

1966

ANNUAL  
REPORT





# UNION PACIFIC RAILROAD COMPANY

(INCLUDING ITS LEASED LINES)

# SEVENTIETH ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1966

*Mineral exploration  
with core-drilling  
rig in Colorado.*



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# DIRECTORS AND OFFICERS / UNION PACIFIC RAILROAD COMPANY

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(April 1, 1967)

## 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  
**JAMES H. EVANS**, New York, N. Y.  
**WALTER D. FLETCHER**, New York, N. Y.  
**ARTEMUS L. GATES**, Locust Valley, N. Y.  
**ELBRIDGE T. GERRY**, Delhi, N. Y.  
**WILLIAM D. GRANT**, Kansas City, Mo.  
**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.  
**VERNON F. TAYLOR, JR.**, Denver, Colo.

## EXECUTIVE COMMITTEE

**FRANK E. BARNETT**, Chairman  
**COURTNEY C. BROWN**  
**ROBERT A. LOVETT**  
**GEORGE S. MOORE**  
**JOHN S. SINCLAIR**  
**E. ROLAND HARRIMAN**, Ex Officio  
**REGINALD M. SUTTON**, Ex Officio

## GENERAL OFFICERS

**E. ROLAND HARRIMAN**, Chairman, Board of Directors,  
New York, N. Y.  
**FRANK E. BARNETT**, Chairman, Executive Committee,  
New York, N. Y.  
**E. H. BAILEY**, President,  
Omaha, Nebr.  
**R. M. SUTTON**, Vice-President—Finance, and Controller,  
New York, N. Y.  
**COVINGTON HARDEE**, General Counsel,  
New York, N. Y.  
**C. W. ROSSWORN**, Secretary,  
New York, N. Y.  
**F. G. MACKIE**, 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  
**G. L. FARR**, Vice-President, Labor Relations  
**S. J. HOW**, Assistant to President  
**J. W. GODFREY**, Assistant to President, Industrial Relations  
**A. O. MERCER**, General Auditor  
**R. M. BROWN**, Chief Engineer  
**J. V. PANEK**, Assistant Treasurer

## Natural Resources Division (Los Angeles)

**LEE S. OSBORNE**, Chief Executive Officer  
**D. B. PINNELL**, General Manager, Petroleum  
**S. S. MERWIN**, General Manager, Mining  
**D. O. CHURCHILL**, General Manager, Mineral Lands and Contracts  
**E. C. RENWICK**, Western General Counsel  
**E. R. MILLER**, General Auditor  
**J. V. PANEK**, Assistant Treasurer (Omaha)

## Land Division (Omaha)

**J. W. GODFREY**, Chief Executive Officer  
**H. F. HANSEN**, Assistant to Chief Executive Officer  
**J. G. BLACK**, General Manager of Properties  
**K. W. TEAGUE**, General Land and Tax Commissioner  
**F. J. MELIA**, Western General Counsel  
**A. O. MERCER**, General Auditor  
**J. V. PANEK**, Assistant Treasurer

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## 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.

## THE YEAR AT A GLANCE

	1966	1965	1964
Railway operating revenues .....	\$589,137,651	\$549,190,146	\$529,079,193
Railway operating expenses .....	\$425,002,281	\$403,683,282	\$395,191,886
Operating ratio .....	72.14%	73.51%	74.69%
Taxes (other than Federal income taxes) ..	\$ 43,040,129	\$ 40,683,305	\$ 39,736,341
Federal income taxes .....	\$ 24,100,000	\$ 25,700,000	\$ 23,300,000
Net income from transportation operations	\$ 86,256,448	\$ 66,943,982	\$ 53,468,218
Net income from oil and gas operations (before Federal income taxes) .....	\$ 13,648,672	\$ 15,485,148	\$ 18,524,209
<hr/>			
Income available for fixed charges .....	\$115,467,991	\$ 97,234,884	\$ 89,177,527
Fixed charges .....	5,676,369	3,479,518	3,713,884
Net income under I.C.C. accounting rules ..	\$109,791,622	\$ 93,755,366	\$ 85,463,643
Deferred tax adjustment .....	20,700,000	16,680,000	14,831,711
Net income under generally accepted accounting principles .....	\$ 89,091,622	\$ 77,075,366	\$ 70,631,932
<hr/>			
Net income (after preferred dividends) per share of common stock, under:			
I.C.C. accounting rules .....	\$4.76	\$4.03	\$3.64
Generally accepted accounting principles	\$3.84	\$3.29	\$2.98
<hr/>			
Dividends paid per share of common stock .	\$2.00	\$1.80	\$1.80
Preferred and common stockholders on December 31 .....	102,837	100,736	98,761
<hr/>			
Shares of capital stock outstanding on December 31:			
Preferred .....	7,500,000	7,830,310	9,265,610
Common .....	22,429,235	22,429,235	22,429,235
<hr/>			
Capital expenditures for transportation property .....	\$207,928,842	\$121,323,408	\$107,876,141
Depreciation accruals on transportation property .....	\$ 50,805,521	\$ 45,941,784	\$ 42,937,777
<hr/>			
Working capital—December 31 .....	\$161,528,600	\$143,938,975	\$193,402,348
Funded debt—December 31 .....	\$206,856,760	\$119,473,135	\$124,311,434
<hr/>			
Ton-miles of revenue freight (thousands) .	41,766,472	38,832,832	36,921,477
Average revenue per ton-mile (cents) ....	1.250	1.241	1.251
<hr/>			
Average number of employees .....	32,935	33,045	33,891
Total wages paid .....	\$248,079,767	\$243,453,468	\$234,137,646

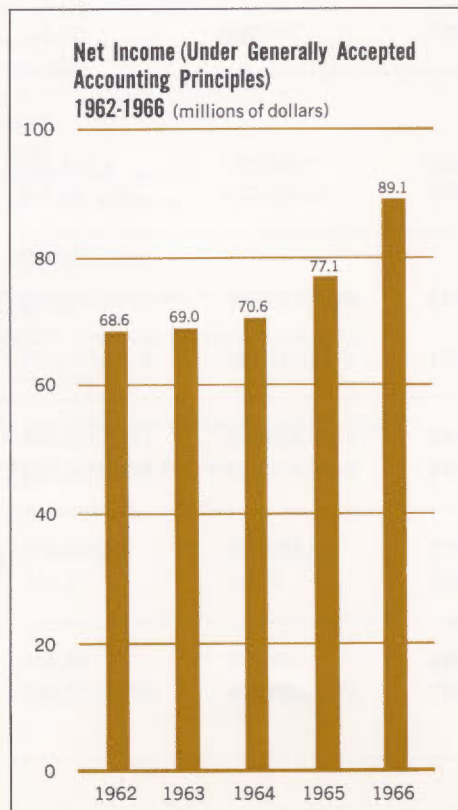
## TO OUR STOCKHOLDERS:

The year 1966 was another successful one for Union Pacific. Net income rose to a record high level primarily as the result of a sharp rise in earnings from transportation operations.

Because of such favorable earnings, an extra dividend was paid to common stockholders, bringing the total common dividend for the year to \$2.00—an all-time high—representing about 52% of net income (under generally accepted accounting principles) after preferred dividend requirements.

The Transportation Division handled the greatest volume of freight traffic in the Company's history and revenues increased substantially over 1965. Notwithstanding the record volume of freight business, the further increases in wage rates and fringe benefits, and an expanded track renewal program, operating expenses were successfully held to a relatively modest increase. This was accomplished through the savings derived from our continuing streamlining of operating methods and the economies inherent in our extensive program of equipment acquisitions and other property improvements during recent years.

Net income for 1966, as allocated to Divisions, compared with 1965, is shown below:



Net Income	1966	1965	Increase or Decrease
Transportation Division .....	\$ 95,370,005	\$79,601,031	+\$15,768,974
Natural Resources Division ..	11,480,129	11,747,732	- 267,603
Land Division .....	(371,863)	(74,944)	+ (296,919)
Non-Divisional .....	3,313,351	2,481,547	+ 831,804
Total (I.C.C. basis) .....	\$109,791,622	\$93,755,366	+\$16,036,256
Deferred Tax Adjustment ....	(20,700,000)	(16,680,000)	+ (4,020,000)
<b>Net Income under generally accepted accounting principles</b>	<b>\$ 89,091,622</b>	<b>\$77,075,366</b>	<b>+\$12,016,256</b>

Modernization of our locomotive and freight-car fleet continued at an accelerated pace in 1966, as more fully discussed on page 16. Capital expenditures for equipment and other transportation property amounted to \$207.9 million, substantially exceeding the previous record level for such outlays established in 1965. Of these expenditures, \$23 million was used to acquire equipment for lease to Rock Island to assist in meeting its current service requirements. In addition to providing an attractive return on Union Pacific investment, this lease arrangement constitutes an important step toward the improvement of Rock Island properties contemplated under the proposed merger of the two lines.

Capital expenditures by the Land Division also increased substantially for the acquisition of industrial

sites as an essential part of the over-all program of actively promoting industrial expansion on the Union Pacific.

In view of the very large outlay for new equipment and other property improvements in 1966, the Company found it necessary to obtain outside financing for a portion of such expenditures, to conserve working capital. Accordingly, arrangements were made to cover the cost of approximately \$125 million of new equipment under equipment purchase obligations with varying terms and rates of interest. Additional financing is planned for 1967.

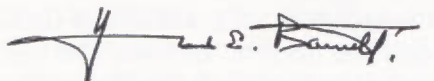
Public hearings began May 4, 1966, on the Union Pacific-Rock Island joint application to the Interstate Commerce Commission to merge the two companies, and other related applications. A substantial volume of evidence was submitted by Union Pacific and Rock Island witnesses to show that unification of the two railroads is not only a matter of urgent competitive necessity for both companies, but is also in the best interests of the general public. Testimony was also presented by witnesses for the other applicants and various intervening parties. The hearings are still in progress and are expected to continue for some time.

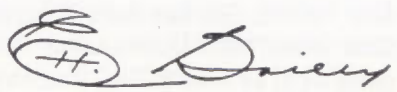
Effective January 1, 1967, several important changes occurred in the Company's management. Robert A. Lovett retired as Chairman of the Executive Committee and was succeeded by Frank E. Barnett, previously Vice President and General Counsel. Reginald M. Sutton was elected to the newly created position of Vice President—Finance, and Covington Hardee was elected General Counsel to succeed Mr. Barnett. Further comments on these changes may be found on the following page.

At the meeting of the Board of Directors held on March 30, 1967, Vernon F. Taylor, Jr., of Denver, Colorado, was elected a Director of the Company.

The Board of Directors acknowledges, with sincere appreciation, the invaluable contributions of our loyal and dedicated officers and employees to the successful achievements of the Company in 1966.

  
Chairman of the Board of Directors

  
Chairman of the Executive Committee

  
President



## EXECUTIVE CHANGES



*Robert A. Lovett*

Robert A. Lovett, who retired at the close of 1966 as Chairman of the Executive Committee, had held that position since 1953. He had also been a Director continuously from 1926 except when serving the government during periods of national crisis. He was Special Assistant to the Secretary of War from December 1940 to April 1941, and thereafter was Assistant Secretary of War for Air until December 1945. Later he served as Under Secretary of State from July 1947 to January 1949, and was again called back to Washington to serve as Deputy Secretary of Defense, 1950-51, and as Secretary of Defense, 1951-53.

Under Mr. Lovett's leadership, the Company achieved the greatest growth and highest income levels in its history. His brilliant mind and unerring judgment, coupled with his wide experience in the fields of railroading and finance, have been of incalculable benefit to the Union Pacific. We are indeed fortunate that Mr. Lovett will continue to give us the advantage of his seasoned judgment and wise counsel, since he has consented to act as a consultant on major policy matters and will remain a Director and member of the Executive Committee.



*Mr. Sutton*

*President Bailey*

*Mr. Barnett*

*Mr. Hardee*

Frank E. Barnett, a Director and previously Vice President and General Counsel, was elected Chairman of the Executive Committee to succeed Mr. Lovett. In 1942, Mr. Barnett joined the law firm of Clark, Carr & Ellis, which has long been counsel for the Union Pacific, and in 1951 became part of the Union Pacific organization, as General Counsel of the Company. He was elected a Director in 1953 and became a Vice President in 1955. Among his many activities as General Counsel, Mr. Barnett has been one of the chief figures in the Company's undertaking to bring about the Union Pacific—Rock Island merger. In his new position as Chairman of the Executive Committee, Mr. Barnett's extensive responsibilities include general supervision and authority over the three divisions of the Company—Transportation, Natural Resources and Land.

Reginald M. Sutton, a Director and previously Vice President and Controller, was elected, effective January

1, 1967, to the newly created position of Vice President—Finance, and to the Executive Committee which was increased from five members to seven. Since 1915, when he began his career with the Union Pacific in Omaha, Mr. Sutton steadily advanced through increasingly responsible accounting and financial positions, and in 1960 was brought to New York as Vice President and Controller. In his new post, Mr. Sutton, while continuing as Controller, will direct the financial affairs and investments of the Company.

Covington Hardee, who had been Assistant General Counsel since 1954, was elected General Counsel to succeed Mr. Barnett. Between 1947 and 1950, Mr. Hardee was associated with the Boston law firm of Ropes & Gray, and from 1950 to 1954 was a professor at Harvard Law School. He has been a partner in Clark, Carr & Ellis since 1957. As General Counsel, Mr. Hardee is chief legal adviser to the Company.



# Year in Review

## INCOME FROM TRANSPORTATION OPERATIONS

	1966	Increase or Decrease vs. 1965	
		Amount	Per cent
Railway operating revenues .....	\$589,137,651	+\$39,947,505	7.3
Railway operating expenses .....	425,002,281	+ 21,318,999	5.3
Revenues over expenses .....	\$164,135,370	+\$18,628,506	12.8
Taxes (other than Federal income taxes) .....	\$ 43,040,129	+\$ 2,356,824	5.8
Equipment rents (debit) .....	9,046,809	— 1,614,382	15.1
Joint facility rents (debit) .....	1,691,984	+ 173,598	11.4
Total deductions .....	\$ 53,778,922	+\$ 916,040	1.7
Net before Federal income taxes ..	\$110,356,448	+\$17,712,466	19.1
Federal income taxes .....	24,100,000	— 1,600,000	6.2
Net income from Transportation Operations .....	\$ 86,256,448	+\$19,312,466	28.8

## RECORD OPERATING REVENUES

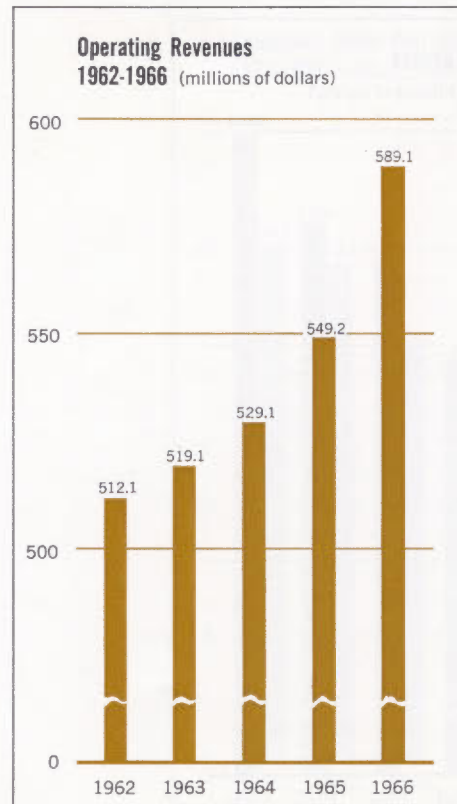
Freight revenue passed the half billion dollar mark in 1966, rising to an all-time high of \$522 million, an increase of \$39.9 million or 8.3 per cent over 1965.

The substantial increase in freight traffic was attributable to generally greater movement of a wide variety of commodities, principally as a result of the continued nation-wide expansion of industrial production and consumer demand and increased agricultural yields in Union Pacific territory. Revenue from trailer-on-flat-car traffic rose substantially in 1966, reflecting in part the success of the "Plan I" arrangement inaugurated late in 1965, whereby trailers of highway common carriers are handled on railroad flat cars throughout the territory served by the Company. On the other hand, small packaged freight shipments recorded a further decline because of the Company's virtual abandonment of its unprofitable less-than-carload service in the latter half of 1965, as explained in last year's report. However, this action had the beneficial effect of increasing the number of box cars available for use in handling carload shipments.

Average revenue per ton-mile of approximately 1.25 cents in 1966, while slightly higher than last year, was 8 per cent less than in 1960, following the last general rate increase in October 1960. This decrease in average revenue per ton-mile reflects, in part, selective rate reductions introduced by the Company from time to time to meet competition from other modes of transportation and to provide shippers with incentives for heavier loading of freight cars. It should be noted, however, that the over-all decline in freight rates during this 6-year period has been accompanied by sharply rising wage rates and fringe benefits, together with generally higher price levels, and the railroads' costs in these areas will be still further escalated in 1967.

## OPERATING REVENUES

	1966	Increase or Decrease vs. 1965	
		Amount	Per cent
Freight .....	\$522,036,385	+\$39,944,644	8.3
Passenger .....	22,970,600	— 647,480	2.7
Mail .....	23,225,206	— 445,787	1.9
Express .....	3,734,494	— 224,821	5.7
Switching .....	8,455,057	+ 609,026	7.8
Other .....	8,715,909	+ 711,923	8.9
Total .....	\$589,137,651	+\$39,947,505	7.3



**OPERATING EXPENSES**

	1966	Increase or Decrease vs. 1965	
		Amount	Per cent
Maintenance:			
Way & Structures .....	\$ 72,208,394	+\$ 7,952,488	12.4
Equipment .....	103,062,990	+ 7,242,305	7.6
Total .....	\$175,271,384	+\$15,194,793	9.5
Traffic .....	14,954,191	— 84,362	.6
Transportation .....	203,608,051	+ 5,993,164	3.0
Misc. operations .....	6,463,931	+ 118,018	1.9
General .....	24,704,724	+ 97,386	.4
Total .....	\$425,002,281	+\$21,318,999	5.3

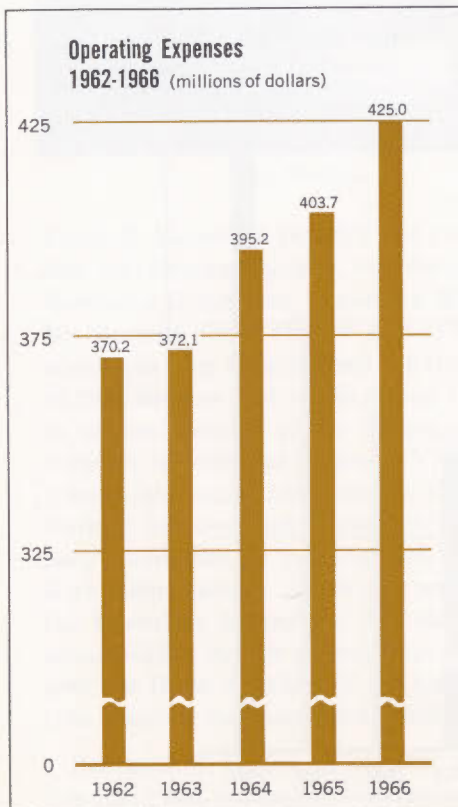
**OPERATING EXPENSES**

The increase in operating expenses was held to 5.3 per cent, despite the record freight traffic handled, further increases in wage rates and employes' fringe benefits, an expanded track renewal program, and a sharp rise in the amount of depreciation charges. In addition to increased wage rates for nonoperating employes effective January 1, 1966, as provided for under nation-wide 3-year agreements with employe organizations in 1964 and early 1965, labor costs rose as a result of an increase of 5% in rates for operating unions effective August 12, 1966, and expanded vacation benefits, which are discussed in greater detail on page 15.

The more extensive track renewal program, together with greater charges for retirements of nondepreciable property, due chiefly to abandonment of the Grass Valley Branch, was a major factor in increasing maintenance of way and structures expenses. The substantial acquisition of new locomotives and freight cars in 1966 caused an increase of \$4.8 million in equipment depreciation charges which represented the major portion of the rise in maintenance of equipment expenses.

