

ONE HUNDRED AND FIRST ANNUAL REPORT

FOR THE YEAR ENDED DEC. 31, 1947



THE PENNSYLVANIA RAILROAD COMPANY

THE PENNSYLVANIA RAILROAD COMPANY

DIRECTORS

Originally Elected		Term Expires in	Originally Elected		Term Expires in
April 10, 1929	M. W. CLEMENT	1948	Oct. 27, 1937	C. JARED INGERSOLL	1948
	President, The Pennsylvania Railroad Company, Philadelphia, Pa.			President, Muskogee Company, Philadelphia, Pa.	
Oct. 8, 1930	THOMAS S. GATES	1949	Feb. 26, 1941	LEONARD T. BEALE	1949
	Chairman, Board of Trustees, The University of Pennsylvania, Philadelphia, Pa.			President, The Pennsylvania Salt Manufacturing Co., Philadelphia, Pa.	
Dec. 8, 1930	PIERRE S. du PONT	1950	June 24, 1942	JAMES E. GOWEN	1951
	Director, E. I. du Pont de Nemours and Company, Wilmington, Del.			President, Girard Trust Company, Philadelphia, Pa.	
Dec. 28, 1932	FRANKLIN D'OLIER	1950	May 26, 1943	RICHARD D. WOOD	1951
	Director, The Prudential Insurance Company of America, Newark, N. J.			George Wood, Sons and Co., Philadelphia, Pa.	
Jan. 10, 1934	RICHARD K. MELLON	1949	Jan. 24, 1945	PHILIP R. CLARKE	1950
	Chairman of the Board, Mellon National Bank and Trust Company, Pittsburgh, Pa.			President, City National Bank and Trust Company of Chicago, Chicago, Ill.	
Mar. 24, 1937	ROBERT T. McCracken	1950	June 27, 1945	ISAAC W. ROBERTS	1951
	Montgomery, McCracken, Walker & Rhoads, Philadelphia, Pa.			President, The Philadelphia Saving Fund Society, Philadelphia, Pa.	
			Dec. 18, 1946	HARRY B. HIGGINS	1948
				President, Pittsburgh Plate Glass Company, Pittsburgh, Pa.	

ELECTED BY THE ABOVE-NAMED DIRECTORS FOR THE TERM OF ONE YEAR
AS ADDITIONAL MEMBERS OF THE BOARD TO ACT AS VICE-PRESIDENTS, PURSUANT TO
THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA

TERM EXPIRES IN 1948—

Dec. 1, 1938	WALTER S. FRANKLIN Vice-President since October 16, 1933	Sept. 1, 1943	GEO. H. PABST, JR. Vice-President since June 26, 1940
Mar. 11, 1942	J. R. DOWNES Vice-President since January 16, 1939	Apr. 23, 1947	J. M. SYMES Vice-President since February 16, 1942

OFFICERS

PRESIDENT	M. W. CLEMENT
EXECUTIVE VICE-PRESIDENT AND VICE-PRESIDENT IN CHARGE OF TRAFFIC	WALTER S. FRANKLIN
VICE-PRESIDENT IN CHARGE OF OPERATION	J. M. SYMES
VICE-PRESIDENT—ASSISTANT TO PRESIDENT	J. R. DOWNES
VICE-PRESIDENT IN CHARGE OF FINANCE	GEO. H. PABST, JR.
VICE-PRESIDENT IN CHARGE OF PURCHASES, STORES AND INSURANCE	C. D. YOUNG
VICE-PRESIDENT—ASSISTANT TO PRESIDENT	J. F. DEASY
VICE-PRESIDENT—GENERAL COUNSEL	JOHN DICKINSON
VICE-PRESIDENT IN CHARGE OF REAL ESTATE AND TAXATION	R. C. MORSE
VICE-PRESIDENT—NEW YORK	J. C. WHITE
VICE-PRESIDENT, EASTERN REGION	E. W. SMITH
VICE-PRESIDENT, CENTRAL REGION	J. A. APPLETON
VICE-PRESIDENT, WESTERN REGION	P. E. FEUCHT
SECRETARY	J. TANEY WILLCOX
TREASURER	P. D. FOX
COMPTROLLER	ELMER HART

ONE HUNDRED AND FIRST ANNUAL REPORT

THE PENNSYLVANIA RAILROAD COMPANY

General Office
BROAD STREET STATION BUILDING

PHILADELPHIA 4, PA., January 28, 1948

TO THE STOCKHOLDERS:

There is submitted herewith the Annual Report for the year 1947.

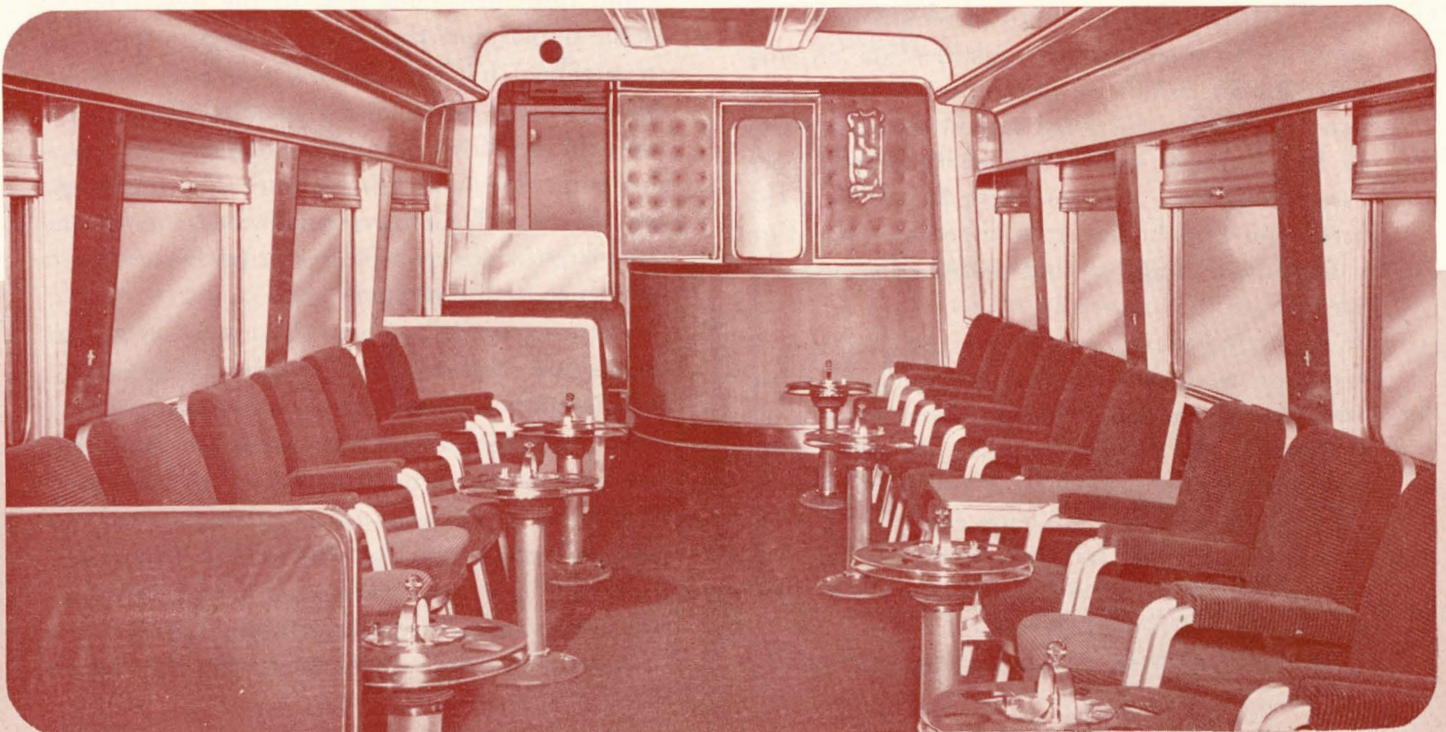
RESULTS FOR THE YEAR

The year 1947 should have been one of your Company's most satisfactory years. The country has been prosperous, labor has been well employed and well paid, farmers have had bumper crops at good prices, and industry as a whole has operated at a good profit.

Railroads, including your railroad, handled a tremendous volume of business, both passenger and freight, and out of this volume—if adequate rates had been in effect—your Company could have made sufficient earnings not only to have paid its stockholders a proper dividend, but to have made up part of the deferred maintenance brought about by the war and to have set aside reasonable funds for improvements to plant and equipment, so essential to provide the type of service now desired.

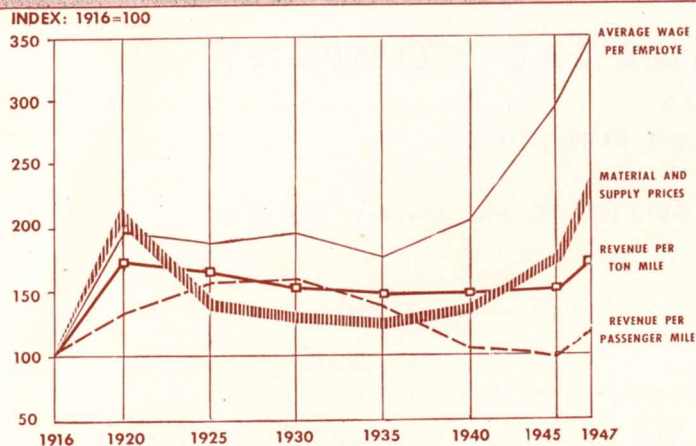
The reason your Company did not have a satisfactory profit for the year was due to the lag between advancing costs and the rate increases allowed by regulatory authorities. The large advances in wages and in costs of materials and supplies in recent years have followed each other too closely for operating economies to absorb the increased costs in such a short time, and even rate increases were unobtainable from the regulatory bodies quickly enough and in sufficient amounts to offset these enormous increases in expenses. That your Company, under such circumstances, was able to show a small profit for the year was due mainly to income from investments made in the past.

In the forepart of the year, operating expenses were seriously increased, in part, by adverse weather conditions. Also, under directives of the



ANOTHER FORWARD STEP IN PASSENGER SERVICE—one of the new Club Lounge Cars recently placed on the all-coach streamliners *The Trail Blazer*, New York-Chicago, and *The Jeffersonian*, New York-St. Louis.

