

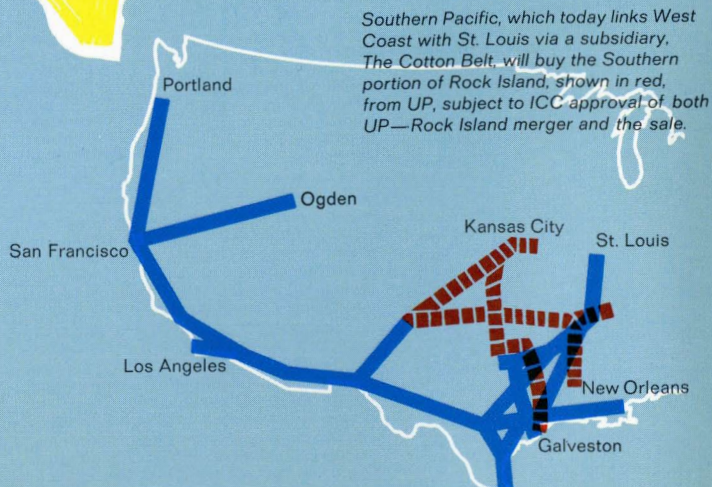
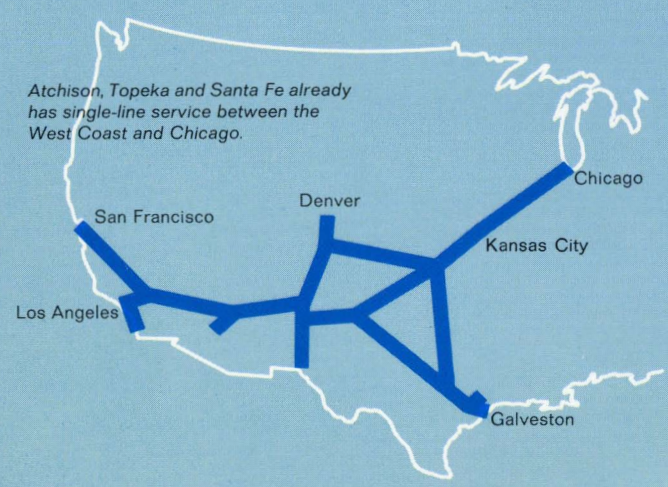
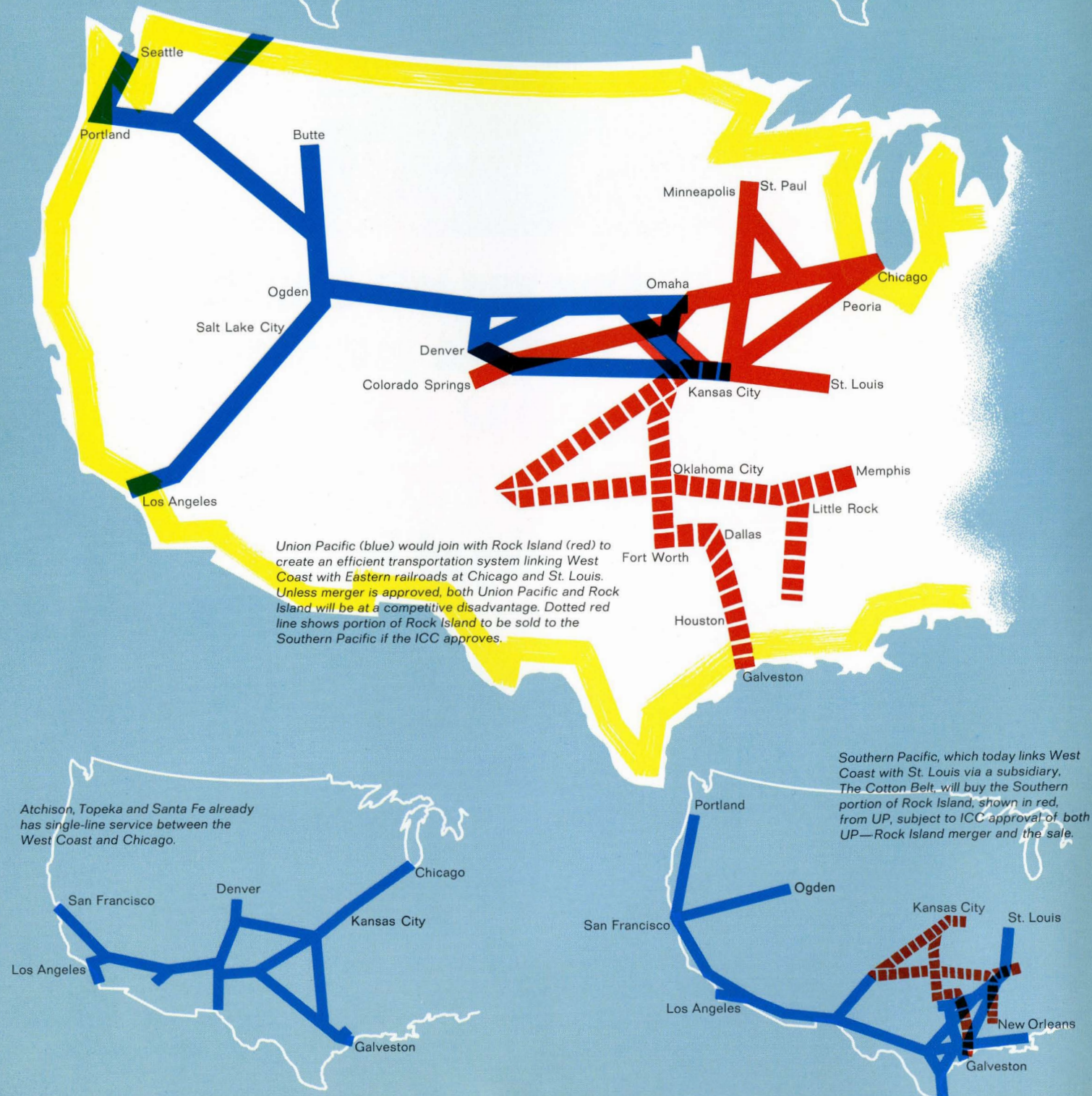
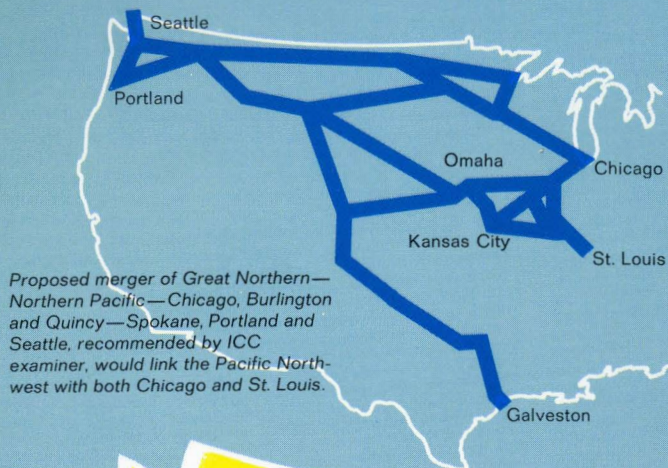


