

1959

UNION PACIFIC RAILROAD COMPANY



SIXTY-THIRD ANNUAL REPORT

Year ended December 31, 1959





The Edward H. Harriman Memorial Gold Medal for Safety

In each year since 1924 the Harriman Award has been granted to railroads in each of three classes (classified as groups A, B and C according to size) for the best safety record in each class during the preceding year's operations. This award is granted by the American Museum of Safety, and was established by Mrs. E. H. Harriman in memory of her husband and his concern for the safety of railroad employes and passengers. It may not be granted to the same railroad in any of the three groups for two consecutive years.

In 1959 the Union Pacific was awarded the Gold Medal for the best safety record in 1958 of the Group A railroads. It is gratifying to record that in the year 1959, the fiftieth anniversary of Mr. E. H. Harriman's death, the Union Pacific won this award for the fourteenth time out of the eighteen years during which it was eligible.

UNION PACIFIC RAILROAD COMPANY

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UNION PACIFIC RAILROAD COMPANY

Directors

(April 1, 1960)

E. ROLAND HARRIMAN, *Chairman*, ARDEN, N. Y.

FRANK E. BARNETT	NEW YORK, N. Y.	OSCAR T. LAWLER	LOS ANGELES, CALIF.
COURTNEY C. BROWN	SCARSDALE, N. Y.	HAROLD B. LEE	SALT LAKE CITY, UTAH
W. DALE CLARK	OMAHA, NEBR.	ROBERT A. LOVETT	LOCUST VALLEY, N. Y.
GEORGE S. ECCLES	SALT LAKE CITY, UTAH	WILLIAM C. MULLENDORE ..	LOS ANGELES, CALIF.
WALTER D. FLETCHER	NEW YORK, N. Y.	GEORGE E. ROOSEVELT	NEW YORK, N. Y.
ARTEMUS L. GATES	LOCUST VALLEY, N. Y.	HOWARD C. SHEPERD	BRONXVILLE, N. Y.
ELBRIDGE T. GERRY	DELHI, N. Y.	JOHN S. SINCLAIR	WESTON, CONN.
ELGIN HICKS	OMAHA, NEBR.	A. E. STODDARD	OMAHA, NEBR.
THOMAS P. JERMAN	SHORT HILLS, N. J.	L. J. TRACY	NEW ROCHELLE, N. Y.

Executive Committee

(April 1, 1960)

ROBERT A. LOVETT, *Chairman*

GEORGE E. ROOSEVELT	JOHN S. SINCLAIR
HOWARD C. SHEPERD	E. ROLAND HARRIMAN, <i>ex officio</i>

General Officers - New York

(April 1, 1960)

E. ROLAND HARRIMAN	<i>Chairman, Board of Directors</i>
ROBERT A. LOVETT	<i>Chairman, Executive Committee</i>
L. J. TRACY	<i>Vice-President, Controller</i>
FRANK E. BARNETT	<i>Vice-President and Eastern General Counsel</i>
C. W. ROSSWORN	<i>Secretary</i>
D. A. POWELL	<i>Treasurer</i>

General Officers - West

(April 1, 1960)

A. E. STODDARD	<i>President</i>	OMAHA, NEBR.
ELGIN HICKS	<i>Executive Vice-President</i>	OMAHA, NEBR.
E. H. BAILEY	<i>Vice-President, Operations</i>	OMAHA, NEBR.
J. R. MACANALLY	<i>Vice-President, Traffic</i>	OMAHA, NEBR.
A. J. SEITZ	<i>Vice-President</i>	PORTLAND, ORE.
L. S. OSBORNE	<i>Vice-President, Oil Development</i>	LOS ANGELES, CALIF.
F. J. MELIA	<i>Vice-President and Western General Counsel</i> ..	OMAHA, NEBR.
R. M. SUTTON	<i>Vice-President and General Auditor</i>	OMAHA, NEBR.
A. J. VAN DER CREEK	<i>Vice-President, Personnel</i>	OMAHA, NEBR.
L. J. BACHMAN	<i>Assistant to President</i>	OMAHA, NEBR.
J. A. BUNJER	<i>Chief Engineer</i>	OMAHA, NEBR.
C. H. BURNETT	<i>General Manager, Eastern District</i>	OMAHA, NEBR.
G. A. CUNNINGHAM	<i>General Manager, South-Central District</i>	SALT LAKE CITY, UTAH
D. F. WENGERT	<i>General Manager, Northwestern District</i>	PORTLAND, ORE.
K. G. CARLSON	<i>General Freight Traffic Manager</i>	OMAHA, NEBR.
E. A. KLIPPEL	<i>General Passenger Traffic Manager</i>	OMAHA, NEBR.
J. H. ANDERSON	<i>General Solicitor</i>	OMAHA, NEBR.
B. P. LEVERICH	<i>General Solicitor</i>	SALT LAKE CITY, UTAH
R. B. KESTER	<i>General Solicitor</i>	PORTLAND, ORE.
E. C. RENWICK	<i>General Solicitor</i>	LOS ANGELES, CALIF.
L. L. BURRI	<i>Assistant Treasurer</i>	OMAHA, NEBR.

Offices

120 BROADWAY, NEW YORK 5, N. Y. 1416 DODGE STREET, OMAHA 2, NEBR.
Annual Meeting of Stockholders, Salt Lake City, Utah, Second Tuesday in May.

1959



YEAR IN BRIEF

	1959	1958
OPERATING REVENUES	\$515,767,433	\$505,215,191
OPERATING EXPENSES	\$378,741,803	\$371,257,945
OPERATING RATIO (ratio of expenses to revenues)	73.43%	73.49%
REVENUES OVER EXPENSES	\$137,025,630	\$133,957,246
FEDERAL INCOME TAXES (including taxes on income from oil and gas operations)	\$ 38,400,000	\$ 34,800,000
OTHER TAXES	\$ 38,406,304	\$ 35,003,903
EQUIPMENT AND JOINT FACILITY RENTS (Debit) ...	\$ 23,262,674	\$ 20,692,259
NET INCOME FROM TRANSPORTATION OPERATIONS:		
As Stated in Income Account	\$ 36,956,652	\$ 43,461,084
After Adding Back Federal Income Taxes Applicable to Oil and Gas Operations	\$ 42,819,752	\$ 50,788,184
NET INCOME FROM OIL AND GAS OPERATIONS:		
As Stated in Income Account	\$ 19,347,089	\$ 24,566,034
After Deducting Applicable Federal Income Taxes....	\$ 13,483,989	\$ 17,238,934
DIVIDEND INCOME	\$ 5,133,955	\$ 6,502,121
OTHER INCOME	\$ 8,392,205	\$ 8,263,237
INTEREST ON FUNDED DEBT, AND OTHER CHARGES	\$ 4,988,541	\$ 5,010,032
NET INCOME	\$ 64,841,360	\$ 77,782,444
NET INCOME (after Preferred Dividends) PER SHARE OF COMMON STOCK OUTSTANDING DECEMBER 31st	\$2.71	\$3.29
SHARES OF COMMON STOCK OUTSTANDING DECEMBER 31st (200,135 issued October 6, 1958)	22,429,235	22,429,235
DIVIDENDS DECLARED ON COMMON STOCK	\$ 35,886,776	\$ 35,706,655
ANNUAL RATE PER SHARE (30¢ each quarter; 40¢ extra)	\$1.60	\$1.60
NUMBER OF PREFERRED AND COMMON STOCK-HOLDERS—DECEMBER 31st	87,705	82,023
EXPENDITURES FOR EQUIPMENT AND OTHER IMPROVEMENTS	\$ 70,092,589	\$ 54,309,686
PER SHARE OF COMMON STOCK OUTSTANDING DECEMBER 31st	\$3.13	\$2.42
TON-MILES OF REVENUE FREIGHT CARRIED (thousands)	32,874,828	31,681,958
AVERAGE REVENUE PER TON-MILE (cents)	1.366	1.391
REVENUE PASSENGERS CARRIED ONE MILE (thousands)	1,242,182	1,234,134
AVERAGE REVENUE PER PASSENGER-MILE (cents)	2.248	2.263
AVERAGE NUMBER OF EMPLOYEES	40,565	41,780
TOTAL WAGES PAID	\$242,343,020	\$239,773,386



Union Pacific Headquarters Building at Omaha.

TO OUR STOCKHOLDERS:

NET INCOME for 1959 was one-sixth less than in the preceding year, and was the lowest since 1949. There were substantial declines in net earnings from transportation operations, from oil and gas operations, and from investments and other sources.

The decrease in transportation income resulted chiefly from the long steel strike, higher wage rates, and an increase in taxes—principally in Federal income and payroll taxes. The marked recovery in the national economy starting late in 1958 continued into 1959, and with the consequent expansion of our freight traffic during the first half of the year, transportation net income to the end of June was 26 per cent better than in the 1958 period. When the steel strike was called in July, however, freight traffic fell off sharply and continued at a relatively low level for the rest of the year. The Union Pacific lost an estimated \$20 million in freight revenue which it would otherwise have received. Although our operating revenues for the full year were about two per cent greater than in 1958, this increase was far less than the amount required to offset the Company's heavier payroll and tax burdens.

Despite the decline in income, expenditures for progressive modernization of the transportation properties exceeded those in 1958 by 29 per cent. Major improvements during the year included the acquisition of seven gas-turbine locomotives; 75 extra-powerful diesel locomotive units equipped with turbo-chargers to enable the efficient use of cheap, low-grade fuel; 1,851 freight cars, including two hundred 85-foot flat cars for use in the Company's rapidly expanding "piggyback" service; and nine lunch counter-cafe lounge cars which have proved very popular with the traveling public; and the further extension of centralized traffic control and improvements to freight yards.

The new IBM 705 computer installed during 1958 is proving highly effective in payroll, revenue, station, and inventory accounting and record keeping, as well as in the preparation of statistical data for management and the Interstate Commerce Commission.

It is gratifying to be able to report that in 1959 the Union Pacific received four high national safety awards and a special citation from the United States Public Health Service for excellence in the sanitation record of our dining cars.

Last year I referred to the Congressional transportation study provided for in Senate Resolution 29. This study, as expanded by Senate Resolution 151, is now under way, but the subject is so broad and complicated that it will be some time before a report can be expected. A transportation study by the Department of Commerce was recently completed and its findings and recommendations were made available to the Senate Committee.

I urge that continued strong support be given to the proposals for further legislation in the transportation field, especially those along the lines I mentioned in last year's report. The request for repeal of the 10% Federal excise tax on passenger fares was partially met by Congressional action in 1959 to reduce the tax to 5%, effective July 1, 1960, but fundamental remedial action is vitally needed. The most constructive and necessary measures under consideration are the grant to railroads of the freedom to engage in other forms of transportation, and revision of governmental policies as to depreciation of railroad plant and equipment.

Turning now to our oil and gas operations: The primary reasons for a decrease of 21 per cent in this important source of income were further declines in production in the Wilmington and Rangely fields, and successive reductions in oil prices. Partially offsetting these factors were substantial receipts from gas sales in the Table Rock field in Wyoming, under a contract that became operative in 1959, and reductions in expenses and taxes. The new Desert Springs gas field in Wyoming's Green River Basin, which I mentioned last year, is still shut in, pending development of a market outlet, but several other new oil and gas fields in adjacent areas were discovered in 1959, for which the outlook is encouraging.

Geologic investigation of mineral resources in Union Pacific territory during 1959 disclosed additional large nonmetallic deposits of various kinds in Nevada, which offer prospects of future freight revenue. Exploration of Company lands in southeastern Wyoming and northern Colorado disclosed extensive deposits of gypsum, limestone, bentonite, and glass sand, that may prove to be of considerable economic importance.

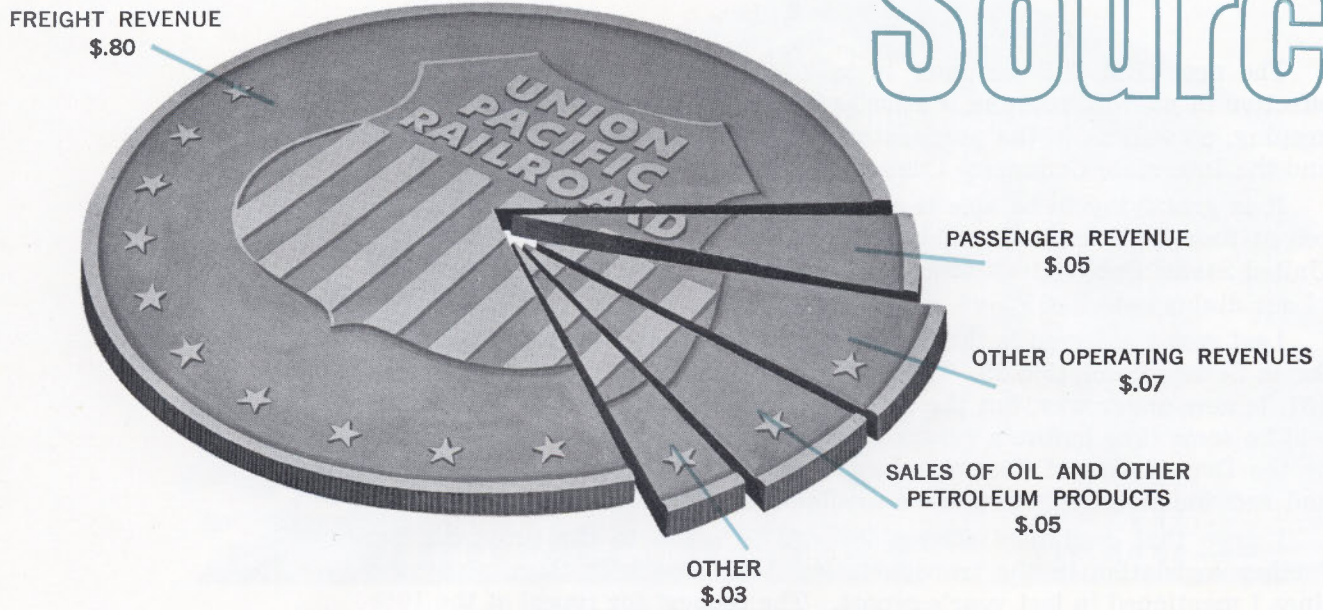
The testing of several thousand tons of Iron Mountain titaniferous ore in a plant near Pioche, Nevada, was started in February, 1959, and completed in August. The results were considered satisfactory on the whole, but the technical and economic aspects of the process used will require extensive study before conclusions can be reached.

The loyal support of our stockholders, patrons, officers and employes continues to be an inspiration to us and on behalf of the Board of Directors I extend my thanks and appreciation.

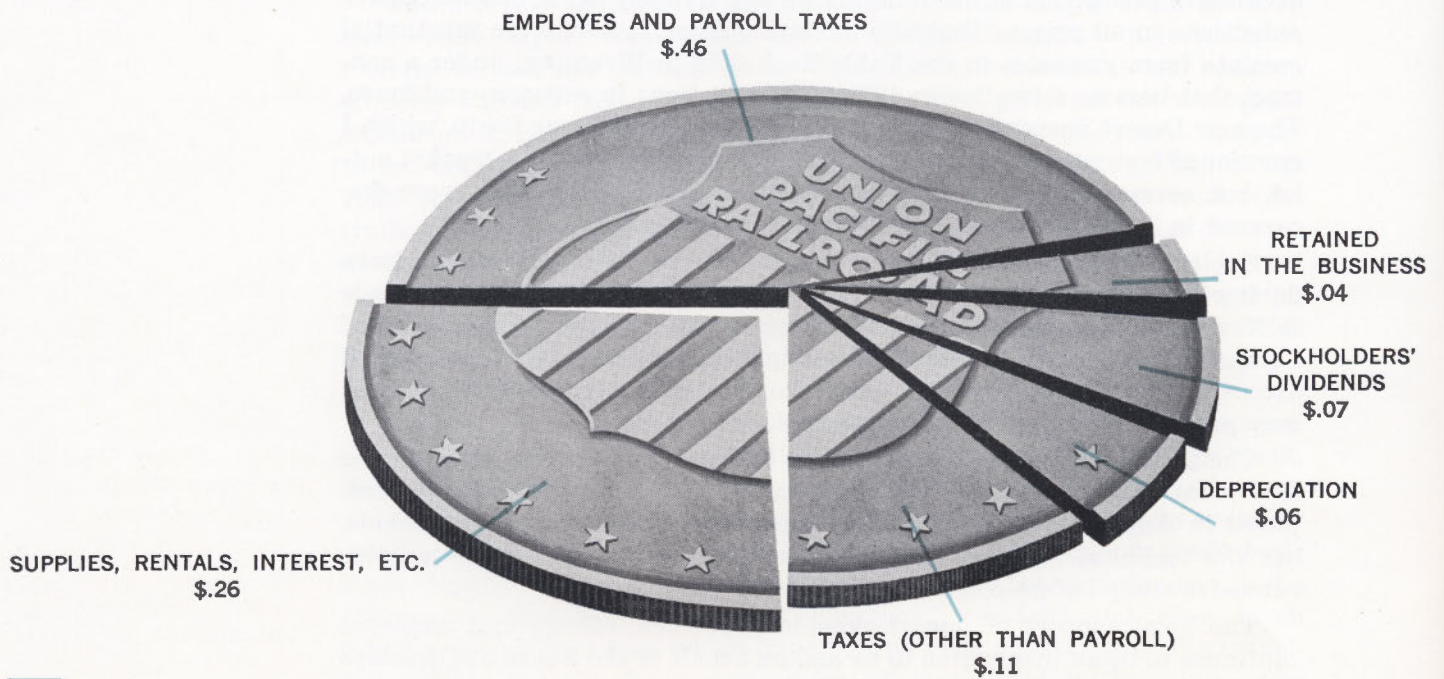


President

Source



Source and Disposition of the 1959 Gross Income Dollar



Disposition

REPORT OF THE BOARD OF DIRECTORS ON THE YEAR'S BUSINESS

New York, N. Y., April 28, 1960.

TO STOCKHOLDERS OF UNION PACIFIC RAILROAD COMPANY:

The Board of Directors submits the following report for the Union Pacific Railroad Company, including its Leased Lines,* for the year ended December 31, 1959.

Condensed Statement of Income

	1959	1958	Increase (+) Decrease (-)
Operating revenues	\$515,767,433	\$505,215,191	+\$10,552,242
Operating expenses	\$378,741,803	\$371,257,945	+\$ 7,483,858
Taxes (including taxes on income from oil and gas operations)	76,806,304	69,803,903	+ 7,002,401
Equipment and joint facility rents—net charge....	23,262,674	20,692,259	+ 2,570,415
Net income from transportation operations.....	\$ 36,956,652	\$ 43,461,084	-\$ 6,504,432
Net income from oil and gas operations (excluding income taxes)	19,347,089	24,566,034	- 5,218,945
All other income	13,526,160	14,765,358	- 1,239,198
Total income	\$ 69,829,901	\$ 82,792,476	-\$12,962,575
Interest on funded debt.....	\$ 4,413,298	\$ 4,470,345	-\$ 57,047
Miscellaneous rents and charges.....	575,243	539,687	+ 35,556
Total fixed and other charges.....	\$ 4,988,541	\$ 5,010,032	-\$ 21,491
Net income from all sources.....	\$ 64,841,360	\$ 77,782,444	-\$12,941,084

As the result of declines in all three of the major categories of income—transportation, oil and gas operations, and investments and other sources—net earnings after dividends on preferred stock, amounted to only \$2.71 per share of common stock, or 58 cents less per share than in the previous year.

Notwithstanding this 17½ per cent decrease in earnings per share, dividends were declared on common stock at the same rate as in 1958—\$1.60 per outstanding share, including an extra dividend of 40 cents at the end of the year. Thus, 59 per cent of the Company's net income after preferred dividends was declared in dividends to

the holders of common stock, compared with 48.4 per cent in the previous year.

