





**UNION  
PACIFIC  
RAILROAD**

CONTAINER SERVICE

CONTAINER SERVICE

02 25818

# UNION PACIFIC RAILROAD COMPANY SEVENTY-FIRST ANNUAL REPORT

(INCLUDING ITS LEASED LINES)

YEAR ENDED DECEMBER 31, 1967

*Dockside loading of containers at Los Angeles, California.*



## *Contents*

2	<b>Directors and Officers</b>
3	<b>Highlights</b>
4	<b>Letter to Stockholders</b>
6	<b>Year in Review</b>
6	Income from Transportation Operations
6	Operating Revenues
7	Operating Expenses
8	Railway Tax Accruals
8	Equipment Rents
9	Income from Investments and Other Sources
9	Funded Debt
10	Working Capital
11	Retained Income
11	Dividends on Common Stock
11	Capital Stock and Stockholders
12	Rock Island Merger
12	Western Mergers Proposed by Others
13	<b>Transportation Division</b>
13	Freight Traffic
14	Passenger and Mail Traffic
14	Employes and Wages
15	Capital Expenditures
15	Equipment Program
16	Fixed Property Improvements
17	"COIN"
17	Safety Awards
18	Pacific Fruit Express
18	Spokane International Railroad
19	<b>Natural Resources Division</b>
19	Oil and Gas Operations
20	Exploration for Oil and Gas
20	Trona Development
21	Other Mineral Development
21	Mineral Royalties
21	Calnev Pipe Line
22	<b>Land Division</b>
22	Services Provided to Industries
22	Property Acquisitions
22	Industrial Development on Union Pacific
24	<b>Union Pacific Map</b>
26	<b>Miscellaneous Matters of Interest</b>
26	Freight Revenue Divisions
26	Central Pacific Case
26	Import-Export Traffic
26	Union Pacific Railroad Foundation
27	<b>List of Tables</b>
31	<b>Notes to Financial Statements</b>
32	<b>Opinion of Independent Accountants</b>
48	<b>Nevada (States of the "Union Pacific West")</b>

# DIRECTORS AND OFFICERS UNION PACIFIC RAILROAD COMPANY

(MAY 1, 1968)

## 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**, Assistant Chief Executive Officer  
**J. C. KENEFICK**, 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

## Offices

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

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

## HIGHLIGHTS—1967

	1967	1966	1965
Railway operating revenues .....	\$574,019,680	\$589,137,651	\$549,190,146
Railway operating expenses .....	\$428,965,522	\$425,002,281	\$403,683,282
Operating ratio .....	74.73%	72.14%	73.51%
Taxes (other than Federal income taxes) ..	\$ 45,653,849	\$ 43,040,129	\$ 40,683,305
Federal income taxes .....	\$ 13,100,000	\$ 24,100,000	\$ 25,700,000
Net income from transportation operations	\$ 81,457,919	\$ 86,256,448	\$ 66,943,982
Net income from oil and gas operations (before Federal income taxes) .....	\$ 16,049,149	\$ 13,648,672	\$ 15,485,148
<hr/>			
Income available for fixed charges .....	\$112,302,002	\$115,467,991	\$ 97,234,884
Fixed charges .....	10,168,965	5,676,369	3,479,518
Net income under I.C.C. accounting rules ..	\$102,133,037	\$109,791,622	\$ 93,755,366
Deferred tax adjustment .....	21,400,000	20,700,000	16,680,000
Net income under generally accepted accounting principles .....	\$ 80,733,037	\$ 89,091,622	\$ 77,075,366
<hr/>			
Net income (after preferred dividends) per share of common stock, under:			
I.C.C. accounting rules .....	\$4.42	\$4.76	\$4.03
Generally accepted accounting principles	\$3.47	\$3.84	\$3.29
<hr/>			
Dividends paid per share of common stock .	\$2.00	\$2.00	\$1.80
Preferred and common stockholders on December 31 .....	102,952	102,837	100,736
<hr/>			
Shares of capital stock outstanding on December 31:			
Preferred .....	7,500,000	7,500,000	7,830,310
Common .....	22,429,235	22,429,235	22,429,235
<hr/>			
Capital expenditures for transportation property .....	\$147,546,395	\$207,928,842	\$121,323,408
Depreciation accruals on transportation property .....	\$ 54,572,604	\$ 50,805,521	\$ 45,941,784
<hr/>			
Working capital—December 31 .....	\$122,575,356	\$161,528,600	\$143,938,975
Funded debt—December 31 .....	\$257,618,729	\$206,856,760	\$119,473,135
<hr/>			
Ton-miles of revenue freight (thousands) .	41,070,790	41,766,472	38,832,832
Average revenue per ton-mile (cents) ....	1.256	1.250	1.241
<hr/>			
Average number of employes .....	32,137	32,935	33,045
Total wages paid .....	\$254,609,965	\$248,079,767	\$243,453,468

## TO OUR STOCKHOLDERS:

Net income for 1967 dropped below the record high level reached in 1966, principally as a result of a decline in earnings from transportation operations. But total earnings were the second-best in the Company's history.

Dividends paid on common stock, aggregating \$2.00 per share, were equal to about 58% of net income (under generally accepted accounting principles) after preferred dividend requirements.

Net income for 1967, as allocated to Divisions, compared with 1966, is shown below:

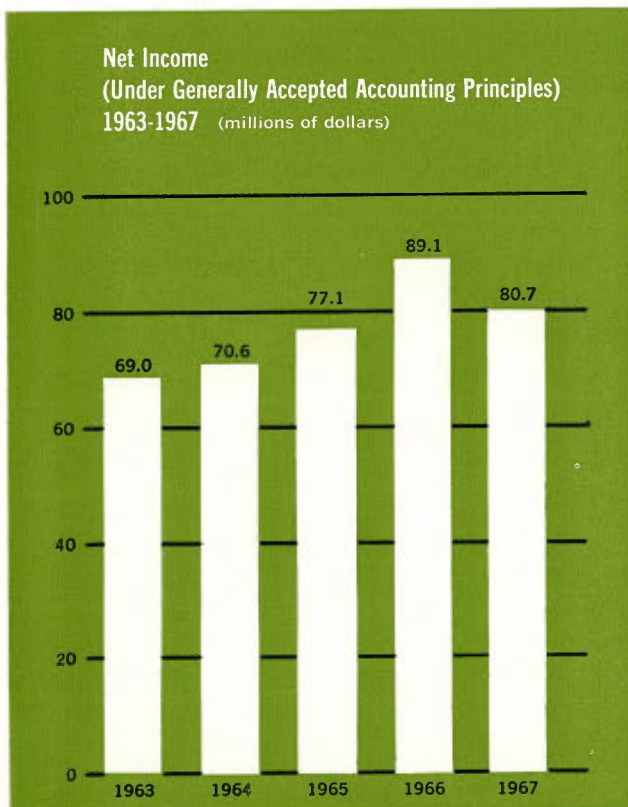
Net Income	1967	1966	Increase or Decrease
Transportation Division .....	\$ 85,302,705	\$ 95,370,005	-\$10,067,300
Natural Resources Division ...	13,716,578	11,480,129	+ 2,236,449
Land Division .....	92,510	(371,863)	+ 464,373
Non-Divisional .....	3,021,244	3,313,351	- 292,107
Total (I.C.C. basis).....	\$102,133,037	\$109,791,622	-\$ 7,658,585
Deferred Tax Adjustment .....	(21,400,000)	(20,700,000)	+ (700,000)
Net Income under generally accepted accounting principles	\$ 80,733,037	\$ 89,091,622	-\$ 8,358,585

Volume of freight traffic handled by the Transportation Division declined compared with the record level established in 1966, reflecting the general slow-down in the national economy during the early part of the year, strikes in various industries, and less favorable growing conditions for crops in Union Pacific territory. The declining trend in passenger revenue continued and mail revenue dropped sharply because of diversions by the Post Office Department.

Operating expenses rose as a result of the impact of higher wage rates, fringe benefits, and material prices, which was only partially compensated for by a 3% general freight rate increase effective August 19, 1967 (the first since 1960). A favorable factor during the year was the sharp drop in equipment rents, reflecting in large part the Company's massive program for acquisition of new equipment.

Earnings of the Natural Resources Division showed a gratifying increase in 1967, sharply reversing the downward trend experienced in recent years. The improvement was primarily attributable to increased oil production in Wilmington field resulting from stepped-up water-flooding operations.

The program for large-scale modernization of the Company's railroad equipment continued at a high level during the year. Capital outlays for new rolling stock amounted to \$131.5 million, bringing the total cost of new equipment acquired during the last four



years to more than \$500 million. Outside financing was obtained for a portion of the expenditures in order to maintain adequate working capital.

Continuing the policy started in 1966, \$33.1 million of the 1967 capital expenditures was used to acquire rolling stock for lease to Rock Island. These lease arrangements illustrate one of the ways that a merger of the two companies would benefit shippers and consumers through improved service and facilities.

Substantial capital expenditures were also made by the Land Division in 1967 for acquisition of prime industrial property, as part of its expanded program to promote industrial development in Union Pacific territory.

The controversy between Western railroads, including Union Pacific, and certain Midwestern lines as to the division of transcontinental freight revenue was resolved in 1967. The Supreme Court upheld an I.C.C. Order providing that the Midwestern lines get a larger share of such freight revenue retroactive to July 1, 1963. Retroactive payments for prior years did not affect 1967 income as reserves had been provided under I.C.C. Orders.

The Company has continued its vigorous efforts to achieve a Union Pacific-Rock Island merger. The extensive public hearings on the case, which began on May 4, 1966, are expected to be concluded shortly. Briefs will then be filed and, if the usual procedures are followed, the I.C.C. examiners who have heard the case will prepare and submit their recommendations to the Commission.

Looking to the future, your management is progressing overall studies which will assist in achieving both near-term and long-term corporate goals designed to better serve our customers and bring benefits to the public, our employees and stockholders.

The Board of Directors takes this opportunity to gratefully acknowledge the achievements of our officers and employes in the loyal and effective fulfillment of their responsibilities during the past year.



*E. Melrose Harriman*

*Chairman of the Board of Directors*

*W. E. Randall*

*Chairman of the Executive Committee*

*E. Baier*

*President*

# Year in Review

## INCOME FROM TRANSPORTATION OPERATIONS

	1967	Increase or Decrease vs. 1966	
		Amount	Per cent
Railway operating revenues .....	\$574,019,680	-\$15,117,971	2.6
Railway operating expenses .....	428,965,522	+ 3,963,241	.9
Revenues over expenses .....	\$145,054,158	-\$19,081,212	11.6
Taxes (other than Federal income taxes) .....	\$ 45,653,849	+\$ 2,613,720	6.1
Equipment rents (debit) .....	3,390,609	- 5,656,200	62.5
Joint facility rents (debit) .....	1,451,781	- 240,203	14.2
Total deductions .....	\$ 50,496,239	-\$ 3,282,683	6.1
Net before Federal income taxes .....	\$ 94,557,919	-\$15,798,529	14.3
Federal income taxes .....	13,100,000	- 11,000,000	45.6
Net Income from Transportation Operations .....	\$ 81,457,919	-\$ 4,798,529	5.6

## OPERATING REVENUES

	1967	Increase or Decrease vs. 1966	
		Amount	Per cent
Freight .....	\$515,751,489	-\$ 6,284,896	1.2
Passenger .....	18,417,802	- 4,552,798	19.8
Mail .....	20,949,714	- 2,275,492	9.8
Express .....	3,940,032	+ 205,538	5.5
Switching .....	7,746,120	- 708,937	8.4
Other .....	7,214,523	- 1,501,386	17.2
Total .....	\$574,019,680	-\$15,117,971	2.6

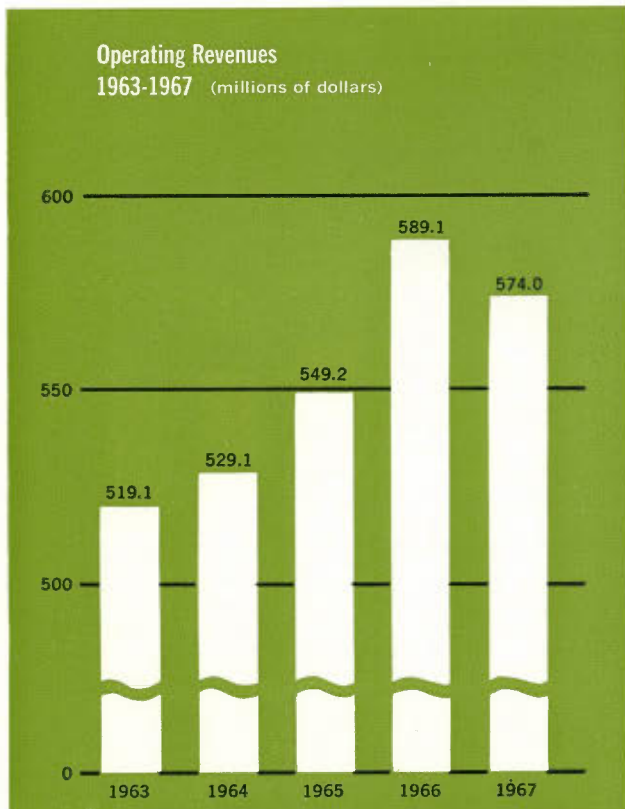
## OPERATING REVENUES

*Freight revenue.* The decrease of \$6.3 million in freight revenue reflected reduced movement of a wide variety of commodities. Principal factors contributing to the lower volume of traffic were the general slow-down in business activity during the early part of the year and strikes in the automotive, rubber and copper industries, as well as a two-day strike by railroad shop employees. Additionally, freight revenue was adversely affected by less favorable growing conditions for crops in Union Pacific territory.

Because of the impact of sharply rising wage rates and fringe benefits, together with generally higher price levels, the railroad industry requested permission from the Interstate Commerce Commission to increase freight rates and a 3% general increase (the first since 1960) was authorized effective August 19, 1967. (Since this rate increase has fallen far short of compensating the railroads for their continually rising operating costs, request was filed in March 1968 for permission to further increase rates.)

As more fully discussed on page 26, the controversy regarding transcontinental freight revenue divisions between Western railroads, including Union Pacific, and certain Midwestern railroads, not parties to a previous compromise settlement, was resolved during the year by Supreme Court action, in favor of the Midwestern lines. In 1967, \$3,710,000 was excluded from Union Pacific freight revenue and set aside in reserves, representing the estimated amount payable to such lines for the year 1967 under the revised divisions. Reserves had previously been provided under I.C.C. Orders for amounts applicable to prior years.

*Passenger revenue.* The declining trend in passenger revenue continued in 1967 with a sharp drop of \$4.6 million or 19.8 per cent compared with 1966. Traffic, measured in number of passengers carried one mile, declined 18.3 per cent.





*Mail revenue.* The decrease in mail revenue of \$2.3 million or 9.8 per cent occurred principally during the last quarter of 1967 when such revenue dropped 28.2 per cent. This sharp decline reflects principally the actions of the Post Office Department in eliminating the use of railway post office cars, which caused the diversion of first-class mail from the railroads. The impact of these developments on future passenger-train operations is discussed on page 14.

## OPERATING EXPENSES

The primary reason for the increase in operating expenses was the substantial rise in wage rates in 1967 for both operating and nonoperating employes. Agreements with employe organizations, which are discussed in more detail on page 14, provided for wage increases effective January 1, 1967, amounting to 5 per cent in some instances and 6 per cent in others. Additional major factors that raised expenses were expanded fringe benefits granted to employes, a general rise in material prices due to inflationary pressures, and higher depreciation charges.

Although maintenance of way and structures expenses declined during the year, primarily due to the larger rail renewal program last year and smaller charges for retirements of nondepreciable property, the Company's fixed property was well maintained. In addition to increased wage costs, the rise in maintenance of equipment expenses was attributable to an increase of \$3.6 million in equipment depreciation charges, reflecting a continuing rise in the investment in rolling stock in 1967. The Company's large-scale equipment modernization program over the past several years was an important factor in effecting a reduction in repairs to locomotives and freight cars during the year.

As a partial offset to the impact of higher labor costs, which was primarily responsible for the increase in transportation expenses, significant economies were realized from further improvements in operating methods and cost control techniques. Also, there were additional savings during 1967 from reductions in unneeded firemen on road freight and yard diesels and freight-train miles were reduced 3.7 per cent.

The quantities of rails, ties and ballast applied in main track renewals during the year, compared with 1966, are tabulated below:

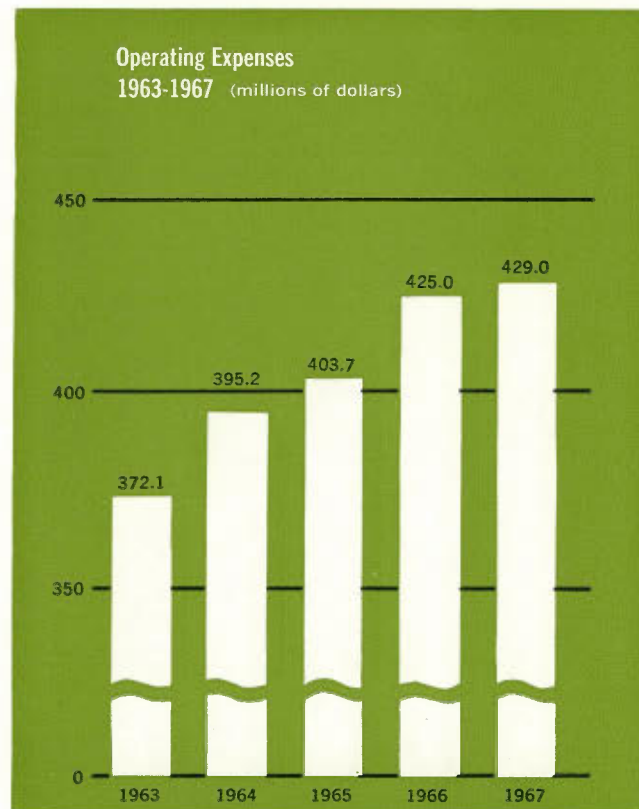
	1967	1966	Increase or Decrease	Per cent
New rails (track miles).....	130.21	297.92	- 167.71	56.3
Second-hand rails (track miles).....	50.33	69.16	- 18.83	27.2
Total rails (track miles).....	180.54	367.08	- 186.54	50.8
Ties (number) .....	554,824	468,360	+ 86,464	18.5
Ballast (cubic yards) .....	502,967	816,728	- 313,761	38.4

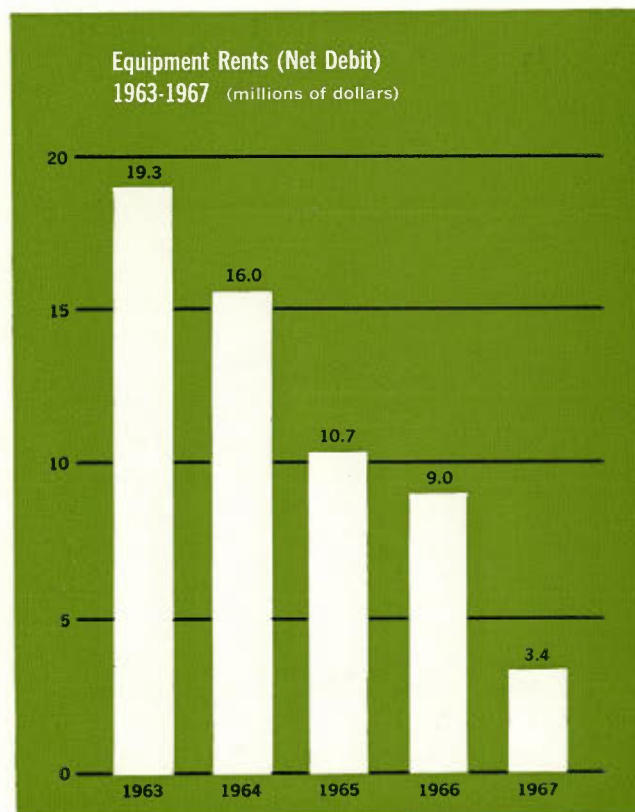
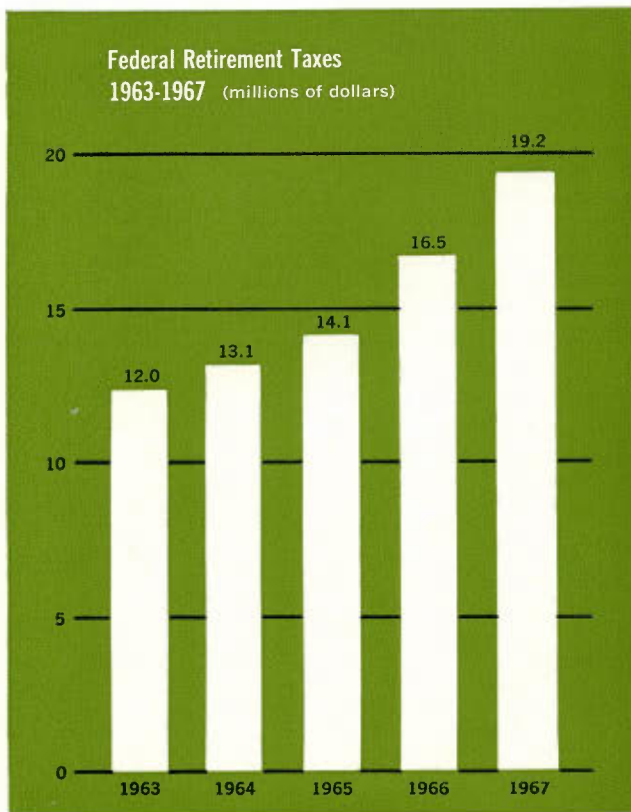
## OPERATING EXPENSES

	1967	Increase or Decrease vs. 1966	
		Amount	Per cent
Maintenance:			
Way & Structures .....	\$ 65,964,160	-\$6,244,234	8.6
Equipment .....	106,626,942	+ 3,563,952	3.5
Total .....	\$172,591,102	-\$2,680,282	1.5
Traffic .....	15,220,839	+ 266,648	1.8
Transportation .....	208,716,647	+ 5,108,596	2.5
Misc. operations .....	5,913,462	- 550,469	8.5
General .....	26,523,472	+ 1,818,748	7.4
Total .....	\$428,965,522	+\$3,963,241	.9

## Operating Expenses

1963-1967 (millions of dollars)





## RAILWAY TAX ACCRUALS

	1967	Increase or Decrease vs. 1966	
		Amount	Per cent
Federal income .....	\$13,100,000	-\$11,000,000	45.6
Federal retirement .....	19,187,434	+ 2,672,238	16.2
Federal unemployment insurance.....	6,359,898	+ 524,032	9.0
Other Federal .....	35,150	+ 2,331	7.1
Total Federal .....	\$38,682,482	-\$ 7,801,399	16.8
State and county .....	20,071,367	- 584,881	2.8
Grand total .....	\$58,753,849	-\$ 8,386,280	12.5

The decrease in Federal income taxes of 45.6 per cent resulted principally from a decline in taxable income and adjustment of an overaccrual in 1966. The investment tax credit was less in 1967 than in 1966 because of smaller capital expenditures during the year. Suspension of the credit between October 10, 1966, and March 9, 1967, had only a negligible effect on Union Pacific, since most property delivered or installed in 1967 qualified for the credit. However, reinstatement of this tax incentive was a primary factor in reactivating Company plans to order a substantial amount of new equipment following enactment of legislation on June 13, 1967, which terminated the suspension period.