How you will benefit
from the proposed
**UNION PACIFIC—
ROCK ISLAND**
Railroad Merger



*and sale of
Rock Island's
southern
properties to*

**SOUTHERN
PACIFIC**





Edd H. Bailey
President
Union Pacific Railroad Company



Jervis Langdon, Jr.
Chairman of the Board and President
Chicago, Rock Island and Pacific Railroad Company

WHY *you should support a* **Union Pacific-Rock Island Merger**

If you live, work or do business in the areas served by the Union Pacific and the Chicago, Rock Island and Pacific Railroads, you have an important stake in the proposed merger of the two roads.

Stockholders of the Rock Island and Union Pacific have already approved the merger, and merger applications filed in September 1964 by both roads are now awaiting consideration by the Interstate Commerce Commission. In addition, Union Pacific has entered into a separate contract with the Southern Pacific Company under which the southern portion of the Rock Island's lines will be sold to the Southern Pacific, if the ICC approves both the merger and the sale. Terms of this sale and a map showing the parts of the Rock Island to be merged and sold are on page 11.

Separate applications for the approval of these two transactions are now pending before the ICC, which will determine whether the merger voted by the Rock Island and UP stockholders is in the public interest and, if so, whether the sale to SP will also be in the public interest.

This booklet has been prepared to explain why these two transactions are in your best interest and deserve your support. The merger will make an important contribution to the growth and prosperity of the nation by building a strong mid-continental link of the national railroad system connecting directly at Chicago, Peoria and St. Louis with the large rail systems now in existence or forming in the East.