There was no curtailment of expenditures for improvements to the Company's transportation properties. In fact, the aggregate expenditures of \$70.1 million for equipment and other improvements were \$15.8 million greater than in 1958. Continued expenditures on such a scale, as pointed out in previous reports, are essential under present-day conditions to enable the Union Pacific to maintain and improve its competitive position in the field of transportation and continue to provide efficient, up-to-date service.

*Leased Lines are: Oregon Short Line Railroad Company, Oregon-Washington Railroad & Navigation Company, Los Angeles & Salt Lake Railroad Company, and The St. Joseph and Grand Island Railway Company. Figures in the Income Account and other tables are stated on a consolidated basis, excluding offsetting accounts between companies.

OPERATING REVENUES

	1959	1958	Increase	Decrease	Per Cent
Freight	\$449,037,095	\$440,671,942	\$8,365,153	.....	1.9
Passenger	27,929,586	27,931,280	.....	\$1,694	—
Mail	19,301,949	17,727,567	1,574,382	.....	8.9
Express	5,344,529	4,674,553	669,976	.....	14.3
Switching	6,353,256	6,333,941	19,315	.....	.3
Other	7,801,018	7,875,908	.....	74,890	1.0
Total operating revenues	\$515,767,433	\$505,215,191	\$10,552,242	.....	2.1

The increase in **Freight revenue** compared with 1958 reflects the net effect of a 15 per cent increase in ton-miles of freight carried in the first half of 1959 due to a broad recovery in general business conditions, and a 5.7 per cent decline in the last half caused chiefly by the 116-day steel strike which started in July. For the full year, ton-miles carried showed an increase of only 3.8 per cent with a decrease in average revenue per ton-mile of 1.8 per cent.

The largest revenue *increases* were in *lumber and plywood*, as the result of greater construction activity; *automobiles and parts*, reflecting increased production and sales; *chemicals and products*, because of improved industrial demand; *vegetables, other than potatoes*, principally from Northern-Central California where production was substantially greater than in 1958; and *oranges*, due chiefly to excellent crops of both Valencia and navel oranges in California. There were also increases in revenue for a long list of manufactured products, such as construction materials, petroleum derivatives, household appliances, machinery, paper products, etc., not large enough to justify individual comments, but representing in the aggregate a substantial amount.

The commodities with the largest *decreases* in revenue were *iron ore* and *nonferrous ores and concentrates*, as the result of strikes in steel and other metal industries; *sorghum grains*, primarily because of less shipments by the Government to Pacific Coast points for storage; *potatoes* from Idaho, due chiefly to increased competition from other States; and *less than carload freight*, chiefly because a substantial volume of such traffic in the previous year was diverted from the highways to rail carriers as the result of a strike by Western truck drivers.

The advantage enjoyed by the Union Pacific due to the diversified character of its freight traffic was again evidenced in 1959. Because of such diversification, a temporary decline in movement of one class of traffic in any year is ordinarily more or less compensated for by an increase in movement of another class, thus tending to reduce the extent of sporadic fluctuations in total freight revenue from year to year. This is brought out graphically in the ten-year chart of gross freight revenue by major commodity groups on the opposite page. Details of freight tonnage and gross revenue by commodities are shown in Table 11 on page 41.

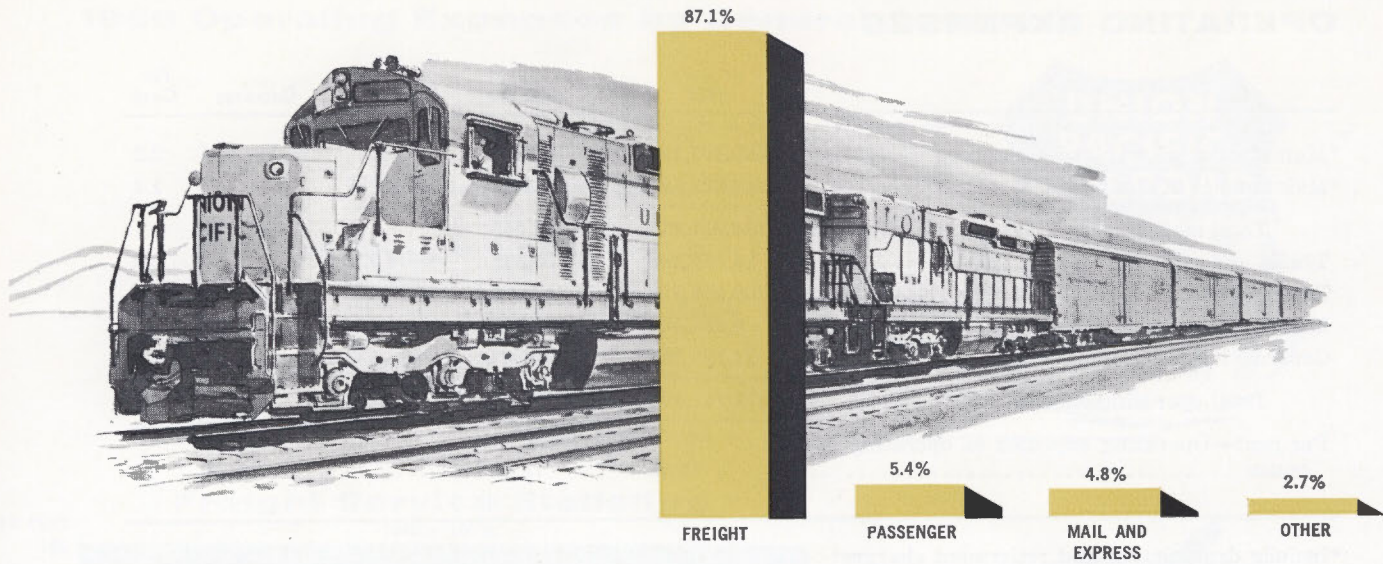
Passenger revenue was almost exactly the same as in 1958. Travel in coaches, which represents about three-fourths of the Company's total passenger volume, increased approximately 3 per cent over 1958, but there was a decline of 8 per cent in sleeping car travel. The net effect was a small increase in the number of passengers carried one mile but a slight decrease in average revenue per passenger-mile.

The increase in **Mail revenue** was due to a greater volume of mail carried and to an increase of 5.6 per cent in the rate of compensation for transporting mail, made effective on Western railroads July 1, 1959.

The increase in **Express revenue** represents increased receipts from the Railway Express Agency, chiefly as the result of various rate increases authorized by the Interstate Commerce Commission, and drastic curtailment by the Agency of its operating expenses.

A new contract between the Agency and the railroads became effective October 1, 1959; its significance is discussed on page 23.

1959 Operating Revenues by Classes



Gross Freight Revenue by Commodity Groups

(1950 TO 1959)

MILLIONS OF DOLLARS

Commodity Group	Year										Total
	1950	'51	'52	'53	'54	'55	'56	'57	'58	1959	
MANUFACTURES AND MISCELLANEOUS	174.9	194.7	192.7	206.9	173.9	196.6	201.4	200.2	190.8	203.5	463.6
PRODUCTS OF MINES	41.0	50.0	57.9	62.2	44.8	72.2	69.1	68.6	70.9	77.4	463.9
PRODUCTS OF AGRICULTURE	81.4	91.3	92.6	90.2	90.1	84.2	90.4	93.1	100.6	96.8	452.4
PRODUCTS OF FORESTS	50.8	51.3	53.5	53.1	67.3	49.6	54.2	58.1	46.7	43.4	425.3
FORWARDER TRAFFIC AND LCL FREIGHT	25.8	28.4	28.1	28.7	28.2	30.5	28.4	25.8	26.6	25.0	463.2
ANIMALS AND PRODUCTS	20.2	22.3	23.2	22.1	21.0	20.4	20.1	18.1	16.8	17.5	453.5
TOTAL	394.1	438.0	448.0	463.2	425.3	453.5	463.6	463.9	452.4	463.6	500

OPERATING EXPENSES

	1959	1958	Increase	Decrease	Per Cent
*Maintenance of way and structures	\$60,397,222	\$61,778,257	.....	\$1,381,035	2.2
*Maintenance of equipment	94,528,551	93,244,296	\$1,284,255	.....	1.4
Total maintenance	\$154,925,773	\$155,022,553	.....	\$96,780	.1
Traffic	14,698,299	14,153,378	\$544,921	.....	3.9
Transportation	180,661,878	174,263,600	6,398,278	.....	3.7
Miscellaneous operations	8,294,564	8,465,517	.....	170,953	2.0
General	20,161,289	19,352,897	808,392	.....	4.2
Total operating expenses	\$378,741,803	\$371,257,945	\$7,483,858	.....	2.0
Per cent—Operating expenses of operating revenues	73.43	73.49	.....	.06	.1
*Include depreciation and retirement charges:					
Maintenance of way and structures	\$6,718,612	\$7,544,125	.....	\$825,513	10.9
Maintenance of equipment	26,729,707	22,579,970	\$4,149,737	.....	18.4

The most important of the factors responsible for the increase in **Operating expenses** was the higher level of wage rates. The wage increases granted in May and November of 1958, mentioned in last year's report, and a "cost-of-living" increase of 3 cents per hour effective November 1, 1959 (making a weighted average increase over 1958 of 8½ cents per hour) inflated operating expenses for the year by \$8 million.

The chief other reasons for the increase in expenses were: The larger volume of freight traffic handled and faster freight train schedules; expanded programs for repairing and remodeling diesel locomotives; increased charges for equipment depreciation, due to acquisition of additional locomotives and cars and higher depreciation rates effective in 1959; a rise in locomotive fuel prices; and less proceeds from sales of scrap material, credited to operating expenses.

However, the effect of such increases was partially counteracted by substantial economies accomplished through acquisition of improved facilities and innovations in operating and maintenance methods, and by reductions in expenses resulting from a decrease in passenger-train miles operated and lower charges for re-

tirements of non-depreciable fixed property and for fire insurance. Expenses in connection with repairs and improvements to freight cars were also reduced, although the freight fleet was maintained in satisfactory condition; only 1.8 per cent of freight cars were unserviceable at the close of the year—about the same as the corresponding percentage for 1958.

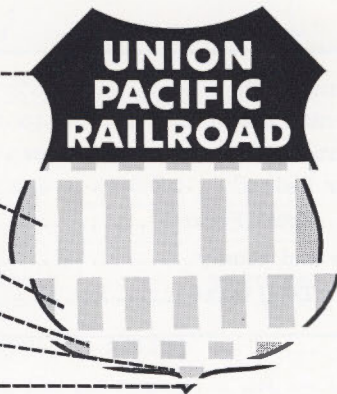
Way and structures were adequately maintained, and greater quantities of rails, ties, and ballast were applied in main track renewals than in the previous year, as shown in the tabulation below:

	1959	Increase (+) or Decrease (-) vs. 1958
New rails (track miles).....	110.35	+ 4.48
Second-hand rails (track miles)	40.23	- 1.43
Total rails (track miles)	150.58	+ 3.05
Ties (number)	855,108	+215,725
Ballast (cubic yards).....	253,592	+ 62,681

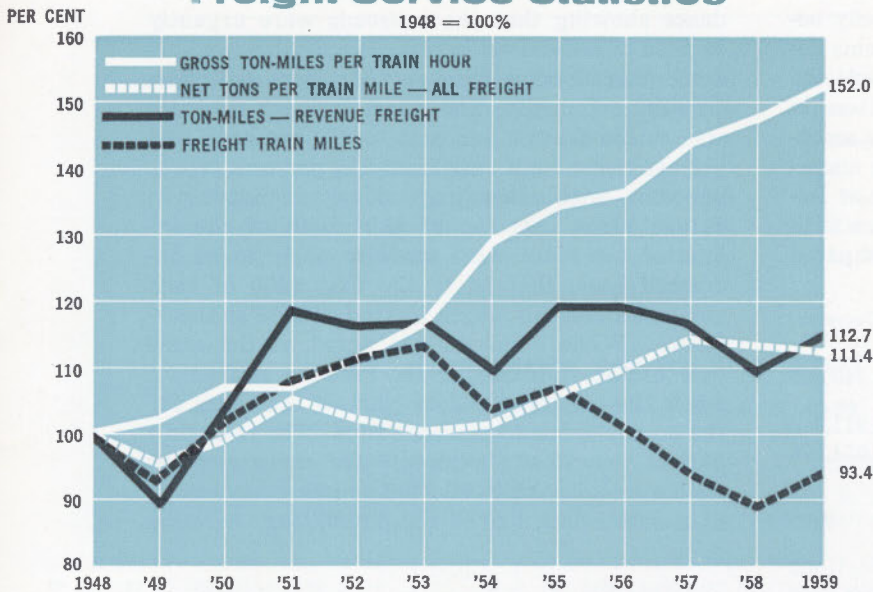
A breakdown of operating expenses by primary accounts, compared with the preceding year, is shown in Table 4 on pages 33 through 35.

1959 Operating Expenses by General Accounts

- TRANSPORTATION -- 47.7%
- MAINTENANCE OF EQUIPMENT -- 25.0%
- MAINTENANCE OF WAY AND STRUCTURES -- 15.9%
- GENERAL -- 5.3%
- TRAFFIC -- 3.9%
- MISC. OPERATIONS -- 2.2%

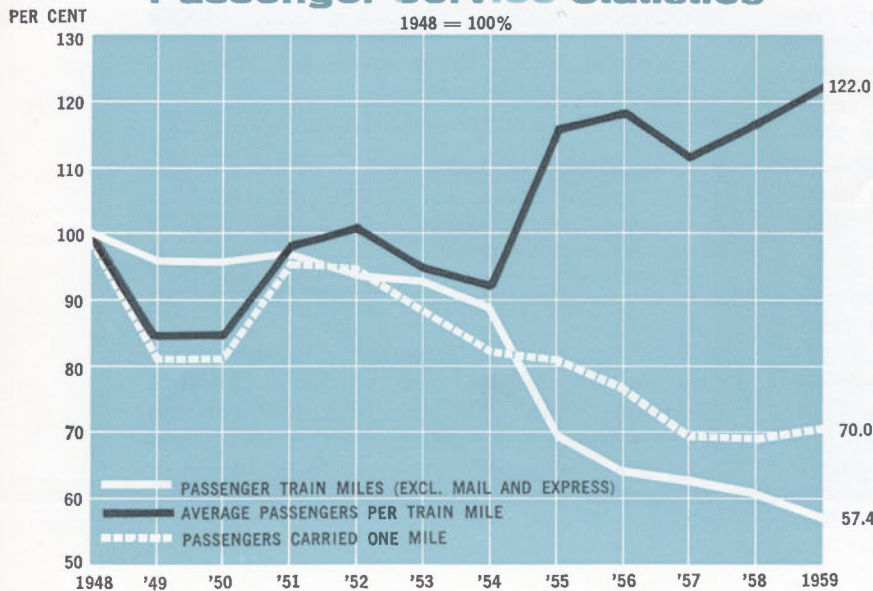


Freight Service Statistics



	1948	1959
Gross ton-miles per train hour	58,085	88,263
Net tons per train mile—all freight	1,187	1,322
Ton-miles—revenue freight (thousands)	29,167,846	32,874,828
Freight train miles	27,451,782	25,639,585

Passenger Service Statistics



	1948	1959
Passenger train miles (excluding mail and express)	16,269,191	9,331,086
Average passengers per train mile	109	133
Passengers carried one mile (thousands)	1,774,950	1,242,182



TAXES

	1959	1958	Increase	Decrease	Per Cent
Federal income	\$38,400,000	\$34,800,000	\$3,600,000		10.3
Federal retirement	11,865,871	10,867,661	998,210		9.2
Federal unemployment insurance	6,329,486	4,407,143	1,922,343		43.6
Other Federal	134,947	199,099		\$64,152	32.2
Total Federal	<u>\$56,730,304</u>	<u>\$50,273,903</u>	<u>\$6,456,401</u>		<u>12.8</u>
State and county	\$20,076,000	\$19,530,000	\$546,000		2.8
Total taxes	<u>\$76,806,304</u>	<u>\$69,803,903</u>	<u>\$7,002,401</u>		<u>10.0</u>

The increase in **Federal income taxes** resulted from an increase in *taxable income* (notwithstanding a decrease in book income), chiefly because of reduced allowances for various items deductible for tax purposes which are not reflected in the income statement. The principal item in this category was the smaller deduction for amortization allowances on the cost of property classified as "emergency facilities" by the Office of Defense Mobilization. The details in connection with such amortization allowances in 1959 compared with 1958 are shown below:

	1959	Decrease vs. 1958
Amortization deductions ..	\$17,772,416	\$8,240,953
Excess of amortization over depreciation	9,562,687	8,911,914
Reduction in income taxes.	4,972,597	4,634,196
Betterment in net income per share of common stock	\$.22	\$.21

As a partial offset to the substantial reductions in amortization and other allowances for tax purposes, there was an increased allowance in 1959 for accelerated depreciation (on property acquired after 1953) in excess of depreciation at rates authorized by the Interstate Commerce Commission, chiefly because of additional acquisitions of equipment and other depreciable property. The reduction in income taxes resulting from such accelerated depreciation was about \$3.7 million in 1959 compared with \$2.5 million in 1958.

The sharp increases in **Federal unemployment insurance taxes** and **Federal retirement taxes** were chiefly due to increases in the tax rates. The unemployment tax rate rose automatically on January 1, 1959, from 2½ per cent to the maximum rate of 3 per cent under the existing law, because of depletion of the trust fund established

for payment of railroad unemployment benefits. Thereafter, in disregard of unchallengeable evidence showing that the railroads were urgently in need of *reductions* in their inequitable tax burdens, payroll taxes were *further increased* effective June 1, 1959. The unemployment tax rate was raised from 3 per cent to 3¾ per cent, and the retirement tax rate from 6¼ per cent to 6¾ per cent, with rates progressively increasing in future years. On top of this, both of the increased tax rates were made to apply to an increased base, that is, to the first \$400 of each employe's monthly wages instead of \$350 as theretofore. While employes are taxed at the same rate as the railroad for the railroad retirement fund, the employes pay no part of the taxes for the unemployment insurance fund. The *railroad's annual payroll tax payments for every employe with a monthly wage of \$400 or more*, have risen as shown below, due to the payroll tax increases effective in 1959:

Basis effective in 1958	\$367.56
Effective January 1, 1959	388.56
Effective June 1, 1959	504.00

State and county taxes by classes, compared with 1958 were as follows:

	1959	Increase vs. 1958
Ad valorem and other property taxes	\$17,993,741	\$284,022
Income and franchise taxes	1,423,442	158,779
Sales, use, and compensating taxes	658,817	103,199
Total	<u>\$20,076,000</u>	<u>\$546,000</u>

Total taxes for 1959 were equivalent to 14.9 per cent of total operating revenues, \$1,893.41 per employe, and \$3.42 per share of common stock or 71 cents more than the Common Stockholders' equity of \$2.71 per share in net earnings.

OIL AND GAS OPERATIONS

	1959	1958	Increase	Decrease	Per Cent
Receipts from sale of oil, gas, and other products...	\$29,298,485	\$35,841,242	.....	\$6,542,757	18.3
Production expenses (including depreciation).....	\$5,772,804	\$6,750,701	.....	\$977,897	14.5
Taxes (other than income taxes)*.....	2,102,647	2,920,612	.....	817,965	28.0
Intangible drilling and development costs†.....	2,075,945	1,603,895	\$472,050	.....	29.4
Total charges against receipts.....	\$9,951,396	\$11,275,208	.....	\$1,323,812	11.7
Net income from oil and gas operations (as shown in Table 2)	\$19,347,089	\$24,566,034	.....	\$5,218,945	21.2
Drilling and development costs not charged against receipts	\$398,878	\$356,724	\$42,154	.....	11.8

* Federal taxes on income from oil and gas operations, of approximately \$5,863,100 in 1959 and \$7,827,100 in 1958, are included in "Taxes" under "Transportation Operations".

