

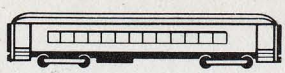
1946 Annual Report

The Delaware, Lackawanna, and Western Railroad Company

FOR THE YEAR ENDED DECEMBER 31, 1946

Lackawanna Railroad

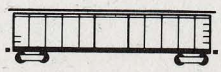
in 1946
(and in 1926)



716 PASSENGER CARS
(915 in 1926)



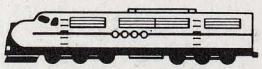
8,141 COAL CARS
(11,263 in 1926)



8,280 OTHER FREIGHT CARS
(16,699 in 1926)

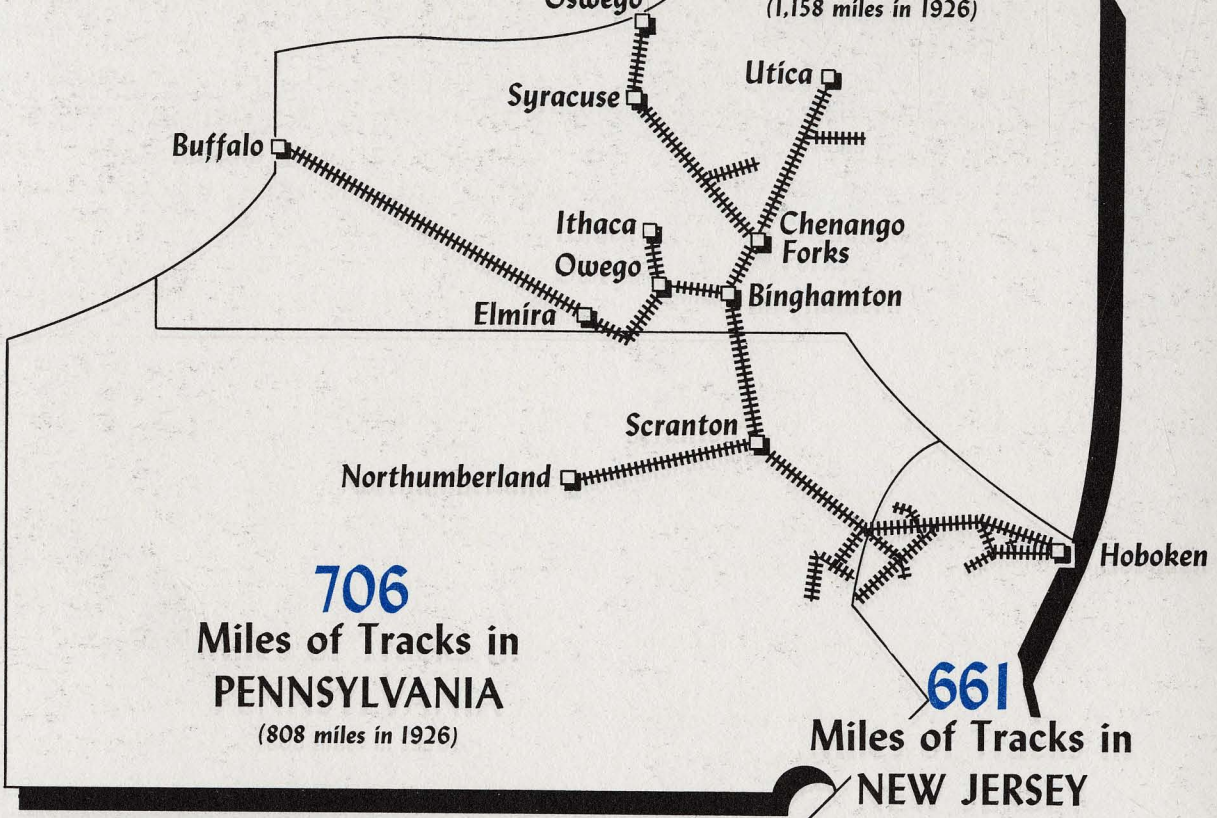


291 STEAM LOCOMOTIVES
(749 in 1926)



53 DIESEL LOCOMOTIVES
(none in 1926)

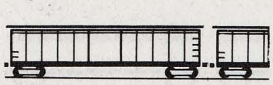
1,095
Miles of Tracks in
NEW YORK
(1,158 miles in 1926)



706
Miles of Tracks in
PENNSYLVANIA
(808 miles in 1926)

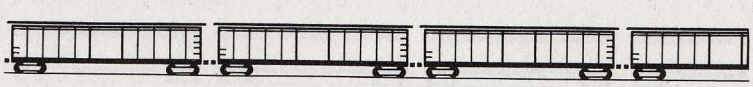
661
Miles of Tracks in
NEW JERSEY
(764 miles in 1926)

PRODUCTS OF
AGRICULTURE,
ANIMALS & FORESTS



12.8%
(13.8% IN 1926)

MANUFACTURED
PRODUCTS, MISC.,
& LESS THAN CARLOAD



36.4%
(29.8% IN 1926)

PRODUCTS OF
MINES



50.8%
(56.4% IN 1926)

The Lackawanna hauled 27,348,196 tons of freight in 1946
(29,167,538 tons in 1926)

Lackawanna Railroad

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY

140 Cedar Street, New York 6, N.Y.

March 10, 1947

To the Stockholders

The purpose of this annual report is to present the results of operations during the year 1946, and to acquaint you with various problems confronting the railroad industry.

Highlights for the Year . . . .

. . . . Out of gross revenue of $69,481,551, net income of only $36,216. This slight net income was possible only because of a carry-back tax credit of $933,531 and because we were favored with reasonably good operating weather. Except for anthracite coal, we handled the greatest volume of freight traffic of any peacetime year. . . . .

. . . . Strikes! Two bituminous coal strikes, a truck strike in New York City and vicinity, strikes in the automobile, steel, meat packing, electrical supply and other industries, and the first nation-wide railroad strike since the shopmen's strike of 1922 and the first since the enactment of the Railway Labor Act of 1926. This strike called by the Brotherhood of Locomotive Engineers and Brotherhood of Railroad Trainmen to start on May 18, was postponed at the eleventh hour in response to a personal appeal from the President of the United States. It then started on May 23 and lasted for two days, when it was called off due to acceptance of a formula for settlement proposed by President Truman; but only after the entire American people were aroused and concerned, because the machinery of the Railway Labor Act had not been able to avoid a nation-wide strike even though it was called by only two of the railroad labor organizations. . . .

. . . . Freight car shortage, the first since 1923. A record grain crop, a heavy volume of less carload freight, strikes, the five-day week and a deficiency in total railroad ownership caused this shortage. Freight cars are still operated in a pool without regard to car service rules, and the Interstate Commerce Commission has ordered thousands of cars moved empty to the west, largely to move the grain crop. Our Company while not found

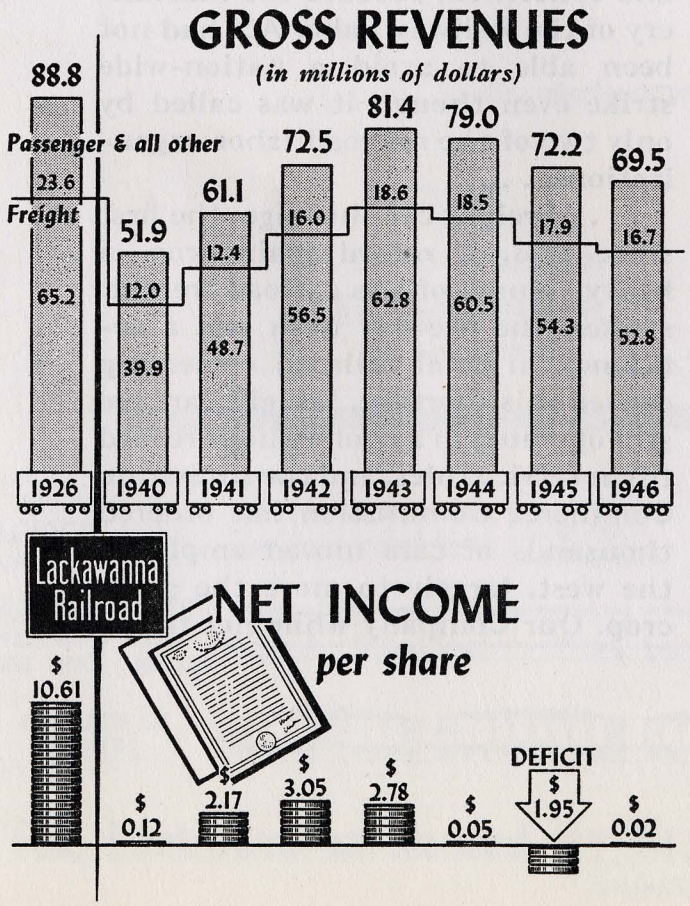
to be deficient in ownership by any formula used, nevertheless suffered seriously from car shortage.

All of these things unbalanced the production lines of the country and had adverse effect upon railroad operations.

Rates and Fares

To meet rising costs resulting from an increase of 51 per cent in wages since 1941 and increases in the costs of materials and supplies varying up to 60 per cent, the Interstate Commerce Commission in response to a petition of April 15 for authority to increase freight rates 25 per cent, with certain exceptions including anthracite coal, on which the request was for an increase of 15 per cent, granted a small interim increase effective July 1, which added $2,271,159 to the freight revenues of our Company, but which in terms of gross revenue was only 6.6 per cent and was clearly inadequate. Finally, on December 5 the Commission made its final decision allowing increased freight rates effective January 1, 1947, averaging about 17.9 per cent for Eastern railroads and which superseded the interim increases that were effective July 1. The order also made permanent the temporary 10 per cent increase in basic passenger fares in effect since February, 1942. If the increases granted, effective January 1, 1947, had been in effect for the full year of 1946, they would have produced $9,650,000 instead of the $2,271,159 that resulted from the interim increase of July 1. In 1947 it is hoped that the new freight rates will add $10,200,000 to gross revenue, or about 14.6 per cent. This will still fail to yield a rate of return necessary to meet the constantly rising costs of operation, finance improvements in property and equipment, provide adequate debt reduction and pay reasonable dividends. In order to yield a sufficient rate of return there must be a greater spread between revenues and expenses to meet the needs of the industry, preserve it in private ownership and improve its credit.

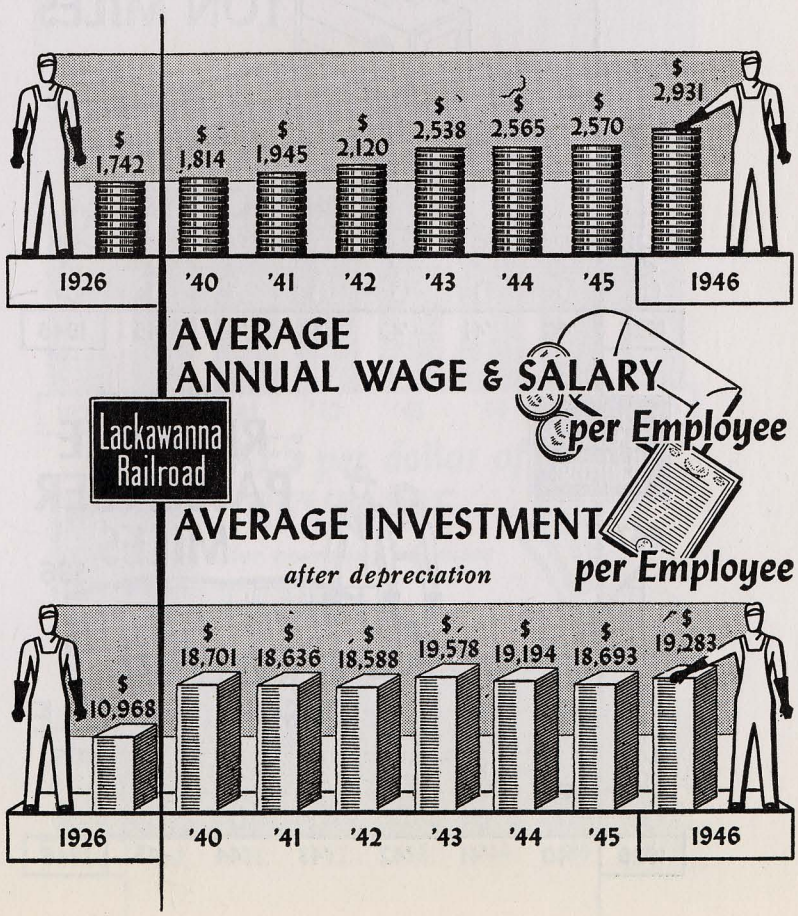
The railroads are the keystone in the arch of private enterprise. Should that keystone collapse and the railroads become Government owned and operated, no one can predict how many other industries will become