The increase of 16.2 per cent in Federal retirement tax was due chiefly to an increase in the tax rate from 7.95 per cent to 8.65 per cent effective January 1, 1967, and a special tax of 2¢ per compensated man-hour assessed against the railroads effective November 1, 1966, to support a 5-year supplemental pension program for employes. (Effective January 1, 1968, the Federal retirement tax was sharply increased again with a further rise in the rate to 8.90 per cent combined with an increase in the taxable wage base from \$550 to \$650 per month.)

## EQUIPMENT RENTS

As shown by the chart on this page, the net charge for equipment rents has declined steadily in recent years. During the 5-year period since 1962, the decrease has amounted to \$16.8 million, reflecting in large part the massive program of new equipment acquisitions undertaken by the Company. The decline of 62.5 per cent in 1967 compared with 1966 was primarily attributable to an increase in net per diem rental received for interchange of freight cars with other railroads, increased rentals received for equipment leased to Pacific Fruit Express Co. and Rock Island, and reduced mileage payments for refrigerator cars due to a smaller volume of perishable commodities handled by the Company.

## INCOME FROM INVESTMENTS AND OTHER SOURCES

	1967	Increase or Decrease vs. 1966	
		Amount	Per cent
Net income from oil and gas operations	\$16,049,149	+\$2,400,477	17.6
Royalties under oil, gas and other mineral leases	1,230,674	+ 65,120	5.6
Dividend income (Table 13)	5,069,820	+ 1,469,814	40.8
Interest on bonds and notes owned (Table 14)	5,879,320	- 2,148,773	26.8
Other interest income	1,251,892	+ 307,708	32.6
Rent income from transportation property	1,371,660	+ 56,645	4.3
Miscellaneous income	570,341	- 562,426	49.7
Profits and losses—net (property sales, etc.)	2,064,228	- 72,522	3.4
Total income from investments and other sources	\$33,487,084	+\$1,516,043	4.7

Income from oil and gas operations and income from mineral royalties are analyzed in the "Natural Resources Division" section of the report, starting on page 19.

The increase in Dividend income was principally due to receipt of the first dividend paid by Calnev Pipe Line Co. and increased dividends received from Illinois Central Industries, Inc.

The decline in Interest on bonds and notes owned was chiefly attributable to a substantial reduction in the average amount of funds temporarily invested during the year, because of large cash requirements for property improvements, and a decrease in interest-bearing securities owned of affiliated companies.

The decrease in Miscellaneous income was primarily due to a reduction in compensation received from Pacific Fruit Express Co. for services rendered and privileges granted.

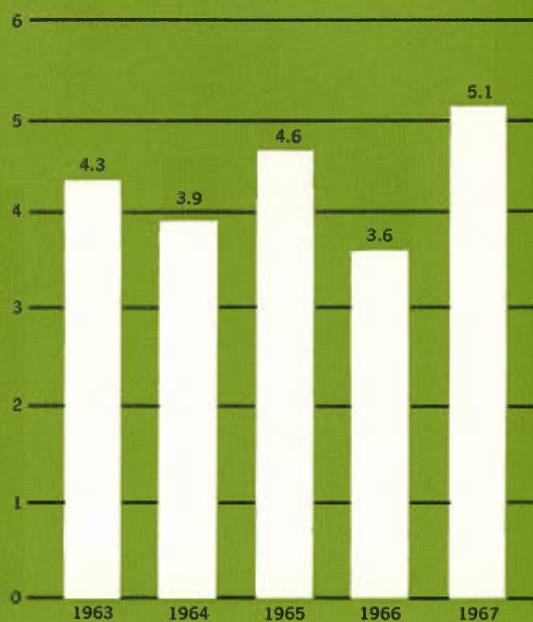
The small decrease in the item Profits and losses—net was due chiefly to the fact that in 1966 an unusually large gain was realized on sale of land to the City of Long Beach, Calif., in connection with construction of a bridge in the area, but this factor was partially offset by increased profits in 1967 from reacquisition of Company bonds at a discount.

### FUNDED DEBT

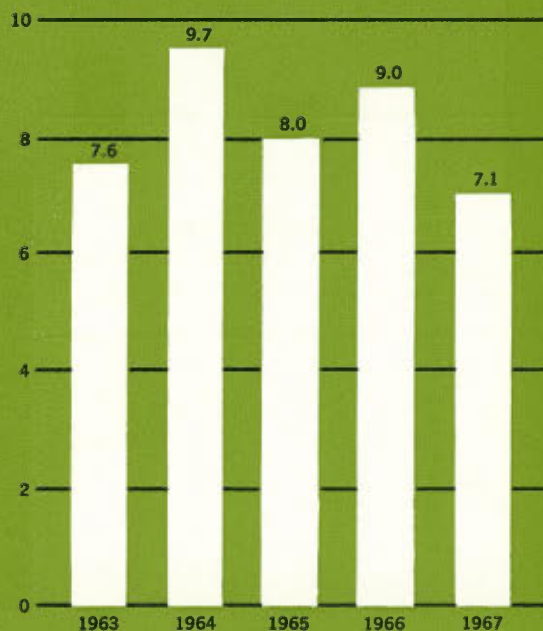
Funded debt outstanding continued to rise in 1967, showing an increase of \$50,761,969 at the close of the year compared with December 31, 1966. The increase consisted of the liability incurred for the cost of equipment financed under equipment purchase agreements in 1966 and for additional financing arrangements completed in 1967, partially offset by maturing equipment obligations and face value of Company bonds reacquired at current market prices in anticipation of sinking fund requirements.

The additional financing in 1967 was necessary to

Dividend Income  
1963-1967 (millions of dollars)



Interest Income  
1963-1967 (millions of dollars)



provide for the continuing expansion of our equipment acquisition program while maintaining adequate working capital. And the Company was fortunate in that its timing of such financing arrangements resulted in obtaining reasonably satisfactory interest rates, despite the tight money market conditions prevailing during the year. Average interest rate for new equipment purchase agreements in 1967 was 5.71 per cent.

The aggregate liability incurred during the year under equipment purchase agreements negotiated in both 1966 and 1967 amounted to \$79.2 million. Equipment covered by such agreements included 29 diesel locomotives and 4,733 freight cars, of which 17 diesel units and 2,337 freight cars were acquired for lease to the Rock Island. Details of each of the equipment obligations may be found in Table 12 on page 41.

### WORKING CAPITAL

The Company's working capital on December 31, 1967, was \$122,575,356, and current assets were 2.06 times the amount of current liabilities. The decrease in working capital compared with the close of 1966 was \$38,953,244, which is analyzed below:

	Dec. 31, 1967	Decrease vs. Dec. 31, 1966
Current assets .....	\$237,989,494	\$40,030,695
Current liabilities .....	115,414,138	1,077,451
Working capital .....	<u>\$122,575,356</u>	<u>\$38,953,244</u>
Ratio of current assets to current liabilities .....	2.06	.33

<b>WORKING CAPITAL ON DECEMBER 31, 1966</b> .....	<b>\$161,528,600</b>
<b>ADDITIONS:</b>	
Net income under generally accepted accounting principles .....	\$ 80,733,037
Current income tax reductions applicable to future years under generally accepted accounting principles .....	21,400,000
Non-cash charges to income for depreciation, retirements, and casualty and insurance reserves .....	57,704,927
Proceeds from equipment purchase agreements.....	79,162,543
Miscellaneous—Net .....	5,812,381
Total .....	<u>\$244,812,888</u>
<b>DEDUCTIONS:</b>	
Dividends declared in 1967 on Union Pacific Railroad Company preferred and common stocks .....	\$ 48,979,932
Expenditures for improvements to transportation property (adjusted for equipment delivered in December and paid for in January of succeeding year, and certain non-cash charges to road property account) .....	165,237,973
Cost of retiring funded debt.....	27,509,063
Cost of land purchased for industrial sites, improvements to such property, and capital expenditures for oil and gas facilities and other mineral development .....	13,261,912
Advances to affiliated companies in excess of repayments thereof .....	14,848,774
Net amount transferred from reserves to current liabilities in connection with transcontinental divisions cases .....	8,381,750
Investments in securities of affiliated companies in excess of those redeemed .....	5,546,728
Total .....	<u>\$283,766,132</u>
<b>NET DECREASE IN WORKING CAPITAL</b> .....	<b>38,953,244</b>
<b>WORKING CAPITAL ON DECEMBER 31, 1967</b> .....	<b><u>\$122,575,356</u></b>

## RETAINED INCOME

Retained income of \$1.27 billion at the close of 1967 represents the portion of the Company's accumulated income and profits since its incorporation, which has been retained in the business and used for property improvements and other purposes considered necessary to maintain earning capacity and provide for growth. The increase of \$53.2 million in 1967 is analyzed in Table 3 on page 30.

## DIVIDENDS ON COMMON STOCK

Beginning in 1900, the Company has paid dividends on its common stock in every year.

In 1967 dividends paid on common stock aggregated \$2.00 per share, consisting of four regular quarterly dividends of 45 cents each and an extra dividend of 20 cents. On November 30, 1967, the Board of Directors increased the quarterly rate, starting with the dividend payable on January 2, 1968, to 50 cents per share, also representing an annual rate of \$2.00 per share.

The tabulation below shows the details of dividends on common stock declared and paid in 1967 and 1966:

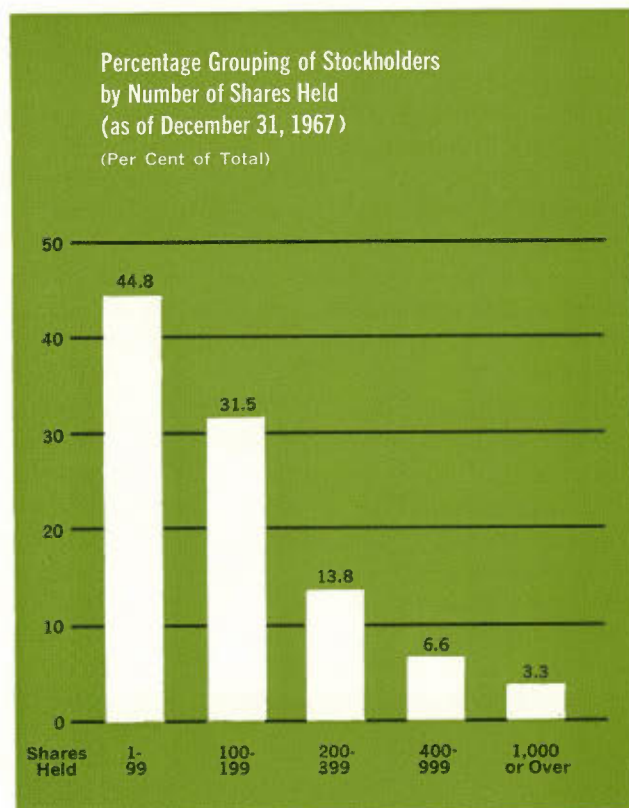
Common Dividends in 1967			Common Dividends in 1966		
Payment date	Amount per share		Payment date	Amount per share	
	Declared in 1967	Paid in 1967		Declared in 1966	Paid in 1966
Jan. 3, 1967	—	\$.45	Jan. 3, 1966	—	\$.45
Apr. 1, 1967	\$.45	.45	Apr. 1, 1966	\$.45	.45
July 1, 1967	.45	.45	July 1, 1966	.45	.45
Oct. 2, 1967	.65*	.65*	Oct. 1, 1966	.65*	.65*
Jan. 2, 1968	.50	—	Jan. 3, 1967	.45	—
<b>Total</b>	<b>\$2.05</b>	<b>\$2.00</b>	<b>Total</b>	<b>\$2.00</b>	<b>\$2.00</b>

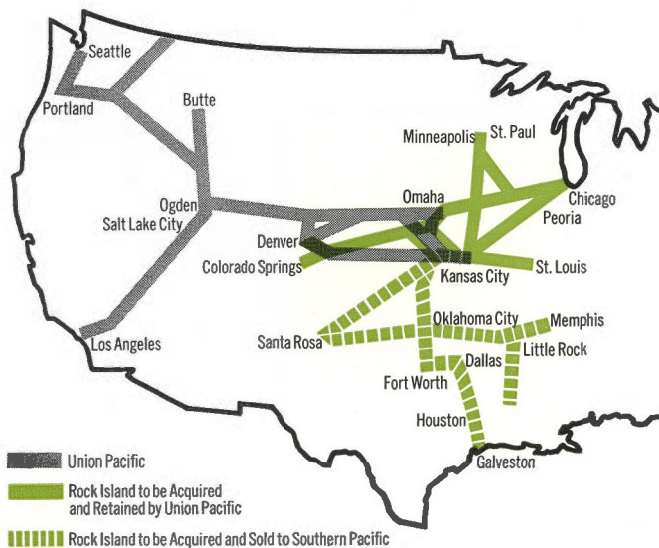
\* Quarterly dividend of \$.45 and extra dividend of \$.20.

## CAPITAL STOCK AND STOCKHOLDERS

The total outstanding capital stock of Union Pacific Railroad Company (\$10 par value per share) at the close of 1967 consisted of 22,429,235 shares of common stock and 7,500,000 shares of preferred stock, unchanged during the year. Each share of stock is entitled to one vote at any meeting of stockholders. At the annual meeting on May 9, 1967, 25,485,816 votes were cast or 85 per cent of the total of 29,929,235 shares.

The number of stockholders of record on December 31, 1967, was 102,952, a slight increase compared with the close of 1966. As shown in the chart at the right, most of our stockholders are relatively small holders.





### ROCK ISLAND MERGER

The end of the extensive public hearings on the Rock Island merger case is now in sight. Union Pacific is hopeful that its application to merge with the Rock Island will be approved by the Interstate Commerce Commission since such an alignment would not only be beneficial to both railroads, but would also be decidedly in the public interest. Unification of the two companies would provide single-line freight service between the Pacific Coast and traffic gateways to the East, such as Chicago, Peoria and St. Louis, which is essential to permit both railroads to adequately compete with single-line railroads now serving the same areas and with others projected under pending merger proposals. In addition to serving the public interest through the broadening of competition among all modes of transportation operating between the West and the East, the single-line operation of a merged Union Pacific-Rock Island would result in significantly improved service and more dependable freight schedules.

Hearings began on May 4, 1966, to consider not only the joint merger application of Union Pacific and Rock Island and the related supporting application by Southern Pacific to purchase certain southern portions of the Rock Island, but also the opposing application of North Western to control Rock Island and of Santa Fe to acquire certain southern portions. During the period February to July 1967, testimony of shippers and other interested parties was heard. After a two-month recess, the hearings reconvened to consider cross-examination of Union Pacific and Rock Island witnesses on testimony previously filed in opposition to North Western's application to control Rock Island. This part of

the hearings was followed by cross-examination of other witnesses opposing the various applications, which continued until early 1968.

In view of its applications for merger with other railroads (discussed below), North Western was ordered by the Commission on December 14, 1967, to submit a four-way study showing the overall effect of the proposed combination of North Western, Great Western, Milwaukee and Rock Island.

Hearings on rebuttal testimony in our merger proceeding are now in progress and hearings on the four-way study will be held thereafter. Following the conclusion of the hearings and filing of briefs, the I.C.C. will in due course reach its decision.

### WESTERN MERGERS PROPOSED BY OTHERS

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

Public hearings on the proposed 20,900-mile merger of North Western and Milwaukee began on February 6, 1967, and were completed on January 12, 1968. In these proceedings Union Pacific took the position that the merger would not be in the public interest unless it is preceded by or conditioned upon merger of Union Pacific and Rock Island.

On April 20, 1967, the Interstate Commerce Commission approved the merger of Great Western into North Western. However, in response to a Federal court order, the I.C.C. has reopened the case for further consideration of protective conditions.

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

Following Interstate Commerce Commission rejection of this merger, which would create a railroad of over 25,000 miles, petition by the Northern Lines for reconsideration was granted and hearings began on March 6, 1967. On November 30, 1967, the Commission reversed its previous decision and approved the merger. Subsequently, petitions for reconsideration were filed by several parties but, on April 19, 1968, the I.C.C. upheld its approval with certain modifications.

*Proposed control of Santa Fe by Missouri Pacific.*

There has been no significant development in connection with the joint application of Missouri Pacific and Mississippi River Corporation, its parent company, to obtain control of Santa Fe. Missouri Pacific obtained access to Chicago for the first time during 1967 through its control of Chicago & Eastern Illinois.