The benefits of a UP-Rock Island merger and the sale of the southern portion of the Rock Island to the SP for shippers, consumers, on-line communities, employees and stockholders are outlined in detail on the following pages. Briefly stated, the merger benefits are:

- 1. Greatly improved service to our customers:** The merger would mean more frequent freight schedules, later departures, earlier deliveries, and greater reliability in getting freight to its destination on time.
- 2. New capital for major improvements in Rock Island facilities:** The Union Pacific, which has used its capital resources over the years to develop and

introduce important innovations in rail transportation and to maintain highly efficient operating conditions, would bring those advantages to the Rock Island. Our joint studies show that substantial capital, above and beyond what the Rock Island can generate on its own, is vitally necessary if the Rock Island is merely to hold its own against competitive transportation systems. The Union Pacific will supply the capital to provide the kind of facilities needed to retain existing business and also to gain new business.

3. Healthy competition among all forms of transportation in the West and Middle West: Shippers will benefit by the added strong rail link between the West Coast and the gateways to the East, providing them with greater flexibility in marketing. In addition, the regions served by the merged lines will gain a stronger competitive position in finding outlets for their products in other areas of the nation.

The maps on the inside front cover show the railroad situation in the West and Middle West. They demonstrate clearly the logic of a UP-Rock Island merger.

Intense rivalry from other forms of transportation—trucks, water carriers, air freight lines and pipelines—has been a major factor in causing some of our competitor rail systems to move toward merger. For example, the ICC has approved control of the C&EI by the Missouri Pacific, which will give the resulting system an Eastern terminus at Chicago as well as St. Louis. An ICC examiner has recommended that the Commission approve a merger of the Great Northern, the Northern Pacific, the Chicago, Burlington and Quincy, and the Spokane, Portland and Seattle railways.

The Chicago and North Western Railway and the Chicago Great Western Railway have obtained stockholder approval of merger, and hearings before the ICC on the merits of this merger began March 1, 1965.

The boards of directors and stockholders of the North Western and the Chicago, Milwaukee, St. Paul and Pacific Railroad have approved the unification of those two companies.

While these new systems are emerging, other systems already link West Coast points with Chicago and St. Louis.

In contrast, the Union Pacific stops short at the Missouri River and its traffic must travel over other roads to reach the major rail lines to the East. The Rock Island links up with the Eastern roads at Chicago, Peoria, and St. Louis, but has no access of its own to the important markets on the West Coast. This merger is imperative if both roads are to remain competitive with other lines and other forms of transportation.

Merger proposals such as this affect the interests of many individuals, groups and organizations. We believe that, with few exceptions, those affected will find that a consolidation of our two roads will bring them important benefits.

The basic information on the following pages should enable you to examine these benefits in relation to your own needs and interests.



Edd H. Bailey



Jervis Langdon, Jr.

Three major benefits of Merger:

1

Improved Rail Service for the Nation

2

**New Capital for Major Improvements
in Rock Island Facilities**

3

**Merger Will Strengthen the Economy
through Healthy Competition**

"The life of every citizen is influenced by transportation service. This vast economic activity not only absorbs one out of every five GNP dollars; it shapes the environment in which we live and work. Advances in our transportation system must constantly be made if we are to continue to enjoy growth and prosperity—and if America is to be a liveable Nation."

Lyndon B. Johnson
March 4, 1965

1

Improved Rail Service for the Nation

Combining the Union Pacific and the Rock Island will greatly improve the service offered by the two roads to shippers, both locally and throughout the nation.

Here are some of the improvements that the merger will make possible:

- Both roads will have more flexibility in meeting and establishing schedules.
- Service will be more reliable.
- In some localities it will be possible to ship more frequently.
- In many instances departures will be later or deliveries will be earlier.
- Car supply will be improved.
- Freight will be less exposed to damage because classification and interchange switching will be reduced.

Better connections for more reliable service

The elimination of interchanges will give greater assurance that the Union Pacific will meet the schedules of other roads serving the East and South. Now, delays of as little as a few minutes at interchanges can mean missing connections with resulting shipment delays of as much as 24 hours. The Union Pacific today must fre-

quently wait three or four hours for westbound shipments from connecting carriers.

