 at close of year.



TABLE 10 — TRACK MILEAGE

	Miles of Road	Miles of Additional Main Track	Miles of Yard Tracks and Sidings
Wholly owned	8,901.15	1,307.64	4,117.95
Owned jointly with other companies	90.88	2.00	189.72
Total owned	8,992.03	1,309.64	4,307.67
Owned but not operated	60.36	1.70	48.84
Total owned and operated	8,931.67	1,307.94	4,263.83
Operated but not owned:			
Trackage rights granted by other companies	637.68	259.71	509.51
Operated under lease or contract	1.30	.....	6.78
Total operated at close of year	9,570.65	1,567.65	4,780.12
Total operated at beginning of year	9,701.37	1,567.19	4,790.28
Increase (+) or decrease (-) during year	- 130.72*	+ .46	- 10.16
Average mileage operated during year	9,634.41	1,567.50	4,786.15
Mileage maintained at close of year	8,795.13	1,306.73	4,107.67
Average mileage maintained during year	8,852.40	1,306.73	4,117.34

* Principally branch lines retired (see page 17) and trackage rights relinquished in connection with retirement of Junction City Branch.

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	3.67	111.15	7.09	559.41	11.70
Colorado	632.74	6.61	14.28	.91	302.77	6.33
Idaho	1,985.01	20.74	103.90	6.63	748.05	15.65
Iowa	2.25	.02	2.25	.14	84.16	1.76
Kansas	1,033.34	10.80	68.82	4.39	461.69	9.66
Missouri	1.98	.02	1.54	.10	18.12	.38
Montana	142.61	1.49	.75	.05	46.18	.97
Nebraska	1,323.33	13.83	466.84	29.78	618.06	12.93
Nevada	366.85	3.83	.....	.....	147.47	3.08
Oregon	1,113.60	11.63	37.33	2.38	478.68	10.01
Utah	807.49	8.44	104.95	6.69	426.63	8.93
Washington	1,021.92	10.68	147.33	9.40	450.72	9.43
Wyoming	788.21	8.24	508.51	32.44	438.18	9.17
Total	9,570.65	100.00	1,567.65	100.00	4,780.12	100.00