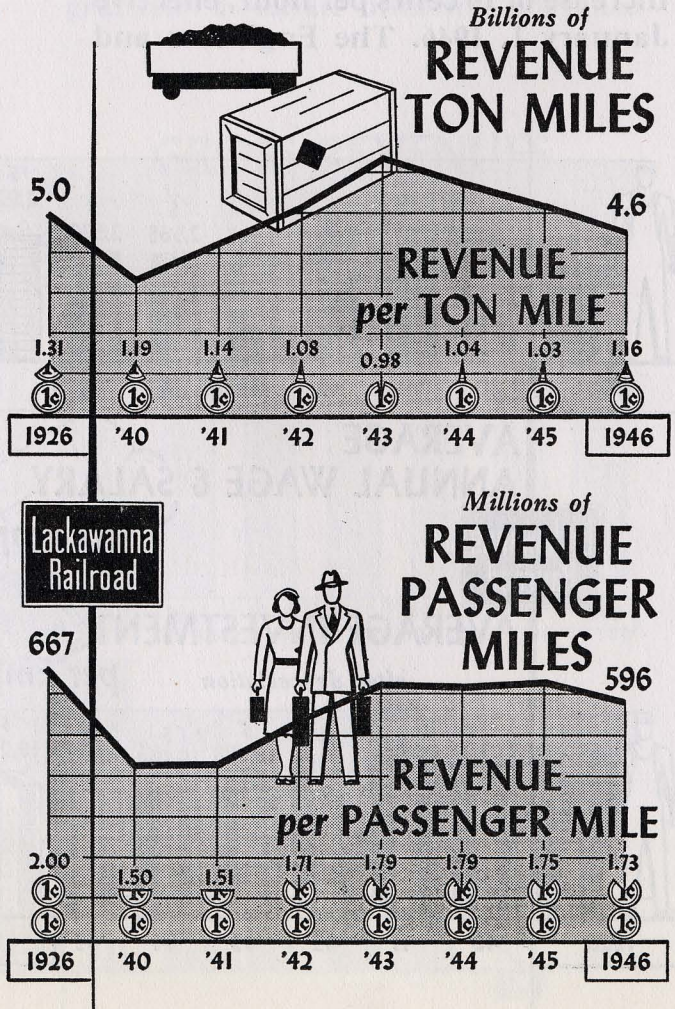
the victims of state socialism. Transportation is the medium through which dollars of production are converted into dollars of sales, and the railroads are the most vital factor in transportation. They must not be taken for granted nor should it be assumed that their varying problems can always be overcome by management. There must be an awareness on the part of the people and their public servants that if the railroads are to be operated and maintained as a private enterprise and meet the needs of the country their credit must be restored, and that will be possible only by the realization of an adequate return on the investment in transportation property. A 6 per cent return upon the valuation set by the Interstate Commerce Commission for rate making purposes would yield only $1,200,000,000 of net railway operating income per year for Class I railroads. In the 26 years beginning with 1921 there were only four years in which net railway operating income exceeded this figure. Actually, the net railway operating income of the Class I railroads from 1921 to 1930, inclusive, averaged only $999,250,800, and in the 16 years from 1931 to 1946, inclusive, averaged only $725,648,813. The financial credit of no industry can be maintained on a rate of return as low as that of the railroads in the last 26 years, and herein lies the real danger of Government ownership. For that reason and so that the railroads can perform their public service properly, the Member Roads of the Association of American Railroads, assembled in Chicago on January 31, 1947, adopted a resolution in which they resolved to do all within their power necessary to secure a 6 per cent return on the valuation of railroads established by the Interstate Commerce Commission. The continuing interest of bondholders and stockholders in this vital need is imperative.

Wages

At the beginning of 1946 the railroads had before them demands for wage increases and changes in working rules. Eighteen of the railroad labor organizations agreed to arbitrate their wage demands and defer consideration of rules changes, as a result of which they were granted an increase of 16 cents per hour, effective January 1, 1946. The Engineers and



Trainmen refused to arbitrate, and a Presidential fact-finding board appointed to investigate their wage and rules demands recommended an increase of 16 cents per hour, effective January 1, and certain changes in rules. The Engineers and Trainmen refused to accept the recommendations of the President's fact-finding board and called the strike heretofore referred to. As a result of the President's intervention which brought about the strike settlement, all railroad employes were granted an additional 2½ cents an hour increase, to be effective May 22, in lieu of changes in working rules, the consideration of which was to be deferred for at least one year. With this increase, average hourly wages in the railroad industry have increased 51 per cent since 1941. The increased wages effective in 1946 only, including payroll taxes applicable thereto, cost our Company $6,063,061, while the interim rate increases, effective July 1, produced additional revenue of only $2,271,159. The additional revenue thus failed to compensate for the 1946 wage increases alone by $3,791,902.



Revenues

As will be noted in the statistics, gross revenue decreased 3.83 per cent. Revenue from merchandise alone decreased 5.29 per cent, while revenue from anthracite increased 14.24 per cent. The latter increase was due to improved production resulting from better labor supply and the absence of strikes in the anthracite industry. On the other hand, strikes in the bituminous industry affected production, and our revenue from bituminous decreased 11.5 per cent.

Revenue from passenger fares decreased 6.6 per cent. Other revenues were about equal with those of the previous year with the exception of revenue from express business, which decreased 79.32 per cent.

Operating Expenses

While maintenance of way and structures expenses decreased $675,709, or 7.19 per cent, it was largely due to lower charges for depreciation and amortization of war facilities and for removing snow and ice. There was

but little curtailment of maintenance, and actually 8,588 tons of new rail and 169,652 cross-ties were laid in replacement compared with 8,249 tons of rail and 158,091 cross-ties in 1945.

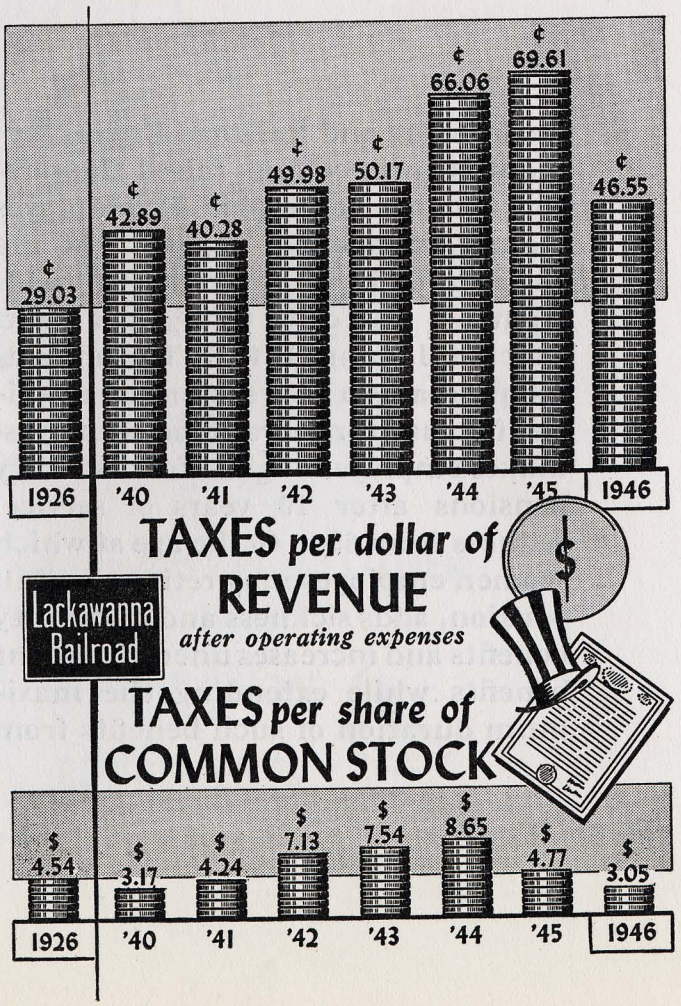
Maintenance of equipment expenses decreased $4,261,959, or 26.31 per cent. However, charges for depreciation and amortization of war equipment were lower by $4,293,026, so that there was an actual increase for maintaining equipment of $31,067. Despite increased wages and increased cost of material, repairs to freight cars, passenger cars and locomotives were not curtailed. There was some curtailment of repairs to floating equipment, and charges for repairs to steam locomotives were much reduced by reason of the additional Diesel engines employed and the decreased number of steam engines in service resulting therefrom.

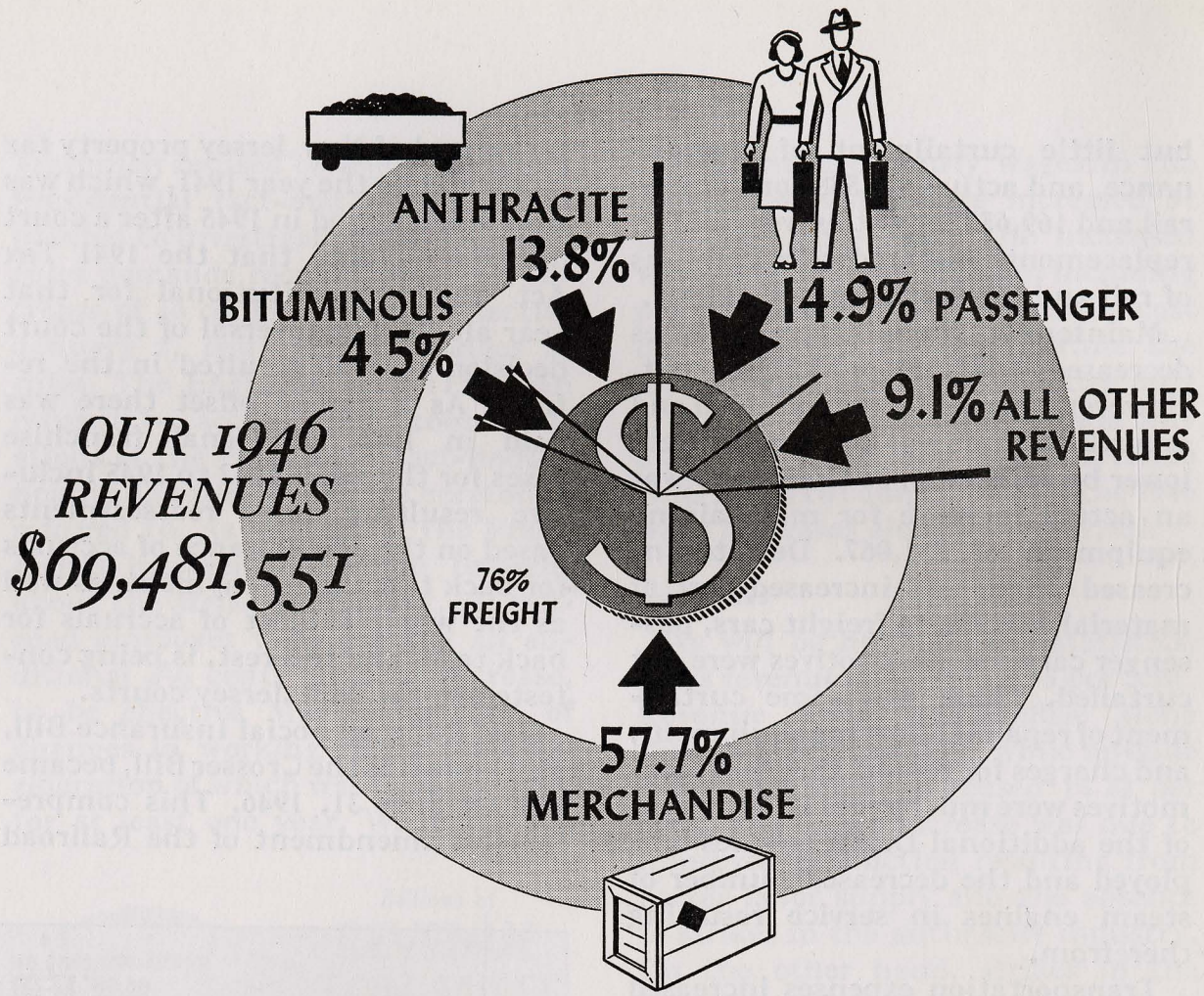
Transportation expenses increased $2,342,482, or 7.44 per cent, due in most part to higher wages and the necessity for working overtime at transfers and freight stations in the handling of a vastly increased volume of less carload freight.

Taxes

Railway tax accruals for federal, state and local taxes aggregated $5,151,585, a reduction of $2,901,718, or 36.03 per cent. There was included in 1946 a credit of $933,531 for carry-back of 1946 and 1945 losses for federal income tax purposes. There was also included in 1946 a credit of $530,902 for refund of New Jersey property tax applicable to the year 1941, which was paid and accrued in 1945 after a court decision holding that the 1941 Tax Act was unconstitutional for that year alone. The reversal of the court decision in 1946 resulted in the refund. As a partial offset there was paid in 1946 additional franchise taxes for the years 1942 to 1945 inclusive resulting from reassessments based on the disallowance of accruals for back taxes. This payment, as well as the whole subject of accruals for back taxes and interest, is being contested in the New Jersey courts.