# Transportation Division

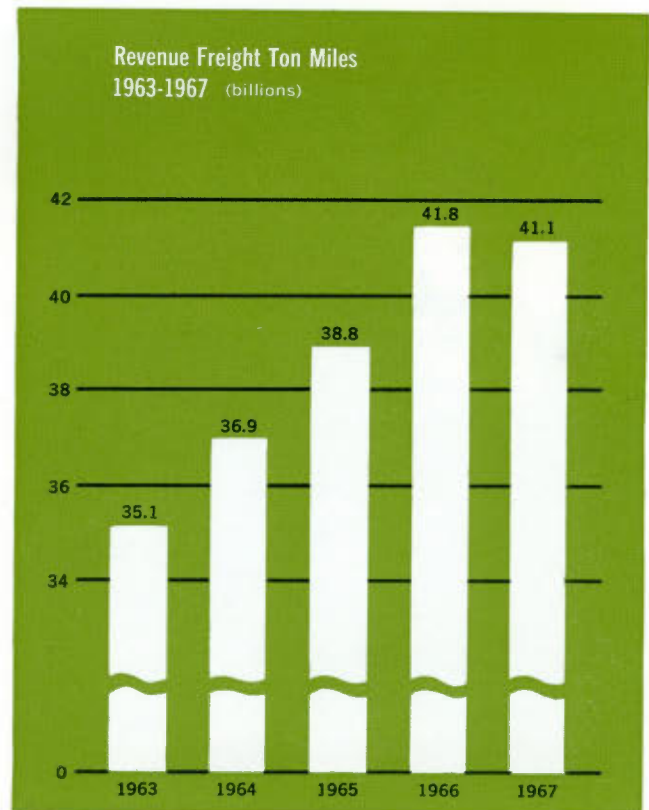
## FREIGHT TRAFFIC

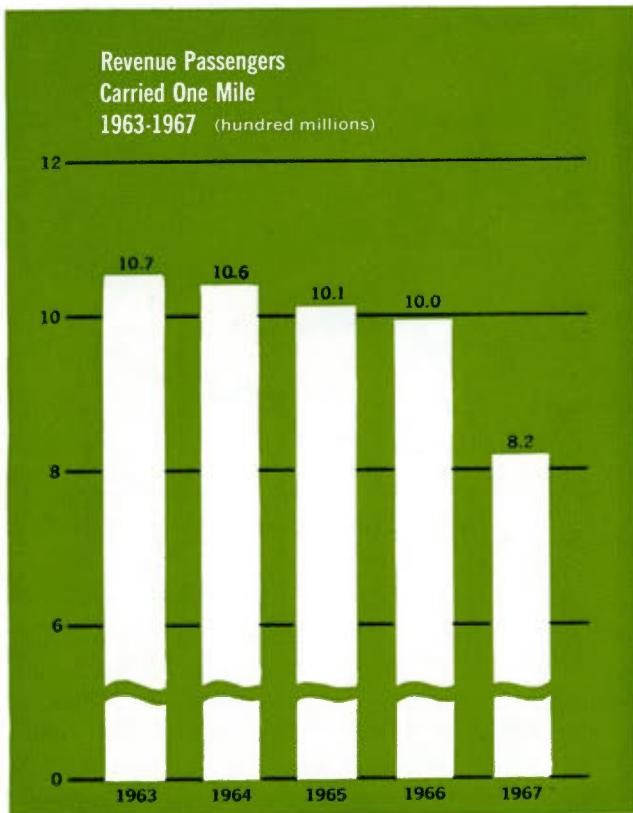
Revenue freight business during the year dropped below the record high level established in 1966. The 66.3 million tons handled in 1967 represented a decrease of 2.4 per cent compared with the previous year, but with an increase of .8 per cent in average length of haul, revenue ton-miles declined only 1.7 per cent.

As an indication of continuing improvement in operating efficiency, freight-train miles were reduced by 3.7 per cent, a significant accomplishment when compared with the relatively smaller decline in volume of freight handled. And the favorable trend of increased tonnage per car continued in 1967, reflecting the acquisition of more larger-capacity freight cars and expansion of incentive rates applicable to more heavily loaded cars. Since 1960, average tonnage per loaded car has increased almost 25 per cent. Such developments have also resulted in increasing the amount of tonnage handled in each freight train. Moreover, large acquisitions of modern super-powered locomotives in recent years have permitted operation of longer heavier trains without adversely affecting expeditious service to our freight patrons. In fact, freight-train speed has shown a steady increase in each year since 1960.

As mentioned in last year's report, the Union Pacific has reciprocal arrangements with other railroads, under which solid freight trains of one of the railroads are run through an interline junction to distant points on the other railroad's line, avoiding the substantial costs and time previously required for breaking up incoming trains in switching yards. In 1967, the "run through" freight train operation in effect for a number of years with the Burlington was extended to include the Pennsylvania Railroad. Further expansion of these arrangements is contemplated in order to speed up the movement of transcontinental traffic and compete more effectively with other modes of transportation.

The market research program inaugurated in 1966 continued toward its long-range objectives of increasing the Company's share of the transportation market and furnishing better service to our freight patrons. Several comprehensive studies were undertaken to analyze potential market penetration through new and improved service and more effective car distribution and to reduce the various cost factors affecting the Company and its customers.





### PASSENGER AND MAIL TRAFFIC

The continuing decline in passenger traffic in recent years, which was sharply accelerated in 1967, is graphically indicated in the chart on the left. Compared with 1962, the number of passengers carried one mile in 1967 dropped 30.5 per cent. This situation, together with drastic curtailment by the Post Office Department of mail handled on passenger trains (referred to on page 7), has made it essential to request permission from the Interstate Commerce Commission to adjust passenger-train service to current demands.

### EMPLOYES AND WAGES

As a result of agreements in 1966 and 1967 providing for increased wages and fringe benefits, labor costs rose \$11 million during the year. Under national agreements reached late in 1966, wage rates of trainmen, yardmen and firemen were increased 5% effective August 12, 1966, through December 31, 1967. In 1967, wage increases of 6% were negotiated for locomotive engineers and conductors, also effective August 12, 1966, but continuing through June 30, 1968.

Nonoperating employes, excluding shop-craft workers, received a 5% wage increase effective January 1, 1967, under nation-wide agreements. One of the agreements was for one year, while the others extended for eighteen months and provided for an additional 2½% wage increase effective January 1, 1968. On September 15, 1967, a five-man special Presidential Board, established by joint resolution of Congress, awarded wage increases to shop-craft employes amounting to 6% for eighteen months beginning January 1, 1967 and an additional 5% for six months effective July 1, 1968, through December 31, 1968. In addition, mechanics were granted a "skill adjustment" aggregating 20¢ per hour payable in four equal increments at six-month intervals during the two-year period of the Award.

Agreement was reached late in 1967 with the non-operating union whose contract expired on December 31, 1967, providing for wage increases over a two-year period as follows: 2½% effective January 1, 1968, 3½% effective July 1, 1968, 2% effective January 1, 1969, and 3% effective July 1, 1969, plus 5¢ per hour effective July 1, 1968, to adjust inequities in the wage structure. Negotiations on the 1968 wage demands of other employe organizations are being conducted at the national level.

In 1967, the Company continued to build its employe organization for long-term growth by accelerating its college recruitment and executive training program and inaugurating a tuition aid program.



Track gang working with diversified roadway machines.



## CAPITAL EXPENDITURES

Gross expenditures for new equipment and other improvements to transportation property totaled \$147.5 million in 1967. Property expenditures and retirements during the year are summarized below:

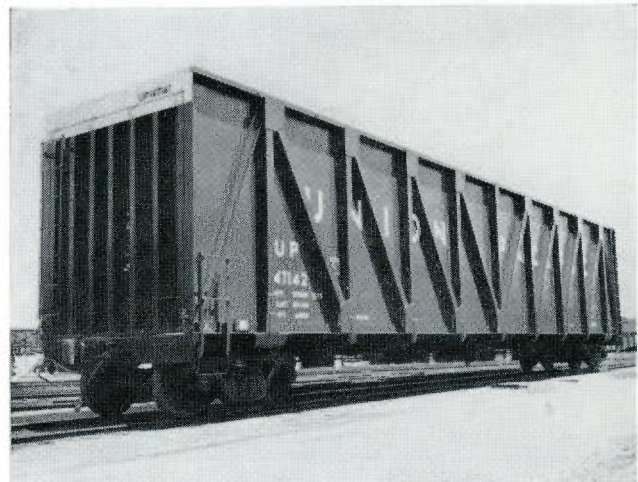
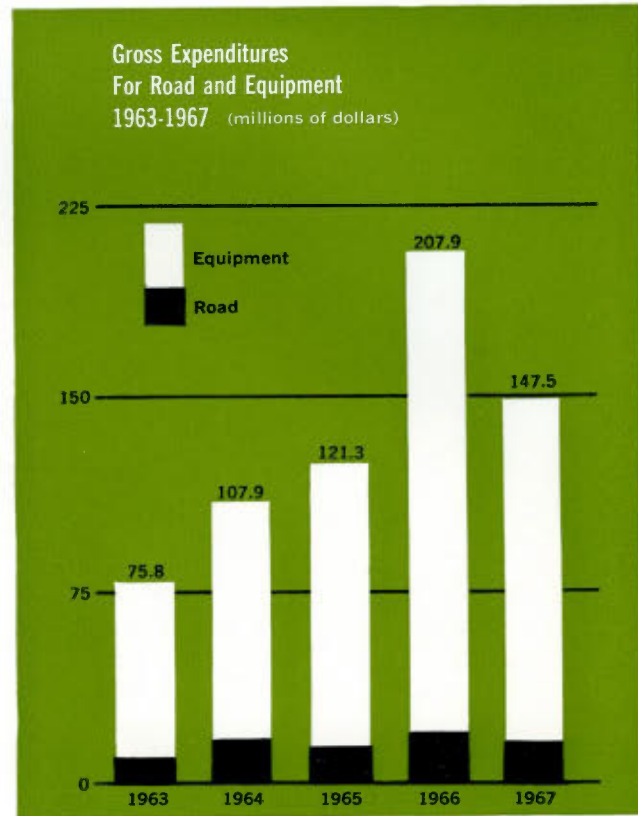
<b>Expenditures:</b>			
New equipment .....	\$131,504,030		
Equipment rebuilt, improvements to existing equipment, etc.....	453,638	\$131,957,668	
Road property .....		15,588,727	
Total expenditures .....		\$147,546,395	
<b>Ledger Value of Retirements:</b>			
Equipment retired (including equipment to be rebuilt or converted).....		\$ 25,784,707	
Road property retired and replaced.....	\$ 3,529,104		
Road property retired and not replaced .....	1,631,005	5,160,109	
Total retirements .....		\$ 30,944,816	
Increase in Road and Equipment Property.....		\$116,601,579	

## EQUIPMENT PROGRAM

The Company's large scale program for acquisition of rolling stock continued at a high level during the year. New equipment delivered and on order in 1967, including units for lease to others, was as follows:

	Ordered	Delivered	On order at close of year
<i>Locomotives</i>			
Diesel—Freight .....	58	8	50
<i>Freight-Train Cars</i>			
PURCHASES:			
Box .....	1,676	1,401	275
Refrigerator—Mechanical .....	500	500	
Hopper—Covered .....	3,293	3,093	200
Flat .....	110	110	
Caboose .....	174	174	
CONSTRUCTION IN COMPANY SHOPS:			
Box .....	4,050	2,459	1,591
Flat .....	314	73	241
Gondola .....	200	100	100
Stock .....	100		100
Total .....	10,417	7,910	2,507

The huge equipment program, in which more than \$500 million has been invested during the last four years, benefits the Company in many ways. Having modern freight cars available to meet shippers' specialized requirements attracts additional freight business. Acquisition of special-purpose cars, with such features as cushion under-frames, damage-free loading devices and extra large doors, improves car utilization and reduces loss through damage. Increasing the proportion of new cars in the total fleet results in lower maintenance and other operating costs. Also, increased ownership of cars lessens dependence on equipment of other lines, thus reducing rental payments and adding to rental income.



New Union Pacific wood chip gondola car.

## **FIXED PROPERTY IMPROVEMENTS**

Two important line changes were completed in 1967—the relocation of five miles of main track through the Columbia River Gorge, west of Hood River, Oregon (mentioned in last year's report) and a 1.57-mile line change of double main track between Como and Hanna, Wyoming. Each of these projects was designed to eliminate or reduce sharp curves which had previously restricted train speed, thus enabling the Company to safely provide faster train schedules. Additionally, such line changes achieve substantial cost savings, including reduced maintenance expenses resulting from elimination of the relatively higher cost of maintaining curved track.

As part of the Company's continuing efforts to maximize operating efficiency, two noteworthy projects have been undertaken. To provide safer braking distances required by increased freight-train speeds, an extensive program has been initiated for modification of roadside signal systems by the installation of preliminary warning signals consisting of flashing yellow lights. Work on the Company's line between Laramie and Green River, Wyoming, was completed in 1967. The second project involves consolidation of train dispatchers' offices by installation of modern traffic-control machines in centralized offices. Concentration of dispatchers in a common headquarters results in significantly improved train operations and more effective distribution of freight cars and motive power. Six consolidations have already been made, with another scheduled for early 1968.

Construction of the \$12 million classification yard at North Platte, Nebraska, mentioned in last year's report, is progressing on schedule. The new facility, expected to be completed this year, will handle east-bound traffic exclusively, with westbound shipments being classified in the present yard. Such an arrangement will provide greatly improved service in both directions and result in substantial operating economies.

To provide more expeditious handling of expanding piggyback and containerized freight operations, the Company installed a 40-ton capacity straddle crane at East Los Angeles, California, early in 1968. The crane will permit loading or unloading of a trailer in the remarkable time of two minutes. Moreover, it is capable of straddling a string of loaded trailers to retrieve those immediately required by shippers without adversely affecting other operations. For handling of containers, plans have been made to install a lifting beam on existing gantry cranes at Salt Lake City, Utah, Kansas City, Kansas, and Denver, Colorado, in 1968.



*Retarders being installed in new yard at North Platte, Nebraska.*

## **"COIN"**

The first phase of Union Pacific's "Complete Operating Information system" is expected to become fully operational before mid-1968. Part of the system will provide precise data on car location and distribution through 54 transmitting and receiving devices at 38 yard offices, which will be connected directly to a complex of the latest model computers in Omaha.

The computer complex will collect operating data from the field, provide advance train-consist information to mechanized yards and enable the tracing of car locations by direct inquiry from any of 53 traffic offices. The instantaneous car tracing system, an extension of the interim system installed last year, will permit a shipper to get up-to-the-minute information on a shipment anywhere on the Union Pacific.

The integrated car distribution reporting system will also provide current information on equipment availability by analysis of supply-demand data. This is expected to result in a substantial improvement in productive utilization of rolling stock by the Company.

Plans are also progressing satisfactorily for the assignment of various other functions to COIN. As the over-all system is developed, important information of many kinds will be increasingly available to all levels of management, which will not only enable prompt actions to be taken in specific situations as events occur, but also provide the basis for development of long-range policies.

## **SAFETY AWARDS**

For its safety record in 1966, the Union Pacific received three national awards in 1967. The Company was awarded the coveted Harriman Gold Medal by the American Museum of Safety for the seventeenth time in the past forty-three years, under a rule which does not allow a railroad to receive the award in two consecutive years. For maintaining the best employee safety record for railroads in its class, the Union Pacific won the Employees' National Safety Award, Group A, sponsored by the National Safety Council. Prior to 1962, no railroad was eligible for this honor in consecutive years, and 1966 was the Company's fifth consecutive year to receive it. The third safety award received during the year was the Industrial Safety Award of Honor, also presented by the National Safety Council.

Also, during 1967, the Union Pacific's latest accident prevention film, "The High Cost of Letting Go," was awarded top honors in the 24th Annual Safety Film Contest conducted by the National Committee on Film for Safety.

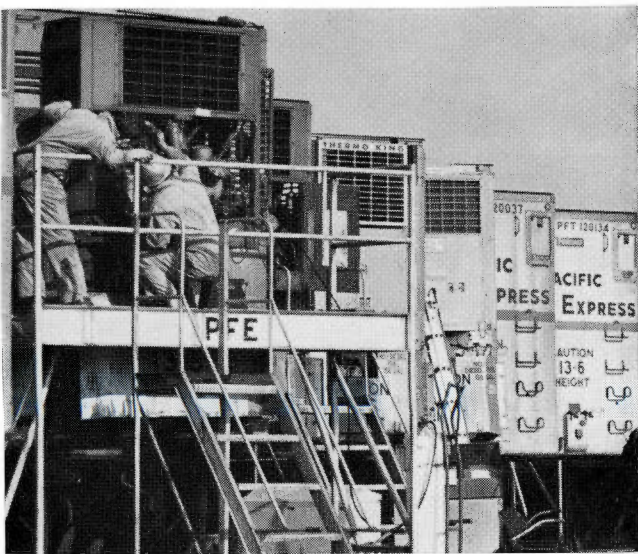


## PACIFIC FRUIT EXPRESS

In 1967, Pacific Fruit Express Co. acquired 1,000 additional 70-ton multi-purpose, temperature-control, mechanical refrigerator cars through lease arrangements with Union Pacific and Southern Pacific—500 cars from each parent company. Since 1963, 6,500 of these “high cube” cars have been placed in service, raising the company’s fleet of mechanical refrigerator cars to 9,114, the largest in the nation and about half of the national total. Orders have been placed for purchase by Pacific Fruit Express Co. of another 400 cars for delivery in 1968.

To meet the demands of a rapidly growing volume of piggyback business, the company acquired 500 more mechanically refrigerated 40-foot highway trailers in 1967, increasing its fleet at the close of the year to 3,100. Another 100 of these trailers will be placed in service in 1968.

The expanding use of refrigerated containers in the import-export business has emphasized the necessity for developing improved methods for handling such traffic. For example, shipments are often delayed at ports when perishable commodities arriving in refrigerated containers must be either transferred to refrigerated warehouses or transloaded into refrigerated railroad cars or piggyback trailers. In 1967, Pacific Fruit Express Co. equipped an 89-foot railroad flat car with a diesel-electric generating unit capable of providing refrigeration power for three 24-foot or four 20-foot containers. The containers, equipped with electrical refrigeration units for ship handling, are plugged directly into outlets on the flat car, thus permitting direct through movement by ship and rail.



*Conditioning refrigeration units at PFE service area, Los Angeles, California.*

## SPOKANE INTERNATIONAL RAILROAD

Net income of Spokane International Railroad Co. for the year was \$1,251,489, a decrease of \$120,389, or 8.8 per cent, compared with 1966. Freight revenue was \$3,457,604, a decline of \$192,145, or 5.3 per cent, compared with the all-time high in 1966. The principal factor contributing to the decline in freight traffic was a reduction in shipments of fertilizer from Canadian plants to the United States because adverse weather conditions prevented normal spring application of fertilizer to farm lands. Other factors were reduced movements of phosphate rock from Montana and smaller shipments of aluminum.

Property improvements in 1967 included replacement of rail in approximately ten miles of main line track with heavier rail.

# Natural Resources Division



## OIL AND GAS OPERATIONS

	1967	Increase vs. 1966	
		Amount	Per cent
Receipts .....	\$33,642,121	+\$5,712,538	20.5
Production expenses (including depreciation) .....	\$12,806,239	+\$2,477,414	24.0
Taxes (other than income taxes*) .....	1,916,819	+ 118,554	6.6
Development expenses .....	2,869,914	+ 716,093	33.2
Total charges against receipts.....	\$17,592,972	+\$3,312,061	23.2
Net income from oil and gas operations	\$16,049,149	+\$2,400,477	17.6
Capitalized development costs.....	\$ 3,091,486	+\$1,106,955	55.8

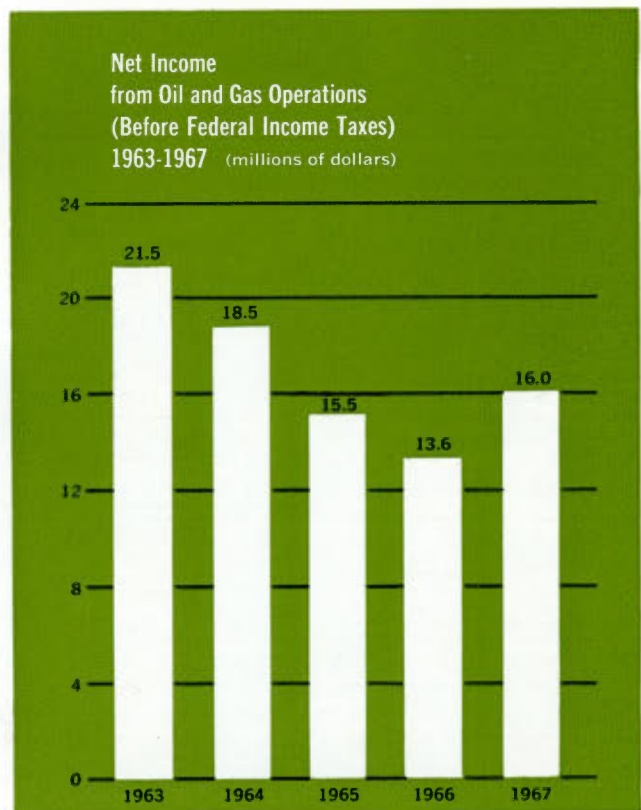
\* Federal taxes on income from oil and gas operations (included in "Railway tax accruals") were approximately \$3,141,000 in 1967 and \$3,259,500 in 1966.

The increase of \$2.4 million in net income was attributable principally to increased production in Wilmington field, resulting from expanded water-flooding operations and further application of other measures to stimulate oil production. The improvement in receipts was partially offset by higher production expenses due to water-flooding operations and rising labor costs, and higher development expenses due to an expanding exploration program.

Capitalized development costs increased almost 56 per cent due chiefly to expansion of water-flooding facilities in Patrick Draw and Wilmington fields, installation of surface facilities to handle increased production in Wilmington field, and cost of acquiring leases for expanded exploration activities.

In Wilmington field, oil production increased 1.9 million barrels or 21.8 per cent compared with 1966, as a result of the intensive program over the past several years to improve producing rates through water-flooding operations.