TABLE 12—SUMMARY OF INCOME AND

	1964	1963	1962
Transportation Operations			
OPERATING REVENUES			
Freight	\$461,718,186	\$452,408,084	\$442,509,460
Passenger	24,325,277	24,920,210	27,516,029
Other	43,035,730	41,776,185	42,099,426
Total operating revenues	\$529,079,193	\$519,104,479	\$512,124,915
OPERATING EXPENSES			
Maintenance of way and structures	\$ 59,556,550	\$ 57,054,399	\$ 57,076,553
Maintenance of equipment	100,284,822	94,237,116	91,986,503
Transportation	190,713,887	177,989,972	178,371,874
Other	44,636,627	42,850,053	42,722,171
Total operating expenses	\$395,191,886	\$372,131,540	\$370,157,101
Operating ratio (per cent—operating expenses of operating revenues)	74.69	71.69	72.28
RAILWAY TAX ACCRUALS			
Federal income	\$ 23,300,000	\$ 38,100,000	\$ 35,600,000
Other Federal	19,702,370	18,526,590	18,611,804
State and county	20,033,971	18,253,611	19,257,475
Total railway tax accruals	\$ 63,036,341	\$ 74,880,201	\$ 73,469,279
Equipment and joint facility rents—net charge	\$ 17,382,748	\$ 20,981,013	\$ 21,723,207
Net income from transportation operations	\$ 53,468,218	\$ 51,111,725	\$ 46,775,328
Income from Investments and Other Sources			
Net income from oil and gas operations(a)	18,524,209	21,542,808	23,888,982
Other income	18,302,396	16,067,088	14,307,640
Profits and losses—net (property sales, etc.)	2,514,419	1,140,397	1,067,766
Total income	\$ 92,809,242	\$ 89,862,018	\$ 86,039,716
Miscellaneous deductions from income	3,631,715	1,858,969	395,852
Income available for fixed charges	\$ 89,177,527	\$ 88,003,049	\$ 85,643,864
Fixed Charges			
Total fixed charges	3,713,884	3,781,342	3,153,738
Net income under accounting rules prescribed by I.C.C.	\$ 85,463,643	\$ 84,221,707	\$ 82,490,126
Net income per share of common stock outstanding December 31st(b):			
Under accounting rules prescribed by I.C.C.	\$3.64	\$3.58	\$3.50
Under generally accepted accounting principles(c)	2.98	2.90	2.88
Dividends (4%) declared on preferred stock	\$ 3,841,884	\$ 3,981,724	\$ 3,981,724
Dividends declared on common stock	39,251,161	33,643,853	35,886,776
Common dividends declared per share(b)	\$1.75	\$1.50	\$1.60
Statistics			
Freight train miles (excluding trains consisting only of locomotive with caboose)	24,625,868	23,956,252	23,745,464
Ton-miles of revenue freight carried (thousands)	36,921,477	35,076,458	33,187,576
Average revenue per ton-mile (cents)	1.251	1.290	1.333
Average distance hauled per ton (miles)	587.53	585.41	582.31
Average net tons per train mile—all freight	1,540.81	1,507.66	1,448.62
Average gross ton-miles per train hour	104,226	98,633	94,814
Passenger train miles (excluding mail and express)	7,727,821	7,991,661	8,214,709
Revenue passengers carried one mile (thousands)	1,055,943	1,068,517	1,173,616
Average revenue per passenger-mile (cents)	2.304	2.332	2.345
Average journey per passenger (miles)	790.80	794.20	793.18
Average passengers per train mile	136.64	133.70	142.87
Average number of employees	33,891	34,361	34,861
Total wages paid	\$234,137,646	\$228,200,827	\$227,575,481
Wages and fringe benefits charged to operating expenses, per share of common stock(b)	\$10.44	\$10.00	\$9.98
Other operating expenses, per share of common stock(b)	7.18	6.59	6.52
U.P.R.R. Co. preferred stock—shares outstanding December 31st(b)	9,265,610	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(e)	98,761	99,119	102,073

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

(b) Figures for 1955 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 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 (in 1963 and 1962 only) a portion of the 7% investment tax credit. Under the 1964 tax law the entire investment tax credit is a permanent tax saving.