The Railroad Social Insurance Bill, also known as the Crosser Bill, became law on July 31, 1946. This comprehensive amendment of the Railroad

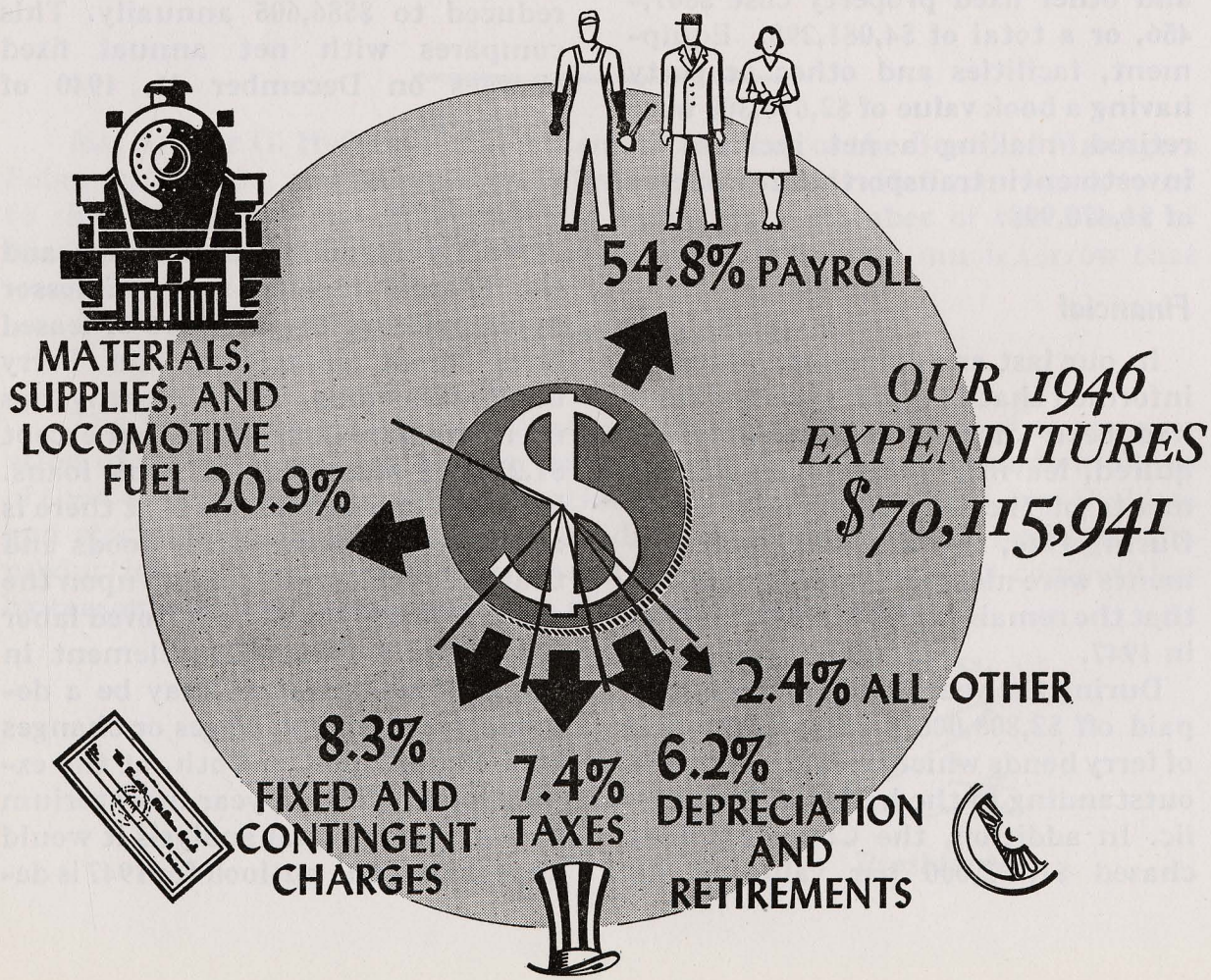


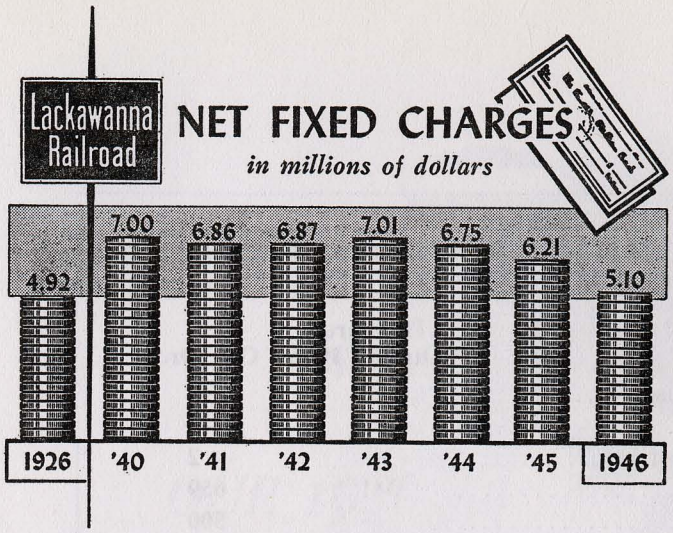


Retirement and Railroad Unemployment Insurance Acts raised the payroll tax rate to be paid by employes from 3½ per cent to 5¾ per cent and the rate to be paid by the railroads from 6½ per cent to 8¾ per cent, effective January 1, 1947. The amendment creates a new system of annuities for survivors of railroad employes, makes employes eligible for disability pensions after 10 years of service, reduces from 65 to 60 the age at which women employes may retire on a full pension, adds sickness and maternity benefits and increases unemployment benefits while extending the maximum duration of such benefits from 100 to 130 days in any one year. The Bill was vigorously opposed by railroad management because it makes the Railroad Retirement fund actuarially unsound, provides for benefits for railroad employes far more liberal than for employes of other industries and because of the additional cost. The increased payroll tax resulting from the Crosser Bill alone is estimated to cost our Company $840,000 annually, and will make the total payroll tax for pensions, unemployment and other benefits about $3,250,000 per year, and that is about 45 per cent of our total railway tax accruals other than Federal income tax.

The following statement shows the number of units of equipment delivered during the year and on order at the close of the year:

	Delivered During 1946	On Order
4500 H.P. Diesel-electric passenger locomotives	2	—
4500 H.P. Diesel-electric freight locomotives	2	—
3000 H.P. Diesel-electric freight helper locomotives	—	2
50-ton Hopper cars	341	659
50-ton Box cars	—	500
Coaches	—	15
Sleeping cars	—	9
Dining cars	—	2
Tavern-Lounge cars	—	2
Snow Plow	—	1
Second-hand car float	1	—
Second-hand ice cars	36	14





Additions and Betterments

Additional equipment purchased and delivered during the year and improvements to existing equipment cost $3,273,842, and additions and improvements to buildings, tracks and other fixed property cost $807,456, or a total of $4,081,298. Equipment, facilities and other property having a book value of $2,610,300 were retired, making a net increase in investment in transportation property of $1,470,998.

Financial

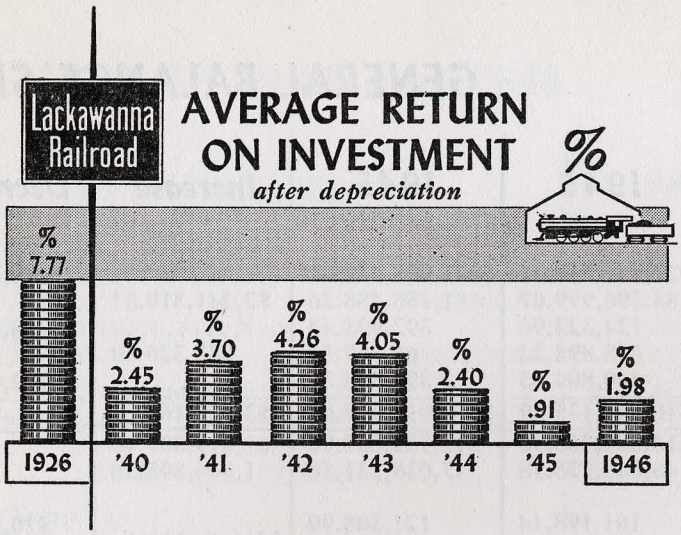
In our last annual report you were informed that 14 of our 18 leased lines had been merged or otherwise acquired, leaving only four small segments of the line on a lease basis. During 1946, two of these small segments were merged, and it is expected that the remaining two will be merged in 1947.

During the year 1946, our Company paid off $2,808,000 principal amount of ferry bonds which at maturity were outstanding in the hands of the public. In addition, the Company purchased $1,772,000 par value of its bonds at a cost of $1,202,850, and also purchased $705,810 par value of leased line stocks at a cost of $754,635, making a total reduction of $5,285,810 par value of outstanding bonds and stocks, at a cost of $4,765,485. For this purpose, a temporary bank loan of $2,000,000 was made on May 1, of which $750,000 has been paid.

As a result of the two mergers, the redemption of ferry bonds and the purchase of other bonds and leased line stocks, the net fixed charges at December 31, 1946, on outstanding bonds and stocks were reduced to $4,690,734 on an annual basis, and the current contingent interest was reduced to $586,605 annually. This compares with net annual fixed charges on December 31, 1940 of $6,336,319.

The Outlook

With New Jersey back taxes and the Federal income taxes of lessor roads paid up, the mergers of leased lines about completed and Ferry bonds redeemed, our Company has no immediate debt obligation except $1,250,000 remaining of bank loans. Business men inform us that there is a continuing demand for goods and that production will depend upon the absence of strikes and improved labor efficiency. A disturbing element in the railroad situation may be a demand for increased wages or changes in working rules, or both, at the expiration of the one-year moratorium in May. In the final analysis it would appear that the outlook for 1947 is de-

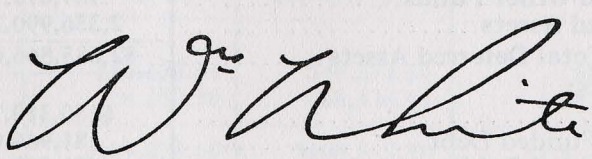


pendent entirely upon labor. Should production of goods be not curtailed and costs not materially increased, our Company may look forward to an improvement in net earnings, but in order to insure an adequate return it is our opinion that there must be some further increase in freight rates and passenger fares. There is, however, a limit to which freight rates and passenger fares can be increased because of competition from other forms of transportation that receive financial subsidy at the expense of taxpayers. The railroads welcome fair competition, but they cannot compete successfully with other modes of transportation that receive governmental subsidy. Without an adequate return it is impossible to make those investments for equipment and facilities which tend to reduce costs and keep freight rates and passenger fares at a competitive level.

Mr. Arthur G. Hoffman, who became a Member of the Board of Managers February 23, 1934, was deceased on February 16, 1947. Mr. Hoffman was devoted to the interests of our Company and served as a Member of the Board of Managers conscientiously and with distinction. It is with much sorrow that we record his death.

The President and Board of Managers acknowledge and express appreciation of the loyal and efficient services rendered by the officers and employes of the Company, and bespeak the continuing interest of employes, bondholders and stockholders in the successful conduct of our Company's business, the production of adequate earnings and the elimination of unfair competition by reason of Government subsidy at the expense of taxpayers.

By order of the Board of Managers,



President.

GENERAL BALANCE SHEET DECEMBER 31, 1946 and 1945

ASSETS	1946	1945	Increase	Decrease
Investments:				
Road Property	$227,741,517.21	$227,905,932.01		$164,414.80
Equipment Property	83,396,999.07	81,155,488.26	$2,241,510.81	
Improvements on Leased Property	124,322.96	392,923.48		268,600.52
Acquisition Adjustment—Cr.	648,894.22	66,567.53	582,326.69	
Donations and Grants—Cr.	469,809.63	2,372,808.59		1,902,998.96
Investment in Transportation Property	$310,144,135.39	$307,014,967.63	$3,129,167.76	
Less Accrued Depreciation—Road	$13,801,968.98	$12,782,659.90	$1,019,309.08	
Accrued Depreciation—Equipment	48,545,126.78	47,038,231.50	1,506,895.28	
Accrued Amortization of Defense Projects—Road	101,198.14	121,308.99		$20,110.85
Accrued Amortization of Defense Projects—Equipment	5,447,811.55	5,450,779.93		2,968.38
Net Book Value of Transportation Property	$242,248,029.94	$241,621,987.31	$626,042.63	
Sinking Funds	47,552.91	401.74	47,151.17	
Capital and Other Reserve Funds	7,682,958.48	4,933.19	7,678,025.29	
Miscellaneous Physical Property	10,963,381.47	11,078,085.82		$114,704.35
Total	$260,941,922.80	$252,705,408.06	$8,236,514.74	
Investments in Affiliated Companies:				
Stocks	$1,016,910.21	$3,945,983.45		$2,929,073.24
Bonds	200,000.00	3,971,938.67		3,771,938.67
Unsecured Notes	2,815,018.43	3,724,350.22		909,331.79
Investment Advances	1,300,308.23	1,435,479.11		135,170.88
Total	$5,332,236.87	$13,077,751.45		$7,745,514.58
Other Investments:				
Stocks	$966,497.09	$1,085,999.73		$119,502.64
Other Secured Obligations	426,838.68	469,972.61		43,133.93
Unsecured Notes	4.50	70.37		65.87
Investment Advances	320,623.77	306,506.11	$14,117.66	
Total	$1,713,964.04	$1,862,548.82		$148,584.78
Total Investments	$267,988,123.71	$267,645,708.33	$342,415.38	
Current Assets:				
Cash	$5,514,371.69	$3,286,866.98	$2,227,504.71	
Temporary Cash Investments	4,027,642.20	8,438,000.00		$4,410,357.80
Special Deposits	2,464,735.36	1,894,034.64	570,700.72	
Net Balances Receivable from Agents and Conductors	2,001,253.29	1,966,134.70	35,118.59	
Miscellaneous Accounts Receivable	1,707,142.29	2,421,918.21		714,775.92
Material and Supplies	4,298,346.07	4,144,521.05	153,825.02	
Interest and Dividends Receivable	19,966.51	236,036.81		216,070.30
Accrued Accounts Receivable	1,705,477.60	2,988,628.96		1,283,151.36
Other Current Assets	11,162.70	103,813.15		92,650.45
Total Current Assets	$21,750,097.71	$25,479,954.50		$3,729,856.79
Deferred Assets:				
Working Fund Advances	$139,803.32	$138,645.11	$1,158.21	
Insurance and Other Funds	189,073.13	189,073.13		
Other Deferred Assets	2,356,990.21	454,043.70	1,902,946.51	
Total Deferred Assets	$2,685,866.66	$781,761.94	$1,904,104.72	
Unadjusted Debits:				
Prepayments	$150,310.71	$79,757.08	$70,553.63	
Discount on Funded Debt	181,966.03	92,430.09	89,535.94	
Other Unadjusted Debits	421,588.33	497,626.88		$76,038.55
Securities Issued or Assumed:				
Unpledged $6,179,500.00				
Pledged 14,934,950.00				
Total Unadjusted Debits	$753,865.07	$669,814.05	$84,051.02	
Grand Total	$293,177,953.15	$294,577,238.82		$1,399,285.67