Trend of Costs and Revenue over 32 Years



regulatory authorities, freight cars were ordered away for use on other railroads, which increased the costs of operation by requiring the hauling of these cars empty, deprived the railroad of the use of cars for profitable business and reduced the supply of cars available for shippers. These factors contributed to a deficit in the earnings of your Company in the early months of the year, but, with the improvements in its operations and the continuing heavy volume of business, plus certain increases in rates, these adverse results were partly overcome in later months.

Substantial progress has been made in demonstrating to the regulatory bodies the need for advances in freight rates and passenger fares to meet the increased costs, and it is confidently expected that the Interstate Commerce Commission and the various State Commissions will continue to recognize the justification of, and necessity for, action on the important cases now pending. While the wage adjustment processes of the Railway Labor Act are generally more expeditious than the procedure followed by the rate regulatory bodies, it is hoped this situation will gradually improve and that the lag between the two will be materially reduced.

Through a consistently improving control over expenses, through a gradual increasing of rates, and through increased income from certain investments, the results for the year 1947 were somewhat better than for the previous year. In spite of the serious problems confronting your Company, a Net Income of \$7,285,125 was realized in 1947, whereas operations for 1946 resulted in a deficit of \$8,530,317.

In the year 1946, dividends aggregating 3%

were paid to Pennsylvania Railroad stockholders entirely from money earned in earlier years. With the continuance of unsatisfactory earnings, with uncertainty as to how rapidly and to what extent higher rates would offset the higher costs, and with a substantial amount of funded debt maturing in 1948, it was deemed advisable this past year to conserve the Company's cash. Accordingly, a dividend of only 1% was declared in 1947 and paid April 15. Even this modest dividend was not fully earned in 1947, and, therefore, had to be paid partly from money earned in prior years.

FUTURE OF RAIL TRANSPORTATION

No railroads have been built in this country since the turn of the century, but in that time the population has almost doubled and the standard of living has so improved that the need for railroad transportation for peacetime pursuits—to say nothing about the demonstrated need for railroads in time of war—is likely to be greater rather than less as far ahead as can be presently foreseen. Efficiently operated railroads are the backbone of the national economy and, while there is a continuing change in the character of traffic that offers itself for rail transportation, nevertheless a constantly growing country and its ever increasing industrialization cannot be properly served without efficient and financially sound railroads. Thus it is to the best interest of the public that the art of transportation shall so advance that the nation's commerce may be efficiently and economically handled. That progress will become substantial when rate increases not only absorb wage and other cost increases, but allow a sufficient investment return to attract new capital for continuing improvement and modernization of all facilities.

Large expenditures are always necessary for developing new techniques in transportation, and because of the increase of present costs as a result of inflation, larger expenditures are necessary today than ever before to improve further the efficiency of railroad operation. Just as enormous expenditures were required after World War I, not only to rehabilitate the properties of the railroads, but to advance the transportation art, similarly large expenditures will be required after World

War II for the same purposes. These relatively much higher costs for the necessary improvements are a very important factor in the present effort of the railroads to modernize their plant for the purpose of serving the public more effectively.

Your Company has made definite progress in the mechanization of its terminals, and in improving the design of its freight car equipment to meet the necessities of the industries it serves. It is also making substantial improvement in its locomotives, both freight and passenger. The non-profitable services are gradually being re-arranged as the commerce readjusts itself to changing conditions.

In addition to general upward adjustments in rates, the railroads must also be granted permission to increase rates for particular classes of traffic and commodities where present revenues do not properly compensate for the character of service performed. It is fundamentally unsound and unfair that those who receive a certain type of service should pay less than their proportionate share of the expenses incurred by the railroads in serving them. This is true, for example, of certain kinds of short-haul traffic, both passenger and less-than-carload freight, and is also true of much of the perishable traffic destined to the great eastern terminals. Some of these maladjustments have already been brought to the attention of the Interstate Commerce Commission in proceedings now pending before that body, and others will come before the Commission as the occasion arises.

RATES AND INFLATION

In a free economy, prices are controlled by supply and demand and can, therefore, parallel the upward rise in costs. Railroads, on the other hand, operate under a regulated economy and cannot, without permission of the regulatory bodies, increase their rates to meet their increases in costs.

During World War I, increases in rates paralleled the increases in the costs of performing transportation. The railroads emerged from that war period with their rate structure so adjusted as to meet increases in costs. They were thus enabled to handle the up-surge of business in the nineteen-twenties and so to improve their plants as to carry successfully the transportation load of World War II.

IMPORTANT STATISTICS

1947 COMPARED WITH 1946-1945

	1947	1946	1945
OPERATING REVENUES AND OTHER INCOME <i>(Millions of Dollars)</i>	956.9	866.9	979.4
OPERATING EXPENSES AND OTHER CHARGES <i>(Millions of Dollars)</i>	949.6	875.4	930.4
NET INCOME <i>(Millions of Dollars)</i>	7.3	(Deficit) 8.5	49.0
DIVIDENDS <i>(Millions of Dollars)</i>	6.6	19.8	32.9
OPERATING RATIO	87.45%	90.71%	83.71%
RETURN ON INVESTMENT	1.13%	0.91%	3.09%
REVENUE TON MILES <i>(Millions)</i>	61,382	56,741	63,689
REVENUE PER TON MILE <i>(Cents)</i>	1.084	0.972	0.948
PASSENGER MILES <i>(Millions)</i>	6,784	9,695	12,802
REVENUE PER PASSENGER MILE <i>(Cents)</i>	2.349	2.135	2.022
NUMBER OF EMPLOYEES	148,521	151,161	161,436
TOTAL WAGES <i>(Millions of Dollars)</i>	493	480	449
ANNUAL WAGE PER EMPLOYEE <i>(Dollars)</i>	3,321	3,173	2,781

Through and after World War I—from 1914 to 1921—the average revenue received by the railroads per ton mile of freight transported increased over 76%. By the middle thirties, due to improvements and economies effected by the railroads, more than half of this increase had been returned to the public in the form of reductions in the ton mile rates. It is, therefore, to the public's interest that railroad rates be raised high enough and promptly enough for the railroads to go forward, to make expenditures, and to progress the art of transportation, so that rates may again come down as they have in the comparable past.

FREIGHT, PASSENGER AND EXPRESS RATES, AND MAIL PAY

General Freight Rate Increases

As had been anticipated, the increase in freight rates and charges, which became effective January 1, 1947, upon authorization by the Interstate Commerce Commission in proceedings known as Ex Parte 162, proved to be inadequate because of the further rise in operating costs which continued to accumulate as the year advanced.

Consequently, on July 3, 1947, your Company joined with the other railroads in petitioning the Commission for a further increase in freight rates averaging approximately 17%, and amounting to about \$1,091,000,000 in additional annual revenue for the Class I railroads as a group. This proceeding was docketed by the Commission as Ex Parte 166.

Prior to September 9, 1947, when hearings in this case were set to begin, the increasing operating costs of the railroads amounted to \$3,018,000,000 annually in excess of 1939 costs. Following presentation of the original petition, there had been a further advance in the prices of materials and supplies and also an arbitration award, effective September 1, 1947, granting an increase of 15½¢ per hour in wage rates to railroad "non-operating employees." To meet these subsequent developments, the railroads amended their petition on September 5, 1947, to raise the requested increase in rates from an average of 17% to an average of about 27%. It was estimated that this amended request would yield a total of \$1,873,000,000 in additional annual revenue.



WINTER AND SUMMER—night and day—coal must move. Approximately a third of Pennsylvania Railroad's great fleet of freight cars is required for this one big job.

THE PENNSYLVANIA RAILROAD COMPANY

INCOME STATEMENT

	YEAR 1947	COMPARED WITH 1946
WE EARNED DURING THE YEAR FROM:		
Freight.....	\$665,657,125	I \$114,360,957
Passenger.....	159,327,226	D 47,696,476
Mail.....	21,382,096	I 5,983,787
Express.....	9,275,933	I 7,072,959
Other.....	47,625,709	I 1,539,277
	903,268,089	I 81,260,504
 TO THIS SHOULD BE ADDED (chiefly dividends and interest on securities owned).....		
	53,632,561	I 8,703,120
Total.....	956,900,650	I 89,963,624
 WE HAD TO PROVIDE FOR:		
Operating Expenses.....	789,877,541	I 44,201,141
Taxes.....	69,970,338	I 26,773,475
Equipment and Joint Facility Rents.....	11,109,137	I 3,892,039
Rent for Leased Roads, interest on debt, etc.....	78,658,509	D 718,473
Total.....	949,615,525	I 74,148,182
 LEAVING A NET INCOME OF.....		
	7,285,125	I 15,815,442
 WE ALSO HAD TO PROVIDE FOR:		
Sinking and Other Funds—Appropriations.....	1,448,287	I 1,448,287
Advances to leased and affiliated Companies borne by your Company.....	3,234,469	I 914,270
Total.....	4,682,756	I 2,362,557
 LEAVING A BALANCE AVAILABLE FOR DIVIDENDS OF.....		
	2,602,369	I 13,452,885

PROFIT AND LOSS STATEMENT

AMOUNT TO CREDIT OF PROFIT AND LOSS DECEMBER 31, 1946		\$206,830,966
TO WHICH SHOULD BE ADDED:		
Balance available for dividends for the year.....		2,602,369
		209,433,335
 DEDUCT:		
Dividend 1% paid April 15, 1947.....	\$ 6,583,877	
Sundry net charges.....	28,580	
Settlement of Pennroad Litigation.....	15,000,000	21,612,457
AMOUNT TO CREDIT OF PROFIT AND LOSS DECEMBER 31, 1947		187,820,878

At the same time, and in order to meet the higher wage costs for non-operating employes, the railroads asked the Commission for an immediate interim increase in freight rates and charges, estimated to increase the annual revenue about 8.9%. On October 6, 1947, the Commission granted this request and it was made effective on October 13, 1947.

