

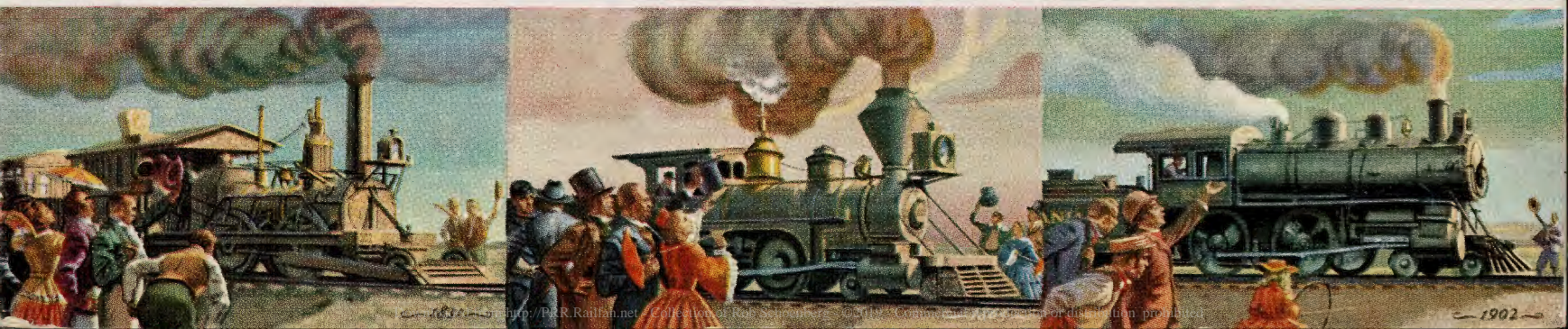


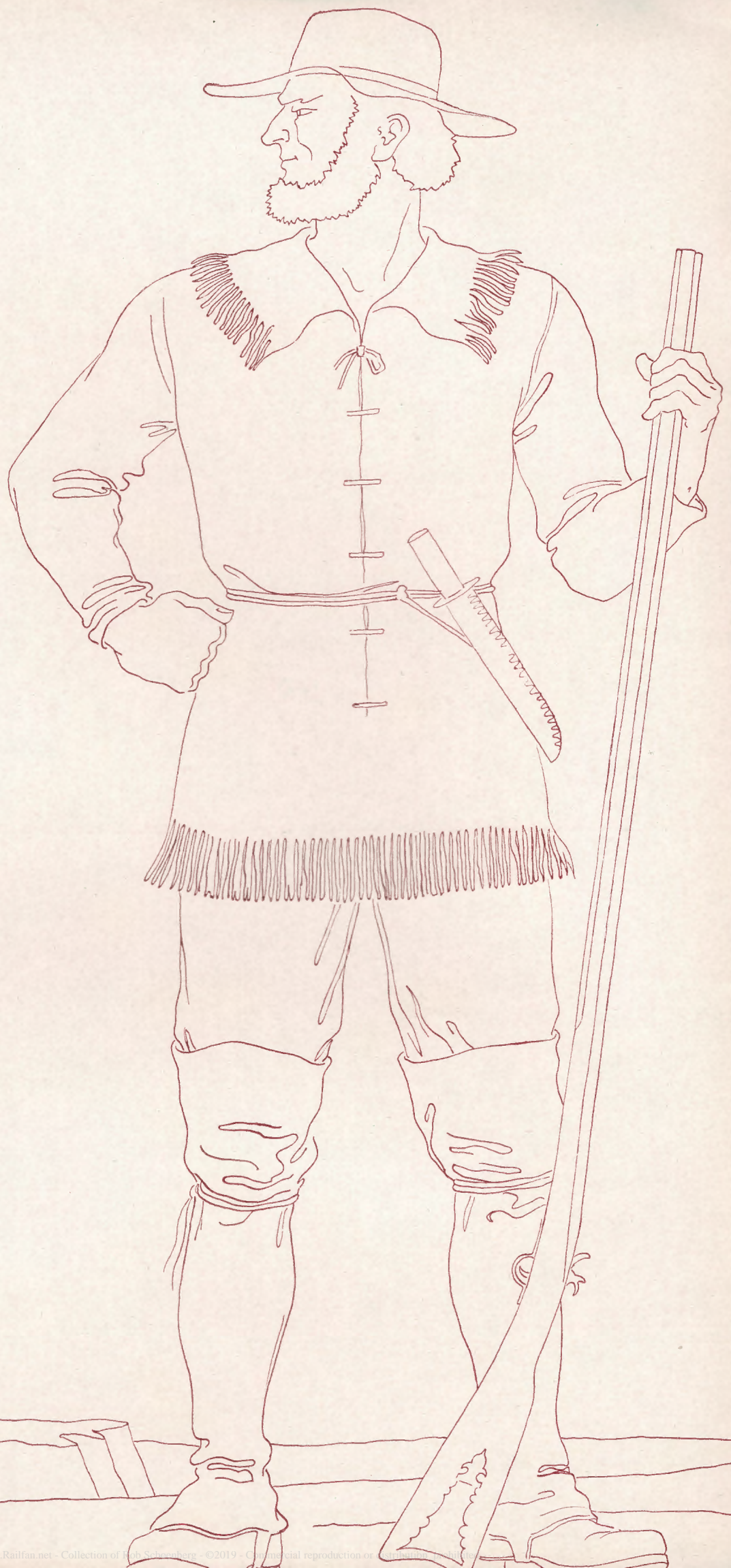
1846 1946

One Hundred Years

NINETY-NINTH ANNUAL REPORT FOR YEAR ENDED DEC. 31, 1945

THE PENNSYLVANIA RAILROAD COMPANY





ONE HUNDRED YEARS

OF

*Transportation
Progress*

One Hundred Years Ago The Pennsylvania Railroad Company was founded to serve the American public. This, therefore, is its Centennial Year. Believing both Stockholders and Employees would be interested in a brief review of the Company's growth and progress over the last century, the Management offers one, as a preface to the 1945 Annual Report.