LIABILITIES	1946	1945	Increase	Decrease
Capital Stock:				
Authorized (Shares $50.00 Each) $87,407,500.00				
Less Unissued and Nominally Issued 2,966,300.00				
Outstanding	$84,441,200.00	$84,441,200.00		
Premiums and Assessments on Capital Stock	365,713.93	365,713.93		
Total Capital Stock	$84,806,913.93	$84,806,913.93		
Long Term Debt:				
Funded Debt Unmatured $141,109,800.00				
Held By or For Carrier 18,148,150.00				
Outstanding	$122,961,650.00*	$112,356,700.00	$10,604,950.00	
Equipment Obligations	15,017,082.59*	8,227,107.04	6,789,975.55	
Amounts Payable to Affiliated Companies—Open Accounts	939,999.64	929,266.17	10,733.47	
Total Long Term Debt	$138,918,732.23	$121,513,073.21	$17,405,659.02	
Current Liabilities:				
Traffic and Car Service Balances—Cr.	$645,375.86	$1,328,409.82		$683,033.96
Audited Accounts and Wages Payable	4,202,777.75	4,083,996.16	$118,781.59	
Miscellaneous Accounts Payable	1,243,673.53	1,082,037.25	161,636.28	
Interest Matured Unpaid	418,538.79	2,017,560.70		1,599,021.91
Dividends Matured Unpaid	59,357.51	106,102.42		46,744.91
Unmatured Interest Accrued	1,311,750.36	860,265.13	451,485.23	
Accrued Accounts Payable	35,119.56	83,939.99		48,820.43
Taxes Accrued	384,587.33	314,609.72	69,977.61	
Other Current Liabilities	496,441.26	791,139.51		294,698.25
Total Current Liabilities	$8,797,621.95	$10,668,060.70		$1,870,438.75
Deferred Liabilities:				
Deferred Payments, Grade Crossing Eliminations	$1,802,552.82	$1,479,850.02	$322,702.80	
Equipment of Leased Lines		79,541.99		$79,541.99
Liability for Exchange of Leased Lines Stock	1,121,200.00	11,820,150.00		10,698,950.00
Other Deferred Liabilities	16,825.26	3,151.16	13,674.10	
Total Deferred Liabilities	$2,940,578.08	$13,382,693.17		$10,442,115.09
Unadjusted Credits:				
Insurance Reserves		$1,031,893.23		$1,031,893.23
Accrued Depreciation—Leased Property	Dr. $13,435.60	Dr. 52,144.75	$38,709.15	
Accrued Depreciation—Leased Ferry Boats		1,238,392.72		1,238,392.72
Other Unadjusted Credits	2,083,678.77	1,012,829.83	1,070,848.94	
Total Unadjusted Credits	$2,070,243.17	$3,230,971.03		$1,160,727.86
Surplus:				
Unearned Surplus:				
Paid-In Surplus	$40,375.34	$40,374.34	$1.00	
Other Unearned Surplus	69,500.26	68,138.94	1,361.32	
Total Unearned Surplus	$109,875.60	$108,513.28	$1,362.32	
Earned Surplus—Appropriated	56,155.53	6,365,092.19		$6,308,936.66
Earned Surplus—Unappropriated	55,477,832.66	54,501,921.31	975,911.35	
Total Surplus	$55,643,863.79	$60,975,526.78		$5,331,662.99
Grand Total	$293,177,953.15	$294,577,238.82		$1,399,285.67

* Includes $3,287,968.20 maturing within one year.

DECEMBER 31, 1946 and 1945

LIABILITIES	1946	1945	Increase	Decrease
Capital Stock:				
Authorized (Shares $50.00 Each) $87,407,500.00				
Less Unissued and Nominally Issued 2,966,300.00				
Outstanding	$84,441,200.00	$84,441,200.00	.....	.....
Premiums and Assessments on Capital Stock	365,713.93	365,713.93	.....	.....
Total Capital Stock	$84,806,913.93	$84,806,913.93	.....	.....
Long Term Debt:				
Funded Debt Unmatured $141,109,800.00				
Held By or For Carrier 18,148,150.00				
Outstanding	$122,961,650.00*	$112,356,700.00	$10,604,950.00	.....
Equipment Obligations	15,017,082.59*	8,227,107.04	6,789,975.55	.....
Amounts Payable to Affiliated Companies—Open Accounts	939,999.64	929,266.17	10,733.47	
Total Long Term Debt	$138,918,732.23	$121,513,073.21	$17,405,659.02	.....
Current Liabilities:				
Traffic and Car Service Balances—Cr.	$645,375.86	$1,328,409.82	.....	$683,033.96
Audited Accounts and Wages Payable	4,202,777.75	4,083,996.16	$118,781.59	.....
Miscellaneous Accounts Payable	1,243,673.53	1,082,037.25	161,636.28	.....
Interest Matured Unpaid	418,538.79	2,017,560.70	.....	1,599,021.91
Dividends Matured Unpaid	59,357.51	106,102.42	.....	46,744.91
Unmatured Interest Accrued	1,311,750.36	860,265.13	451,485.23	.....
Accrued Accounts Payable	35,119.56	83,939.99	.....	48,820.43
Taxes Accrued	384,587.33	314,609.72	69,977.61	.....
Other Current Liabilities	496,441.26	791,139.51	.....	294,698.25
Total Current Liabilities	$8,797,621.95	$10,668,060.70	.....	$1,870,438.75
Deferred Liabilities:				
Deferred Payments, Grade Crossing Elimination	$1,802,552.82	$1,479,850.02	$322,702.80	.....
Equipment of Leased Lines	.....	79,541.99	.....	$79,541.99
Liability for Exchange of Leased Lines Stock	1,121,200.00	11,820,150.00	.....	10,698,950.00
Other Deferred Liabilities	16,825.26	3,151.16	13,674.10	.....
Total Deferred Liabilities	$2,940,578.08	$13,382,693.17	.....	$10,442,115.09
Unadjusted Credits:				
Insurance Reserves	.....	$1,031,893.23	.....	$1,031,893.23
Accrued Depreciation—Leased Property	Dr. $13,435.60	Dr. 52,144.75	$38,709.15	.....
Accrued Depreciation—Leased Ferry Boats	.....	1,238,392.72	.....	1,238,392.72
Other Unadjusted Credits	2,083,678.77	1,012,829.83	1,070,848.94	.....
Total Unadjusted Credits	$2,070,243.17	$3,230,971.03	.....	$1,160,727.86
Surplus:				
Unearned Surplus:				
Paid-In Surplus	$40,375.34	$40,374.34	$1.00	.....
Other Unearned Surplus	69,500.26	68,138.94	1,361.32	.....
Total Unearned Surplus	$109,875.60	$108,513.28	$1,362.32	.....
Earned Surplus—Appropriated	56,155.53	6,365,092.19	.....	$6,308,936.66
Earned Surplus—Unappropriated	55,477,832.66	54,501,921.31	975,911.35	.....
Total Surplus	$55,643,863.79	$60,975,526.78	.....	$5,331,662.99
Grand Total	$293,177,953.15	$294,577,238.82	.....	$1,399,285.67

* Includes $3,287,968.20 maturing within one year.

INCOME ACCOUNT for the years ended December 31, 1946 and 1945

	1946	1945	Increase or Decrease Amount	Increase or Decrease Per Cent
Revenues:				
Transportation of Anthracite Coal	$9,599,121.27	$8,402,918.83	$1,196,202.44	14.24
Transportation of Bituminous Coal	3,155,788.18	3,565,860.21	410,072.03*	11.50
Transportation of Merchandise	40,059,944.87	42,299,102.88	2,239,158.01*	5.29
Transportation of Passengers	10,331,217.55	11,061,211.06	729,993.51*	6.60
Transportation of Mail	833,499.71	840,616.64	7,116.93*	.85
Transportation of Express	167,398.07	809,335.34	641,937.27*	79.32
Transportation of Milk	767,504.36	718,280.85	49,223.51	6.85
Other Revenue from Transportation	2,256,903.09	1,948,550.71	308,352.38	15.82
Incidental Revenue	2,310,174.30	2,599,970.84	289,796.54*	11.15
Total Revenues	$69,481,551.40	$72,245,847.36	$2,764,295.96*	3.83
Expenses:				
Maintenance of Way and Structures	$8,716,282.47	$9,391,991.15	$675,708.68*	7.19
Maintenance of Equipment	11,936,240.72	16,198,200.11	4,261,959.39*	26.31
Traffic Expenses	1,493,620.82	1,359,391.88	134,228.94	9.87
Transportation Expenses	33,814,433.31	31,471,951.58	2,342,481.73	7.44
Miscellaneous Operations	396,537.46	368,574.91	27,962.55	7.59
General Expenses	2,056,559.59	1,886,359.23	170,200.36	9.02
Total Expenses 84.07%	$58,413,674.37	$60,676,468.86	$2,262,794.49*	3.73
Net Revenue from Railway Operations 15.93%	$11,067,877.03	$11,569,378.50	$501,501.47*	4.33
Less Railway Tax Accruals	5,151,585.48	8,053,303.65	2,901,718.17*	36.03
Railway Operating Income	$5,916,291.55	$3,516,074.85	$2,400,216.70	68.26
Equipment Rents—Net Dr.	893,671.10	1,250,688.89	357,017.79*	28.55
Joint Facility Rents—Net Cr.	86,637.22	82,514.83	4,122.39	5.00
Net Railway Operating Income	$5,109,257.67	$2,347,900.79	$2,761,356.88	117.61
Other Income:				
Income from Lease of Road and Equipment	$56,786.36	$45,574.03	$11,212.33	24.60
Miscellaneous Rent Income	215,134.96	237,547.77	22,412.81*	9.44
Miscellaneous Nonoperating Physical Property	366,072.36	215,537.00	150,535.36	69.84
Dividend Income	113,908.62	105,796.52	8,112.10	7.67
Income from Funded Securities	129,178.96	371,903.00	242,724.04*	65.27
Income from Unfunded Securities and Accounts	64,577.60	195,561.99	130,984.39*	66.98
Income from Sinking and Other Reserve Funds	7,722.50	7,722.50	—	—
Miscellaneous Income	3,419.50	3,327.03	92.47	2.78
Total Other Income	$956,800.86	$1,182,969.84	$226,168.98*	19.12
Total Income	$6,066,058.53	$3,530,870.63	$2,535,187.90	71.80
Miscellaneous Deductions from Income:				
Miscellaneous Tax Accruals	$193,913.14	$111,366.55	$82,546.59	74.12
Miscellaneous Income Charges	92,281.44	158,741.74	66,460.30*	41.87
Total Miscellaneous Deductions	$286,194.58	$270,108.29	$16,086.29	5.96
Income available for Fixed Charges	$5,779,863.95	$3,260,762.34	$2,519,101.61	77.25
Fixed Charges:				
Rent for Leased Roads and Equipment	$200,115.40	$3,481,100.08	$3,280,984.68*	94.25
Interest on Funded Debt, Fixed—Page 21	4,929,882.72	2,902,858.61	2,027,024.11	69.83
Interest on Unfunded Debt	57,857.38	54,244.74	3,612.64	6.66
Amortization of Discount on Funded Debt	4,701.92	1,343.91	3,358.01	249.87
Total Fixed Charges	$5,192,557.42	$6,439,547.34	$1,246,989.92*	19.36
Net Income after Fixed Charges	$587,306.53	$3,178,785.00#	$3,766,091.53	—
Interest on Funded Debt, Contingent—Page 21	551,090.48	113,359.91	437,730.57	386.14
Net Income	$36,216.05	$3,292,144.91#	$3,328,360.96	—