An increase of 15½¢ an hour in basic rates of pay was thereafter obtained by the conductors and trainmen, to be effective November 1, 1947, together with certain rule changes affecting the same classes of employes which were to be made effective January 1, 1948. As a result of this additional rise in payroll costs as well as further increases in material and supply prices, the railroads on December 3, 1947, again supplemented their petition in Ex Parte 166. Since the amendment of September 5, 1947, it was estimated that all of these changes, together with an offer which had been made to the engineers and firemen embodying a wage increase and rule changes, would add an additional \$217,000,000 annually to the operating costs of Class I railroads. Therefore, the revised petition requested a total increase in revenue of a little over \$2,000,000,000 annually, or about 29%, which was inclusive of the interim increase previously granted in October. Hearings and argument were concluded on December 20, 1947.

A further interim increase in freight rates was allowed by the Interstate Commerce Commission in a decision dated December 29, 1947. The increase authorized in this decision became effective on January 5, 1948, and superseded the increase temporarily granted on October 6, 1947. It raised the average interim increase to about 17.5%, and it is estimated that this will result in increasing the annual revenue about \$1,230,000,000 for the Class I railroads as a group. This interim increase, which is estimated to add \$111,654,000 to the annual revenues of your Company, will remain in effect until June 30, 1948, long before which time it is hoped the Commission will have issued its final order in the proceeding.

Realizing that a strong and financially sound transportation system is essential to the national defense and the general welfare of the country, industrial and business firms generally have been in favor of prompt and reasonable increases in railroad freight rates and charges, and their

direct and individual appearances before the Interstate Commerce Commission are largely for the purpose of preserving existing rate relationships and preventing maladjustments as between the various production centers and the markets which they serve. Some responsible heads of businesses have learned with surprise, however, that through contributions to certain organizations, they have been inadvertently supporting professional opposition to the reasonable increases in rates which as business men they, themselves, favor:

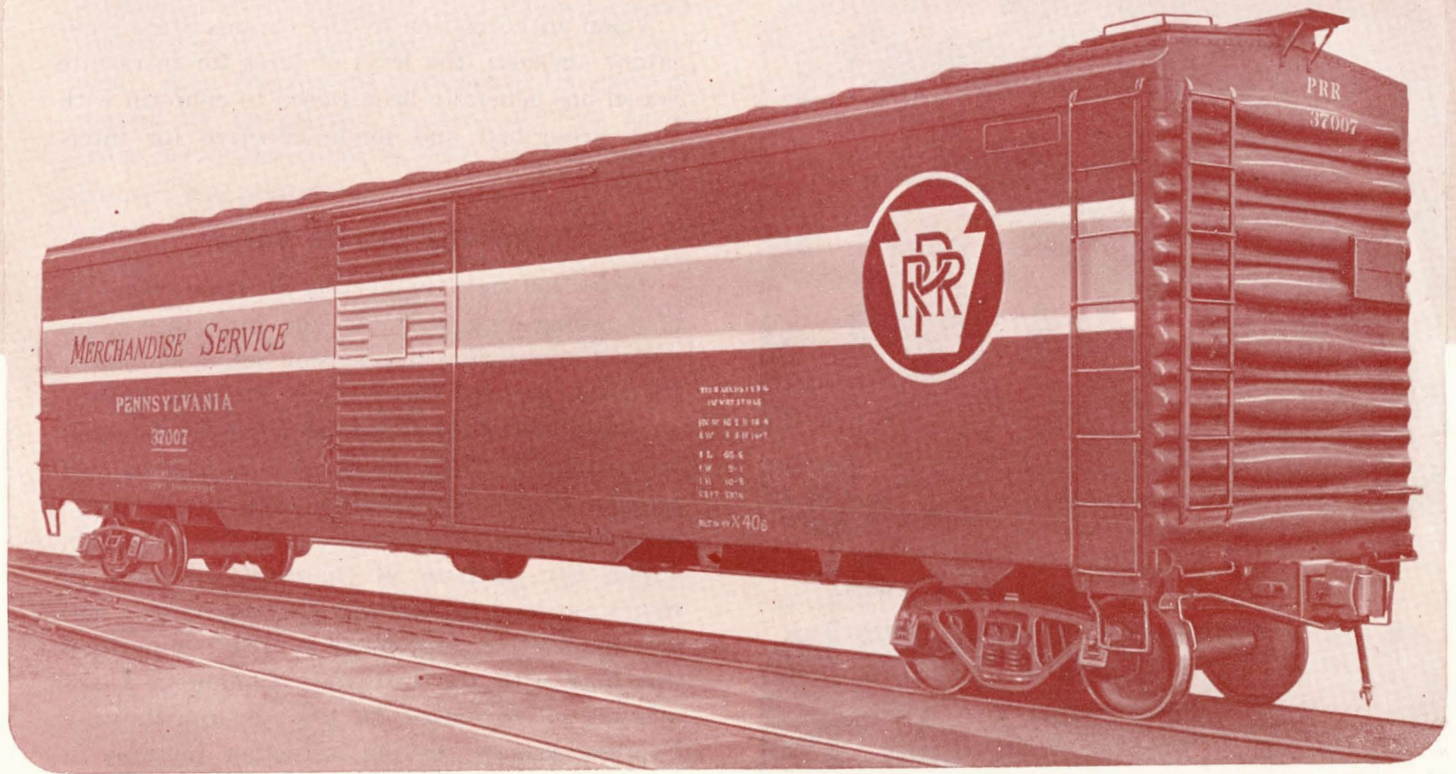
Notwithstanding the dependency of the agricultural interests of the country upon a generally healthy national economy, to which a strong railroad transportation system is essential, the United States Department of Agriculture is usually found in opposition to the railroads' petitions to secure the increased revenue necessary to place the industry on a sound basis. Representatives of the National Association of Railroad and Utilities Commissioners also appeared in opposition to the petition of the carriers in Ex Parte 166. The impropriety of this will be appreciated when it is understood that this Association numbers among its membership some of those who later sit in judgment on the railroads' petition when it comes before the several State Commissions for approval of the intrastate application of the increased rates sought.

Less-Than-Carload Freight Rates

The cost of handling less-than-carload traffic has increased so greatly during the past several years as to make that traffic unprofitable, especially on the short hauls. Labor is a greater factor in this than in any other service. The eastern carriers filed a petition with the Interstate Commerce Commission on May 29, 1947, seeking substantial increases in their less-than-carload rates. The increases requested were particularly sharp on the short hauls, but were graded downward so as to yield only a moderate increase on the long hauls. The proposal was designed to provide the highest increases where the greatest deficits are being incurred and, if granted, should eliminate losses on all hauls. Hearings were concluded on October 30, 1947, briefs filed on December 31, and argument is finally scheduled for February 4, 1948.

Passenger Fares

In the effort being made to partially meet rising costs by increasing rates, fares and charges, your



SPECIALLY DESIGNED NEW MERCHANDISE CARS, of which this is one, are part of Pennsylvania Railroad's program for fast less-than-carload freight service.

Company joined other eastern carriers in petitioning the Interstate Commerce Commission and the State regulatory authorities for increased passenger fares. This petition, which was filed on February 28, 1947, contemplated an increase in the basic coach fare from 2.2c per mile to 2.5c per mile and in the fare for Pullman travel from 3.3c per mile to 3.5c per mile. On round-trip traffic an average increase of approximately 15% for coach travel and 4% for Pullman travel was sought. The basis proposed for increasing commutation fares was approximately 5c per trip.

On May 20, 1947, the Interstate Commerce Commission authorized the proposed increase in basic fares, with certain minor exceptions, which became effective June 1, 1947. Responsive to a supplemental petition, the Commission later authorized the proposed increases on the items which were excepted in its original order of May 20, and these additional increases became effective October 1, 1947.

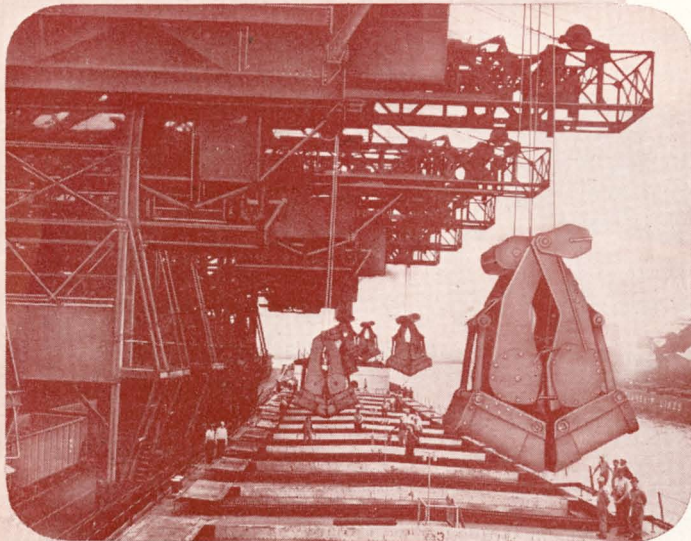
By order of September 5, 1947, the Interstate Commerce Commission authorized increased commutation fares in line with the petition, except that in the New York City territory the order provided for a new basis of

commutation fares which, in the aggregate, produced a somewhat lesser amount of revenue than would have been realized under the railroads' proposal.