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

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



SELECTED STATISTICS FOR LAST TEN YEARS

1961	1960	1959	1958	1957	1956	1955
\$432,656,039	\$428,271,329	\$449,037,095	\$440,671,942	\$452,889,155	\$448,156,607	\$441,533,942
26,577,395	27,519,034	27,929,586	27,931,280	28,047,383	29,221,502	30,208,680
40,091,014	38,394,101	38,800,752	36,611,969	36,123,564	36,938,719	37,619,854
<u>\$499,324,448</u>	<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>\$509,862,476</u>
\$ 54,867,529	\$ 52,513,678	\$ 60,276,353	\$ 61,670,102	\$ 66,786,261	\$ 66,072,353	\$ 67,118,142
90,721,127	89,360,481	94,554,428	93,302,139	95,484,961	92,805,641	92,362,845
174,047,033	176,168,400	180,844,539	174,504,919	178,843,172	177,070,374	173,677,610
41,163,124	41,698,477	43,066,483	41,780,785	41,240,323	40,306,356	37,367,733
<u>\$360,798,813</u>	<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>
72.26	72.79	73.43	73.49	73.95	73.16	72.74
\$ 50,131,264	\$ 43,092,694	\$ 38,528,677	\$ 34,800,000	\$ 38,800,000	\$ 40,000,000	\$ 40,300,000
17,346,449	18,678,574	18,330,304	15,473,903	15,799,677	15,212,270	13,517,848
19,133,076	18,264,000	20,076,000	19,530,000	19,090,000	18,326,600	18,700,000
<u>\$ 86,610,789</u>	<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>
\$ 20,732,235	\$ 22,265,560	\$ 23,262,674	\$ 20,692,259	\$ 22,197,684	\$ 22,386,672	\$ 22,578,806
<u>\$ 31,182,611</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>
26,030,815	22,098,416	19,347,089	24,566,034	29,097,113	26,603,162	28,075,475
13,725,045	14,947,620	13,526,160	14,694,740	15,383,756	15,380,910	13,207,325
2,442,946	3,038,229	1,501,996	1,075,133	410,998	1,270,145	1,671,124
<u>\$ 73,381,417</u>	<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>
983,664	503,662	558,987	524,623	517,849	869,979	826,477
<u>\$ 72,397,753</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>
3,011,628	4,065,156	4,429,554	4,485,409	4,533,768	4,682,410	4,968,559
<u>\$ 69,386,125</u>	<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>
\$2.92	\$2.84	\$2.77	\$3.34	\$3.36	\$3.41	\$3.46
2.78	2.62	2.42	2.78	2.77	2.89	2.91
<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	35,886,776	35,706,655	35,566,560	35,566,560	35,566,560
\$1.60	\$1.60	\$1.60	(d)	\$1.60	\$1.60	\$1.60
23,493,295	23,237,229	25,639,585	24,462,007	25,945,041	27,836,956	29,091,418
32,408,549	31,532,831	32,874,828	31,681,958	33,924,603	34,846,925	34,861,396
1,335	1,358	1,366	1,391	1,335	1,286	1,267
578.74	565.61	591.30	585.99	594.76	601.12	619.94
1,418.22	1,401.31	1,322.47	1,339.52	1,358.31	1,303.32	1,254.13
93,512	92,120	88,263	85,653	83,742	78,956	77,736
8,166,187	8,934,395	9,331,086	9,824,143	10,211,060	10,465,835	11,369,756
1,149,737	1,232,604	1,242,182	1,234,134	1,236,427	1,363,680	1,437,009
2,312	2,233	2,248	2,263	2,268	2,143	2,102
795.05	783.90	781.43	771.83	751.27	752.49	736.68
140.79	137.96	133.12	125.62	121.09	130.30	126.39
34,886	37,589	40,565	41,780	45,729	47,346	49,744
<u>\$221,474,080</u>	<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>
\$9.73	\$9.96	\$10.54	\$10.47	\$10.69	\$10.44	\$10.21
6.36	6.08	6.35	6.08	6.51	6.49	6.45
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	22,429,235	22,229,100	22,229,100	22,229,100
99,624	96,884	87,705	82,023	72,211	67,129	58,701

TABLE 13 — CAPITAL STOCK OUTSTANDING

Company and Class of Stock	Par Value of Capital Stock Outstanding December 31, 1964		
	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) .....	.....	\$92,656,100*	92,656,100
Total	<u>\$224,292,350</u>	<u>\$92,656,100</u>	<u>\$316,948,450</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>\$92,698,381</u>	<u>\$317,000,731</u>

* Decrease of \$6,887,000 par value compared with December 31, 1963, representing preferred shares reacquired in 1964 (see page 10).