Additional savings were realized during 1966 from reductions in unneeded firemen on road freight and yard diesels, and there was a decrease of 6.8 per cent in total miles run by passenger, mail and express trains, but the successful control of operating expenses was primarily achieved through savings resulting from continuing streamlining of operating methods and the significant economies inherent in the extensive program of property improvements during recent years. The benefits derived by the Company in these areas are exemplified by the fact that the ratio of transportation expenses to total operating revenues, a generally accepted indicator of operating efficiency, dropped from 36.0 per cent in 1965 to 34.6 per cent in 1966.

The quantities of rails, ties and ballast applied in main track renewals during the year, compared with 1965, are tabulated below:



	1966	1965	Increase or Decrease	Per cent
New rails (track miles) .....	297.92	206.69	+ 91.23	44.1
Second-hand rails (track miles) ....	69.16	42.94	+ 26.22	61.1
Total rails (track miles) .....	367.08	249.63	+ 117.45	47.0
Ties (number) .....	468,360	626,262	-157,902	25.2
Ballast (cubic yards) .....	816,728	651,988	+ 164,740	25.3

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

## RAILWAY TAX ACCRUALS

The decrease in Federal income taxes of 6.2 per cent was due chiefly to increases in the investment tax credit and in the excess of depreciation deductible for tax purposes over depreciation recorded in the accounts under I.C.C. regulations, because of the much greater expenditures for capital improvements.

As mentioned in the brief annual report issued on March 3, 1967, legislation enacted late in 1966 provided for suspension of the investment tax credit for property acquired between October 10, 1966 and December 31, 1967, except for orders placed prior to the effective date of the suspension. However, on March 9, 1967, the President of the United States recommended to the Congress that the investment tax credit be restored. Union Pacific had approximately \$118 million of equipment and other property on order prior to October 10, 1966, for delivery in 1967, which was unaffected by suspension of the investment credit. Our capital improvement program is being re-evaluated to determine whether other desirable projects should be undertaken in 1967, on the basis of a restoration of the tax credit.

The increase of 17.5 per cent in Federal retirement tax resulted principally from an increase in the taxable wage base from \$450 to \$550 monthly, effective January 1, 1966, and a higher average tax rate due to Medicare coverage in 1966. (The tax rate, imposed on railroads and employes alike, was further increased in 1967 to 8.65% compared with 7.95% in 1966.) Effective November 1, 1966, a special tax of 2¢ per compensated man-hour was assessed against the railroads to support a 5-year supplemental pension program for employes retiring after June 30, 1966, with 25 or more years of service, who have attained age 65.

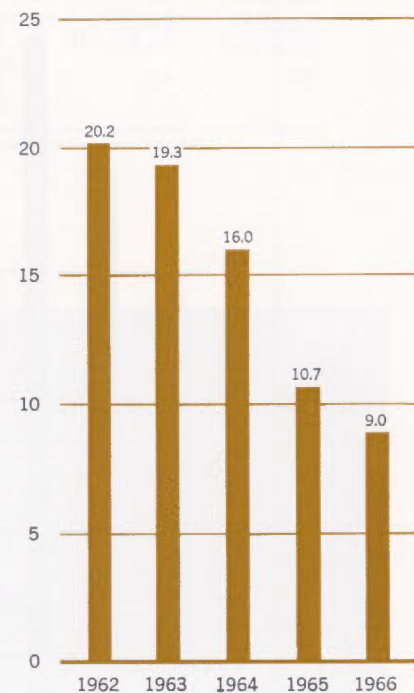
## EQUIPMENT RENTS DECLINE

The decline of 15.1 per cent in the net charge for equipment rents resulted chiefly from an increase in net per diem rental received for interchange of freight cars with other railroads, due partially to our large acquisitions of new freight cars, and increased rentals received for additional mechanical refrigerator cars and other equipment under lease. These factors were partially offset by increased mileage payments to Pacific Fruit Express Co. and other refrigerator-car owners due to a greater volume of perishable commodities handled by the Company, together with an increase in the mileage rate for such cars in 1966, and increased rentals paid for highway trailers because of the continued growth of our piggyback traffic.

## RAILWAY TAX ACCRUALS

	1966	Increase or Decrease vs. 1965	
		Amount	Per cent
Federal income .....	\$24,100,000	-\$1,600,000	6.2
Federal retirement .....	16,515,196	+ 2,459,848	17.5
Federal unemployment insurance ....	5,835,866	- 658,146	10.1
Other Federal .....	32,819	+ 4,304	15.1
Total Federal .....	\$46,483,881	+\$ 206,006	.4
State and county .....	20,656,248	+ 550,818	2.7
Grand total .....	\$67,140,129	+\$ 756,824	1.1

Equipment Rents (Net Debit)  
1962-1966 (millions of dollars)



## INCOME FROM INVESTMENTS AND OTHER SOURCES

	1966	Increase or Decrease vs. 1965	
		Amount	Per cent
Net income from oil and gas operations .....	\$13,648,672	-\$1,836,476	11.9
Royalties under oil, gas and other mineral leases .....	1,165,554	+ 132,246	12.8
Dividend income (Table 15) .....	3,600,006	- 1,008,769	21.9
Interest on bonds and notes owned (Table 16) .....	8,028,093	+ 870,256	12.2
Other interest income .....	944,184	+ 52,104	5.8
Rent income from transportation property .....	1,315,015	+ 173,949	15.2
Miscellaneous income .....	1,132,767	- 1,167,782	50.8
Profits and losses—net (property sales, etc.) .....	2,136,750	+ 1,201,678	128.5
Total income from Investments and Other Sources .....	<u>\$31,971,041</u>	<u>-\$1,582,794</u>	<u>4.7</u>

The decline in income from oil and gas operations and the increase in income from mineral royalties are explained in the "Natural Resources Division" section of the report, beginning on page 19.

The decrease in Dividend income was principally due to a reduction in dividends received from three affiliated companies, partially offset by increased dividends from Illinois Central Industries, Inc.

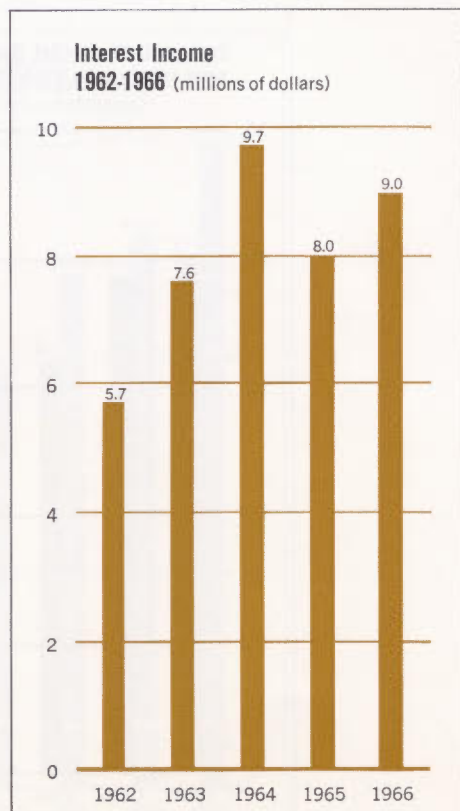
The increase in Interest on bonds and notes owned was chiefly attributable to a higher average yield on funds invested in temporary cash investments.

The decrease in Miscellaneous income resulted primarily from a reduction in compensation received from Pacific Fruit Express Co. for services rendered and privileges granted and increased expenditures by the Natural Resources Division in connection with its expanded program of exploration.

The increase in income from capital transactions, shown by the larger credit in Profits and losses—net, was principally due to gain realized on sale of land to the City of Long Beach, Calif., in connection with construction of a bridge in the area.

### INCREASE IN FUNDED DEBT

Outstanding funded debt rose sharply during 1966, with an increase of \$87,383,625 at the close of the year compared with December 31, 1965. The increase represents the liability incurred during the year under equipment purchase agreements, less the amount of maturing equipment obligations and face value of Company bonds reacquired at current market prices in anticipation of sinking fund requirements. The issuance of additional equipment obligations in 1966 was necessary to conserve working capital while providing for continuing heavy requirements for new equipment and other prop-



erty improvements. For the same reasons, some additional financing is planned for 1967.

The aggregate commitment under the new equipment purchase agreements approximated \$125 million. The liability incurred thereunder for equipment delivered and paid for in 1966 amounted to \$97 million, covering 113 diesel locomotive units, 4,064 freight cars and 6 work equipment units (including 40 diesel locomotive units, 367 freight cars and 6 work equipment units acquired for lease to Rock Island). Each of the agreements contains a provision for prepayment of the outstanding balance at the option of the Company, except for the agreement covering equipment leased to Rock Island. Further details of the agreements may be found in Table 14 on page 42.

Additionally, at the close of the year, \$18.8 million was included in "Other Liabilities", representing the portion of the cost of equipment delivered in December 1966 but not includible in funded debt until January 1967 under the purchase agreements.

#### WORKING CAPITAL UP

The Company's working capital on December 31, 1966, was \$161,528,600, and current assets were 2.39 times the amount of current liabilities. The increase in working capital compared with the close of 1965 was \$17,589,625, which is analyzed below:

<b>WORKING CAPITAL ON DECEMBER 31, 1965</b> .....		<b>\$143,938,975</b>
<b>ADDITIONS:</b>		
Net income (excluding net profits from capital transactions) .....	\$ 86,954,872	
Current income tax reductions applicable to future years under generally accepted accounting principles .....	20,700,000	
Non-cash charges to income for depreciation, retirements, and casualty and insurance reserves .....	57,737,075	
Proceeds from equipment purchase agreements ..	96,970,709	
Portion of freight revenue on transcontinental traffic, withheld from income for contingent payment to certain Midwestern lines, less applicable income taxes .....	919,900	
Proceeds from sales of land and other property..	2,436,240	
Securities of affiliated companies redeemed in excess of those acquired .....	6,951,552	
Miscellaneous—net .....	4,163,370	
Total .....	<u>\$276,833,718</u>	
<b>DEDUCTIONS:</b>		
Dividends declared in 1966 on Union Pacific Railroad Company preferred and common stocks .....	\$ 47,910,752	
Expenditures for improvements to transportation property (excluding equipment delivered in 1966 but paid for in January 1967, and certain non-cash charges to road property account) ..	185,050,904	
Cost of retiring funded debt and preferred stock .....	12,244,412	
Cost of land purchased for industrial sites, improvements to such property, and capital expenditures for oil and gas facilities and other mineral development .....	14,038,025	
Total .....	<u>\$259,244,093</u>	
<b>NET INCREASE IN WORKING CAPITAL</b> .....		<b>\$ 17,589,625</b>
<b>WORKING CAPITAL ON DECEMBER 31, 1966</b> .....		<b>\$161,528,600</b>

	Dec. 31, 1966	Increase vs. Dec. 31, 1965
Current assets .....	\$278,020,189	\$23,430,193
Current liabilities .....	116,491,589	5,840,568
Working capital .....	<u>\$161,528,600</u>	<u>\$17,589,625</u>
Ratio of current assets to current liabilities .....	2.39	.09

*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.*

## RETAINED INCOME

Retained income amounted to \$1.22 billion at the close of 1966. This represents the portion of income and profits accumulated by the Company during the 70 years since its incorporation that has been retained in the business and used for property improvements and other purposes, to maintain earning capacity and provide for growth. The increase of \$64.3 million in 1966 is explained below:

Net income for the year .....	\$ 89,091,622
Tax reductions applicable to future years under generally accepted accounting principles, but credited to current income under accounting rules prescribed by I.C.C. ....	20,700,000
Released from reserve, representing portion of freight revenue received on transcontinental traffic in 1963, 1964 and 1965, withheld from income for contingent payment to certain Midwestern railroads, plus contingent liability for interest accrued thereon, less applicable Federal income taxes (see page 26) ....	2,381,100
Total credits .....	<u>\$112,172,722</u>
<b>Less:</b>	
Dividends declared on U.P.R.R. Co. and St.J.&G.I.Ry. Co. preferred and common stocks .....	47,912,942
Net increase in Retained Income .....	<u>\$ 64,259,780</u>

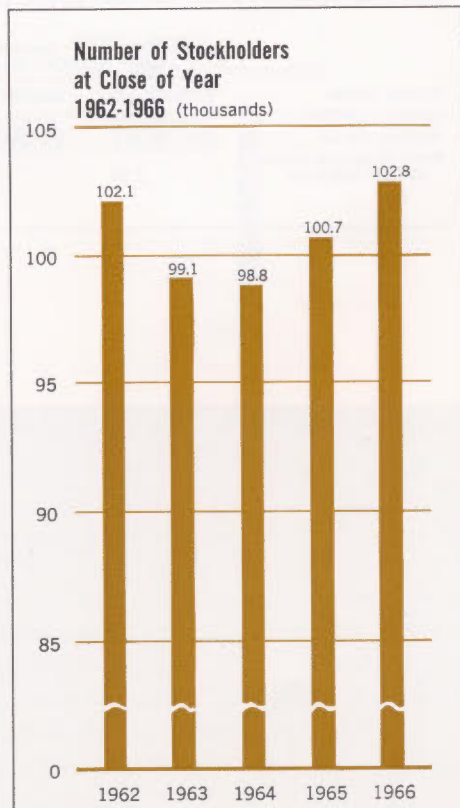
## CAPITAL STOCK AND OUR STOCKHOLDERS

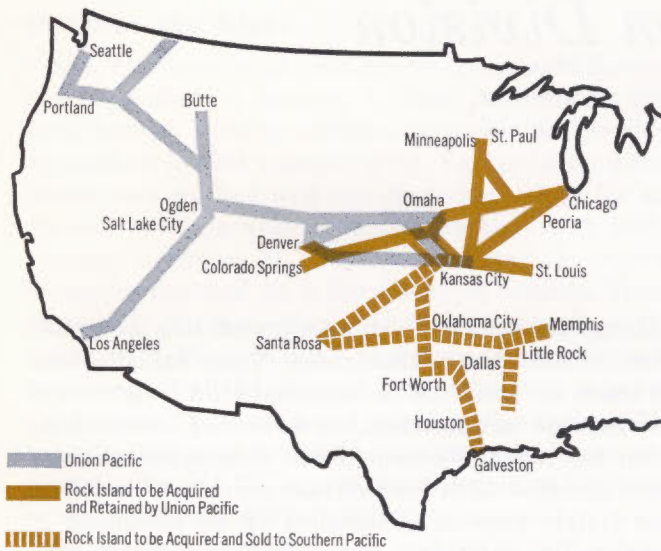
Outstanding capital stock of Union Pacific Railroad Company on December 31, 1966, consisted of 22,429,235 shares of common stock, unchanged from the close of 1965, and 7,500,000 shares of preferred stock, a decrease of 330,310 shares during the year. The decrease in outstanding preferred stock represents the number of shares purchased by the Company on the open market in 1966 in connection with its reacquisition program which began in 1964. During the last three years, the total number of preferred shares outstanding has been reduced by almost 25 per cent. The over-all program has resulted in an annual saving in preferred dividends of \$981,724 and since such dividends are not deductible from taxable income, the full amount thereof serves to increase common share earnings.

The number of stockholders of record at the close of 1966 was 102,837, an increase of 2,101 compared with the previous year.

## DIVIDENDS ON COMMON STOCK

Dividends paid on common stock rose in 1966 to an all-time high of \$2.00 per share. On August 25, 1966, the Board of Directors declared an extra dividend of 20 cents per share, payable in conjunction with the regular quarterly dividend of 45 cents on October 1, 1966.





### ROCK ISLAND MERGER

Public hearings began in Chicago on May 4, 1966, to consider each of the following proposals for which applications had previously been made to the Interstate Commerce Commission: (1) merger of Union Pacific and Rock Island, jointly proposed by the two railroads, (2) acquisition by Southern Pacific of the southern portion of Rock Island properties from Union Pacific following the latter's merger with Rock Island, (3) control of Rock Island by North Western, and (4) purchase by Santa Fe of certain southern lines of Rock Island, contingent on I.C.C. approval of North Western's control application.

Union Pacific and Rock Island witnesses concluded their testimony on August 30, 1966, after having submitted a substantial volume of evidence to show the urgent competitive necessity for unification of the two railroads. The testimony also strongly emphasized the benefits to be derived by shippers and the general public as a result of the single-line service that would be provided by the merged railroad between the Pacific Coast and traffic gateways such as Chicago, Peoria and St. Louis. Such service is indeed essential to both railroads if they are to remain adequately competitive with the single-line railroads currently operating between the West Coast and eastern gateways and with others projected under pending unification proposals. Significantly improved freight service to the public would result from the single-line operations of a merged Union Pacific-Rock Island through more frequent, faster and more dependable freight schedules. Moreover, the public interest would be served through the broadening of competition among rail carriers and other modes of transportation operating between the West and East, which would inevitably result from the addition of

another strong rail system in the field.

The hearings reconvened later to consider Southern Pacific testimony on behalf of its proposal, which is supported by Union Pacific, for acquisition of the southern portion of the Rock Island by purchase from the merged company, and witnesses submitted extensive evidence to show how such an arrangement would add still another valuable competitive element in the West-East transportation picture.

Late in the year, the North Western submitted evidence in support of its application for control of the Rock Island, followed early in 1967 by testimony of Santa Fe witnesses on behalf of its proposal to purchase certain southern lines of the Rock Island. The hearings are still in progress and testimony of shippers and other interested parties will be heard at various locations.

### WESTERN MERGERS PROPOSED BY OTHERS

*Proposed Mergers of North Western with Milwaukee and with Great Western.*

Joint application by North Western and Milwaukee for approval of their proposed 20,900-mile merger was filed with the Interstate Commerce Commission on June 6, 1966. Union Pacific, Rock Island and Southern Pacific petitioned the I.C.C. to consolidate hearings on this proposal with those covering the proposed Union Pacific-Rock Island merger, and although the petition has not been formally denied, separate hearings opened on February 6, 1967. Union Pacific has intervened to protect its interests as they may appear.

There has been no significant development in connection with the proposed merger of North Western and Great Western since March 3, 1966, when an I.C.C. Examiner recommended its authorization.

*Proposed Merger of "Northern Lines" (N.P. Ry., G.N. Ry., C.B. & Q.R.R. and S.P. & S. Ry.).*

On April 27, 1966, the I.C.C., in a six to five decision, rejected an I.C.C. Examiner's recommendation and denied authorization for this proposed 25,000-mile merger. On January 4, 1967, the I.C.C. granted the Northern Lines' petition for reconsideration, on the basis of their willingness to accept conditions requested by intervening railroads in the event the merger is authorized. Hearings began on March 6, 1967.

*Proposed Control of Santa Fe by Missouri Pacific.*

Missouri Pacific and Mississippi River Corporation, its parent company, filed a joint application with the I.C.C. on May 31, 1966, for authority to obtain control of Santa Fe. A Santa Fe petition to dismiss the application was denied by the I.C.C. on September 23, 1966.

# Transportation Division



## FREIGHT MOVEMENT—NEW HIGH

The volume of freight traffic moved during the year reached the highest level in the Company's history. As shown in Table 7 on page 36 the increase in tonnage handled compared with 1965 was distributed over a wide variety of commodities. Total tons handled rose by 4.7 per cent, and with an increase of 2.7 per cent in average length of haul per ton, revenue ton-miles exceeded the previous record established in 1965 by 7.6 per cent. Heavier loads and increased average revenue per car were also achieved in 1966, primarily through the Company's continuing program of acquiring freight cars of larger capacity and the expansion of incentive pricing policies wherever practicable.

*"Run-through" Freight Train Operations.* For a number of years, the Union Pacific has had a reciprocal arrangement with the Burlington under which solid freight trains, including locomotives and cabooses, of one of the railroads are run through an interline junction to distant points on the other railroad's line, thus obviating the necessity for the time-consuming and costly former practice of breaking up such incoming trains in switching yards and making up new trains. In 1966, the Company arranged with the Norfolk & Western and St. Louis-San Francisco for similar run-

through operations, which have proved fully as advantageous as had been anticipated. There has also been in effect for some time a reciprocal solid freight-train interchange arrangement, exclusive of locomotives, with the North Western. These cooperative methods have benefited all of the railroads concerned, as well as our freight patrons, by speeding up the movement of transcontinental traffic and providing more effective competition with other forms of transportation.