** Decrease.*
Net deficit.

OPERATING REVENUES for the years ended December 31, 1946 and 1945

	1946	1945	Increase or Decrease	
			Amount	Per Cent
Transportation—Rail Line:				
Freight	$52,814,854.32	$54,267,881.92	$1,453,027.60*	2.68
Passenger	10,331,217.55	11,061,211.06	729,993.51*	6.60
Baggage	6,054.37	6,614.48	560.11*	8.47
Parlor and Chair Car Revenue	62,907.79	—	62,907.79	—
Mail	833,499.71	840,616.64	7,116.93*	.85
Express	167,398.07	809,335.34	641,937.27*	79.32
Other Passenger-Train	96,457.31	71,069.85	25,387.46	35.72
Milk	767,504.36	718,280.85	49,223.51	6.85
Switching	1,198,698.54	1,012,240.77	186,457.77	18.42
Water Transfers—Freight	64,456.80	46,105.93	18,350.87	39.80
Water Transfers—Passenger	231,147.28	226,444.48	4,702.80	2.08
Water Transfers—Vehicles and Live Stock	562,080.67	527,777.22	34,303.45	6.50
Water Transfers—Other	35,100.33	58,297.98	23,197.65*	37.79
Total Rail-Line Transportation Revenue	$67,171,377.10	$69,645,876.52	$2,474,499.42*	3.55
Incidental:				
Dining and Buffet	$415,490.36	$452,417.13	$36,926.77*	8.16
Station, Train and Boat Privileges	214,547.94	202,726.82	11,821.12	5.83
Parcel Room	9,699.05	10,600.77	901.72*	8.51
Storage—Freight	293,604.77	314,275.03	20,670.26*	6.58
Storage—Baggage	1,514.27	1,834.25	319.98*	17.44
Demurrage	564,871.92	507,039.65	57,832.27	11.41
Telegraph and Telephone	5,827.02	6,322.72	495.70*	7.84
Rents of Buildings and Other Property	243,229.45	420,967.29	177,737.84*	42.22
Miscellaneous	561,389.52	683,787.18	122,397.66*	17.90
Total Incidental Operating Revenues	$2,310,174.30	$2,599,970.84	$289,796.54*	11.15
Total Railway Operating Revenues	$69,481,551.40	$72,245,847.36	$2,764,295.96*	3.83

* *Decrease.*

STATEMENT of EARNED SURPLUS – UNAPPROPRIATED

For the year ended December 31, 1946

	Debits	Credits
Credit Balance, December 31, 1945		$54,501,921.31
Miscellaneous Credits		8,064,032.36
Credit Balance Transferred from Income		36,216.05
Surplus Applied to Sinking and other Reserve Funds	$ 47,151.17	
Miscellaneous Debits	7,077,185.89	
Credit Balance, December 31, 1946	55,477,832.66	
	$62,602,169.72	$62,602,169.72

COMPARATIVE STATEMENT of FREIGHT TRAFFIC MOVEMENT

For the years 1946 and 1945

COMMODITY	1946 (TONS)	1945 (TONS)	INCREASE (TONS)	DECREASE (TONS)
Products of Agriculture	2,227,740	2,525,428		297,688
Products of Animals	700,980	759,995		59,015
Products of Mines	13,882,729	14,341,532		458,803
Products of Forests	569,014	507,959	61,055	
Manufactures and Miscellaneous	9,967,733	11,864,435		1,896,702
Total Tonnage	27,348,196	29,999,349		2,651,153

OPERATING RESULTS and STATISTICS

For the years ended December 31, 1946 and 1945

	1946	1945	Per Cent of Increase or Decrease
Locomotive Miles:			
Freight-Train Locomotives	4,759,060	5,528,099	13.91 D
Passenger-Train Locomotives	2,773,778	2,940,773	5.68 D
Switching Locomotives	3,937,059	4,071,079	3.29 D
Total Revenue Locomotive Miles	11,469,897	12,539,951	8.53 D
Train Miles:			
Freight Trains	3,742,197	4,177,648	10.42 D
Passenger Trains—Steam	2,291,801	2,385,648	3.93 D
Passenger Trains—Electric	1,827,190	1,860,653	1.80 D
Mail, Express and Milk Train Mileage	189,097	197,663	4.33 D
Total Revenue Train Miles	8,050,285	8,621,612	6.63 D
Car Miles:			
Loaded Freight Cars	161,767,512	177,057,239	8.64 D
Empty Freight Cars	65,858,599	74,225,308	11.27 D
Caboose Cars	3,894,570	4,338,827	10.24 D
Other Cars—Passenger Cars	1,536,160	1,233,174	24.57
Total Freight Train Car Miles	233,056,841	256,854,548	9.27 D
Passenger Cars—Steam	8,328,192	8,789,637	5.25 D
Passenger Cars—Electric	8,980,779	8,924,770	.63
Sleeping, Parlor and Observation Cars	2,804,988	2,660,068	5.45
Other Passenger Train Cars	11,973,612	12,010,663	.31 D
Other Cars—Freight Cars	23,298	42,362	45.00 D
Total Revenue Passenger Train Car Miles	32,110,869	32,427,500	.98 D
Tons of Revenue Freight Carried	27,348,196	29,999,349	8.84 D
Tons of Company Freight Carried	1,523,169	1,837,764	17.12 D
Tons Miles of Revenue Freight	4,558,839,216	5,260,677,809	13.34 D
Tons Miles of Company Freight	192,046,638	227,923,261	15.74 D
Tons Miles, All Freight	4,750,885,854	5,488,601,070	13.44 D
Freight Train Hours	246,864	289,252	14.65 D
Gross Ton Miles (Cars and Contents), All Freight	10,368,034,000	11,573,660,000	10.42 D
Average Revenue per Ton Mile (Cents)	1.16	1.03	12.62
Average Distance Hauled per Ton (Miles)	166.70	175.36	4.94 D
Average Net Tons per Revenue Train Mile	1,288.05	1,330.38	3.18 D
Average Tons per Loaded Car Mile	29.37	31.00	5.26 D
Average Number of Cars in each Freight Train	62.28	61.48	1.30
Average Gross Tons (Cars and Contents) per Revenue Locomotive Mile	2,178.59	2,093.61	4.06
Average Gross Tons (Cars and Contents) per Revenue Train Mile	2,770.57	2,770.38	.01
Average Gross Ton Miles per Train Hour	41,999	40,012	4.97
Revenue Passengers Carried	25,176,484	25,266,571	.36 D
Revenue Passengers Carried One Mile	596,385,473	631,962,160	5.63 D
Average Revenue per Passenger Mile (Cents)	1.73	1.75	1.14 D
Average Distance Hauled per Passenger (Miles)	23.69	25.01	5.28 D
Average Number of Cars in each Passenger Train	7.45	7.30	2.05
Average Passengers per Train Mile	145	149	2.68 D
Average Passengers per Car Mile	30	31	3.23 D

D—Decrease.

TAX ACCRUALS FOR YEARS 1922 TO 1946, INCLUSIVE

Calendar Year	Total Tax Accruals	Taxes per Dollar of Gross Revenue	Taxes per Dollar of Revenue after Operating Expenses
		Cents	Cents
1922	$4,894,466.10	6.56	44.72
1923	5,995,697.51	6.80	32.02
1924	6,900,101.85	7.96	31.02
1925	6,832,652.72	8.17	32.16
1926	7,671,403.68	8.64	29.03
1927	7,457,093.11	8.81	30.43
1928	6,392,638.37	7.88	27.60
1929	6,635,895.83	8.12	27.62
1930	6,081,111.71	8.73	35.67
1931	5,234,483.48	8.92	41.76
1932	5,216,791.03	11.23	55.54
1933	4,715,876.23	10.88	55.08
1934	4,292,969.72	9.63	47.25
1935	3,805,004.73	8.51	49.07
1936	4,016,989.78	8.08	38.10
1937	5,061,295.05	10.09	46.45
1938	5,124,180.31	11.60	62.75
1939	5,140,501.51	10.19	43.13
1940	5,348,324.03	10.31	42.89
1941	7,161,631.51	11.72	40.28
1942	12,034,942.48	16.59	49.98
1943	12,728,833.79	15.64	50.17
1944	14,600,932.27	18.48	66.06
1945	8,053,303.65	11.15	69.61
1946	5,151,585.48	7.41	46.55

Tons of NEW RAIL laid in replacement and Tons of ROCK BALLAST applied during the last twenty-five years

Year	Tonnage 131 lbs. to Yard	Tonnage 130 lbs. to Yard	Tonnage 118 lbs. to Yard	Tonnage 105 lbs. to Yard	Tonnage 80 lbs. to Yard	Total Tonnage All Weights	Total Tonnage Rock Ballast
1922	.....	.....	.....	11,604	1,245	12,849	134,133
1923	.....	.....	.....	14,199	2,308	16,507	71,661
1924	.....	.....	9,515	6,232	620	16,367	135,542
1925	.....	7,378	4,501	880	36	12,795	114,088
1926	.....	13,541	26	3,634	723	17,924	145,857
1927	.....	13,623	44	3,298	400	17,365	145,820
1928	.....	15,398	7	5,113	5	20,523	71,802
1929	.....	16,134	.....	1,931	869	18,934	116,040
1930	.....	10,870	.....	2,904	50	13,824	89,230
1931	.....	8,951	3	1,678	602	11,234	61,222
1932	.....	7,720	2	508	.....	8,230	107,204
1933	.....	6,582	.....	2,126	.....	8,708	141,204
1934	12,606	89	.....	47	1	12,743	149,951
1935	8,136	24	.....	38	13	8,211	115,000
1936	10,378	.....	.....	9	6	10,393	151,398
1937	11,876	.....	.....	.....	.....	11,876	140,136
1938	1,807	.....	.....	.....	.....	1,807	150,000
1939	6,468	1	.....	.....	.....	6,469	128,000
1940	5,274	.....	.....	.....	.....	5,274	150,000
1941	6,573	.....	.....	.....	.....	6,573	172,000
1942	8,620	.....	.....	.....	.....	8,620	175,000
1943	10,474	.....	.....	.....	.....	10,474	140,000
1944	9,274	.....	.....	.....	.....	9,274	149,583
1945	7,482	.....	.....	767	.....	8,249	166,774
1946	8,257	.....	.....	331	.....	8,588	119,620

STATEMENT of WELFARE EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1946

Unemployment Insurance	$1,101,561.43
Pensions	1,364,847.19
Group Insurance	59,765.88
Moses Taylor Hospital	41,768.22
Railroad Y. M. C. A.'s	29,200.19
Total	$2,597,142.91

PENSIONS

The Pension System was inaugurated June 1st, 1902. A statement by calendar years follows:

Calendar Year	AMOUNT	Calendar Year	AMOUNT	Calendar Year	AMOUNT
1902	$6,360.94	1917	$154,009.42	1932	$579,161.18
1903	16,202.85	1918	153,577.12	1933	602,284.34
1904	24,619.09	1919	160,958.05	1934	646,703.24
1905	31,681.05	1920	187,299.98	1935	623,070.77
1906	45,196.13	1921	213,625.49	1936	650,030.59
1907	51,412.95	1922	223,587.23	1937	958,107.32
1908	57,620.24	1923	245,071.48	1938	686,832.58
1909	71,322.42	1924	260,213.20	1939	738,135.85
1910	80,580.15	1925	302,040.85	1940	805,937.59
1911	85,092.24	1926	347,161.36	1941	868,658.96
1912	93,521.50	1927	369,641.42	1942	960,248.37
1913	103,607.95	1928	401,543.04	1943	1,206,629.81
1914	111,089.68	1929	447,995.51	1944	1,183,712.27
1915	122,828.46	1930	499,609.64	1945	1,167,641.37
1916	134,969.98	1931	556,702.53	1946	*1,364,847.19
					$18,601,143.38

* Includes $1,285,131.29 paid as taxes to U. S. Treasury for benefit of railroad pension fund for employes.