† Represents costs such as labor, fuel, repairs and hauling in connection with drilling, geological work, clearing ground, building roads, and certain materials with no salvage value.

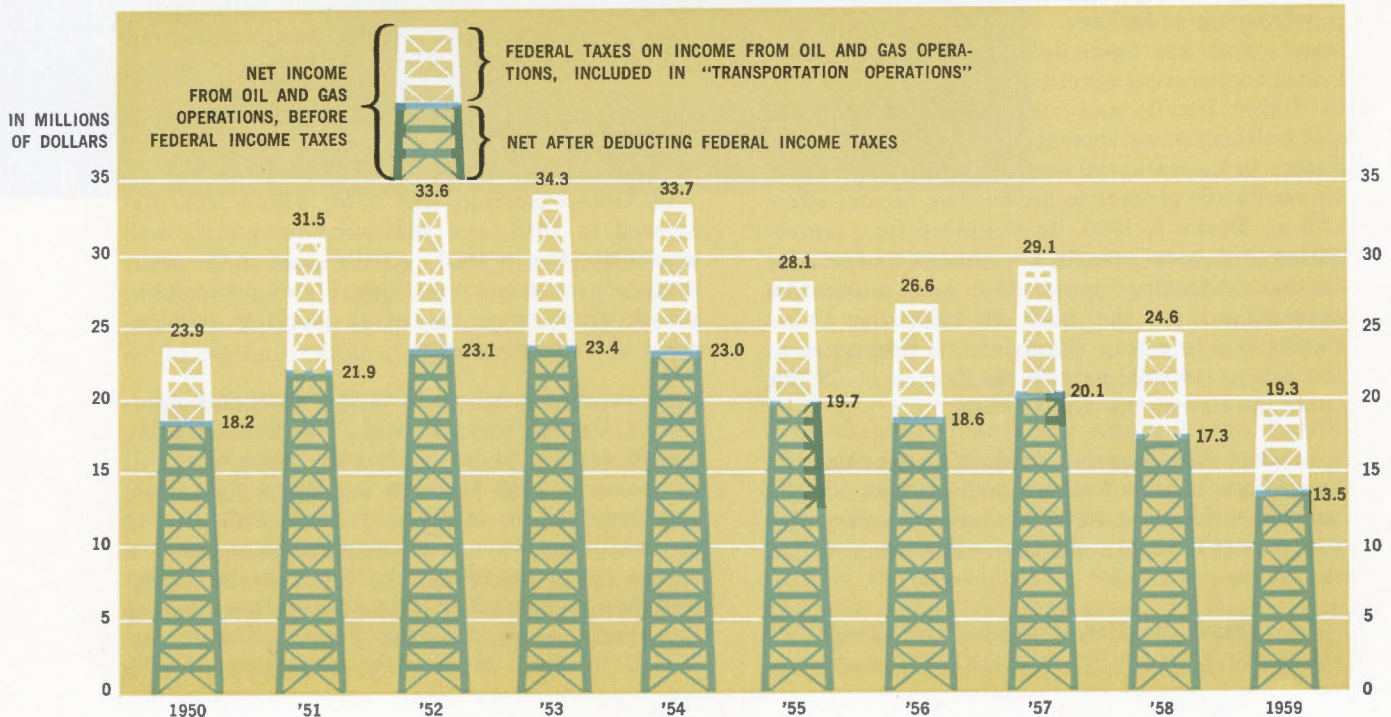
The decrease in *receipts* resulted chiefly from declining production in Wilmington and Rangely fields and a decrease of about 13 per cent in the average price received for oil sold in Wilmington field. Most of the decrease in *production expenses* occurred in Wilmington field. The decrease in *taxes* reflects lower ad valorem taxes

in Wilmington field and credit adjustments of taxes for prior years in Rangely field. The increase in *intangible drilling and development costs* resulted from increased drilling activity in Wyoming areas, partially offset by reduced drilling in Wilmington and Pierce fields.

In Wilmington field in California, oil produc-

Net Income from Oil and Gas Operations and Federal Taxes on Such Income

1950-1959



tion was 6,722,133 barrels, a decrease of 854,895 barrels or 11.3 per cent under 1958. Ten productive wells were completed during the year, but sixteen wells were taken off production, including fourteen converted to water-injection wells for the purposes of repressuring and increasing the recovery of oil. At the close of the year, there were 768 productive wells and 39 water-injection wells. From the beginning of operations to the close of 1959, 338 oil wells have been abandoned because of damage by earthquake or mechanical failure from other causes.

Reference was made in last year's report to the suit filed by the United States Government against the State of California, the City of Long Beach, and about 400 oil producers in the Long Beach area, including Union Pacific, seeking a preliminary injunction against further production of oil and gas in Wilmington field, and payment of damages on account of subsidence of the land on which the Long Beach Naval Shipyard is constructed, allegedly caused by removal of underlying oil and gas in the area. One purpose of the suit was to compel oil producers in the field to unitize their lands and engage in widespread repressuring through water-injection operations.

Vigorous cooperative action was undertaken by the principal oil producers toward the unitization of their operations and establishment of repressuring programs. Meanwhile the Government's suit has been held in abeyance. Additional cooperative agreements were entered into by Union Pacific and other operators in 1959, and unitization agreements covering lands of producers in a substantial segment of the field where Union Pacific properties are located, became effective on March 1, 1960. In the meantime, repressuring has been greatly accelerated and will be further expanded under the new unitization agreements. At the close of 1959, the Union Pacific was injecting water into its properties at the rate of 100,000 barrels per day, or about five times the rate at the close of 1958.

In **East Los Angeles field** in California, the Company's share of oil production was 204,858 barrels, a decrease of 37,581 barrels under production in 1958. Productive wells remained at thirty-five.

In **Rangely field** in Colorado, the Company's share of oil production was 2,274,877 barrels, a

decrease of 441,534 barrels or 16.3 per cent under 1958. Twenty-two productive wells, one gas-injection well, and two previously abandoned wells, were converted to water-injection or water-source wells. Other productive wells were shut in from time to time as a gas conservation measure. At the close of the year, there were 417 productive wells, 32 water-injection wells, and 20 gas-injection wells.

In **Pierce field** in Colorado, the Company's share of oil production was 364,983 barrels, or 35,734 barrels less than in 1958. Productive wells remained at twenty-one.

In **Church Buttes gas field** in Wyoming, the Company's share of production was 4,975 million cubic feet of gas (a decrease of 383 million cubic feet under 1958) and 41,240 barrels of condensate (3,363 barrels less than in 1958). Productive wells remained at eleven.

In **Table Rock field** in Wyoming, the eight productive gas wells were closed in until September, 1959, when deliveries were commenced to a pipeline company. However, under the "take or pay" provisions of the gas purchase contract mentioned in the 1958 report, the pipeline company paid throughout the year for a specified minimum daily volume of gas; to the extent that such gas was not actually taken, it will be delivered in subsequent years. In addition to the gas wells in this field, three wells at the close of the year were capable of producing oil in small quantities.

Developments in the **Green River Basin** in Wyoming:

In **Desert Springs gas field**, which was discovered in 1958, one additional productive well was completed in 1959. At the close of the year, there were six gas wells capable of production, all of which were closed in pending development of a market outlet.

In an area contiguous to the western boundary of Desert Springs field, the Union Pacific pooled certain of its lands with those of an oil company in 1959 to form the **Playa unit area**, and acquired an interest of about 50% in two successful gas wells previously drilled in the area by the oil company. Thereafter, a productive oil well was completed in this area before close of the year. Also, in Union Pacific land uncommitted to, but immediately southwest of, the



Climaxing the underground repressuring program in the Wilmington oil field was the formal activation of two pumping plants capable of forcing nearly 19,000,000 gallons of water daily under the area where surface subsidence has been most critical. Capt. Charles Palmer, Commandant of the Long Beach Naval Shipyard, is shown starting the pumps in the new plant on Terminal Island. With him are, left to right: U.S. Representative Craig Hosmer from California; Arthur E. Stoddard, President of the Union Pacific; and Harry E. Ridings, President, Long Beach Harbor Commission.

Playa unit area, two successful oil wells were completed by the Company for its sole account late in 1959, and a third such well was in process of completion at close of the year.

About seven miles south of the Playa unit area, an oil discovery was made late in the year in the **Patrick Draw unit area**, where Union Pacific participation is about 51%. Three productive oil wells and one unsuccessful well had been completed at the close of 1959. Also, in Union Pacific land uncommitted to, but immediately northeast of, the Patrick Draw unit area, the Company completed one productive oil well for its sole account.

In the **Wamsutter field**, discovered in 1958, two wells were drilled during 1959 in an attempt to extend the field, but both wells were unsuccessful. The single productive gas well was shut in for lack of a market outlet.

In various other areas where Union Pacific oil and gas rights are pooled with those of oil companies, five productive gas wells and eighteen unproductive wells were drilled during the year; three of the productive wells and nine of the unproductive wells were drilled at the sole cost of oil companies. In such areas, at close of year, there were six productive oil wells and thirty-three productive gas wells.

OTHER INCOME

	1959	1958	Increase	Decrease	Per Cent
Royalties from oil and gas leases	\$402,869	\$604,825	.....	\$201,956	33.4
Dividends on stocks owned (Table 8)	5,133,955	6,502,121	.....	1,368,166	21.0
Interest on bonds and notes owned (Table 9)	5,015,229	3,052,095	\$1,963,134	.....	64.3
Other interest income	230,979	243,814	.....	12,835	5.3
Rents from lease of road	122,290	121,885	405	.....	.3
Miscellaneous rents	716,194	729,869	.....	13,675	1.9
Miscellaneous income	1,904,644	3,510,749	.....	1,606,105	45.7
Total	\$13,526,160	\$14,765,358	.....	\$1,239,198	8.4

The decrease in **Royalties from oil and gas leases** was due to reduced oil and gas production from Company lands under lease in Colorado, Wyoming, and California.

The decrease in **Dividends on stocks owned** was primarily the result of reduced dividends received from Pacific Fruit Express Co., Illinois Central R. R. Co., and Pullman Co., offset in part by dividends received in 1959 on shares of Spokane International R. R. Co. stock acquired on October 6, 1958.

The increase in **Interest on bonds and notes owned** reflects the substantial increase in interest received on U. S. Government obligations

because of a higher average yield and a larger investment in such securities during most of the year.

The principal reasons for the decrease in **Miscellaneous income** were: Increased expenditures for experimental production of iron from ore obtained from the Iron Mountain area in Wyoming (mentioned in last year's report) to test the feasibility of a new ore reduction process; smaller profits realized from sales of short-term U. S. Government securities; and reduced compensation receivable for services rendered and privileges granted to the Pacific Fruit Express Co.

Pacific Fruit Express icing machine facilities in use at Ogden, Utah.



FUNDED DEBT

Funded debt of Union Pacific Railroad Company and Leased Lines outstanding in hands of the public (including funded debt due within one year) was reduced by \$1,541,000 during the year, as detailed below:

Debt December 31, 1958	\$161,872,000
Retired during 1959:	
Union Pacific Railroad Co.:	
Refunding Mortgage 2½% Bonds, Series C	\$233,000
Thirty Year 2% Debenture Bonds	742,000
Equipment Purchase Contracts, final maturities	566,000
Total retired	<u>\$1,541,000</u>
Debt December 31, 1959 (Table 7) ..	<u>\$160,331,000</u>

CAPITAL STOCK

There was no change in the number of shares or par value of Union Pacific Railroad Company capital stock during the year. The total outstanding on December 31, 1959, was as follows:

	Shares	Par value
Common stock	22,429,235	\$224,292,350
Preferred stock ...	9,954,310	99,543,100
Total	<u>32,383,545</u>	<u>\$323,835,450</u>

The number of shares voted at the annual meeting of Stockholders on May 12, 1959, was 27,017,630, or 83.4 per cent of the total shares.

As shown in the 5-year tabulation below, there was a further increase of 5,682 during 1959 in the number of Union Pacific Stockholders of record:

Year	Stockholders Dec. 31
1959	87,705
1958	82,023
1957	77,211
1956	67,129
1955	58,701

RETAINED INCOME

Retained income represents the portion of income and profits retained in the business and used for such purposes as property improvements and reduction of long-term debt, to maintain earning power and provide for growth.

Net income (Table 2)	\$64,841,359
Net profits from real estate and investment securities disposed of	1,254,382
Profit from purchases (at a discount) of Company bonds	\$247,614
Less: Federal income tax thereon	<u>128,676</u>
	118,938
<i>Deduct:</i>	
Dividends on preferred and common stocks (including St. J. & G. I. Ry. Co. stocks held by public)	39,870,845
Net increase in Retained Income (Table 1)	<u>\$26,343,834</u>

Spokane International Railroad Company reduced its outstanding funded debt by \$1,893,311 or about 57 per cent during 1959. This was accomplished by purchases of the company's Income Mortgage 4½% Bonds, Series A (\$1,235,000), redemption in advance of maturity of the balance due on its 4½% Collateral Note (\$520,000), and payment of maturing equipment obligations (\$138,311). Funds for the debt reduction program were supplied in part through advances by Union Pacific Railroad Company, holder of 99 per cent of the company's outstanding capital stock. The balance sheet, income, and retained income statements of the Spokane International Railroad Co. are included in Table 13 on page 44.

Most of the Company's Stockholders are relatively small holders. About 95 per cent of the total Stockholders of record hold less than 1,000 shares and 41 per cent hold less than 100 shares.

Dividends declared on Union Pacific common stock in 1959 totaled \$35,886,776, or \$180,122 more than in 1958. The increase represents the first three quarterly dividends, aggregating 90 cents per share, applicable to the 200,135 additional shares issued on October 6, 1958. The annual rate per share outstanding was the same as in 1958, or \$1.60, as detailed below:

Date payable	Per share	Amount
April 1, 1959	\$.30	\$6,728,770.50
July 1, 1959 .....	.30	6,728,770.50
October 1, 1959 .....	.30	6,728,770.50
January 2, 1960 .....	.70*	15,700,464.50
Total	<u>\$1.60</u>	<u>\$35,886,776.00</u>

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

The Union Pacific has paid dividends on its preferred stock for 61 consecutive years and on its common stock for 60 consecutive years.

On December 31, 1959, retained income amounted to \$847,516,532, or 70 per cent of the total Stockholders' Equity shown in the general balance sheet (page 31). The increase of \$26,343,834 during the year is explained below:

MATERIAL AND SUPPLIES INVENTORY

The Union Pacific is obliged to maintain a large inventory of materials and supplies. In addition to supplies like fuel, lubricants, etc., replacement parts and materials must be continuously available for repairs to equipment and maintenance of roadway property, and materials must also be stocked for use in making improvements to the properties. Necessary as this is, it is important that quantities be held to minimum levels consistent with requirements, to avoid tying up the Company's funds unproductively in surplus stocks. Strenuous efforts toward this end have reduced the inventory value of materials and supplies from \$54.3 million at the close of 1953 to \$25.8 million at the close of 1959.

Such a reduction of inventory during a period of inflationary rises in prices is a significant

achievement. It was accomplished through close working arrangements with all departments using materials and supplies, to bring about better control of quantities on hand, proper utilization of surpluses, and coordination of material delivery schedules with dates of usage.

Further benefits from inventory control are being realized through procedures started on January 1, 1959, using the IBM 705 computer. This program is being advanced, class by class, and should be substantially completed in 1960. The objective is to have available, at any time, detailed information as to quantities on hand, on order, used, etc., by individual locations, which will greatly facilitate control of inventories. These procedures also provide all necessary data for accounting and statistical purposes.

INVESTMENT IN ROAD AND EQUIPMENT PROPERTY

Gross expenditures for improvements to road and equipment property in 1959 aggregated \$70.1 million, an increase of \$15.8 million or

29 per cent over expenditures in 1958. The tabulation below shows the details of such expenditures and the retirements during the year.

Expenditures and Retirements in 1959

Expenditures:

Road Property:

Improvements to bridge at American Falls, Ida.....	\$313,995	
Other bridges, trestles, and culverts, including subways for highway traffic.....	508,232	
Centralized traffic control and signal improvements between Denver and Carr, Colo.	1,141,122	
Other centralized traffic control and signal improvements.....	768,693	
Freight house and yard improvements at Albina, Ore.....	2,956,784	
Other yard tracks, sidings and industry tracks.....	2,005,747	
Diesel shop at Albina, Ore.....	737,869	
Other shop facilities, including shop machinery and power plants.....	890,641	
Freight station at East Los Angeles, Calif.....	2,495,394	
Other station buildings and facilities.....	430,229	
Roadway machines	871,257	
Increased weight of rails and other track material.....	422,707	
Other road property	922,942	\$14,465,612

Equipment:

7 gas-turbine freight locomotives	\$7,831,389	
75 diesel freight locomotive units	18,988,776	
1 diesel switch locomotive	65,000	
1,851 freight-train cars (1,101 built in Company shops).....	21,644,278	
9 lunch counter-cafe lounge cars	1,635,953	
Other equipment	1,231,299	
Equipment rebuilt or converted (including 18 diesel freight locomotive units) ...	1,923,357	
Improvements to existing equipment	2,304,722	
Adjustments—equipment purchased in previous years, etc.	2,203	55,626,977

Total..... \$70,092,589

Retirements:

Cost of road property retired and replaced.....	\$1,666,761	
Cost of road property retired and not replaced.....	2,850,339	
Cost of 40 steam locomotives retired.....	7,611,652	
Cost of other equipment retired (including equipment for rebuilding or conversion)	6,490,992	18,619,744

Increase in Investment in Road and Equipment Property (as shown in Table 1)..... \$51,472,845

NEW EQUIPMENT

	On order at beginning of year or ordered during year	Delivered during year	On order at close of year
Locomotives			
GAS-TURBINE—Freight	26	7	19
DIESEL:			
Freight units	79	75	4
Road switch	1	1	—
Total	80	76	4
Freight-train cars			
PURCHASES:			
Covered hopper	700	550	150
Flat	225	200	25
CONSTRUCTION IN COMPANY SHOPS:			
Box	1,000	1,000	—
Flat	1	1	—
Caboose	100	100	—
Total	2,026	1,851	175
Passenger-train cars			
Coach	20	....	20
Lunch counter-cafe lounge	10	9	1
Baggage-mail	5	....	5
Total	35	9	26

The 75 diesel freight locomotive units acquired in 1959, which are equipped with turbo-chargers and are capable of burning lower cost residual type fuel oil, develop almost 40 per cent more horsepower than freight units of other design in general use. In view of the gains in efficiency and economy through use of turbo-chargers, they are being installed on 160 older diesel units.

The 9 lunch counter-cafe lounge cars delivered and placed in operation during the year, are partitioned into three sections—a snack bar with 8 stools, a dining room seating 24 persons, and a lounge room. For the convenience of passengers the cars are open for service throughout the day and offer inexpensive complete meals, in addition to sandwiches and salads, etc.



OTHER IMPROVEMENTS

An important bridge improvement project was undertaken during the year. A periodical inspection of the 962-foot bridge crossing the Snake River just west of American Falls, Idaho, disclosed that under the Company's rigid safety standards the 247-foot truss span over the river should be replaced. To permit unrestricted operation of the heaviest types of motive power in this territory, it was decided that the new span should be of much heavier design. The project posed a difficult engineering problem because, with the heavy main-line traffic that moves through this point, it was out of the question to close down the line during the reconstruction period. The problem was solved by building the new span "around" the old one. Tracks were laid near the bridge and on these the new 250-ton trusses were constructed, resting on specially designed trucks to carry the tremendous weight. The trusses on their supporting trucks were then hauled, one at a time, onto the bridge over rails which had been laid on each side of the operating track. When each truss was in position, it was lifted from the truck by a winch, gently lowered to the concrete piers and lashed into place, only a few inches from the old truss. Moving the big trusses took less than five hours, although the entire project will

not be completed until the middle of 1960. In connection with replacement of the truss span, two girder spans with open decks are being converted to ballast-deck construction which presents less fire hazard and reduces maintenance costs by protecting steelwork against brine dripping from refrigerator cars.