More frequent service will be possible

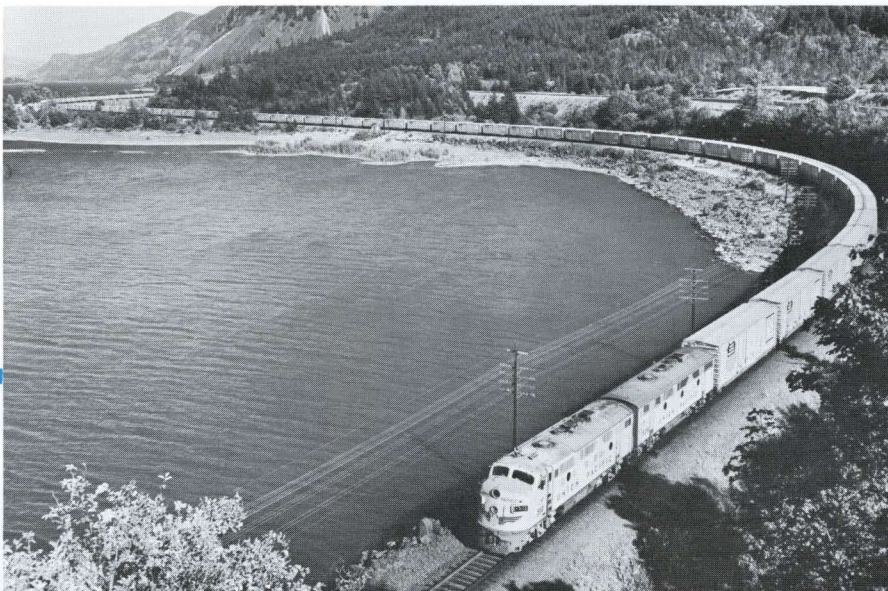
Merger has other advantages, too. Each road today has a freight train departing from St. Louis for Denver at night. The merged company proposes to run a train departing at night and one in the morning.

Car supply will be improved

Both roads will share the efficiencies made possible by pooling their car fleets to accommodate seasonal shipping variations in many commodities such as wheat. Moreover, Rock Island shippers will benefit from a large freight car acquisition program planned by the Union Pacific, which includes many special-purpose cars.

All shippers will benefit

Transcontinental traffic in some instances will get to its destinations earlier because some interchange delays with connecting carriers will be eliminated. Intermediate and local freight schedules will be improved. Shippers will also have the advantage of dealing with a single source rather than with two or more roads to locate shipments.



After merger, train scheduling will be designed for better service.



Microwave equipment extended to Rock Island lines will help to assure more dependable communications.

New centralized traffic control facilities will increase operating efficiency and improve service.



Freight will be less exposed to damage after merger because classification switching will be limited to a relatively few modern yards like this.

2

New Capital for Major Improvements

Railroads, such as the Rock Island, are today caught in a vise by competition and increasing costs.

The Rock Island, like other railroads, must look to its own earnings for maintaining and improving its rolling stock and rights of way. It must spend large amounts on technological improvements to survive against more vigorous competition.

On the other hand, its rivals—trucks, water carriers and planes—have the use of taxpayer-supported highways, waterways and airport facilities that are being built, maintained and improved with public money.

The Rock Island is faced with the problem of generating capital from business that is being taken away by its taxpayer-supported competitors. Moreover, the Rock Island, like other roads, is confronted with rising labor costs that reduced its net income sharply in 1964.

Rock Island needs capital

The Rock Island estimates that it must make capital outlays of more than \$200 million in the next five years for such necessary equipment as diesels, freight cars, commuter equipment, roadbed improvements and other facilities.

This program greatly exceeds the Rock Island's financial resources.

UP can provide capital

In the Union Pacific the Rock Island has a merger partner that will remove it from its dilemma. The Union Pacific will bring its financial support to bear on building up existing Rock Island properties.

The Union Pacific has a long record of improvements and innovations in providing better transportation service to the public.

When passenger traffic required stimulation to renew the interest of a depression-weary

public, Union Pacific designed and on February 13, 1934, placed in service the country's first streamlined train.

In 1941, the UP designed and placed in service the world-famous Big Boy, the largest simple articulated steam locomotive ever built, which served the nation well during World War II.

Other Union Pacific innovations include: gas turbine-electric locomotives using residual oil fuel, an experimental coal-fired gas turbine-electric locomotive, triple deck stock cars, dome dining cars, and the world's most powerful rotary snow plow.

UP will make improvements

The Union Pacific will be able to provide modern equipment taking advantage of technological innovations as they become available. Where required, it can provide funds for electronically controlled classification yards, specialized freight cars tailored to the needs of individual shippers, centralized traffic control systems, electronic computers, and high speed communications equipment.

For example, one of the Rock Island's high priority needs that the Union Pacific can fill is reconstruction of substantial stretches of roadbed from Kansas City and Council Bluffs to Chicago and from Kansas City to St. Louis. Eliminating or reducing curves will remove many speed restrictions which in some cases limit trains to speeds as slow as 15 miles an hour.

Classification yards will also be improved as required.