To counteract the normal decline in output of oil from Patrick Draw field, widely expanded water-flooding operations were undertaken in 1967 and 28 water injection wells were completed in the Monell and Arch Units. However, oil production in the field declined during the year since the beneficial effects of water-flooding operations are not realized during the initial period when producing wells are being converted to water injection. The program to stimulate recovery of oil from the field will be continued in 1968. The Company's gasoline plant in Patrick Draw field processed approximately 11.9 billion cubic feet of gas in 1967, slightly more than in 1966. However, the aggregate volume of liquid products extracted declined due to the lower liquid content of gas processed.





Crew in action at new well site—Patrick Draw field.

Four new wells were completed in the Desert Springs gas field during the year, all of which established additional reserves in the portion of the field in which Union Pacific participates.

In the early part of 1967, the Company acquired developed and undeveloped Federal leases and three producing oil and gas wells in and adjacent to the Table Rock field.

### EXPLORATION FOR OIL AND GAS

A number of oil and gas prospects were investigated during the year, both independently by the Company and jointly with other participants. Seismic surveys were conducted in various areas and several test wells were drilled. Further geological and geophysical surveys and test-well drilling are planned for 1968 in the Company's broadened program of evaluating areas considered promising for discovery of oil and gas.

The deep test well in Church Buttes gas field (a joint operation with Mountain Fuel Supply Company), mentioned in last year's report, was completed in 1967. Exploratory drilling reached a depth of 19,526 feet, making the well one of the deepest ever drilled in Wyoming. At approximately 18,000 feet, a new reservoir was discovered which produced a substantial initial flow of gas and condensate. Production tests are being conducted to evaluate the potential of the discovery.

### TRONA DEVELOPMENT

This is steadily growing in importance. Trona is the raw material from which soda ash is produced and it underlies a large area west of Green River, Wyoming, a substantial portion of which is owned by Union Pacific. Soda ash is an ingredient used principally in glass manufacturing, industrial chemicals, paper manufacturing and detergents.

To meet the continually growing market demand for soda ash, a third refinery, mentioned in last year's report, was completed and placed in operation in 1967 by Stauffer Chemical Company of Wyoming (49% owned by Union Pacific). The new refinery increased the total capacity of the plant complex to 800,000 tons of soda ash per year.

Development of trona reserves (including those of Union Pacific) is also being progressed by other companies. FMC Corporation operates a plant in the area having an annual capacity in excess of one million tons of soda ash and two other major companies stepped up trona mine development in 1967. Further expansion of production is anticipated which should materially benefit Union Pacific's freight revenue from shipments of soda ash.

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

Principal oil fields	Wells at close of 1967	U.P.R.R. percentage of Interest	Barrels of oil in 1967	Increase or Decrease vs. 1966	
				Barrels	Per cent
Wilmington (Calif.)	1,307	51	10,347,977	+ 1,854,122	21.8
East Los Angeles (Calif.)	34	50	90,899	- 17,765	16.3
Patrick Draw (Wyo.)	156	45	947,882	- 179,004	15.9
West Desert Springs (Wyo.)	10	90	42,982	- 5,896	12.1
Espy (Wyo.)	3	46	19,735	- 19,588	49.8
Pierce (Colo.)	17	47	128,889	- 2,768	2.1
<b>Total</b>			<b>11,578,364</b>	<b>+ 1,629,101</b>	<b>16.4</b>

Principal gas fields	Wells at close of 1967	U.P.R.R. percentage of Interest	M cu. ft. of gas in 1967	Increase or Decrease vs. 1966	
				M cu. ft.	Per cent
Church Buttes (Wyo.)	11	49	3,813,681	- 406,423	9.6
Table Rock (Wyo.)	16	63	3,784,258	+ 478,236	14.5
Desert Springs (Wyo.)	25	44	3,013,820	+ 377,779	14.3
Wamsutter (Wyo.)	4	43	639,448	+ 100,702	18.7
<b>Total</b>			<b>11,251,207</b>	<b>+ 550,294</b>	<b>5.1</b>

## OTHER MINERAL DEVELOPMENT

The Company made headway during the year in its expanded program of exploration and development in areas where deposits of other minerals appear promising. The personnel engaged in such activities was increased and new offices were opened in Spokane, Washington, Reno, Nevada, and Salt Lake City, Utah. Investigations of various metallic and non-metallic deposits were conducted in several states and substantial acreage was acquired in conjunction with uranium exploration.

Development drilling in the Summitville Mine in Colorado (mentioned in last year's report) established copper ore reserves with promising possibilities. Accordingly, the Company exercised its option to acquire a 40 per cent interest in the property and agreed with other participants to place it in operation. Shaft sinking began in December 1967 and a processing plant is scheduled for construction in 1968.

## MINERAL ROYALTIES

The Company's income from mineral royalties was \$1,230,674 in 1967, an increase of \$65,120 or 5.6 per cent over 1966, as shown below:

	1967	Increase or Decrease vs. 1966
Royalties from:		
Oil and gas .....	\$ 608,879	+\$128,412
Trona .....	481,724	— 46,727
Coal .....	106,248	— 1,017
Miscellaneous .....	33,823	— 15,548
Total .....	<u>\$1,230,674</u>	<u>+\$ 65,120</u>

## CALNEV PIPE LINE

Calnev Pipe Line Company's pipe line between Colton, California, and Las Vegas, Nevada, handled an average daily volume of petroleum products in 1967 that was 18.6 per cent greater than in 1966, and its net income was up 12.6 per cent. As mentioned on page 9, the company paid its first dividend in 1967. During the year, Union Pacific acquired an additional 27 per cent of the company's common stock, increasing its ownership to 97 per cent.

Based on anticipated growth of deliveries in the Las Vegas area, studies have indicated that the capacity of the present system would be inadequate to handle the expanded through-put volume during peak periods. Accordingly, the company has made plans to replace 13.4 miles of 6-inch pipe line in the area with 8-inch pipe in 1968.



*Cars loading at Stauffer soda ash plant.*



## *Land Division*

### **SERVICES PROVIDED TO INDUSTRIES**

To assist industries in selecting the most desirable locations for construction of plants and other facilities, Union Pacific offers a broad range of professional services by trained specialists in the field of industrial development. Industrial and traffic representatives in major cities throughout the United States and Canada are able to obtain and assemble complete up-to-date information on a wide choice of industrial sites. Brochures tailored to individual requirements are available and personal site inspections may be arranged. Moreover, the Company's industrial representatives maintain close contact with local and state planning commissions and community officials to obtain the latest information on zoning, taxes, utilities, labor and other matters related to industrial development.

### **PROPERTY ACQUISITIONS**

Union Pacific continued to extend its holdings of prime industrial property in 1967 as part of the stepped-up program of industrial development in recent years. The Company and its wholly-owned affiliates purchased 5,594 acres during the year at a cost of approximately \$17,000,000, bringing the total cost of land acquired for industrial purposes during the last three years to about \$42,000,000. Among the major acquisitions in 1967 were the following: 1,049 acres at Denver, Colorado; 336 acres at Los Angeles, California; 2,383 acres in the Bear River Bay area of the Great Salt Lake, Utah; and 198 acres at Portland, Oregon.

In conjunction with the acquisition of land in the Great Salt Lake area, the Company has applied to the Interstate Commerce Commission for permission to extend trackage to the area to serve what promises to become a large production center to recover dissolved salts from lake brines. The Great Salt Lake Minerals and Chemicals Corporation has undertaken construction of a chemical complex, costing approximately \$25 million, and two other companies are expected to locate facilities in the area.

### **INDUSTRIAL DEVELOPMENT ON UNION PACIFIC**

During 1967 the Company carried on a widespread campaign to publicize the availability of some 13,000 acres of choice industrial properties in the Union Pacific West. As a result of this promotional effort, a



*Handsome new plant of Hoerner Waldorf Corporation at Denver, Colorado.*





*Prime industrial acreage purchased near Los Angeles, California.*

number of traffic-producing firms selected sites for new plants and facilities on the Company's lines. Some of the new installations and expansion projects are mentioned below.

At Omaha, Nebraska, General Appliance Company has begun construction of an addition to its power-mower manufacturing plant, costing \$1,200,000. At the same location, Olin Mathieson Corporation is constructing a \$2 million facility for storage and distribution of anhydrous ammonia and Paxton Mitchell Company has almost completed a \$3 million expansion of its casting and foundry plant.

The Lockwood Division of Seilon, Inc. started construction at Gering, Nebraska, of a facility for the manufacture of fruit and vegetable processing machinery, costing \$1,500,000.

At Denver, Colorado, Samsonite Corporation constructed a \$6 million hardware plant, the second of six facilities completed in connection with a proposed \$15 million manufacturing and headquarters complex, mentioned in last year's report. At the same location, Harter Corporation placed in operation a \$1 million facility for manufacturing steel office furniture.

Moore Business Forms Inc. completed a facility at Logan, Utah, as part of a planned \$2 million construction program.

At Burley, Idaho, Del Monte Corporation has under way construction of a plant for canning of corn and peas, estimated to cost \$2,000,000.

Idaho Potato Growers, Inc. has started construction of a \$3 million fresh-pack and frozen potato processing

plant at Nampa, Idaho.

A number of major projects were completed or in progress at Portland, Oregon. Pierce-Pacific Manufacturing, Inc. completed a \$1 million facility for manufacturing and warehousing of overhead cranes and related equipment and Gunderson Brothers Engineering Corporation started a \$1 million expansion of its ship fabrication plant. Midland-Ross Corporation and Oregon Steel Mills Division of Gilmore Steel Corporation are constructing a steel mill, estimated to cost \$35 million when completed.

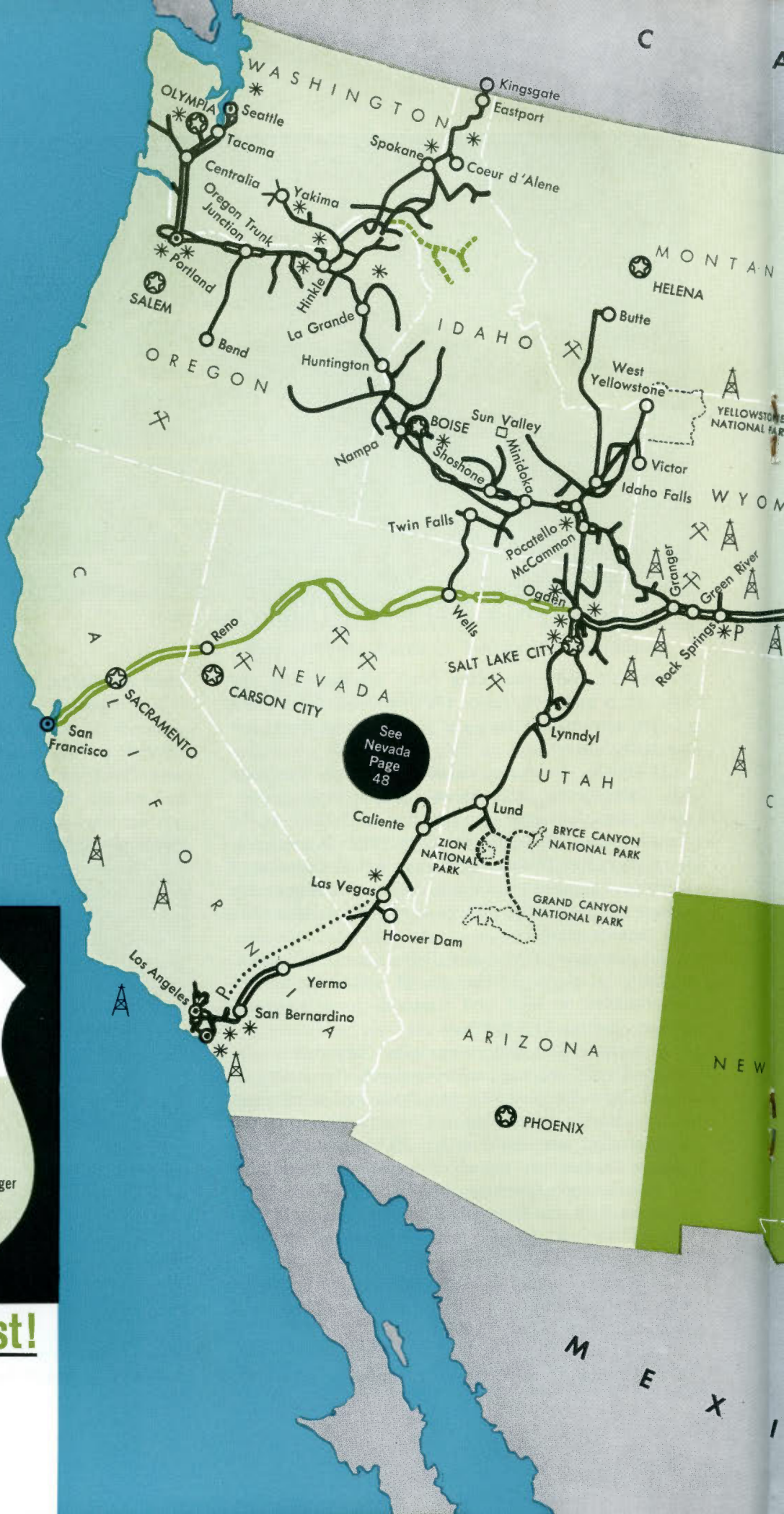
At Steilacoom, Washington, West Tacoma Newsprint Company completed a \$12 million modernization program at its paper manufacturing plant.

Western Electric Company plans to occupy this year its \$5.5 million regional distribution and service center for telephone equipment at Kent, Washington.



At Vancouver, Washington, Great Western Malting Co. is expanding its malting facilities, at an estimated cost of \$2,000,000.

Weyerhaeuser Company is constructing a wood-chip export facility and a sawmill at Aberdeen, Washington, estimated to cost approximately \$2 million, and has started a \$2.7 million expansion and remodeling project at one of its plants at Cosmopolis, Washington. That company also constructed a \$2 million specialty plywood plant and a \$10 million facility for the production of chlorine and caustic soda at Longview, Washington. At the same location, the Port of Longview completed a second ship berth served by rail as part of a multi-million dollar expansion program.


PACIFIC OCEAN



# UNION PACIFIC RAILROAD

 Double Track } Union Pacific Railroad  
 Single Track }

 Camas Prairie Railroad  
 Single Track } Solid Through Passenger  
 Double Track } Train Connections

 Motor Coach Routes to National Parks

## Serves all the West!

- \* Industrial Property Locations
- ▲ Petroleum Activities
- ✕ Other Mineral Activities
- P... Pipelines

A  
N  
A  
D  
A



NORTH DAKOTA

SOUTH DAKOTA

MINNESOTA

WISCONSIN

IOWA

NEBRASKA

Chicago

DES MOINES

Council Bluffs

CHEYENNE

North Platte

Columbus

Omaha

Gering

Julesburg

Gibbon

Kearney

Grand Island

LINCOLN

Marysville

St. Joseph

ILLINOIS

SPRINGFIELD

DENVER

LaSalle

Limon

Oakley

Salina

TOPEKA

Kansas City

JEFFERSON CITY

St. Louis

COLORADO

KANSAS

MISSOURI

INDIANA

OHIO

KENTUCKY

TENNESSEE

OKLAHOMA

ARKANSAS

MEXICO

TEXAS

MISSISSIPPI

ALABAMA

LOUISIANA

GULF OF MEXICO

# MISCELLANEOUS MATTERS OF INTEREST

## FREIGHT REVENUE DIVISIONS

As previously reported, the controversy between Western railroads, including Union Pacific, and certain Midwestern railroads, which arose from an Interstate Commerce Commission order prescribing revised divisions of revenue on transcontinental traffic effective July 1, 1963, was argued before the Supreme Court of the United States in April 1967. Similar controversies with Eastern and other Midwestern lines had been terminated by compromise settlements in 1965, which provided for increased divisions for such railroads effective September 1, 1965, and withdrawal of their claims for increased divisions for periods prior to that date.

On May 29, 1967, the Supreme Court upheld the terms of the I.C.C. order prescribing revised divisions effective July 1, 1963, for those Midwestern lines involved in the court action. The petition for rehearing filed by the Western railroads was denied on October 9, 1967.

Revised divisions applicable to current settlements between Western and Midwestern lines became effective January 1, 1968, and partial payments have been made by Western railroads with respect to prior periods, pending determination of actual amounts involved. The retroactive payments by Union Pacific for prior years did not affect 1967 income, since reserves had been provided under I.C.C. orders, but the amount excluded from freight revenue and set aside in such reserves in 1967 was \$3,710,000.

## CENTRAL PACIFIC CASE

As stated in last year's report, Union Pacific and Southern Pacific filed a joint suit before a three-judge Federal District Court at Omaha to have set aside the Interstate Commerce Commission's order of January 6, 1966, granting 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. That condition required Southern Pacific to solicit Central Pacific-Union Pacific routing of freight traffic between certain specified western and eastern territories. On December 6, 1967, the Federal District Court upheld the I.C.C. order in a two to one majority decision. A notice of appeal to the Supreme Court of the United States was filed by Union Pacific and Southern Pacific on December 27, 1967.

## IMPORT-EXPORT TRAFFIC

As an important element in the Company's overall planning to improve its competitive position and pro-

vide for future growth, continuing study is given to increasing our participation in the rapidly expanding volume of freight traffic moving to and from foreign countries. Early in 1967 the Union Pacific established representation in the Far East by opening an office in Tokyo and, following investigation of traffic potential in other southeast Asian countries, a second office was located in Taipei, Taiwan (Formosa) late in the year. In conjunction with these activities abroad, the Company has increased the number of personnel assigned to its Foreign Freight Department in this country to provide better service to our patrons engaged in the foreign trade field.

The steady rise in import-export traffic has been accompanied by a substantial increase in the use of containers to reduce handling on through movements of overseas traffic by ship and rail. To provide for the current level and future growth of this relatively new-type traffic, the Union Pacific is arranging to make available the necessary special facilities for handling the containers. Crane hoisting facilities are being modified and a number of flat cars have been equipped with special devices designed to load and secure containers with maximum efficiency.

## UNION PACIFIC RAILROAD FOUNDATION

During 1967 the Foundation continued to achieve gratifying success in its established program of contributions in the fields of education, social welfare, research and cultural activities in communities served by the Union Pacific.

In its overall planning for distribution of grants to organizations involved in these worthwhile fields, one of the factors the Foundation keeps in mind is the influence its actions may have on potential participants in specific projects. On several occasions, active interest in the initial stages of a campaign has generated widespread support by others in the community. In addition to contributing materially to the successful completion of various programs, actions such as these by the Foundation have stimulated interest and a consciousness of individual responsibility in areas essential to community well-being. An increasing number of organizations have expressed their recognition and appreciation of the leadership provided by this type of assistance from the Foundation, a further indication that it is effectively fulfilling the obligations it has assumed in communities from which the Company derives so many benefits.