W. A. Rorer

President



Back in 1846, public-spirited citizens of Pennsylvania, foreseeing the vast westward expansion of the nation, rallied to a cry for a railroad line across the state to connect with other railroads which were opening the West.

To the north the Erie Canal had long been in operation, attracting to its thoroughfare much trade and traffic that could have moved through Pennsylvania—and to compete with it a railroad was being built in the same region.

To the south, another railroad line was being driven westward, aiming to draw the growing commerce of the West to its route.

In Pennsylvania, at the time, there was a complicated state transportation system combining canal and rail which had been set up as an offset to these challenges.

However, that system failed to accomplish its purpose, and the business of Philadelphia, then the financial and commercial center of the country, was languishing, as well as that throughout the Commonwealth.

A railroad line across Pennsylvania, furthermore, would enjoy marked competitive advantages, the most notable being the shortest, quickest route to the trade of the West.

Responding to public appeal, the State Legislature, on April 13, 1846, passed an act incorporating The Pennsylvania Railroad Company, and a charter was granted shortly thereafter.

WHAT THE CHARTER PROVIDED

The charter authorized the Company to construct a railroad from Harrisburg to Pittsburgh, a distance of 249 miles. Because there already existed a rail link between Philadelphia and Harrisburg, the Company's original operation was restricted to service between Harrisburg and Pittsburgh. Not until 1857 did it gain, through purchase, the line to Philadelphia.



An Assembly Line 26,000 Miles Long

The Pennsylvania Railroad has evolved from a Company chartered to build a railroad 249 miles long to a System embracing 10,683 miles of first track and 15,413 miles of second, third and fourth track and sidings. Thus has the System grown. Once numbering 600 constituent railroad, bridge, ferry, water supply, warehouse and electric railway companies, the Company today is one compact, cohesive transportation system.



THE COST

To build the railroad, the chief engineer estimated, would cost \$11,140,000, including purchase of locomotives and cars. A large sum in those days. But by a temporary cooperative service arrangement with the state transportation system, the cost could be reduced to \$7,860,000. That plan the Management temporarily adopted.

To finance construction, the Company by energetic and persistent efforts succeeded in securing (up to the end of 1849) subscriptions to its capital stock amounting to more than \$5,500,000, each share of \$50 par value being payable in ten installments of \$5 each.

THE BEGINNING OF SERVICE

On September 1, 1849, the first section to be completed—a distance of 61 miles—was opened for operation between Harrisburg and Lewistown. The time table showed one passenger train over the line each way daily, making the trip in approximately 4 hours. Freight trains ran twice a week.

Gross revenues from the service inaugurated in September 1849, to December 31, 1850, amounted to \$339,452. Encouraged by such results from so small a section of the line then in service, the Company continued to spend during that period more than \$5,000,000 in expanding its facilities.

How quickly that faith was justified is evidenced by the gross revenues of 1851, which were \$1,039,565.

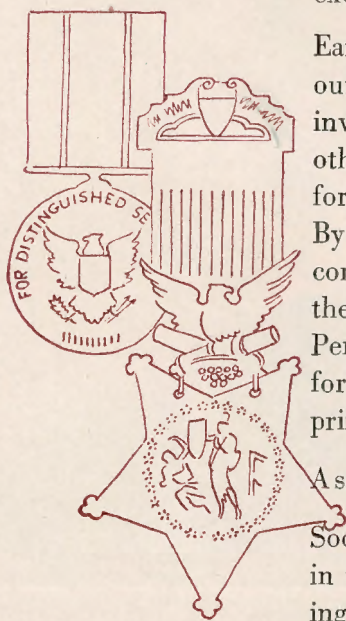
SWEEPING ON

On February 3, 1852, John Edgar Thomson, the Company's first chief engineer and a railroad man of exceptional ability and vision, was elected President.

Early in his administration, President Thomson pointed out that it was almost as important for the Company to invest capital judiciously in railroads being built by others in Ohio and Indiana as it was to provide funds for the completion of the Pennsylvania Railroad itself. By so doing, the Company would not only hasten the completion of these railroads but could also shape their routes so as to form connecting lines with the Pennsylvania Railroad, and thus create great "feeders" for traffic. It is to this early policy that the System primarily owes its present form.

A supplement to the charter permitted such investments.

Soon thereafter, the Company invested substantially in the Ohio and Pennsylvania Railroad, thereby making possible the extension of rail service from Pittsburgh to Crestline, Ohio; then in the Ohio and Indiana Railroad, under construction from Crestline to Fort Wayne, Indiana; and subsequently, in the Fort Wayne and Chicago Railroad. These three lines were



The Pennsylvania Railroad at War

Over the years 1941 to 1945 inclusive—the war years—approximately 1,400,000,000 tons of freight moved over The Pennsylvania Railroad System, greatest in Company history. Most of this was the raw and finished materials of war. In keeping with Company foresight, the System had prepared for such an emergency and volume by expending a half billion dollars in improvements in the decade prior to the war.



ultimately consolidated to form a continuous 468-mile railroad from Pittsburgh to Chicago.