*Market Research.* As an important element in the Company's planning for development of freight traffic, a market research program was inaugurated early in 1966 under the direction of our Department of Cost and Economic Research. Advanced analytical techniques are being applied in comprehensive studies relating to freight car requirements, economic and market forecasting, market potential, and relevant financial factors, with many broad objectives, including the strengthening of the Company's competitive position and furnishing better service to our freight patrons. Development of a computerized market intelligence system will provide extremely valuable analyses of the market potential of industrial customers and agricultural production in Union Pacific territory.



Norfolk & Western train in "run-through" operation.



## EMPLOYEES AND WAGES

Wages of nonoperating employes were increased 9 cents per hour effective January 1, 1966, representing the third annual increase provided for under nation-wide agreements in 1964 and early 1965. Late in 1966, agreements were reached with two operating unions for an increase of 5% in wage rates effective August 12, 1966, through December 31, 1967, and reducing the length of service required for a third week of vacation, from 15 years to 10 years, effective in 1967. Although agreements with the remaining operating unions had not been reached at the close of 1966, estimated amounts for increased wage rates and vacation allowances applicable to 1966 were included in the year's operating expenses under an I.C.C. accounting directive, on the basis of the settlements reached with other unions.

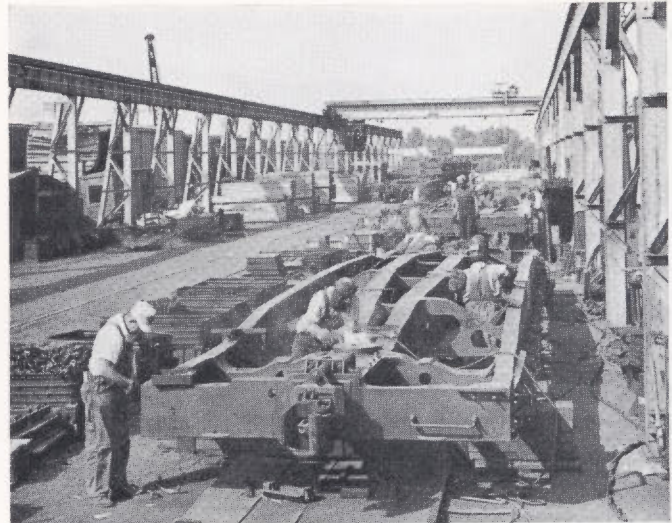
Agreements have also been reached with five nonoperating unions, providing for a 5% wage increase effective January 1, 1967, and vacation benefits comparable to those granted to operating employes. One of these agreements is for one year while the other four agreements extend for eighteen months and provide for an additional 2½% wage increase effective January 1, 1968. Negotiations on the demands for increased wages and fringe benefits by the remaining unions are in progress at the national level.

A Stock Purchase Plan was inaugurated early in 1967 to provide employes with the opportunity of becoming part-owners of Union Pacific. Under the plan, shares of the Company's common stock may be acquired by employes at current market values through regular payroll deductions, with brokerage commissions being paid by the Company.

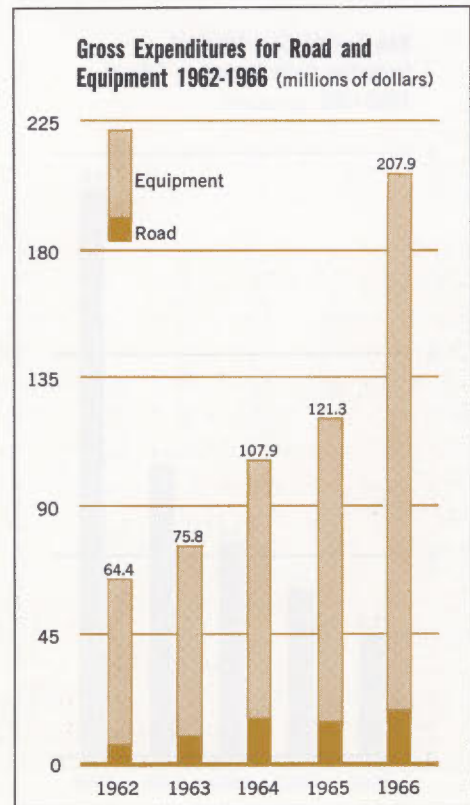
## CAPITAL EXPENDITURES—NEW RECORD

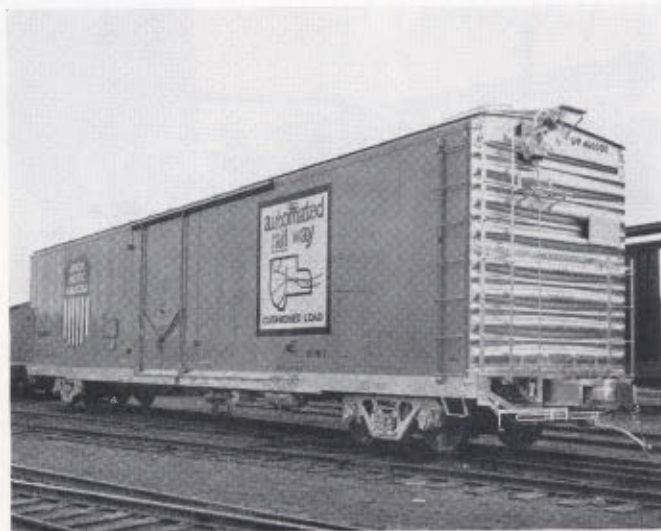
Gross expenditures for new equipment and other improvements to transportation property in 1966 reached an all-time high of \$207.9 million, an increase of \$86.6 million over the previous record established in 1965. A summary of property expenditures and retirements during the year is shown below:

<b>Expenditures:</b>			
New equipment .....	\$187,582,462		
Equipment rebuilt, improvements to existing equipment, etc. ....	1,367,108	\$188,949,570	
Road property .....		18,979,272	
Total expenditures .....		\$207,928,842	
<b>Ledger Value of Retirements:</b>			
Equipment retired (including equipment to be rebuilt or converted) .....		\$ 28,455,508	
Road property retired and replaced .....	\$ 5,566,101		
Road property retired and not replaced .....	3,134,124	8,700,225	
Total retirements .....		\$ 37,155,733	
Increase in Road and Equipment Property .....		\$170,773,109	



*Flat-car construction at Omaha Shops.*





One of our big new box cars.

**HUGE EQUIPMENT PROGRAM CONTINUES**

The most ambitious program for acquisition of rolling stock in the Company's history was spectacularly expanded during the year. New equipment delivered and on order in 1966, including units for lease to others, was as follows:

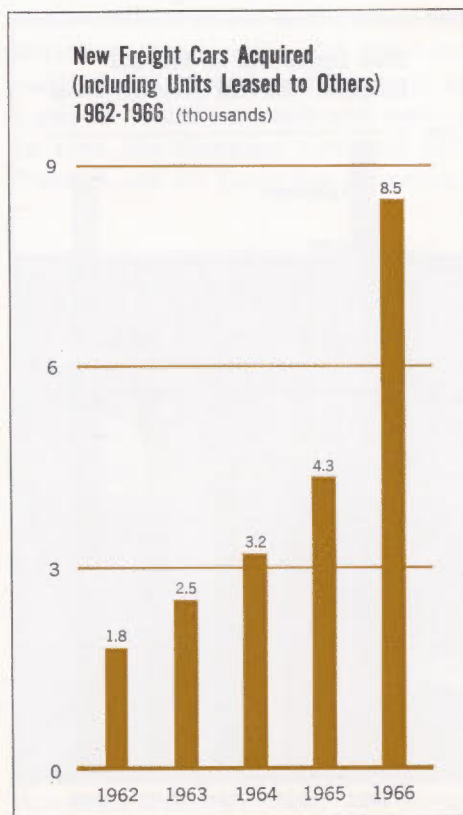
	Ordered	Delivered	On order at close of year
<i>Locomotives</i>			
Diesel—Freight .....	168	160	8
<i>Freight-Train Cars</i>			
PURCHASES:			
Box .....	3,739	2,638	1,101
Refrigerator—Mechanical .....	1,500	1,000	500
Gondola .....	625	625	.....
Hopper—Covered .....	2,150	550	1,600
Hopper—Open top .....	750	750	.....
Flat .....	151	151	.....
Caboose .....	125	25	100
CONSTRUCTION IN COMPANY SHOPS:			
Box .....	4,686	2,186	2,500
Flat .....	804	604	200
Gondola .....	100	.....	100
Stock .....	100	.....	100
Total .....	14,730	8,529	6,201
<i>Passenger-Train Cars</i>			
Coach .....	10	10	.....

Total investment for all classes of rolling stock equipment placed in service during the three years ended December 31, 1966, plus units on order at the close of the year, will reach almost \$500 million. During the three-year period, the Company acquired or had on order 269 diesel locomotives and 22,182 freight cars. The freight cars received constitute more than 25 per cent of our total fleet and have reduced its average age to 13 years. Moreover, the new cars have a much larger average capacity and strikingly advanced designs, including improvements to meet shippers' specialized requirements, to facilitate loading and unloading, and to reduce damage to cargoes.

Benefits derived from this huge program are manifold. Most importantly, it has attracted additional freight business and reduced maintenance and other operating expenses and equipment rents. In fact, the program was one of the primary factors in the 1966 income showing.

**FIXED PROPERTY IMPROVEMENTS**

As part of the Company's long-range program for line changes, two important projects were undertaken during 1966. Relocation of more than seven miles of double track between Como and Medicine Bow, Wyoming, completed late in the year, eliminated several sharp curves which had restricted train speed at some locations to about half the maximum speed of 65 miles per hour at which freight trains may be safely operated on the new



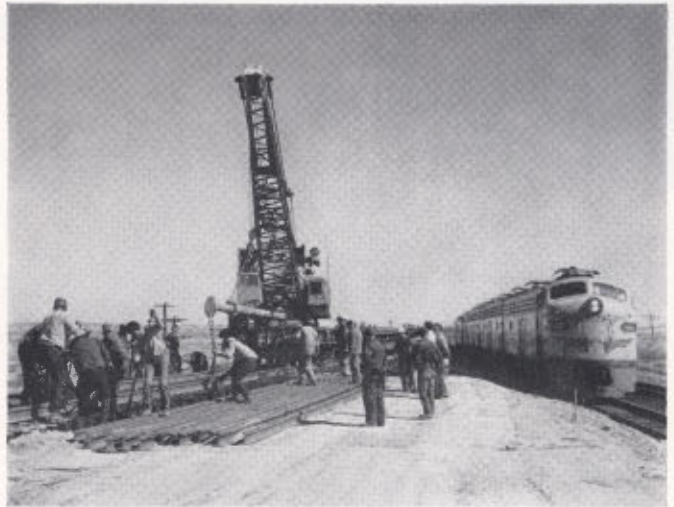
line. A five-mile line change involving main track through the Columbia River Gorge, west of Hood River, Oregon, was started in 1966, with three miles completed at the close of the year. In addition to improving the Company's competitive position through faster train schedules, such line changes result in substantial savings in operating costs and sharp reductions in maintenance expenses by eliminating the relatively high cost of maintaining curved track.

Construction was started on a major classification yard at North Platte, Nebraska, to be located west of the present yard. The new facility, which is expected to cost \$12 million and take three years to complete, will be equipped with the most modern electronic equipment to control the switching of cars from incoming freight trains to receiving tracks. Present plans call for construction of forty-five classification tracks with an additional fifteen tracks to be built after the yard has been placed in operation. Eastbound traffic will be handled exclusively by the new facility, with westbound shipments being classified in the present yard, thus expediting movements in both directions and producing substantial operating economies.

Extension of the Company's microwave radio system was further progressed during the year. Installations were started in 1966 on the Cheyenne—Denver and Omaha—Kansas City—Salina segments of the system, scheduled for completion in 1967 and 1968, respectively. This will complete the Company's program for main line microwave coverage.

#### **"COIN" PROGRAM**

The extensive and complicated advance planning involved in preparing for installation of Union Pacific's "complete operating information system" progressed satisfactorily in 1966. As explained in last year's report, this system will furnish all levels of management with a wide variety of important operating data on an up-to-the-minute basis, so that necessary responsive actions can be taken almost as events occur. An interim system has recently been installed which represents an amplification of a service of many years standing, whereby shippers have been advised several times daily of the movement of their cars. In the initial stage of this expanding program, traffic offices in three large cities are now able to obtain from the computer the location and status of any car on the railroad in a matter of seconds. This immediate car tracing system will be progressively extended to blanket the United States and Canada with terminals located in 53 major cities by the early part of 1968, at which time COIN will be fully operational and will include this function as a part of its over-all informational program.



*Line change under construction between Como and Medicine Bow.*



*Loading refrigerated trailer on flat car.*

#### **PACIFIC FRUIT EXPRESS BUSINESS INCREASES**

As a result of a substantially greater volume of business and an increase in the mileage rate applicable to refrigerator cars, Pacific Fruit Express Co. revenues rose 14.5 per cent over 1965. However, there was only a slight increase in net income, due chiefly to a 76.6 per cent rise in equipment rents, primarily because of the sharp increase in rents payable to Union Pacific and Southern Pacific for additional equipment leased to meet the pressing demand for mechanical refrigerator cars and piggyback perishable service.

The company leased 2,000 additional 70-ton multi-purpose mechanical refrigerator cars in 1966—1,000 cars from each parent company—similar to those acquired in recent years. Orders have been placed for delivery of another 1,000 cars in 1967, to be similarly leased, which will increase the company's fleet of mechanical cars to 9,152—the largest in the nation.

The rapid growth of piggyback business necessitated lease from the parent companies of 500 more mechanically refrigerated 40-foot highway trailers and 250 additional 89-foot flat cars, bringing the totals at the close of 1966 to about 2,500 trailers and 1,250 flat cars.

Experiments with liquid-nitrogen systems, mentioned in last year's report, have proved successful and such systems have been installed in several hundred mechanically refrigerated trailers. The use of liquid nitrogen results in replacing most of the oxygen in the trailer with nitrogen gas, which reduces respiration by fresh fruits and vegetables, thus providing additional protection against deterioration of such perishables in transit.

#### **SPOKANE INTERNATIONAL INCOME UP**

Earnings of Spokane International Railroad Co. continued to rise in 1966. Net income for the year was \$1,371,878, an increase of \$106,604 or 8.4 per cent over 1965, due principally to improved earnings from transportation operations and increased dividend income. Freight revenue reached an all-time high of \$3,649,749, an increase of \$213,045 compared with 1965, due principally to larger traffic volume resulting from increased production of aluminum and fertilizers by plants located on the company's line and greater movement of phosphate rock from Montana and lumber products from Oregon and Washington.

#### **MOTOR FREIGHT COMPANY**

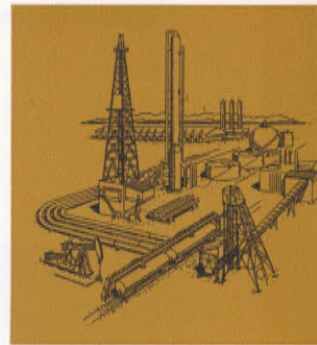
Union Pacific Motor Freight Co. made important contributions to the successful operation by the railroad of its expanded piggyback traffic in 1966, by providing prompt and efficient service to shippers in pickup and delivery service and in handling trailers at terminals.

As part of its continuing program to increase operating efficiency and meet the growing requirements of shippers for modern equipment, the company acquired 24 additional diesel-power tractors and replaced 22 tractors with new heavy duty units in 1966. The trailer fleet was significantly upgraded with replacement of 79 units by new 40-foot trailers specifically designed to provide the best possible cargo protection, as well as maximum cubic capacity and exceptional versatility in loading capabilities. Preliminary plans are being made for expansion of ramp facilities at terminals to meet expected requirements for the increasing volume of traffic.

#### **CAMAS PRAIRIE RAILROAD**

Last year's report referred to negotiations with the government regarding relocation or abandonment of portions of the line of the Camas Prairie Railroad Co. (a jointly-operated subsidiary of Union Pacific and Northern Pacific, in Washington and Idaho) in connection with construction of dams on the Snake River. A consulting firm, retained by the U. S. Corps of Engineers, had suggested abandonment of the line between Riparia, Washington, and Lewiston, Idaho, owned by Union Pacific, and use of a circuitous Northern Pacific route for future Union Pacific operations. Since adoption of this proposal would result in greatly increased operating costs and traffic delays, the railroads, in cooperation with the Corps' consulting firm, undertook extensive studies which established the economic justification for continuance of operations between Riparia and Lewiston, and agreement was reached in 1966 for relocation of the line by the government at a higher elevation.

# Natural Resources Division



## OIL AND GAS OPERATIONS INCOME DECLINES

	1966	Increase or Decrease vs. 1965	
		Amount	Per cent
Receipts .....	\$27,929,583	+\$ 261,092	.9
Production expenses (including depreciation) .....	\$10,328,825	+\$1,288,399	14.3
Taxes (other than income taxes*) .....	1,798,265	— 12,299	.7
Development expenses .....	2,153,821	+ 821,468	61.7
Total charges against receipts .....	\$14,280,911	+\$2,097,568	17.2
Net income from oil and gas operations .....	\$13,648,672	—\$1,836,476	11.9
Capitalized development costs .....	\$ 1,984,531	+\$ 188,094	10.5

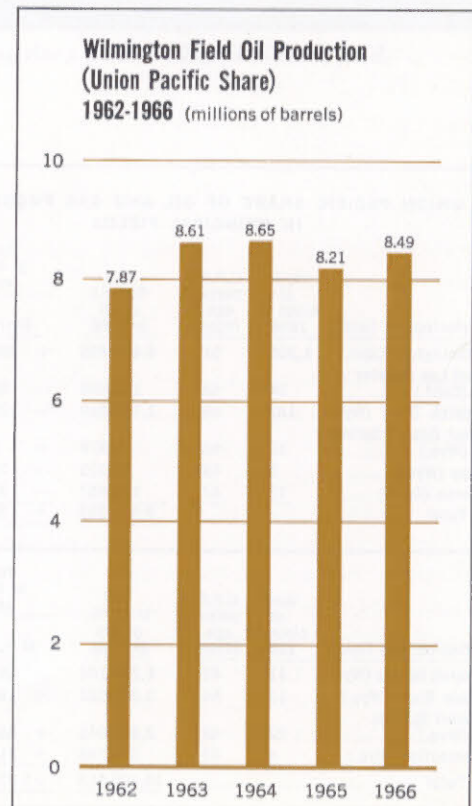
\* Federal taxes on income from oil and gas operations were approximately \$3,259,500 in 1966 and \$3,809,200 in 1965.

The decrease of \$1.8 million in net income was attributable principally to increased production and development expenses in the Wilmington field for expansion of water-flooding operations and other procedures designed to stimulate oil production, partially offset by increased receipts from sales of oil.

Capitalized development costs increased approximately 10.5 per cent due chiefly to stepped-up acquisitions of leases in areas considered promising for discovery of oil and gas, in line with a more aggressive exploration program. During 1966, several important geophysical investigations were undertaken by the Company, both independently and jointly with other participants, and a number of test wells were drilled. While such exploration activities did not result in any notable discoveries, evaluation and development of lands owned and leased by Union Pacific will continue in 1967 through broadened geological and geophysical surveys and test well drilling.

In Wilmington field, activity to counteract the normal decline of field output was further intensified in 1966 by expansion of water-flooding operations and increased use of other measures to improve producing rates, such as drilling new wells and redrilling old wells. Toward the latter part of 1966, the beneficial effect of such measures began to be realized with a significant increase in oil production, which is continuing into 1967. However, for the year 1966, the program caused a net reduction in income.