Through its own extensive capital resources and an organization oriented toward transportation research, the Union Pacific will provide present Rock Island shippers, as well as other potential customers, with facilities and service that rank with the best in the nation.

in Rock Island Facilities

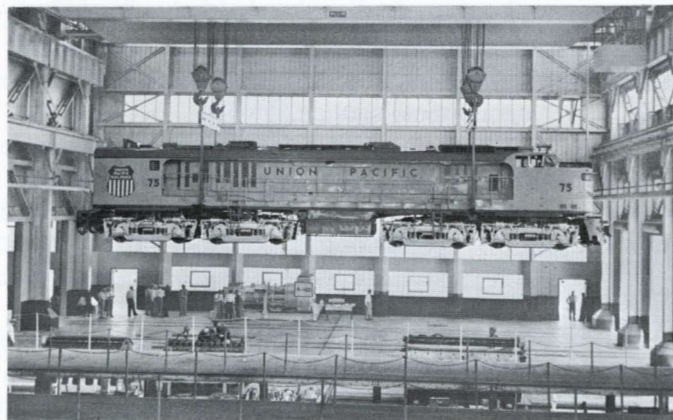


The Rock Island has made a limited start toward providing better commuter trains in Chicago area.



The UP has the capital to pay for top flight facilities such as this bridge to assure that Rock Island meets today's competitive conditions.

Rock Island shippers will benefit from UP's large acquisition program of special-purpose cars such as these tri-level auto carriers.



Facilities such as this UP maintenance shop will be used to keep engines of both lines in top operating condition.



For greater efficiency, after merger, UP will introduce high-horsepower engines to Rock Island lines.

3

Merger Will Strengthen the Economy

Today, three railroad systems have exclusive single-line routes connecting West Coast points and the Eastern Gateways—the Santa Fe and Southern Pacific-Cotton Belt routes in the South and the Milwaukee in the North. The proposed Great Northern-Northern Pacific-Burlington merger, linking the Pacific Northwest with the Eastern Gateways, would create two more strong single-line transcontinental routes, one through the Northern tier of states and the other through the central U.S. It would also create a single-line route between the Pacific Northwest and the Gulf of Mexico.

Furthermore, the proposed North Western-Milwaukee-Great Western merger would give that consolidated company control of three of the seven lines between Chicago and Omaha as well as a single-line route between Chicago and the Pacific Northwest.

Only through merger will the Union Pacific and Rock Island be able to maintain their position against this vigorous competition. A UP-Rock Island merger would offer an *alternative* single-line route, able to compete effectively with the existing and emerging systems to the North and South.

Other competitors stronger

While competition will become more intense among the existing Western and Midwestern railroads, other modes of transportation will be aggressively trying to get a bigger share of the freight business. The Union Pacific and Rock Island must compete with trucks at virtually every point they serve. Many other points in their operating areas are served by pipelines, air freight lines and water carriers.

Where once railroads hauled nearly all inter-city freight, in 1962 they carried only 43% of such traffic.

In 1963, railroads hauled 35 billion fewer ton-miles of freight than in 1947—while truck ton-miles more than tripled. Trucks stand to get more and more business as each portion of the Interstate Highway System is completed, sharply reducing highway mileage between population centers. Moreover, in the same post-war period waterways (including the Great Lakes) carried more than 160% as much traffic. Air freight increased more than five-fold, and pipeline traffic increased about 140%.

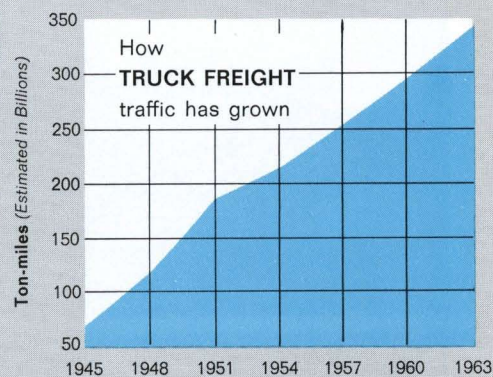
A Union Pacific—Rock Island merger would help to strengthen both roads against these growing rivals.

Shippers' position improved

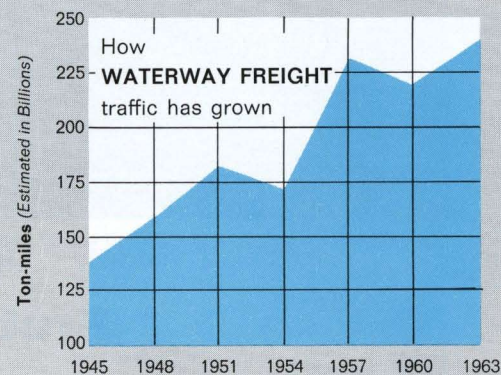
A Union Pacific—Rock Island merger will strengthen the economy by building the Rock Island into a strong contender in the markets it serves, and by giving the Union Pacific the opportunity to provide shippers, consumers, and on-line communities with improved and more economical service.