Meantime the all-rail route east of Pittsburgh had been completed, and three trains a day were running between that city and Philadelphia on 13, 15 and 17-hour schedules. Thus within less than 15 years after the founding of the Pennsylvania Railroad, the country was linked by a solid highway of iron (steel was yet to come) from the Atlantic Seaboard to Chicago and construction was under way on lines to St. Louis and other midwestern cities.

A NECESSARY CHANGE IN POLICY

The original policy of The Pennsylvania Railroad Company was to reach the traffic of the West by assisting, through financial support, in the construction of connecting lines leading to markets of the areas served. In return for financial aid, connecting lines were expected to deliver their freight bound for the Atlantic Seaboard to the Pennsylvania Railroad.

However, as time went on, as these lines acquired strong financial position, the Pennsylvania Railroad preserved the structure of railroad service the Management's vision and financial aid had helped create; and the Company negotiated leases of 999 years with connecting lines, the most important being the Pittsburgh, Fort Wayne & Chicago Railway Company, to form the continuous system that is now known as the Pennsylvania Railroad.

Thereafter, through lease, purchase and construction, the Pennsylvania Railroad extended its operation as far west as St. Louis, with service to Chicago, Buffalo, Akron, Youngstown, Cleveland, Toledo, Detroit, Grand Rapids, Cincinnati, Columbus, Dayton, Indianapolis, Louisville and all the territory embraced therein.

THE REWARD OF FORESIGHT

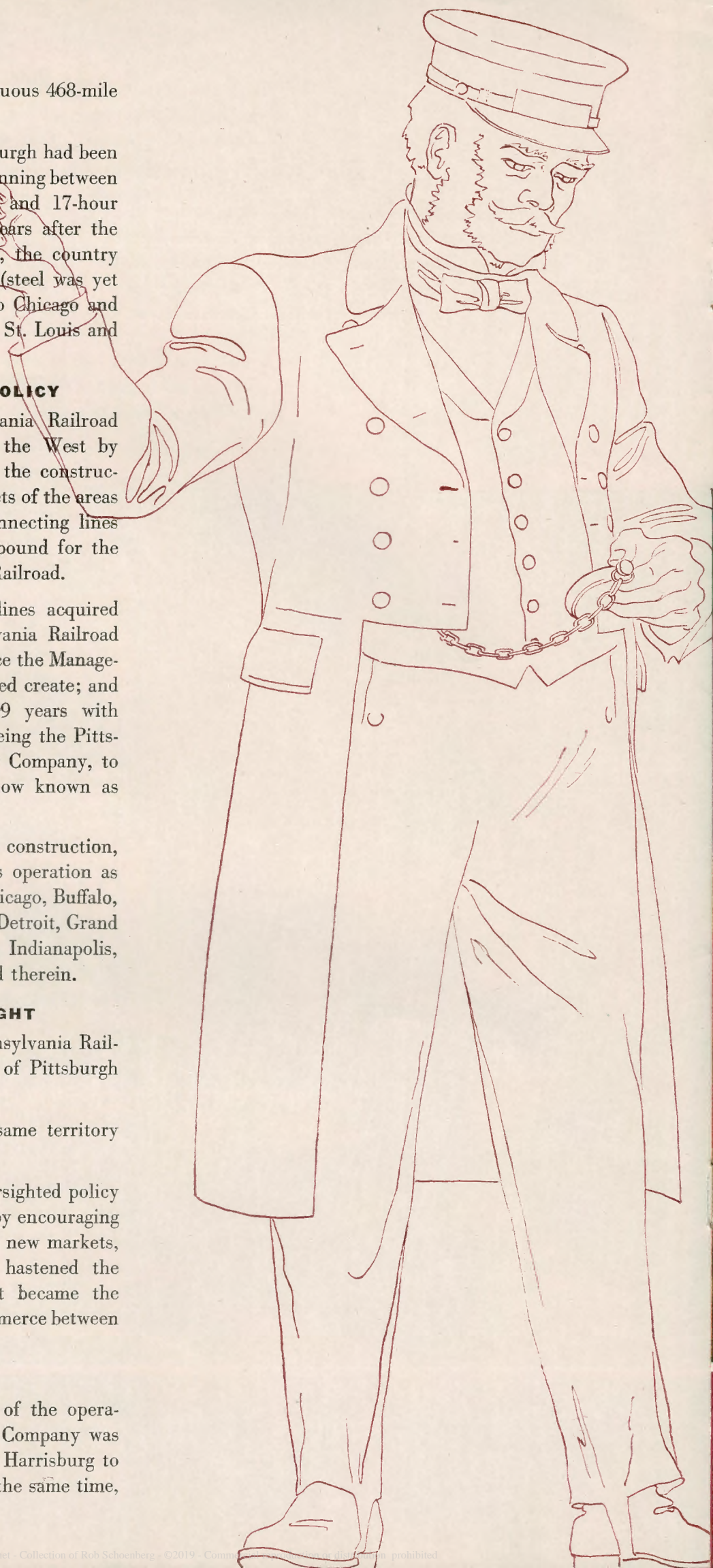
In 1852, the gross revenue of The Pennsylvania Railroad Company from its operation east of Pittsburgh alone was \$1,943,827.

In 1873, its gross revenue from that same territory was . . . \$39,983,138.

That is what vision produced. By its farsighted policy of helping midwestern lines get a start; by encouraging them to penetrate new fields and create new markets, the Pennsylvania Railroad not only hastened the great development of the Midwest—it became the “main line” for the vast exchange of commerce between East and West.