Production of oil in Patrick Draw field continued to drop in 1966 due to curtailment measures necessitated by a rising gas-oil ratio and restrictions under Wyoming regulations covering the disposition of gas produced. The program for secondary recovery of oil by gas injection continued, and in the Arch Unit, an



expansion of the water-flood program was initiated; five new productive oil wells were completed during the year, and older wells in the area of the new producers will be converted to water injection wells upon completion of water source facilities. During 1966, the Company's gasoline plant in the field processed approximately 11.5 billion cubic feet of gas, a slight decrease compared with 1965 as a result of reduced volume delivered by producers. The aggregate volume of liquid products extracted also declined, but an additional product, isobutane, was recovered by installation of a new butane processing facility during the year.

In the Desert Springs gas field, five productive wells were completed in 1966, four in the Desert Springs Unit and one as a wholly-owned Union Pacific operation.

Drilling was started in Church Buttes gas field during the year on one of the deepest exploratory wells ever drilled in Wyoming. When completed in 1967, it is expected that the well will have reached a depth of 20,000 feet for the exploration of all possible productive horizons on the major Church Buttes structure. Under modern procedures, such deep test wells are considered necessary in exploration for large reserves. Untested shallower prospects involve greater risk, since they are less clearly definable by present geological and geophysical methods, and reserves, when discovered, are usually smaller than at greater depths.

In Table Rock gas field, one wholly-owned Union Pacific well was completed outside the previously tested limits of the Table Rock Unit.

The Pierce oil field in Colorado was unitized in 1966 for joint development by all producers in the area, and work was started on a water-flood program for eventual secondary recovery of oil.

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

Principal oil fields	Wells at close of 1966	U.P.R.R. percentage of Interest	Barrels of oil in 1966	Increase or Decrease vs. 1965	
				Barrels	Per cent
Wilmington (Calif.) ..	1,305	51	8,493,855	+ 286,235	3.5
East Los Angeles (Calif.) .....	34	50	108,664	- 49,849	31.4
Patrick Draw (Wyo.) ..	152	45	1,126,886	- 125,361	10.0
West Desert Springs (Wyo.) .....	10	90	48,878	+ 1,755	3.7
Espy (Wyo.) .....	3	46	39,323	- 27,196	40.9
Pierce (Colo.) .....	17	47	131,657	- 33,343	20.2
Total .....			9,949,263	+ 52,241	.5

Principal gas fields	Wells at close of 1966	U.P.R.R. percentage of Interest	M cu. ft. of gas in 1966	Increase or Decrease vs. 1965	
				M cu. ft.	Per cent
Church Buttes (Wyo.)	11	49	4,220,104	- 187,632	4.3
Table Rock (Wyo.) ..	13	54	3,306,022	+ 168,090	5.4
Desert Springs (Wyo.) .....	22	42	2,636,041	+ 884,513	50.5
Wamsutter (Wyo.) ....	4	43	538,746	+ 212,740	65.3
Total .....			10,700,913	+1,077,711	11.2

**TRONA PRODUCTION INCREASES**

Net income of Stauffer Chemical Company of Wyoming (49% owned by Union Pacific) continued its upward trend in 1966, reflecting increases in mined tonnage of trona and sales of refined soda ash. Additional processing equipment was installed during the year within the plant complex and construction of the third refinery unit, mentioned in last year's report, was started in 1966 and is expected to be completed in late 1967. This new unit will further increase plant capacity to meet the continually growing market demand for soda ash.

Early in 1966, FMC Corporation announced plans for construction of additional facilities to expand its plant and increase the mined tonnage of trona and output of refined soda ash. And other companies have indicated

their intention to develop trona reserves west of Green River, Wyoming. In addition to yielding royalties on production from Company lands, such operations result in substantial freight revenue to Union Pacific.

#### OTHER MINERAL DEVELOPMENT

The broadened program of mineral investigations, mentioned in last year's report, which include consideration of Company acquisition and ultimate development of promising mineral properties, was continued in 1966. Examinations of numerous deposits of metallic and non-metallic minerals were conducted in various Western states and a systematic program of uranium exploration was initiated in Wyoming which will include possible joint arrangements for exploration and development of Company lands.

In Colorado, a joint program undertaken during the year for development of a copper property near Summitville is progressing satisfactorily. (See colored photograph on inside of front cover.)

The Buffalo Mine in Oregon, referred to in last year's report, was leased to an independent operator late in the year when silver reserves proved disappointing.

Process development research is continuing in connection with the titaniferous iron ore deposits owned by Union Pacific in Albany County, Wyoming.

#### MINERAL ROYALTIES

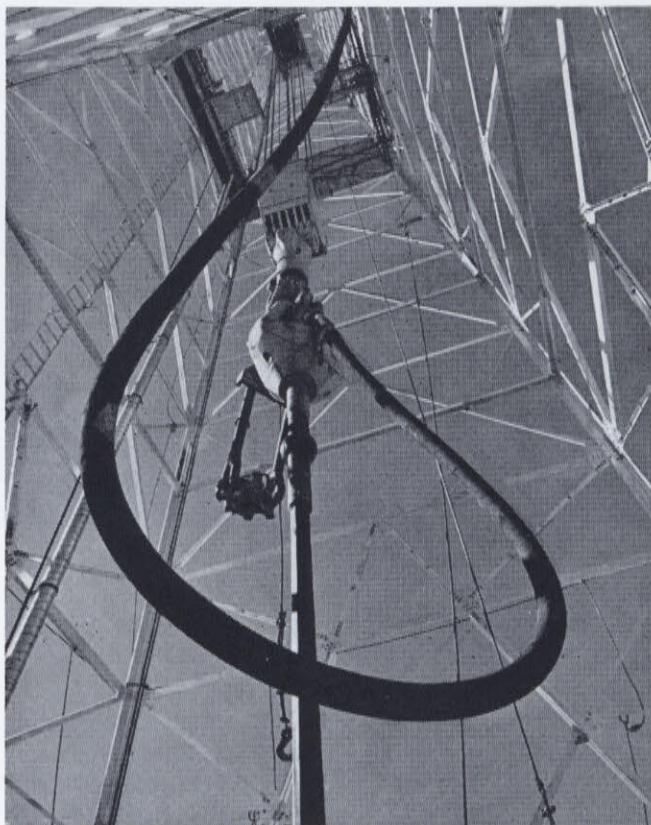
Income from mineral royalties earned by the Company was \$1,165,554 in 1966, a rise of \$132,246 or 12.8 per cent over 1965, as shown below:

	1966	Increase or Decrease vs. 1965
Royalties from:		
Oil and gas .....	\$ 480,467	—\$ 28,758
Trona .....	528,451	+ 122,491
Coal .....	107,265	+ 17,293
Miscellaneous .....	49,371	+ 21,220
Total .....	<u>\$1,165,554</u>	<u>+\$132,246</u>

#### CALNEV PIPE LINE INCOME UP

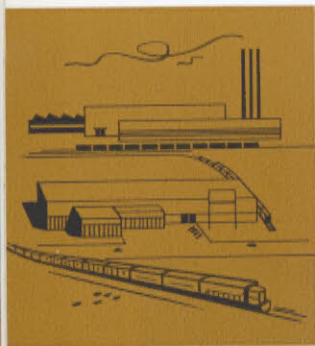
The company's pipe line between Colton, California, and Las Vegas, Nevada, handled a 9.4 per cent greater average daily volume of petroleum products in 1966 than in 1965. Net income rose 14.9 per cent.

To provide for anticipated future growth of deliveries through the pipe line, capacity will be increased by installation of a one-unit pumping station near Cajon Pass, California, to be completed in 1967.



*Rig for drilling deep well in Church Buttes field.*

## Land Division



*Fruehauf Corporation's new plant at Omaha.*

### INDUSTRIAL DEVELOPMENT ADVANCES

Through the Company's wide-spread advertising campaigns and direct contacts, calling attention to the many opportunities and advantages available in the rapidly growing "Union Pacific West," 200 additional industries selected sites in 1966 for new manufacturing plants and other facilities on the Company's line. Some of the major properties involved are briefly described below.

At Omaha, Nebraska, Independent Metal Products Company, a division of Fruehauf Corporation, constructed a \$6 million manufacturing facility, J. L. Brandeis & Sons, Inc. completed a warehouse, costing more than \$2.5 million, and Weyerhaeuser Company is constructing a \$1 million addition to its corrugated paper plant.

Wycon Chemical Company, a subsidiary of Colorado Interstate Gas Company, has constructed a \$5 million anhydrous ammonia plant, as an addition to its facilities west of Cheyenne, Wyoming.

At Kansas City, Kansas, Gustin-Bacon Manufacturing Company has begun construction of a warehouse and distribution center, estimated to cost \$1 million.

At East Denver, Colorado, Samsonite Corporation completed a warehouse, costing \$1.2 million, as the first part of a proposed \$15 million manufacturing and headquarters complex.

Cutter Laboratories is constructing at Ogden, Utah, a \$2 million plant for the manufacture of medical supplies.

At Roberts, Idaho, Golden Valley Packers, Inc. has

completed a meat packing plant, costing \$1 million.

Three potato processing plants were completed in Idaho as follows: At Payne, a \$1,250,000 plant by Idaho Potato Foods, Inc.; at Firth, a \$1,000,000 facility by Idaho Supreme Potatoes, Inc.; and at Rupert, a \$750,000 plant by Magic Valley Foods, Inc.

At Silver King, Idaho, The Bunker Hill Company is enlarging its zinc refining facilities, at an estimated cost of \$1 million.

Idaho Western Mills has almost completed its \$4 million plywood plant at Grangeville, Idaho.

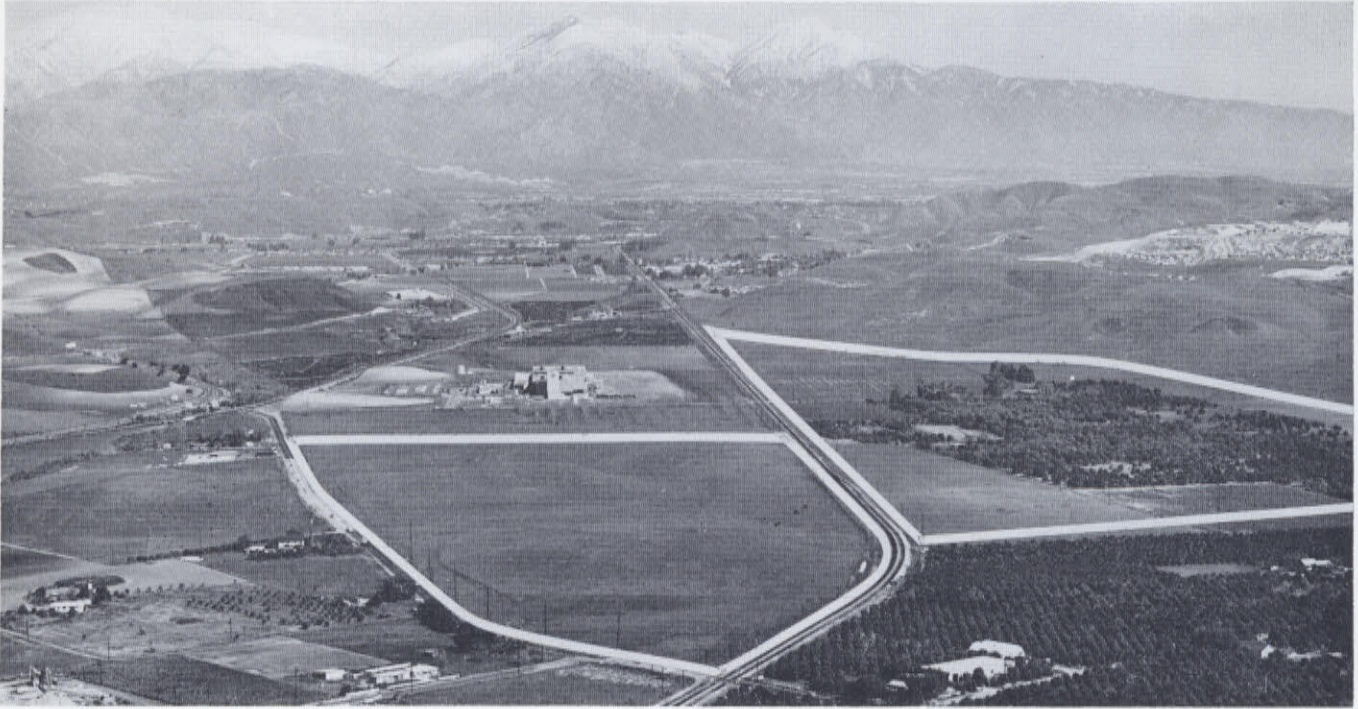
At City of Commerce, California, Pacific Tube Company has begun construction of a steel tubing plant, estimated to cost \$1.6 million.

At Portland, Oregon, the Dwyer Division of Publishers' Paper Company has completed a \$1,750,000 expansion of its plywood plant and sawmill. At the same location, United Pacific Corporation, Centennial Mills Division, has constructed a manufacturing plant for production of wheat starch, gluten and glucose, at a cost of about \$1,500,000.

Brooks-Willamette's \$1 million plant for manufacturing particle board at Bend, Oregon, mentioned in last year's report, was completed during the year.

At Seattle, Washington, Palmer Supply Company is constructing a \$1.2 million plumbing supply warehouse and office building, and Kilsby Tubesupply, a division of Pike Corporation of America, placed in operation a distribution center, costing \$1 million.





*Industrial property recently acquired at Walnut, California.*

At Kent, Washington, a new million-dollar building has been occupied by the Catalog Order Division of Sears, Roebuck & Company. At the same location, D. H. Overmyer Warehouse Company has completed two warehouses, at a cost of \$1 million, and Western Farmers Association has started construction of a poultry processing plant, estimated to cost \$750,000.

Kaiser Aluminum and Chemical Corporation has under way a multi-million dollar expansion program at Tacoma, Washington, designed to double its annual output of aluminum.

Olympia Brewing Company has completed a \$3.5 million expansion and remodeling program at Olympia, Washington.

Weyerhaeuser Company's \$5.5 million expansion of its pulp mill and its construction of a \$1 million acetic acid plant at Cosmopolis, Washington, mentioned in last year's report, were completed during the year. That company also started full production of fine paper and paper board products at its new \$10 million plant at Longview, Washington. At the same location, Reynolds Metals Company is constructing a multi-million dollar aluminum cable facility.

At Vancouver, Washington, Boise Cascade Corporation, Fine Paper Division, has started a plant improvement and equipment program, at an estimated cost of more than \$500,000. The same company is enlarging its container plant at Wallula, Washington.

At Walla Walla, Washington, Sun Glo Producers, Inc.

has completed a \$500,000 facility for sorting, packing and shipping potatoes.

#### **ACQUISITIONS OF INDUSTRIAL PROPERTY**

The policy of extending the Company's holdings of prime industrial property at strategic points was energetically continued in 1966. Substantial acreage was acquired at various locations, including Denver, Colorado; Lincoln, Nebraska; City of Industry, California; Mira Loma, California; Ogden, Utah; Elwood, Kansas; Grandview, Washington; and Boise, Idaho. This acquisition program is essential to the Land Division in fulfilling its primary function of attracting traffic-generating firms to the Company's rails.

#### **LAS VEGAS LAND AND WATER COMPANY**

This subsidiary sold land and improvements in the Los Angeles Harbor District to Koppel Bulk Terminal for storage and distribution of chemicals.







At City of Industry, California, a warehouse and office building were leased to International Harvester Company and similar facilities are being constructed by the company for lease to Western Auto Supply Company. At the same location, Pitman Manufacturing Company, a subsidiary of A. B. Chance Company, has completed a \$500,000 assembly plant for hydraulic equipment and truck bodies, and Challenge-Cook Bros., Inc., manufacturers of heavy equipment, have started construction of a plant, warehouse and office building, costing approximately \$500,000.

PACIFIC OCEAN

C



# UNION PACIFIC RAILROAD

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

*Serves All the West!*

MEXICO



A N A D A

NORTH DAKOTA

SOUTH DAKOTA

MINNESOTA

WISCONSIN

MICHIGAN

IOWA

NEBRASKA

See  
"Nebraska"  
Page  
48

Chicago

CHEYENNE

Gering  
North Platte  
Julesburg

Gibbon  
Kearney

Columbus  
Omaha

DES MOINES  
Council Bluffs

Grand Island

LINCOLN

Marysville

St. Joseph

ILLINOIS

SPRINGFIELD

Laramie

DENVER

LaSalle

Limon

Oakley

Salina

TOPEKA

Kansas City

JEFFERSON CITY

St. Louis

COLORADO

KANSAS

MISSOURI

INDIANA

OHIO

KENTUCKY

TENNESSEE

OKLAHOMA

ARKANSAS

MEXICO

T E X A S

MISSISSIPPI

ALABAMA

LOUISIANA

GULF OF MEXICO

## MISCELLANEOUS MATTERS OF INTEREST

### FREIGHT REVENUE DIVISIONS

As previously reported, Western railroads, including Union Pacific, negotiated a compromise settlement in 1965 with Eastern railroads to terminate the controversy which arose from an I.C.C. order prescribing revised divisions of revenue on transcontinental traffic effective July 1, 1963. Under the terms of the settlement, Eastern railroads withdrew their claim to higher divisions for 1963, 1964 and the first eight months of 1965 and Western lines agreed to increased divisions for such railroads effective September 1, 1965, which were smaller than those prescribed by the I.C.C. order.

In 1966, following compromise settlement with certain Midwestern railroads, Western railroads, including Union Pacific, were instructed by the I.C.C. to include in 1966 income the freight revenue set aside in reserves during the first four months of 1966 for contingent payment to such Midwestern lines, and to credit *retained income* with corresponding amounts applicable to 1963, 1964 and 1965, as shown in analysis of retained income on page 12.

Negotiations for settlement of the divisions with the remaining Midwestern lines were terminated recently, and the case was argued in the Supreme Court of the United States on April 19, 1967. Union Pacific freight revenue withheld from income in 1966 for contingent payment to such railroads was \$1,769,000.

### CENTRAL PACIFIC CASE

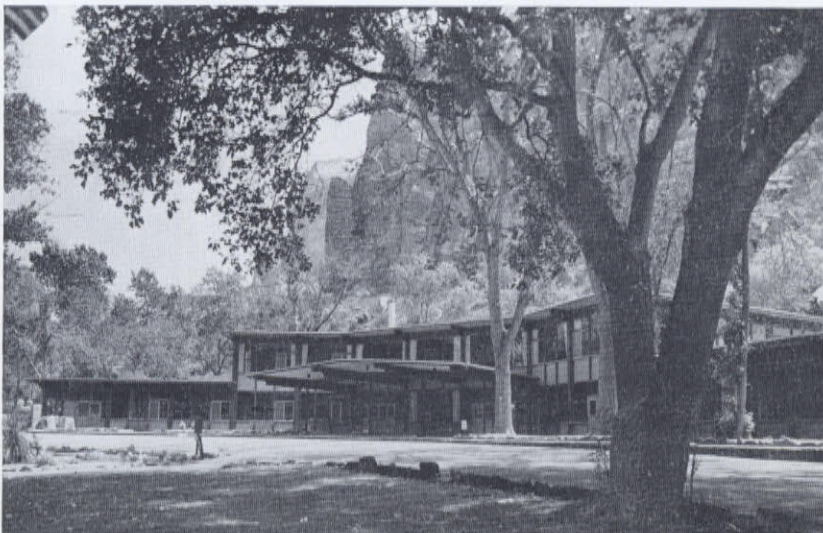
As mentioned in last year's report, the Interstate Commerce Commission, in an order dated January 6, 1966, reversed its previous decision and granted the Denver and Rio Grande's petition for nullification of a condition in the Commission's 1923 order approving Southern Pacific's control of Central Pacific. The condition in question required Southern Pacific to solicit Central Pacific-Union Pacific routing of freight traffic between certain

specified western and eastern territories. On August 22, 1966, Union Pacific and Southern Pacific filed a joint suit before a three-judge Federal District Court at Omaha to have the Commission's order set aside and on September 8, 1966, the I.C.C. granted the companies' joint petition to postpone the effective date of its order of January 6, 1966, until sixty days after final disposition of the court action. A briefing schedule has been filed with and approved by the Court and the case has been set for oral argument on June 2, 1967.