A good start was made on the installation of centralized traffic control on the 80-mile stretch of main line between Sand Creek Junction (near Denver) and Carr, Colorado. Such extension of CTC will increase the capacity of the line all the way from Denver to Cheyenne and Laramie, insure improved train service and reduce the likelihood of delays to traffic. In connection with the project, 84½ miles of semaphore signals will be replaced by colorlight signals, which will be respaced to provide greater braking distances between them. Seven passing tracks will be lengthened and rearranged, and side tracks at four locations will be retired.

Enlargement and modernization of Albina Yard, near Portland, Oregon, under way since 1956, were substantially completed in 1959. The new freight house and freight office, 1,109 feet in length, was placed in service on December 7th. It accommodates 90 freight cars under its

New truss for the American Falls Bridge about to be lowered into position.





New Freight House at the enlarged and modernized Albina Yard, near Portland, Oregon.

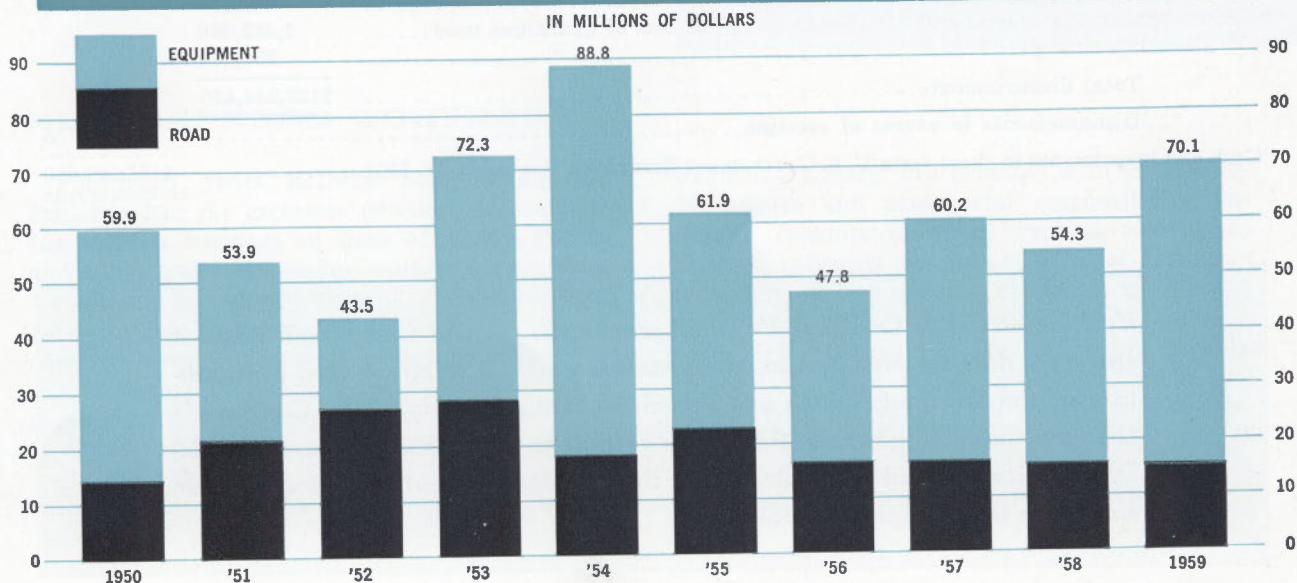
roof, and 72 highway trucks can be handled simultaneously at the inbound and outbound docks. Other improvements include 14 miles of additional tracks, relocation of 32 miles of existing tracks, yard office buildings, control tower, and loudspeaker facilities. Total cost of the whole project is about \$7 million.

Another improvement at Albina, Oregon, was the construction of a steel, concrete and glass block addition to the present machine shop building for conversion into a modern

shop for maintenance, servicing, and inspection of diesel locomotives. The shop has three inspection pits, one drop pit, four elevated working platforms for three tracks, and is fully equipped with fueling, watering, sanding and washing facilities.

Progress was well advanced at the close of the year on construction of the important new freight station facilities at East Los Angeles, California, which were described in the 1958 report.

Gross Expenditures for Road and Equipment Property



SALE OF INVESTMENT STOCKS AND BONDS

The Company sold during the year 24,190 shares of Baltimore & Ohio Railroad Company preferred stock and small holdings of certain other stocks, as shown in Table 8; \$3,000,000, face value, New York Central Railroad Company Refunding and Improvement Mortgage 4½%

Bonds, Series A; and \$800,000, face value, Baltimore & Ohio Railroad Company Convertible 4½% Debenture Bonds. The bonds were sold at a loss to offset, for tax purposes, net capital gains realized from sales of real estate and other transactions.

WORKING CAPITAL

The excess of cash and other current assets over current liabilities on December 31, 1959 (\$77,440,823) was \$11.2 million less than at the close of 1958. However, the Company's working capital position continued to be satisfactory,

with current assets being 1.75 times the amount of current liabilities.

Cash and short-term Government securities decreased \$12,225,776 during the year, as shown in the tabulation below:

Cash and investments in short-term U. S. Government Securities, December 31, 1958.....		\$114,448,456
Receipts:		
Net income (as detailed in Table 2).....	\$64,841,360	
Non-cash charges to income for:		
Depreciation and retirements of property.....	34,530,265	
Reserve for fire insurance.....	738,874	
Proceeds from investment securities disposed of and sales of real estate.....	7,896,928	
Contributions from U. S. Government in connection with abandonment or relocation of Company lines, necessitated by governmental dam projects, and donations received toward cost of property improvements.....	2,011,233	
Total receipts.....	<u>\$110,018,660</u>	
Disbursements:		
Dividends payable in 1959 on Union Pacific Railroad Company preferred and common stocks.....	\$39,868,500	
Expenditures for equipment and other improvements to transportation property	70,092,589	
Investment in U. S. Government securities classified as long-term by I.C.C....	8,639,235	
Cost of retiring funded debt.....	1,322,230	
Cost of productive oil and gas wells and appurtenant facilities, and improvements to other miscellaneous property.....	636,118	
Purchases of material and supplies in excess of cost of quantities used.....	1,435,666	
Miscellaneous—net	250,098	
Total disbursements	<u>\$122,244,436</u>	
Disbursements in excess of receipts.....		<u>12,225,776</u>
Cash and investments in short-term U. S. Government Securities, December 31, 1959.....		<u>\$102,222,680</u>

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

SAFETY

Railroads are acknowledged to represent by far the safest of all the major forms of transportation in the nation — public or private. The chief reasons for the railroads' preeminence in this field are: Their inherent advantage in operating over rights of way used and controlled exclusively by themselves; the billions of dollars they have spent for safety facilities installed on roadway property and rolling stock; and the educational programs for training railroad employes to be safety-conscious at all times.

The Union Pacific, for its part, has for a great many years held to the goal of maintaining a safety record unsurpassed by any other railroad. Its success in this campaign has been attested by many formal awards in the past, and it is a matter of special satisfaction and pride that in 1959 the Company received the four highest national safety awards for its 1958 record. This record was made possible only through the constant vigilance and loyal cooperation of Union Pacific employes. The four awards were:

From the American Museum of Safety:

The E. H. Harriman Memorial Gold Medal,
Group A.

From the National Safety Council:

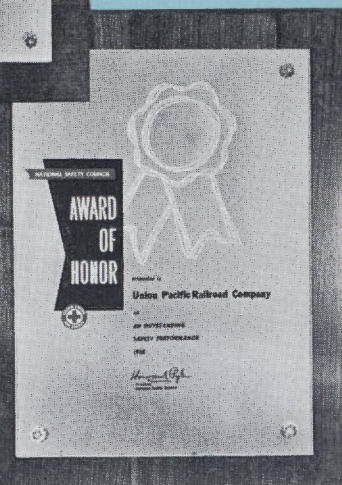
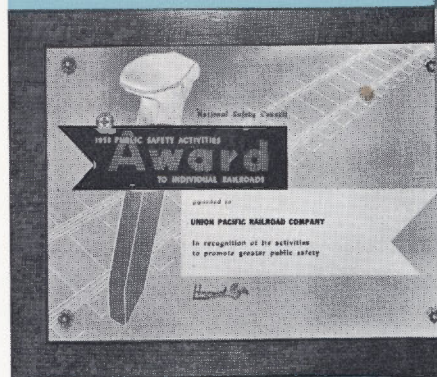
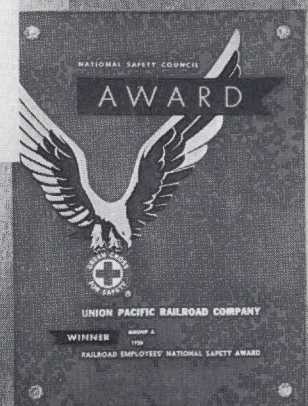
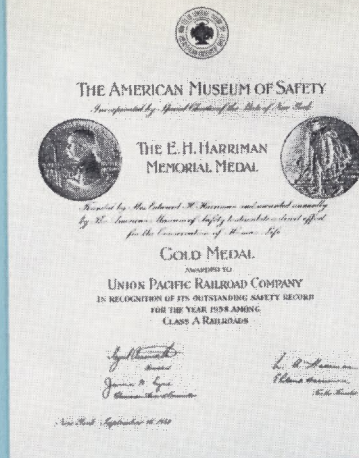
Railroad Employees' National Safety Award,
Group A.
Award of Honor for Public Safety Activities.
Industrial Safety Award of Honor.

NEW EXPRESS CONTRACT

For many years Railway Express Agency, Inc., has had the exclusive privilege of conducting express business on lines of Union Pacific and other railroads under contracts providing for paying to the railroads all express revenue received from the public in excess of the Agency's costs of operation. This arrangement has proved unsatisfactory in recent years, and the handling of express has not been the profitable business to the railroads that it should have been.

Effective October 1, 1959, the Agency and the railroads entered into a new contract, under

which the Agency will function with greater independence and managerial responsibility, including freedom to direct express routing as between railroads (or other forms of transportation) to achieve the most efficient results. After a transition period, the Agency will pay the railroads unit charges for handling express. Part of the net profits earned by the Agency will be retained for investment in improved facilities, and the balance will be distributed pro rata to the railroads. Under the new plan, express traffic should be more worth while for the railroads.



PACIFIC OCEAN

C



UNION PACIFIC RAILROAD

LEGEND

	Double Track	} Union Pacific Railroad
	Single Track	
	Track with Centralized Traffic Control*	
	Camas Prairie Railroad	} Solid Through Train Connections
	Single Track	
	Double Track	
	Tourist Motor Coach Routes	

Serves All the West!

*Centralized traffic control enables the dispatcher to operate switches and signals electrically from a central point, to control movement, meeting and passing of trains without train orders. This facilitates flow of traffic and increases the capacity of single track to about 80 per cent of double track.

MEXICO

A N A D A



NORTH DAKOTA

SOUTH DAKOTA

NEBRASKA

KANSAS

OKLAHOMA

MEXICO

T E X A S

M I N N E S O T A

I O W A

M I S S O U R I

A R K A N S A S

L O U I S I A N A

W I S C O N S I N

I L L I N O I S

T E N N E S S E E

M I S S I S S I P P I

A L A B A M A

I N D I A N A

O H I O

K E N T U C K Y

G U L F O F M E X I C O

N A

ONE PARK

M I N N

C O L O R A D O

I C O

Cheyenne

Laramie

Denver

North Platte

Omaha

Grand Island

Council Bluffs

Chicago

St. Joseph

Topeka

Kansas City

St. Louis

INDIANA

TENNESSEE

ALABAMA

O H I O

K E N T U C K Y

G U L F O F M E X I C O



Joining East and West— On May 10, 1869, the driving of the golden spike at Promontory, Utah, marked the joining of the Union Pacific and Central Pacific Railroads, linking the East and the Pacific Coast.

CENTRAL PACIFIC

Previous annual reports have referred to the case pending before the Interstate Commerce Commission, in which the Denver & Rio Grande Western Railroad Co. is seeking the nullification of an order issued by the Commission in 1923 relative to the Central Pacific. Under that order of 37 years ago the Southern Pacific is obligated to solicit Central Pacific-Union Pacific routing for freight traffic between certain California and Oregon areas and specified territory east of Ogden, Utah, thus preserving an arrangement that has been in existence ever since the two railroads were constructed to form the first trans-continental route to the Pacific Coast.

In 1959 the Interstate Commerce Commission approved an application by the Southern Pacific

for authority to merge the Central Pacific, its wholly-owned subsidiary, into the Southern Pacific. However, the latter agreed, in its application, to continue to be bound by the conditions in the Commission's order of 1923, and the Commission, in authorizing the merger, stated that such authorization should not be construed as affecting in any way the interests of Union Pacific and Denver & Rio Grande Western in the pending case involving the solicitation of traffic.

Hearings in the proceeding brought by the Denver & Rio Grande Western were held in Salt Lake City on January 12 and March 31, 1960. Attorneys for the Denver & Rio Grande Western have indicated that they might ask the Interstate Commerce Commission for another hearing.

FREIGHT REVENUE DIVISIONS

This important issue has been pending before the Interstate Commerce Commission since 1953. The case involves the efforts of Eastern and Mid-western railroads to obtain increased divisions of freight revenue on traffic moving between points on their lines and points on the Western railroads, such as the Union Pacific. After many hearings on the subject, including five in 1959,

before the Commission's Examiners, testimony by all parties was finally completed at the hearing which started on December 2, and the case was submitted for consideration. Briefs will be presented on May 16, 1960, following which an Examiner's proposed report presumably will be issued, setting forth recommendations to the Commission for determination of the case.

RESEARCH

One notable undertaking in progress is the development of a **coal-burning gas-turbine locomotive**, mentioned in last year's report. This experimental locomotive will consist of a 2,000 H.P. modified diesel "A" unit in front, a gas-turbine "B" unit, and a tender for coal and coal-handling equipment. The "B" unit will carry the combustion chambers (or "combustors") and fly ash separators required for coal-burning operation, as well as an auxiliary oil-burning diesel engine. Designs for the combustors, fly ash separators, and coal-handling equipment are based on the results of many years of experimental work conducted by the Locomotive Development Committee of Bituminous Coal Research, Inc. However, the Committee's work was confined to stationary testing, and to adapt the equipment for use in a road locomotive will require extensive experimentation.

To save time and expense, the "B" unit is being rebuilt from a retired electric locomotive purchased from the Great Northern; a spare gas-turbine power plant for use in 4,500 H.P. locomotives is being remodeled to adapt it for coal-burning purposes; and a retired steam locomotive tender will be altered for use with the experimental locomotive.

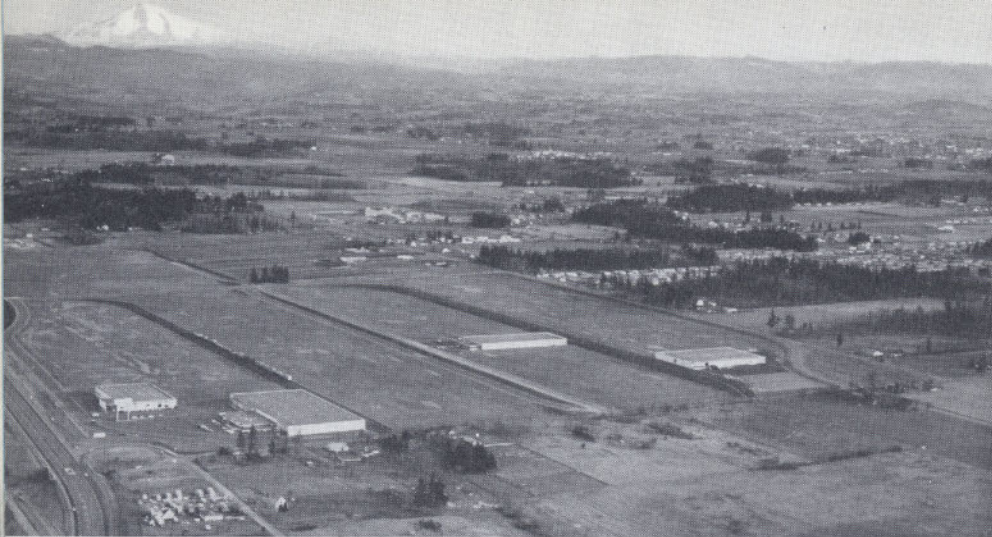
Brief Notes on Other Research Activities: Techniques of **reflectoscope** testing of locomotive and car axles have been developed to a point of high efficiency. Defects in axles on equipment in use, due to heat cracks, fatigue, etc., can now be readily detected in time to forestall the possibility of

axle failures, and subsequent laboratory use of the reflectoscope for analyzing defects discovered in the field represents an important safety measure. * * * **Lubricating oils** have been tested in a continuing study, with Southern Pacific participation, to determine wear characteristics of different types of oil and develop lubricants which will give the best performances; these experiments have utilized radioactive materials, the spectrograph and the electron microscope. * * * Experiments with a view to developing **residual fuel blends** best adapted for supercharged diesels are being conducted in cooperation with the Denver & Rio Grande Western. Some of the tests have been made at the Omaha Shops on a stationary setup simulating road conditions, and much useful information has already been developed. * * * The **diesel rotary snow plow** designed by Union Pacific, described in the 1958 report, has fully lived up to expectations. In March, 1959, it cleared the 55-mile West Yellowstone Branch of snow, four to eight feet deep, in twelve hours or about one-third of the time required with the most powerful steam-driven rotary. * * * Included in the work assigned to the IBM 705 computer mentioned in the President's message (page 5) is a research task pertaining to **locomotive performance and train schedules** for use of the Operating Department, based on a series of engineering calculations. The extraordinary capacity and versatility of this new computer tool greatly facilitates the solution of a complex problem of this kind with its many variable factors.

The Sperry Reflectoscope, an ultrasonic device applied to journals, locates axle defects instantly and shows them on a screen in a manner similar to television.

The Reflectoscope screen is situated in a nearby mobile unit, where the condition of axles can readily be interpreted from the projected images.





The new Rockwood Industrial District, Portland, Oregon.

INDUSTRIAL DEVELOPMENT

Economic expansion in Union Pacific territory and the active promotion of industrial development resulted in a net increase of 164 industries

on Union Pacific lines during 1959. Some of the largest plants completed or under construction are listed in the tabulation below:

Location	Description	Approximate cost of plant	Status
Portland, Ore.	Grocery and general merchandise warehouse and food processing facilities	\$1,000,000	Construction started
Portland, Ore.	Feed mill and warehouses	1,500,000	Construction started
Hinkle, Ore.	Feed mill	900,000	Construction started
Vancouver, Wash.	Cement distribution center	1,500,000	Well under way
Hoquiam, Wash.	Conversion of wood pulp mill to new process.	7,500,000	Conversion started
Tumwater, Wash.	Addition to brewery	1,700,000	Construction started
Yakima, Wash.	Refrigerated warehouse for fruit storage....	2,000,000	First unit completed
Kellogg, Ida.	Fertilizer plant	2,000,000	Construction started
Los Angeles, Calif.	Addition to mail order and retail sale facilities	5,000,000	To be completed in September, 1960
City of Industry, Calif.	Lead products plant	1,000,000	Well under way
East Denver, Colo.	Warehouse and office building	1,000,000	Completed
Kansas City, Kans.	Petroleum cracking plant	1,000,000	Well under way
Kansas City, Kans.	Addition to fiberglass plant	2,000,000	Construction started

UNION PACIFIC RAILROAD FOUNDATION

The Union Pacific Railroad Foundation was organized several years ago for the purpose of supporting activities in the fields of education, social welfare, health, science and culture. This step was undertaken in recognition of the fact that the continued growth and successful operation of the Union Pacific, a public service corporation, depends on the healthy development of the community it serves; and further that the Company's corporate existence is dependent to a large degree upon good will and support which derive not only from efficient transportation service, but also from public recognition that the

Union Pacific is a constructive force in the nation's economy and society and is meeting its obligations as a corporate citizen.