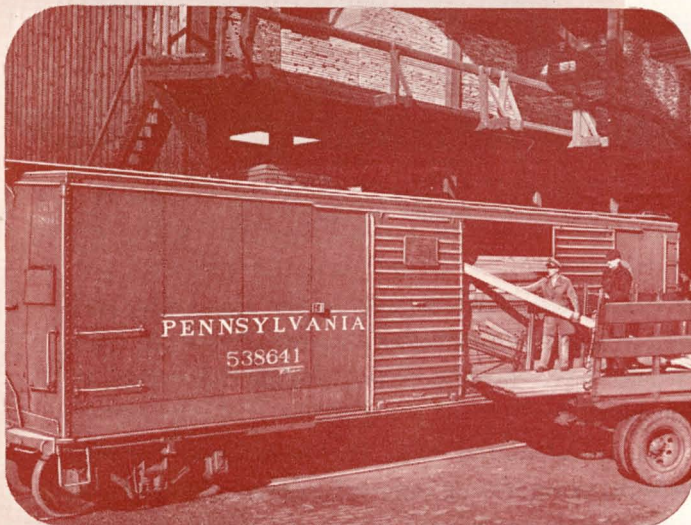
It is estimated that the additional revenue which your Company will derive from these increased passenger fares in 1948 will be \$10,300,000 on other than commutation traffic,



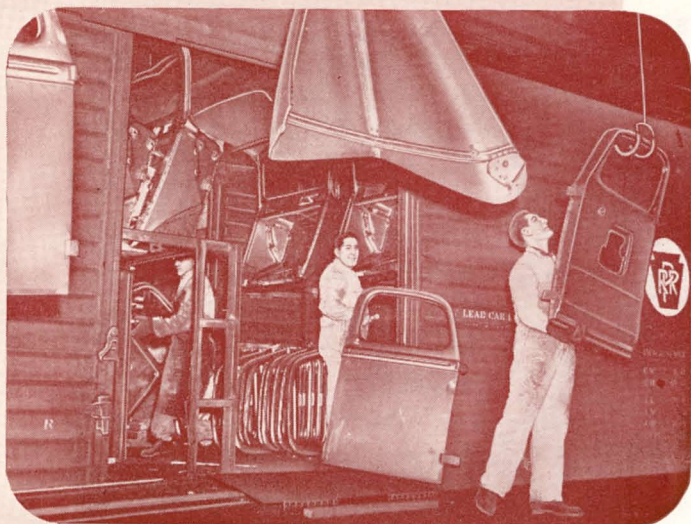
INTERIOR of new merchandise car showing new racks to safeguard shipments against damage.



IRON ORE DEMAND is as great as during the war. Unloading ore into freight cars at a P.R.R. dock.



LUMBER FOR NEW HOMES! Almost 7,000,000 tons of forest products moved over P.R.R. lines last year.



NEW AUTOMOBILES. Hoods and doors moving by overhead conveyors from freight cars to assembly plant.

and \$1,000,000 on commutation traffic.

Upon authorization by the various State regulatory agencies, the level of fares for intrastate travel has generally been raised to conform with that prescribed and made effective for interstate travel.

Railway Express Rates

To further assist in meeting the increased costs of handling express traffic, the Interstate Commerce Commission, in a decision dated September 23, 1947, granted the Railway Express Agency an additional interim increase in rates averaging approximately 17%, which, it is estimated, will produce \$7,500,000 additional revenue from express traffic for your Company for the year 1948.

For the purpose of meeting increases in wages awarded to Railway Express Agency employees effective September 1, 1947, a petition was filed with the Interstate Commerce Commission on November 25, 1947, by the Railway Express Agency seeking a further increase in express rates and charges of 10%, and under date of December 16, 1947, the Commission authorized the Agency to file schedules having the effect of increasing by 10% the first and second class rates and charges, which increases became effective on January 22, 1948, on interstate traffic and, except in certain states, on intrastate traffic. Further investigation and hearing with respect to the proposed increase in express rates and charges, other than those mentioned, will be held by the Commission.

Railway Mail Pay

There has been pending before the Interstate Commerce Commission since February 19, 1947, an application of the railroads for an increase in rates of compensation for the transportation of United States Mail, the present rates of mail pay having been fixed by the Commission in 1928, since which time the railroads have experienced extraordinary and continuing increases in the cost of transporting the mail. In this petition the railroads, from and after the date of filing, are seeking rates and compensation which shall be not less than 45% in excess of the rates then in effect.

At the adjournment of hearing, which began before the Interstate Commerce Commission on July 10, 1947, the railroads requested a 35% interim increase in mail rates pending final order

of the Commission. Further hearings were held September 30 to October 2, 1947, following which the carriers filed briefs and presented oral argument upon the specific question of the carriers' request for an interim increase of 35%. In an order dated December 4, 1947, the Commission granted the petitioning railroads an interim increase of 25% in the compensation received for transporting mail from February 19, 1947, resulting in an estimated increase for your Company of \$3,800,000 for 1947, and \$4,250,000 for 1948.

REVENUES AND EXPENSES

The operating revenues of your Company in 1947 increased \$81,260,504 over 1946, due principally to increases of \$114,360,957 in freight revenue, \$5,983,787 in mail revenue, \$7,072,959 in express revenue and \$1,539,277 in miscellaneous revenues. These increases were offset to a considerable extent by a decline of \$47,696,476 in passenger revenue.

Expenses in 1947 were increased \$21,600,000 on account of higher wage rates, and there were also further substantial increases in material costs. As a result, operating expenses increased \$44,201,141, the principal increases being: \$4,760,413 in Maintenance of Way and Structures; \$13,925,607 in Maintenance of Equipment, due chiefly to increased wage rates and cost of materials for repairs to locomotives and freight train cars, and \$28,198,686 in Transportation expenses, due to higher wage rates and higher costs of fuel and other materials and supplies.

Depreciation and amortization charges (wear and tear on plant and equipment) aggregating \$41,569,492 were charged to operating expenses, compared with \$40,792,503 in 1946.

The rentals paid leased roads amounted to \$46,881,246, of which \$32,036,763 was returned to System companies and funds as dividends and interest on securities owned.

The operating ratio, which is the percentage of operating revenues required to pay operating expenses was 87.45% in 1947, as compared with 90.71% in 1946. This operating ratio should not exceed 70% if sufficient margin is to be available to insure sound operation and financial strength for future development.

The operating ratios on railroads of heavy passenger traffic are relatively high, the passenger operating ratio of your Company in 1947

being 110%. Similar high operating ratios prevail in perishable freight and in short haul less-than-carload traffic.

TAXES

Federal and various state and local corporate and property taxes amounted to \$35,407,281. This sum was adjusted by carryback tax credits of \$5,395,000, which reduced railway taxes for the year to \$30,012,281.

Unemployment Insurance taxes increased \$243,095, due to higher wage levels. Railroad Retirement taxes increased \$10,543,790, reflecting not only the higher wage levels but principally an increase in the rate of tax.

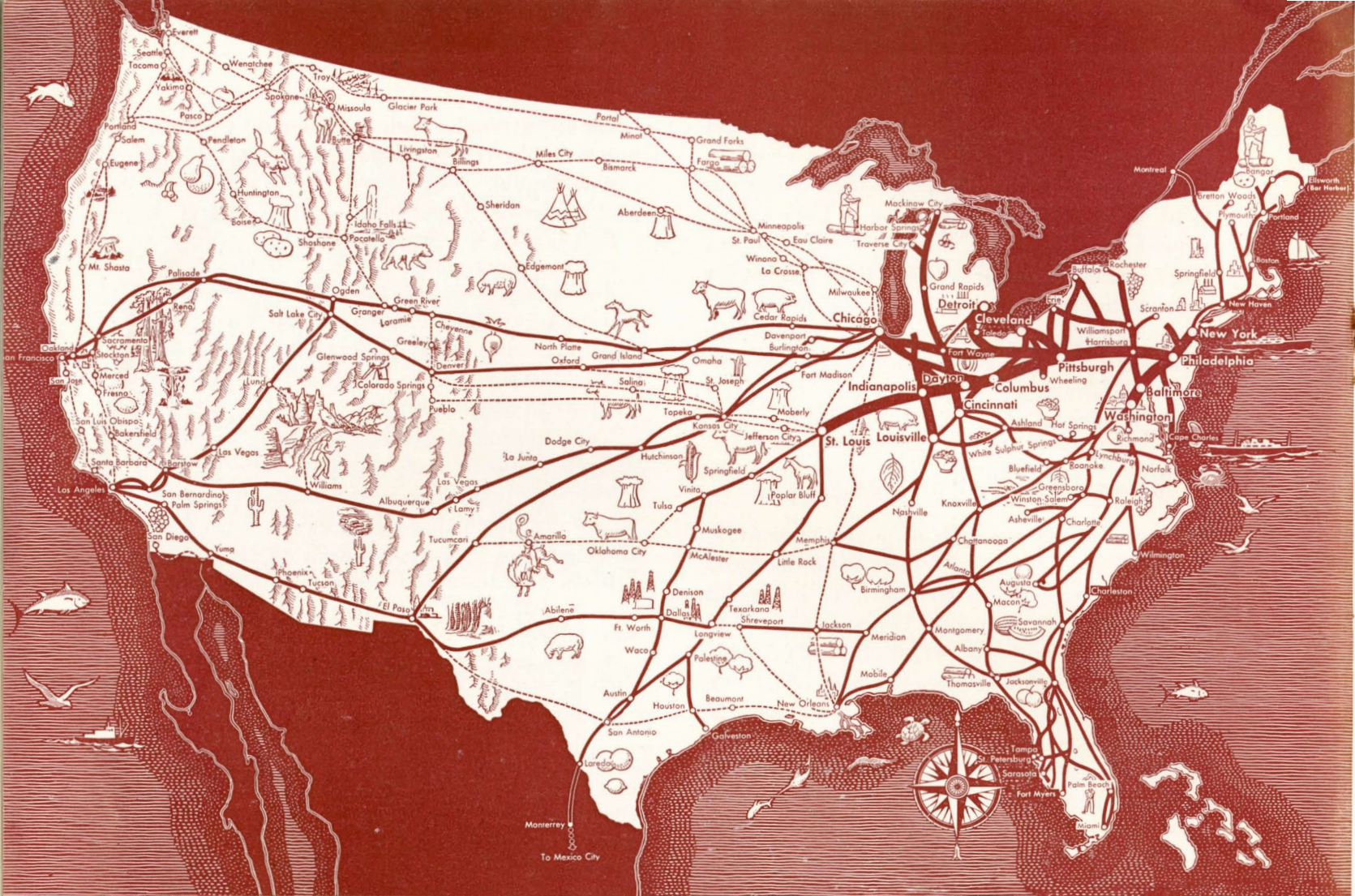
Railway taxes plus Unemployment Insurance taxes and Railroad Retirement taxes aggregated \$69,970,338.

The rate of retirement taxes on monthly wages of employes not in excess of \$300 increased from 3½% to 5¾% effective January 1, 1947, as a result of the enactment into law of amendments to the Railroad Retirement and Unemployment Insurance laws, known as the Crosser Act, referred to elsewhere in this report. This high-level tax rate which the railroads and their employes are each obliged to pay for old age benefits is in marked contrast with the 1% which employers and employes in other businesses are required to pay for identical purposes.