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, 1964	Decrease vs. Dec. 31, 1963	Year 1964	Decrease vs. Year 1963
UNION PACIFIC RAILROAD CO.							
Refunding Mortgage 2½% Bonds, Series C	Mar. 1, 1946	Mar. 1, 1991	Mar. & Sept.	\$ 67,729,000	\$ 877,000	\$1,707,184	\$ 8,751
Thirty Year 2⅞% Debenture Bonds	Feb. 1, 1946	Feb. 1, 1976	Feb. & Aug.	41,954,000	739,000	1,213,077	22,278
Total Bonds				<u>\$109,683,000</u>	<u>\$1,616,000</u>	<u>\$2,920,261</u>	<u>\$ 31,029</u>
Equipment Purchase Agreement, 4⅞%	Jun. 1, 1962	1965 to 1970	Jun. & Dec.	\$ 8,915,581	\$1,621,016	\$ 412,346	\$ 66,867
Equipment Purchase Agreements, 4.15%	Sept. 1, 1962	1965 to 1967	Mar. & Sept.	5,712,853	1,904,284	270,011	64,298
Total Equipment Purchase Agreements				<u>\$ 14,628,434</u>	<u>\$3,525,300</u>	<u>\$ 682,357</u>	<u>\$131,165</u>
Grand Total				<u>\$124,311,434</u>	<u>\$5,141,300</u>	<u>\$3,602,618</u>	<u>\$162,194</u>

NOTE A: Union Pacific Railroad Co. is a guarantor of the principal of and interest on \$35,474,000 face value of serial bonds, bearing interest rates varying from 1⅞% to 3%, issued by Kansas City Terminal Railway Co., maturing 1965-74, 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 \$6,182,617 face value of Pacific Fruit Express Co. 4.47% equipment obligation maturing semi-annually 1965-78, and 50% of the principal of and interest on \$2,707,760 face value of that company's 4½% equipment obligation maturing semi-annually 1965-67.

NOTE C: Union Pacific Railroad Co. and thirty-nine 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 \$96,983,302 on December 31, 1964.

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	\$41,487,000
L. A. & S. L. R. R. Co. First Mortgage 4% Fifty-Year Bonds, due July 1, 1981	59,022,000



TABLE 15—STOCKS OWNED AND DIVIDENDS THEREON

Company	Total Shares Outstanding Dec. 31, 1964	Number of Shares Owned		Dividends Credited to Income Account	
		Dec. 31, 1964	Increase (+) or Decrease (-) vs. Dec. 31, 1963	Year 1964	Increase (+) or Decrease (-) vs. Year 1963
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		\$2,400,000	— \$480,000
Portland Traction Co.	84,490	42,245			
Pullman Co.	731,350	43,914		65,871	+ 65,871
Railway Express Agency, Inc.	1,999,188	51,900			
St. Joseph Terminal Railroad Co.	3,000	1,500			
Spokane International Railroad Co.	199,248	199,163	+ 36(a)		
Trailer Train Co.	20,500	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(b)	64,000	31,360	+ 7,350		
Union Pacific Water Co.(c)	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				\$2,465,871	— \$431,959
Other Investments(d)					
Illinois Central Industries, Inc.	716,440			\$1,432,880	
Chicago, Rock Island & Pacific Railroad Co.			— 12,000(e)	7,750	+ \$ 7,750
Miscellaneous	308		+ 300(a)	125	+ 125
Total Dividends—Other than Affiliated Companies				\$1,440,755	+ \$ 7,875
Grand Total Dividends on Stocks Owned				\$3,906,626	— \$424,084

(a) Purchased from public.

(b) Stauffer Chemical Co. of Wyoming issued 15,000 additional shares of capital stock during 1964 to finance expansion of its soda ash plant, of which 7,350 shares (49%) were acquired by Union Pacific.

(c) In process of dissolution.

(d) Union Pacific also held indirectly (through its ownership of 99.96% 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.

(e) Sold.