## Tables

	Page
1. General balance sheet .....	28
2. Income account .....	30
3. Retained income .....	30
4. Railway operating revenues .....	33
5. Railway operating expenses .....	33
6. Taxes .....	36
7. Railway operating statistics .....	37
8. Freight traffic by commodities .....	38
9. Transportation property improvements and retirements .....	39
10. Railway equipment owned .....	40
11. Capital stock outstanding .....	41
12. Funded debt outstanding and interest thereon .....	41
13. Stocks owned and dividends thereon ....	42
14. Bonds and notes owned and income yield .....	43
15. Summary of income and selected statistics for last ten years .....	44
16. Balance sheets and income and retained income accounts of affiliated companies	46

NOTE: The General Balance Sheet, Income Account, Retained Income 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, 1967	December 31, 1966	Increase	Decrease
<b>CURRENT ASSETS</b>				
Cash .....	\$ 28,328,302	\$ 31,394,275	.....	\$ 3,065,973
Temporary cash investments (Table 14) .....	101,801,538	139,634,960	.....	37,833,422
Traffic and car-service balances—net .....	18,543,069	15,871,529	\$ 2,671,540	
Net balance receivable from agents and conductors .....	13,170,285	13,293,212	.....	122,927
Miscellaneous accounts receivable .....	19,143,605	13,577,278	5,566,327	
Interest and dividends receivable .....	1,134,015	2,866,201	.....	1,732,186
Accrued accounts receivable .....	31,223,748	34,345,808	.....	3,122,060
Material and supplies .....	23,271,847	25,687,718	.....	2,415,871
Other current assets .....	1,373,085	1,349,208	23,877	
<b>Total Current Assets</b> .....	<u>\$ 237,989,494</u>	<u>\$ 278,020,189</u>	.....	<u>\$40,030,695</u>
<b>INVESTMENTS</b>				
Investments in affiliated companies:				
Stocks (Table 13) .....	\$ 34,859,636	\$ 29,473,337	\$ 5,386,299	
Notes (Table 14) .....	15,393,378	15,232,949	160,429	
Advances .....	45,682,990	34,112,585	11,570,405	
<b>Total Investments in Affiliated Companies</b> .....	<u>\$ 95,936,004</u>	<u>\$ 78,818,871</u>	<u>\$ 17,117,133</u>	
Other investments:				
Stocks (Table 13) .....	\$ 43,097,979	\$ 43,573,803	.....	\$ 475,824
Bonds and notes (Table 14) .....	5,639,246	6,495,959	.....	856,713
<b>Total Other Investments</b> .....	<u>\$ 48,737,225</u>	<u>\$ 50,069,762</u>	.....	<u>\$ 1,332,537</u>
Reserve for adjustment of investments in securities .....	\$ 18,317,584	\$ 18,317,584	.....	
<b>Total Investments</b> .....	<u>\$ 126,355,645</u>	<u>\$ 110,571,049</u>	<u>\$ 15,784,596</u>	
<b>PROPERTIES</b>				
Road and equipment property .....	\$2,095,539,163	\$1,978,937,584	\$116,601,579	
Reserves for depreciation and amortization .....	472,487,870	442,344,957	30,142,913	
Transportation property less recorded depreciation and amortization .....	\$1,623,051,293	\$1,536,592,627	\$ 86,458,666	
Miscellaneous physical property .....	\$ 79,812,671	\$ 68,783,228	\$ 11,029,443	
Reserve for depreciation .....	31,292,571	30,471,993	820,578	
Miscellaneous physical property less recorded depreciation .....	\$ 48,520,100	\$ 38,311,235	\$ 10,208,865	
<b>Total Properties (less recorded depreciation and amortization)</b> .....	<u>\$1,671,571,393</u>	<u>\$1,574,903,862</u>	<u>\$ 96,667,531</u>	
<b>OTHER ASSETS AND DEFERRED CHARGES</b>				
Other assets .....	\$ 7,607,700	\$ 3,616,713	\$ 3,990,987	
Deferred charges .....	2,683,225	4,073,099	.....	\$ 1,389,874
<b>Total Other Assets and Deferred Charges</b> .....	<u>\$ 10,290,925</u>	<u>\$ 7,689,812</u>	<u>\$ 2,601,113</u>	
<b>Grand Total</b> .....	<u>\$2,046,207,457</u>	<u>\$1,971,184,912</u>	<u>\$ 75,022,545</u>	

The accompanying notes to financial statements are an integral part of this statement.



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

	December 31, 1967	December 31, 1966	Increase	Decrease
<b>CURRENT LIABILITIES</b>				
Audited accounts and wages payable .....	\$ 24,607,144	\$ 26,288,587	.....	\$ 1,681,443
Miscellaneous accounts payable .....	1,803,915	2,492,602	.....	688,687
Dividends matured unpaid:				
Dividend on common stock payable in January of following year .....	11,214,617	10,093,156	\$ 1,121,461	
Dividends due but unclaimed .....	529,573	495,964	33,609	
Unmatured interest accrued .....	1,560,666	1,174,519	386,147	
Accrued accounts payable .....	56,702,279	48,752,992	7,949,287	
Taxes accrued .....	14,300,208	21,903,687	.....	7,603,479
Other current liabilities .....	4,695,736	5,290,082	.....	594,346
<b>Total Current Liabilities .....</b>	<b>\$ 115,414,138</b>	<b>\$ 116,491,589</b>	<b>.....</b>	<b>\$ 1,077,451</b>
<b>EQUIPMENT OBLIGATIONS DUE WITHIN ONE YEAR....</b>	<b>\$ 21,089,815</b>	<b>\$ 17,757,016</b>	<b>\$ 3,332,799</b>	
<b>FUNDED DEBT (Table 12)</b>				
Bonds .....	\$ 105,398,000	\$ 107,978,000	.....	\$ 2,580,000
Equipment obligations .....	131,130,914	81,121,744	\$50,009,170	
<b>Total Funded Debt .....</b>	<b>\$ 236,528,914</b>	<b>\$ 189,099,744</b>	<b>\$47,429,170</b>	
<b>AMOUNTS PAYABLE TO AFFILIATED COMPANIES .....</b>	<b>\$ 7,621,582</b>	<b>\$ 10,899,950</b>	<b>.....</b>	<b>\$ 3,278,368</b>
<b>RESERVES</b>				
Insurance reserve .....	\$ 28,966,756	\$ 27,598,700	\$ 1,368,056	
Casualty and other reserves.....	6,969,444	14,589,323	.....	\$ 7,619,879
<b>Total Reserves .....</b>	<b>\$ 35,936,200</b>	<b>\$ 42,188,023</b>	<b>.....</b>	<b>\$ 6,251,823</b>
<b>OTHER LIABILITIES AND DEFERRED CREDITS</b>				
Other liabilities .....	\$ 3,313,635	\$ 21,478,858	.....	\$18,165,223
Unamortized premium on funded debt .....	1,220,452	1,369,403	.....	148,951
Other deferred credits .....	5,476,918	5,445,566	\$ 31,352	
<b>Total Other Liabilities and Deferred Credits</b>	<b>\$ 10,011,005</b>	<b>\$ 28,293,827</b>	<b>.....</b>	<b>\$18,282,822</b>
<b>STOCKHOLDERS' EQUITY</b>				
Common stock .....	\$ 224,302,350	\$ 224,302,350		
Preferred stock .....	75,038,481	75,038,481		
<b>Total Capital Stock (Table 11).....</b>	<b>\$ 299,340,831</b>	<b>\$ 299,340,831</b>		
Premium on common stock .....	\$ 4,327,919	\$ 4,327,919		
Other capital surplus .....	44,690,314	44,690,314		
<b>Total Capital Surplus .....</b>	<b>\$ 49,018,233</b>	<b>\$ 49,018,233</b>		
<b>Retained income (Table 3) .....</b>	<b>\$1,271,246,739</b>	<b>\$1,218,095,699</b>	<b>\$53,151,040</b>	
<b>Total Stockholders' Equity .....</b>	<b>\$1,619,605,803</b>	<b>\$1,566,454,763</b>	<b>\$53,151,040</b>	
<b>Grand Total .....</b>	<b>\$2,046,207,457</b>	<b>\$1,971,184,912</b>	<b>\$75,022,545</b>	

The accompanying notes to financial statements are an integral part of this statement.

**TABLE 2 — INCOME ACCOUNT**

	1967	1966	Increase or Decrease
<b>TRANSPORTATION OPERATIONS</b>			
Operating revenues (Table 4) .....	\$574,019,680	\$589,137,651	— \$15,117,971
Operating expenses (Table 5) .....	428,965,522	425,002,281	+ 3,963,241
Revenues over expenses .....	\$145,054,158	\$164,135,370	— \$19,081,212
Railway tax accruals (Table 6) .....	58,753,849	67,140,129	— 8,386,280
Railway Operating Income .....	\$ 86,300,309	\$ 96,995,241	— \$10,694,932
Equipment rents (debit) .....	3,390,609	9,046,809	— 5,656,200
Joint facility rents (debit) .....	1,451,781	1,691,984	— 240,203
<b>Net Income from Transportation Operations</b> .....	<b>\$ 81,457,919</b>	<b>\$ 86,256,448</b>	<b>— \$ 4,798,529</b>
<b>INCOME FROM INVESTMENTS AND OTHER SOURCES</b>			
Net income from oil and gas operations (see page 19) .....	\$ 16,049,149	\$ 13,648,672	+ \$ 2,400,477
Royalties under oil, gas, and other mineral leases .....	1,230,674	1,165,554	+ 65,120
Dividend income (Table 13) .....	5,069,820	3,600,006	+ 1,469,814
Interest on bonds and notes owned (Table 14) .....	5,879,320	8,028,093	— 2,148,773
Other interest income .....	1,251,892	944,184	+ 307,708
Rents from lease of road .....	122,367	122,367	—
Miscellaneous rents .....	1,249,293	1,192,648	+ 56,645
Miscellaneous income .....	570,341	1,132,767	— 562,426
Profits and losses—net (property sales, etc.) .....	2,064,228	2,136,750	— 72,522
<b>Total</b> .....	<b>\$ 33,487,084</b>	<b>\$ 31,971,041</b>	<b>+ \$ 1,516,043</b>
<b>Total Income</b> .....	<b>\$114,945,003</b>	<b>\$118,227,489</b>	<b>— \$ 3,282,486</b>
Miscellaneous tax accruals .....	\$ 623,516	\$ 478,992	+ \$ 144,524
Other deductions from income .....	2,019,485	2,280,506	— 261,021
<b>Total deductions from income</b> .....	<b>\$ 2,643,001</b>	<b>\$ 2,759,498</b>	<b>— \$ 116,497</b>
<b>Income available for fixed charges</b> .....	<b>\$112,302,002</b>	<b>\$115,467,991</b>	<b>— \$ 3,165,989</b>
<b>FIXED CHARGES</b>			
Interest on funded debt .....	\$ 9,985,838	\$ 5,614,501	+ \$ 4,371,337
Other fixed charges .....	183,127	61,868	+ 121,259
<b>Total</b> .....	<b>\$ 10,168,965</b>	<b>\$ 5,676,369</b>	<b>+ \$ 4,492,596</b>
<b>Net income under accounting rules prescribed by I.C.C.</b> .....	<b>\$102,133,037</b>	<b>\$109,791,622</b>	<b>— \$ 7,658,585</b>
Reduction necessary to conform accounting for current Federal income taxes to generally accepted accounting principles .....	21,400,000	20,700,000	+ 700,000
<b>Net income under generally accepted accounting principles</b> .....	<b>\$ 80,733,037</b>	<b>\$ 89,091,622</b>	<b>— \$ 8,358,585</b>
Net income per share of common stock (after preferred dividends):			
Under accounting rules prescribed by I.C.C. ....	\$4.42	\$4.76	— .34
Under generally accepted accounting principles .....	3.47	3.84	— .37

**TABLE 3 — RETAINED INCOME**

	1967	1966	Increase or Decrease
Credit balance at beginning of year (restated—Note 6) .....	\$1,218,095,699	\$1,156,217,019	+ \$61,878,680
Net income for year in conformity with generally accepted accounting principles .....	80,733,037	89,091,622	— 8,358,585
Tax reductions applicable to future years under generally accepted accounting principles but credited to current income under accounting rules prescribed by I.C.C. ....	21,400,000	20,700,000	+ 700,000
<b>Total</b> .....	<b>\$1,320,228,736</b>	<b>\$1,266,008,641</b>	<b>+ \$54,220,095</b>
Deduct dividends declared on preferred and common stocks of U.P.R.R. Co. and St.J.&G.I. Ry. Co. (see Table 11) .....	48,981,997	47,912,942	+ 1,069,055
<b>Credit balance at end of year</b> .....	<b>\$1,271,246,739</b>	<b>\$1,218,095,699</b>	<b>+ \$53,151,040</b>

The accompanying notes to financial statements are an integral part of these statements.





## NOTES TO FINANCIAL STATEMENTS

1. The Company's equity in the net assets of non-consolidated majority owned companies and 50% owned companies exceeded its cost of investment in such companies by \$38,012,284 at December 31, 1967. The Company's portion of net income of such companies exceeded dividends received from these companies by \$1,275,444 in 1967 and \$3,131,236 in 1966.
2. The Uniform System of Accounts for Railroad Companies prescribed by the Interstate Commerce Commission varies from generally accepted accounting principles, in that no accounting recognition is given to the possible effect on income taxes in future years, of reduction of income taxes, resulting from deductions for amortization and depreciation of property for income tax purposes in excess of those recorded in the accounts. The cumulative amount of such estimated reduction of income taxes included in retained income at December 31, 1967 was \$186,314,168.
3. The current cost of repairs and renewals of parts of the track structure is charged to maintenance expense and additions and betterments to the structure are capitalized. Provision for depreciation has been made as to other classes of transportation property. Charges for repairs and renewals of the track structure and for depreciation of road and equipment amounted to \$28,208,743 and \$54,572,604, respectively, in 1967 and \$32,544,415 and \$50,805,521, respectively, in 1966.
4. The Company has an unfunded, non-contributory pension plan for certain officers and supervisors but reserves the right to discontinue the plan at any time. Related charges to operating expenses in 1967 and 1966, representing amounts paid to retired employes, were \$3,503,825 and \$3,210,745, respectively. The effect on the accompanying financial statements of the amounts required to provide for current and past service pension costs would not have been material.
5. In connection with the proposed Union Pacific-Rock Island merger, Union Pacific issued negotiable Certificates of Deposit, representing 2,704,989 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 new Union Pacific convertible preferred stock, paying cumulative dividends of \$1.80 annually, plus (b) a contingent cash payment of \$4.65 per share based on the amount by which \$1.80 per share per annum for the period from July 1, 1964 to June 30, 1967, exceeded the aggregate dividends paid during that period on each share of Rock Island stock.
6. Retained income at December 31, 1966 has been restated to reflect a retroactive adjustment recorded during 1967 of \$5,292,400 (net of Federal income taxes) relating to amounts credited to Retained Income in prior years in settlement of transcontinental divisions cases. Of this amount, \$2,381,100 has been offset against the credit recorded in 1966 in this amount and the balance (applicable to years prior to 1966) was restated in retained income at January 1, 1966.
7. The Company is contingently liable (a) as guarantors with other participating companies of certain obligations of Trailer Train Company, (b) for additional premiums in the maximum amount of \$6,000,000 which may arise from work stoppages on other railroads under a service interruption policy, and (c) for other commitments which in the opinion of Management will not have any materially adverse effect on the Company's operations or financial position.

**HASKINS & SELLS**

CERTIFIED PUBLIC ACCOUNTANTS

912 FIRST NATIONAL BANK BUILDING

OMAHA 68102

Union Pacific Railroad Company,  
Its Directors and Stockholders:

We have examined the general balance sheet of Union Pacific Railroad Company and its Leased Lines as of December 31, 1967 and the related statements of income and of retained income for the year then ended. 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, except for the inclusion in retained income of the cumulative reductions in income taxes resulting from deductions for amortization and depreciation of property for income tax purposes in excess of depreciation recorded in the accounts as set forth in Note 2, the accompanying financial statements present fairly the financial position of the Company and its Leased Lines at December 31, 1967 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 29, 1968



TABLE 4 — RAILWAY OPERATING REVENUES

	1967	1966	Increase or Decrease
<b>TRANSPORTATION</b>			
Freight .....	\$515,751,489	\$522,036,385	— \$ 6,284,896
Passenger .....	18,417,802	22,970,600	— 4,552,798
Baggage .....	67,062	99,513	— 32,451
Mail .....	20,949,714	23,225,206	— 2,275,492
Express .....	3,940,032	3,734,494	+ 205,538
Other passenger-train .....	172,778	180,467	— 7,689
Milk .....	38,157	32,385	+ 5,772
Switching .....	7,746,120	8,455,057	— 708,937
Other .....	609	.....	+ 609
<b>Total</b> .....	<b>\$567,083,763</b>	<b>\$580,734,107</b>	<b>— \$13,650,344</b>
<b>INCIDENTAL</b>			
Dining and buffet .....	\$ 2,328,261	\$ 2,913,663	— \$ 585,402
Hotel and restaurant .....	756,363	883,659	— 127,296
Station, train, and boat privileges .....	64,155	79,967	— 15,812
Demurrage .....	1,567,787	2,162,362	— 594,575
Communication .....	23,331	33,762	— 10,431
Rents of buildings and other property .....	372,806	389,536	— 16,730
Miscellaneous .....	1,410,322	1,488,092	— 77,770
<b>Total</b> .....	<b>\$ 6,523,025</b>	<b>\$ 7,951,041</b>	<b>— \$ 1,428,016</b>
<b>JOINT FACILITY</b>			
Joint facility—credit .....	\$ 492,520	\$ 559,452	— \$ 66,932
Joint facility—debit .....	79,628	106,949	— 27,321
<b>Total</b> .....	<b>\$ 412,892</b>	<b>\$ 452,503</b>	<b>— \$ 39,611</b>
<b>Total Operating Revenues</b> .....	<b>\$574,019,680</b>	<b>\$589,137,651</b>	<b>— \$15,117,971</b>

TABLE 5 — RAILWAY OPERATING EXPENSES

	1967	1966	Increase or Decrease
<b>MAINTENANCE OF WAY AND STRUCTURES</b>			
<b>SUPERVISION</b>			
Superintendence .....	\$ 6,275,900	\$ 5,866,361	+ \$ 409,539
Roadway maintenance .....	\$ 3,339,408	\$ 3,653,496	— \$ 314,088
Tunnels and subways .....	68,374	47,220	+ 21,154
Bridges, trestles, and culverts .....	1,566,797	1,729,493	— 162,696
Ties .....	2,873,746	2,094,240	+ 779,506
Rails .....	2,767,108	6,883,368	— 4,116,260
Other track material .....	3,783,778	4,669,504	— 885,726
Ballast .....	911,584	1,299,565	— 387,981
Track laying and surfacing .....	17,872,528	17,597,737	+ 274,791
Fences, snowsheds, and signs .....	399,076	537,319	— 138,243
Communication systems .....	1,494,572	1,228,615	+ 265,957
Signals and interlockers .....	2,455,786	2,999,663	— 543,877
Removing snow, ice, and sand .....	551,227	425,386	+ 125,841
<b>Total</b> .....	<b>\$ 38,083,984</b>	<b>\$ 43,165,606</b>	<b>— \$ 5,081,622</b>
<b>STRUCTURES</b>			
Station and office buildings .....	\$ 2,126,120	\$ 2,276,910	— \$ 150,790
Roadway buildings .....	742,708	375,865	+ 366,843
Water stations .....	73,905	184,401	— 110,496
Fuel stations .....	116,499	145,426	— 28,927
Shops and enginehouses .....	1,381,674	1,365,955	+ 15,719
Wharves and docks .....	7,023	17,465	— 10,442
Power plants .....	52,797	90,796	— 37,999
Power-transmission systems .....	257,515	332,355	— 74,840
Miscellaneous structures .....	20,295	22,342	— 2,047
<b>Total</b> .....	<b>\$ 4,778,536</b>	<b>\$ 4,811,515</b>	<b>— \$ 32,979</b>
<b>MISCELLANEOUS</b>			
Roadway machines .....	\$ 2,352,233	\$ 1,891,449	+ \$ 460,784
Dismantling retired road property .....	239,245	513,182	— 273,937
Small tools and supplies .....	2,260,387	2,198,133	+ 62,254
Public improvements—maintenance .....	561,772	778,646	— 216,874
Injuries to persons .....	497,407	668,707	— 171,300
Insurance .....	950,861	867,995	+ 82,866
Stationery and printing .....	77,217	65,631	+ 11,586
Right-of-way expenses .....	26,969	10,009	+ 16,960
Employees' health and welfare benefits .....	1,831,555	1,795,093	+ 36,462
Other expenses .....	33,714	28,950	+ 4,764
Maintaining joint tracks, yards, and other facilities—debit .....	2,870,261	2,818,204	+ 52,057
Maintaining joint tracks, yards, and other facilities—credit .....	1,424,215	1,372,930	+ 51,285
<b>Total</b> .....	<b>\$ 10,277,406</b>	<b>\$ 10,263,069</b>	<b>+ \$ 14,337</b>
<b>DEPRECIATION AND RETIREMENTS</b>			
Road property—depreciation .....	\$ 6,553,151	\$ 6,409,764	+ \$ 143,387
Retirements—road .....	4,817*	1,692,079	— 1,696,896
<b>Total</b> .....	<b>\$ 6,548,334</b>	<b>\$ 8,101,843</b>	<b>— \$ 1,553,509</b>
<b>Total Maintenance of Way and Structures</b> .....	<b>\$ 65,964,160</b>	<b>\$ 72,208,394</b>	<b>— \$ 6,244,234</b>
<b>Percentage Ratio to Operating Revenues</b> .....	<b>11.49</b>	<b>12.26</b>	<b>— .77</b>

\* Credit

TABLE 5 — RAILWAY OPERATING EXPENSES (Continued)

		1967	1966	Increase or Decrease
MAINTENANCE OF EQUIPMENT				
SUPERVISION	Superintendence .....	\$ 4,075,231	\$ 3,951,605	+ \$ 123,626
	Locomotives—repairs .....	\$ 24,771,654	\$ 24,950,093	— \$ 178,439
EQUIPMENT REPAIRS	Freight-train cars—repairs .....	14,145,034	14,062,222	+ 82,812
	Passenger-train cars—repairs .....	7,332,389	7,468,808	— 136,419
	Work equipment—repairs .....	767,344	606,135	+ 161,209
	Miscellaneous equipment—repairs .....	1,440,017	1,253,126	+ 186,891
	Total .....	\$ 48,456,438	\$ 48,340,384	+ \$ 116,054
MISCELLANEOUS	Shop machinery .....	\$ 1,180,543	\$ 1,213,063	— \$ 32,520
	Power-plant machinery .....	297,280	266,198	+ 31,082
	Dismantling retired equipment .....	375,526	479,624	— 104,098
	Injuries to persons .....	241,976	399,233	— 157,257
	Insurance .....	585,200	452,089	+ 133,111
	Stationery and printing .....	68,499	73,280	— 4,781
	Employees' health and welfare benefits .....	2,748,363	2,785,143	— 36,780
	Other expenses .....	20,562	161,809	— 141,247
	Joint maintenance of equipment expenses—debit .....	668,204	579,201	+ 89,003
	Joint maintenance of equipment expenses—credit .....	16,912	8,188	+ 8,724
		Total .....	\$ 6,169,241	\$ 6,401,452
DEPRECIATION AND RETIREMENTS	Equipment—depreciation .....	\$ 47,606,018	\$ 43,987,093	+ \$3,618,925
	Shop and power-plant machinery—depreciation .....	413,435	408,664	+ 4,771
	Retirements—equipment .....	93,421*	26,203*	— 67,213
	Total .....	\$ 47,926,032	\$ 44,369,549	+ \$3,556,483
	Total Maintenance of Equipment .....	\$ 106,626,942	\$ 103,062,990	+ \$3,563,952
	Percentage Ratio to Operating Revenues .....	18.58	17.49	+ 1.09
TRAFFIC				
TRAFFIC PROMOTION	Superintendence .....	\$ 3,460,698	\$ 3,110,211	+ \$ 350,487
	Outside agencies .....	8,307,466	7,922,300	+ 385,166
	Advertising .....	2,223,053	2,321,675	— 98,622
	Traffic associations .....	346,437	391,432	— 44,995
	Industrial and immigration bureaus .....	142,152	478,155	— 336,003
	Total .....	\$ 14,479,806	\$ 14,223,773	+ \$ 256,033
MISCELLANEOUS	Insurance .....	\$ 39,403	\$ 25,642	+ \$ 13,761
	Stationery and printing .....	372,242	375,479	— 3,237
	Employees' health and welfare benefits .....	329,103	328,822	+ 281
	Other expenses .....	285	475	— 190
	Total .....	\$ 741,033	\$ 730,418	+ \$ 10,615
	Total Traffic .....	\$ 15,220,839	\$ 14,954,191	+ \$ 266,648
	Percentage Ratio to Operating Revenues .....	2.65	2.54	+ .11
TRANSPORTATION				
SUPERVISION	Superintendence .....	\$ 7,293,665	\$ 7,042,407	+ \$ 251,258
	Dispatching trains .....	2,694,575	2,576,374	+ 118,201
	Total .....	\$ 9,988,240	\$ 9,618,781	+ \$ 369,459
STATION SERVICE	Station employees .....	\$ 19,293,718	\$ 18,949,499	+ \$ 344,219
	Weighing, inspection, and demurrage bureaus .....	589,028	513,447	+ 75,581
	Station supplies and expenses .....	1,800,789	1,778,642	+ 22,147
	Total .....	\$ 21,683,535	\$ 21,241,588	+ \$ 441,947

\* Credit.