GROUP INSURANCE

Pursuant to the Group Insurance Plan effective February 1, 1922, the Company paid $59,765.88 as its proportion of the premium for 1946. The number of beneficiaries and the insurance carried at the close of the year, together with other important facts, follow:

Number of Insured December 31, 1946	8,585
Total Insurance December 31, 1946	$16,089,250
Deaths during 1946	191
Insurance Company paid account of death claims during 1946	$292,500
Premium paid by employes	$276,223.86
Premium paid by Company	$59,765.88
Number of Death Claims—February 1, 1922 to December 31, 1946	4,658
Number of Disability Benefits	222
Amount paid account death claims February 1, 1922 to December 31, 1946	$8,221,250
Amount paid account of total disability claims	$433,350

MILES of ROAD OPERATED December 31, 1946

	Miles of road
Delaware, Lackawanna and Western R. R.:	
Hoboken, N. J., to Buffalo, N. Y., via Boonton	395.46
Montclair Branch—Roseville Jct. to Montclair, N. J.	4.20
West End Jct., Jersey City to Denville, N. J., via Morristown	34.44
Harrison—Kingsland Cut-Off	6.28
Rockaway Branch—Denville to East of Dover, N. J.	3.66
Summit, N. J., to Bernardsville, N. J.	14.11
Chester Branch—Chester Jct. to Succasunna, N. J.	3.62
Phillipsburg Branch—Port Morris Jct. to Phillipsburg, N. J.	35.21
Sussex Branch—Netcong to Branchville, N. J.	21.39
Hampton, N. J., to Slateford Jct., Pa.	22.87
Portland, Pa., to Bath, Pa., and Branches	35.54
Bloomsburg Branch—Scranton to Northumberland, Pa.	79.64
Hanover & Newport Branch—Plymouth to Newport Center, Pa.	6.69
Syracuse Branch—Binghamton to Oswego, N. Y.	115.95
Cincinnatus Branch—Cortland Jct. to Cincinnatus, N. Y.	18.31
Utica Branch—Chenango Forks to Utica, N. Y.	83.76
Richfield Springs Branch—Richfield Jct. to Richfield Springs, N. Y.	21.73
Black Rock Branch—East Buffalo to Black Rock, N. Y.	10.32
Ithaca Branch—Owego to Ithaca, N. Y.	34.24
Morris and Essex Extension R. R.—Paterson Jct. to Paterson, N. J.	1.92
Passaic and Delaware Extension R. R.—Bernardsville to Gladstone, N. J.	7.41
	956.75

TRACKAGE RIGHTS

New York, Ontario & Western R. R.	Mines in Pa. to Jct. with D., L. & W. in Pa.	7.98
New York Central R. R.	In City of Utica, N. Y.	.06
New York, Ontario & Western R. R.	In City of Utica, N. Y.	.21
New York, Susquehanna & Western R. R.	Mines in Pa. to Jct. with D., L. & W. in Pa.	5.51
Pennsylvania R. R.	Northumberland, Pa., to Sunbury, Pa.	1.90
Central R. R. of N. J.	Lake Junction, N. J., to Hopatcong, N. J.	.83
	Total	973.24

MILES of ALL TRACKS OPERATED December 31, 1946

	Miles of Road	Second Main Track	Miles of All Other Main Track	Yard Tracks and Sidings	Total
Pennsylvania	254.95	138.90	61.46	251.04	706.35
New Jersey	224.87	127.86	52.41	255.57	660.71
New York	493.42	240.63	.....	361.32	1,095.37
	973.24	507.39	113.87	867.93	2,462.43

EQUIPMENT, December 31, 1946, OWNED or LEASED

	Units Purchased During Year	Retired from Service During the Year	Number in Service Dec. 31, 1946
Locomotives:			
Steam—Freight	.....	1	168
Steam—Passenger	.....	3	40
Steam—Switching	.....	.....	83
Diesel Electric—Road	4	.....	12
Diesel Electric—Switching	.....	1	41
Total	4	5	344
Freight Cars:			
Coal Cars (including Gondolas)	341	220	8,141
Box Cars	.....	256	7,104
Refrigerator Cars	.....	1	295
Covered Hopper Cars	.....	.....	314
Container Gondola Cars	.....	.....	56
Stock Cars	.....	.....	97
Ice Cars	36	17	175
Flat Cars	.....	.....	45
Caboose Cars	.....	1	194
Total	377	495	16,421
Passenger Cars:			
Coaches	.....	3	157
Milk Cars	.....	1	106
Baggage and Express Cars	.....	.....	108
Motor Cars—Electric	.....	.....	141
Motor Trailers—Coach	.....	.....	120
Motor Trailers—Passenger and Baggage	.....	.....	15
Motor Trailers—Passenger and Mail	.....	.....	3
Motor Trailers—Club	.....	.....	4
Parlor Cars	.....	.....	5
Passenger and Baggage Cars	.....	.....	22
Passenger and Mail Car	.....	.....	1
Baggage and Mail Cars	.....	.....	16
Dining Cars	.....	.....	7
Buffet Lounge Cars	.....	.....	6
Postal Cars	.....	.....	5
Total	.....	4	716
Company Service Equipment:			
Miscellaneous Work Equipment	.....	20	363
Air Dump Cars	.....	.....	85
Locomotive Cranes	.....	1	24
Snow Plows and Snow Flangers	.....	2	18
Pile Drivers and Light Steam Derricks	.....	.....	3
Heavy Steam Derricks	.....	.....	6
Scale Test Cars	.....	.....	3
Business Cars	.....	.....	3
Spreaders (Dirt)	.....	.....	3
Work Floating Equipment	.....	.....	8
Total	.....	23	516
Floating Equipment:			
Ferry Boats	.....	1	12
Tug Boats and Steam Lighters	.....	.....	15
Barges, Lighters, Floats and Grain Boats	1	.....	154
Total	1	1	181

FUNDED DEBT and EQUIPMENT OBLIGATIONS

DESCRIPTION	Authorized and Issued as of Dec. 31, 1946	Pledged as Collateral	Reacquired and Held in Treasury	Held in Treasury to be Exchanged for Capital Stock	Outstanding in Hands of Public	Interest Accrued in 1946. Fixed Interest Per Cent	Fixed Interest Amount	Contingent Interest Commencement Date	Contingent Interest Per Cent	Contingent Interest Amount
Morris and Essex Division:										
First Refunding Mortgage 3½% Bonds, due December 1, 2000	$35,000,000.00				$35,000,000.00	3½	$1,225,000.00			
Construction Mortgage Bonds:										
Series A, due November 1, 1955, 5%	10,000,000.00	$370,000.00	$118,000.00		9,512,000.00	5	479,693.88			
Series B, due November 1, 1955, 4½%	15,000,000.00	727,000.00	603,000.00		13,670,000.00	4½	635,194.52			
Series C, due November 1, 1975, 4½%	10,000,000.00	10,000,000.00								
Collateral Trust Bonds, due May 1, 2042	14,934,950.00		676,000.00	$496,450.00	13,762,500.00	4	587,484.40	October 1, 1945	2	$286,292.33
Mortgage Bonds, due May 1, 2042, 4%	3,837,950.00	3,837,950.00								
New York, Lackawanna and Western Division:										
First and Refunding Mortgage Bonds:										
Series A, due May 1, 1973, 4%	13,208,000.00		304,000.00		12,904,000.00	4	516,160.00			
Series B, due May 1, 1973, 4½%	9,903,000.00		194,000.00		9,709,000.00	4½	436,905.00			
Series C, due May 1, 1973, 5%	5,393,000.00			101,300.00	5,291,700.00	5	269,650.00			
Income Mortgage Bonds, due May 1, 1993, 5%	3,931,400.00			69,100.00	3,862,300.00			February 26, 1946	5	165,446.44
Lackawanna of New Jersey Division:										
First Mortgage Bonds, Series A, due May 1, 1993, 4%	7,935,000.00		69,000.00	206,100.00	7,659,900.00	4	315,762.00			
First Mortgage Bonds, Series B, due May 1, 1993, 4%	2,645,000.00			68,700.00	2,576,300.00			June 27, 1948	4	
U. C. & S. V. Division:										
Mortgage Bonds, due May 1, 1992	3,703,900.00			83,100.00	3,620,800.00	3	111,117.00	June 23, 1945	2	74,078.00
Warren Division:										
First and Refunding Mortgage 3½% Bonds, due August 1, 2000	1,394,000.00				1,394,000.00	3½	48,790.00			
Mortgage Bonds, due May 1, 1992	1,613,900.00		75,000.00	54,600.00	1,484,300.00	4	62,793.52	March 6, 1946	2	25,273.71
Oswego and Syracuse Division:										
Mortgage Bonds, due May 1, 1993	1,109,700.00		53,000.00	41,850.00	1,014,850.00	4	43,189.83	August 14, 1950	2	
Bank Loans, due May 1, 1948	1,500,000.00				1,500,000.00	1½	17,812.50			
Total Mortgage and other Funded Obligations	$141,109,800.00	$14,934,950.00	$2,092,000.00	$1,121,200.00	$122,961,650.00		$4,749,552.65			$551,090.48
Equipment Trust, Series A, due October 1, 1949	$ 805,000.00				$ 805,000.00	4	$37,560.00			
Equipment Trust, Series C, due January 1, 1950	1,085,000.00				1,085,000.00	2½	29,708.33			
Equipment Trust, Series D, due November 1, 1956	4,250,000.00				4,250,000.00	2	1,705.08			
Equipment Trust, Series E, due December 15, 1956	4,000,000.00				4,000,000.00	2⅛				
Other Equipment Obligations	469,523.40				469,523.40	2¼	12,827.94			
Other Equipment Obligations	156,031.12				156,031.12	3	6,802.56			
Other Equipment Obligations	1,705,559.21				1,705,559.21	2	38,060.99			
Other Equipment Obligations	2,545,968.86				2,545,968.86	1.85	53,665.17			
Total Equipment Obligations	$15,017,082.59				$15,017,082.59		$180,330.07			
Grand Totals	$156,126,882.59	$14,934,950.00	$2,092,000.00	$1,121,200.00	$137,978,732.59		$4,929,882.72			$551,090.48

EQUIPMENT OBLIGATIONS

Held in Treasury to be Exchanged for Capital Stock	Outstanding in Hands of Public	Interest Accrued in 1946.				
		Fixed Interest		Contingent Interest		
		Per Cent	Amount	Interest Commencement Date	Per Cent	Amount
.....	$35,000,000.00	3½	$1,225,000.00	.....	.....	.....
.....	9,512,000.00	5	479,693.88	.....	.....	.....
.....	13,670,000.00	4½	635,194.52	.....	.....	.....
.....	.....	.....	.....	.....	.....	.....
$496,450.00	13,762,500.00	4	587,484.40	October 1, 1945	2	$286,292.33
.....	.....	.....	.....	.....	.....	.....
.....	12,904,000.00	4	516,160.00	.....	.....	.....
.....	9,709,000.00	4½	436,905.00	.....	.....	.....
101,300.00	5,291,700.00	5	269,650.00	.....	.....	.....
69,100.00	3,862,300.00	.....	.....	February 26, 1946	5	165,446.44
206,100.00	7,659,900.00	4	315,762.00	.....	.....	.....
68,700.00	2,576,300.00	.....	.....	June 27, 1948	4	.....
83,100.00	3,620,800.00	3	111,117.00	June 23, 1945	2	74,078.00
.....	1,394,000.00	3½	48,790.00	.....	.....	.....
54,600.00	1,484,300.00	4	62,793.52	March 6, 1946	2	25,273.71
41,850.00	1,014,850.00	4	43,189.83	August 14, 1950	2	.....
.....	1,500,000.00	1½	17,812.50	.....	.....	.....
$1,121,200.00	$122,961,650.00	.....	$4,749,552.65	.....	.....	$551,090.48
.....	$ 805,000.00	4	$37,560.00	.....	.....	.....
.....	1,085,000.00	2½	29,708.33	.....	.....	.....
.....	4,250,000.00	2	1,705.08	.....	.....	.....
.....	4,000,000.00	2⅛	.....	.....	.....	.....
.....	469,523.40	2¼	12,827.94	.....	.....	.....
.....	156,031.12	3	6,802.56	.....	.....	.....
.....	1,705,559.21	2	38,060.99	.....	.....	.....
.....	2,545,968.86	1.85	53,665.17	.....	.....	.....
.....	$15,017,082.59	.....	$180,330.07	.....	.....	.....
$1,121,200.00	$137,978,732.59	.....	$4,929,882.72	.....	.....	$551,090.48

COMPARISON OF EXPENSES— 12 Months ended December 31, 1946 and 1945

	1946	1945	Increase	Decrease
I. Maintenance of Way and Structures				
Superintendence	$308,245.19	$285,907.45	$22,337.74	
Roadway Maintenance	460,703.33	481,283.01		$20,579.68
Tunnels and Subways	16,486.12	18,338.59		1,852.47
Bridges, Trestles and Culverts	297,331.51	490,231.39		192,899.88
Ties	529,430.18	506,096.35	23,333.83	
Rails	276,120.22	264,656.96	11,463.26	
Other Track Material	391,852.49	510,051.00		118,198.51
Ballast	121,097.50	133,889.22		12,791.72
Track Laying and Surfacing	2,365,127.71	2,055,044.37	310,083.34	
Fences, Snowsheds, and Signs	22,818.51	24,468.43		1,649.92
Station and Office Buildings	374,104.59	500,409.88		126,305.29
Roadway Buildings	12,412.10	16,988.25		4,576.15
Water Stations	38,234.87	47,974.22		9,739.35
Fuel Stations	35,245.41	58,626.20		23,380.79
Shops and Enginehouses	195,830.19	233,154.46		37,324.27
Wharves and Docks	147,117.19	179,243.32		32,126.13
Coal and Ore Wharves	77,556.56	76,984.37	572.19	
Telegraph and Telephone Lines	101,416.55	100,852.62	563.93	
Signals and Interlockers	514,152.37	440,616.53	73,535.84	
Power Plants	5,335.61	11,865.44		6,529.83
Power Transmission Systems	80,359.26	101,409.42		21,050.16
Miscellaneous Structures	2,389.76	4,302.37		1,912.61
Road Property—Depreciation	1,500,202.24	1,531,942.21		31,739.97
Retirements—Road	340,271.77	338,771.91	1,499.86	
Roadway Machines	77,676.48	65,372.08	12,304.40	
Dismantling Retired Road Property	36,530.09	30,883.27	5,646.82	
Road—Amortization of Defense Projects	0	69,608.21		69,608.21
Small Tools and Supplies	98,724.48	102,855.96		4,131.48
Removing Snow, Ice and Sand	137,794.63	551,422.92		413,628.29
Public Improvements—Maintenance	45,926.29	56,335.39		10,409.10
Injuries to Persons	102,951.58	96,831.84	6,119.74	
Insurance	42,641.90	39,256.56	3,385.34	
Stationery and Printing	8,266.90	6,899.73	1,367.17	
Other Expenses	11,747.65	10,829.00	918.65	
Maintaining Joint Tracks, Yards and Other Facilities—Dr.	23,292.27	31,641.24		8,348.97
Maintaining Joint Tracks, Yards and Other Facilities—Cr.	84,111.03	84,281.36	170.33	
Right-of-Way Expenses	1,000.00	1,228.34		228.34
Total	$8,716,282.47	$9,391,991.15		$675,708.68