The improved service made possible by merger will also help Western shippers hold outside markets that might otherwise be lost. It will enable shippers in other parts of the country, such as a Midwestern farm equipment manufacturer, to compete more effectively in the Far West. Western shippers of perishable products, such as fruits and vegetables, will benefit from the more dependable service that the merger will make possible. Consumers will also benefit from the resulting competition.

through Healthy Competition

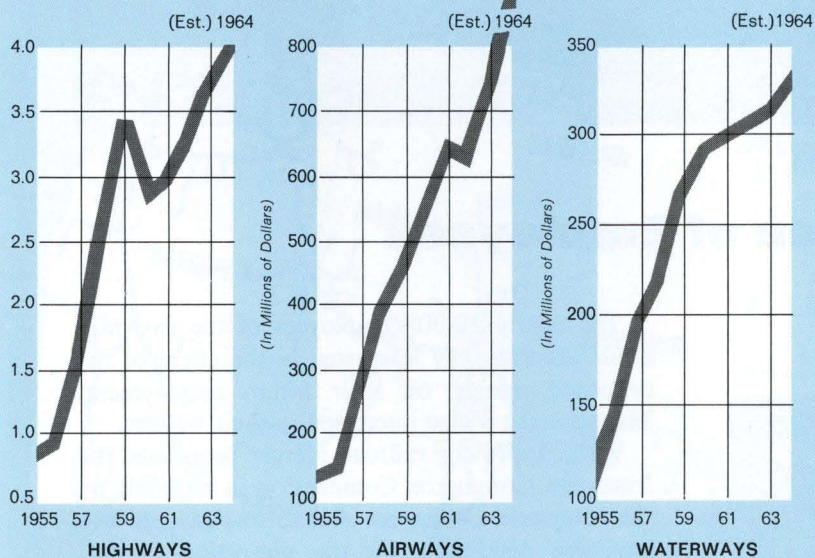


Source: Interstate Commerce Commission

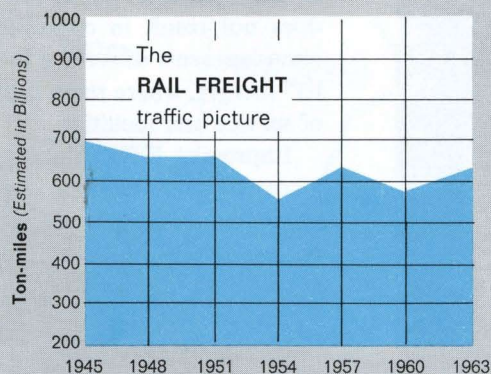


Source: Interstate Commerce Commission

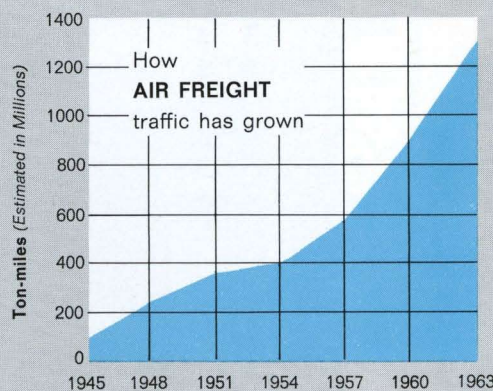
FEDERAL EXPENDITURES



Sources: Annual Reports of the Chief of Engineers, U.S. Army, and Budgets of the U.S. Government



Source: Interstate Commerce Commission

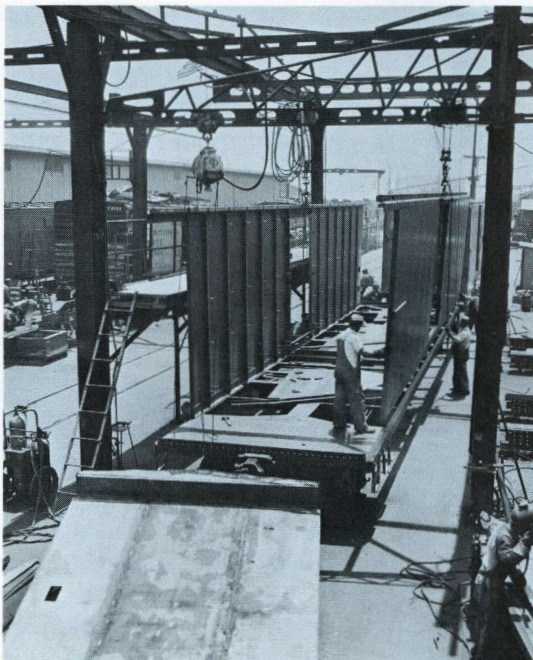


Source: Interstate Commerce Commission



Rehabilitating Rock Island roadbed will be major track laying job.