EYES TO THE EAST

As the organization and consolidation of the operation west of Pittsburgh proceeded, the Company was also actively expanding its System from Harrisburg to Baltimore and then to Washington—at the same time,



Moving Troops Was a Big Job

From January 1, 1941 to December 1, 1945—17,507,647 soldiers, sailors, marines and coastguardsmen were moved over The Pennsylvania Railroad System. This does not include any military personnel traveling on furloughs, which ran into many millions. To handle strictly military movements required 29,670 extra trains, composed of approximately 400,000 cars.



reaching northward to important coal and industrial regions. Later, the link between Philadelphia and Baltimore was added.

Above all, though, was the need for through train service between New York and the West under one management. So the Company concluded negotiations in 1871 with the railroads operating the lines between Philadelphia and Jersey City for a 999-year lease of those lines, together with their terminal facilities in New York, Jersey City and South Amboy.

For nearly 40 years thereafter the important terminal at Jersey City served as the eastern gateway of the Pennsylvania Railroad, being linked by ferries to New York City itself.

However, as time went on, the Management became convinced that public convenience required the extension of the Pennsylvania Railroad System into and through the City of New York, with a centrally located passenger station in that metropolis. It was recognized that whatever form that project ultimately took, it would be one of great engineering magnitude.

Numerous studies were made and in 1892 a full and comprehensive report was completed outlining various plans, obstacles and possibilities. Ultimately the plans narrowed down to two—bridging the Hudson River or tunneling under it.

OUTSTANDING ENGINEERS STUDY PLANS

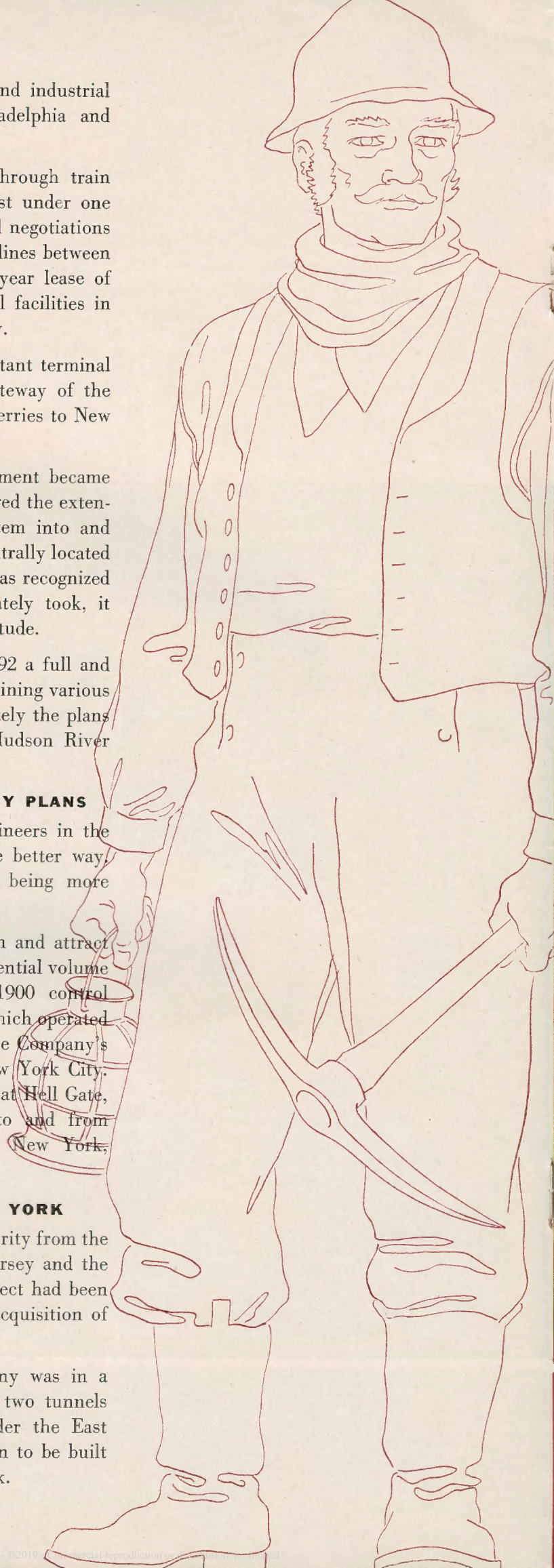
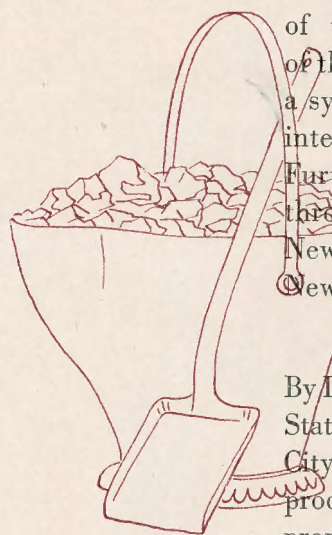
A commission of the most eminent engineers in the country was appointed to determine the better way. Their report recommended tunnels as being more practical and economical.

To give even greater breadth to the plan and attract to the city passenger terminal a larger potential volume of traffic, the Company acquired in 1900 control of the Long Island Rail Road Company, which operated a system of lines on that island. Thus the Company's interests extended 125 miles east of New York City. Furthermore, by bridging the East River at Hell Gate, through service could be established to and from New England in conjunction with the New York, New Haven & Hartford Railroad.