	1946	1945	Increase	Decrease
II. Maintenance of Equipment				
Superintendence	$266,722.03	$254,120.86	$12,601.17	
Shop Machinery	202,106.93	197,064.94	5,041.99	
Power Plant Machinery	107,950.45	90,676.64	17,273.81	
Shop and Power Plant Machinery—Depreciation	158,517.23	157,592.16	925.07	
Dismantling Retired Shop and Power Plant Machinery	0	69.69		$69.69
Steam Locomotives—Repairs:				
Freight	1,759,100.48	2,255,210.25		496,109.77
Passenger	1,109,453.49	933,107.96	176,345.53	
Yard Switching	583,653.31	602,493.79		18,840.48
Other Locomotives—Repairs:				
Freight	123,866.04	61,375.75	62,490.29	
Passenger	886.60	0	886.60	
Yard Switching	219,963.86	167,011.73	52,952.13	
Freight Train Cars—Repairs	2,847,479.04	2,564,859.71	282,619.33	
Passenger Train Cars—Repairs	1,031,590.13	1,239,036.81		207,446.68
Floating Equipment—Repairs	901,498.58	719,777.99	181,720.59	
Work Equipment—Repairs	190,563.35	197,125.54		6,562.19
Miscellaneous Equipment—Repairs	13,896.13	13,670.40	225.73	
Dismantling Retired Equipment	12,846.52	23,275.25		10,428.73
Retirements—Equipment	Cr. 2,034.63	51.87		1,982.76
Equipment Depreciation:				
Steam Locomotives	490,740.30	604,096.18		113,355.88
Other Locomotives	216,075.82	158,118.97	57,956.85	
Freight Train Cars	908,681.72	933,446.76		24,765.04
Passenger Train Cars	359,946.65	360,270.51		323.86
Motor Equipment of Cars	95,339.16	95,339.16		
Floating Equipment	187,357.20	194,319.85		6,962.65
Work Equipment	62,050.13	61,570.51	479.62	
Miscellaneous Equipment	6,911.14	5,955.56	955.58	
Equipment—Amortization of Defense Projects:				
Other Locomotives	0	351,842.72		351,842.72
Freight Train Cars	0	3,623,040.73		3,623,040.73
Floating Equipment	0	224,546.58		224,546.58
Work Equipment	0	6,471.01		6,471.01
Injuries to Persons	21,941.07	43,228.56		21,287.49
Insurance	29,000.66	29,667.31		666.65
Stationery and Printing	9,176.14	7,964.63	1,211.51	
Other Expenses	12,898.05	11,879.23	1,018.82	
Joint Maintenance of Equipment Expenses—Dr.	8,063.14	10,024.24		1,961.10
Total	$11,936,240.72	$16,198,200.11		$4,261,959.39
III. Traffic				
Superintendence	$410,462.46	$367,817.61	$42,644.85	
Outside Agencies	875,743.87	796,096.01	79,647.86	
Advertising	62,849.90	63,853.93		$1,004.03
Traffic Associations	46,942.70	49,534.44		2,591.74
Fast Freight Lines	27,282.70	21,985.06	5,297.64	
Industrial and Immigration Bureaus	16,379.45	15,105.76	1,273.69	
Insurance	650.20	240.23	409.97	
Stationery and Printing	52,504.04	43,793.47	8,710.57	
Other Expenses	805.50	965.37		159.87
Total	$1,493,620.82	$1,359,391.88	$134,228.94	

12 Months ended December 31, 1946 and 1945

	1946	1945	Increase	Decrease
II. Maintenance of Equipment				
Superintendence	$266,722.03	$254,120.86	$12,601.17	.....
Shop Machinery	202,106.93	197,064.94	5,041.99	.....
Power Plant Machinery	107,950.45	90,676.64	17,273.81	.....
Shop and Power Plant Machinery—Depreciation	158,517.23	157,592.16	925.07	.....
Dismantling Retired Shop and Power Plant Machinery	0	69.69	.....	$69.69
Steam Locomotives—Repairs:				
Freight	1,759,100.48	2,255,210.25	.....	496,109.77
Passenger	1,109,453.49	933,107.96	176,345.53	.....
Yard Switching	583,653.31	602,493.79	.....	18,840.48
Other Locomotives—Repairs:				
Freight	123,866.04	61,375.75	62,490.29	.....
Passenger	886.60	0	886.60	.....
Yard Switching	219,963.86	167,011.73	52,952.13	.....
Freight Train Cars—Repairs	2,847,479.04	2,564,859.71	282,619.33	.....
Passenger Train Cars—Repairs	1,031,590.13	1,239,036.81	.....	207,446.68
Floating Equipment—Repairs	901,498.58	719,777.99	181,720.59	.....
Work Equipment—Repairs	190,563.35	197,125.54	.....	6,562.19
Miscellaneous Equipment—Repairs	13,896.13	13,670.40	225.73	.....
Dismantling Retired Equipment	12,846.52	23,275.25	.....	10,428.73
Retirements—Equipment ..... Cr.	2,034.63	51.87	.....	1,982.76
Equipment Depreciation:				
Steam Locomotives	490,740.30	604,096.18	.....	113,355.88
Other Locomotives	216,075.82	158,118.97	57,956.85	.....
Freight Train Cars	908,681.72	933,446.76	.....	24,765.04
Passenger Train Cars	359,946.65	360,270.51	.....	323.86
Motor Equipment of Cars	95,339.16	95,339.16	.....	.....
Floating Equipment	187,357.20	194,319.85	.....	6,962.65
Work Equipment	62,050.13	61,570.51	479.62	.....
Miscellaneous Equipment	6,911.14	5,955.56	955.58	.....
Equipment—Amortization of Defense Projects:				
Other Locomotives	0	351,842.72	.....	351,842.72
Freight Train Cars	0	3,623,040.73	.....	3,623,040.73
Floating Equipment	0	224,546.58	.....	224,546.58
Work Equipment	0	6,471.01	.....	6,471.01
Injuries to Persons	21,941.07	43,228.56	.....	21,287.49
Insurance	29,000.66	29,667.31	.....	666.65
Stationery and Printing	9,176.14	7,964.63	1,211.51	.....
Other Expenses	12,898.05	11,879.23	1,018.82	.....
Joint Maintenance of Equipment Expenses—Dr.	8,063.14	10,024.24	.....	1,961.10
Total	$11,936,240.72	$16,198,200.11	.....	$4,261,959.39
III. Traffic				
Superintendence	$410,462.46	$367,817.61	$42,644.85	.....
Outside Agencies	875,743.87	796,096.01	79,647.86	.....
Advertising	62,849.90	63,853.93	.....	$1,004.03
Traffic Associations	46,942.70	49,534.44	.....	2,591.74
Fast Freight Lines	27,282.70	21,985.06	5,297.64	.....
Industrial and Immigration Bureaus	16,379.45	15,105.76	1,273.69	.....
Insurance	650.20	240.23	409.97	.....
Stationery and Printing	52,504.04	43,793.47	8,710.57	.....
Other Expenses	805.50	965.37	.....	159.87
Total	$1,493,620.82	$1,359,391.88	$134,228.94	.....

COMPARISON OF EXPENSES— 12 Months ended December 31, 1946 and 1945

	1946	1945	Increase	Decrease
IV. Transportation—Rail Line				
Superintendence	$629,734.23	$571,070.06	$58,664.17	
Dispatching Trains	175,470.86	162,759.58	12,711.28	
Station Employees:				
Agents, Clerks and Attendants	2,754,871.00	2,404,123.78	350,747.22	
Labor at Stations	3,818,155.91	2,867,700.23	950,455.68	
Weighing, Inspection and Demurrage Bureaus	66,338.29	53,595.44	12,742.85	
Coal and Ore Wharves	312,606.09	303,015.23	9,590.86	
Station Supplies and Expenses	934,811.23	940,542.73		$5,731.50
Yardmasters and Yard Clerks	1,023,957.49	936,409.75	87,547.74	
Yard Conductors and Brakemen	2,377,673.42	2,188,821.06	188,852.36	
Yard Switch and Signal Tenders	210,946.30	183,299.27	27,647.03	
Yard Enginemen	882,704.82	999,820.51		117,115.69
Yard Motormen	757,864.18	534,840.14	223,024.04	
Yard Switching Fuel	820,689.46	898,235.27		77,545.81
Yard Switching Power Produced	6.53	112.14		105.61
Yard Switching Power Purchased	140.72	1,920.95		1,780.23
Water for Yard Locomotives	39,121.86	54,991.31		15,869.45
Lubricants for Yard Locomotives	25,653.45	35,559.90		9,906.45
Other Supplies for Yard Locomotives	8,855.59	13,160.93		4,305.34
Enginehouse Expenses—Yard	387,015.02	391,732.85		4,717.83
Yard Supplies and Expenses	47,862.39	52,615.01		4,752.62
Operating Joint Yards and Terminals—Dr.	57,486.56	62,290.33		4,803.77
Operating Joint Yards and Terminals—Cr.	105,411.09	86,033.10		19,377.99
Train Enginemen	1,905,968.64	2,094,974.42		189,005.78
Train Motormen	527,561.74	355,763.25	171,798.49	
Train Fuel	4,301,384.12	4,596,557.10		295,172.98
Train Power Produced	37,640.89	30,628.23	7,012.66	
Train Power Purchased	561,622.12	537,154.77	24,467.35	
Water for Train Locomotives	168,308.09	189,221.77		20,913.68
Lubricants for Train Locomotives	152,780.39	160,387.91		7,607.52
Other Supplies for Train Locomotives	57,307.24	59,209.89		1,902.65
Enginehouse Expenses—Train	809,353.08	809,866.02		512.94
Trainmen	3,130,910.24	2,929,469.46	201,440.78	
Train Supplies and Expenses:				
Cleaning Cars	303,191.18	259,804.49	43,386.69	
Heating Cars	53,247.46	43,608.77	9,638.69	
Lighting Cars	38,605.98	37,209.51	1,396.47	
Lubricating Cars	205,730.97	185,296.78	20,434.19	
Icing and Watering Cars	82,951.24	26,804.50	56,146.74	
Y. M. C. A.	5,107.30	4,453.03	654.27	
Detouring Trains	7,118.08	4,919.88	2,198.20	
Train Supplies	66,909.07	69,869.35		2,960.28
Other Expenses	340,304.28	304,216.08	36,088.20	
Signal and Interlocker Operation	652,736.99	562,618.52	90,118.47	
Crossing Protection	464,944.70	402,775.82	62,168.88	
Drawbridge Operation	89,595.14	76,975.99	12,619.15	
Telegraph and Telephone Operation	85,299.97	71,078.08	14,221.89	

	1946	1945	Increase	Decrease
IV. Transportation—Rail Line—Continued				
Operating Floating Equipment:				
Superintendence	$130,096.15	$121,222.72	$8,873.43	
Wages of Crews	1,459,037.25	1,259,520.70	199,516.55	
Fuel	409,649.82	358,706.32	50,943.50	
Lubrication	8,612.85	8,557.02	55.83	
Other Supplies and Departmental Expenses	89,574.95	82,333.08	7,241.87	
Other Expenses	32,047.69	31,395.92	651.77	
Elevation and Longshore Labor	1,089,263.78	993,073.14	96,190.64	
Stationery and Printing	124,270.03	114,467.27	9,802.76	
Other Expenses	35,692.66	27,638.91	8,053.75	
Operating Joint Tracks and Facilities—Dr.	31,292.84	24,712.33	6,580.51	
Operating Joint Tracks and Facilities—Cr.	67,070.86	61,896.60		$5,174.26
Insurance	33,338.26	49,774.04		16,435.78
Clearing Wrecks	41,967.34	54,415.81		12,448.47
Damage to Property	30,947.09	42,548.43		11,601.34
Damage to Live Stock on Right of Way	4,342.04	3,736.84	605.20	
Loss and Damage—Freight	649,900.05	670,218.14		20,318.09
Loss and Damage—Baggage	2,014.59	885.48	1,129.11	
Injuries to Persons	434,323.56	307,195.04	127,128.52	
Total	$33,814,433.31	$31,471,951.58	$2,342,481.73	
VI. Miscellaneous Operations				
Dining and Buffet Service	$396,537.46	$368,574.91	$27,962.55	
Total	$396,537.46	$368,574.91	$27,962.55	
VII. General				
Salaries and Expenses of General Officers	$197,719.52	$175,579.59	$22,139.93	
Salaries and Expenses of Clerks and Attendants	1,303,262.80	1,141,670.78	161,592.02	
General Office Supplies and Expenses	96,478.01	93,327.10	3,150.91	
Law Expenses	191,313.04	191,648.95		$335.91
Insurance	322.58	240.11	82.47	
Pensions	139,195.16	128,790.79	10,404.37	
Stationery and Printing	53,433.42	54,548.82		1,115.40
Valuation Expenses	18,129.55	15,931.06	2,198.49	
Other Expenses	67,424.96	94,869.55		27,444.59
General Joint Facilities—Cr.	10,719.45	10,247.52		471.93
Total	$2,056,559.59	$1,886,359.23	$170,200.36	
Total Operating Expenses	$58,413,674.37	$60,676,468.86		$2,262,794.49