Moreover, while in most states other businesses have the advantage of merit rating, which results in their paying less than 3% in additional taxes for unemployment protection, the railroads have no such benefit but must pay a full 3% tax in addition to the 5¾% retirement tax. Obviously, the railroads are being subjected to an unfair burden as a result of these payroll taxes, in comparison with other businesses.

Business generally and the railroads in particular are subjected by many states and local governmental units to net income taxes, property taxes and some franchise taxes, but over the years many industrial businesses have found an opportunity to move out of those states and local areas where the taxes are unduly high. This, of course, the railroads cannot do; they are taxed heavily by the states and the local subdivisions, taxed for the privilege of serving the people, and they cannot avoid these taxes by moving their activities from one state to another.

For many years, the State of New Jersey has



HOW PENNSYLVANIA RAILROAD'S THROUGH PASSENGER SERVICE has grown! Heavy black lines, the Pennsylvania Railroad. Thinner black lines, cooperating railroads in through service.

taxed the railroads far more heavily than any other state in the nation. Indeed, under the New Jersey state taxing statutes, the situation is so inequitable that it is necessary for the railroads to take money earned in other states to pay their New Jersey taxes, since the New Jersey taxes actually exceed the amounts available for taxes earned in that state. A new Constitution became effective in New Jersey on January 1, 1948, under which, in the absence of remedial legislation, the present overburden of taxes will be increased still further.

NET RESULT

The percentage of return earned by your Company upon its investment in road and equipment, as measured by Net Railway Operating Income (operating revenues, less amounts required to pay operating expenses, taxes, equipment and joint facility rents), was 1.13% in 1947. This

compares with less than 1% in 1946, the lowest in the history of your Company, 3.09% in 1945, 3.92% in 1944, 4.62% in 1943 and 5.35% in 1942. The abnormally low returns earned in 1947 and 1946 epitomize clearly the inevitable result of continuing increases in the cost of doing business without an adequate increase in the rate level.

The Net Income for the year was \$7,285,125, compared with a deficit of \$8,530,317 in 1946. There were charged against Net Income, \$1,448,287 on account of appropriations to sinking and other funds, and \$3,234,469 advanced to leased and affiliated companies, leaving a balance of \$2,602,369 available for dividends, which was transferred to the credit of Profit and Loss.

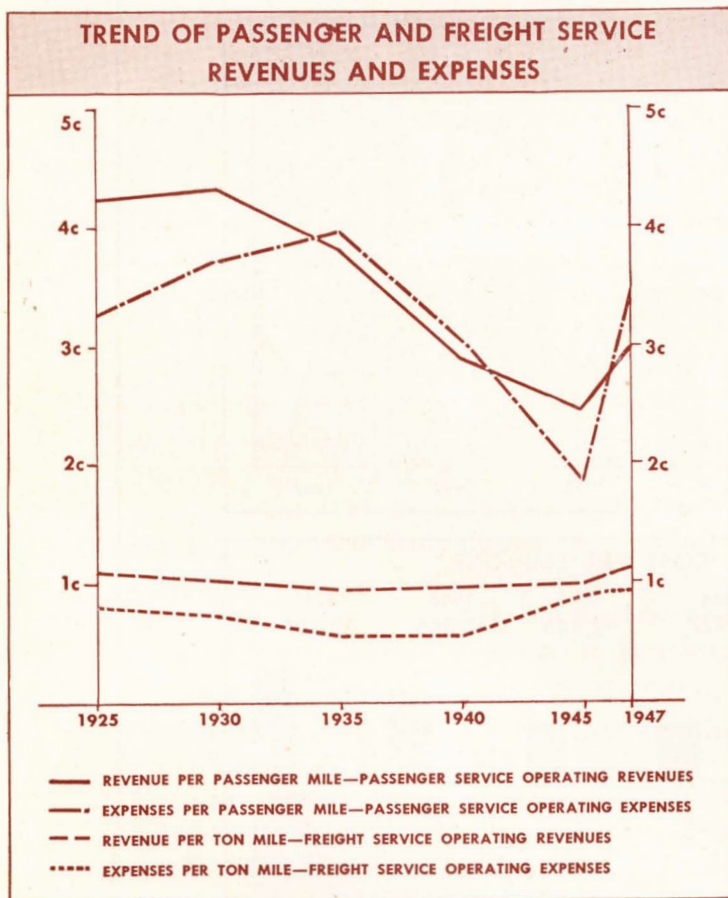
PROFIT AND LOSS

This account was charged with \$21,612,457, made up of the dividend of 1%, amounting to

\$6,583,877, sundry net charges of \$28,580 and \$15,000,000 paid in settlement of the Pennroad litigation, as fully explained in last year's Annual Report.

CURRENT ASSETS AND CURRENT LIABILITIES

Current Assets amounted to \$253,627,517, an increase of \$7,784,261, due principally to increases in cash, material and supplies and receivable accounts, offset partly by a decrease in



temporary cash investments, while Current Liabilities amounted to \$166,768,583, an increase of \$29,421,473, due largely to reduction in tax liability in previous year by amount due from the Government for carryback tax credits.

CHANGES IN SYSTEM FUNDED DEBT

For the nine years 1939 to 1947, inclusive, there was a net reduction in System funded debt in the hands of the public of \$171,819,816, or 15.5%. During 1947, in order to finance new equip-

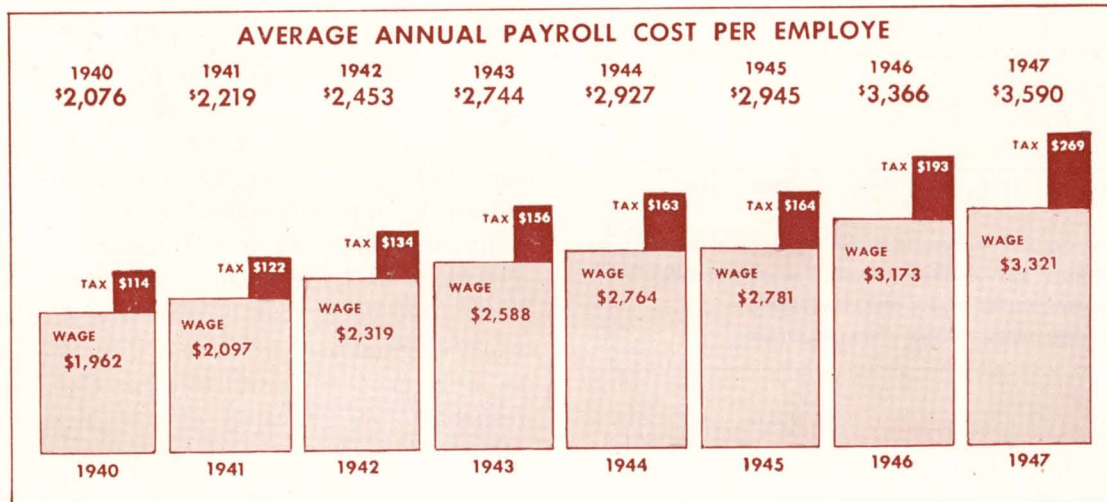
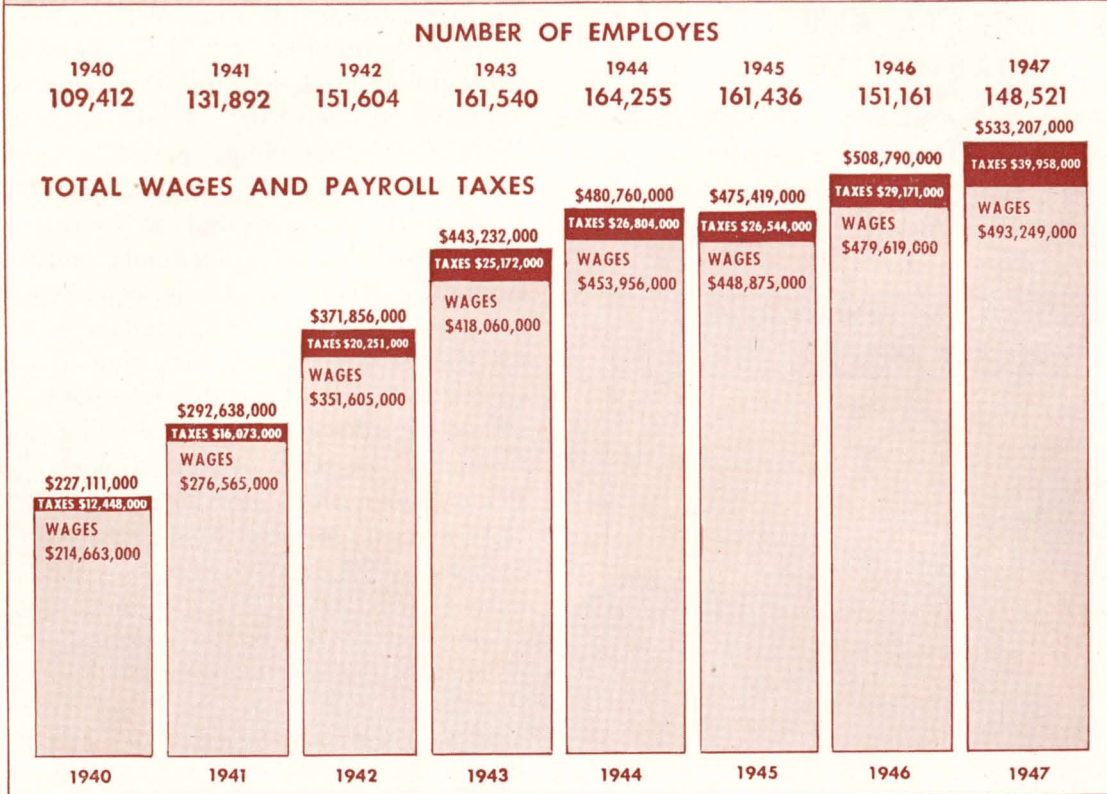
ment the Company sold two issues of equipment trust obligations, one designated Series "R" in the amount of \$14,970,000 bearing $1\frac{7}{8}\%$ interest, at an average interest cost of 1.974%, the other being the first installment of Series "S" amounting to \$11,025,000 bearing $2\frac{1}{8}\%$ interest, at an average interest cost of 2.252%. This increase in outstanding debt was offset partially by the payment at maturity of \$11,220,000 of the Company's other obligations. The debt of the System was additionally reduced \$7,084,428 through securities retired at maturity, bonds redeemed through sinking funds, and bonds and equipment trust obligations acquired by System companies. Included in this latter amount were \$5,750,000 of securities maturing in 1948, purchased by the Pennsylvania Company, a wholly-owned subsidiary, which were delivered to your Company as part of the dividend paid by Pennsylvania Company in 1947.