The Foundation's grants will be devoted primarily to benefiting the communities in areas served by the railroad. Its initial program of grants made in 1959 was carefully planned to achieve these objectives. Future programs will necessarily be governed by the extent of the Foundation's resources, which in turn will depend not only on the level of earnings of the Union Pacific Railroad Company but also on the urgency of the needs at the time.

By order of the Board of Directors,

E. ROLAND HARRIMAN
Chairman of the Board

ROBERT A. LOVETT
Chairman of the Executive Committee

A. E. STODDARD
President



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TABLE 1 — GENERAL BALANCE SHEET — ASSETS

	December 31, 1959	December 31, 1958	Increase	Decrease
CURRENT ASSETS				
Cash	\$39,155,601.63	\$38,927,390.08	\$228,211.55	
Temporary cash investments (Table 9)	63,067,078.84	75,521,066.01		\$12,453,987.17
Special deposits	75,250.20	78,720.20		3,470.00
Traffic and car-service balances—net	13,313,990.05	14,297,046.38		983,056.33
Net balance receivable from agents and conductors	6,761,869.70	7,784,798.46		1,022,928.76
Miscellaneous accounts receivable	11,364,474.86	11,542,633.40		178,158.54
Interest and dividends receivable	1,598,690.56	1,175,658.04	423,032.52	
Accrued accounts receivable	19,157,948.57	19,010,910.59	147,037.98	
Working fund advances	168,970.20	176,744.72		7,774.52
Prepayments	18,999.44	22,612.23		3,612.79
Material and supplies	25,805,381.70	24,369,715.87	1,435,665.83	
Other current assets	473,965.69	1,841,920.52		1,367,954.83
Total Current Assets	\$180,962,221.44	\$194,749,216.50		\$13,786,995.06
SINKING FUNDS	\$1,621.25	\$1,621.25		
INVESTMENTS				
Investments in affiliated companies:				
Stocks (Table 8)	\$24,157,102.02	\$24,122,166.86	\$34,935.16	
Notes (Table 9)	10,783,789.80	11,365,421.18		\$581,631.38
Advances	10,990,419.25	10,912,429.06	77,990.19	
Total Investments in Affiliated Companies	\$45,931,311.07	\$46,400,017.10		\$468,706.03
Other investments:				
Stocks (Table 8)	\$45,274,299.14	\$47,154,939.08		\$1,880,639.94
Bonds and notes (Table 9)	72,126,083.09	65,917,400.96	\$6,208,682.13	
Total Other Investments	\$117,400,382.23	\$113,072,340.04	\$4,328,042.19	
Reserve for adjustment of investments in securities (credit)	\$20,423,151.93	\$21,794,388.82		\$1,371,236.89 (a)
Total Investments	\$142,908,541.37	\$137,677,968.32	\$5,230,573.05	
PROPERTIES				
Road and equipment property	\$1,571,445,737.33	\$1,519,972,892.16	\$51,472,845.17	
Donations and grants (credit)	30,406,268.97	29,990,046.50	416,222.47	
Reserve for depreciation—road and equipment (credit)	286,587,192.00	264,491,285.34	22,095,906.66	
Reserve for amortization of national defense projects (credit)	49,135,428.61	54,904,341.02		\$5,768,912.41
Miscellaneous physical property	43,867,930.26	45,930,797.46		2,062,867.20 (b)
Reserve for depreciation—miscellaneous physical property (credit)	27,729,227.16	27,976,834.40		247,607.24
Total Properties	\$1,221,455,550.85	\$1,188,541,182.36	\$32,914,368.49	
OTHER ASSETS AND DEFERRED CHARGES				
Other assets	\$4,788,972.82	\$4,740,361.57	\$48,611.25	
Deferred charges	2,983,393.51	3,948,709.91		\$965,316.40
Total Other Assets and Deferred Charges	\$7,772,366.33	\$8,689,071.48		\$916,705.15
Grand Total	\$1,553,100,301.24	\$1,529,659,059.91	\$23,441,241.33	

(a) Chiefly loss from sale of New York Central R.R. Co. Refunding and Improvement Mortgage 4½% Bonds and Baltimore & Ohio R.R. Co. Convertible 4½% Debenture Bonds (see page 22).

(b) Represents principally the cost of industrial property sold, and adjustment of the Company's investment in Rangely oil field facilities in connection with pooling of facilities of all producers in the field, partially offset by expenditures for drilling productive oil and gas wells and constructing related facilities, and the cost of acquiring land for lease or sale to industries.



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

	December 31, 1959	December 31, 1958	Increase	Decrease
CURRENT LIABILITIES				
Audited accounts and wages payable	\$18,421,390.34	\$18,738,883.83		\$317,493.49
Miscellaneous accounts payable	1,166,792.00	1,122,340.85	\$44,451.15	
Interest matured unpaid	46,876.28	50,359.18		3,482.90
Dividends matured unpaid:				
Dividend on common stock payable second proximo	15,700,464.50	15,700,464.50		
Dividends due but unclaimed	368,647.38	360,462.73	8,184.65	
Unmatured interest accrued	1,457,486.97	1,469,720.28		12,233.31
Accrued accounts payable	29,010,791.91	29,464,965.44		454,173.53
Taxes accrued	34,851,428.66	36,434,651.74		1,583,223.08
Other current liabilities	2,497,520.31	2,789,636.79		292,116.48
Total Current Liabilities	\$103,521,398.35	\$106,131,485.34		\$2,610,086.99
FUNDED DEBT DUE WITHIN ONE YEAR (Table 7)				
Bonds	\$45,955,000.00		\$45,955,000.00	
Equipment obligations		\$566,000.00		\$566,000.00
Total Funded Debt Due within One Year...	\$45,955,000.00	\$566,000.00	\$45,389,000.00	
FUNDED DEBT (Table 7)				
Bonds	\$114,376,000.00	\$161,306,000.00		\$46,930,000.00
DUE TO AFFILIATED COMPANIES				
	\$22,501,973.20	\$21,414,836.09	\$1,087,137.11	
RESERVES				
Fire insurance reserve	\$31,707,703.97	\$31,387,420.65	\$320,283.32	
Casualty and other reserves	10,978,179.68	11,771,179.68		\$793,000.00
Total Reserves	\$42,685,883.65	\$43,158,600.33		\$472,716.68
OTHER LIABILITIES AND DEFERRED CREDITS				
Other liabilities	\$653,596.84	\$711,221.70		\$57,624.86
Unamortized premium on funded debt	2,392,650.74	2,611,708.06		219,057.32
Other deferred credits	3,280,225.16	3,964,479.63		684,254.47
Total Other Liabilities and Deferred Credits	\$6,326,472.74	\$7,287,409.39		\$960,936.65
STOCKHOLDERS' EQUITY				
Common stock (see page 17)	\$224,302,350.00	\$224,302,350.00		
Preferred stock	99,587,780.79	99,587,780.79		
Total Capital Stock (Table 6)	\$323,890,130.79	\$323,890,130.79		
Premium on common stock	\$4,327,919.38	\$4,327,919.38		
Other capital surplus	2,413,664.36	818,653.50	\$1,595,010.86 (d)	
Total Capital Surplus	\$6,741,583.74	\$5,146,572.88	\$1,595,010.86	
Retained income—appropriated	\$47,352,969.64	\$46,140,473.39	\$1,212,496.25	
Retained income—unappropriated	800,163,561.89	775,032,224.46	25,131,337.43	
Total Retained Income (see page 17)	\$847,516,531.53	\$821,172,697.85	\$26,343,833.68	
Consolidation surplus (c)	\$39,585,327.24	\$39,585,327.24		
Total Stockholders' Equity	\$1,217,733,573.30	\$1,189,794,728.76	\$27,938,844.54	
Grand Total	\$1,553,100,301.24	\$1,529,659,059.91	\$23,441,241.33	

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

(d) Principally contribution from U.S. Government toward a capital fund to produce income sufficient to compensate the Company for its additional annual operating costs resulting from abandonment of portion of Manhattan Branch in connection with construction of Tuttle Creek Dam and Reservoir in Kansas.



TABLE 2 — INCOME ACCOUNT

	1959	1958	Increase	Decrease
TRANSPORTATION OPERATIONS				
Operating revenues (Table 3)	\$515,767,433.02	\$505,215,190.96	\$10,552,242.06	
Operating expenses (Table 4)	378,741,802.44	371,257,944.82	7,483,857.62	
Revenues over expenses	\$137,025,630.58	\$133,957,246.14	\$3,068,384.44	
Taxes (see page 12)	76,806,304.20	69,803,902.75	7,002,401.45	
Railway Operating Income	\$60,219,326.38	\$64,153,343.39		\$3,934,017.01
Equipment rents (debit)	21,644,395.12	19,312,731.13	\$2,331,663.99	
Joint facility rents (debit)	1,618,278.94	1,379,527.84	238,751.10	
Net Income from Transportation Operations	\$36,956,652.32	\$43,461,084.42		\$6,504,432.10
INCOME FROM INVESTMENTS AND OTHER SOURCES				
Net income from oil and gas operations* (see page 13)	\$19,347,088.62	\$24,566,034.24		\$5,218,945.62
Royalties from oil and gas leases	402,868.67	604,824.64		201,955.97
Dividends on stocks owned (Table 8)	5,133,955.00	6,502,120.50		1,368,165.50
Interest on bonds and notes owned (Table 9)	5,015,228.92	3,052,095.10	\$1,963,133.82	
Other interest income	230,979.38	243,814.26		12,834.88
Rents from lease of road	122,289.83	121,884.64	405.19	
Miscellaneous rents	716,193.83	729,868.99		13,675.16
Miscellaneous income	1,904,643.91	3,510,749.22		1,606,105.31
Total	\$32,873,248.16	\$39,331,391.59		\$6,458,143.43
Total Income	\$69,829,900.48	\$82,792,476.01		\$12,962,575.53
FIXED AND OTHER CHARGES				
Interest on funded debt (Table 7)	\$4,413,297.61	\$4,470,345.42		\$57,047.81
Other interest	39,786.67	22,613.56	\$17,173.11	
Miscellaneous rents	34,244.98	34,888.74		643.76
Miscellaneous charges	501,211.69	482,184.40	19,027.29	
Total	\$4,988,540.95	\$5,010,032.12		\$21,491.17
Net Income from All Sources	\$64,841,359.53	\$77,782,443.89		\$12,941,084.36
Per share on Union Pacific Railroad Co. common stock outstanding December 31st (after preferred dividends)	\$2.713	\$3.290		\$.577
DIVIDENDS DECLARED ON UNION PACIFIC R.R. CO. STOCK				
On Preferred Stock (4%)	\$3,981,724.00	\$3,981,724.00		
On Common Stock (see page 17)	35,886,776.00	35,706,654.50	\$180,121.50	
Total dividends declared	\$39,868,500.00	\$39,688,378.50	\$180,121.50	
Net income less U.P.R.R. Co. dividends	\$24,972,859.53	\$38,094,065.39		\$13,121,205.86

* Excludes Federal income taxes (included under "Taxes") on such income, which were approximately \$5,863,100 in 1959 and \$7,327,100 in 1958.

TABLE 3 — OPERATING REVENUES

	1959	1958	Increase (+) or Decrease (-)
Transportation	Freight	\$449,037,095.49	\$440,671,941.84 + \$8,365,153.65
	Passenger	27,929,585.52	27,931,280.15 - 1,694.63
	Baggage	90,480.83	89,405.65 + 1,075.18
	Mail	19,301,949.01	17,727,566.92 + 1,574,382.09
	Express	5,344,528.62	4,674,552.62 + 669,976.00
	Other passenger-train	175,330.60	189,853.81 - 14,523.21
	Milk	74,046.93	95,986.98 - 21,940.05
	Switching	6,353,255.93	6,333,940.65 + 19,315.28
	Other	11,870.50	12,434.44 - 563.94
	Total	\$508,318,143.43	\$497,726,963.06 + \$10,591,180.37
Incidental	Dining and buffet	\$3,848,056.21	\$3,884,126.88 - \$36,070.67
	Hotel and restaurant	538,445.91	628,938.92 - 90,493.01
	Station, train, and boat privileges	124,221.24	131,075.07 - 6,853.83
	Demurrage	945,632.79	970,676.83 - 25,044.04
	Communication	89,280.17	96,779.53 - 7,499.36
	Rents of buildings and other property	477,237.35	484,665.49 - 7,428.14
	Miscellaneous	993,795.28	909,521.17 + 84,274.11
Total	\$7,016,668.95	\$7,105,783.89 - \$89,114.94	
Joint Facility	Joint facility—credit	\$519,367.76	\$492,754.30 + \$26,613.46
	Joint facility—debit	86,747.12	110,310.29 - 23,563.17
Total	\$432,620.64	\$382,444.01 + \$50,176.63	
Total Operating Revenues	\$515,767,433.02	\$505,215,190.96	+ \$10,552,242.06



TABLE 4—OPERATING EXPENSES

		1959	1958	Increase (+) or Decrease (-)
MAINTENANCE OF WAY AND STRUCTURES				
Supervision	Superintendence	\$4,669,652.51	\$4,804,634.46	- \$134,981.95
Roadway and Track	Roadway maintenance	\$3,366,729.63	\$4,588,505.98	- \$1,221,776.35
	Tunnels and subways	31,890.61	45,605.71	- 13,715.10
	Bridges, trestles, and culverts	1,808,720.27	2,180,132.74	- 371,412.47
	Ties	3,678,663.25	2,793,001.59	+ 885,661.66
	Rails	2,331,007.69	1,490,288.66	+ 840,719.03
	Other track material	2,891,023.69	1,910,236.05	+ 980,787.64
	Ballast	308,273.49	419,208.86	- 110,935.37
	Track laying and surfacing	19,218,714.89	19,688,914.36	- 470,199.47
	Fences, snowsheds, and signs	400,369.40	421,901.85	- 21,532.45
	Fences, snowsheds, and signs	885,766.74	1,063,635.69	- 177,868.95
	Communication systems	2,369,040.15	2,487,614.66	- 118,574.51
	Signals and interlockers	729,666.99	776,227.13	- 46,560.14
Removing snow, ice, and sand				
	Total	\$38,019,866.80	\$37,865,273.28	+ \$154,593.52
Structures	Station and office buildings	\$2,151,916.63	\$2,282,195.15	- \$130,278.52
	Roadway buildings	365,702.46	643,612.57	- 277,910.11
	Water stations	233,933.08	284,483.31	- 50,550.23
	Fuel stations	236,007.50	130,926.39	+ 105,081.11
	Shops and enginehouses	1,381,524.09	1,617,642.06	- 236,117.97
	Wharves and docks	2,939.38	3,801.92	- 862.54
	Power plants	91,258.86	92,778.22	- 1,519.36
	Power-transmission systems	307,644.51	307,503.79	+ 140.72
Miscellaneous structures	17,968.24	6,042.26	+ 11,925.98	
	Total	\$4,788,894.75	\$5,368,985.67	- \$580,090.92
Miscellaneous	Roadway machines	\$643,310.63	\$655,083.88	- \$11,773.25
	Dismantling retired road property	256,438.58	437,960.84	- 181,522.26
	Small tools and supplies	1,374,819.84	1,436,637.56	- 61,817.72
	Public improvements—maintenance	472,091.02	459,905.42	+ 12,185.60
	Injuries to persons	368,831.87	346,537.27	+ 22,294.60
	Insurance	84,028.31	237,214.05	- 153,185.74
	Stationery and printing	67,428.27	67,361.36	+ 66.91
	Right-of-way expenses	12,341.22	7,912.91	+ 4,428.31
	Other expenses	1,055,124.27	1,235,706.05	- 180,581.78
	Maintaining joint tracks, yards, and other facilities—debit	3,289,587.10	2,791,589.18	+ 497,997.92
Maintaining joint tracks, yards, and other facilities—credit	1,423,804.85	1,480,670.15	- 56,865.30	
	Total	\$6,200,196.26	\$6,195,238.37	+ \$4,957.89
Depreciation and Retirements	Road property—depreciation	\$5,931,068.21	\$5,803,574.61	+ \$127,493.60
	Retirements—road	787,543.99	1,740,550.19	- 953,006.20
	Total	\$6,718,612.20	\$7,544,124.80	- \$825,512.60
	Total Maintenance of Way and Structures	\$60,397,222.52	\$61,778,256.58	- \$1,381,034.06
	Percentage Ratio to Operating Revenues	11.71	12.23	- .52
MAINTENANCE OF EQUIPMENT				
Supervision	Superintendence	\$3,950,675.62	\$3,903,393.75	+ \$47,281.87
Equipment Repairs	Steam locomotives—repairs	\$222,635.78*	\$144,765.98	- \$367,401.76
	Diesel and gas-turbine locomotives—repairs	29,081,741.88	28,418,355.43	+ 663,386.45
	Freight-train cars—repairs	19,407,473.06	21,262,621.26	- 1,855,148.20
	Passenger-train cars—repairs	9,727,929.72	9,765,397.29	- 37,467.57
	Work equipment—repairs	391,571.19	397,648.43	- 6,077.24
	Miscellaneous equipment—repairs	540,422.70	494,946.06	+ 45,476.64
	Total	\$58,926,502.77	\$60,483,734.45	- \$1,557,231.68
Miscellaneous	Shop machinery	\$1,428,742.64	\$1,231,443.51	+ \$197,299.13
	Power-plant machinery	314,234.11	307,734.93	+ 6,499.18
	Dismantling retired equipment	194,770.81	293,934.13	- 99,163.32
	Injuries to persons	383,152.31	288,871.90	+ 94,280.41
	Insurance	678,938.63	1,842,847.83	- 1,163,909.20
	Stationery and printing	78,243.53	66,150.78	+ 12,092.75
	Other expenses	1,437,467.88	1,834,413.31	- 396,945.43
	Joint maintenance of equipment expenses—debit	504,628.80	524,829.34	- 20,200.54
Joint maintenance of equipment expenses—credit	98,513.41	113,026.84	- 14,513.43	
	Total	\$4,921,665.30	\$6,277,198.89	- \$1,355,533.59

* Credit.