TABLE 5 — RAILWAY OPERATING EXPENSES (Continued)

		1967	1966	Increase or Decrease
TRANSPORTATION (Concluded)				
YARD SERVICE	Yardmasters and yard clerks .....	\$ 9,625,593	\$ 9,011,666	+ \$ 613,927
	Yard conductors and brakemen .....	17,902,244	17,456,390	+ 445,854
	Yard switch and signal tenders .....	994,120	850,023	+ 144,097
	Yard enginemen .....	7,638,602	7,362,530	+ 276,072
	Yard switching fuel .....	979,266	979,163	+ 103
	Lubricants for yard locomotives .....	260,049	248,887	+ 11,162
	Other supplies for yard locomotives .....	62,727	61,484	+ 1,243
	Enginehouse expenses—yard .....	2,059,575	1,913,299	+ 146,276
	Yard supplies and expenses .....	493,172	470,320	+ 22,852
	Total .....	\$ 40,015,348	\$ 38,353,762	+ \$ 1,661,586
TRAIN SERVICE	Train enginemen .....	\$ 21,375,577	\$ 21,518,811	— \$ 143,234
	Trainmen .....	33,307,239	34,379,930	— 1,072,691
	Train fuel .....	23,039,772	23,276,912	— 237,140
	Water for train locomotives .....	210,019	215,809	— 5,790
	Lubricants for train locomotives .....	1,662,902	1,665,230	— 2,328
	Other supplies for train locomotives .....	268,555	272,098	— 3,543
	Enginehouse expenses—train .....	5,049,471	4,889,634	+ 159,837
	Train supplies and expenses .....	19,362,532	18,258,157	+ 1,104,375
	Operating sleeping cars .....	2,135,255	1,421,986	+ 713,269
	Total .....	\$ 106,411,322	\$ 105,898,567	+ \$ 512,755
CASUALTIES	Clearing wrecks .....	\$ 553,734	\$ 546,874	+ \$ 6,860
	Damage to property .....	469,420	193,780	+ 275,640
	Damage to livestock on right-of-way .....	52,905	47,971	+ 4,934
	Loss and damage—freight .....	9,215,133	7,838,827	+ 1,376,306
	Loss and damage—baggage .....	6,825	7,440	— 615
	Injuries to persons .....	2,709,852	3,871,862	— 1,162,010
Total .....	\$ 13,007,869	\$ 12,506,754	+ \$ 501,115	
MISCELLANEOUS	Signal and interlocker operation .....	\$ 1,216,902	\$ 983,906	+ \$ 232,996
	Crossing protection .....	471,522	507,423	— 35,901
	Drawbridge operation .....	129,819	136,708	— 6,889
	Communication system operation .....	1,728,895	1,665,452	+ 63,443
	Stationery and printing .....	813,476	612,436	+ 201,040
	Insurance .....	536,197	390,985	+ 145,212
	Employees' health and welfare benefits .....	4,848,904	4,645,551	+ 203,353
	Other expenses .....	543,782	413,426	+ 130,356
	Operating joint yards and terminals—debit .....	9,012,710	8,557,429	+ 455,281
	Operating joint yards and terminals—credit .....	2,253,208	2,508,796	— 255,588
	Operating joint tracks and facilities—debit .....	872,356	841,529	+ 30,827
	Operating joint tracks and facilities—credit .....	311,022	257,450	+ 53,572
Total .....	\$ 17,610,333	\$ 15,988,599	+ \$ 1,621,734	
Total Transportation .....	\$ 208,716,647	\$ 203,608,051	+ \$ 5,108,596	
Percentage Ratio to Operating Revenues .....	36.36	34.56	+ 1.80	
MISCELLANEOUS OPERATIONS				
DINING CAR AND HOTEL	Dining and buffet service .....	\$ 4,731,332	\$ 5,213,887	— \$ 482,555
	Hotels and restaurants .....	914,409	972,364	— 57,955
Total .....	\$ 5,645,741	\$ 6,186,251	— \$ 540,510	
MISCELLANEOUS	Producing power sold .....	\$ 11,945	\$ 16,799	— \$ 4,854
	Other miscellaneous operations .....	2,587	3,274	— 687
	Employees' health and welfare benefits .....	250,928	253,656	— 2,728
	Operating joint miscellaneous facilities—debit .....	2,261	3,951	— 1,690
Total .....	\$ 267,721	\$ 277,680	— \$ 9,959	
Total Miscellaneous Operations .....	\$ 5,913,462	\$ 6,463,931	— \$ 550,469	
Percentage Ratio to Operating Revenues .....	1.03	1.10	— .07	

TABLE 5 — RAILWAY OPERATING EXPENSES (Concluded)

		1967	1966	Increase or Decrease
GENERAL				
ADMINISTRATION	Salaries and expenses of general officers .....	\$ 2,333,465	\$ 2,159,908	+ \$ 173,557
	Salaries and expenses of clerks and attendants .....	12,500,389	11,573,108	+ 927,281
	General office supplies and expenses .....	1,887,187	1,654,031	+ 233,156
	Law expenses .....	2,484,817	2,499,471	— 14,654
	Total .....	\$ 19,205,858	\$ 17,886,518	+ \$1,319,340
MISCELLANEOUS	Insurance .....	\$ 65,451	\$ 56,693	+ \$ 8,758
	Employes' health and welfare benefits .....	671,702	669,782	+ 1,920
	Pensions .....	3,503,825	3,210,745	+ 293,080
	Stationery and printing .....	549,535	556,784	— 7,249
	Other expenses .....	2,187,002	2,033,336	+ 153,666
	General joint facilities—debit .....	353,436	305,293	+ 48,143
	General joint facilities—credit .....	13,337	14,427	— 1,090
	Total .....	\$ 7,317,614	\$ 6,818,206	+ \$ 499,408
	Total General .....	\$ 26,523,472	\$ 24,704,724	+ \$1,818,748
	Percentage Ratio to Operating Revenues .....	4.62	4.19	+ .43
Total Operating Expenses .....	\$428,965,522	\$425,002,281	+ \$3,963,241	
Percentage Ratio to Operating Revenues ....	74.73	72.14	+ 2.59	

TABLE 6 — TAXES

	1967	1966	Increase or Decrease
Railway tax accruals:			
Federal:			
Income .....	\$ 13,100,000	\$ 24,100,000	— \$11,000,000
Retirement .....	19,187,434	16,515,196	+ 2,672,238
Unemployment insurance .....	6,359,898	5,835,866	+ 524,032
Other .....	35,150	32,819	+ 2,331
Total Federal .....	\$ 38,682,482	\$ 46,483,881	— \$ 7,801,399
State and county:			
Ad valorem and other property taxes .....	\$ 18,450,246	\$ 18,216,943	+ \$ 233,303
Income and franchise taxes .....	1,241,738	1,150,479	+ 91,259
Sales and use taxes .....	379,383	1,288,826	— 909,443
Total state and county .....	\$ 20,071,367	\$ 20,656,248	— \$ 584,881
Total railway tax accruals .....	\$ 58,753,849	\$ 67,140,129	— \$ 8,386,280
Taxes on miscellaneous operating property .....	1,917,216	1,798,265	+ 118,951
Miscellaneous tax accruals .....	623,516	478,992	+ 144,524
Total taxes charged against income .....	\$ 61,294,581	\$ 69,417,386	— \$ 8,122,805
Per share of common stock .....	\$ 2.73	\$ 3.09	— \$ .36

NOTE: Federal income taxes have been reduced by approximately \$10,800,000 and \$14,250,000 in 1967 and 1966, respectively, by application of the 7% investment credit.



TABLE 7 — RAILWAY OPERATING STATISTICS

	1967	1966	Increase	Decrease	Per Cent
Average miles of road operated .....	9,489.32	9,530.47	.....	41.15	.4
<b>FREIGHT TRAFFIC</b>					
<b>Revenue Freight</b>					
Cars of revenue freight loaded on line .....	869,496	885,862	.....	16,366	1.8
Cars of revenue freight received from connections .....	737,685	776,070	.....	38,385	4.9
Total cars of revenue freight handled .....	1,607,181	1,661,932	.....	54,751	3.3
Tons of revenue freight carried .....	66,254,110	67,888,647	.....	1,634,537	2.4
Ton-miles, revenue freight .....	41,070,790,063	41,766,471,967	.....	695,681,904	1.7
Average distance hauled per ton (miles) .....	619.90	615.22	4.68	.....	.8
Average revenue per ton .....	\$7.78	\$7.69	\$.09	.....	1.2
Average revenue per ton-mile (cents) .....	1.256	1.250	.006	.....	.5
Average revenue per train mile .....	\$19.91	\$19.40	\$.51	.....	2.6
<b>Revenue and Company Freight</b>					
Tons of all freight carried .....	69,624,382	71,581,449	.....	1,957,067	2.7
Ton-miles, all freight .....	42,150,546,675	42,888,664,299	.....	738,117,624	1.7
Gross ton-miles (cars and contents) all freight .....	97,106,158,672	97,333,052,383	.....	226,893,711	.2
Average net ton-miles per mile of road per day .....	12,169	12,329	.....	160	1.3
<b>PASSENGER TRAFFIC</b>					
Revenue passengers carried .....	1,118,424	1,321,680	.....	203,256	15.4
Revenue passengers carried one mile .....	815,917,961	998,076,065	.....	182,158,104	18.3
Average journey per passenger (miles) .....	729.52	755.16	.....	25.64	3.4
Average revenue per passenger-mile (cents) .....	2.257	2.301	.....	.044	1.9
Average revenue per train mile—passengers only .....	\$2.51	\$3.08	.....	\$.57	18.5
Average total revenue per train mile .....	\$5.71	\$6.28	.....	\$.57	9.1
<b>TRAIN AND CAR STATISTICS</b>					
<b>Freight</b>					
Train miles—Ordinary .....	25,760,918	26,744,012	.....	983,094	3.7
Light (locomotive with caboose) .....	144,254	170,131	.....	25,877	15.2
Total .....	25,905,172	26,914,143	.....	1,008,971	3.7
Train hours .....	834,845	870,359	.....	35,514	4.1
Locomotive miles .....	27,671,759	28,704,161	.....	1,032,402	3.6
<b>Car miles in freight trains:</b>					
Freight cars—Loaded .....	1,183,360,676	1,222,792,293	.....	39,431,617	3.2
Freight cars—Empty .....	768,475,637	750,761,327	17,714,310	.....	2.4
Caboose .....	25,601,325	26,644,990	.....	1,043,665	3.9
Passenger-train cars .....	12,914,816	7,692,277	5,222,539	.....	67.9
Total car miles .....	1,990,352,454	2,007,890,887	.....	17,538,433	.9
Average freight-train speed—miles per hour .....	31.03	30.92	.11	.....	.4
Average tons per loaded car mile—all freight .....	35.62	35.05	.57	.....	1.6
Average car miles per freight-train mile .....	75.77	73.79	1.98	.....	2.7
Percentage of loaded to total freight-carrying car miles .....	60.63	61.96	.....	1.33	2.1
Average net tons per train mile—all freight .....	1,636.18	1,603.62	32.56	.....	2.0
Average gross tons per train mile .....	3,769.51	3,639.43	130.08	.....	3.6
Average gross ton-miles per train hour .....	116,316	111,831	4,485	.....	4.0
<b>Passenger</b>					
Train miles—Passenger .....	7,327,373	7,454,795	.....	127,422	1.7
Mail and express .....	718,515	1,016,178	.....	297,663	29.3
Total .....	8,045,888	8,470,973	.....	425,085	5.0
Train hours .....	153,976	162,774	.....	8,798	5.4
Locomotive miles .....	8,072,619	8,506,648	.....	434,029	5.1
<b>Car miles in passenger trains:</b>					
Passenger-carrying cars .....	52,845,064	60,277,431	.....	7,432,367	12.3
Other passenger-train cars .....	57,513,989	66,819,317	.....	9,305,328	13.9
Freight-train cars .....	69,601	887,086	.....	817,485	92.2
Total car miles .....	110,428,654	127,983,834	.....	17,555,180	13.7
Average passenger-train speed—miles per hour .....	52.25	52.04	.21	.....	.4
Average car miles per passenger-train mile .....	13.72	15.11	.....	1.39	9.2
Average passengers per train mile .....	111.35	133.88	.....	22.53	16.8
Average passengers per passenger-carrying car mile .....	16.59	17.83	.....	1.24	7.0

TABLE 8 — FREIGHT TRAFFIC BY COMMODITIES

Commodity	TONS				GROSS FREIGHT REVENUE			
	1967	Per Cent of Total	1966	Per Cent of Total	1967	Per Cent of Total	1966	Per Cent of Total
<b>FARM PRODUCTS</b>								
Wheat .....	4,414,238	6.67	4,736,495	6.98	\$ 23,397,206	4.40	\$ 23,662,281	4.43
Corn .....	1,425,157	2.15	1,854,204	2.73	5,764,591	1.08	7,547,372	1.41
Sugar beets .....	2,966,481	4.48	3,151,237	4.64	3,106,801	.58	2,979,367	.56
Potatoes, other than sweet .....	998,679	1.51	1,134,201	1.67	13,712,766	2.58	15,267,087	2.86
Other field crops .....	1,737,107	2.62	1,708,409	2.52	7,793,712	1.47	7,753,027	1.45
Fresh fruits and tree nuts .....	586,264	.89	783,494	1.15	7,795,828	1.47	9,931,163	1.86
Fresh vegetables .....	1,223,377	1.85	1,325,141	1.95	14,068,782	2.65	15,345,107	2.87
Livestock .....	323,834	.49	354,033	.52	7,054,443	1.33	7,316,038	1.37
Other farm products .....	167,402	.25	746,504	1.10	729,469	.14	2,488,245	.46
<b>Total .....</b>	<b>13,842,539</b>	<b>20.91</b>	<b>15,793,718</b>	<b>23.26</b>	<b>\$ 83,423,598</b>	<b>15.70</b>	<b>\$ 92,289,687</b>	<b>17.27</b>
<b>METALLIC ORES AND COAL</b>								
Iron ores .....	3,538,876	5.35	3,966,748	5.84	\$ 10,145,555	1.91	\$ 11,559,532	2.16
Other metallic ores .....	996,064	1.50	1,180,957	1.74	4,147,816	.78	5,013,571	.94
Coal .....	3,906,880	5.90	4,158,515	6.13	10,875,648	2.05	12,019,054	2.25
<b>Total .....</b>	<b>8,441,820</b>	<b>12.75</b>	<b>9,306,220</b>	<b>13.71</b>	<b>\$ 25,169,019</b>	<b>4.74</b>	<b>\$ 28,592,157</b>	<b>5.35</b>
<b>NONMETALLIC MINERALS</b>								
Crushed and broken stone .....	963,108	1.45	914,108	1.35	\$ 2,458,338	.46	\$ 2,362,135	.44
Sand and gravel .....	1,289,627	1.95	1,151,031	1.69	1,931,904	.36	1,866,600	.35
Chemical and fertilizer minerals .....	3,514,129	5.31	3,062,706	4.51	4,685,351	.88	3,738,010	.70
Other nonmetallic minerals .....	573,746	.87	644,171	.95	2,714,716	.51	3,053,512	.57
<b>Total .....</b>	<b>6,340,610</b>	<b>9.58</b>	<b>5,772,016</b>	<b>8.50</b>	<b>\$ 11,790,309</b>	<b>2.21</b>	<b>\$ 11,020,257</b>	<b>2.06</b>
<b>LUMBER, WOOD PRODUCTS, FURNITURE AND FIXTURES</b>								
Lumber .....	4,424,882	6.68	4,554,152	6.71	\$ 48,084,238	9.05	\$ 49,234,625	9.21
Pulpwood chips .....	1,348,227	2.03	1,423,242	2.10	3,503,410	.66	3,365,173	.63
Veneer and plywood .....	1,917,959	2.90	1,925,781	2.84	18,733,021	3.52	18,472,555	3.46
Other lumber and wood products .....	1,288,737	1.95	1,122,490	1.65	10,135,304	1.91	8,582,619	1.60
Furniture and fixtures .....	143,461	.22	119,073	.17	4,711,970	.89	4,473,728	.84
<b>Total .....</b>	<b>9,123,266</b>	<b>13.78</b>	<b>9,144,738</b>	<b>13.47</b>	<b>\$ 85,167,943</b>	<b>16.03</b>	<b>\$ 84,128,700</b>	<b>15.74</b>
<b>MISCELLANEOUS</b>								
Food and kindred products .....	8,360,683	12.63	7,542,036	11.11	\$ 75,860,037	14.27	\$ 69,775,002	13.06
Pulp, paper, and allied products .....	1,889,043	2.85	1,923,563	2.83	22,773,972	4.29	21,973,167	4.11
Chemicals and allied products .....	5,210,985	7.87	4,684,272	6.90	46,485,987	8.75	42,289,336	7.91
Petroleum and coal products .....	951,544	1.44	986,019	1.45	6,398,297	1.20	6,172,492	1.15
Stone, clay, and glass products .....	3,287,585	4.96	3,653,066	5.38	16,460,928	3.10	17,463,165	3.27
Primary metal products .....	3,255,053	4.92	3,702,135	5.45	32,820,190	6.18	38,571,897	7.22
Fabricated metal products .....	644,788	.97	615,939	.91	11,145,146	2.10	10,998,012	2.06
Machinery, equipment, and supplies .....	839,333	1.27	774,093	1.14	22,648,786	4.26	21,664,802	4.05
Transportation equipment .....	993,042	1.50	1,086,126	1.60	24,943,511	4.69	27,771,120	5.20
Ordnance and accessories .....	553,426	.83	384,455	.57	16,673,203	3.14	10,780,754	2.02
Other miscellaneous .....	2,010,276	3.04	1,969,697	2.90	36,241,969	6.82	34,405,652	6.44
<b>Total .....</b>	<b>27,995,758</b>	<b>42.28</b>	<b>27,321,401</b>	<b>40.24</b>	<b>\$312,452,026</b>	<b>58.80</b>	<b>\$301,865,399</b>	<b>56.49</b>
Forwarder Traffic .....	452,455	.68	526,791	.78	\$ 12,873,674	2.42	\$ 15,464,686	2.89
<b>Total Carload Freight .....</b>	<b>66,196,448</b>	<b>99.98</b>	<b>67,864,884</b>	<b>99.96</b>	<b>\$530,876,569</b>	<b>99.90</b>	<b>\$533,360,886</b>	<b>99.80</b>
All less than carload freight .....	10,156	.02	23,763	.04	529,219	.10	1,056,585	.20
<b>Total All Commodities .....</b>	<b>66,206,604*</b>	<b>100.00</b>	<b>67,888,647</b>	<b>100.00</b>	<b>\$531,405,788</b>	<b>100.00</b>	<b>\$534,417,471</b>	<b>100.00</b>

\* Excludes 47,506 tons of mail and express handled in freight service.