As a result of these various transactions, the System funded debt held by the public increased only \$7,690,572 in 1947, notwithstanding the issuance of \$25,995,000 of new equipment trust obligations during the year.

PROPOSED MODIFICATION OF FUND KNOWN AS "TRUST OF 1878"

Your Board of Directors believes it is desirable to facilitate the reduction of your Company's financial obligations by making certain changes in the use of a fund established in 1878 and ever since administered, under the direction of the Board, by duly appointed agents of your Company, consisting of the President, and a Vice-President and three Directors of the Company designated each year by the Board. This fund, when originally created, was intended primarily as a reserve to protect your Company with respect to its guaranty of certain securities of other railroad companies, lawfully assumed by it over the years, in the process of building and developing the Pennsylvania Railroad System through the leasing of connecting lines of railroad. For the accomplishment of this purpose, the fund was designed largely to make possible the acquisition of the stock of those leased lines as to which your Company had assumed a guaranty obligation. However, so much of this stock has already been acquired through the years, and circumstances have so changed in other respects, that the fund has now outgrown its original purpose, and its continued operation without modification

NUMBER OF EMPLOYES AND PAYROLL COSTS (Wages—Unemployment Insurance and Railroad Retirement Taxes)



threatens to bring about an accumulation of monies which might better be applied to the extinguishment of your Company's debt and of other types of securities as to which your Company has assumed obligations.

Accordingly, the Board is proposing, without prejudice to the original purpose of the fund, so to modify the regulations governing its adminis-

tration that it can also operate as a sinking fund for the gradual reduction not merely of some but of all the various types of financial obligations with respect to which either your Company, or its wholly-owned subsidiary, the Pennsylvania Company, is liable. This will have the effect of making it possible to release income of your Company which would otherwise be required

for the payment of the obligations thus extinguished by the operation of the fund, thereby making such income available for general corporate purposes of the Company, to the greater advantage of the Company and its stockholders. This proposal will be placed before the stockholders of the Company at the 1948 Annual Meeting, and your approval of it is requested. A fuller discussion of this proposal appears in the proxy statement which is being sent to all stockholders.

PASSENGER SERVICE

Wartime passenger volume produced substantial net revenues from passenger train operations which were conducted at an operating ratio as low as 63.3%. The volume of passenger business is now declining to peacetime levels which, combined with abruptly rising costs and inadequate rate increases, has currently eliminated passenger travel as a source of net revenue.

To counter this trend, a daily total of 25,500 unprofitable passenger train miles has been eliminated by your Company, largely on branch lines. Further economies will be effected in this manner to the extent that requisite permission can be obtained from regulatory authorities. Consolidation of trains, made possible by declining volume of travel, has likewise contributed to greater efficiency in the operation of passenger train mileage.

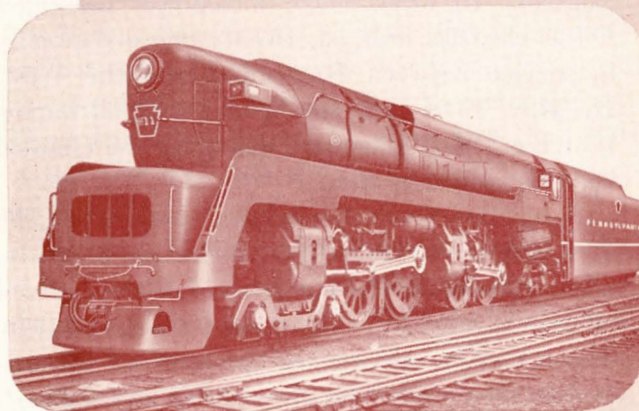
One of the substantial sources of passenger revenue is the long haul movement. To hold and expand this form of passenger travel, your Company has ordered a full complement of lightweight sleeping cars, coaches, diners and feature cars for the purpose of providing entirely new equipment for a number of through trains. This new equipment for our through passenger trains will release for other services modern lightweight cars that were acquired just prior to the war. In addition to new and reassigned equipment, coaches are being renovated, making them practically the equivalent of new equipment. The result of this program will be to greatly improve the quality and comfort of the equipment in all of your Company's passenger services.

ROAD AND EQUIPMENT PROPERTY

There was a net increase in 1947 over 1946 in the investment in road and equipment property



DIESEL-ELECTRIC PASSENGER LOCOMOTIVE



STREAMLINED STEAM PASSENGER LOCOMOTIVE — the T-1.



HEAD-ON VIEW of a streamlined electric locomotive.



NEWEST AND ONE OF THE MOST POWERFUL STEAM FREIGHT LOCOMOTIVES — the giant Q-2.

on lines owned and leased, as carried on the General Balance Sheet, of \$14,822,258.

Charges for road and equipment property during the year aggregated \$42,466,649; retired property to the amount of \$27,644,391 (of which \$24,459,224 was equipment) was written out of the accounts.

New Equipment

Your Company began ordering Diesel-electric locomotives as soon as the war situation permitted the construction of such power for eastern railroads. Of forty 6,000 horsepower passenger Diesel-electrics ordered, twenty-one are already in service between Harrisburg and the West. By May, 1948, it is anticipated that all important East-West passenger trains will be handled by such motive power.

Forty-five 6,000 horsepower and six 4,000 horsepower road freight Diesel-electrics have also been ordered, of which seven are in service, and all are expected to be delivered by August, 1948. Those now in service are operated on through freight trains between Harrisburg and Chicago and St. Louis. This class of motive power is proving satisfactory from the standpoint of economy and service performance. When the remainder of the fifty-one Diesel-electrics are delivered they will be used to power important trains between Harrisburg and Chicago, St. Louis, Cincinnati and Detroit, as well as between Crestline and Conway and Columbus and Pitcairn. They will also be operated as helpers in the Pitcairn-Derry and Conemaugh-Gallitzin terri-

tories of the Pittsburgh Division, where substantial economies of operation will thus be obtained.

To the thirty-four prewar switching Diesel-electrics, eleven have been added during the year and 272 more are scheduled for 1948 and early 1949 delivery. This will bring our total to 317, most of which are of the 600 and 1,000 horsepower types. As received, these units are assigned where the greatest utilization and maximum operating economies can be obtained.

In order to provide the servicing facilities supplemental to the Diesel locomotive program, it is necessary to construct large passenger Diesel repair and servicing facilities at Harrisburg, Pa., at a cost of about \$3,200,000, and a freight Diesel repair shop at Harrisburg (Enola), at a cost of about \$2,000,000. Additional facilities for servicing these locomotives at various locations throughout the railroad are being provided, together with necessary roadside stations for fueling and watering the Diesels at intermediate points.

During the year, 100 lightweight passenger coaches and 5 baggage-lounge cars were constructed, mostly in our shops at Altoona. Some of this equipment has been placed in service on "The Trail Blazer," a coach train operating between Chicago and New York, and "The Jeffersonian," a coach train operating between St. Louis and New York. The remainder of these new cars have been assigned to the more important trains operating between New York and Washington, to and from the West, and between New York and the South. A total of 266 sleeping, dining and



GRAIN FOR HUNGRY EUROPE moves up this great conveyor to be loaded into ships from the elevator in the background. Pennsylvania Railroad maintains great installations similar to this at principal Atlantic seaboard ports.

feature cars that were ordered early in 1946 have not yet been received from the manufacturers, but it is expected that they will become available in the latter part of 1948. These units, together with new coaches already in service, will be used to provide entirely new trains for the "Broadway Limited," "The General," the "Liberty Limited," the "Spirit of St. Louis," "The Pittsburgher," "The Golden Triangle," the "Cincinnati Limited," and "The Sunshine Special."

In addition to the new passenger cars delivered or under construction, your Company will rebuild two complete sets of equipment for "The Senator" (Boston-Washington), scheduled for delivery by September, 1948. This will be followed by rebuilding two complete sets of equipment for "The Congressional" (New York-Washington). Also, a train will be completely rebuilt for service between Chicago and Detroit, comparable to a train being acquired by the Wabash Railroad for joint service between these two cities. In addition, 100 coaches are being equipped with modern air-conditioning systems, and the interiors will be completely rebuilt and redecorated. During 1948, your Company will begin a program designed to gradually renovate and modernize the interiors and exteriors of cars in the New York-Philadelphia-Washington service, which will make them practically the equivalent

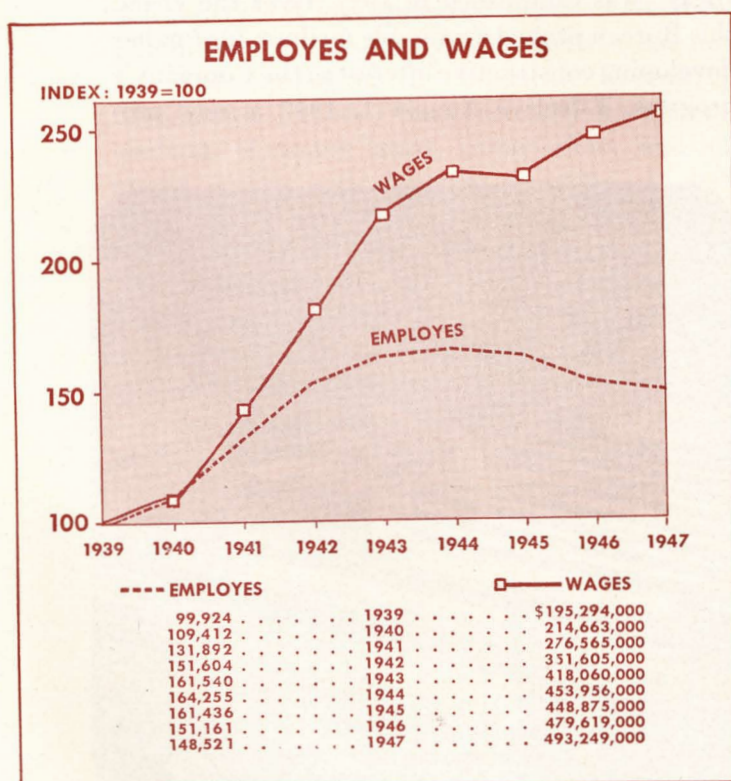
of new cars. All of this program is part of the task of overcoming the effects of the war on the equipment of your System, which owns 19% of the nation's passenger cars.