TABLE 16—BONDS AND NOTES OWNED AND INCOME YIELD

	Maturity	Face Value Owned		Current Income Yield	
		Dec. 31, 1964	Increase (+) or Decrease (-) vs. Dec. 31, 1963	Year 1964	Increase (+) or Decrease (-) vs. Year 1963
Temporary Cash Investments					
UNITED STATES OF AMERICA:					
Treasury 3¼% Certificates of Indebtedness, Series A . . .	Feb. 15, 1964	—	\$11,500,000	\$ 42,526	— \$ 263,542
Treasury 1½% Notes, Series EA	Apr. 1, 1964	—	6,000,000	46,693	— 28,328
Treasury 1½% Notes, Series EO	Oct. 1, 1964	—	6,000,000	171,241	+ 110,868
Treasury 3¾% Notes, Series F	Nov. 15, 1964	—	2,500,000	49,493	+ 15,379
Treasury 1½% Notes, Series EA	Apr. 1, 1965	\$ 12,000,000	+ 3,000,000	381,106	+ 331,749
Treasury 3⅞% Notes, Series C	May 15, 1965	7,140,000	—	275,181	+ 239,889
Treasury 3⅞% Notes, Series D	Aug. 13, 1965	11,500,000	+ 11,500,000	392,030	+ 392,030
Treasury 1½% Notes, Series EO	Oct. 1, 1965	7,000,000	+ 7,000,000	220,928	+ 220,928
Treasury 1½% Notes, Series EA	Apr. 1, 1966	14,000,000	+ 5,000,000	291,044	+ 179,667
Treasury 2⅝% Bonds	Feb. 15, 1965	11,000,000	—	364,759	+ 65,002
Treasury 2½% Bonds, 1967-1962	June 15, 1967	3,000,000	—	98,339	+ 10,335
Treasury 3⅞% Bonds	Nov. 15, 1968	2,700,000	—	107,398	+ 76,168
Treasury 2½% Bonds, 1968-1963	Dec. 15, 1963	4,000,000	—	137,841	—
Treasury Bills	Various	—	—	106,982*	— 64,276
Treasury securities held under Repurchase Agreements	—	6,000,000	— 15,100,000	274,525*	— 348,893
Interest on other Treasury securities	—	—	—	—	— 358,909**
Total U. S. Government Securities	—	\$ 78,340,000	— \$14,600,000	\$2,960,086	+ \$ 578,067
Negotiable Time Certificates of Deposit	Various	114,800,000	— 12,200,000	4,665,177*	+ 1,500,490
Total Temporary Cash Investments	—	\$193,140,000	— \$26,800,000	\$7,625,263	+ \$2,078,557
Investments in Affiliated Companies					
Total Outstanding Dec. 31, 1964					
Calnev Pipe Line Co.					
6½% First Mortgage Promissory Notes (maturing semi-annually, 1965-1975)		\$ 6,837,468	\$ 6,837,468	— \$ 1,101,588†	\$ 453,646 — \$ 49,505
Pacific Fruit Express Co.					
Equipment Purchase Contract 4¼%, dated November 15, 1956 (maturing semi-annually, 1965-1967)		6,522,600	3,261,300	— 1,304,520	172,832 — 55,672
Equipment Purchase Contract 4½%-5%, dated August 20, 1959 (maturing semi-annually, 1965-1975)		19,143,097	3,542,673	— 322,061	179,147 — 14,492
Equipment Purchase Contract 4½%, dated September 6, 1961 (maturing semi-annually, 1965-1967)		2,707,760	922,613	— 461,307	55,357 — 20,759
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§
Trailer Train Co.					
4½% Equipment Trust Certificates, Series 1		—	— 400,000	10,645	— 7,861
Total Obligations of Affiliated Companies		\$ 20,851,943	— \$ 3,589,476	\$ 918,271	— \$ 148,296
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)		2,473,901	— \$ 215,378	128,929	— \$ 10,694
Total Other Bonds and Notes		\$ 5,898,901	— \$ 215,378	\$ 273,354	— \$ 10,694
Grand Total Income Yield on Bonds and Notes Owned				\$8,816,888	+ \$1,919,567

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

† Includes prepayment of one promissory note.