### UNION PACIFIC RAILROAD FOUNDATION

The Foundation completed its eighth year of active interest in community undertakings in areas served by the Union Pacific, with a considerable record of achievement in its program of assistance to organizations devoted to education, health, social welfare, research and cultural activities.

In recent years, particular attention has been focused on the necessity for educational institutions and hospitals to expand and improve their facilities and services in order to meet the demands of population growth and technological advancement. Government has been responsive to the critical needs of public institutions in these fields, as evidenced by the steadily increasing allocation to them of federal, state and local funds. On the other hand, private colleges, universities and hospitals must rely, for the most part, on increased contributions from non-governmental sources to fulfill their obligations to their communities. Thus, as an important part of its over-all program, the Union Pacific Railroad Foundation has directed special efforts toward assisting such private institutions, recognizing that this support represents an extremely worthwhile opportunity to contribute to the preservation of our traditional dual system of public and private educational and hospital facilities.



*Utah Parks Company's new lodge  
at Zion National Park.*



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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, 1966	December 31, 1965	Increase	Decrease
<b>CURRENT ASSETS</b>				
Cash .....	\$ 31,394,275	\$ 35,333,805		\$3,939,530
Temporary cash investments (Table 16) .....	139,634,960	128,900,180	\$ 10,734,780	
Traffic and car-service balances—net .....	15,871,529	16,718,456		846,927
Net balance receivable from agents and conductors .	13,293,212	8,642,235	4,650,977	
Miscellaneous accounts receivable .....	13,577,278	10,528,612	3,048,666	
Interest and dividends receivable .....	2,866,201	1,937,024	929,177	
Accrued accounts receivable .....	34,345,808	31,349,433	2,996,375	
Material and supplies .....	25,687,718	20,253,360	5,434,358	
Other current assets .....	1,349,208	926,891	422,317	
Total Current Assets .....	<u>\$ 278,020,189</u>	<u>\$ 254,589,996</u>	<u>\$ 23,430,193</u>	
<b>INVESTMENTS</b>				
Investments in affiliated companies:				
Stocks (Table 15) .....	\$ 29,473,337	\$ 29,517,251		\$ 43,914
Notes (Table 16) .....	15,232,949	22,140,587		6,907,638
Advances .....	34,112,585	31,671,894	\$ 2,440,691	
Total Investments in Affiliated Companies	<u>\$ 78,818,871</u>	<u>\$ 83,329,732</u>		<u>\$4,510,861</u>
Other investments:				
Stocks (Table 15) .....	\$ 43,573,803	\$ 44,497,303		\$ 923,500
Bonds and notes (Table 16) .....	6,495,959	6,443,712	\$ 52,247	
Total Other Investments .....	<u>\$ 50,069,762</u>	<u>\$ 50,941,015</u>		<u>\$ 871,253</u>
Reserve for adjustment of investments in securities	<u>\$ 18,317,584</u>	<u>\$ 19,130,514</u>		<u>\$ 812,930</u>
Total Investments .....	<u>\$ 110,571,049</u>	<u>\$ 115,140,233</u>		<u>\$4,569,184</u>
<b>PROPERTIES</b>				
Road and equipment property .....	\$1,978,937,584	\$1,808,164,475	\$170,773,109	
Reserves for depreciation and amortization .....	<u>442,344,957</u>	<u>419,693,024</u>	<u>22,651,933</u>	
Transportation property less recorded depreciation and amortization .....	<u>\$1,536,592,627</u>	<u>\$1,388,471,451</u>	<u>\$148,121,176</u>	
Miscellaneous physical property .....	\$ 68,783,228	\$ 56,296,974	\$ 12,486,254	
Reserve for depreciation .....	<u>30,471,993</u>	<u>29,488,757</u>	<u>983,236</u>	
Miscellaneous physical property less recorded de- preciation .....	\$ 38,311,235	\$ 26,808,217	\$ 11,503,018	
Total Properties (less recorded depreciation and amortization) .....	<u>\$1,574,903,862</u>	<u>\$1,415,279,668</u>	<u>\$159,624,194</u>	
<b>OTHER ASSETS AND DEFERRED CHARGES</b>				
Other assets .....	\$ 3,616,713	\$ 3,467,135	\$ 149,578	
Deferred charges .....	4,073,099	2,676,273	1,396,826	
Total Other Assets and Deferred Charges .	<u>\$ 7,689,812</u>	<u>\$ 6,143,408</u>	<u>\$ 1,546,404</u>	
Grand Total .....	<u>\$1,971,184,912</u>	<u>\$1,791,153,305</u>	<u>\$180,031,607</u>	



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

	December 31, 1966	December 31, 1965	Increase	Decrease
<b>CURRENT LIABILITIES</b>				
Audited accounts and wages payable .....	\$ 26,288,587	\$ 20,316,873	\$ 5,971,714	
Miscellaneous accounts payable .....	2,492,602	1,461,701	1,030,901	
Dividends matured unpaid:				
Dividend on common stock payable in January of following year .....	10,093,156	10,093,156		
Dividends due but unclaimed .....	495,964	454,933	41,031	
Unmatured interest accrued .....	1,174,519	1,133,118	41,401	
Accrued accounts payable .....	48,752,992	42,829,241	5,923,751	
Taxes accrued .....	21,903,687	30,652,433		\$8,748,746
Other current liabilities .....	5,290,082	3,709,566	1,580,516	
<b>Total Current Liabilities</b> .....	<u>\$ 116,491,589</u>	<u>\$ 110,651,021</u>	<u>\$ 5,840,568</u>	
<b>EQUIPMENT OBLIGATIONS DUE WITHIN ONE YEAR</b> ....	<u>\$ 17,757,016</u>	<u>\$ 3,525,299</u>	<u>\$ 14,231,717</u>	
<b>FUNDED DEBT (Table 14)</b>				
Bonds .....	\$ 107,978,000	\$ 108,370,000		\$ 392,000
Equipment obligations .....	81,121,744	7,577,836	\$ 73,543,908	
<b>Total Funded Debt</b> .....	<u>\$ 189,099,744</u>	<u>\$ 115,947,836</u>	<u>\$ 73,151,908</u>	
<b>AMOUNTS PAYABLE TO AFFILIATED COMPANIES</b> .....	<u>\$ 10,899,950</u>	<u>\$ 8,052,366</u>	<u>\$ 2,847,584</u>	
<b>RESERVES</b>				
Insurance reserve .....	\$ 27,598,700	\$ 26,713,455	\$ 885,245	
Casualty and other reserves .....	9,296,923	10,105,733		\$ 808,810
<b>Total Reserves</b> .....	<u>\$ 36,895,623</u>	<u>\$ 36,819,188</u>	<u>\$ 76,435</u>	
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>				
Other liabilities .....	\$ 21,478,858	\$ 552,223	\$ 20,926,635	
Unamortized premium on funded debt .....	1,369,403	1,498,279		\$ 128,876
Other deferred credits .....	5,445,566	4,287,881	1,157,685	
<b>Total Other Liabilities and Deferred Credits</b> .....	<u>\$ 28,293,827</u>	<u>\$ 6,338,383</u>	<u>\$ 21,955,444</u>	
<b>STOCKHOLDERS' EQUITY</b>				
Common stock .....	\$ 224,302,350	\$ 224,302,350		
Preferred stock .....	75,038,481	78,345,381		\$3,306,900
<b>Total Capital Stock (Table 13)</b> .....	<u>\$ 299,340,831</u>	<u>\$ 302,647,731</u>		<u>\$3,306,900</u>
Premium on common stock .....	\$ 4,327,919	\$ 4,327,919		
Other capital surplus .....	5,104,090	4,129,454	\$ 974,636	
<b>Total Capital Surplus</b> .....	<u>\$ 9,432,009</u>	<u>\$ 8,457,373</u>	<u>\$ 974,636</u>	
Retained income—appropriated .....	\$ 52,555,426	\$ 51,890,426	\$ 665,000	
Retained income—unappropriated .....	1,170,832,673	1,107,237,893	63,594,780	
<b>Total Retained Income (see page 12)</b> .....	<u>\$1,223,388,099</u>	<u>\$1,159,128,319</u>	<u>\$ 64,259,780</u>	
Consolidation surplus (see Note A) .....	\$ 39,586,224	\$ 39,585,789	\$ 435	
<b>Total Stockholders' Equity</b> .....	<u>\$1,571,747,163</u>	<u>\$1,509,819,212</u>	<u>\$ 61,927,951</u>	
<b>Grand Total</b> .....	<u>\$1,971,184,912</u>	<u>\$1,791,153,305</u>	<u>\$180,031,607</u>	

NOTE A: 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.

NOTE B: 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. As of December 31, 1966, the total amount in the record accounts was approximately \$164,456,000.

NOTE C: In connection with the proposed Union Pacific—Rock Island merger, Union Pacific issued negotiable Certificates of Deposit, representing 2,704,897 Rock Island shares deposited under Union Pacific's exchange offer, which provides (subject to approval of the merger by the I.C.C.) for the exchange for each share of Rock Island stock of (a) one share of a new Union Pacific convertible preferred stock, paying cumulative dividends of \$1.80 annually, plus (b) 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, exceeds the aggregate dividends paid during such period on each share of Rock Island stock.

TABLE 2—INCOME ACCOUNT

	1966	1965	Increase or Decrease
<b>TRANSPORTATION OPERATIONS</b>			
Operating revenues (Table 3) .....	\$589,137,651	\$549,190,146	+ \$39,947,505
Operating expenses (Table 4) .....	425,002,281	403,683,282	+ 21,318,999
Revenues over expenses .....	\$164,135,370	\$145,506,864	+ \$18,628,506
*Railway tax accruals (Table 5) .....	67,140,129	66,383,305	+ 756,824
Railway Operating Income .....	\$ 96,995,241	\$ 79,123,559	+ \$17,871,682
Equipment rents (debit) .....	9,046,809	10,661,191	— 1,614,382
Joint facility rents (debit) .....	1,691,984	1,518,386	+ 173,598
<b>Net Income from Transportation Operations .....</b>	<b>\$ 86,256,448</b>	<b>\$ 66,943,982</b>	<b>+ \$19,312,466</b>
<b>INCOME FROM INVESTMENTS AND OTHER SOURCES</b>			
*Net income from oil and gas operations (see page 19) .....	\$ 13,648,672	\$ 15,485,148	— \$ 1,836,476
Royalties under oil, gas, and other mineral leases .....	1,165,554	1,033,308	+ 132,246
Dividend income (Table 15) .....	3,600,006	4,608,775	— 1,008,769
Interest on bonds and notes owned (Table 16) .....	8,028,093	7,157,837	+ 870,256
Other interest income .....	944,184	892,080	+ 52,104
Rents from lease of road .....	122,367	122,367	—
Miscellaneous rents .....	1,192,648	1,018,699	+ 173,949
Miscellaneous income .....	1,132,767	2,300,549	— 1,167,782
Profits and losses—net (property sales, etc.) .....	2,136,750	935,072	+ 1,201,678
Total .....	\$ 31,971,041	\$ 33,553,835	— \$ 1,582,794
Total Income .....	\$118,227,489	\$100,497,817	+ \$17,729,672
Miscellaneous tax accruals .....	\$ 478,992	\$ 425,482	+ \$ 53,510
Other deductions from income .....	2,280,506	2,837,451	— 556,945
Total deductions from income .....	\$ 2,759,498	\$ 3,262,933	— \$ 503,435
<b>Income available for fixed charges .....</b>	<b>\$115,467,991</b>	<b>\$ 97,234,884</b>	<b>+ \$18,233,107</b>
<b>FIXED CHARGES</b>			
Interest on funded debt .....	\$ 5,614,501	\$ 3,421,225	+ \$ 2,193,276
Other fixed charges .....	61,868	58,293	+ 3,575
Total .....	\$ 5,676,369	\$ 3,479,518	+ \$ 2,196,851
Net income under accounting rules prescribed by I.C.C. ....	\$109,791,622	\$ 93,755,366	+ \$16,036,256
†Reduction necessary to conform accounting for current Federal income taxes to generally accepted accounting principles .....	20,700,000	16,680,000	+ 4,020,000
Net income under generally accepted accounting principles .....	\$ 89,091,622	\$ 77,075,366	+ \$12,016,256
Net income per share of common stock (after preferred dividends):			
Under accounting rules prescribed by I.C.C. ....	\$4.76	\$4.03	+ .73
Under generally accepted accounting principles .....	3.84	3.29	+ .55
<b>DIVIDENDS DECLARED ON UNION PACIFIC RAILROAD CO. STOCK</b>			
On preferred stock .....	\$ 3,052,282	\$ 3,375,560	— \$ 323,278
On common stock (see page 12) .....	44,858,470	40,372,623	+ 4,485,847
Total dividends declared .....	\$ 47,910,752	\$ 43,748,183	+ \$ 4,162,569

\* "Railway tax accruals" include Federal taxes on income from all sources. Such taxes on income from oil and gas operations were approximately \$3,259,500 in 1966 and \$3,809,200 in 1965.

† 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.





TABLE 3 — RAILWAY OPERATING REVENUES

	1966	1965	Increase or Decrease
<b>TRANSPORTATION</b>			
Freight .....	\$522,036,385	\$482,091,741	+ \$39,944,644
Passenger .....	22,970,600	23,618,080	— 647,480
Baggage .....	99,513	111,453	— 11,940
Mail .....	23,225,206	23,670,993	— 445,787
Express .....	3,734,494	3,959,315	— 224,821
Other passenger-train .....	180,467	170,754	+ 9,713
Milk .....	32,385	23,988	+ 8,397
Switching .....	8,455,057	7,846,031	+ 609,026
Other .....	.....	166	— 166
Total .....	<u>\$580,734,107</u>	<u>\$541,492,521</u>	<u>+ \$39,241,586</u>
<b>INCIDENTAL</b>			
Dining and buffet .....	\$ 2,913,663	\$ 2,879,822	+ \$ 33,841
Hotel and restaurant .....	883,659	825,027	+ 58,632
Station, train, and boat privileges .....	79,967	85,186	— 5,219
Demurrage .....	2,162,362	1,513,480	+ 648,882
Communication .....	33,762	39,606	— 5,844
Rents of buildings and other property .....	389,536	433,829	— 44,293
Miscellaneous .....	1,488,092	1,547,205	— 59,113
Total .....	<u>\$ 7,951,041</u>	<u>\$ 7,324,155</u>	<u>+ \$ 626,886</u>
<b>JOINT FACILITY</b>			
Joint facility—credit .....	\$ 559,452	\$ 464,801	+ \$ 94,651
Joint facility—debit .....	106,949	91,331	+ 15,618
Total .....	<u>\$ 452,503</u>	<u>\$ 373,470</u>	<u>+ \$ 79,033</u>
<b>Total Operating Revenues .....</b>	<u><b>\$589,137,651</b></u>	<u><b>\$549,190,146</b></u>	<u><b>+ \$39,947,505</b></u>

TABLE 4 — RAILWAY OPERATING EXPENSES

MAINTENANCE OF WAY AND STRUCTURES

	1966	1965	Increase or Decrease
<b>SUPERVISION</b>			
Superintendence .....	\$ 5,866,361	\$ 5,471,535	+ \$ 394,826
Roadway maintenance .....	\$ 3,653,496	\$ 3,385,396	+ \$ 268,100
Tunnels and subways .....	47,220	28,956	+ 18,264
Bridges, trestles, and culverts .....	1,729,493	1,514,821	+ 214,672
Ties .....	2,094,240	2,973,971	— 879,731
Rails .....	6,883,368	4,846,207	+ 2,037,161
Other track material .....	4,669,504	4,056,421	+ 613,083
<b>ROADWAY AND TRACK</b>			
Ballast .....	1,299,565	1,190,119	+ 109,446
Track laying and surfacing .....	17,597,737	14,775,949	+ 2,821,788
Fences, snowsheds, and signs .....	537,319	481,205	+ 56,114
Communication systems .....	1,228,615	1,155,096	+ 73,519
Signals and interlockers .....	2,999,663	2,499,892	+ 499,771
Removing snow, ice, and sand .....	425,386	602,346	— 176,960
Total .....	<u>\$ 43,165,606</u>	<u>\$ 37,510,379</u>	<u>+ \$ 5,655,227</u>
<b>STRUCTURES</b>			
Station and office buildings .....	\$ 2,276,910	\$ 2,406,393	— \$ 129,483
Roadway buildings .....	375,865	320,732	+ 55,133
Water stations .....	184,401	228,887	— 44,486
Fuel stations .....	145,426	107,122	+ 38,304
Shops and enginehouses .....	1,365,955	1,599,257	— 233,302
Wharves and docks .....	17,465	3,395	+ 14,070
Power plants .....	90,796	81,352	+ 9,444
Power-transmission systems .....	332,355	330,644	— 48,289
Miscellaneous structures .....	22,342	21,222	+ 1,120
Total .....	<u>\$ 4,811,515</u>	<u>\$ 5,149,004</u>	<u>— \$ 337,489</u>
Roadway machines .....	\$ 1,891,449	\$ 1,639,469	+ \$ 251,980
Dismantling retired road property .....	513,182	249,169	+ 264,013
Small tools and supplies .....	2,198,133	1,961,876	+ 236,257
Public improvements—maintenance .....	778,646	643,134	+ 135,512
Injuries to persons .....	668,707	589,595	+ 79,112
Insurance .....	867,995	817,860	+ 50,135
Stationery and printing .....	65,631	79,410	— 13,779
Right-of-way expenses .....	10,009	4,718	+ 5,291
Employees' health and welfare benefits .....	1,795,093	1,586,506	+ 208,587
Other expenses .....	28,950	109,672	— 80,722
Maintaining joint tracks, yards, and other facilities—debit .....	2,818,204	2,843,214	— 25,010
Maintaining joint tracks, yards, and other facilities—credit .....	1,372,930	984,337	+ 388,593
Total .....	<u>\$ 10,263,069</u>	<u>\$ 9,540,286</u>	<u>+ \$ 722,783</u>
<b>DEPRECIATION AND RETIREMENTS</b>			
Road property—depreciation .....	\$ 6,409,764	\$ 6,330,573	+ \$ 79,191
Retirements—road .....	1,692,079	254,129	+ 1,437,950
Total .....	<u>\$ 8,101,843</u>	<u>\$ 6,584,702</u>	<u>+ \$ 1,517,141</u>
<b>Total Maintenance of Way and Structures .....</b>	<u><b>\$ 72,208,394</b></u>	<u><b>\$ 64,255,906</b></u>	<u><b>+ \$ 7,952,488</b></u>
<b>Percentage Ratio to Operating Revenues .....</b>	<u><b>12.26</b></u>	<u><b>11.70</b></u>	<u><b>+ .56</b></u>

TABLE 4—RAILWAY OPERATING EXPENSES (Continued)