12 Months ended December 31, 1946 and 1945

	1946	1945	Increase	Decrease
IV. Transportation—Rail Line—Continued				
Operating Floating Equipment:				
Superintendence	$130,096.15	$121,222.72	$8,873.43	.....
Wages of Crews	1,459,037.25	1,259,520.70	199,516.55	.....
Fuel	409,649.82	358,706.32	50,943.50	.....
Lubrication	8,612.85	8,557.02	55.83	.....
Other Supplies and Departmental Expenses	89,574.95	82,333.08	7,241.87	.....
Other Expenses	32,047.69	31,395.92	651.77	.....
Elevation and Longshore Labor	1,089,263.78	993,073.14	96,190.64	.....
Stationery and Printing	124,270.03	114,467.27	9,802.76	.....
Other Expenses	35,692.66	27,638.91	8,053.75	.....
Operating Joint Tracks and Facilities—Dr.	31,292.84	24,712.33	6,580.51	.....
Operating Joint Tracks and Facilities—Cr.	67,070.86	61,896.60	.....	$5,174.26
Insurance	33,338.26	49,774.04	.....	16,435.78
Clearing Wrecks	41,967.34	54,415.81	.....	12,448.47
Damage to Property	30,947.09	42,548.43	.....	11,601.34
Damage to Live Stock on Right of Way	4,342.04	3,736.84	605.20	.....
Loss and Damage—Freight	649,900.05	670,218.14	.....	20,318.09
Loss and Damage—Baggage	2,014.59	885.48	1,129.11	.....
Injuries to Persons	434,323.56	307,195.04	127,128.52	.....
Total	$33,814,433.31	$31,471,951.58	$2,342,481.73	.....
VI. Miscellaneous Operations				
Dining and Buffet Service	$396,537.46	$368,574.91	$27,962.55	.....
Total	$396,537.46	$368,574.91	$27,962.55	.....
VII. General				
Salaries and Expenses of General Officers	$197,719.52	$175,579.59	$22,139.93	.....
Salaries and Expenses of Clerks and Attendants	1,303,262.80	1,141,670.78	161,592.02	.....
General Office Supplies and Expenses	96,478.01	93,327.10	3,150.91	.....
Law Expenses	191,313.04	191,648.95	.....	$335.91
Insurance	322.58	240.11	82.47	.....
Pensions	139,195.16	128,790.79	10,404.37	.....
Stationery and Printing	53,433.42	54,548.82	.....	1,115.40
Valuation Expenses	18,129.55	15,931.06	2,198.49	.....
Other Expenses	67,424.96	94,869.55	.....	27,444.59
General Joint Facilities—Cr.	10,719.45	10,247.52	.....	471.93
Total	$2,056,559.59	$1,886,359.23	$170,200.36	.....
Total Operating Expenses	$58,413,674.37	$60,676,468.86	.....	$2,262,794.49

STATEMENT OF OPERATIONS *for the years shown below*

Year	Gross Revenues	Operating Expenses	Taxes	Equipment and Joint Facility Rents—Net	Net Railway Operating Income	Additional Income—Net
1927...	$84,685,830.62	$60,183,060.54	$7,457,093.11	Cr. $352,422.22	$17,398,099.19	$5,294,952.94
1928...	81,135,180.72	57,975,286.84	6,392,638.37	Cr. 351,969.83	17,119,225.34	3,013,700.92
1929...	81,743,221.97	57,719,910.18	6,635,895.83	Cr. 121,171.22	17,508,587.18	3,008,591.98
1930...	69,661,490.26	52,612,852.66	6,081,111.71	Cr. 192,397.32	11,159,923.21	2,676,535.15
1931...	58,674,837.97	46,140,666.22	5,234,483.48	Dr. 58,484.43	7,241,203.84	1,808,194.90
1932...	46,447,856.42	37,055,579.39	5,216,791.03	Dr. 163,531.70	4,011,954.30	1,766,399.42
1933...	43,339,278.82	34,777,127.07	4,715,876.23	Dr. 365,975.43	3,480,300.09	1,968,691.92
1934...	44,592,529.70	35,506,790.68	4,292,969.72	Dr. 288,589.41	4,504,179.89	1,460,620.18
1935...	44,722,233.11	36,968,499.33	3,805,004.73	Dr. 361,120.72	3,587,608.33	1,078,059.15
1936...	49,728,115.95	39,184,541.43	4,016,989.78	Dr. 164,066.77	6,362,517.97	1,215,916.21
1937...	50,175,003.90	39,279,811.41	5,061,295.05	Dr. 204,996.00	5,628,901.44	1,217,670.82
1938...	44,188,480.96	36,022,909.71	5,124,180.31	Dr. 531,769.92	2,509,621.02	1,217,248.91
1939...	50,454,438.28	38,535,006.89	5,140,501.51	Dr. 750,241.57	6,028,688.31	1,273,977.09
1940...	51,891,975.22	39,814,991.82	5,348,324.03	Dr. 383,035.10	6,345,624.27	1,311,878.98
1941...	61,111,360.69	43,331,770.87	7,161,631.51	Dr. 492,160.83	10,125,797.48	1,175,224.18
1942...	72,544,984.75	48,464,633.28	12,034,942.48	Dr. 396,592.76	11,648,816.23	918,593.80
1943...	81,380,394.58	56,009,061.53	12,728,833.79	Dr. 1,461,219.43	11,181,279.83	881,195.79
1944...	79,029,144.44	56,926,747.29	14,600,932.27	Dr. 1,081,353.08	6,420,111.80	848,991.73
1945...	72,245,847.36	60,676,468.86	8,053,303.65	Dr. 1,168,174.06	2,347,900.79	912,861.55
1946...	69,481,551.40	58,413,674.37	5,151,585.48	Dr. 807,033.88	5,109,257.67	670,606.28

Year	Income Available for Fixed Charges	Interest on Funded Debt—Fixed	Rent for Leased Roads and Equipment	Other Fixed Charges	Interest on Funded Debt—Contingent	Net Income	Net Income Per Share $50 Par
1927...	$22,693,052.13	$5,856.00	$6,962,236.20	$17,187.71	.....	$15,707,772.22	9.30
1928...	20,132,926.26	5,856.00	6,961,210.93	36,317.73	.....	13,129,541.60	7.77
1929...	20,517,179.16	5,832.84	7,070,278.71	100,937.47	.....	13,340,130.14	7.90
1930...	13,836,458.36	2,640.00	7,663,517.45	87,726.04	.....	6,082,574.87	3.60
1931...	9,049,398.74	2,640.00	7,683,611.34	272,457.01	.....	1,090,690.39	.65
1932...	5,778,353.72	1,770.00	7,700,247.15	618,783.97	.....	D 2,542,447.40	D 1.51
1933...	5,448,992.01	900.00	7,708,875.15	733,079.20	.....	D 2,993,862.34	D 1.77
1934...	5,964,800.07	900.00	7,606,227.09	330,285.80	.....	D 1,972,612.82	D 1.17
1935...	4,665,667.48	33,288.77	7,510,039.91	54,643.65	.....	D 2,932,304.85	D 1.74
1936...	7,578,434.18	175,592.45	7,507,628.11	28,060.99	.....	D 132,847.37	D .08
1937...	6,846,572.26	171,293.36	7,578,694.84	33,356.49	.....	D 936,772.43	D .55
1938...	3,726,869.93	162,359.99	7,452,330.05	67,133.84	.....	D 3,954,953.95	D 2.34
1939...	7,302,665.40	220,440.36	7,498,492.37	92,717.46	.....	D 508,984.79	D .30
1940...	7,657,503.25	260,039.46	7,083,255.42	108,931.19	.....	205,277.18	.12
1941...	11,301,021.66	223,598.22	7,083,255.42	322,470.13	.....	3,671,697.89	2.17
1942...	12,567,410.03	154,001.67	6,964,950.42	298,973.19	.....	5,149,484.75	3.05
1943...	12,062,475.62	172,019.57	6,987,781.42	213,915.81	.....	4,688,758.82	2.78
1944...	7,269,103.53	142,794.39	6,987,781.42	51,346.31	.....	87,181.41	.05
1945...	3,260,762.34	2,902,858.61	3,481,100.08	55,588.65	$113,359.91	D 3,292,144.91	D 1.95
1946...	5,779,863.95	4,929,882.72	200,115.40	62,559.30	551,090.48	36,216.05	.02

D—Denotes Deficit.

for the years shown below

Income Available for Fixed Charges	Interest on Funded Debt—Fixed	Rent for Leased Roads and Equipment	Other Fixed Charges	Interest on Funded Debt—Contingent	Net Income	Net Income Per Share $50 Par
$22,693,052.13	$5,856.00	$6,962,236.20	$17,187.71	.....	$15,707,772.22	9.30
20,132,926.26	5,856.00	6,961,210.93	36,317.73	.....	13,129,541.60	7.77
20,517,179.16	5,832.84	7,070,278.71	100,937.47	.....	13,340,130.14	7.90
13,836,458.36	2,640.00	7,663,517.45	87,726.04	.....	6,082,574.87	3.60
9,049,398.74	2,640.00	7,683,611.34	272,457.01	.....	1,090,690.39	.65
5,778,353.72	1,770.00	7,700,247.15	618,783.97	.....	D 2,542,447.40	D 1.51
5,448,992.01	900.00	7,708,875.15	733,079.20	.....	D 2,993,862.34	D 1.77
5,964,800.07	900.00	7,606,227.09	330,285.80	.....	D 1,972,612.82	D 1.17
4,665,667.48	33,288.77	7,510,039.91	54,643.65	.....	D 2,932,304.85	D 1.74
7,578,434.18	175,592.45	7,507,628.11	28,060.99	.....	D 132,847.37	D .08
6,846,572.26	171,293.36	7,578,694.84	33,356.49	.....	D 936,772.43	D .55
3,726,869.93	162,359.99	7,452,330.05	67,133.84	.....	D 3,954,953.95	D 2.34
7,302,665.40	220,440.36	7,498,492.37	92,717.46	.....	D 508,984.79	D .30
7,657,503.25	260,039.46	7,083,255.42	108,931.19	.....	205,277.18	.12
11,301,021.66	223,598.22	7,083,255.42	322,470.13	.....	3,671,697.89	2.17
12,567,410.03	154,001.67	6,964,950.42	298,973.19	.....	5,149,484.75	3.05
12,062,475.62	172,019.57	6,987,781.42	213,915.81	.....	4,688,758.82	2.78
7,269,103.53	142,794.39	6,987,781.42	51,346.31	.....	87,181.41	.05
3,260,762.34	2,902,858.61	3,481,100.08	55,588.65	$113,359.91	D 3,292,144.91	D 1.95
5,779,863.95	4,929,882.72	200,115.40	62,559.30	551,090.48	36,216.05	.02

D—Denotes Deficit.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK 4

Accountants' Certificate

The Delaware, Lackawanna and
Western Railroad Company:

We have examined the balance sheet of The Delaware, Lackawanna and Western Railroad Company as of December 31, 1946, and the related statements of income and of earned surplus—unappropriated for the year ended that date, have reviewed the accounting procedures of the Company and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control.

In our opinion, the accompanying balance sheet and related statements of income and of earned surplus—unappropriated fairly present the financial condition of the Company at December 31, 1946, based upon the ledger values of the investments in affiliated and other companies, and the results of its operations for the year ended that date, in conformity with the accounting requirements prescribed by the Interstate Commerce Commission.

Haskins & Sells

New York, February 28, 1947

Proxies will be requested of the owners of Common Stock of The Delaware, Lackawanna and Western Railroad Company when the Notice of Annual Meeting, Proxy Statement and Form of Proxy are mailed on or about March 13, 1947.

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY

December 31, 1946

Board of Managers:

M. Hartley Dodge
Roy C. Gasser
Paul Moore
Roy E. Tomlinson
Arthur G. Hoffman*
Arthur A. Houghton, Jr.
Willard F. Place
Robert W. Lea
Wm. White
Henry M. Reed
Robert G. Fuller
Lewis G. Harriman
Lee P. Stack
John G. Enderlin

Executive Committee:

Willard F. Place
Roy C. Gasser
Wm. White
Robert G. Fuller
Paul Moore

Officers:

President	Wm. White	New York, N. Y.
Assistant to President	E. B. Moffatt	New York, N. Y.
Assistant to President	J. S. Thorp	New York, N. Y.
Vice-President, in charge of Traffic	C. F. Farmer	New York, N. Y.
General Manager	P. M. Shoemaker	New York, N. Y.
Chief Engineer	G. A. Phillips	Hoboken, N. J.
General Counsel	D. I. Mackie	New York, N. Y.
Secretary and Treasurer	J. G. Enderlin	New York, N. Y.
Comptroller	P. D. Jonas	New York, N. Y.
Chief of Motive Power	F. T. James	Scranton, Pa.
Freight Traffic Manager—Sales and Service	H. C. Schmidt	New York, N. Y.
Freight Traffic Manager—Rates and Divisions	J. S. Sikora	New York, N. Y.
Passenger Traffic Manager	W. H. Dominick	New York, N. Y.
Purchasing Agent	C. F. Bayer	New York, N. Y.

* Deceased February 16, 1947

Lackawanna
Railroad