PENNSYLVANIA STATION, NEW YORK

By December 16, 1901, all necessary authority from the State of New York, the State of New Jersey and the City of New York for launching the project had been procured, and the Company began the acquisition of property, a long and arduous process.

Three years later, in 1904, the Company was in a position to award contracts for driving two tunnels under the Hudson River and four under the East River, to reach the vast passenger station to be built at 32nd Street and 7th Avenue, New York.



58% of Freight from Mines

Because The Pennsylvania Railroad System serves the most intensively developed industrial region in the Country, it naturally follows that a large part of its freight is raw materials. This is confirmed by the fact that 58% of the total tonnage moving over the Company's lines in a single year originated in mines. Coal accounted for 41% of Company tonnage. The movement of coal and other minerals is as vital to peacetime industry and home comfort as it was to wartime output.



Notwithstanding the innumerable engineering, legal and municipal problems which constantly arose in connection with so gigantic an undertaking, the work was pushed forward with such resolution that by the fall of 1910, the terminal and all tunnel facilities were opened for service. The building of the Pennsylvania Station, New York, and its tunnels is regarded as one of the most epochal achievements of The Pennsylvania Railroad Company. The Station covers 28 acres, in which there are 16 miles of tracks. To date, approximately 2 billion passengers have passed through its train gates.

At the time of opening, the whole project had cost more than \$112,000,000. Like all major Company improvements, it was designed to provide for a growth in service for many years to come.

ANOTHER FORWARD STEP—ELECTRIFICATION

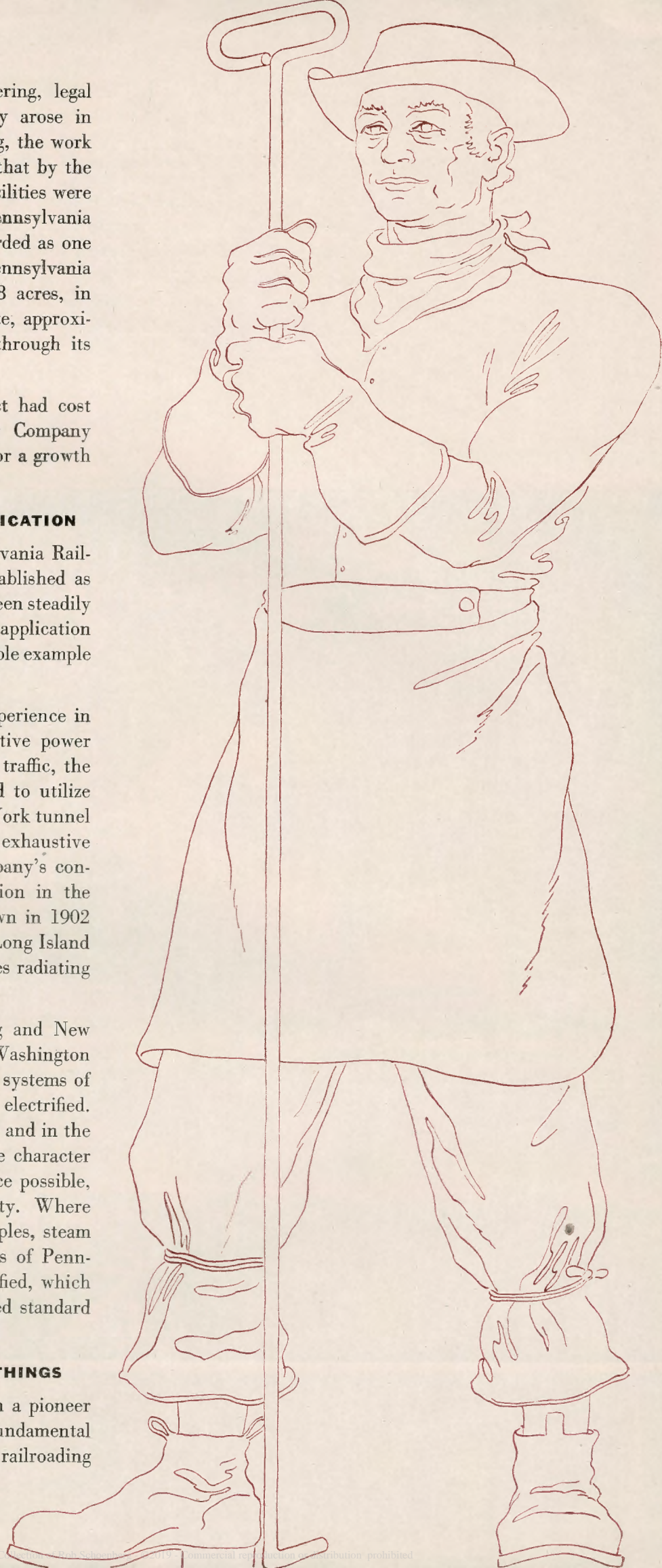
While the great framework of the Pennsylvania Railroad System was, with few exceptions, established as far back as the 1860's, that framework has been steadily strengthened and broadened by the constant application of modern and far-visioned practices. A notable example is electrification.

As early as 1901, when there was little experience in this Country in the use of electrified motive power to handle heavy and high speed passenger traffic, the Pennsylvania Railroad had already decided to utilize electric energy in connection with its New York tunnel service—a conclusion reached after the most exhaustive research, both here and abroad. The Company's confidence in the future place of electrification in the scheme of modern transportation was shown in 1902 when it began the work of electrifying the Long Island Rail Road, and thereafter the suburban lines radiating from Philadelphia.