		1966	1965	Increase or Decrease
<b>MAINTENANCE OF EQUIPMENT</b>				
<b>SUPERVISION</b>	Superintendence .....	\$ 3,951,605	\$ 3,925,692	+ \$ 25,913
	Locomotives—repairs .....	\$ 24,950,093	\$ 23,584,694	+ \$1,365,399
<b>EQUIPMENT REPAIRS</b>	Freight-train cars—repairs .....	14,062,222	15,126,578	— 1,064,356
	Passenger-train cars—repairs .....	7,468,808	5,893,816	+ 1,574,992
	Work equipment—repairs .....	606,135	644,628	— 38,493
	Miscellaneous equipment—repairs .....	1,253,126	1,106,038	+ 147,088
	Total .....	\$ 48,340,384	\$ 46,355,754	+ \$1,984,630
<b>MISCELLANEOUS</b>	Shop machinery .....	\$ 1,213,063	\$ 1,193,397	+ \$ 19,666
	Power-plant machinery .....	266,198	202,573	+ 63,625
	Dismantling retired equipment .....	479,624	356,434	+ 123,190
	Injuries to persons .....	399,233	302,551	+ 96,682
	Insurance .....	452,089	353,647	+ 98,442
	Stationery and printing .....	73,280	76,929	— 3,649
	Employes' health and welfare benefits .....	2,785,143	2,393,388	+ 391,755
	Other expenses .....	161,809	529,993	— 368,184
	Joint maintenance of equipment expenses—debit .....	579,201	619,579	— 40,378
	Joint maintenance of equipment expenses—credit .....	8,188	13,865	— 5,677
	Total .....	\$ 6,401,452	\$ 6,014,626	+ \$ 386,826
<b>DEPRECIATION AND RETIREMENTS</b>	Equipment—depreciation .....	\$ 43,987,093	\$ 39,215,345	+ \$4,771,748
	Shop and power-plant machinery—depreciation .....	408,664	395,867	+ 12,797
	Retirements—equipment .....	26,208*	86,599*	+ 60,391
	Total .....	\$ 44,369,549	\$ 39,524,613	+ \$4,844,936
	<b>Total Maintenance of Equipment</b> .....	<b>\$103,062,990</b>	<b>\$ 95,820,685</b>	<b>+ \$7,242,305</b>
	<b>Percentage Ratio to Operating Revenues</b> .....	<b>17.49</b>	<b>17.45</b>	<b>+ .04</b>
<b>TRAFFIC</b>				
<b>TRAFFIC PROMOTION</b>	Superintendence .....	\$ 3,110,211	\$ 2,887,272	+ \$ 222,939
	Outside agencies .....	7,922,300	7,807,738	+ 114,562
	Advertising .....	2,321,675	2,912,926	— 591,251
	Traffic associations .....	391,432	327,818	+ 63,614
	Industrial and immigration bureaus .....	478,155	340,931	+ 137,224
	Total .....	\$ 14,223,773	\$ 14,276,685	— \$ 52,912
<b>MISCELLANEOUS</b>	Insurance .....	\$ 25,642	\$ 14,586	+ \$ 11,056
	Stationery and printing .....	375,479	430,396	— 54,917
	Employes' health and welfare benefits .....	328,822	316,330	+ 12,492
	Other expenses .....	475	556	— 81
	Total .....	\$ 730,418	\$ 761,868	— \$ 31,450
	<b>Total Traffic</b> .....	<b>\$ 14,954,191</b>	<b>\$ 15,038,553</b>	<b>— \$ 84,362</b>
	<b>Percentage Ratio to Operating Revenues</b> .....	<b>2.54</b>	<b>2.74</b>	<b>— .20</b>
<b>TRANSPORTATION</b>				
<b>SUPERVISION</b>	Superintendence .....	\$ 7,042,407	\$ 6,246,641	+ \$ 795,766
	Dispatching trains .....	2,576,374	2,548,171	+ 28,203
	Total .....	\$ 9,618,781	\$ 8,794,812	+ \$ 823,969
<b>STATION SERVICE</b>	Station employes .....	\$ 18,949,499	\$ 19,276,680	— \$ 327,181
	Weighing, inspection, and demurrage bureaus .....	513,447	413,333	+ 100,114
	Station supplies and expenses .....	1,778,642	1,689,089	+ 89,553
	Total .....	\$ 21,241,588	\$ 21,379,102	— \$ 137,514

\* Credit.



TABLE 4—RAILWAY OPERATING EXPENSES (Continued)

		1966	1965	Increase or Decrease
TRANSPORTATION (Concluded)				
YARD SERVICE	Yardmasters and yard clerks .....	\$ 9,011,666	\$ 8,446,836	+ \$ 564,830
	Yard conductors and brakemen .....	17,456,390	16,308,147	+ 1,148,243
	Yard switch and signal tenders .....	850,023	898,374	— 48,351
	Yard enginemen .....	7,362,530	7,550,071	— 187,541
	Yard switching fuel .....	979,163	985,260	— 6,097
	Lubricants for yard locomotives .....	248,887	198,846	+ 50,041
	Other supplies for yard locomotives .....	61,484	64,652	— 3,168
	Enginehouse expenses—yard .....	1,913,299	1,883,061	+ 30,238
	Yard supplies and expenses .....	470,320	538,002	— 67,682
	Total .....	\$ 38,353,762	\$ 36,873,249	+ \$1,480,513
TRAIN SERVICE	Train enginemen .....	\$ 21,518,811	\$ 21,200,942	+ \$ 317,869
	Trainmen .....	34,379,930	32,160,067	+ 2,219,863
	Train fuel .....	23,276,912	22,093,938	+ 1,182,974
	Water for train locomotives .....	215,809	213,831	+ 1,978
	Lubricants for train locomotives .....	1,665,230	1,683,943	— 18,713
	Other supplies for train locomotives .....	272,098	272,519	— 421
	Enginehouse expenses—train .....	4,889,634	4,963,497	— 73,863
	Train supplies and expenses .....	18,258,157	18,088,863	+ 169,294
	Operating sleeping cars .....	1,421,986	1,802,207	— 380,221
	Total .....	\$105,898,567	\$102,479,807	+ \$3,418,760
CASUALTIES	Clearing wrecks .....	\$ 546,874	\$ 660,646	— \$ 113,772
	Damage to property .....	193,780	319,799	— 126,019
	Damage to livestock on right-of-way .....	47,971	49,495	— 1,524
	Loss and damage—freight .....	7,838,827	8,491,631	— 652,804
	Loss and damage—baggage .....	7,440	12,087	— 4,647
	Injuries to persons .....	3,871,862	2,795,585	+ 1,076,277
Total .....	\$ 12,506,754	\$ 12,329,243	+ \$ 177,511	
MISCELLANEOUS	Signal and interlocker operation .....	\$ 983,906	\$ 998,328	— \$ 14,422
	Crossing protection .....	507,423	608,482	— 101,059
	Drawbridge operation .....	136,708	140,638	— 3,930
	Communication system operation .....	1,665,452	1,668,952	— 3,500
	Stationery and printing .....	612,436	657,512	— 45,076
	Insurance .....	390,985	258,713	+ 132,272
	Employees' health and welfare benefits .....	4,645,551	4,448,764	+ 196,787
	Other expenses .....	413,426	393,376	+ 20,050
	Operating joint yards and terminals—debit .....	8,557,429	8,688,688	— 131,259
	Operating joint yards and terminals—credit .....	2,508,796	2,700,022	— 191,226
	Operating joint tracks and facilities—debit .....	841,529	842,968	— 1,439
	Operating joint tracks and facilities—credit .....	257,450	247,725	+ 9,725
	Total .....	\$ 15,988,599	\$ 15,758,674	+ \$ 229,925
Total Transportation .....	\$203,608,051	\$197,614,887	+ \$5,993,164	
Percentage Ratio to Operating Revenues .....	34.56	35.98	— 1.42	
MISCELLANEOUS OPERATIONS				
DINING CAR AND HOTEL	Dining and buffet service .....	\$ 5,213,887	\$ 5,179,742	+ \$ 34,145
	Hotels and restaurants .....	972,364	857,341	+ 115,023
	Total .....	\$ 6,186,251	\$ 6,037,083	+ \$ 149,168
MISCELLANEOUS	Producing power sold .....	\$ 16,799	\$ 14,368	+ \$ 2,431
	Other miscellaneous operations .....	3,274	3,832	— 558
	Employees' health and welfare benefits .....	253,656	286,298	— 32,642
	Operating joint miscellaneous facilities—debit .....	3,951	4,332	— 381
	Total .....	\$ 277,680	\$ 308,830	— \$ 31,150
Total Miscellaneous Operations .....	\$ 6,463,931	\$ 6,345,913	+ \$ 118,018	
Percentage Ratio to Operating Revenues .....	1.10	1.16	— .06	

TABLE 4—RAILWAY OPERATING EXPENSES (Concluded)

	GENERAL	1966	1965	Increase or Decrease
ADMINISTRATION	Salaries and expenses of general officers .....	\$ 2,159,908	\$ 1,956,159	+ \$ 203,749
	Salaries and expenses of clerks and attendants .....	11,573,108	11,259,091	+ 314,017
	General office supplies and expenses .....	1,654,031	1,723,293	— 69,262
	Law expenses .....	2,499,471	2,324,600	+ 174,871
	Total .....	\$ 17,886,518	\$ 17,263,143	+ \$ 623,375
MISCELLANEOUS	Insurance .....	\$ 56,693	\$ 39,831	+ \$ 16,862
	Employes' health and welfare benefits .....	669,782	629,894	+ 39,888
	Pensions .....	3,210,745	2,970,819	+ 239,926
	Stationery and printing .....	556,784	658,131	— 101,347
	Other expenses .....	2,033,336	2,691,849	— 658,513
	General joint facilities—debit .....	305,293	363,523	— 58,230
	General joint facilities—credit .....	14,427	9,852	+ 4,575
	Total .....	\$ 6,818,206	\$ 7,344,195	— \$ 525,989
Total General .....	\$ 24,704,724	\$ 24,607,338	+ \$ 97,386	
Percentage Ratio to Operating Revenues .....	4.19	4.48	— .29	
Total Operating Expenses .....	\$425,002,281	\$403,683,282	+ \$21,318,999	
Percentage Ratio to Operating Revenues .....	72.14	73.51	— 1.37	

TABLE 5—TAXES

Railway tax accruals:	1966	1965	Increase or Decrease
Federal:			
Income .....	\$ 24,100,000	\$ 25,700,000	— \$ 1,600,000
Retirement .....	16,515,196	14,055,348	+ 2,459,848
Unemployment insurance .....	5,835,866	6,494,012	— 658,146
Other .....	32,819	28,515	+ 4,304
Total Federal .....	\$ 46,483,881	\$ 46,277,875	+ \$ 206,006
State and county:			
Ad valorem and other property taxes .....	\$ 18,216,943	\$ 17,293,869	+ \$ 923,074
Income and franchise taxes .....	1,150,479	1,271,519	— 121,040
Sales and use taxes .....	1,288,826	1,540,042	— 251,216
Total state and county .....	\$ 20,656,248	\$ 20,105,430	+ \$ 550,818
Total railway tax accruals .....	\$ 67,140,129	\$ 66,383,305	+ \$ 756,824
Taxes on miscellaneous operating property .....	1,798,265	1,814,550	— 16,285
Miscellaneous tax accruals .....	478,992	425,482	+ 53,510
Total taxes charged against income .....	\$ 69,417,386	\$ 68,623,337	+ \$ 794,049
Income taxes charged against retained income .....	2,347,000	5,531,350	— 3,184,350
Grand Total .....	\$ 71,764,386	\$ 74,154,687	— \$ 2,390,301
Taxes per share of common stock .....	\$3.20	\$3.31	— \$.11



TABLE 6—RAILWAY OPERATING STATISTICS

	1966	1965	Increase	Decrease	Per cent
Average miles of road operated .....	9,530.47	9,568.16	.....	37.69	.4
<b>FREIGHT TRAFFIC</b>					
<b>Revenue Freight</b>					
Cars of revenue freight loaded on line .....	885,862	884,768	1,094	.....	.1
Cars of revenue freight received from connections .....	776,070	756,425	19,645	.....	2.6
Total cars of revenue freight handled .....	1,661,932	1,641,193	20,739	.....	1.3
Tons of revenue freight carried .....	67,888,647	64,819,595	3,069,052	.....	4.7
Ton-miles, revenue freight .....	41,766,471,967	38,832,832,432	2,933,639,535	.....	7.6
Average distance hauled per ton (miles) .....	615.22	599.09	16.13	.....	2.7
Average revenue per ton .....	\$7.69	\$7.44	\$.25	.....	3.4
Average revenue per ton-mile (cents) .....	1.250	1.241	.009	.....	.7
Average revenue per train mile .....	\$19.40	\$19.49	.....	\$.09	.5
<b>Revenue and Company Freight</b>					
Tons of all freight carried .....	71,581,449	68,381,332	3,200,117	.....	4.7
Ton-miles, all freight .....	42,888,664,299	39,944,895,854	2,943,768,445	.....	7.4
Gross ton-miles (cars and contents) all freight .....	97,333,052,383	89,582,784,344	7,750,268,039	.....	8.7
Average net ton-miles per mile of road per day .....	12,329	11,436	893	.....	7.8
<b>PASSENGER TRAFFIC</b>					
Revenue passengers carried .....	1,321,680	1,291,151	30,529	.....	2.4
Revenue passengers carried one mile .....	998,076,065	1,012,698,971	.....	14,622,906	1.4
Average journey per passenger (miles) .....	755.16	784.34	.....	29.18	3.7
Average revenue per passenger-mile (cents) .....	2.301	2.332	.....	.031	1.3
Average revenue per train mile—passengers only .....	\$3.08	\$3.16	.....	\$.08	2.5
Average total revenue per train mile .....	\$6.28	\$5.99	.....	\$.29	4.8
<b>TRAIN AND CAR STATISTICS</b>					
<b>Freight</b>					
Train miles—Ordinary .....	26,744,012	24,542,296	2,201,716	.....	9.0
Light (locomotive with caboose) .....	170,131	190,957	.....	20,826	10.9
Total .....	26,914,143	24,733,253	2,180,890	.....	8.8
Train hours .....	870,359	836,305	34,054	.....	4.1
Locomotive miles .....	28,704,161	26,378,573	2,325,588	.....	8.8
Car miles in freight trains:					
Freight cars—Loaded .....	1,222,792,293	1,175,670,125	47,122,168	.....	4.0
Freight cars—Empty .....	750,761,327	667,045,898	83,715,429	.....	12.6
Caboose .....	26,644,990	24,524,978	2,120,012	.....	8.6
Passenger-train cars .....	7,692,277	6,771,649	920,628	.....	13.6
Total car miles .....	2,007,890,887	1,874,012,650	133,878,237	.....	7.1
Average freight-train speed—miles per hour .....	30.92	29.57	1.35	.....	4.6
Average tons per loaded car mile—all freight .....	35.05	33.93	1.12	.....	3.3
Average car miles per freight-train mile .....	73.79	75.08	.....	1.29	1.7
Percentage of loaded to total freight-carrying car miles .....	61.96	63.80	.....	1.84	2.9
Average net tons per train mile—all freight .....	1,603.62	1,627.39	.....	23.77	1.5
Average gross tons per train mile .....	3,639.43	3,650.14	.....	10.71	.3
Average gross ton-miles per train hour .....	111,831	107,117	4,714	.....	4.4
<b>Passenger</b>					
Train miles—Passenger .....	7,454,795	7,466,251	.....	11,456	.2
Mail and express .....	1,016,178	1,625,611	.....	609,433	37.5
Total .....	8,470,973	9,091,862	.....	620,889	6.8
Train hours .....	162,774	176,547	.....	13,773	7.8
Locomotive miles .....	8,506,648	9,129,900	.....	623,252	6.8
Car miles in passenger trains:					
Passenger-carrying cars .....	60,277,431	62,936,619	.....	2,659,188	4.2
Other passenger-train cars .....	66,819,317	70,630,284	.....	3,810,967	5.4
Freight-train cars .....	887,086	1,556,829	.....	669,743	43.0
Total car miles .....	127,983,834	135,123,732	.....	7,139,898	5.3
Average passenger-train speed—miles per hour .....	52.04	51.50	.54	.....	1.0
Average car miles per passenger-train mile .....	15.11	14.86	.25	.....	1.7
Average passengers per train mile .....	133.88	135.64	.....	1.76	1.3
Average passengers per passenger-carrying car mile .....	17.83	17.33	.50	.....	2.9

TABLE 7—FREIGHT TRAFFIC BY COMMODITIES

Commodity	TONS				GROSS FREIGHT REVENUE			
	1966	Per Cent of Total	1965	Per Cent of Total	1966	Per Cent of Total	1965	Per Cent of Total
<b>FARM PRODUCTS</b>								
Wheat .....	4,736,495	6.98	4,364,832	6.73	\$ 23,662,281	4.43	\$ 21,548,450	4.30
Corn .....	1,854,204	2.73	1,235,565	1.91	7,547,372	1.41	5,730,627	1.14
Sugar beets .....	3,151,237	4.64	3,666,347	5.66	2,979,367	.56	3,416,003	.68
Potatoes, other than sweet .....	1,134,201	1.67	922,888	1.42	15,267,087	2.86	11,544,146	2.31
Other field crops .....	1,708,409	2.52	1,203,916	1.86	7,753,027	1.45	6,048,687	1.21
Fresh fruits and tree nuts .....	783,494	1.15	684,636	1.06	9,931,163	1.86	9,222,314	1.84
Fresh vegetables .....	1,325,141	1.95	1,142,994	1.76	15,345,107	2.87	13,558,867	2.71
Livestock .....	354,033	.52	354,523	.55	7,316,038	1.37	7,346,546	1.47
Other farm products .....	746,504	1.10	755,024	1.16	2,488,245	.46	2,471,164	.49
Total .....	15,793,718	23.26	14,330,725	22.11	\$ 92,289,687	17.27	\$ 80,886,804	16.15
<b>METALLIC ORES AND COAL</b>								
Iron ores .....	3,966,748	5.84	4,123,129	6.36	\$ 11,559,532	2.16	\$ 11,668,960	2.33
Other metallic ores .....	1,180,957	1.74	1,183,900	1.83	5,013,571	.94	4,774,289	.95
Coal .....	4,158,515	6.13	4,718,459	7.28	12,019,054	2.25	14,043,140	2.80
Total .....	9,306,220	13.71	10,025,488	15.47	\$ 28,592,157	5.35	\$ 30,486,389	6.08
<b>NONMETALLIC MINERALS</b>								
Crushed and broken stone .....	914,108	1.35	1,043,010	1.61	\$ 2,362,135	.44	\$ 2,831,476	.57
Sand and gravel .....	1,151,031	1.69	1,199,522	1.85	1,866,600	.35	1,860,474	.37
Chemical and fertilizer minerals .....	3,062,706	4.51	2,791,720	4.31	3,738,010	.70	3,027,834	.60
Other nonmetallic minerals .....	644,171	.95	609,087	.94	3,053,512	.57	3,005,612	.60
Total .....	5,772,016	8.50	5,643,339	8.71	\$ 11,020,257	2.06	\$ 10,725,396	2.14
<b>LUMBER, WOOD PRODUCTS, FURNITURE AND FIXTURES</b>								
Lumber .....	4,554,152	6.71	4,494,247	6.93	\$ 49,234,625	9.21	\$ 48,809,691	9.74
Pulpwood chips .....	1,423,242	2.10	1,244,624	1.92	3,365,173	.63	2,863,942	.57
Veneer and plywood .....	1,925,781	2.84	1,974,759	3.05	18,472,555	3.46	18,711,285	3.74
Other lumber and wood products .....	1,122,490	1.65	1,097,687	1.69	8,582,619	1.60	7,444,558	1.49
Furniture and fixtures .....	119,073	.17	98,234	.15	4,473,728	.84	3,706,393	.74
Total .....	9,144,738	13.47	8,909,551	13.74	\$ 84,128,700	15.74	\$ 81,535,869	16.28
<b>MISCELLANEOUS</b>								
Food and kindred products .....	7,542,036	11.11	7,168,464	11.06	\$ 69,775,002	13.06	\$ 67,435,079	13.46
Pulp, paper, and allied products .....	1,923,563	2.83	1,705,910	2.63	21,973,167	4.11	20,067,705	4.01
Chemicals and allied products .....	4,684,272	6.90	4,085,583	6.30	42,289,336	7.91	37,206,686	7.43
Petroleum and coal products .....	986,019	1.45	958,806	1.48	6,172,492	1.15	6,105,970	1.22
Stone, clay, and glass products .....	3,653,066	5.38	3,685,197	5.69	17,463,165	3.27	17,863,477	3.57
Primary metal products .....	3,702,135	5.45	3,435,737	5.30	38,571,897	7.22	34,736,473	6.93
Fabricated metal products .....	615,939	.91	474,277	.73	10,998,012	2.06	8,988,559	1.79
Machinery, equipment, and supplies .....	774,093	1.14	635,819	.98	21,664,802	4.05	18,907,154	3.77
Transportation equipment .....	1,086,126	1.60	1,077,422	1.66	27,771,120	5.20	27,360,109	5.46
Ordnance and accessories .....	384,455	.57	242,618	.38	10,780,754	2.02	6,902,200	1.38
Other miscellaneous .....	1,969,697	2.90	1,770,495	2.73	34,405,652	6.44	29,583,966	5.91
Total .....	27,321,401	40.24	25,240,328	38.94	\$301,865,399	56.49	\$275,157,378	54.93
Forwarder Traffic .....	526,791	.78	579,725	.89	\$ 15,464,686	2.89	\$ 18,389,627	3.67
Total Carload Freight .....	67,864,884	99.96	64,729,156	99.86	\$533,360,886	99.80	\$497,181,463	99.25
All less than carload freight .....	23,763	.04	90,439	.14	1,056,585	.20	3,755,376	.75
Total All Commodities .....	67,888,647	100.00	64,819,595	100.00	\$534,417,471	100.00	\$500,936,839	100.00

NOTE: Total gross freight revenue shown above exceeds freight revenue reported in Table 3 for 1966 and 1965 by \$12,381,086 and \$18,845,098, respectively. Differences in both years include absorbed switching and drayage charges, adjustments of prior settlements with foreign lines, and other allowances, deducted from revenue but not classified by commodities. In addition, the differences include \$1,769,000 for 1966 and \$3,355,000 for 1965, representing amounts withheld from freight revenue and set aside in reserves, in connection with disputed freight revenue divisions on transcontinental traffic (see page 26).