Protection of Employees



Building new car supply will be a major program.

The nearly 50,000 employees of the two railroads are naturally interested in the effect of the proposed merger on their future employment. Management is also interested in their welfare.

When approving railroad merger proposals, the Interstate Commerce Commission is required by the Interstate Commerce Act to impose fair and equitable conditions for the protection of employees who may be adversely affected.

The proposed merger of the Union Pacific and Rock Island is the "end-to-end" type, as opposed to the "parallel" type. An "end-to-end" merger does not result in consolidation of facilities and abandonments of service to the extent of a "parallel" merger, where there is pronounced duplication of service and facilities.

Improving Rock Island property and service at a cost of many millions of dollars should result in continued employment opportunities for the present employees of both companies. All employees should benefit from the rehabilitation of the Rock Island and the joining of that line with the Union Pacific as an effective and important segment of a transcontinental railroad.

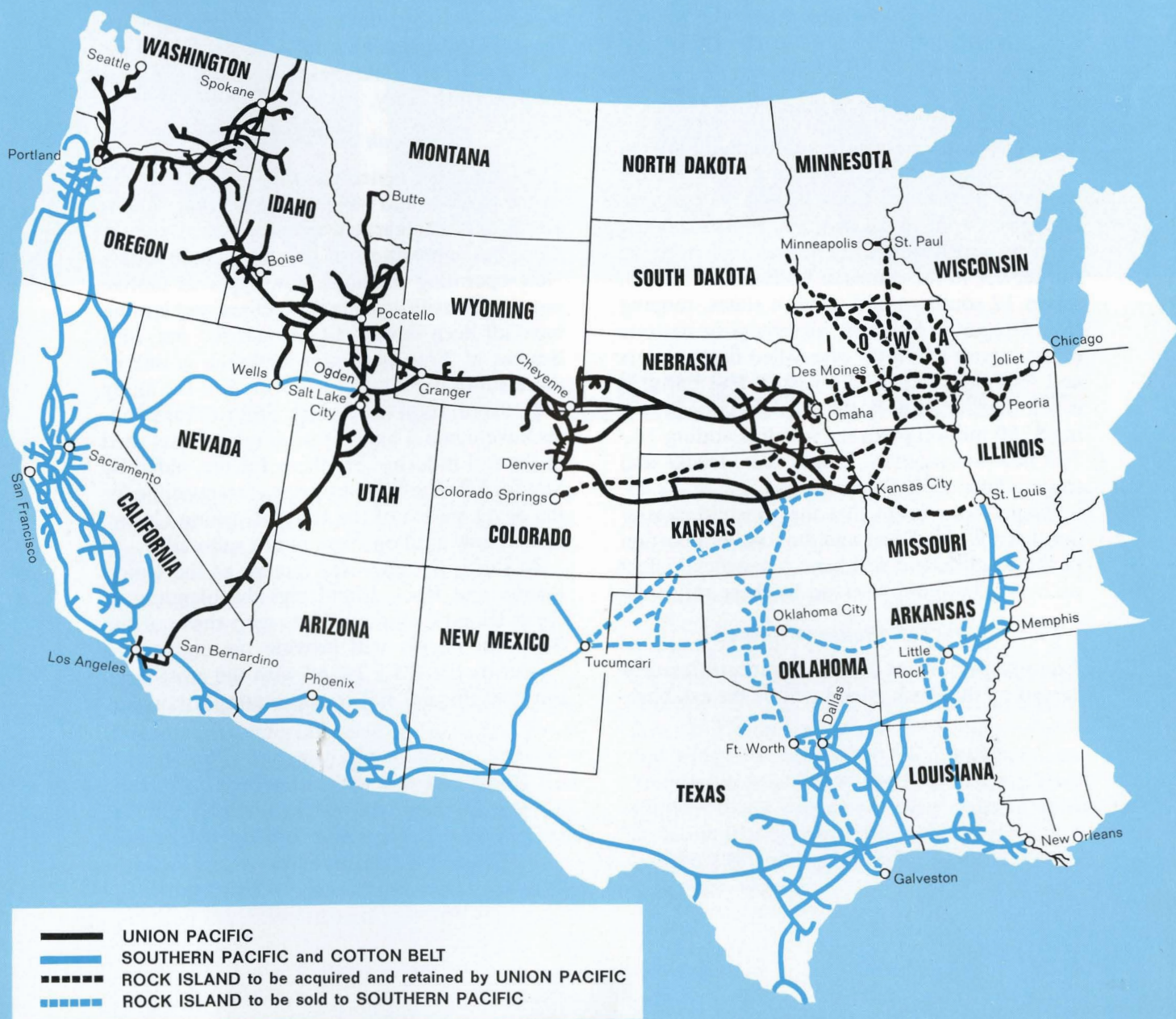
Sale to Southern Pacific of Southern Portion of Rock Island

The Union Pacific has agreed to sell the southern portion of the Rock Island to the Southern Pacific Company for \$120 million, subject to Interstate Commerce Commission approval of both the UP-Rock Island merger and the sale.