Today—for 194 miles between Harrisburg and New York by one route—and for 226 miles from Washington to New York by another—the great 4-track systems of the Pennsylvania Railroad are completely electrified. Where electrification is economically sound and in the best interests of the public, and where the character of traffic is such that it makes better service possible, the Pennsylvania Railroad uses electricity. Where steam power best conforms to these principles, steam power is employed. At present 2,667 miles of Pennsylvania Railroad System tracks are electrified, which represents about 40% of the total electrified standard railroad trackage in the United States.

ALWAYS SEARCHING FOR BETTER THINGS

From the beginning the Company has been a pioneer in developing and adopting many of the fundamental improvements by which the science of railroading has been advanced.



Steel Was the Number 1 War Material

An interesting historical fact is that the steel industry grew out of the iron rail. The Pennsylvania Railroad was the first to supplant iron rail with steel, and thus create a market for steel. Today not only is the Pennsylvania Railroad a steel railroad—cars, locomotives, signals, rail, equipment, structures—but the chief carrier of steel, out of which our Navy and Army weapons of war were built.



Noteworthy, among them, have been . . . the steel rail . . . the air brake . . . block signals . . . the application of the telephone to railroading . . . steel cars . . . through freight service, and freight trains operating on regular schedules . . . coordination of truck and train service . . . and the steam turbine locomotive. How farsighted the Company has been in its realization of the practical importance research must play in improved operations is best illustrated by the Altoona railroad shops, the most extensive in the world. In 1850, before the original line was completed, the Company began building at Altoona, Pennsylvania, a group of shops—not alone for building and servicing equipment but to promote experiment and development. Thus for 96 years, the Company has had the benefit of the most intensive technical research, employing the most modern instruments of science.

THE RAILROAD'S WAR RECORD

The Pennsylvania Railroad has served its Country through five wars. Its first line was opened for service in the midst of the Mexican War. During the Civil War its lines were the main supply lines of the Union Armies. In fact, one of Lee's objectives in his invasion of Pennsylvania in 1863 was to cut these lines, and so great was the threat that the entire shop force of the Company at Altoona abandoned their work and took up arms until Lee's army was repelled.

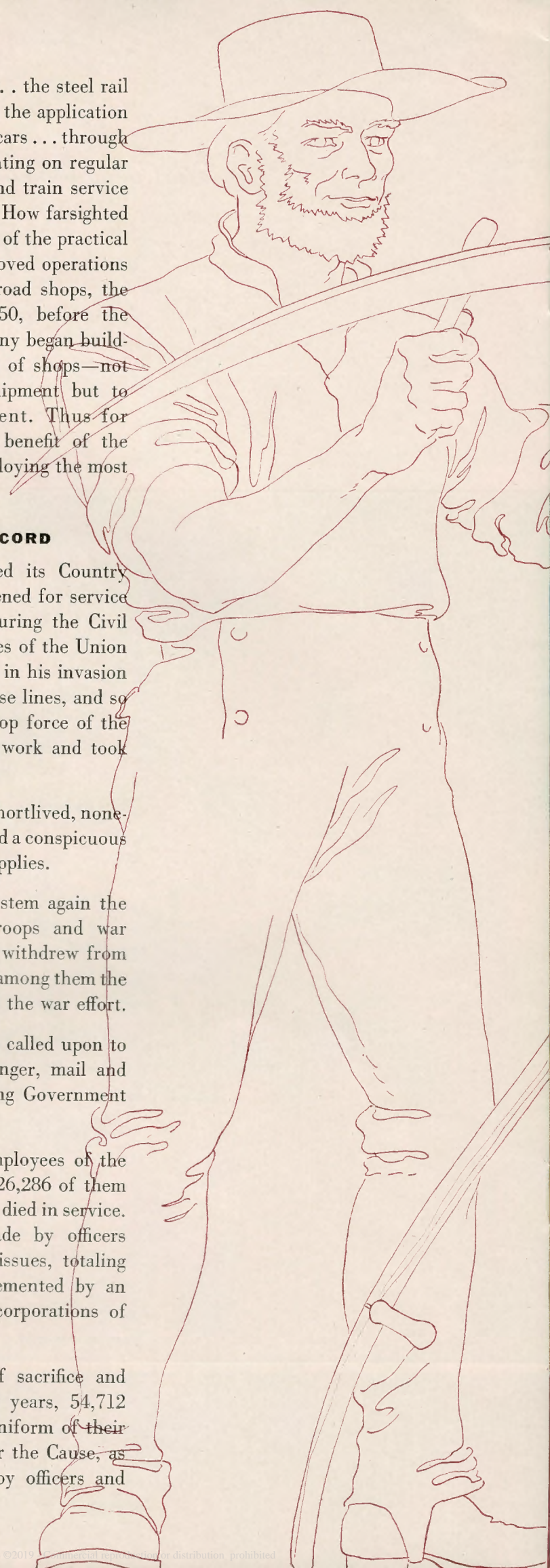
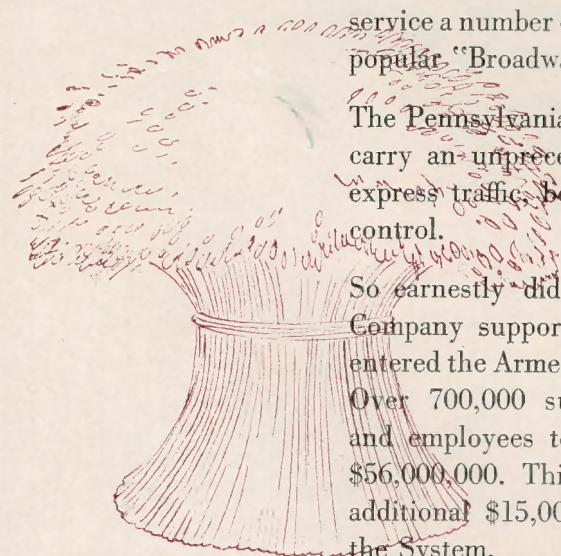
While the Spanish-American War was shortlived, nonetheless, the Pennsylvania Railroad played a conspicuous part in the movement of troops and supplies.