NOTE: Total gross freight revenue shown above exceeds freight revenue reported in Table 4 for 1967 and 1966 by \$15,654,299 and \$12,381,086, 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 \$3,710,000 for 1967 and \$1,769,000 for 1966, representing amounts withheld from freight revenue and set aside in reserves, in connection with divisions of freight revenue on transcontinental traffic (see page 26).





**TABLE 9 — 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 .....	\$ 249,130	\$ 194,328	\$ 54,802
Land for transportation purposes .....	107,722	74,011	33,711
Other right-of-way expenditures .....	3,881	4,614	733
Grading .....	1,489,355	513,746	975,609
Bridges, trestles, and culverts .....	688,770	522,494	166,276
Ties .....	451,689	553,257	101,568
Rails .....	872,358	747,254	125,104
Other track material .....	1,153,616	415,216	738,400
Ballast .....	166,273	128,234	38,039
Track laying and surfacing .....	538,990	340,090	198,900
Fences, snowsheds, and signs .....	25,055	44,599	19,544
Station and office buildings .....	2,051,827	353,778	1,698,049
Roadway buildings .....	73,282	103,495	30,213
Water stations .....	50,585	142,002	91,417
Fuel stations .....	36,544	25,823	10,721
Shops and enginehouses .....	323,246	410,894	87,648
Wharves and docks .....	.....	140,545	140,545
Coal and ore wharves .....	63	.....	63
Communication systems .....	1,693,178	536,957	1,156,221
Signals and interlockers .....	1,727,487	1,366,868	360,619
Power plants .....	.....	44,096	44,096
Power-transmission systems .....	9,320	106,842	97,522
Miscellaneous structures .....	47,273	7,866	39,407
Roadway machines .....	427,147	133,955	293,192
Roadway small tools .....	.....	214	214
Public improvements—Construction .....	231,040	92,684	138,356
Other expenditures—Road .....	.....	9	9
Shop machinery .....	254,408	110,092	144,316
Power-plant machinery .....	8,189	64,246	56,057
<b>Total expenditures for road .....</b>	<b>\$ 12,680,428</b>	<b>\$ 7,178,209</b>	<b>\$ 5,502,219</b>
Other locomotives .....	\$ 6,764,244	\$ 6,825,928	\$ 61,684
Freight-train cars .....	124,234,526	17,083,392	107,151,134
Passenger-train cars .....	308	1,443,670	1,443,362
Work equipment .....	382,780	30,901	351,879
Miscellaneous equipment .....	340,086	400,816	60,730
<b>Total expenditures for equipment .....</b>	<b>\$131,721,944</b>	<b>\$25,784,707</b>	<b>\$105,937,237</b>
<b>General expenditures .....</b>	<b>\$ 95*</b>	<b>\$ 628,014</b>	<b>\$ 628,109</b>
Construction work in progress .....	\$ 3,144,118	\$ 2,646,114†	\$ 5,790,232
<b>Grand Total .....</b>	<b>\$147,546,395</b>	<b>\$30,944,816</b>	<b>\$116,601,579</b>

\* Credit adjustment.

† Prior years' retirements transferred to appropriate primary accounts.

TABLE 10 — RAILWAY EQUIPMENT OWNED

LOCOMOTIVES	Owned at Beginning of Year	Acquired			Retired	Owned at Close of Year
		Purchased or Built	Rebuilt or Converted	Total Acquired		
<b>Diesel</b>						
Freight units .....	906	....	....	....	....	906
Passenger units .....	115	....	....	....	....	115
Freight-Passenger units .....	10	....	....	....	....	10
Road-Switch .....	39	....	....	....	....	39
Switch .....	260	....	....	....	....	260
Diesel units leased to Rock Island .....	57	8	....	8	....	65
Total Diesel .....	1,387	8	....	8	....	1,395
Gas-Turbine .....	31	....	....	....	....	31
<b>FREIGHT-TRAIN CARS</b>						
Box .....	30,314	3,557	....	3,557	3,069	30,802
Gondola .....	6,535	100	....	100	28	6,607
Hopper—Covered .....	4,937	1,583	....	1,583	5	6,515
Hopper—Open Top .....	8,745	....	....	....	45	8,700
Refrigerator—Mechanical* .....	2,730	500	....	500	18	3,212
Flat† .....	4,268	73	....	73	73	4,268
Stock .....	2,469	....	....	....	55	2,414
Tank .....	1,228	....	....	....	4	1,224
Caboose .....	638	99	....	99	8	729
Freight-train cars leased to Rock Island .....	722	1,998	....	1,998	5	2,715
Total Freight-Train Cars .....	62,586	7,910	....	7,910	3,310	67,186
<b>PASSENGER-TRAIN CARS</b>						
Postal .....	205	....	2	2	2	205
Baggage .....	190	....	....	....	2	188
Baggage-combination .....	59	....	....	....	3	56
Coach .....	263	....	....	....	14	249
Sleeping .....	150	....	....	....	....	150
Dining and Lunch Counter-Cafe .....	67	....	....	....	3	64
Club and Lounge .....	36	....	....	....	1	35
Auxiliary steam generator .....	2	....	....	....	....	2
Total Passenger-Train Cars .....	972	....	2	2	25	949
<b>WORK EQUIPMENT</b>						
Business .....	19	....	....	....	....	19
Instruction .....	11	....	....	....	....	11
Roadway .....	727	....	58	58	11	774
Boarding .....	1,158	....	....	....	6	1,152
Tool .....	442	....	2	2	....	444
Miscellaneous .....	592	3	....	3	4	591
Work equipment leased to Rock Island .....	6	....	....	....	....	6
Total Work Equipment Units .....	2,955	3	60	63	21	2,997

\* Leased to Pacific Fruit Express Co.

† Includes cars leased to Pacific Fruit Express Co.: 597 at beginning of year and 553 at close of year.



**TABLE 11 — CAPITAL STOCK OUTSTANDING**

Company and Class of Stock	Par Value of Capital Stock Outstanding December 31, 1967			Dividends per share declared in 1967
	Common	Preferred	Total	
<b>UNION PACIFIC RAILROAD CO.</b>				
Common Stock (par value \$10 per share) .....	\$224,292,350	.....	\$224,292,350	\$2.05*
Preferred Stock (par value \$10 per share) .....	.....	\$75,000,000†	75,000,000	.40
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	\$2.00
First Preferred Stock (par value \$100 per share) .....	.....	\$ 32,010	32,010	5.00
Second Preferred Stock (par value \$100 per share) .....	.....	6,471	6,471	4.00
Total .....	\$ 10,000	\$ 38,481	\$ 48,481	
Grand Total .....	\$224,302,350	\$75,038,481	\$299,340,831	

\* See page 11.

† Excludes \$24,543,100 representing par value of shares reacquired and held in the treasury.

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 12 — FUNDED DEBT OUTSTANDING AND INTEREST THEREON**

Company and Character of Funded Debt	Date of Maturity	Interest Payable	Outstanding		Interest Accrued Charged to Income Account		
			December 31, 1967	Increase or Decrease vs. Dec. 31, 1966	Year 1967	Increase or Decrease vs. Year 1966	
<b>UNION PACIFIC RAILROAD CO.</b>							
Refunding Mortgage 2½% Bonds, Series C, dated March 1, 1946 .....	Mar. 1, 1991	Mar. & Sept.	\$ 64,582,000	—\$ 1,827,000	\$1,648,415	—\$ 12,339	
Thirty Year 2% Debenture Bonds, dated February 1, 1946 .....	Feb. 1, 1976	Feb. & Aug.	40,816,000	— 753,000	1,189,164	— 7,601	
Total Bonds .....			\$105,398,000	—\$ 2,580,000	\$2,837,579	—\$ 19,940	
<b>Equipment Trust of March 1, 1967:</b>							
First issue 5¾% .....	1968 to 1982	Mar. & Sept.	\$ 10,200,000	+\$10,200,000	\$ 330,524	+\$ 330,524	
Second issue 5¾% .....	1968 to 1982	Mar. & Sept.	10,200,000	+ 10,200,000	196,326	+ 196,326	
<b>Equipment purchase agreements:</b>							
Dated June 1, 1962—4¼% .....	1968 to 1970	Semi-Annually	4,052,537	— 1,621,015	211,745	— 66,867	
“ September 1, 1962—4.15% .....			.....	— 1,904,284	32,928	— 79,028	
“ January 1, 1966—5% .....	1968 to 1973	Semi-Annually	35,972,719	— 9,434,469	2,065,664	+ 656,485	
“ March 1, 1966—5.2% .....	1968 to 1971	Quarterly	20,565,823	— 6,031,639	1,269,531	+ 421,622	
“ July 1, 1966—5¾% .....	1973 to 1981	Semi-Annually	19,872,435	+ 7,253,405	1,140,280	+ 1,063,243	
“ September 1, 1966—5¾% & 6% ...	1968 to 1971	Quarterly	21,837,956	+ 15,160,712	1,194,363	+ 1,162,074	
“ June 1, 1967—5½% & 5¾% .....	1968 to 1972	Quarterly	29,519,259	+ 29,519,259	706,898	+ 706,898	
Total Equipment Obligations .....			\$152,220,729	+\$53,341,969	\$7,148,259	+\$4,391,277	
Grand Total .....			\$257,618,729	+\$50,761,969	\$9,985,838	+\$4,371,337	

NOTE: 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 13 — STOCKS OWNED AND DIVIDENDS THEREON

Company	Per Cent Owned Dec. 31, 1967	Book Value		Dividends Credited to Income Account	
		Dec. 31, 1967	Increase or Decrease vs. Dec. 31, 1966	Year 1967	Increase or Decrease vs. Year 1966
<b>Investments in Affiliated Companies</b>					
<b>TRANSPORTATION DIVISION</b>					
Overland Terminal Warehouse Co. ....	100.00	\$ 115,000			
Union Pacific Motor Freight Co. ....	100.00	5,000			
Union Pacific Stage Co. ....	100.00	3,000			
Utah Parks Co. ....	100.00	25,000			
Yakima Valley Transportation Co. ....	100.00	545,598			
Spokane International Railroad Co. ....	99.96	6,543,149			
Camas Prairie Railroad Co. ....	50.00	50,000			
Ogden Union Railway and Depot Co. ....	50.00	12,501			
Pacific Fruit Express Co. ....	50.00	12,000,000	.....	\$1,680,000	
Portland Traction Co. ....	50.00	1,951,042	—\$ 4,439	150,000	+\$ 150,000
St. Joseph Terminal Railroad Co. ....	50.00	1			
Portland Terminal Railroad Co. ....	40.00	1,879,520	.....	120,000	— 80,000
Leavenworth Depot and Railroad Co. ....	33.33	25,201			
Denver Union Terminal Railway Co. ....	16.67	5,000			
Kansas City Terminal Railway Co. ....	8.33	183,333			
Pullman Co. ....	6.00	1,229,592	— 43,914		
Railway Express Agency, Inc. ....	2.60	2,500			
Trailer Train Co. ....	2.44	111,865			
<b>NATURAL RESOURCES DIVISION</b>					
Calnev Pipe Line Co. ....	97.00	4,750,000	+ 4,050,000 (a)	970,000	+ 970,000
Stauffer Chemical Co. of Wyoming ....	49.00	3,136,000			
<b>LAND DIVISION</b>					
Kansas City Industrial Land Co. ....	100.00	849,682			
Las Vegas Land and Water Co. ....	100.00	50,000			
Union Land Co. ....	100.00	2,000			
Uinta Development Co. ....	52.15	1,384,652	+ 1,384,652 (b)		
<b>Total—Affiliated Companies</b> .....		<u>\$34,859,636</u>	<u>+ \$5,386,299</u>	<u>\$2,920,000</u>	<u>+ \$1,040,000</u>
<b>Other Investments(c)</b>					
Illinois Central Industries, Inc. ....		\$43,001,106 (d)	.....	\$2,149,320	+\$ 429,864
Miscellaneous .....		96,873	—\$ 475,824 (e)	500	— 50
<b>Total—Other than Affiliated Companies</b> .....		<u>\$43,097,979</u>	<u>—\$ 475,824</u>	<u>\$2,149,820</u>	<u>+\$ 429,814</u>
<b>Grand Total</b> .....		<u>\$77,957,615</u>	<u>+\$4,910,475</u>	<u>\$5,069,820</u>	<u>+\$1,469,814</u>

(a) 270,000 additional shares purchased during the year.

(b) Represents 2,564 shares, including 1,505 shares acquired during the year and 1,059 previously owned shares transferred from "Other Investments."

(c) 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, 199,500 shares of Western Pacific R.R. Co. common stock and 23,355 shares of Railway Express Agency, Inc. common stock.

(d) Represents 1,432,880 shares.

(e) Chiefly investment in Uinta Development Co. See Note (b).



TABLE 14 — BONDS AND NOTES OWNED AND INCOME YIELD

	Face Value Owned		Current Income Yield	
	Dec. 31, 1967	Increase or Decrease vs. Dec. 31, 1966	Year 1967	Increase or Decrease vs. Year 1966
<b>Temporary Cash Investments</b>				
United States of America:				
Treasury Securities .....	\$ 55,700,000	+ \$16,500,000	\$1,532,628	+ \$ 112,198
Securities of Government Agencies .....	1,000,000	— 9,000,000	451,206	+ 277,803
Negotiable Time Certificates of Deposit .....	30,000,000	— 54,000,000	2,469,479	— 2,272,366
Securities held under Repurchase Agreements .....	16,000,000	+ 16,000,000	218,337	+ 5,104
Other .....	.....	— 7,010,000	89,450	— 32,106
<b>Total Temporary Cash Investments .....</b>	<b>\$102,700,000</b>	<b>— \$37,510,000</b>	<b>\$4,761,100</b>	<b>— \$1,909,367</b>
<b>Investments in Affiliated Companies</b>				
	<b>Total Outstanding Dec. 31, 1967</b>			
Calneve Pipe Line Co. 6½% First Mortgage Promissory Notes (maturing semi-annually, 1968-1975).....	\$ 2,880,000	\$ 2,880,000	— \$ 1,800,000	\$ 200,288 — \$ 99,633
Pacific Fruit Express Co. Equipment Purchase Contract 4¼%, dated November 15, 1956 .....	.....	.....	— 652,260	10,395 — 51,746
Equipment Purchase Contract 5%, dated August 20, 1959 (maturing semi-annually, 1968-1975) .....	13,922,252	2,576,489	— 322,061	132,850 — 16,103
Equipment Purchase Contract 4½%, dated September 6, 1961 .....	.....	.....	.....	— 13,839
Railway Express Agency, Inc. 5% Promissory Note .....	27,206,376	722,889	.....	36,144
St. Joseph Terminal Railroad Co. 6% Demand Note .....	350,000	175,000	.....	10,500
Stauffer Chemical Co.* 5% Notes .....	.....	.....	— 1,090,250	20,213 — 181,759
5½% Notes (maturing 1970-1973) .....	8,000,000	4,000,000	.....	220,000
4% Notes (maturing 1976) .....	9,500,000	4,750,000	+ 4,750,000	138,333 + 138,333
Trailer Train Co. 4.65% Conditional Sale Agreement .....	4,743,261	.....	— 1,014,000	29,338 — 17,813
6½% Subordinated Notes .....	10,000,000	289,000	+ 289,000	13,254 + 13,254
<b>Total Obligations of Affiliated Companies .....</b>	<b>\$ 15,393,378</b>	<b>+ \$ 160,429</b>	<b>\$ 811,315</b>	<b>— \$ 229,306</b>
<b>Other Investments</b>				
	<b>Maturity</b>			
Baltimore & Ohio Railroad Co. First Consolidated Mortgage 4% Bonds, Series B ....	Sept. 1, 1980	\$ 1,940,000	.....	\$ 77,600
Pittsburgh, Youngstown & Ashtabula Railway Co. First General Mortgage 4½% Gold Bonds, Series D ...	June 1, 1977	1,485,000	.....	66,825
Miscellaneous (principally property-sale and other contracts) .....	.....	2,254,183	— \$ 856,713	162,480 — \$ 10,100
<b>Total Other Bonds and Notes .....</b>	<b>\$ 5,679,183</b>	<b>— \$ 856,713</b>	<b>\$ 306,905</b>	<b>— \$ 10,100</b>
<b>Grand Total Income Yield on Bonds and Notes Owned .....</b>	<b>\$5,879,320</b>	<b>— \$2,148,773</b>		

\* 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%).

TABLE 15 — SUMMARY OF INCOME AND

Transportation Operations			
OPERATING REVENUES	1967	1966	1965
Freight .....	\$515,751,489	\$522,036,385	\$482,091,741
Passenger .....	18,417,802	22,970,600	23,618,080
Other .....	39,850,389	44,130,666	43,480,325
Total operating revenues .....	<u>\$574,019,680</u>	<u>\$589,137,651</u>	<u>\$549,190,146</u>
<b>OPERATING EXPENSES</b>			
Maintenance of way and structures .....	\$ 65,964,160	\$ 72,208,394	\$ 64,255,906
Maintenance of equipment .....	106,626,942	103,062,990	95,820,685
Transportation .....	208,716,647	203,608,051	197,614,887
Other .....	47,657,773	46,122,846	45,991,804
Total operating expenses .....	<u>\$428,965,522</u>	<u>\$425,002,281</u>	<u>\$403,683,282</u>
Operating ratio (per cent—operating expenses of operating revenues) .....	<u>74.73</u>	<u>72.14</u>	<u>73.51</u>
<b>RAILWAY TAX ACCRUALS</b>			
Federal income .....	\$ 13,100,000	\$ 24,100,000	\$ 25,700,000
Other Federal .....	25,582,482	22,383,881	20,577,875
State and county .....	20,071,367	20,656,248	20,105,430
Total railway tax accruals .....	<u>\$ 58,753,849</u>	<u>\$ 67,140,129</u>	<u>\$ 66,383,305</u>
Equipment and joint facility rents—net charge .....	<u>\$ 4,842,390</u>	<u>\$ 10,738,793</u>	<u>\$ 12,179,577</u>
Net income from transportation operations .....	<u>\$ 81,457,919</u>	<u>\$ 86,256,448</u>	<u>\$ 66,943,982</u>
<b>Income from Investments and Other Sources</b>			
Net income from oil and gas operations (a) .....	16,049,149	13,648,672	15,485,148
Other income .....	15,373,707	16,185,619	17,133,615
Profits and losses—net (property sales, etc.) .....	2,064,228	2,136,750	935,072
Total income .....	<u>\$114,945,003</u>	<u>\$118,227,489</u>	<u>\$100,497,817</u>
Miscellaneous deductions from income .....	2,643,001	2,759,498	3,262,933
Income available for fixed charges .....	<u>\$112,302,002</u>	<u>\$115,467,991</u>	<u>\$ 97,234,884</u>
<b>Fixed Charges</b>			
Total fixed charges .....	10,168,965	5,676,369	3,479,518
Net income under accounting rules prescribed by I.C.C. ....	<u>\$102,133,037</u>	<u>\$109,791,622</u>	<u>\$ 93,755,366</u>
Net income per share of common stock outstanding December 31st:			
Under accounting rules prescribed by I.C.C. ....	\$4.42	\$4.76	\$4.03
Under generally accepted accounting principles (b) .....	<u>3.47</u>	<u>3.84</u>	<u>3.29</u>
Dividends declared on preferred stock .....	\$ 3,000,000	\$ 3,052,282	\$ 3,375,560
Dividends declared on common stock .....	45,979,932	44,858,470	40,372,623
Common dividends declared per share .....	\$2.05 (c)	\$2.00	\$1.80
<b>Statistics</b>			
Freight train miles (excluding "light" trains—locomotive and caboose only) .	25,760,918	26,744,012	24,542,296
Ton-miles of revenue freight carried (thousands) .....	41,070,790	41,766,472	38,832,832
Average revenue per ton-mile (cents) .....	1.256	1.250	1.241
Average distance hauled per ton (miles) .....	619.90	615.22	599.09
Average net tons per train mile—all freight .....	1,636.18	1,603.62	1,627.39
Average gross ton-miles per train hour .....	116,316	111,831	107,117
Passenger train miles (excluding mail and express) .....	7,327,373	7,454,795	7,466,251
Revenue passengers carried one mile (thousands) .....	815,918	998,076	1,012,699
Average revenue per passenger-mile (cents) .....	2.257	2.301	2.332
Average number of employees .....	32,137	32,935	33,045
Total wages paid .....	\$254,609,965	\$248,079,767	\$243,453,468
Wages and fringe benefits charged to expenses, per share of common stock ...	\$11.35	\$11.05	\$10.76
Other expenses, per share of common stock .....	7.77	7.90	7.24
U.P.R.R. Co. preferred stock—shares outstanding December 31st .....	7,500,000	7,500,000	7,830,310
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 .....	102,952	102,837	100,736

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

(b) 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.