** Interest received in 1963 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 1963 and 1964 was waived.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

912 FIRST NATIONAL BANK BUILDING

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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, 1964, 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, 1964 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

March 9, 1965

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

BALANCE SHEET DECEMBER 31, 1964	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)	\$4,561,549	\$1,088,269	—	\$11,519,751	\$2,685,397
Reserves for depreciation (credit)	2,456,207	254,576	—	1,967,331	1,416,056
Other investments	—	—	—	16,792,330	—
Cash: In banks	—	53,293	—	394,616	265,582
On deposit with Union Pacific R.R. Co. . .	—	—	\$22,199	—	200,000
On deposit with other stockholder	—	—	—	—	200,000
Accounts receivable	57,230	3,747	11,658	186,736	81,801
Material and supplies	28,388	21,733	—	25,533	27,157
Other current assets	20,039	6	—	22,938	297,243*
Other assets and deferred charges	491,539	169	175	29,369	38,430
Total	<u>\$2,702,538</u>	<u>\$ 912,641</u>	<u>\$34,032</u>	<u>\$27,003,942</u>	<u>\$2,379,554</u>
LIABILITIES AND STOCKHOLDER EQUITY					
Funded debt	—	—	—	—	—
Payable to Union Pacific Railroad Co.	\$1,008,296	\$ 118,725	—	\$15,465,058	—
Tax liability	135,458	3,521	—	264,342	\$ 75,682
Other current liabilities	337,871	16,082	\$ 9,814	533,009	471,334
Other liabilities and deferred credits	—	—	—	159,268	38,702
Reserves for insurance, casualties, etc.	9,255	—	20,000	38,070	54,000
Total liabilities	<u>\$1,490,880</u>	<u>\$ 138,328</u>	<u>\$29,814</u>	<u>\$16,459,747</u>	<u>\$ 639,718</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	1,206,658	174,313	1,218	7,270,835	439,836
Total stockholder equity	<u>\$1,211,658</u>	<u>\$ 774,313</u>	<u>\$ 4,218</u>	<u>\$10,544,195</u>	<u>\$1,739,836</u>
Total	<u>\$2,702,538</u>	<u>\$ 912,641</u>	<u>\$34,032</u>	<u>\$27,003,942</u>	<u>\$2,379,554</u>
INCOME ACCOUNT, YEAR ENDED DECEMBER 31, 1964					
Revenues	\$4,013,726	\$ 173,077	—	\$ 3,217,655	\$ 946,344
Expenses and rents	3,235,547	149,543	—	2,027,481	609,974
Net	\$ 778,179	\$ 23,534	—	\$ 1,190,174	\$ 336,370
Other income	1,067	6	—	966,701	17,738
Total	<u>\$ 779,246</u>	<u>\$ 23,540</u>	<u>—</u>	<u>\$ 2,156,875</u>	<u>\$ 354,108</u>
Interest on long-term debt	—	—	—	\$ 648,000	—
Federal income taxes	\$ 116,846	—	—	189,549	\$ 93,814
Other taxes	271,738	\$ 14,748	—	303,220	110,101
Other deductions	—	144	—	4,847	10,460
Balance transferred to retained income	\$ 390,662	\$ 8,648	—	\$ 1,011,259	\$ 139,733
RETAINED INCOME					
Retained income, December 31, 1963	\$ 815,996	\$ 165,665	\$ 1,218	\$ 6,259,576	\$ 300,103
Income balance, as shown above	390,662	8,648	—	1,011,259	139,733
Other debits and credits—Net	—	—	—	—	—
Absorption of loss by U.P.R.R. Co. (credit) . . .	—	—	—	—	—
Total	<u>\$1,206,658</u>	<u>\$ 174,313</u>	<u>\$ 1,218</u>	<u>\$ 7,270,835</u>	<u>\$ 439,836</u>
Less dividends	—	—	—	—	—
Retained income, December 31, 1964	<u>\$1,206,658</u>	<u>\$ 174,313</u>	<u>\$ 1,218</u>	<u>\$ 7,270,835</u>	<u>\$ 439,836</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 99.96% 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.