In World War I, not only was the System again the main route for the movement of troops and war materials to Europe but the Company withdrew from service a number of its through trains—among them the popular "Broadway Limited"—to speed the war effort.

The Pennsylvania Railroad System was called upon to carry an unprecedented freight, passenger, mail and express traffic, both prior to and during Government control.

So earnestly did the officers and employees of the Company support the war effort that 26,286 of them entered the Armed Forces, of whom 443 died in service. Over 700,000 subscriptions were made by officers and employees to Government Bond issues, totaling \$56,000,000. This amount was supplemented by an additional \$15,000,000 from various corporations of the System.

In World War II the same spirit of sacrifice and devotion was manifest. Over the war years, 54,712 officers and employees served in the uniform of their Country, and 1,045 gave their lives for the Cause, as of December 7, 1945. Subscriptions by officers and





For a Century—Working Partner of Agriculture

The big markets for the agriculturalist and cattleman are in the region served by the Pennsylvania Railroad. Therefore, from the beginning, farmer and railroad have worked closely together. Last year alone more than 25,000,000 tons from farm, ranch and forest moved over The Pennsylvania Railroad System.



employees to War Bond issues aggregated more than \$72,000,000 and the System itself purchased over \$259,000,000 of these issues in addition.

No attempt can be made here to detail the tremendous job the Pennsylvania Railroad System did from 1941 through 1945—but the wisdom of leaving that job to private enterprise was forcefully and clearly demonstrated. By self-coordination and self-imposed cooperation, the Railroads of the Country accomplished infinitely more—and accomplished it with smoothness and precision.

A GLORIOUS MILESTONE

As the Company looks back on many accomplishments over the last century, few are more noteworthy than its contribution to the welfare and prosperity of those who have placed their faith in it.

Industry in itself is not an end but a means to an end. Therefore, the objective of The Pennsylvania Railroad Company has been, since its inception, to guide and shape its policies so they would continually produce income for Stockholders, Bondholders, Employees.

As a result, the Stockholders have received a cash return in every calendar year since 1847. In addition, stock dividends were paid representing a part of the expenditures made on property out of surplus income.

The sum total of cash returns to Stockholders from 1847 to December 31, 1945, amounts to \$1,297,893,025—placing the Company among the topmost corporations of the Country in total return paid.

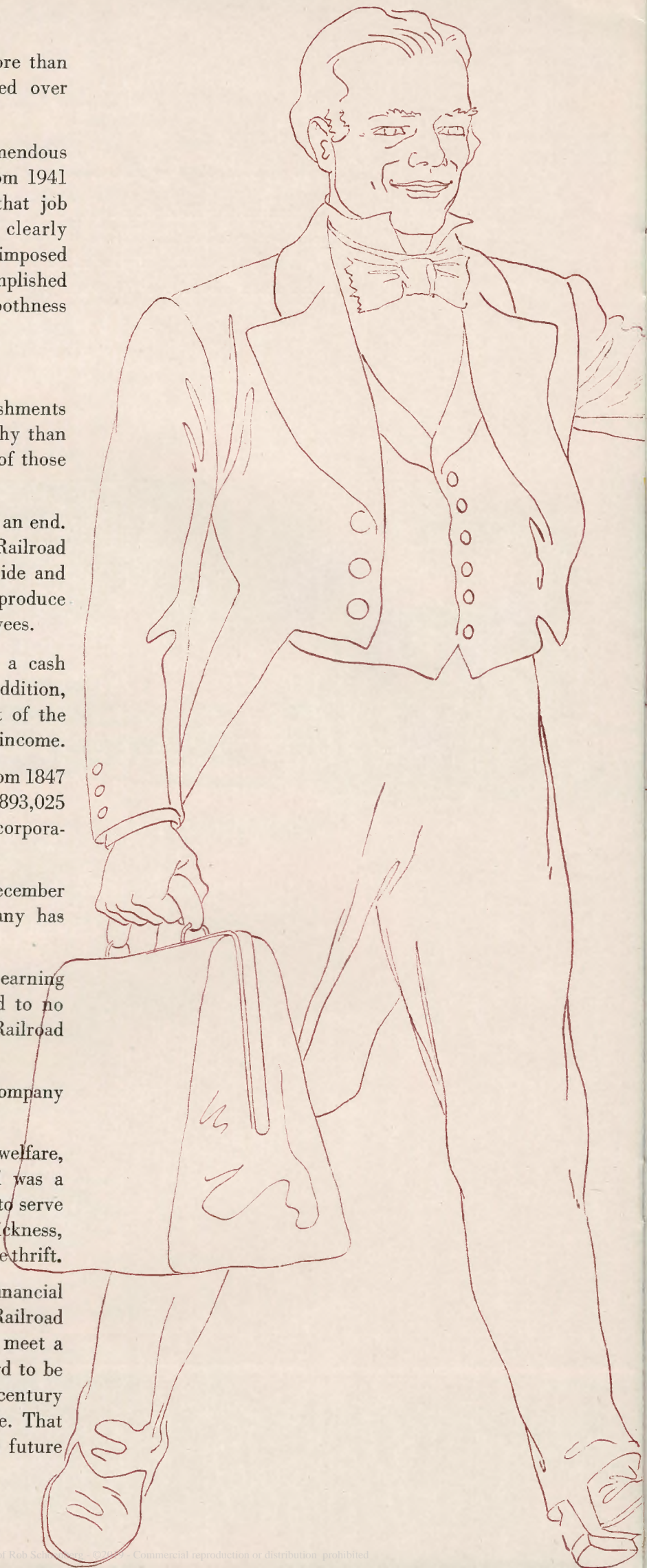
To Bondholders over the years, and up to December 31, 1945, The Pennsylvania Railroad Company has paid more than \$1,000,000,000 in interest.