The sale will bring needed capital resources for strengthening the lines that the Southern

Pacific is acquiring and will further strengthen rail competition to the benefit of shippers, consumers and on-line communities.

Property included in the sale will be about 2,662 miles of main line road and 923 miles of branch lines of the Rock Island extending from Kansas City, Mo., to the south and south-



west. The totals involve about half of the main line and 37% of the branch lines of the Rock Island.

The sale will involve the lines of the Rock Island, and related properties between Santa Rosa, N. M., and Kansas City, Mo., including trackage rights over UP lines between Topeka, Kan., and Kansas City, Mo., and properties of Rock Island in Kansas City, Kan., and Kansas City, Mo. Also to be sold are all other lines of the Rock Island south of Kansas City, including the line from Herington, Kan., to Salina, Kan., but excluding both the line from McFarland, Kan., to Belleville, Kan., and the line from Kansas City to St. Louis.

SP Resources

This sale will contribute substantially to the services offered by the Southern Pacific and the southern lines of the Rock Island, bringing the resources of one of the strongest railroads in the country into action to revitalize and improve rail service in the southern Midwest. SP, which serves 12 southern and western states, ranging from Oregon to Missouri, already possesses one of the largest and most diversified fleets of cars and locomotives in the country. Currently, it is nearing the midway point in a record-breaking \$350 million program which is adding 14,700 new locomotives, freight cars, trucks and trailers over a three-year period.

There is no doubt that the consolidation of Southern Pacific Lines and the southern portion of the Rock Island will have a beneficial effect on every community served by these railroads.

New One-Railroad Routes

Equally important to the communities now served by the Rock Island will be the establish-

ment of new single-carrier routes. Joining SP's lines to those of the Rock Island will create a new single-carrier route between Los Angeles and Kansas City, with connections available at Kansas City with several important carriers serving Chicago, St. Louis and the entire eastern United States.

Specialized Cars

With the widely diversified area served by Southern Pacific, the purchase of Rock Island's southern lines will permit multiple use of SP's widely diversified fleet, and Rock Island shippers will have available to them the large fleet of specialized SP cars, especially designed for the loads they carry.

Research and Innovation

The long-range benefits to the area now served by the Rock Island will be equally great. Southern Pacific has earned a reputation as one of the great innovators in the railroad industry. New operating methods, new types of motive power, diversification into pipelines and leasing have all been developed and carried out. SP's Bureau of Transportation Research is one of the leading organizations devoted to the study of transportation economics, and from its studies have come a number of developments used in the rail industry. Southern Pacific, aided by Stanford Research Institute, was responsible for the development of the Hydra-Cushion Underframe, now used on every major railroad.

In short, the proposed merger of the Union Pacific and Rock Island and the blending of Rock Island's southern lines with those of the Southern Pacific will provide the entire area served by the Rock Island with the most modern and efficient rail transportation attainable.



They're waiting for a **GREEN LIGHT—**

If the Union Pacific and Rock Island merger is approved, you and your community will benefit through improved transportation services in the areas served by the two lines. Delays will be minimized, departures will be later, or deliveries will be earlier, and car supply will be improved.

Union Pacific's financial and economic strength will be made available to preserve the essential transportation services of the Rock Island and to upgrade and improve its properties. The roadbeds from Council Bluffs and Kansas City to Chicago and from Kansas City to St. Louis will be improved to permit the handling of heavier trains at higher speeds.

Competition will be strengthened because the

Union Pacific and Rock Island will offer a strong alternative route to rail systems to the north and south as well as to other rival transportation systems between West Coast points and rail gateways to the East.

The merger and sale proposals outlined in this booklet mark the birth of greater and more efficient transportation systems for the West and Midwest. By the finest type of rail transportation, the Union Pacific and the Southern Pacific can bring new lifeblood to the economy of communities now served by the Rock Island. Every shipper, every consumer, every resident of the areas served by these three railroads will be benefited by this merger and proposed sale. We seek your support.