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 .....	\$ 419,431	\$ 165,835	\$ 253,596
Land for transportation purposes .....	127,649	250,900	123,251
Other right-of-way expenditures .....	35,573	24,841*	60,414
Grading .....	2,085,457	1,120,867	964,590
Bridges, trestles, and culverts .....	1,715,817	488,618	1,227,199
Ties .....	419,028	203,040	215,988
Rails .....	799,155	457,928	341,227
Other track material .....	1,380,201	333,945	1,046,256
Ballast .....	199,962	26,221	173,741
Track laying and surfacing .....	534,687	154,131	380,556
Fences, snowsheds, and signs .....	24,318	20,364	3,954
Station and office buildings .....	1,053,218	1,280,756	227,538
Roadway buildings .....	51,114	145,841	94,727
Water stations .....	3,403	39,321	35,918
Fuel stations .....	12,559	3,050*	15,609
Shops and enginehouses .....	331,884	57,209	274,675
Communication systems .....	236,564	282,209	45,645
Signals and interlockers .....	837,051	421,544	415,507
Power plants .....	4,695	475	4,220
Power-transmission systems .....	29,792	32,578	2,786
Miscellaneous structures .....	864	18,091	17,227
Roadway machines .....	217,081	91,561	125,520
Roadway small tools .....	.....	364	364
Public improvements—Construction .....	213,228	38,095	175,133
Other expenditures—Road .....	.....	7	7
Shop machinery .....	385,046	189,788	195,258
Power-plant machinery .....	65,192	17,571	47,621
<b>Total expenditures for road .....</b>	<b>\$ 11,182,969</b>	<b>\$ 5,809,368</b>	<b>\$ 5,373,601</b>
Other locomotives .....	\$ 43,695,508	\$11,001,690	\$ 32,693,818
Freight-train cars .....	140,834,529	15,575,827	125,258,702
Passenger-train cars .....	1,458,404	895,453	562,951
Work equipment .....	627,546	160,180	467,366
Miscellaneous equipment .....	4,739,621	822,358	3,917,263
<b>Total expenditures for equipment .....</b>	<b>\$191,355,608</b>	<b>\$28,455,508</b>	<b>\$162,900,100</b>
<b>General expenditures .....</b>	<b>\$ 25</b>	<b>\$ 749,601</b>	<b>\$ 749,576</b>
Construction work in progress .....	\$ 5,390,240	\$ 2,141,256	\$ 3,248,984
<b>Grand Total .....</b>	<b>\$207,928,842</b>	<b>\$37,155,733</b>	<b>\$170,773,109</b>

\* Debit adjustment.

TABLE 9—RAILWAY EQUIPMENT OWNED

	Owned at Beginning of Year	Acquired		Total Acquired	Retired	Owned at Close of Year
		Purchased or Built	Rebuilt or Converted			
<b>LOCOMOTIVES</b>						
<b>Diesel</b>						
Freight units .....	838	103	....	103	35	906
Passenger units .....	115	....	....	....	....	115
Freight-Passenger units .....	10	....	....	....	....	10
Road-Switch .....	39	....	....	....	....	39
Switch .....	262	....	....	....	2	260
Diesel units leased to Rock Island .....	....	57	....	57	....	57
<b>Total Diesel</b> .....	<u>1,264</u>	<u>160</u>	<u>....</u>	<u>160</u>	<u>37</u>	<u>1,387</u>
<b>Gas-Turbine</b> .....	<u>31</u>	<u>....</u>	<u>....</u>	<u>....</u>	<u>....</u>	<u>31</u>
<b>FREIGHT-TRAIN CARS</b>						
Box .....	28,881	4,177	....	4,177	2,744	30,314
Gondola .....	5,983	625	....	625	73	6,535
Hopper—Covered .....	4,395	550	....	550	8	4,937
Hopper—Open Top .....	8,059	700	2	702	16	8,745
Refrigerator—Mechanical* .....	1,744	1,000	....	1,000	14	2,730
Flat† .....	3,675	755	....	755	162	4,268
Stock .....	2,564	....	....	....	95	2,469
Tank .....	1,234	....	....	....	6	1,228
Caboose .....	659	....	....	....	21	638
Freight-train cars leased to Rock Island .....	....	722	....	722	....	722
<b>Total Freight-Train Cars</b> .....	<u>57,194</u>	<u>8,529</u>	<u>2</u>	<u>8,531</u>	<u>3,139</u>	<u>62,586</u>
<b>PASSENGER-TRAIN CARS</b>						
Postal .....	205	....	....	....	....	205
Baggage .....	205	....	....	....	15	190
Baggage-combination .....	59	....	....	....	....	59
Coach .....	256	10	....	10	3	263
Sleeping .....	151	....	....	....	1	150
Dining and Lunch Counter-Cafe .....	68	....	....	....	1	67
Club and Lounge .....	36	....	....	....	....	36
Auxiliary steam generator .....	2	....	....	....	....	2
<b>Total Passenger-Train Cars</b> .....	<u>982</u>	<u>10</u>	<u>....</u>	<u>10</u>	<u>20</u>	<u>972</u>
<b>WORK EQUIPMENT</b>						
Business .....	20	....	....	....	1	19
Instruction .....	11	....	....	....	....	11
Roadway .....	687	....	50	50	10	727
Boarding .....	1,143	7	20	27	12	1,158
Tool .....	438	....	5	5	1	442
Miscellaneous .....	602	4	1	5	15	592
Work equipment leased to Rock Island .....	....	6	....	6	....	6
<b>Total Work Equipment Units</b> .....	<u>2,901</u>	<u>17</u>	<u>76</u>	<u>93</u>	<u>39</u>	<u>2,955</u>

\* Leased to Pacific Fruit Express Co.

† Includes cars leased to Pacific Fruit Express Co.: 474 at beginning of year and 597 at close of year.





**TABLE 10—TRACK MILEAGE**

	Miles of Road	Miles of Additional Main Track	Miles of Yard Tracks and Sidings
Wholly owned .....	8,820.22	1,307.35	4,136.61
Owned jointly with other companies .....	90.74	2.00	212.79
Total owned .....	8,910.96	1,309.35	4,349.40
Owned but not operated .....	60.36	1.70	43.44
Total owned and operated .....	8,850.60	1,307.65	4,305.96
Operated but not owned:			
Trackage rights granted by other companies .....	637.67	259.71	504.71
Operated under lease or contract .....	1.30	.....	6.81
Total operated at close of year .....	9,489.57	1,567.36	4,817.48
Total operated at beginning of year .....	9,554.38	1,567.77	4,817.38
Increase or decrease during year .....	- 64.81*	- .41	+ .10
<hr/>			
Average mileage operated during year .....	9,530.47	1,567.74	4,819.75
Mileage maintained at close of year .....	8,714.66	1,306.44	4,151.62
Average mileage maintained during year .....	8,755.55	1,306.82	4,147.31

\* Principally retirement of Grass Valley Branch in Oregon.

**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 .....	351.39	3.70	111.15	7.09	556.36	11.55
Colorado .....	606.82	6.39	14.28	.91	304.82	6.33
Idaho .....	1,982.92	20.90	103.92	6.63	752.62	15.62
Iowa .....	2.25	.02	2.25	.14	86.51	1.80
Kansas .....	1,033.34	10.89	68.93	4.40	465.05	9.65
Missouri .....	1.98	.02	1.54	.10	17.98	.37
Montana .....	142.61	1.50	.75	.05	45.99	.95
Nebraska .....	1,323.32	13.95	466.84	29.78	619.17	12.85
Nevada .....	366.85	3.87	.....	.....	150.64	3.13
Oregon .....	1,060.52	11.18	37.33	2.38	475.95	9.88
Utah .....	807.77	8.51	104.94	6.70	452.07	9.38
Washington .....	1,021.96	10.77	147.33	9.40	456.06	9.47
Wyoming .....	787.84	8.30	508.10	32.42	434.26	9.02
Total .....	9,489.57	100.00	1,567.36	100.00	4,817.48	100.00

TABLE 12—SUMMARY OF INCOME AND

Transportation Operations			
	1966	1965(a)	1964(a)
<b>OPERATING REVENUES</b>			
Freight .....	\$522,036,385	\$482,091,741	\$461,718,186
Passenger .....	22,970,600	23,618,080	24,325,277
Other .....	44,130,666	43,480,325	43,035,730
Total operating revenues .....	\$589,137,651	\$549,190,146	\$529,079,193
<b>OPERATING EXPENSES</b>			
Maintenance of way and structures .....	\$ 72,208,394	\$ 64,255,906	\$ 59,556,550
Maintenance of equipment .....	103,062,990	95,820,685	100,284,822
Transportation .....	203,608,051	197,614,887	190,713,887
Other .....	46,122,846	45,991,804	44,636,627
Total operating expenses .....	\$425,002,281	\$403,683,282	\$395,191,886
Operating ratio (per cent—operating expenses of operating revenues) .....	72.14	73.51	74.69
<b>RAILWAY TAX ACCRUALS</b>			
Federal income .....	\$ 24,100,000	\$ 25,700,000	\$ 23,300,000
Other Federal .....	22,383,881	20,577,875	19,702,370
State and county .....	20,656,248	20,105,430	20,033,971
Total railway tax accruals .....	\$ 67,140,129	\$ 66,383,305	\$ 63,036,341
Equipment and joint facility rents—net charge .....	\$ 10,738,793	\$ 12,179,577	\$ 17,382,748
Net income from transportation operations .....	\$ 86,256,448	\$ 66,943,982	\$ 53,468,218
<b>Income from Investments and Other Sources</b>			
Net income from oil and gas operations (b) .....	13,648,672	15,485,148	18,524,209
Other income .....	16,185,619	17,133,615	18,302,396
Profits and losses—net (property sales, etc.) .....	2,136,750	935,072	2,514,419
Total income .....	\$118,227,489	\$100,497,817	\$ 92,809,242
Miscellaneous deductions from income .....	2,759,498	3,262,933	3,631,715
Income available for fixed charges .....	\$115,467,991	\$ 97,234,884	\$ 89,177,527
<b>Fixed Charges</b>			
Total fixed charges .....	5,676,369	3,479,518	3,713,884
Net income under accounting rules prescribed by I.C.C. .....	\$109,791,622	\$ 93,755,366	\$ 85,463,643
Net income per share of common stock outstanding December 31st:			
Under accounting rules prescribed by I.C.C. ....	\$4.76	\$4.03	\$3.64
Under generally accepted accounting principles(c) .....	3.84	3.29	2.98
Dividends declared on preferred stock .....	\$ 3,052,282	\$ 3,375,560	\$ 3,841,884
Dividends declared on common stock .....	44,858,470	40,372,623	39,251,161
Common dividends declared per share .....	\$2.00	\$1.80	\$1.75
<b>Statistics</b>			
Freight train miles (excluding "light" trains—locomotive and caboose only) ..	26,744,012	24,542,296	24,625,868
Ton-miles of revenue freight carried (thousands) .....	41,766,472	38,832,832	36,921,477
Average revenue per ton-mile (cents) .....	1.250	1.241	1.251
Average distance hauled per ton (miles) .....	615.22	599.09	587.53
Average net tons per train mile—all freight .....	1,603.62	1,627.39	1,540.81
Average gross ton-miles per train hour .....	111,831	107,117	104,226
Passenger train miles (excluding mail and express) .....	7,454,795	7,466,251	7,727,821
Revenue passengers carried one mile (thousands) .....	998,076	1,012,699	1,055,943
Average revenue per passenger-mile (cents) .....	2.301	2.332	2.304
Average number of employes .....	32,935	33,045	33,891
Total wages paid .....	\$248,079,767	\$243,453,468	\$234,137,646
Wages and fringe benefits charged to expenses, per share of common stock ...	\$11.05	\$10.76	\$10.44
Other expenses, per share of common stock .....	7.90	7.24	7.18
U.P.R.R. Co. preferred stock—shares outstanding December 31st .....	7,500,000	7,830,310	9,265,610
U.P.R.R. Co. common stock—shares outstanding December 31st .....	22,429,235	22,429,235	22,429,235
Number of U.P.R.R. Co. Stockholders December 31st .....	102,837	100,736	98,761

(a) Under I.C.C. accounting orders in connection with compromise settlements of Transcontinental Divisions cases pertaining to Eastern and certain Midwestern railroads, retained income was credited in 1965 and 1966 with freight revenue withheld from income in prior years for contingent payment to such railroads, plus contingent interest payable thereon, less applicable Federal income taxes. Tabulation below shows details of total credits to retained income in such years, and what net income for 1965, 1964 and 1963 would have been if all such amounts had been included in income in the respective years:

	1965	1964	1963
Freight revenue withheld from income .....	\$ 1,702,000	\$ 9,074,000	\$ 4,503,000
Contingent interest payable .....	107,900	240,400	20,700
Applicable Federal income taxes .....	868,800	4,657,250	2,352,300
Net credits to retained income in 1965 and 1966 .....	\$ 941,100	\$ 4,657,150	\$ 2,171,400
Net income under I.C.C. accounting rules, as reported .....	93,755,366	85,463,643	84,221,707
Net income under I.C.C. accounting rules, as it would have been .....	\$94,696,466	\$90,120,793	\$86,393,107
Net income per share of common stock, as it would have been:			
Under I.C.C. accounting rules .....	\$4.07	\$3.85	\$3.67
Under generally accepted accounting principles .....	3.33	3.19	2.99



SELECTED STATISTICS FOR LAST TEN YEARS

1963(a)	1962	1961	1960	1959	1958	1957
\$452,408,084	\$442,509,460	\$432,656,039	\$428,271,329	\$449,037,095	\$440,671,942	\$452,889,155
24,920,210	27,516,029	26,577,395	27,519,034	27,929,586	27,931,280	28,047,383
41,776,185	42,099,426	40,091,014	38,394,101	38,800,752	36,611,969	36,123,564
<u>\$519,104,479</u>	<u>\$512,124,915</u>	<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>
\$ 57,054,399	\$ 57,076,553	\$ 54,867,529	\$ 52,513,678	\$ 60,276,353	\$ 61,670,102	\$ 66,786,261
94,237,116	91,986,503	90,721,127	89,360,481	94,554,428	93,302,139	95,484,961
177,989,972	178,371,874	174,047,033	176,168,400	180,844,539	174,504,919	178,843,172
42,850,053	42,722,171	41,163,124	41,698,477	43,066,483	41,780,785	41,240,323
<u>\$372,131,540</u>	<u>\$370,157,101</u>	<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>
71.69	72.28	72.26	72.79	73.43	73.49	73.95
\$ 38,100,000	\$ 35,600,000	\$ 50,131,264	\$ 43,092,694	\$ 38,528,677	\$ 34,800,000	\$ 38,800,000
18,526,590	18,611,804	17,346,449	18,678,574	18,330,304	15,473,903	15,799,677
18,253,611	19,257,475	19,133,076	18,264,000	20,076,000	19,530,000	19,090,000
<u>\$ 74,880,201</u>	<u>\$ 73,469,279</u>	<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>
\$ 20,981,013	\$ 21,723,207	\$ 20,732,235	\$ 22,265,560	\$ 23,262,674	\$ 20,692,259	\$ 22,197,684
\$ 51,111,725	\$ 46,775,328	\$ 31,182,611	\$ 32,142,600	\$ 36,827,975	\$ 43,461,084	\$ 38,818,024
21,542,808	23,888,982	26,030,815	22,098,416	19,347,089	24,566,034	29,097,113
16,067,088	14,307,640	13,725,045	14,947,620	13,526,160	14,694,740	15,383,756
1,140,397	1,067,766	2,442,946	3,038,229	1,501,996	1,075,133	410,998
<u>\$ 89,862,018</u>	<u>\$ 86,039,716</u>	<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>
1,858,969	395,852	983,664	503,662	558,987	524,623	517,349
\$ 88,003,049	\$ 85,643,864	\$ 72,397,753	\$ 71,723,203	\$ 70,644,233	\$ 83,272,368	\$ 83,192,542
3,781,342	3,153,738	3,011,628	4,065,156	4,429,554	4,485,409	4,533,768
<u>\$ 84,221,707</u>	<u>\$ 82,490,126</u>	<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>
\$3.58	\$3.50	\$2.92	\$2.84	\$2.77	\$3.34	\$3.36
2.90	2.88	2.78	2.62	2.42	2.78	2.77
\$ 3,981,724	\$ 3,981,724	\$ 3,981,724	\$ 3,981,724	\$ 3,981,724	\$ 3,981,724	\$ 3,981,724
33,643,853	35,886,776	35,886,776	35,886,776	35,886,776	35,706,655	35,566,560
\$1.50	\$1.60	\$1.60	\$1.60	\$1.60	(d)	\$1.60
23,956,252	23,745,464	23,493,295	23,237,229	25,639,585	24,462,007	25,945,041
35,076,458	33,187,576	32,408,549	31,532,831	32,874,828	31,681,958	33,924,603
1,290	1,333	1,335	1,358	1,366	1,391	1,335
585.41	582.31	578.74	565.61	591.30	585.99	594.76
1,507.66	1,448.62	1,418.22	1,401.31	1,322.47	1,339.52	1,358.31
98,633	94,814	93,512	92,120	88,263	85,653	83,742
7,991,661	8,214,709	8,166,187	8,934,395	9,331,086	9,824,143	10,211,060
1,068,517	1,173,616	1,149,737	1,232,604	1,242,182	1,234,134	1,236,427
2,332	2,345	2,312	2,233	2,248	2,263	2,268
34,361	34,861	34,886	37,589	40,565	41,780	45,729
<u>\$228,200,827</u>	<u>\$227,575,481</u>	<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>
\$10.00	\$9.98	\$9.73	\$9.96	\$10.54	\$10.47	\$10.69
6.59	6.52	6.36	6.08	6.35	6.08	6.51
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	22,429,235	22,429,235	22,229,100
99,119	102,073	99,624	96,884	87,705	82,023	72,211

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

(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.