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



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)
\$221,059,860	\$10,254,340	\$4,135,197	\$516,215	\$5,766,412	\$3,542,924	\$ 26,990	\$1,290,159
118,048,528	1,175,976	3,559,044	430,616	427,985	625,904	325	865,728
—	—	—	—	929,516	—	635,094	—
921,308	44,202	—	—	—	—	—	24,706
7,104,699	—	—	304,656	—	—	1,035,480	97,253
7,104,699	—	—	—	—	—	—	—
10,551,426	373,861	11,290	8,567	37,888	3,604	2,338	64,022
2,233,152	45,122	190,044	3,474	—	—	—	—
51,091	1,566,640*	1,316	—	—	—	—	10,816
973,138	35,158	—	461	530,974	60,615	2,365	11,456
<u>\$131,950,845</u>	<u>\$11,143,347</u>	<u>\$ 778,803</u>	<u>\$402,757</u>	<u>\$6,836,805</u>	<u>\$2,981,239</u>	<u>\$1,701,942</u>	<u>\$ 632,684</u>
\$ 41,183,288	\$ 6,837,468	—	—	—	—	—	—
—	—	\$ 706,670	—	\$3,595,431	\$1,897,045	—	—
299,072	405,186	11,576	\$ 7,473	57,206	102,906	\$ 11,495	\$ 27,258
17,100,850	202,487	31,805	4,546	4,190	9,909	75	64,504
624,817	—	3,691	—	8,731	3,588	20,035	—
2,650,213	—	61	27,851	—	—	—	—
<u>\$ 61,858,240</u>	<u>\$ 7,445,141</u>	<u>\$ 753,803</u>	<u>\$ 39,870</u>	<u>\$3,665,558</u>	<u>\$2,013,448</u>	<u>\$ 31,605</u>	<u>\$ 91,762</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
46,092,605	2,698,206	—	184,587	3,121,247	947,006	303,966	325,922
\$ 70,092,605	\$ 3,698,206	\$ 25,000	\$362,887	\$3,171,247	\$ 967,791	\$1,670,337	\$ 540,922
<u>\$131,950,845</u>	<u>\$11,143,347</u>	<u>\$ 778,803</u>	<u>\$402,757</u>	<u>\$6,836,805</u>	<u>\$2,981,239</u>	<u>\$1,701,942</u>	<u>\$ 632,684</u>
\$ 71,843,478	\$ 2,851,141	\$1,478,078	\$ 92,217	\$ 179,046	\$ 291,569	\$ 5,172	\$ 743,548
53,942,210	848,608	1,427,114	63,396	66,202	84,306	982	645,081
\$ 17,901,268	\$ 2,002,533	\$ 50,964	\$ 28,821	\$ 112,844	\$ 207,263	\$ 4,190	\$ 98,467
77,255	274,024	671	252	69,436	14	39,439	1,057
\$ 17,978,523	\$ 2,276,557	\$ 51,635	\$ 29,073	\$ 182,280	\$ 207,277	\$ 43,629	\$ 99,524
\$ 2,026,178	\$ 453,646	—	—	—	—	—	—
305,480†	595,000	—	\$ 1,071‡	\$ 6,772	\$ 77,776	\$ 19,883	\$ 837
4,546,872	221,865	\$ 102,202	17,452	144,865	17,929	1,892	94,531
6,485,433	939	—	—	—	—	44,725	—
<u>\$ 5,225,520</u>	<u>\$ 1,005,107</u>	<u>\$ 50,567**</u>	<u>\$ 12,692</u>	<u>\$ 30,643</u>	<u>\$ 111,572</u>	<u>\$ 22,871**</u>	<u>\$ 4,156</u>
\$ 45,667,085	\$ 1,693,099	—	\$219,680	\$3,090,604	\$ 835,434	\$ 326,837	\$ 321,766
5,225,520	1,005,107	\$ 50,567**	12,692	30,643	111,572	22,871**	4,156
—	—	50,567	160,359‡	—	—	—	—
\$ 50,892,605	\$ 2,698,206	—	\$392,731	\$3,121,247	\$ 947,006	\$ 303,966	\$ 325,922
4,800,000	—	—	208,144§	—	—	—	—
<u>\$ 46,092,605</u>	<u>\$ 2,698,206</u>	<u>—</u>	<u>\$184,587</u>	<u>\$3,121,247</u>	<u>\$ 947,006</u>	<u>\$ 303,966</u>	<u>\$ 325,922</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) Owned and operated water facilities in Wyoming during 1964 to supply U.P.R.R.Co. and others. At close of year the company was in process of dissolution and most of its assets were distributed to U.P.R.R.Co. which subsequently donated them to the City of Rawlins. (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.