During 1947, 1,100 steel box cars were built in our shops at Altoona. An additional 1,000 have been authorized and will be constructed in the first quarter of 1948. Included in this program of box car construction are 100 sixty-foot merchandise cars for exclusive use in less-than-carload traffic. These cars have been equipped with folding decks and partitions which permit the loading of about two and one-half times as much less-than-carload freight as is possible in a standard box car. A further advantage is the decreased likelihood of in-transit damage to merchandise. These cars have proved so successful that 300 of the new box cars will be similarly equipped for merchandise service.

Insofar as freight equipment is concerned, your System owns 14% of all the freight cars in the country, while performing 10% of the railroad freight business of the country. One of your Company's principal current problems stems from its large ownership of freight cars, many of which were off line during and after the war in the service of other carriers, accumulating deferred maintenance. This situation is being corrected, but at considerable expense, 17,244 freight cars having been rebuilt during the past year. This program upon completion should place all of the freight equipment of your Company in good condition before the end of 1948. It is thus assured of sufficient ownership of cars, in serviceable condition, when war-deferred rebuilding is completed, to take full care of the volume of business offered. The additions now being made are chiefly for the purpose of improving the art and economy of transportation.

During the year, your Company, in collaboration with the Bell Telephone System, initiated telephone communication for passengers' use between moving passenger trains and any other telephone in the country. This objective was first realized on August 15, when calls were successfully made to and from the "Congressionals" and two other trains operating between New York and Washington, D. C. More than thirty calls daily are made or received by passengers on the "Congressionals."

Another application of recent scientific advancement conceived by your Company, is the



use of war-developed radar. The New York, New Haven and Hartford Railroad consented to the installation of radar on a tugboat handling Pennsylvania Railroad-New York, New Haven and Hartford Railroad car floated interchange traffic between Greenville, N. J., and Bay Ridge, L. I., to facilitate navigation when New York harbor is obscured by fog. The experiment was eminently successful and on a number of occasions the interchange of traffic was effected in periods of fog which stopped all other navigation in New York harbor. All tugboats in this service are now being radar equipped, which should assure the continuous performance of your Company's freight interchange to and from New England in all degrees of harbor visibility.

LABOR

Using the rising cost of living as a basis on which to present new wage demands, railroad labor was able, following wage increases in other industries, to secure in the latter part of 1947 similar concessions from the railroads. The impact of rising prices, therefore, has been felt especially in higher railroad labor rates as well as in the cost of materials and supplies purchased by the railroads.

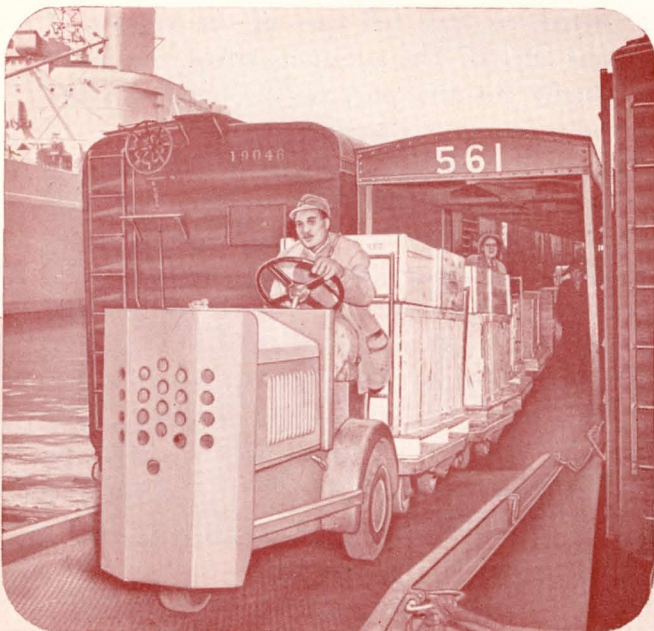
A number of labor organizations have announced their intention of making still further wage demands unless the rising cost of living is checked. The outcome cannot be foreseen. However, there is evidence of a growing realization on the part of certain leaders of labor that

wage increases, when not associated with proportionately greater productivity, are inflationary, and that it is not possible for the railroads and industry in general to absorb increases in labor costs without progressively increasing the price of their products.

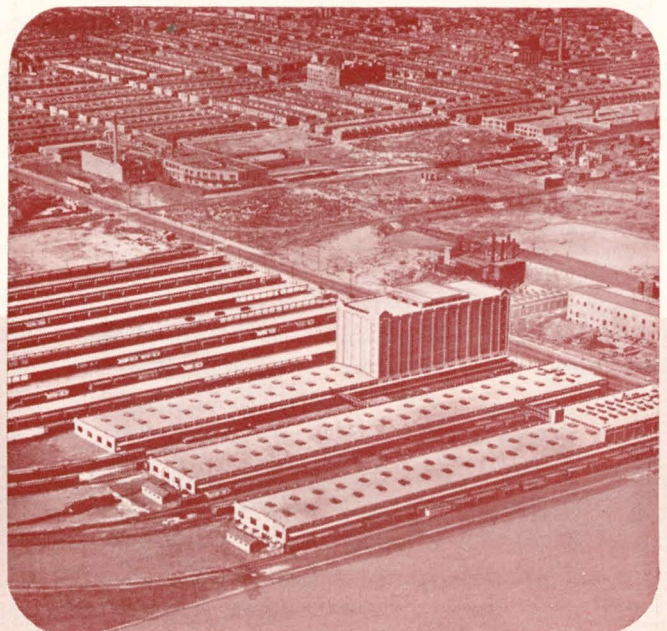
There is still a need for clearer realization by labor leadership that satisfactory earnings are achieved only through production and in this labor and management have a common objective. They should understand more fully the mutual interest of both labor and management in the successful conduct of the enterprise which provides their livelihood. A responsibility rests upon the leaders of labor to insist that the employes whom they represent give a good day's work for a good day's pay. They have a responsibility to assist in providing efficient service that will attract more business to their railroad. They, as well as management, have a responsibility to eliminate the causes of loss and damage, of accidents, of personal injuries, and of theft from the railroads—all of which are today costing far more than should be the case.

THE EMPLOYEES' SUGGESTION PLAN

For the purpose of encouraging employes to take a personal interest in improving the Company's business and service, a "Bureau of New Ideas" was established in 1927. Over the years, this Bureau proved a valuable medium for further developing constructive interest in the Company's progress. Effective August 1, 1947, a new pro-



FRESH FRUITS AND VEGETABLES being unloaded from freight cars on car float at P.R.R. pier in New York.



FOOD is front-page news—and here is one of Pennsylvania Railroad's great produce terminals in the East.

gram, known as "The Employes' Suggestion Plan," was inaugurated, under which the employes were invited to submit suggestions for improving the operation of the railroad, maintenance of all types of equipment, handling of passengers and freight, mechanical improvements, simplification of paper work, or any other phase of operations on the railroad, in the shops, stations, yards, signal towers, offices and elsewhere. A suitable cash award will be made for any suggestions accepted, such award to be determined according to the value of the idea and its importance.

In their daily and intimate contacts with the public and with all phases of railroad operation, the employes have unlimited opportunities for observation and constructive thinking to develop helpful suggestions in the general interest, and this plan provides a practical means of further cooperation with the management in its constant efforts to effect economies and improve the service and operations.

LEGISLATION

In the Annual Reports for 1945 and 1946, attention was called to the proposed legislation known as the Bulwinkle Bill. This is the legislation which would make it clear beyond doubt that the railroads may lawfully confer and cooperate with one another in their rate conferences and otherwise insofar as such conferences and methods of cooperation are approved by the Interstate Commerce Commission. This legislation has not only the support of the Interstate Commerce Commission but also the practically unanimous backing of many state commissions and of public bodies and shippers generally. It has passed the Senate and is now pending before the House of Representatives. Its passage is highly desirable in order to prevent disruption and confusion and would be in the best interests of your Company, its stockholders and employes, and of the public generally.

Reference was also made in the Annual Report for 1946 to the burdensome Crosser Amendments to the Railroad Retirement and Unemployment Insurance laws. The taxes which as a result of these amendments have been imposed on railroads and on railroad employes, for retirement and unemployment purposes, are much greater than the taxes levied for the same purposes in other industries. Bills to lessen the burdensome effect of these amendments are now pending in Congress. These bills, known as S. 670, introduced by Senator Hawkes, and H.R. 3150, intro-

duced by Representative Howell, deserve the active support of the stockholders and employes of the Company.

The Annual Report for 1946 also referred to the Jennings Bill, which is designed to prevent the unwarranted importation of personal injury suits into the large cities and away from the localities where the injury occurred or the injured employe lives, and where such suits should, therefore, be properly tried. This bill, known as H.R. 1639, passed the House of Representatives during the 1947 session, and is now pending in the Senate. It merits your full support.

LITIGATION

Both the antitrust suit brought by the State of Georgia against the principal southern and northern railroads, including your Company, and the antitrust suit brought by the Federal Government against the western railroads and the Association of American Railroads and its directors, including your President, are still pending. In the Georgia suit, the case was, at the end of May, submitted on briefs and argument to the Special Master appointed by the Supreme Court, and his report is awaited. In the Government's suit against the western railroads and the Association of American Railroads and its directors, certain additional preliminary moves have been made during the year, but the suit has not yet reached trial.