(c) See page 11.

(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.



SELECTED STATISTICS FOR LAST TEN YEARS

1964	1963	1962	1961	1960	1959	1958
\$461,718,186 24,325,277 43,035,730 <u>\$529,079,193</u>	\$452,408,084 24,920,210 41,776,185 <u>\$519,104,479</u>	\$442,509,460 27,516,029 42,099,426 <u>\$512,124,915</u>	\$432,656,039 26,577,395 40,091,014 <u>\$499,324,448</u>	\$428,271,329 27,519,034 38,394,101 <u>\$494,184,464</u>	\$449,037,095 27,929,586 38,800,752 <u>\$515,767,433</u>	\$440,671,942 27,931,280 36,611,969 <u>\$505,215,191</u>
\$ 59,556,550 100,284,822 190,713,887 44,636,627 <u>\$395,191,886</u> 74.69	\$ 57,054,399 94,237,116 177,989,972 42,850,053 <u>\$372,131,540</u> 71.69	\$ 57,076,553 91,986,503 178,371,874 42,722,171 <u>\$370,157,101</u> 72.28	\$ 54,867,529 90,721,127 174,047,033 41,163,124 <u>\$360,798,813</u> 72.26	\$ 52,513,678 89,360,481 176,168,400 41,698,477 <u>\$359,741,036</u> 72.79	\$ 60,276,353 94,554,428 180,844,539 43,066,483 <u>\$378,741,803</u> 73.43	\$ 61,670,102 93,302,139 174,504,919 41,780,785 <u>\$371,257,945</u> 73.49
\$ 23,300,000 19,702,370 20,033,971 <u>\$ 63,036,341</u> <u>\$ 17,382,748</u> <u>\$ 53,468,218</u>	\$ 38,100,000 18,526,590 18,253,611 <u>\$ 74,880,201</u> <u>\$ 20,981,013</u> <u>\$ 51,111,725</u>	\$ 35,600,000 18,611,804 19,257,475 <u>\$ 73,469,279</u> <u>\$ 21,723,207</u> <u>\$ 46,775,328</u>	\$ 50,131,264 17,346,449 19,133,076 <u>\$ 86,610,789</u> <u>\$ 20,732,235</u> <u>\$ 31,182,611</u>	\$ 43,092,694 18,678,574 18,264,000 <u>\$ 80,035,268</u> <u>\$ 22,265,560</u> <u>\$ 32,142,600</u>	\$ 38,528,677 18,330,304 20,076,000 <u>\$ 76,934,981</u> <u>\$ 23,262,674</u> <u>\$ 36,827,975</u>	\$ 34,800,000 15,473,903 19,530,000 <u>\$ 69,803,903</u> <u>\$ 20,692,259</u> <u>\$ 43,461,084</u>
18,524,209 18,302,396 2,514,419 <u>\$ 92,809,242</u> 3,631,715 <u>\$ 89,177,527</u>	21,542,808 16,067,088 1,140,397 <u>\$ 89,862,018</u> 1,858,969 <u>\$ 88,003,049</u>	23,888,982 14,307,640 1,067,766 <u>\$ 86,039,716</u> 395,852 <u>\$ 85,643,864</u>	26,030,815 13,725,045 2,442,946 <u>\$ 73,381,417</u> 983,664 <u>\$ 72,397,753</u>	22,098,416 14,947,620 3,038,229 <u>\$ 72,226,865</u> 503,662 <u>\$ 71,723,203</u>	19,347,089 13,526,160 1,501,996 <u>\$ 71,203,220</u> 558,987 <u>\$ 70,644,233</u>	24,566,034 14,694,740 1,075,133 <u>\$ 83,796,991</u> 524,623 <u>\$ 83,272,368</u>
3,713,884 <u>\$ 85,463,643</u>	3,781,342 <u>\$ 84,221,707</u>	3,153,738 <u>\$ 82,490,126</u>	3,011,628 <u>\$ 69,386,125</u>	4,065,156 <u>\$ 67,658,047</u>	4,429,554 <u>\$ 66,214,679</u>	4,485,409 <u>\$ 78,786,959</u>
\$3.64 2.98	\$3.58 2.90	\$3.50 2.88	\$2.92 2.78	\$2.84 2.62	\$2.77 2.42	\$3.34 2.78
\$ 3,841,884 39,251,161 \$1.75	\$ 3,981,724 33,643,853 \$1.50	\$ 3,981,724 35,886,776 \$1.60	\$ 3,981,724 35,886,776 \$1.60	\$ 3,981,724 35,886,776 \$1.60	\$ 3,981,724 35,886,776 \$1.60	\$ 3,981,724 35,706,655 (d)
24,625,868 36,921,477 1,251 587.53 1,540.81 104,226	23,956,252 35,076,458 1,290 585.41 1,507.66 98,633	23,745,464 33,187,576 1,333 582.31 1,448.62 94,814	23,493,295 32,408,549 1,335 578.74 1,418.22 93,512	23,237,229 31,532,831 1,358 565.61 1,401.31 92,120	25,639,585 32,874,828 1,366 591.30 1,322.47 88,263	24,462,007 31,681,958 1,391 585.99 1,339.52 85,653
7,727,821 1,055,943 2,304	7,991,661 1,068,517 2,332	8,214,709 1,173,616 2,345	8,166,187 1,149,737 2,312	8,934,395 1,232,604 2,233	9,331,086 1,242,182 2,248	9,824,143 1,234,134 2,263
33,891 \$234,137,646 \$10.44 7.18	34,361 \$228,200,827 \$10.00 6.59	34,861 \$227,575,481 \$9.98 6.52	34,886 \$221,474,080 \$9.73 6.36	37,589 \$229,981,761 \$9.96 6.08	40,565 \$242,343,020 \$10.54 6.35	41,780 \$239,773,386 \$10.47 6.08
9,265,610 22,429,235 98,761	9,954,310 22,429,235 99,119	9,954,310 22,429,235 102,073	9,954,310 22,429,235 99,624	9,954,310 22,429,235 96,884	9,954,310 22,429,235 87,705	9,954,310 22,429,235 82,023

**TABLE 16 — BALANCE SHEETS AND INCOME AND  
Subject to Interstate Commerce**

BALANCE SHEET DECEMBER 31, 1967	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) .....	\$3,999,829	\$1,069,896	—	\$11,669,987
Reserves for depreciation (credit) .....	1,919,834	273,195	—	2,325,797
Other investments .....	—	—	—	17,254,277
Cash: In banks .....	—	68,685	—	120,064
On deposit with Union Pacific R.R. Co. ....	—	—	\$ 3,131	—
On deposit with other stockholder .....	—	—	—	—
Accounts receivable .....	390,291	8,190	11,428	300,388
Material and supplies .....	33,640	17,349	—	31,855
Other current assets .....	2,377	110	—	17,269
Other assets and deferred charges .....	897	169	262	25,253
<b>Total .....</b>	<b>\$2,507,200</b>	<b>\$ 891,204</b>	<b>\$14,821</b>	<b>\$27,093,296</b>
<b>LIABILITIES AND STOCKHOLDER EQUITY</b>				
Funded debt .....	—	—	—	—
Payable to Union Pacific Railroad Co. ....	\$ 531,086	\$ 58,593	—	\$12,089,136
Tax liability .....	95,549	1,569*	—	135,537
Other current liabilities .....	183,692	10,903	\$ 9,333	406,609
Other liabilities and deferred credits .....	295	23	20	9,352
Reserves for insurance, casualties, etc. ....	30,752	—	1,250	—
<b>Total liabilities .....</b>	<b>\$ 841,374</b>	<b>\$ 67,950</b>	<b>\$10,603</b>	<b>\$12,640,634</b>
Capital stock .....	\$ 5,000	\$ 500,000	\$ 3,000	\$ 3,273,360
Paid-in capital surplus .....	—	100,000	—	—
Retained income, as shown below .....	1,660,826	223,254	1,218	11,179,302
<b>Total stockholder equity .....</b>	<b>\$1,665,826</b>	<b>\$ 823,254</b>	<b>\$ 4,218</b>	<b>\$14,452,662</b>
<b>Total .....</b>	<b>\$2,507,200</b>	<b>\$ 891,204</b>	<b>\$14,821</b>	<b>\$27,093,296</b>
<b>INCOME ACCOUNT, YEAR ENDED DECEMBER 31, 1967</b>				
Revenues .....	\$2,624,119	\$ 180,964	—	\$ 3,568,971
Expenses and rents .....	2,283,612	150,542	—	2,098,814
Net .....	\$ 340,507	\$ 30,422	—	\$ 1,470,157
Other income .....	1,634	—	—	1,127,656
<b>Total income .....</b>	<b>\$ 342,141</b>	<b>\$ 30,422</b>	<b>—</b>	<b>\$ 2,597,813</b>
Interest on long-term debt .....	—	—	—	\$ 719,292
Federal income taxes .....	\$ 148,894	\$ 1,784	—	281,909
Other taxes .....	148,939	16,643	—	341,348
Other deductions .....	24	151	—	3,775
<b>Net income .....</b>	<b>\$ 44,284</b>	<b>\$ 11,844</b>	<b>—</b>	<b>\$ 1,251,489</b>
<b>RETAINED INCOME</b>				
Retained income, December 31, 1966 .....	\$1,616,542	\$ 216,329	\$ 1,218	\$ 9,927,813
Net income, as shown above .....	44,284	11,844	—	1,251,489
Other credits and debits—Net .....	—	4,919	—	—
<b>Total .....</b>	<b>\$1,660,826</b>	<b>\$ 223,254</b>	<b>\$ 1,218</b>	<b>\$11,179,302</b>
Less dividends .....	—	—	—	—
<b>Retained income, December 31, 1967 .....</b>	<b>\$1,660,826</b>	<b>\$ 223,254</b>	<b>\$ 1,218</b>	<b>\$11,179,302</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.
- (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 lines from Colton, Calif., to Las Vegas, Nev., for transportation of refined petroleum products. U.P.R.R. Co. owns 97% of capital stock.
- (8) Owns and operates lodges, inns and other tourist facilities (including motor coaches) in National Parks in Utah and Arizona. "Other income" includes \$107,907 representing refund of Federal income taxes applicable to prior years and interest thereon.
- (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.

\* Debit.                      \*\* Credit.                      † Absorption of loss by U.P.R.R. Co.





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)
\$2,634,299	\$196,483,354	\$10,525,101	\$4,050,719	\$28,277,457	\$3,534,524	\$ 638,179	\$1,303,295
1,483,710	111,802,279	2,179,614	3,446,264	463,418	831,731	325	910,257
2,857				1,926,192		379,211	
225,353	452,508	212,992					21,525
429,947	5,575,583					727,508	185,562
429,947	5,575,584						
123,248	13,899,585	699,506	14,236	78,639	3,087		53,204
8,395	1,822,206	54,419	247,657				
61	60,710	223,259	1,376				3,601
22,370	4,311,068	19,456	3,237	505,797	68,827	1,934	15,258
<u>\$2,392,767</u>	<u>\$116,378,319</u>	<u>\$ 9,555,119</u>	<u>\$ 870,961</u>	<u>\$30,324,667</u>	<u>\$2,774,707</u>	<u>\$1,746,507</u>	<u>\$ 672,188</u>
	\$ 23,884,589	\$ 2,880,000					
\$ 75,590	138,929	201,688	\$ 799,563	\$26,519,622	\$1,485,423		
647,094	14,647,388	150,887	10,363	203,944	93,770	\$ 7,321	\$ 33,975
16,084	5,699,326		32,558	46,472	22,454	95	60,372
33,000	2,452,600		3,432	38,595		14,297	
			45				
<u>\$ 771,768</u>	<u>\$ 46,822,832</u>	<u>\$ 3,232,575</u>	<u>\$ 845,961</u>	<u>\$26,808,633</u>	<u>\$1,601,647</u>	<u>\$ 21,713</u>	<u>\$ 94,347</u>
<u>\$1,300,000</u>	<u>\$ 24,000,000</u>	<u>\$ 1,000,000</u>	<u>\$ 25,000</u>	<u>\$ 50,000</u>	<u>\$ 10,000</u>	<u>\$ 900,000</u>	<u>\$ 115,000</u>
					10,785	466,371	100,000
320,999	45,555,487	5,322,544		3,466,034	1,152,275	358,423	362,841
<u>\$1,620,999</u>	<u>\$ 69,555,487</u>	<u>\$ 6,322,544</u>	<u>\$ 25,000</u>	<u>\$ 3,516,034</u>	<u>\$1,173,060</u>	<u>\$1,724,794</u>	<u>\$ 577,841</u>
<u>\$2,392,767</u>	<u>\$116,378,319</u>	<u>\$ 9,555,119</u>	<u>\$ 870,961</u>	<u>\$30,324,667</u>	<u>\$2,774,707</u>	<u>\$1,746,507</u>	<u>\$ 672,188</u>
\$1,066,646	\$ 79,439,895	\$ 3,648,497	\$1,744,445	\$ 505,932	\$ 309,543	\$ 4,708	\$ 798,420
620,625	67,648,780	913,873	1,749,392	129,408	99,528	583	663,057
\$ 446,021	\$ 11,791,115	\$ 2,734,624	\$ 4,947*	\$ 376,524	\$ 210,015	\$ 4,125	\$ 135,363
14,633	37,576	208,539	108,456	133,518	138	23,481	182
<u>\$ 460,654</u>	<u>\$ 11,828,691</u>	<u>\$ 2,943,163</u>	<u>\$ 103,509</u>	<u>\$ 510,042</u>	<u>\$ 210,153</u>	<u>\$ 27,606</u>	<u>\$ 135,545</u>
	\$ 1,145,179	\$ 200,288					
\$ 139,547	986,084	1,040,603	\$ 3,836**	\$ 40,518	\$ 67,077	\$ 5,175	\$ 7,505
125,078	6,069,785	337,602	116,782	357,848	42,271	8,852	108,803
347	1,459,988	2,673					2
<u>\$ 195,682</u>	<u>\$ 2,167,655</u>	<u>\$ 1,361,997</u>	<u>\$ 9,437*</u>	<u>\$ 111,676</u>	<u>\$ 100,805</u>	<u>\$ 13,579</u>	<u>\$ 19,235</u>
\$ 425,317	\$ 46,747,832	\$ 4,960,547		\$ 3,354,358	\$1,051,470	\$ 344,844	\$ 343,606
195,682	2,167,655	1,361,997	\$ 9,437*	111,676	100,805	13,579	19,235
			9,437†				
<u>\$ 620,999</u>	<u>\$ 48,915,487</u>	<u>\$ 6,322,544</u>		<u>\$ 3,466,034</u>	<u>\$1,152,275</u>	<u>\$ 358,423</u>	<u>\$ 362,841</u>
<u>\$300,000</u>	<u>\$ 3,360,000</u>	<u>\$ 1,000,000</u>					
<u>\$ 320,999</u>	<u>\$ 45,555,487</u>	<u>\$ 5,322,544</u>		<u>\$ 3,466,034</u>	<u>\$1,152,275</u>	<u>\$ 358,423</u>	<u>\$ 362,841</u>

**HASKINS & SELLS**  
CERTIFIED PUBLIC ACCOUNTANTS

912 FIRST NATIONAL BANK BUILDING  
OMAHA 68102

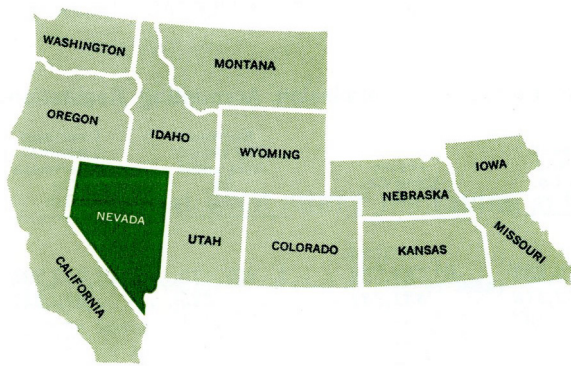
To the Board of Directors of  
UNION PACIFIC RAILROAD COMPANY:

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, 1967, included in Columns 8 to 12, above. 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, 1967 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 29, 1968



LEFT—Gold mine, Battle Mountain, Nev.

RIGHT—Hoover Dam.

BOTTOM—Industrial complex, Henderson, Nev.

---

## States of the "Union Pacific West"

---

### 9. NEVADA

Perhaps it can best be described as a land of striking contrasts. Covering more than 100,000 square miles, the brilliantly colored terrain of Nevada ranges from majestic snow-covered mountains to golden sun-drenched deserts. Towering skyscraper hotels live in harmony with century-old ghost towns—nostalgic relics of a colorful era in the state's history. On the one hand, fabulous casinos offer the world's most lavish and sophisticated entertainment, while Nevada has more churches per capita than any other state. And although it ranks as seventh largest of the states in area, Nevada is second smallest in population.

Each year, tourists numbering approximately fifty times the state's population visit this vacation playground, yet during its early history Nevada was considered a forbidding area, useful only as a route to more attractive places. In 1774, the Spaniards briefly visited the region and in 1825 fur trappers began to pass through. In the following years other hardy individuals pioneered the emigrant trail across the territory for the California-bound forty-niners. However, the territory did not attract any large numbers of outsiders until the famed rush to the Comstock Lode in 1859. With the arrival of an army of pick-and-shovel prospectors, other fabulous gold and silver deposits were discovered, resulting in a further growth in population, and on October 31, 1864, Nevada became the 36th state in the Union.

Traditionally a mining state, Nevada continues to devote an important part of its economic activity to mineral production. And despite the historic association with silver from which the state derived its nickname, the "Silver State", more than half the value of such production comes from copper mining. Other important minerals, in addition to gold and silver, are zinc, lead, magnesite, mercury, iron ore and several rare earths. Recognizing the excellent prospects for further development of Nevada's vast mineral deposits, Union Pacific's Natural Resources Division has established a district office in Reno, and the Company's geologists are actively engaged in exploratory work.

As might be expected, the most important phase of

agriculture in Nevada is livestock production and much of the state's spacious area is used for raising and grazing beef and dairy cattle, sheep and horses. For the most part, conventional farming depends on irrigation; however, with its unexcelled climate and huge sources of underground water, Nevada is rapidly becoming a new frontier of agricultural development. Industrial production is becoming increasingly important, particularly in the southern part of the state, where large power sources are available, chiefly from the mighty Hoover Dam, one of the highest dams in the world.

However, the most spectacular development in Nevada's economy has been the tremendous growth in the tourist industry. Attracted by an almost limitless variety of things to see and do, visitors stream into the state in ever increasing numbers to enjoy its unique scenery, luxurious resorts, numerous recreational areas, historic ghost towns, and, of course, the popular games of chance permitted by tolerant Nevada laws. For outdoor enthusiasts, there are wide opportunities for swimming, boating, fishing, hunting and other sports. And for others, seeking diversion from the tensions and inhibitions of daily living, there are places like glamorous and exciting Las Vegas, often called the "fun capital of the world." In 1905, Union Pacific made an important contribution toward the development of Nevada by laying out the townsite for Las Vegas and establishing train servicing facilities there.

While mileage operated by Union Pacific in Nevada amounts to only 367 miles, in the southern portion of the state, the line represents a vital link in the Company's transportation system. Each year hundreds of thousands of carloads of diversified freight are moved across Nevada and a considerable volume of traffic, mostly minerals, originates within the state.

The Union Pacific is proud of its historic association with Nevada and looks forward to a continuing close relationship with its hospitable and industrious people by providing the state with the best available transportation services and actively participating in the development of its natural resources.