TABLE 4—OPERATING EXPENSES—(Continued)

		1959	1958	Increase (+) or Decrease (-)
MAINTENANCE OF EQUIPMENT—(Concluded)				
Depreciation and Retirements	Equipment—depreciation	\$26,424,652.42	\$22,230,758.17	+ \$4,193,894.25
	Shop and power-plant machinery—depreciation	390,060.69	387,604.32	+ 2,456.37
	Retirements—equipment	85,005.96*	88,992.65*	- 46,613.31
	Total	\$26,729,707.15	\$22,579,969.84	+ \$4,149,737.31
Total Maintenance of Equipment		\$94,528,550.84	\$93,244,296.93	+ \$1,284,253.91
Percentage Ratio to Operating Revenues		18.32	18.46	- .14
TRAFFIC				
Traffic Promotion	Superintendence	\$2,686,338.37	\$2,649,866.38	+ \$36,471.99
	Outside agencies	7,311,169.30	6,954,884.33	+ 356,284.97
	Advertising	3,428,165.27	3,319,665.83	+ 108,499.44
	Traffic associations	301,438.81	314,281.21	- 12,842.40
	Industrial and immigration bureaus	398,711.91	350,129.34	+ 48,582.57
Total		\$14,125,823.66	\$13,588,827.09	+ \$536,996.57
Miscellaneous ...	Insurance	\$12,889.04	\$11,364.12	+ \$1,524.92
	Stationery and printing	495,115.34	487,205.21	+ 7,910.13
	Other expenses	64,470.44	65,981.94	- 1,511.50
Total		\$572,474.82	\$564,551.27	+ \$7,923.55
Total Traffic		\$14,698,298.48	\$14,153,378.36	+ \$544,920.12
Percentage Ratio to Operating Revenues		2.85	2.80	+ .05
TRANSPORTATION				
Supervision	Superintendence	\$5,592,205.09	\$5,570,929.32	+ \$21,275.77
	Dispatching trains	2,428,563.59	2,419,574.45	+ 8,989.14
Total		\$8,020,768.68	\$7,990,503.77	+ \$30,264.91
Station Service...	Station employees	\$19,508,661.78	\$19,539,856.74	- \$31,194.96
	Weighing, inspection, and demurrage bureaus	445,284.62	428,436.89	+ 16,847.73
	Station supplies and expenses	1,601,850.95	1,453,538.41	+ 148,312.54
Total		\$21,555,797.35	\$21,421,832.04	+ \$133,965.31
Yard Service....	Yardmasters and yard clerks	\$7,237,095.99	\$7,127,767.61	+ \$109,328.38
	Yard conductors and brakemen	14,486,044.56	14,376,466.26	+ 109,578.30
	Yard switch and signal tenders	911,933.35	961,653.16	- 49,719.81
	Yard enginemen	8,307,930.38	8,186,859.11	+ 121,071.27
	Yard switching fuel	976,493.18	1,081,459.98	- 104,966.80
	Water for yard locomotives	550.05	584.62	- 34.57
	Lubricants for yard locomotives	139,988.33	115,627.62	+ 24,360.71
	Other supplies for yard locomotives	71,705.41	57,178.33	+ 14,527.08
	Enginehouse expenses—yard	1,307,674.33	1,360,253.57	- 52,579.24
	Yard supplies and expenses	566,013.78	517,520.62	+ 48,493.16
Total		\$34,005,429.36	\$33,785,370.88	+ \$220,058.48
Train Service ...	Train enginemen	\$21,841,229.28	\$20,741,046.06	+ \$1,100,183.22
	Trainmen	29,960,930.25	28,514,064.91	+ 1,446,865.34
	Train fuel	22,818,355.08	20,348,134.86	+ 2,470,220.22
	Water for train locomotives	424,182.25	406,287.12	+ 17,895.13
	Lubricants for train locomotives	1,999,229.38	1,797,452.28	+ 201,777.10
	Other supplies for train locomotives	312,603.38	251,675.90	+ 60,927.48
	Enginehouse expenses—train	6,027,987.72	6,113,060.70	- 85,072.98
	Train supplies and expenses	14,957,933.50	13,850,448.09	+ 1,107,485.41
Operating sleeping cars	854,631.97	1,106,933.78	- 252,301.81	
Total		\$99,197,082.81	\$93,129,103.70	+ \$6,067,979.11

* Credit.



TABLE 4—OPERATING EXPENSES — (Concluded)

		1959	1958	Increase (+) or Decrease (-)	
TRANSPORTATION (Concluded)					
Casualties	Clearing wrecks	\$397,945.47	\$304,589.33	+	\$93,356.14
	Damage to property	135,075.56	507,714.92	-	372,639.36
	Damage to livestock on right-of-way	27,437.37	45,151.52	-	17,714.15
	Loss and damage—freight	4,893,538.57	4,848,259.07	+	45,279.50
	Loss and damage—baggage	10,475.10	22,455.06	-	11,979.96
	Injuries to persons	1,737,281.64	1,653,482.97	+	83,798.67
Total		\$7,201,753.71	\$7,381,652.87	-	\$179,899.16
Miscellaneous	Signal and interlocker operation	\$932,267.24	\$923,795.40	+	\$8,471.84
	Crossing protection	611,612.17	535,931.88	+	75,680.29
	Drawbridge operation	130,109.61	121,754.09	+	8,355.52
	Communication system operation	1,332,411.65	1,256,624.06	+	75,787.59
	Stationery and printing	669,111.34	672,842.84	-	3,731.50
	Insurance	263,087.25	405,880.72	-	142,793.47
	Other expenses	1,074,638.93	1,094,821.58	-	20,182.65
	Operating joint yards and terminals—debit	8,080,009.25	7,808,351.26	+	271,657.99
	Operating joint yards and terminals—credit	2,940,770.51	2,950,293.41	-	9,522.90
	Operating joint tracks and facilities—debit	830,525.71	921,978.64	-	91,452.93
	Operating joint tracks and facilities—credit	301,956.98	236,550.84	+	65,406.14
Total		\$10,681,045.66	\$10,555,136.22	+	\$125,909.44
Total Transportation		\$180,661,877.57	\$174,263,599.48	+	\$6,398,278.09
Percentage Ratio to Operating Revenues.....		35.03	34.49	+	.54
MISCELLANEOUS OPERATIONS					
Dining Car and Hotel	Dining and buffet service	\$7,309,903.01	\$7,391,598.88	-	\$81,695.37
	Hotels and restaurants	968,458.11	1,060,684.44	-	92,226.33
Total		\$8,278,361.12	\$8,452,282.82	-	\$173,921.70
Miscellaneous	Producing power sold	\$7,143.60	\$6,076.07	+	\$1,067.53
	Other miscellaneous operations	5,335.93	3,404.23	+	1,931.70
	Operating joint miscellaneous facilities—debit	3,723.59	3,753.49	-	29.90
Total		\$16,203.12	\$13,233.79	+	\$2,969.33
Total Miscellaneous Operations		\$8,294,564.24	\$8,465,516.61	-	\$170,952.37
Percentage Ratio to Operating Revenues.....		1.61	1.68	-	.07
GENERAL					
Administration	Salaries and expenses of general officers	\$1,658,213.34	\$1,636,658.36	+	\$21,554.98
	Salaries and expenses of clerks and attendants	10,110,406.95	10,152,457.49	-	42,050.54
	General office supplies and expenses	1,855,023.72	1,228,571.23	+	626,452.49
	Law expenses	1,650,997.63	1,545,025.22	+	105,972.41
Total		\$15,274,641.64	\$14,562,712.30	+	\$711,929.34
Miscellaneous	Insurance	\$21,347.92	\$17,987.01	+	\$3,360.91
	Pensions and employes' group insurance	2,024,485.95	1,891,952.47	+	132,533.48
	Stationery and printing	477,703.72	555,223.06	-	77,519.34
	Valuation expenses	180,176.70	184,150.17	-	3,973.47
	Other expenses	1,898,818.66	1,900,395.92	-	1,577.26
	General joint facilities—debit	300,511.31	259,507.02	+	41,004.29
	General joint facilities—credit	16,397.11	19,031.09	-	2,633.98
	Total	\$4,886,647.15	\$4,790,184.56	+	\$96,462.59
Total General		\$20,161,288.79	\$19,352,896.86	+	\$808,391.93
Percentage Ratio to Operating Revenues.....		3.91	3.83	+	.08
Total Operating Expenses		\$378,741,802.44	\$371,257,944.82	+	\$7,483,857.62
Percentage Ratio to Operating Revenues.....		73.43	73.49	-	.06



TABLE 5—OPERATING STATISTICS

	1959	1958	Increase	Decrease	Per Cent
Average miles of road operated	9,746.47	9,752.96		6.49	.1
FREIGHT TRAFFIC					
Revenue Freight					
Cars of revenue freight loaded on line	951,897	949,645	2,252		.2
Cars of revenue freight received from connections	745,193	705,165	40,028		5.7
Total cars of revenue freight handled ..	1,697,090	1,654,810	42,280		2.6
Tons of revenue freight carried	55,597,824	54,065,293	1,532,531		2.8
Ton-miles, revenue freight	32,874,828,224	31,681,957,764	1,192,870,460		3.8
Average distance hauled per ton (miles)	591.30	585.99	5.31		.9
Average revenue per ton	\$8.08	\$8.15		\$.07	.9
Average revenue per ton-mile (cents)	1.366	1.391		.025	1.8
Average revenue per train mile	\$17.37	\$17.89		\$.52	2.9
Revenue and Company Freight					
Tons of all freight carried	58,842,444	57,449,443	1,393,001		2.4
Ton-miles, all freight	33,907,952,566	32,768,812,443	1,139,140,123		3.5
Gross ton-miles (cars and contents) all freight	82,026,284,811	79,970,006,923	2,056,277,888		2.6
Average net ton-miles per mile of road per day	9,531	9,205	326		3.5
PASSENGER TRAFFIC					
Revenue passengers carried	1,589,626	1,598,973		9,347	.6
Revenue passengers carried one mile	1,242,181,742	1,234,134,180	8,047,562		.7
Average journey per passenger (miles)	781.43	771.83	9.60		1.2
Average revenue per passenger mile (cents)	2.248	2.263		.015	.7
Average revenue per train mile—passengers only	\$2.99	\$2.84	\$.15		5.3
Average total revenue per train mile	\$4.97	\$4.61	\$.36		7.8
TRAIN AND CAR STATISTICS					
Freight					
Train miles—Ordinary	25,639,585	24,462,007	1,177,578		4.8
Light (locomotive with caboose)	205,269	170,627	34,642		20.3
Total	25,844,854	24,632,634	1,212,220		4.9
Train hours	929,340	933,654		4,314	.5
Locomotive miles	27,760,619	26,780,060	980,559		3.7
Car miles in freight trains:					
Freight—Loaded	1,212,283,117	1,166,270,251	46,012,866		3.9
Freight—Empty	670,605,333	674,993,439		4,388,106	.7
Caboose	25,366,038	24,000,306	1,365,732		5.7
Passenger-train	7,390,942	9,785,638		2,394,696	24.5
Total	1,915,645,430	1,875,049,634	40,595,796		2.2
Average freight-train speed—miles per hour	27.81	26.38	1.43		5.4
Average tons per loaded car mile—all freight	27.94	28.06		.12	.4
Average car miles per freight-train mile	73.44	75.27		1.83	2.4
Percentage of loaded to total freight-carrying car miles ..	64.38	63.34	1.04		1.6
Average net tons per train mile—all freight	1,322.47	1,339.52		17.05	1.3
Average gross tons per train mile	3,199.20	3,269.15		69.95	2.1
Average gross ton-miles per train hour	88,263	85,653	2,610		3.0
Passenger					
Train miles—Passenger	9,331,086	9,824,143		493,057	5.0
Mail and express	2,089,693	2,023,571	66,122		3.3
Total	11,420,779	11,847,714		426,935	3.6
Train hours	220,592	229,141		8,549	3.7
Locomotive miles	11,483,717	11,922,814		439,097	3.7
Car miles in passenger trains:					
Passenger-carrying	78,345,765	81,615,579		3,269,814	4.0
Other passenger-train	79,374,282	78,280,853	1,093,429		1.4
Freight-train	1,270,007	1,473,213		203,206	13.8
Total	158,990,054	161,369,645		2,379,591	1.5
Average passenger-train speed—miles per hour	51.77	51.70	.07		.1
Average car miles per passenger-train mile	13.92	13.62	.30		2.2
Average passengers per train mile	133.12	125.62	7.50		6.0
Average passengers per passenger-carrying car mile	17.54	16.79	.75		4.5



TABLE 6—CAPITAL STOCK OUTSTANDING IN HANDS OF THE PUBLIC

Company and Class of Stock	Par Value of Capital Stock Outstanding December 31, 1959		
	Common	Preferred	Total
UNION PACIFIC RAILROAD Co.			
Common Stock (par value \$10 per share)	\$224,292,350.00	.....	\$224,292,350.00
Preferred Stock (par value \$10 per share) .....	.....	\$99,543,100.00	99,543,100.00
Total	\$224,292,350.00	\$99,543,100.00	\$323,835,450.00
THE ST. JOSEPH AND GRAND ISLAND RAILWAY Co. (See Note)			
Common Stock (par value \$100 per share)	\$10,000.00	.....	\$10,000.00
First Preferred Stock (par value \$100 per share) .....	.....	\$35,210.37	35,210.37
Second Preferred Stock (par value \$100 per share) .....	.....	9,470.42	9,470.42
Total	\$10,000.00	\$44,680.79	\$54,680.79
Grand Total	\$224,302,350.00	\$99,587,780.79	\$323,890,130.79

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

Description	Owned by:	
	U. P. R. R. Co.	O. S. L. R. R. Co.
O. S. L. R. R. Co. Capital Stock	\$100,000,000.00	—
O-W. R. R. & N. Co. Capital Stock	—	\$50,000,000.00
L. A. & S. L. R. R. Co. Capital Stock	12,500,000.00	12,500,000.00
St. J. & G. I. Ry. Co. Common Stock	4,590,000.00	—
“ First Preferred Stock	5,464,189.63	—
“ Second Preferred Stock	3,490,529.58	—
Des Chutes R. R. Co. Capital Stock	—	100,000.00

TABLE 7—FUNDED DEBT OUTSTANDING IN HANDS OF THE PUBLIC, AND INTEREST THEREON

Company and Character of Funded Debt	Date of Issue	Date of Maturity	Interest Payable	Outstanding		Interest Accrued Charged to Income Account	
				Dec. 31, 1959	Decrease vs. Dec. 31, 1958	Year 1959	Decrease vs. Year 1958
UNION PACIFIC RAILROAD Co.							
Refunding Mortgage 2½% Bonds, Series C	Mar. 1, 1946	Mar. 1, 1991	Mar. & Sept.	\$70,625,000.00	\$233,000.00	\$1,766,743.55	\$10,124.78
Thirty Year 2% Debenture Bonds	Feb. 1, 1946	Feb. 1, 1976	Feb. & Aug.	43,751,000.00	742,000.00	1,266,474.06	12,699.69
Equipment Purchase Contracts .....	.....	.....	.....	.....	566,000.00	1,430.00	34,223.34
				\$114,376,000.00	\$1,541,000.00	\$3,034,647.61	\$57,047.81
OREGON-WASHINGTON RAILROAD & NAVIGATION Co.							
*Refunding Mortgage 3% Bonds, Series A	Oct. 1, 1944	Oct. 1, 1960	Apr. & Oct.	\$45,955,000.00	.....	\$1,378,650.00	.....
Total				\$160,331,000.00	\$1,541,000.00	\$4,413,297.61	\$57,047.81

* Principal and interest guaranteed by Union Pacific Railroad Co.

NOTE A: Union Pacific Railroad Co. is a guarantor of the principal and interest of \$39,344,000 face value of serial bonds, bearing interest rates varying from 1½% to 3%, issued by Kansas City Terminal Railway Co., maturing 1960-74, such issue having also as guarantors eleven other railroads which are joint tenants of the union depot and terminal facilities.

NOTE B: Union Pacific Railroad Co. is a guarantor of 50% of the principal and interest of \$9,819,450 face value of Pacific Fruit Express Co. 4.47% equipment obligation maturing semi-annually 1960-73.

NOTE C: Face value of bonds owned within the System:

Description	Owned by:	
	U. P. R. R. Co.	O. S. L. R. R. Co.
O. S. L. R. R. Co. First & Consolidated Mortgage 4% Bonds, due December 1, 1960	\$41,487,000	\$3,587,000
O-W. R. R. & N. Co. Refunding Mortgage 3% Bonds, Series B, due October 1, 1960	17,444,000	—
L. A. & S. L. R. R. Co. First Mortgage 4% Fifty-Year Bonds, due July 1, 1961	59,022,000	—



TABLE 8—STOCKS OWNED, AND DIVIDENDS THEREON

Company	Total Shares Outstanding Dec. 31, 1959	Number of Shares Owned		Dividends Credited to Income Account	
		Dec. 31, 1959	Increase (+) or Decrease (-) vs. Dec. 31, 1958	Year 1959	Increase (+) or Decrease (-) vs. Year 1958
Investments in Affiliated Companies					
TERMINAL AND TRANSPORTATION					
Camas Prairie Railroad Co.....	1,000	500			
Denver Union Terminal Railway Co.....	300	50			
Kansas City Terminal Railway Co.....	22,000	1,833.3			
Leavenworth Depot & Railroad Co.....	240	80			
Northern Pacific Terminal Co. of Oregon.	30,000	12,000			
Ogden Union Railway and Depot Co.....	3,000	1,500			
Pacific Fruit Express Co.....	240,000	120,000		\$3,120,000.00	-\$1,200,000.00
Pullman Co.	731,350	43,914		131,742.00	- 175,656.00
Railway Express Agency, Inc.....	999	25			
St. Joseph Terminal Railroad Co.....	3,000	1,500			
St. Joseph Union Depot Co.....	100	10			
Spokane International Railroad Co.....	199,248	197,995	+ 1,058*	296,662.50	+ 233,031.00
Union Pacific Motor Freight Co.....	50	50			
Union Pacific Stage Co.....	30	30			
Yakima Valley Transportation Co.....	10,000	10,000			
COAL					
Union Pacific Coal Co.....	50,000	50,000		50,000.00	+ 50,000.00
LAND					
Kansas City Industrial Land Co.....	9,000	9,000			
Las Vegas Land and Water Co.....	500	500			
Union Land Co.....	100	100			
WATER					
Union Pacific Water Co.....	1,783	1,783		17,830.00	
MISCELLANEOUS					
Overland Terminal Warehouse Co.....	1,150	1,150			
Southern Wyoming Utilities Co.....	3,500	3,500		28,000.00	+ 28,000.00
Utah Parks Co.....	250	250			
Total Dividends—Affiliated Companies.....				\$3,644,234.50	-\$1,064,625.00
Other Investments					
Baltimore & Ohio Railroad Co.					
Preferred		1.9	- 24,190†	\$19,498.00	- \$77,270.00
Greyhound Corporation					
Preferred			- 3,020†	8,542.50	- 4,292.50
Illinois Central Railroad Co.					
Common		716,440		1,432,880.00	- 218,485.00
Pennsylvania Railroad Co.					
Capital		115,200		28,800.00	
Reading Co.					
Common			- 1,975†		- 1,975.00
Second Preferred			- 759†		- 1,518.00
Miscellaneous		55			
Total Dividends—Other than Affiliated Companies.....				\$1,489,720.50	-\$303,540.50
Grand Total Dividends on Stocks Owned.....				\$5,133,955.00	-\$1,368,165.50

* Purchased.
† Sold.