No person is more dependent upon the steady earning power of the System than the Employee, and to no one person or group has The Pennsylvania Railroad Company paid out so much money.

Over the 100 years since it was founded the Company has paid in wages more than \$10,000,000,000.

In addition, ever mindful of the Employee's welfare, it has set up relief funds, savings funds, and was a pioneer in the establishment of a pension fund, to serve as practical means of solving the problems of sickness, accident, old age and death as well as to encourage thrift.

Through cycles of prosperity and depression, financial panics, destructive wars—The Pennsylvania Railroad Company has never in all its history failed to meet a financial obligation when due. That is a record to be proud of. A record to go hand in hand with its century of progressive service to the American people. That spirit carries on, as alert to the needs of the future as throughout the past.



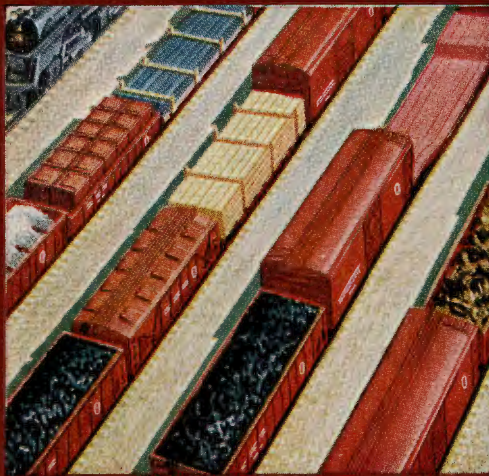


Why Industries Like to be Along Pennsylvania Railroad Lines

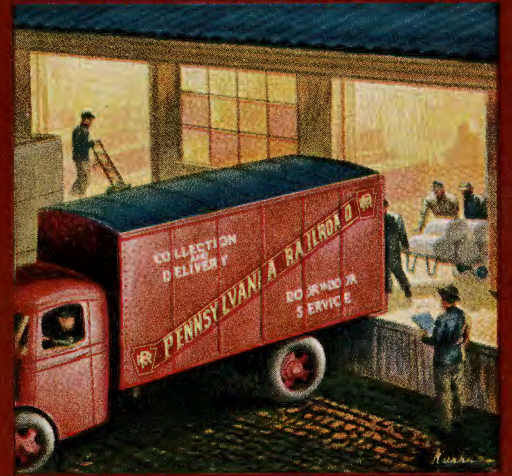
Along lines of the System are approximately 12,000 industrial enterprises, each with its own siding. In addition, there are many thousands more that utilize the System's team tracks and freight stations. More industry is located along the Pennsylvania than along any other railroad. Some—though by no means all—of the reasons for this preference are given below.



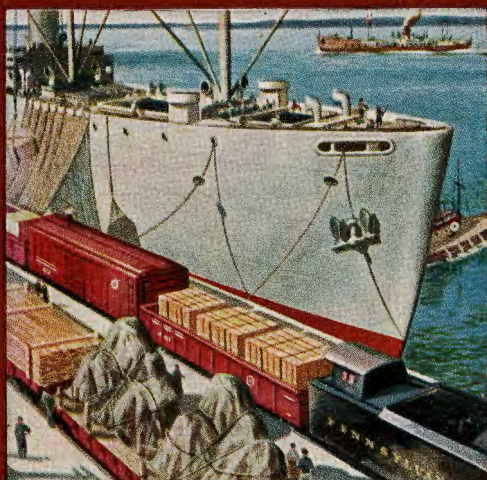
IT'S LIKE BEING ON THE MAIN STREET— in a market large and versatile! The market embraces 13 states and the District of Columbia.



SO MANY DIFFERENT TYPES OF CARS and services to handle and speed an industry's products from factory to market.



PICKUP AND DELIVERY SERVICE that is not only extensive, but widely experienced, is provided by the Pennsylvania Railroad.



DIRECT SERVICE TO MANY PORTS along the Atlantic Coast; also to principal ports on the Great Lakes.



THROUGH FREIGHT SERVICE by main gateways to and from the West, South, Southwest, New England, Canada and Mexico.



EXCELLENT PASSENGER SERVICE. Customers can quickly and conveniently come to a factory for conferences and inspections.

From One Passenger Train a Day to 1,340 a Day

In 1848 the Pennsylvania Railroad ordered two passenger cars, one baggage car and two locomotives to inaugurate its first service, which began September 1, 1849. Now, in a single day, 1,340 passenger trains are operated on regular scheduled runs. Today Pennsylvania Railroad passenger service contains every type of equipment for safe travel — all-Pullman trains, all-coach trains, Pullman-and-coach trains.





PRINTED IN U.S.A.