In the suit involving the sale of the stock of The Pullman Company to the Buying Group of Railroads, the Supreme Court of the United States divided evenly in its review of the approval of that sale by the United States District Court for the Eastern District of Pennsylvania. As a result, the District Court's approval of the sale stands. In addition, the Interstate Commerce Commission announced in May its decision approving the agreement under which the railroads proposed to acquire the stock of The Pullman Company. Accordingly, the sale of that stock to the railroads has now been consummated, and The Pullman Company is at the present time operating under railroad ownership.

PUBLIC RELATIONS

The management of your Company is deeply appreciative of the cooperation and good will extended by the security holders, the public and the employes over a period of many years, and recognizes fully its twofold responsibility to provide good transportation service and to keep its owners, the public and its employes informed as

to the Company's business, services and finances, as well as other matters affecting their interests.

It is only through enlightened public opinion, and earnings which will permit the continuance of a transportation service that will satisfactorily meet the needs of the public, that the railroads can hope to keep in the foreground in the transportation field, and best serve the country.

Your Company will continue its policy of improving its service and of informing the public through advertising and other means of communication. It welcomes constructive suggestions made to it by its security holders, its employes and the public and will be glad to furnish information concerning its activities upon request.

CONTRIBUTIONS

In order to conserve your Company's funds in

the interest of its stockholders, it is not the policy of your Company to make contributions to charitable causes generally, however desirable this might be in the interest of convincing the public that a corporation like the Pennsylvania Railroad has a sense of its public obligations. However, there are a number of institutions and associations which carry on work of direct benefit to your Company, its employes and its patrons, either through the provision of hospital facilities, the care of the traveling public, or cooperative presentation of facts and information, from which your Company can derive some advantage. In spite of the numerous calls for contributions from various organizations, your Company, during the past year, has expended a total of only \$188,535 out of the \$250,000 authorized by the stockholders for these purposes.

RELIEF DEPARTMENT

The Pennsylvania Railroad Voluntary Relief Department had a membership of 178,370 active, disabled and retired employes on December 31, 1947, and distributed \$4,814,439 during the year in payment of death and disability benefits.

The operating expenses of the Department have been paid by the Company since its inception.

EMPLOYEE COOPERATIVE ASSOCIATIONS

There are two cooperative associations managed by and for the benefit of the employes.

1. The Mutual Beneficial Association has been in existence since 1914. Over \$10,537,000 of insurance is carried in the Association for the benefit of its members and their families, and over \$3,205,000 have been paid in benefits since its organization.

The Mutual Magazine, a monthly publication of interest to the employes, is published by this Association.

2. The Employes Provident and Loan Asso-

ciation was established in 1923. On December 31, 1947, the amount in its saving fund to the credit of members was nearly \$22,000,000.

WOMEN'S AID



This is an organization composed of the families of the employes of the Pennsylvania Railroad, established many years ago to assist railroad people in time of need.

Its activities extend to all parts of the System, the funds required for carrying on the work being raised by dues, voluntary contributions and social affairs conducted for that purpose.

FIFTY-YEAR SERVICE BUTTONS



Fifty-year Service Gold Buttons were awarded during the year to 87 employes in recognition of a lifetime of service with the Company.

Since 1928, when this practice was inaugurated, 3,495 employes have received the fifty-year button.

STOCKHOLDERS

On December 31, 1947, the 13,167,754 shares of capital stock of the Company were owned by 213,581 stockholders, who come from all walks in life, and reside in every State in the nation and 41 foreign countries. The average holding was slightly less than 62 shares.

In pursuance of action taken by the stockholders present at the Annual Meeting last April, a committee including stockholders, owners of small as well as large holdings, was appointed "to work with Management on labor and government matters in order to emphasize the fact that both Management and labor employment is made possible by the stockholders' investments." A report of the activities of the committee was sent to the stockholders on June 25, 1947. In this report stockholders were urged to exert their influence on public opinion and governmental policy in recognition of the justice and economic necessity of permitting the railroads to receive the earnings which they should and must have to serve properly the public and the nation.

Your management has sought to obtain adequate recognition of the stockholders' interests on the part of the public regulatory authorities, and this movement on the part of stockholders

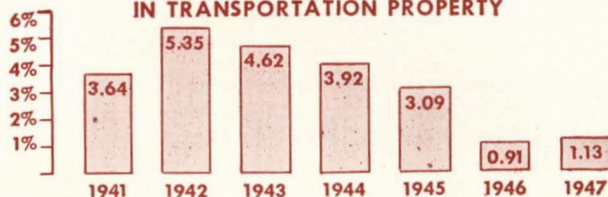


WHERE MANY DELEGATES to the Republican and Democratic National Conventions will alight—the great modern 30th Street Station, Philadelphia.

INVESTMENT IN TRANSPORTATION PROPERTY

1941	\$2,669,942,741
1942	\$2,713,591,145
1943	\$2,763,607,897
1944	\$2,783,349,358
1945	\$2,817,244,404
1946	\$2,843,003,952
1947	\$2,863,675,735

RETURN ON INVESTMENT IN TRANSPORTATION PROPERTY



themselves is both commendable and gratifying.

In order that there might be more time after the year end to prepare the annual report to the stockholders and to meet the requirements of the Securities and Exchange Commission with respect to the solicitation of proxies, the Board of Directors has changed the dates of the Annual Meeting of the stockholders and the Annual Election for Directors from the second and fourth Tuesdays of April to the second and fourth Tuesdays of May.

Many valued communications have been received from the stockholders through the year. Your management is encouraged by the fact that it has had their concerted and helpful assistance. It is hoped that the stockholders will continue their interest in the Company's problems and their support of management's efforts to advance their interests.

ORGANIZATION CHANGES

Effective April 1, 1947, Walter S. Franklin was appointed Executive Vice-President in addition to his duties as Vice-President in charge of Traffic; J. M. Symes was appointed Vice-President in charge of Operation, and J. F. Deasy was appointed Vice-President—Assistant to President. On April 23, 1947, Mr. Symes was elected a Director to succeed Mr. Deasy.

As a result of other organization changes and to fill vacancies, the following changes were made:

H. W. Schotter was appointed Assistant Vice-President in charge of Finance; P. D. Fox became Treasurer; H. T. Frushour, Assistant Vice-President and Chief Engineer, New York Zone; A. F. McIntyre, General Manager, New York Zone; J. B. Prizer, General Attorney, and J. W. Oram, Chief of Personnel.

EMPLOYEES

Despite a continuation of unsettled economic conditions, the employes of your Company are showing an increasing awareness of their individual responsibilities, which is highly gratifying and is bringing about gradual improvement in the character of service rendered to the public. The new equipment and facilities—the tools of

railroad employes—which are being provided primarily in the interest of increasing economy and efficiency of operations, have also had a noticeable effect in improving the spirit of the employes and in stimulating an added pride in their work.

With the gradual readjustment to more stable economic and employment conditions in the postwar period, a continued improvement in service to the public and in operating results, reflecting the individual efforts of the employes, has definitely begun to appear. The Board makes grateful acknowledgment of the devotion to duty on the part of the employes of your Company.

Copy of Statistical Statement will be furnished upon request.

By Order of the Board.



President

GENERAL BALANCE SHEET OF
The Pennsylvania Railroad Company

DECEMBER 31, 1947

COMPARISON
WITH
DECEMBER 31,
1946

ASSETS				
Investments:				
Investment in Road and Equipment Property.....	\$1,511,645,007	I	\$14,873,708	
Improvements on Leased Property.....	151,034,173	D	51,450	
Donations and Grants.....	Cr. 2,677,828	I Cr.	13,124	
Investment in Transportation Property	1,660,001,352	I	14,809,134	
Accrued Depreciation—Road and Equipment	Cr. 569,186,414	I Cr.	10,604,452	
Accrued Amortization of Defense Projects	Cr. 70,093,870	I Cr.	753,133	
Investment in Transportation Property less recorded depreciation and amortization	1,020,721,068	I	3,451,549	
Sinking Funds	470	D	1,000,000	
Pittsburgh, Cincinnati, Chicago & St. Louis Railroad Company Cons. Mtg. Sinking Fund Reserve	6,071,559	I	990,975	
Capital and Other Reserve Funds.....	8,857,547	I	3,233,003	
Miscellaneous Physical Property.....	3,498,287	I	218,396	
Investments in Affiliated Companies	672,908,658	I	5,491,273	
(Stocks, bonds, notes and advances)				
Other Investments.....	65,669,384	I	4,725,126	
(Stocks, bonds, notes and advances)				
Current Assets	253,627,517	I	7,784,261	
(Cash, fund for taxes and contingencies, material and supplies, accounts receivable, etc.)				
Deferred Assets	171,879,499	I	9,439,739	
(Insurance and other funds, etc.)				
Unadjusted Debits.....	17,363,899	I	5,914,538	
(Miscellaneous items in process of adjustment)				
Total.....	2,220,597,888	I	40,248,860	
LIABILITIES				
Capital Stock (par value \$50. per share).....	658,387,700			
Premium realized on capital stock from January 1, 1909.....	10,148,229			
Funded Debt of The Pennsylvania Railroad Company	524,485,270	D	2,277,400	
Funded Debt of Acquired Companies Assumed by The Pennsylvania Railroad Company	3,578,000			
Other Funded Debt Assumed	7,819,000			
Guaranteed Stock Trust Certificates	5,156,000	D	377,000	
Equipment Trust Obligations	100,917,000	I	14,008,000	
Mortgages and Ground Rents Payable	174,767			
Current Liabilities	166,768,583	I	29,421,473	
(Traffic balances, wages, taxes, interest, other accounts payable, etc.)				
Deferred Liabilities	1,387,393	I	261,870	
Leased and Affiliated Companies—Construction.....	1,049,040	I	197,585	
Accrued Depreciation—Leased Property.....	117,001,491	I	8,372,260	
Unadjusted Credits	24,051,950	I	1,905,872	
(Casualty reserves, etc.)				
Surplus:				
Additions to Property and Funded Debt Retired Through Income and Surplus.....	257,049,128	I	1,011,400	
Sinking and Miscellaneous Fund Reserves	154,803,459	I	6,734,888	
Profit and Loss.....	187,820,878	D	19,010,088	
Total	2,220,597,888	I	40,248,860	