TABLE 13—CAPITAL STOCK OUTSTANDING

Company and Class of Stock	Par Value of Capital Stock Outstanding December 31, 1966		
	Common	Preferred	Total
<b>UNION PACIFIC RAILROAD CO.</b>			
Common Stock (par value \$10 per share) .....	\$224,292,350	.....	\$224,292,350
Preferred Stock (par value \$10 per share) .....	.....	\$75,000,000*	75,000,000
Total .....	\$224,292,350	\$75,000,000	\$299,292,350
<b>THE ST. JOSEPH AND GRAND ISLAND RAILWAY CO. (See Note)</b>			
Common Stock (par value \$100 per share) .....	\$ 10,000	.....	\$ 10,000
First Preferred Stock (par value \$100 per share) .....	.....	\$ 32,010	32,010
Second Preferred Stock (par value \$100 per share) .....	.....	6,471	6,471
Total .....	\$ 10,000	\$ 38,481	\$ 48,481
Grand Total .....	\$224,302,350	\$75,038,481	\$299,340,831

\* Decrease of \$3,303,100 par value compared with December 31, 1965, representing preferred shares reacquired in 1966.  
NOTE: Par value (\$100 per share) of capital stocks owned within the System are shown below:

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 .....	5,467,390	—
“ Second Preferred Stock .....	3,493,530	—
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, 1966	Increase or Decrease vs. Dec. 31, 1965	Year 1966	Increase or Decrease vs. Year 1965
<b>UNION PACIFIC RAILROAD CO.</b>							
Refunding Mortgage 2½% Bonds, Series C .....	Mar. 1, 1946	Mar. 1, 1991	Mar. & Sept.	\$ 66,409,000	—\$ 201,000	\$1,660,754	—\$ 19,644
Thirty Year 2⅞% Debenture Bonds .....	Feb. 1, 1946	Feb. 1, 1976	Feb. & Aug.	41,569,000	— 191,000	1,196,765	— 7,599
Total Bonds .....				\$107,978,000	—\$ 392,000	\$2,857,519	—\$ 27,243
Equipment Purchase Agreement, 4¾% .....	Jun. 1, 1962	1967 to 1970	Semi-Annually	\$ 5,673,552	—\$ 1,621,015	\$ 278,612	—\$ 66,867
Equipment Purchase Agreements, 4.15% .....	Sept. 1, 1962	1967	Semi-Annually	1,904,284	— 1,904,284	111,956	— 79,028
Equipment Purchase Agreements, 5% .....	Jan. 1, 1966	1967 to 1973	Semi-Annually	45,407,188	+ 45,407,188	1,409,179	+ 1,409,179
Equipment Purchase Agreements, 5.2% .....	Mar. 1, 1966	1967 to 1971	Quarterly	26,597,462	+ 26,597,462	847,909	+ 847,909
Equipment Purchase Agreements, 5⅞% .....	Jul. 1, 1966	1973 to 1981	Semi-Annually	12,619,030	+ 12,619,030	77,037	+ 77,037
Equipment Purchase Agreements, 5¾%—6% ....	Sept. 1, 1966	1967 to 1971	Quarterly	6,677,244	+ 6,677,244	32,289	+ 32,289
Total Equipment Purchase Agreements .....				\$ 98,878,760	+\$87,775,625	\$2,756,982	+\$2,220,519
Grand Total .....				\$206,856,760	+\$87,383,625	\$5,614,501	+\$2,193,276

NOTE A: Union Pacific Railroad Co. is a guarantor of the principal of and interest on \$38,814,000 face value of serial bonds, bearing interest rates varying from 1½% to 3%, issued by Kansas City Terminal Railway Co., maturing 1967-74, 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 \$4,727,884 face value of Pacific Fruit Express Co. 4.47% equipment obligation maturing semi-annually 1967-73, and 50% of the principal of and interest on \$862,534 face value of that company's 4¼% equipment obligation maturing in 1967.

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 \$81,392,855 on December 31, 1966.

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, 1966	Number of Shares Owned		Dividends Credited to Income Account	
		Dec. 31, 1966	Increase or Decrease vs. Dec. 31, 1965	Year 1966	Increase or Decrease vs. Year 1965
<b>Investments in Affiliated Companies</b>					
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			
Portland Terminal Railroad Co. ....	30,000	12,000		\$ 200,000	— \$ 200,000
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		1,680,000	— 720,000
Portland Traction Co. ....	84,490	42,245			— 200,000
Pullman Co. ....	731,350	43,914			— 21,957
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			
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 ....	64,000	31,360			
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 .....				\$1,880,000	— \$1,141,957
<b>Other Investments(a)</b>					
Illinois Central Industries, Inc. ....		716,440		\$1,719,456	+ \$ 143,288
Chicago, Rock Island & Pacific Railroad Co. ....			— 40,000(b)		— 10,000
Miscellaneous .....		6,567	+ 1,259(c)	550	— 100
Total Dividends—Other than Affiliated Companies .....				\$1,720,006	+ \$ 133,188
Grand Total Dividend Income .....				\$3,600,006	— \$1,008,769

(a) 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.

(b) Sold.

(c) Includes purchase of 1,059 shares of Uinta Development Co. common stock.

TABLE 16—BONDS AND NOTES OWNED AND INCOME YIELD

	Face Value Owned		Current Income Yield	
	Dec. 31, 1966	Increase or Decrease vs. Dec. 31, 1965	Year 1966	Increase or Decrease vs. Year 1965
<b>Temporary Cash Investments</b>				
United States of America:				
Treasury Securities .....	\$ 39,200,000	— \$ 3,000,000	\$1,420,430	— \$534,198
Securities of Government Agencies .....	10,000,000	+ 10,000,000	173,403	+ 173,403
Negotiable Time Certificates of Deposit .....	84,000,000	+ 2,800,000	4,741,845	+ 991,910
Other .....	7,010,000	+ 1,010,000	334,789	+ 75,921
Total Temporary Cash Investments .....	<u>\$140,210,000</u>	<u>+ \$10,810,000</u>	<u>\$6,670,467</u>	<u>+ \$707,036</u>
<b>Investments in Affiliated Companies</b>				
	Total Outstanding Dec. 31, 1966			
Calnef Pipe Line Co.				
6½% First Mortgage Promissory Notes (maturing semi-annually, 1967-1975) .....	\$ 4,680,000	\$ 4,680,000	— \$ 520,000	\$ 299,921 — \$ 75,924
Pacific Fruit Express Co.				
Equipment Purchase Contract 4¼%, dated November 15, 1956 (maturing May 15, 1967) .....	1,304,520	652,260	— 1,304,520	62,141 — 55,519
Equipment Purchase Contract 4½%-5%, dated August 20, 1959 (maturing semi-annually, 1967-1975) .....	15,662,534	2,898,550	— 322,061	148,953 — 15,701
Equipment Purchase Contract 4½%, dated September 6, 1961 .....	862,533	.....	— 461,307	13,839 — 20,759
Railway Express Agency, Inc.				
5% Promissory Note .....	27,296,010	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 (maturing 1967) .....	2,000,000	1,090,250	— 4,299,750	201,972 + 67,222
5-8 year 5½% Notes (maturing 1970-1973) .....	8,000,000	4,000,000	.....	220,000 + 214,500
6-month 5% Note .....	.....	.....	.....	— 2,450
Trailer Train Co.				
4.65% Conditional Sale Agreement .....	5,543,261	1,014,000	.....	47,151 + 34,315
Total Obligations of Affiliated Companies .....	<u>\$ 15,232,949</u>	<u>— \$ 6,907,638</u>	<u>\$1,040,621</u>	<u>+ \$145,684</u>
<b>Other Investments</b>				
	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) .....		3,110,897	+ \$ 52,248	172,580 + \$ 17,536
Total Other Bonds and Notes .....		<u>\$ 6,535,897</u>	<u>+ \$ 52,248</u>	<u>\$ 317,005</u> <u>+ \$ 17,536</u>
Grand Total Income Yield on Bonds and Notes Owned .....			<u>\$8,028,093</u>	<u>+ \$870,256</u>

\* 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%).

**HASKINS & SELLS**

CERTIFIED PUBLIC ACCOUNTANTS

912 FIRST NATIONAL BANK BUILDING  
OMAHA 68102

To the Board of Directors of  
Union Pacific Railroad Company.

We have examined the financial statements of the five wholly owned affiliated companies of the Union Pacific Railroad Company for the year ended December 31, 1966, included in Columns 8 to 12, 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, 1966 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 10, 1967

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

BALANCE SHEET DECEMBER 31, 1966	Union Pacific Motor Freight Co. (1)	Yakima Valley Transportation Co. (2)	Union Pacific Stage Co. (3)	Spokane International R.R. Co. (4)
<b>ASSETS</b>				
Property investment (stated at cost or less) .....	\$4,298,946	\$1,088,433	—	\$11,620,002
Reserves for depreciation (credit) .....	1,898,494	276,067	—	2,181,331
Other investments .....	—	—	—	16,792,330
Cash: In banks .....	—	66,611	—	82,538
On deposit with Union Pacific R.R. Co. ....	—	—	\$13,147	—
On deposit with other stockholder .....	—	—	—	—
Accounts receivable .....	145,900	5,401	14,477	280,610
Material and supplies .....	32,557	22,158	—	24,109
Other current assets .....	3,909	114	—	13,879
Other assets and deferred charges .....	119,890	169	262	64,282
<b>Total .....</b>	<b>\$2,702,708</b>	<b>\$ 906,819</b>	<b>\$27,886</b>	<b>\$26,696,419</b>
<b>LIABILITIES AND STOCKHOLDER EQUITY</b>				
Funded debt .....	—	—	—	—
Payable to Union Pacific Railroad Co. ....	\$ 398,107	\$ 65,583	—	\$12,524,735
Tax liability .....	93,460*	14,578	—	302,637
Other current liabilities .....	696,642	10,306	\$11,668	497,239
Other liabilities and deferred credits .....	26,097	23	—	156,946
Reserves for insurance, casualties, etc. ....	53,780	—	12,000	13,689
<b>Total liabilities .....</b>	<b>\$1,081,166</b>	<b>\$ 90,490</b>	<b>\$23,668</b>	<b>\$13,495,246</b>
Capital stock .....	\$ 5,000	\$ 500,000	\$ 3,000	\$ 3,273,360
Paid-in capital surplus .....	—	100,000	—	—
Retained income, as shown below .....	1,616,542	216,329	1,218	9,927,813
<b>Total stockholder equity .....</b>	<b>\$1,621,542</b>	<b>\$ 816,329</b>	<b>\$ 4,218</b>	<b>\$13,201,173</b>
<b>Total .....</b>	<b>\$2,702,708</b>	<b>\$ 906,819</b>	<b>\$27,886</b>	<b>\$26,696,419</b>
<b>INCOME ACCOUNT, YEAR ENDED DECEMBER 31, 1966</b>				
Revenues .....	\$2,844,262	\$ 173,731	—	\$ 3,777,119
Expenses and rents .....	2,497,451	135,435	—	2,194,833
Net .....	\$ 346,811	\$ 38,296	—	\$ 1,582,286
Other income .....	939	7,873	—	1,123,594
<b>Total income .....</b>	<b>\$ 347,750</b>	<b>\$ 46,169</b>	<b>—</b>	<b>\$ 2,705,880</b>
Interest on long-term debt .....	—	—	—	\$ 743,292
Federal income taxes .....	\$ 6,018	\$ 10,050**	—	276,402
Other taxes .....	193,290	15,108	—	311,016
Other deductions .....	—	163	—	3,292
<b>Net income .....</b>	<b>\$ 148,442</b>	<b>\$ 40,948</b>	<b>—</b>	<b>\$ 1,371,878</b>
<b>RETAINED INCOME</b>				
Retained income, December 31, 1965 .....	\$1,468,100	\$ 174,948	\$ 1,218	\$ 8,549,724
Net income, as shown above .....	148,442	40,948	—	1,371,878
Other credits and debits—Net .....	—	433	—	6,211
<b>Total .....</b>	<b>\$1,616,542</b>	<b>\$ 216,329</b>	<b>\$ 1,218</b>	<b>\$ 9,927,813</b>
Less dividends .....	—	—	—	—
<b>Retained income, December 31, 1966 .....</b>	<b>\$1,616,542</b>	<b>\$ 216,329</b>	<b>\$ 1,218</b>	<b>\$ 9,927,813</b>

(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 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. Income and expense items are included in U.P.R.R. Co. accounts. (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.

\* Debit.

\*\* Credit.





RETAINED INCOME ACCOUNTS OF AFFILIATED COMPANIES

Commission Accounting Regulations

Not Subject to Interstate Commerce Commission Accounting Regulations

Portland Traction Co. (5)	Pacific Fruit Express Co. (6)	Calnev Pipe Line Co. (7)	Utah Parks Co. (8)	Las Vegas Land and Water Co. (9)	Union Land Co. (10)	Kansas City Industrial Land Co. (11)	Overland Terminal Warehouse Co. (12)
\$2,636,093	\$201,199,292	\$10,350,705	\$3,986,008	\$17,614,200	\$3,595,624	\$ 638,179	\$1,299,916
1,459,812	115,691,209	1,840,934	3,369,129	396,595	764,374	325	877,215
3,429	—	—	—	1,973,144	—	460,772	—
124,333	477,834	108,544	—	—	—	—	22,399
406,161	9,351,668	—	—	—	—	635,066	137,567
406,161	9,351,668	—	—	—	—	—	—
180,652	12,165,969	562,636	5,638	44,535	973	2,579	61,287
8,821	1,986,516	52,875	203,332	—	—	—	—
—	76,130	1,950,675†	1,640	—	—	—	5,420
41,840	3,249,744	28,133	3,049	578,661	40,567	1,934	8,888
<u>\$2,347,678</u>	<u>\$122,167,612</u>	<u>\$11,212,634</u>	<u>\$ 830,538</u>	<u>\$19,813,945</u>	<u>\$2,872,790</u>	<u>\$1,738,205</u>	<u>\$ 658,262</u>
—	\$ 24,406,031	\$ 4,680,000	—	—	—	—	—
\$ 67,741	662,635	393,601	\$ 646,552	\$14,546,166	\$1,662,387	—	—
476,847	20,949,744	178,486	15,194	86,574	52,978	\$ 10,465	\$ 35,788
37,773	2,898,980	—	31,376	1,719,666	75,033	179	63,868
40,000	2,502,390	—	112,277	57,181	10,137	16,346	—
—	—	—	139	—	—	—	—
\$ 622,361	\$ 51,419,780	\$ 5,252,087	\$ 805,538	\$16,409,587	\$1,800,535	\$ 26,990	\$ 99,656
\$1,300,000	\$ 24,000,000	\$ 1,000,000	\$ 25,000	\$ 50,000	\$ 10,000	\$ 900,000	\$ 115,000
—	—	—	—	—	10,785	466,371	100,000
425,317	46,747,832	4,960,547	—	3,354,358	1,051,470	344,844	343,606
\$1,725,317	\$ 70,747,832	\$ 5,960,547	\$ 25,000	\$ 3,404,358	\$1,072,255	\$1,711,215	\$ 558,606
<u>\$2,347,678</u>	<u>\$122,167,612</u>	<u>\$11,212,634</u>	<u>\$ 830,538</u>	<u>\$19,813,945</u>	<u>\$2,872,790</u>	<u>\$1,738,205</u>	<u>\$ 658,262</u>
\$ 990,343	\$ 81,904,207	\$ 3,257,900	\$1,837,603	\$ 296,036	\$ 195,008	\$ 5,208	\$ 752,489
617,849	64,976,117	852,969	1,673,684	118,224	87,871	590	619,455
\$ 372,494	\$ 16,928,090	\$ 2,404,931	\$ 163,919	\$ 177,812	\$ 107,137	\$ 4,618	\$ 133,034
66,224	52,099	248,878	851	104,853	288	33,249	168
\$ 438,718	\$ 16,980,189	\$ 2,653,809	\$ 164,770	\$ 282,665	\$ 107,425	\$ 37,867	\$ 133,202
—	\$ 1,323,647	\$ 299,921	—	—	—	—	—
\$ 129,002	\$ 1,108,903	\$ 855,000	\$ 1,737**	\$ 18,385	\$ 27,170	\$ 10,621	\$ 9,442
141,589	5,315,430	288,449	112,920	203,554	38,699	7,507	99,378
317	4,813,851	988	—	36,051	—	—	—
\$ 167,810	\$ 4,418,358	\$ 1,209,451	\$ 53,637	\$ 24,675	\$ 41,556	\$ 19,739	\$ 24,382
—	—	—	—	—	—	—	—
\$ 257,507	\$ 45,689,474	\$ 3,751,096	—	\$ 3,329,683	\$1,009,914	\$ 325,105	\$ 319,224
167,810	4,418,358	1,209,451	\$ 53,637	24,675	41,556	19,739	24,382
—	—	—	53,637†	—	—	—	—
\$ 425,317	\$ 50,107,832	\$ 4,960,547	—	\$ 3,354,358	\$1,051,470	\$ 344,844	\$ 343,606
—	3,360,000	—	—	—	—	—	—
\$ 425,317	\$ 46,747,832	\$ 4,960,547	—	\$ 3,354,358	\$1,051,470	\$ 344,844	\$ 343,606

(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. (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 lodges, inns and other tourist facilities (including motor coaches) in National Parks in Utah and Arizona. (9) Holds industrial lands for sale or lease in California. (10) Holds industrial lands for sale or lease in Nebraska, Wyoming, Kansas, Colorado, and Utah. (11) Holds industrial lands for sale or lease at Kansas City, Kans. (12) Owns and operates public warehouse at Los Angeles, Calif.

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

‡ Absorption of profit by U.P.R.R. Co.



*Nebraska "gold" pouring  
into new trough-type  
covered hopper car.*

## States of the "Union Pacific West"

### 8. NEBRASKA

The territory now constituting the State of Nebraska was probably first entered in about 1664 by adventurous French fur traders, and for many years after its acquisition by the United States in 1803, as part of the Louisiana Purchase, only soldiers at frontier posts, traders and missionaries moved into the region. But as the drama of westward migration unfolded in the 1840's, Nebraska assumed its historic role as "gateway to the West." Covered wagons manned by pioneers on their way to Oregon, Utah and California wore axle-deep ruts across the territory to carve the famous Overland Trails. Rails were later laid over much the same route as that followed by the forty-niners, the pony express, and stagecoaches, to form the Union Pacific portion of the first transcontinental railroad. With passage of the Homestead Act in 1862 and the coming of the railroad, settlement progressed rapidly and on March 1, 1867, Nebraska was admitted to the Union as the 37th state.

The state offers many examples of natural beauty, unfolding at the wooded bluffs along the Missouri, stretching out into richly fertile fields, changing gradually into grassy, rolling sand hills, and finally rising into the rugged buttes at the foothills of the Rockies. The lakes which are scattered throughout the state and numerous streams add refreshing charm to much of the countryside.

Nebraska's scenic and historic wonders furnish interesting opportunities for sightseeing. Many landmarks of the pioneers are proudly preserved, and other inspiring monuments dot the countryside. Camping, picnicking, riding, and water sports are conveniently available to outdoor enthusiasts in various state recreational areas. Many sportsmen are lured by the fine fishing and the excellent hunting, which rank among the best in the nation.

Because of the fertility of the soil and an abundant water supply, economic activity naturally centers around agriculture in the "Cornhusker State." Approximately 22 million acres of land are under cultivation,

principally for the production of corn, wheat and sorghum grains, and livestock is an important factor in the state's economy. As might be expected, food processing is Nebraska's largest industry and Omaha, the state's most populous city, is the nation's largest livestock market and meat packing center. However, with an increasing number of industries entering the state, a growing proportion of income is derived from non-agricultural sources, including such manufactures as metal products, machinery, precision instruments, apparel, lumber products, chemicals and plastics.

Combining outstanding leadership in agriculture with diversity of industrial activity, Nebraska has a remarkably prosperous and well-balanced economy with almost no public debt. In fact, its constitution expressly prohibits state indebtedness in excess of \$100,000 except, as the frontier-conscious authors specified, "for the purpose of repelling invasion . . . or defending the State in war." The state motto "Equality Before the Law" is an enduring tribute to the idealism and dedication of the pioneers who carved a land of equal opportunity out of a virgin territory. Nebraskans have continued this proud tradition by providing excellent educational opportunities for all of the state's young people, with twenty-seven colleges and universities and fine elementary and secondary school systems.

The historic association of the Union Pacific with Nebraska was established on December 2, 1863, when ground was broken for the railroad at Omaha, where its Headquarters have always been located, and more than 1,300 miles of railroad are operated in the state—approximately 14% of our total line. Each year many thousands of cars of Nebraska products are loaded on line, including more than 50,000 cars of farm products, and hundreds of thousands of loaded freight cars also move over the Union Pacific into or across the state.

The Union Pacific is indeed proud to have Nebraska as its birthplace and is happy to have this opportunity to offer a friendly salute to the great State of Nebraska on the occasion of its Centennial Anniversary in 1967.