** Debit. † Credit. ‡ Adjustment for overaccrual of depreciation in prior years. § Partial liquidating dividend.



States of the "Union Pacific West"

6. MISSOURI

Situated in the approximate center of the continental United States, Missouri is sometimes spoken of as a "Crossroads State" and as a "Gateway to the West." This aspect of the State will soon be dramatically symbolized by a 630-foot high Gateway Arch of stainless steel, now under construction at St. Louis, on the west bank of the Mississippi River which forms Missouri's eastern boundary. Just west of this great arch, designed by the late Eero Saarinen, a large section of the city is being completely rebuilt and landscaped as part of one of the most ambitious urban renewal projects ever undertaken.

When completed, this area will undoubtedly constitute an irresistible magnet for hosts of tourists, but the State is already so abundantly endowed with a wide range of tourist attractions and recreational facilities that it has been called "the playground of the Middle West." A partial recital would include resorts offering fishing, bathing, boating and many other forms of sport and entertainment; wooded mountains, quiet lakes and sparkling streams for nature lovers; natural wonders such as great springs and fantastic underground caves; and the entertainment attractions, including major-league baseball, and cultural offerings of Missouri's two largest cities—St. Louis in the east and Kansas City, on the Missouri River, in the west.

The State has a remarkably well-balanced economy, the chief sources of income being manufacturing, agriculture and tourism. Among the more important manufactures are aerospace craft and instruments, automobiles and other transportation equipment, food products, chemicals, printing and electrical machinery, leather products, apparel and ceramics. This sector of the economy is growing very rapidly as new industries enter the State and existing plants are expanded.

Although the acreage devoted to agriculture is shrinking year by year because of industrialization and other factors, almost three-quarters of Missouri's total area is still farmed, with an annual income in excess of a

billion dollars. Approximately half of this income is derived from the raising of livestock—primarily cattle and hogs. Field crops, such as corn, soybeans, cotton and wheat, account for about a third of the total, and the balance comes chiefly from dairying, poultry, eggs, vegetables and fruits.

The State's mineral resources are extensive. Among the more substantial income producers are cement, marble, barite, other kinds of stone, and lime. Missouri has also been a leading producer of lead for many years. In recent years an intensive program of mineral exploration has been under way and highly promising new discoveries of iron ore and other valuable deposits have been made.

The State motto is *Salus Populi Suprema Lex Esto*, or "Let the welfare of the people be the supreme law." Perhaps the most important foundation for the welfare of any people is good education, and Missouri has a splendid educational system which includes sixteen universities and colleges. The University of Missouri, the first state university west of the Mississippi, was founded in 1839, just 18 years after Missouri was admitted to the Union as the 24th State.

Two eastern termini of the Union Pacific are located in Missouri—Kansas City and St. Joseph—and every year we deliver and receive many thousands of carloads of freight at these fine cities. Kansas City is the headquarters of the large livestock and meat packing industry, a primary wheat market, and a major grain-milling center. St. Joseph, famous as the "jumping-off-place" for the pioneers' Pony Express, is another thriving industrial center.

We are proud that the State has for so many years been part of the "Union Pacific West," and it may not be out of place to express here our earnest hope that we shall have a greater opportunity for service to Missouri and a closer relationship with her friendly and industrious people, if and when the proposed merger with the Rock Island becomes an accomplished fact.