TABLE 9—BONDS AND NOTES OWNED, AND INTEREST THEREON

	Maturity	Face Value Owned		Interest Credited to Income Account		
		Dec. 31, 1959	Increase (+) or Decrease (-) vs. Dec. 31, 1958	Year 1959	Increase (+) or Decrease (-) vs. Year 1958	
Temporary Cash Investments						
UNITED STATES OF AMERICA:						
Treasury 1½% Certificates of Indebtedness, Series D	Mar. 24, 1959		-\$15,000,000.00	\$86,924.13	+	\$18,914.80
Treasury 1½% Certificates of Indebtedness, Series C	Aug. 1, 1959		- 26,866,000.00	254,667.30	+	80,710.44
Treasury 1½% Notes, Series EA—1959	Apr. 1, 1959		- 2,500,000.00	15,367.53	+	9,857.66
Treasury 4¾% Notes, Series C-1960	Aug. 15, 1960	\$26,866,000.00	+ 26,866,000.00	472,253.90	+	472,253.90
Treasury 2½% Bonds	Nov. 15, 1961*	1,000,000.00	+ 1,000,000.00	1,222.22	+	1,222.22
Treasury Bills	Various	35,500,000.00	+ 4,000,000.00	427,920.04	+	337,313.78
†Interest on other Treasury securities				885,710.82	+	52,253.58
Total Temporary Cash Investments		\$63,366,000.00	-\$12,500,000.00	\$2,144,065.94	+	\$972,526.38
Investments in Affiliated Companies						
Total Outstanding Dec. 31, 1959						
Kansas City Terminal Railway Co.						
Demand Note (non-interest bearing)		\$1,497,160.80	\$102,001.18			
Pacific Fruit Express Co.						
Equipment Purchase Contract 4%-4¼%, dated November 15, 1956 (maturing in 20 semi-annual installments)		19,567,800.00	9,783,900.00	-\$1,304,520.00	\$439,798.53	-\$52,458.21
Railway Express Agency, Inc.						
‡5% Promissory Note		27,637,053.80	722,888.62	+ 722,888.62	9,036.10	+ 9,036.10
St. Joseph Terminal Railroad Co.						
6% Demand Note		350,000.00	175,000.00		10,500.00	
Total Notes of Affiliated Companies		\$10,783,789.80	-\$581,631.38	\$459,334.63	-	\$43,422.11
Other Investments						
Maturity						
Baltimore & Ohio Railroad Co.						
Convertible 4½% Debenture Bonds, Series A	Jan. 1, 2010	\$813,000.00	-\$800,000.00	\$71,849.50	-	\$735.50
First Consolidated Mortgage 4% Bonds, Series B	Sept. 1, 1980	2,009,000.00		80,360.00		
New York Central Railroad Co.						
Refunding and Improvement Mortgage 4½% Bonds	Oct. 1, 2013		- 3,000,000.00	133,792.38	-	1,207.62
Pittsburgh, Youngstown & Ashtabula Railway Co.						
First General Mortgage 4½% Gold Bonds, Series D	June 1, 1977	1,485,000.00		66,825.00		
Miscellaneous (principally property-sale and other contracts)		3,123,679.01	+ 1,149,447.36	143,392.18	+	49,211.03
Total		\$7,430,679.01	-\$2,650,552.64	\$496,219.06	+	\$47,267.91
UNITED STATES OF AMERICA:						
Treasury 3¾% Certificates of Indebtedness, Series A	Feb. 15, 1960	\$20,000,000.00	+\$20,000,000.00	\$623,437.50	+	\$623,437.50
Treasury 1½% Notes, Series A—1959	Feb. 15, 1959		- 20,000,000.00	20,442.86	-	241,944.82
Treasury 1½% Notes, Series EO—1959	Oct. 1, 1959		- 1,000,000.00	25,938.73	-	8,646.33
Treasury 1½% Notes, Series EA—1960	Apr. 1, 1960	1,000,000.00		32,891.10		
Treasury 1½% Notes, Series EO—1960	Oct. 1, 1960	28,000,000.00	+ 7,500,000.00	657,532.33	+	179,197.56
Treasury 3½% Notes, Series B—1961	May 15, 1961	2,000,000.00		72,754.24	+	66,691.40
Treasury 2½% Bonds	Nov. 15, 1961	6,500,000.00	+ 1,000,000.00	219,531.88	+	164,217.48
Treasury 2½% Bonds	Feb. 15, 1965	8,000,000.00	+ 1,000,000.00	263,080.65	+	203,808.85
Total		\$65,500,000.00	+\$8,500,000.00	\$1,915,609.29	+	\$986,761.64
Total Other Bonds and Notes		\$72,930,679.01	+\$5,849,447.36	\$2,411,828.35	+	\$1,034,029.55
Grand Total Interest on Bonds and Notes Owned				\$5,015,228.92	+	\$1,963,133.82

* Sold January 5, 1960.

† Interest received in 1959 on Treasury securities acquired during the year but disposed of prior to December 31st, compared with interest received in 1958 on Treasury securities disposed of prior to December 31st of that year.

‡ On October 1, 1959, Railway Express Agency, Inc., issued promissory notes to cover interest-bearing advances made to it prior to 1959.

§ Sold (see page 22).



TABLE 10 — EQUIPMENT OWNED

	Owned December 31, 1958	Acquired			Retired	Owned December 31, 1959
		Purchased or Built	Rebuilt or Converted	Total Acquired		
LOCOMOTIVES						
Diesel						
Freight units	718	75	18*	93	6	805
Passenger units	115	....	....	....	....	115
Road-Switch	58	1	....	1	....	59
Switch	278	....	....	....	....	278
Total Diesel	<u>1,169</u>	<u>76</u>	<u>18</u>	<u>94</u>	<u>6</u>	<u>1,257</u>
Gas-Turbine	29	7	....	7	....	36
Steam						
Road	124	....	....	....	40	84
Switch	2	....	....	....	....	2
Total Steam	<u>126</u>	<u>....</u>	<u>....</u>	<u>....</u>	<u>40</u>	<u>86</u>
FREIGHT-TRAIN CARS						
Automobile	5,343	800	....	800	40	6,103
Box	23,434	200	....	200	627	23,007
Gondola	16,617†	550	....	550	259	16,908†
Ballast	26	....	....	....	....	26
Flat	2,585	201	....	201	40	2,746
Stock	3,519	....	....	....	31	3,488
Tank	1,238	....	....	....	....	1,238
Caboose	701	100	....	100	27	774
Total Freight-Train Cars	<u>53,463</u>	<u>1,851</u>	<u>....</u>	<u>1,851</u>	<u>1,024</u>	<u>54,290</u>
PASSENGER-TRAIN CARS						
Postal	110	....	14	14	9	115
Baggage	270	....	....	....	19	251
Baggage-combination	85	....	....	....	14	71
Coach	243	....	....	....	11	232
Coach-combination	2	....	....	....	....	2
Parlor	1	....	....	....	....	1
Sleeping	239	....	....	....	4	235
Dining and Lunch Counter-Cafe	70	9	5	14	1	83
Club, Lounge, and Observation	70	....	....	....	13	57
Auxiliary steam generator	2	....	....	....	....	2
Total Passenger-Train Cars	<u>1,092</u>	<u>9</u>	<u>19</u>	<u>28</u>	<u>71</u>	<u>1,049</u>
WORK EQUIPMENT						
Business	18	....	....	....	....	18
Instruction	9	....	1	1	1	9
Roadway	316	....	....	....	....	316
Boarding	1,280	....	....	....	2	1,278
Tool	396	....	1	1	2	395
Miscellaneous	607	....	3	3	13	597
Total Work Equipment Units	<u>2,626</u>	<u>....</u>	<u>5</u>	<u>5</u>	<u>18</u>	<u>2,613</u>

* Represents 1,500 H.P. units converted into 1,750 H.P. units, including 12 units retired in 1958.

† Includes cars owned jointly with Utah Ry.: 413 as of December 31, 1958, and 396 as of December 31, 1959.



TABLE 11 — FREIGHT TRAFFIC BY COMMODITIES

Commodity	TONS				GROSS FREIGHT REVENUE			
	1959	Per Cent of Total	1958	Per Cent of Total	1959	Per Cent of Total	1958	Per Cent of Total
PRODUCTS OF AGRICULTURE								
Wheat	3,843,340	6.91	3,970,290	7.34	\$23,266,786	5.02	\$23,475,997	5.19
Corn	892,808	1.61	750,408	1.39	4,617,678	1.00	4,150,814	.92
Other grain and grain products	2,254,874	4.06	2,681,114	4.96	10,210,449	2.20	14,752,368	3.26
Sugar beets	3,149,950	5.66	3,162,446	5.85	2,536,419	.55	2,532,355	.56
Potatoes, other than sweet	1,277,338	2.30	1,281,566	2.37	18,664,919	4.02	20,759,495	4.59
Fresh fruits and vegetables	1,952,697	3.51	1,772,979	3.28	29,529,191	6.37	27,177,221	6.00
Other products of agriculture	762,336	1.37	709,557	1.31	7,941,739	1.71	7,741,376	1.71
Total	14,133,343	25.42	14,328,360	26.50	\$96,767,181	20.87	\$100,589,626	22.23
ANIMALS AND PRODUCTS								
Livestock	593,080	1.07	581,347	1.07	\$11,683,716	2.52	\$10,794,283	2.39
Meats and other edible packing house products	160,222	.29	153,171	.28	2,744,636	.59	2,880,426	.64
Other animals and products	184,865	.33	176,635	.33	3,101,078	.67	3,142,434	.69
Total	938,167	1.69	911,153	1.68	\$17,529,430	3.78	\$16,817,143	3.72
PRODUCTS OF MINES								
Bituminous coal	3,783,693	6.80	3,817,853	7.06	\$11,980,065	2.58	\$12,720,210	2.81
Iron ore	3,229,773	5.81	3,981,466	7.37	7,703,179	1.66	9,741,904	2.15
Other ores and concentrates	960,379	1.73	1,141,081	2.11	4,485,189	.97	5,964,334	1.32
Gravel, sand, and stone	2,832,182	5.09	2,682,243	4.96	5,588,329	1.21	5,622,743	1.24
Phosphate rock	2,094,324	3.77	1,947,958	3.60	2,908,602	.63	2,825,521	.63
Other products of mines	2,050,475	3.69	1,809,751	3.35	10,753,630	2.32	9,833,506	2.18
Total	14,950,826	26.89	15,380,352	28.45	\$43,418,994	9.37	\$46,708,218	10.33
PRODUCTS OF FORESTS								
Lumber, shingles, and lath	5,185,891	9.33	4,819,349	8.92	\$58,731,812	12.67	\$54,508,840	12.05
Veneer, plywood, and built-up wood	1,535,801	2.76	1,265,232	2.34	15,150,342	3.27	12,858,553	2.84
Other products of forests	966,138	1.74	990,700	1.83	3,553,905	.76	3,570,130	.79
Total	7,687,830	13.83	7,075,281	13.09	\$77,436,059	16.70	\$70,937,523	15.68
MANUFACTURES AND MISCELLANEOUS								
Petroleum products	1,091,823	1.96	1,019,951	1.89	\$5,967,294	1.29	\$5,243,947	1.16
Iron and steel, including scrap	2,351,978	4.23	2,208,106	4.08	23,403,417	5.05	22,623,538	5.00
Other metals and alloys	918,904	1.65	745,792	1.38	10,280,693	2.22	9,750,979	2.15
Chemicals and products	1,466,544	2.64	1,274,883	2.36	18,172,983	3.92	16,255,696	3.59
Machinery and parts	383,286	.69	360,464	.67	11,345,825	2.45	11,067,258	2.45
Automobiles, other vehicles, and parts	566,553	1.02	475,902	.88	21,253,746	4.58	18,488,716	4.09
Cement, brick, lime, and plaster	1,875,255	3.37	1,710,862	3.16	6,375,753	1.38	5,792,165	1.28
Paper and products	1,080,061	1.94	1,009,130	1.87	14,206,051	3.06	13,541,264	2.99
Ammunition and explosives	60,548	.11	63,151	.12	2,457,589	.53	1,976,183	.44
Canned and other foods and beverages	2,957,560	5.32	2,801,546	5.18	33,252,390	7.17	33,522,843	7.41
Other manufactures and miscellaneous	4,452,526	8.01	4,041,470	7.47	56,755,135	12.24	52,538,164	11.61
Total	17,205,038	30.94	15,711,257	29.06	\$203,470,876	43.89	\$190,800,753	42.17
Forwarder Traffic	493,116	.89	436,412	.81	\$16,928,982	3.65	\$16,982,969	3.75
Total Carload Freight	55,408,320	99.66	53,842,815	99.59	\$455,551,522	98.26	\$442,836,232	97.88
All less than carload freight	189,504	.34	222,478	.41	8,057,771	1.74	9,595,966	2.12
Total All Commodities	55,597,824	100.00	54,065,293	100.00	\$463,609,293	100.00	\$452,432,198	100.00

NOTE: Total gross freight revenue shown above exceeds freight revenue reported in Table 3 for 1959 and 1958 by \$14,572,198 and \$11,760,256, respectively. These differences represent principally absorbed switching and drayage charges, adjustments of prior settlements with foreign lines, and other allowances, deducted from revenue but not classified by commodities.



TABLE 12—SUMMARY OF INCOME AND

Transportation Operations	1959	1958	1957
OPERATING REVENUES			
Freight	\$449,037,095	\$440,671,942	\$452,889,155
Passenger	27,929,586	27,931,280	28,047,383
Other	38,800,752	36,611,969	36,123,564
Total operating revenues	\$515,767,433	\$505,215,191	\$517,060,102
OPERATING EXPENSES			
Maintenance of way and structures	\$60,397,222	\$61,778,257	\$66,931,561
Maintenance of equipment	94,528,551	93,244,296	95,464,465
Transportation	180,661,878	174,263,600	178,646,471
Other	43,154,152	41,971,792	41,312,220
Total operating expenses	\$378,741,803	\$371,257,945	\$382,354,717
Operating ratio (per cent—operating expenses of operating revenues)	73.43	73.49	73.95
TAXES			
Federal income	\$38,400,000	\$34,800,000	\$38,800,000
Other Federal	18,330,304	15,473,903	15,799,677
State and county	20,076,000	19,530,000	19,090,000
Total taxes	\$76,806,304	\$69,803,903	\$73,689,677
Equipment and joint facility rents—net charge	\$23,262,674	\$20,692,259	\$22,197,684
Net income from transportation operations	\$36,956,652	\$43,461,084	\$38,818,024
Income from Investments and Other Sources			
Net income from oil and gas operations (a)	19,347,089	24,566,034	29,097,113
Other income	13,526,160	14,765,358	15,383,756
Total income	\$69,829,901	\$82,792,476	\$83,298,893
Fixed and Other Charges			
Interest on funded debt	\$4,413,298	\$4,470,345	\$4,520,711
Other charges	575,243	539,687	530,406
Net income from all sources	\$64,841,360	\$77,782,444	\$78,247,776
Released from "Reserve against possible refunds on U. S. Government shipments" .....	.....	.....	.....
Total credited to income account	\$64,841,360	\$77,782,444	\$78,247,776
Per share on U.P.R.R. Co. common stock outstanding December 31st (after preferred dividends) (b)	\$2.71	\$3.29	\$3.34
Dividends (4%) declared on preferred stock	\$3,981,724	\$3,981,724	\$3,981,724
Dividends declared on common stock	35,886,776	35,706,655	35,566,560
Common dividends per share (b)	\$1.60	(c)	\$1.60
Net income less U.P.R.R. Co. dividends	24,972,860	38,094,065	38,699,492
Statistics			
Freight train miles	25,639,585	24,462,007	25,945,041
Ton-miles of revenue freight carried (thousands)	32,874,828	31,681,958	33,924,603
Average revenue per ton-mile (cents)	1.366	1.391	1.335
Average distance hauled per ton (miles)	591.30	585.99	594.76
Average net tons per train mile—all freight	1,322.47	1,339.52	1,358.31
Average gross ton-miles per train hour	88,263	85,653	83,742
Passenger train miles (excluding mail and express)	9,331,086	9,824,143	10,211,060
Revenue passengers carried one mile (thousands)	1,242,182	1,234,134	1,236,427
Average revenue per passenger-mile (cents)	2.248	2.263	2.268
Average journey per passenger (miles)	781.43	771.83	751.27
Average passengers per train mile	133.12	125.62	121.09
Average number of employes	40,565	41,780	45,729
Total wages paid	\$242,343,020	\$239,773,386	\$245,321,667
Wages and other employe benefits charged to operating expenses, per share of common stock (b)	\$10.63	\$10.55	\$10.79
Other operating expenses, per share of common stock (b)	6.26	6.00	6.41
U.P.R.R. Co. preferred stock—shares outstanding December 31st (b)	9,954,310	9,954,310	9,954,310
U.P.R.R. Co. common stock—shares outstanding December 31st (b)	22,429,235	22,429,235	22,229,100
Number of U.P.R.R. Co. Stockholders December 31st (d)	87,705	82,023	77,211

(a) Excludes Federal income taxes, which are included in "Taxes" under "Transportation Operations."

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

(c) \$1.60 per share on 22,229,100 shares issued prior to 1958; \$.70 per share on 200,185 shares issued October 6, 1958.

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



SELECTED STATISTICS FOR LAST TEN YEARS

1956	1955	1954	1953	1952	1951	1950
\$448,156,607	\$441,533,942	\$413,155,686	\$453,790,011	\$438,729,321	\$428,511,620	\$389,289,637
29,221,502	30,208,680	31,574,599	36,264,163	39,604,044	39,463,456	33,159,662
36,938,719	37,619,854	37,056,166	39,970,126	41,887,961	37,222,684	42,834,217
\$514,316,828	\$509,362,476	\$481,786,451	\$530,024,300	\$520,221,326	\$505,197,760	\$465,283,516
\$66,114,241	\$67,105,513	\$62,621,569	\$72,090,672	\$73,697,182	\$65,749,039	\$59,107,661
92,721,400	92,275,940	88,890,693	100,178,643	93,610,503	91,851,520	81,527,612
176,813,562	173,484,002	175,993,960	189,579,208	185,125,446	181,810,856	155,294,638
40,605,521	37,660,875	38,352,658	38,578,842	37,406,923	36,059,204	31,721,701
\$376,254,724	\$370,526,330	\$365,858,880	\$400,427,365	\$389,840,054	\$375,470,619	\$327,651,612
73.16	72.74	75.94	75.55	74.94	74.32	70.42
\$40,000,000	\$40,300,000	\$33,500,000	\$47,018,000	\$50,350,000	\$47,255,406	\$49,027,389
15,212,270	13,517,848	12,886,778	13,418,443	13,008,000	12,406,466	11,201,474
18,326,000	18,700,000	17,300,000	17,200,000	16,600,000	17,452,920	16,312,888
\$73,538,270	\$72,517,848	\$63,686,778	\$77,636,443	\$79,958,000	\$77,114,792	\$76,541,751
\$22,386,672	\$22,578,806	\$22,679,243	\$23,100,566	\$17,662,152	\$16,961,060	\$16,631,021
\$42,137,162	\$43,739,492	\$29,561,550	\$28,859,926	\$32,761,120	\$35,651,289	\$44,459,132
26,603,162	28,075,475	33,743,135	34,318,992	33,608,842	31,483,424	23,902,998
15,380,910	13,207,325	12,133,390	13,003,414	8,218,892	8,324,772	8,031,732
\$84,121,234	\$85,022,292	\$75,438,075	\$76,182,332	\$74,588,854	\$75,459,485	\$76,393,862
\$4,670,071	\$4,955,347	\$5,016,564	\$4,998,646	\$5,175,091	\$5,368,575	\$5,565,280
882,318	839,689	798,846	753,473	686,537	1,225,558	1,067,032
\$78,568,845	\$79,227,256	\$69,622,665	\$70,430,213	\$68,727,226	\$68,865,352	\$69,761,550
.....	.....	.....	535,127	938,258	6,894	226,982
\$78,568,845	\$79,227,256	\$69,622,665	\$70,965,340	\$69,665,484	\$68,872,246	\$69,988,532
\$3.36	\$3.39	\$2.95	\$3.01	\$2.95	\$2.92	\$2.97
\$3,981,724	\$3,981,724	\$3,981,724	\$3,981,724	\$3,981,724	\$3,981,724	\$3,981,724
35,566,560	35,566,560	31,120,740	26,674,920	26,674,920	26,674,920	26,674,920
\$1.60	\$1.60	\$1.40	\$1.20	\$1.20	\$1.20	\$1.20
39,020,561	39,678,972	34,520,201	40,308,696	39,008,840	38,215,602	39,331,888
27,836,956	29,091,418	28,244,519	31,267,813	30,412,231	29,668,815	28,251,009
34,846,925	34,861,396	32,065,877	34,132,866	33,723,962	34,350,333	30,255,786
1,286	1,267	1,288	1,329	1,301	1,247	1,287
601.12	619.94	615.37	611.10	609.27	600.60	587.95
1,303.32	1,254.13	1,195.33	1,188.31	1,215.93	1,263.39	1,181.69
78,956	77,736	75,216	68,046	64,194	62,613	62,290
10,465,835	11,369,756	14,510,457	15,066,676	15,310,892	15,695,186	15,435,774
1,363,680	1,437,009	1,459,288	1,562,489	1,679,295	1,682,086	1,426,402
2.143	2.102	2.164	2.321	2.358	2.346	2.325
752.49	736.68	741.42	734.10	744.83	713.26	651.14
130.30	126.39	100.57	103.70	109.68	107.17	92.41
47,346	49,744	49,823	55,934	54,881	55,092	52,100
\$240,842,542	\$235,446,579	\$231,035,018	\$251,324,408	\$247,331,696	\$232,961,063	\$201,003,662
\$10.53	\$10.23	\$10.02	\$10.79	\$10.65	\$9.98	\$8.60
6.40	6.44	6.44	7.22	6.89	6.91	6.14
9,954,310	9,954,310	9,954,310	9,954,310	9,954,310	9,954,310	9,954,310
22,229,100	22,229,100	22,229,100	22,229,100	22,229,100	22,229,100	22,229,100
67,129	58,701	58,325	59,459	59,449	59,205	59,201



TABLE 13—BALANCE SHEETS AND INCOME AND

Subject to Interstate Commerce Commission Accounting Regulations

	(1) Union Pacific Motor Freight Co.	(2) Yakima Valley Transportation Co.	(3) Union Pacific Stage Co.	(4) Spokane International R.R. Co. & controlled Land Co.	(5) Pacific Fruit Express Co.
BALANCE SHEET DECEMBER 31, 1959					
ASSETS					
Property investment (stated at cost or less) . .	\$2,870,765.38	\$1,090,406.92	—	\$9,998,994.42	\$226,964,069.44
Reserves for depreciation and depletion (credit)	853,480.87	206,516.16	—	1,242,951.21	112,174,467.87
Donations and grants (credit)	—	7,289.08	—	23,799.40	—
Cash: In banks	—	98,146.45	—	635,081.05	833,085.92
On deposit with Union Pacific R.R. Co.	—	—	\$2,483.93	—	9,387,185.09
On deposit with other stockholder	—	—	—	—	9,387,185.10
Accounts receivable	273,419.46	3,712.91	11,423.50	191,432.70	9,569,975.14
Material and supplies	—	37,970.46	—	199,412.90	2,458,613.78
Other current assets	120,357.01	13.03	—	18,567.03	58,200.51
Other assets and deferred charges	915.88	502.70	238.65	18,244.05	987,506.47
Total	<u>\$2,411,976.86</u>	<u>\$1,016,947.23</u>	<u>\$14,146.08</u>	<u>\$9,794,981.54</u>	<u>\$147,471,353.58</u>
LIABILITIES					
Capital stock	\$5,000.00	\$500,000.00	\$3,000.00	\$3,273,360.00	\$24,000,000.00
Funded debt	—	—	—	1,424,743.23	54,675,263.10
Due Union Pacific Railroad Co.	1,732,308.27	188,324.82	—	855,217.61	—
Tax liability	13,426.65	4,085.16	—	407,341.56	472,177.11
Other current liabilities	177,123.62	11,261.91	9,903.40	527,745.69	18,516,417.92
Other liabilities and deferred credits	—	—	—	173,084.38	441,097.93
Reserves for insurance, casualties, etc.	5,593.71	—	25.00	41,229.02	2,426,147.88
Total liabilities	<u>\$1,933,452.25</u>	<u>\$703,671.89</u>	<u>\$12,928.40</u>	<u>\$6,702,721.49</u>	<u>\$100,531,103.94</u>
Paid-in capital surplus	—	\$100,000.00	—	—	—
Retained income, as shown below	\$478,524.61	213,275.34	\$1,217.68	\$3,092,260.05	\$46,940,249.64
Total surplus	<u>\$478,524.61</u>	<u>\$313,275.34</u>	<u>\$1,217.68</u>	<u>\$3,092,260.05</u>	<u>\$46,940,249.64</u>
Total	<u>\$2,411,976.86</u>	<u>\$1,016,947.23</u>	<u>\$14,146.08</u>	<u>\$9,794,981.54</u>	<u>\$147,471,353.58</u>
INCOME ACCOUNT, YEAR ENDED DECEMBER 31, 1959					
Revenues	\$1,730,512.53	\$204,831.67	—	\$3,510,083.18	\$75,660,804.40
Expenses and rents	1,403,296.38	186,906.79	—	2,316,367.85	52,459,535.27
Net	<u>\$327,216.15</u>	<u>\$17,924.88</u>	—	<u>\$1,193,715.33</u>	<u>\$23,201,269.13</u>
Royalties from oil and gas leases	—	—	—	—	—
Other income	73.73	158.98	—	9,674.26	2,877.62
Total	<u>\$327,289.88</u>	<u>\$18,083.86</u>	—	<u>\$1,203,389.59</u>	<u>\$23,204,146.75</u>
Interest on funded debt	—	—	—	\$72,124.07	\$2,130,951.36
Federal income taxes	\$11,842.92	\$4,065.80*	—	439,789.55	170,134.11
Other taxes	159,077.63	16,942.73	—	272,134.68	4,569,772.79
Other deductions	71.44	299.29	—	4,727.07	9,618,482.64
Balance transferred to retained income	<u>\$156,297.89</u>	<u>\$4,907.64</u>	—	<u>\$414,614.22</u>	<u>\$6,714,805.85</u>
RETAINED INCOME					
Retained income, December 31, 1958	\$323,726.72	\$208,367.70	\$1,217.68	\$2,959,064.49	\$46,466,058.25
Income balance, as shown above	156,297.89	4,907.64	—	414,614.22	6,714,805.85
Miscellaneous profits and losses—Net †	1,500.00 †	—	—	17,453.34 †	614.46 †
Absorption of profit by U.P.R.R. Co. (debit) . .	—	—	—	—	—
Total	<u>\$478,524.61</u>	<u>\$213,275.34</u>	<u>\$1,217.68</u>	<u>\$3,391,132.05</u>	<u>\$53,180,249.64</u>
Less dividends	—	—	—	298,872.00	6,240,000.00
Retained income, December 31, 1959	<u>\$478,524.61</u>	<u>\$213,275.34</u>	<u>\$1,217.68</u>	<u>\$3,092,260.05</u>	<u>\$46,940,249.64</u>

(1) Owns and operates motor trucks, tractors and trailers, and provides a motor truck operation supplemental to rail freight service of U.P.R.R.Co. in various cities and States. This includes pick-up and delivery of LCL shipments and of trailers operated in "piggyback" service, and substitute highway service. (2) Owns and operates electric railway for freight service, connecting with U.P.R.R.Co. at Yakima, Wash. (3) Operates motor coaches between East Los Angeles and other Southern California points, for accommodation of rail passengers. All revenues and income are paid over to, and all expenses are borne by, U.P.R.R.Co. (4) Owns and operates railroad for freight service between Spokane, Wash., and Eastport, Idaho. U.P.R.R.Co. owned 99.37% of capital stock at close of year. (5) Furnishes refrigerator cars 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.
 * Credit. † Debit. ‡ Income tax effect is reflected in "Federal income taxes" except as otherwise specifically indicated. # Includes deduction for Federal income taxes on miscellaneous net profits.



RETAINED INCOME ACCOUNTS OF AFFILIATED COMPANIES

Not Subject to Interstate Commerce Commission Accounting Regulations §

(6) Union Pacific Coal Co.	(7) Utah Parks Co.	(8) Southern Wyoming Utilities Co.	(9) Union Pacific Water Co.	(10) Las Vegas Land and Water Co.	(11) Union Land Co.	(12) Kansas City Industrial Land Co.	(13) Overland Terminal Warehouse Co.
\$18,535,481.54	\$3,917,813.33	\$3,482,225.06	\$1,212,661.15	\$4,185,500.40	\$3,169,262.09	\$656,771.75	\$1,237,904.98
13,016,171.18	3,241,879.47	1,843,519.43	1,022,740.30	549,184.28	312,268.22	15,246.72	755,895.34
—	—	157,821.61	—	—	10,784.67	—	—
166,036.74	—	478.94	—	—	—	—	5,597.27
12,862,057.76	—	18,646.79	227,955.90	—	—	—	—
—	—	—	—	—	—	—	—
86,556.31	11,900.74	113,796.89	7,848.15	13,266.31	36,608.00	13,786.39	43,437.72
430,944.25	171,434.41	95,121.37	10,463.24	—	—	—	—
941.11	2,628.38	831.46	112.14	—	—	411.84	5,113.51
131,571.79	—	—	—	128,967.09	—	1,025,872.88	10,660.74
<u>\$19,197,418.32</u>	<u>\$861,897.39</u>	<u>\$1,709,759.47</u>	<u>\$436,300.28</u>	<u>\$3,778,549.52</u>	<u>\$2,882,817.20</u>	<u>\$1,681,596.14</u>	<u>\$546,818.88</u>
\$5,000,000.00	\$25,000.00	\$350,000.00	\$178,300.00	\$50,000.00	\$10,000.00	\$900,000.00	\$115,000.00
—	—	—	—	—	—	—	—
—	749,839.32	—	—	1,295,269.07	2,180,436.94	24,189.17	13,654.66
176,850.86	42,323.31	115,389.20	18,087.34	75,495.25	50,731.75	20,427.53	25,996.54
109,626.77	35,748.83	81,791.82	2,741.84	81,621.52	3,336.37	10,846.15	51,265.14
13,969.11	8,605.93	109,188.89	—	31,468.75	3,299.60	36,056.60	—
992,669.82	380.00	57,939.12	24,204.21	—	—	—	—
<u>\$6,293,116.56</u>	<u>\$861,897.39</u>	<u>\$714,309.03</u>	<u>\$223,333.39</u>	<u>\$1,533,854.59</u>	<u>\$2,247,804.66</u>	<u>\$991,519.45</u>	<u>\$205,916.34</u>
—	—	—	—	—	—	\$466,371.39	\$100,000.00
\$12,904,301.76	—	\$995,450.44	\$212,966.89	\$2,244,694.93	\$635,012.54	223,705.30	240,902.54
\$12,904,301.76	—	\$995,450.44	\$212,966.89	\$2,244,694.93	\$635,012.54	\$690,076.69	\$340,902.54
<u>\$19,197,418.32</u>	<u>\$861,897.39</u>	<u>\$1,709,759.47</u>	<u>\$436,300.28</u>	<u>\$3,778,549.52</u>	<u>\$2,882,817.20</u>	<u>\$1,681,596.14</u>	<u>\$546,818.88</u>
\$1,725,736.32	\$1,455,186.81	\$1,138,088.32	\$92,196.10	\$249,812.90	\$187,305.98	\$102,310.39	\$629,003.13
1,373,844.01	1,309,395.07	891,717.08	45,404.89	61,134.87	71,172.90	40,663.61	537,406.11
<u>\$351,892.31</u>	<u>\$145,791.74</u>	<u>\$246,371.24</u>	<u>\$46,791.21</u>	<u>\$188,678.03</u>	<u>\$116,133.08</u>	<u>\$61,646.78</u>	<u>\$91,597.02</u>
—	—	—	—	42,605.55	—	—	—
5,884.43	550.00	663.14	240.00	—	—	—	—
<u>\$357,776.74</u>	<u>\$146,341.74</u>	<u>\$247,034.38</u>	<u>\$47,031.21</u>	<u>\$231,283.58</u>	<u>\$116,133.08</u>	<u>\$61,646.78</u>	<u>\$91,597.02</u>
—	—	—	—	—	—	—	—
\$127,797.86	\$31,663.02	\$93,843.86	\$10,549.28	\$43,791.70	\$23,871.40	\$20,241.43	\$2,596.74
140,716.96	75,109.53	62,276.19	17,153.63	65,819.35	35,756.55	11,734.24	82,238.72
.37	—	3,889.48	—	—	—	1,076.06	.75
<u>\$89,261.55</u>	<u>\$39,569.19</u>	<u>\$87,024.85</u>	<u>\$19,328.30</u>	<u>\$121,672.53</u>	<u>\$56,505.13</u>	<u>\$28,595.05</u>	<u>\$6,760.81</u>
\$12,862,543.84	—	\$935,751.94	\$211,477.59	\$2,122,971.97	\$578,507.41	\$195,110.25	\$233,694.17
89,261.55	\$39,569.19	87,024.85	19,328.30	121,672.53	56,505.13	28,595.05	6,760.81
2,496.37	235.14	673.65	9.00†	50.43	—	—	447.56
—	39,804.33	—	—	—	—	—	—
<u>\$12,954,301.76</u>	<u>—</u>	<u>\$1,023,450.44</u>	<u>\$230,796.89</u>	<u>\$2,244,694.93</u>	<u>\$635,012.54</u>	<u>\$223,705.30</u>	<u>\$240,902.54</u>
50,000.00	—	28,000.00	17,830.00	—	—	—	—
<u>\$12,904,301.76</u>	<u>—</u>	<u>\$995,450.44</u>	<u>\$212,966.89</u>	<u>\$2,244,694.93</u>	<u>\$635,012.54</u>	<u>\$223,705.30</u>	<u>\$240,902.54</u>

(6) Owns and operates coal mines in Wyoming to supply U.P.R.R. Co. and affiliated companies. The company's Federal income tax returns for 1943 and subsequent years are still open and subject to final settlement. (7) Owns and operates hotels and other tourist facilities (including motor coaches) in National Parks in Utah and Arizona. (8) Furnishes electric energy and water to consumers in various Wyoming towns on line of U.P.R.R. Co. (9) Owns and operates water facilities in Wyoming to supply U.P.R.R. Co. and others. (10) Holds real estate for sale or lease in California. (11) Holds real estate for sale or lease in Nebraska, Wyoming, Kansas, Colorado, and Utah. (12) Holds real estate for sale or lease at Kansas City, Kans. (13) Owns and operates public warehouse at Los Angeles, Calif.

† See opinion of Independent Public Accountants, relating to these statements, on following page.

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

912 FIRST NATIONAL BANK BUILDING

OMAHA 2

To the Board of Directors of
Union Pacific Railroad Company

We have examined the financial statements of the eight wholly owned affiliated companies of the Union Pacific Railroad Company for the year ended December 31, 1959, included in Columns 6 to 13, inclusive, in the accompanying Table 13. 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, 1959 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Haskins & Sells

February 24, 1960



TABLE 14—TRACK MILEAGE

	Miles of Road	Miles of Additional Main Track	Miles of Yard Tracks and Sidings
Wholly owned	9,045.95	1,311.94	4,173.14
Owned jointly with other companies	90.88	2.00	187.97
Total owned	9,136.83	1,313.94	4,361.11
Owned but not operated	60.36	1.70	43.64
Total owned and operated	9,076.47	1,312.24	4,317.47
Operated but not owned:			
Trackage rights granted by other companies	664.02	267.25	486.86
Operated under lease or contract	1.30	.....	4.87
Total operated at close of year	9,741.79	1,579.49	4,809.20
Total operated at beginning of year	9,744.69	1,572.88	4,771.91
Increase (+) or decrease (—) during year	—2.90*	+6.61†	+37.29
Average mileage operated during year	9,746.47	1,580.02	4,785.48
Mileage maintained at close of year	8,939.82	1,311.03	4,163.21
Average mileage maintained during year	8,943.50	1,312.15	4,138.18

* Due principally to abandonment of 14.75 miles of Manhattan Branch in Kansas (see footnote (d) on page 31); partially offset by acquisition of Hill Field Branch (6.52 miles) in Utah and trackage rights (7.15 miles) between Portland and North Portland Junction, Oregon.

† Chiefly trackage rights between Portland and North Portland Junction, Oregon.

TABLE 15—TRACK MILEAGE OPERATED—BY STATES

State	Miles of Road		Miles of Additional Main Track		Miles of Yard Tracks and Sidings	
	Mileage	Per cent of total	Mileage	Per cent of total	Mileage	Per cent of total
California	363.75	3.73	119.13	7.54	525.24	10.92
Colorado	641.53	6.58	13.82	.87	313.41	6.52
Idaho	1,987.19	20.40	107.67	6.82	739.12	15.37
Iowa	2.25	.02	2.25	.14	84.85	1.76
Kansas	1,134.76	11.65	68.82	4.36	481.61	10.01
Missouri	2.16	.02	1.54	.10	21.92	.46
Montana	143.16	1.47	.75	.05	48.52	1.01
Nebraska	1,332.38	13.68	466.84	29.56	616.73	12.82
Nevada	366.85	3.77	.....	.....	130.40	2.71
Oregon	1,118.99	11.49	37.48	2.37	471.31	9.80
Utah	817.28	8.39	104.97	6.65	431.17	8.97
Washington	1,022.12	10.49	147.71	9.35	442.03	9.19
Wyoming	809.37	8.31	508.51	32.19	502.89	10.46
Total	9,741.79	100.00	1,579.49	100.00	4,809.20	100.00

STATES OF THE "UNION PACIFIC WEST"

In the belief that it will be of interest to Union Pacific Stockholders to become better acquainted with the thirteen States in which the Company provides railroad service, we propose to salute in

our annual report each year one of the great Western States that we serve. Listing them in alphabetical order, these are the States in Union Pacific territory:

California	Iowa	Missouri	Nevada	Utah
Colorado	Kansas	Montana	Oregon	Washington
Idaho		Nebraska		Wyoming

Largest and most populous State served by the Union Pacific is **California**, with an area of 158,693 square miles, and a fast-growing population presently estimated at close to 15 million — the second highest in the nation.

After a colorful and exciting early history, California was admitted to the Union as the 31st State in 1850, shortly following the Gold Rush in 1849. The completion of the first transcontinental rail route by the Central Pacific and Union Pacific Railroads in 1869, a vital overland link with the rest of the nation, was a significant milestone in the development and progress of the State.

California has an unlimited variety of natural beauty. Its terrain varies widely, with such contrasts as the snow-capped Sierras, richly fertile fields and orchards, the Mojave Desert, redwood forests, and sunny, flower-bordered beaches. The State's scenic areas, historic sites, and numerous vacation playgrounds provide sightseeing and recreational opportunities which attract some six million tourists annually, many of whom travel in Union Pacific trains.

California ranks first among the States in annual value of farm products sold. The State furnishes nearly half of the nation's commercial production of fruits and nuts and a quarter of the vegetables sold. Tens of thousands of car-

loads of these products are carried eastward by the Union Pacific over its lines every year. In addition to vegetables and citrus and deciduous fruits, many other kinds of agricultural products are grown, including cotton, in which California ranks second in the nation.

The State's dairy, livestock, fishing, and lumber industries are also of outstanding importance. Annual production of crude petroleum exceeds 300 million barrels, and manifold other mineral resources include borates, tungsten, and gold.

Apart from the industries based on natural resources, California is perhaps best known for its production of motion pictures, in which it leads the world, but the output of its manufacturing industries is enormous and growing at an amazing rate. Its long list of manufactures includes aircraft, automobiles, canned, frozen and packaged foods, fabricated metal products, machinery, and chemicals. As an originating, intermediate, or delivering line, Union Pacific shares substantially in the two-way freight traffic flowing to and from California's plants and factories.

The Union Pacific is indeed fortunate in being one of the railroads that serve the flourishing State of California, for the prosperous and growing "Golden State" plays an important part in the prosperity and growth of the Union Pacific.

How Stockholders can help to increase business on the Union Pacific

When friends or business acquaintances are planning to ship freight or travel to or from any of the States in Union Pacific territory, Stockholders

can assist their Company materially by recommending use of the freight and passenger services offered by Union Pacific — there are none better.



