

105th
Annual
Meeting

MAY 13, 1952



THE
PENNSYLVANIA
RAILROAD COMPANY

Resume of 1952 Annual Meeting

THE ANNUAL MEETING of the Stockholders of The Pennsylvania Railroad Company was held in the auditorium of Suburban Station Building, 1617 Pennsylvania Boulevard, Philadelphia, on the 13th of May.

On motion of Mr. David E. Williams, Mr. James E. Gowen, a member of the Board of Directors, was elected Chairman of the meeting.

After introducing the thirteen other members of the Board present, Mr. Gowen stated that the first business was the submission of the Annual Report for 1951, copies of which had been mailed to all registered stockholders and were handed to those attending the meeting. He called upon the President, Mr. Walter S. Franklin, to outline significant developments during 1951 and review the situation since the end of that year.

THE PRESIDENT'S REMARKS

Mr. Walter S. Franklin, President, addressed the meeting as follows:

"Mr. Chairman, ladies and gentlemen: As Mr. Gowen has said, the annual report has been sent to all stockholders and to all employes. The statistical supplement has been sent to those who requested it, and each one here was handed a copy as he came into the room.

"The more important events of the year were presented in the President's letter in the annual report. And as we said there, while we are not particularly proud of 1951 results, there is ground for some real encouragement.

Revenues and Expenses

"Operating revenues for 1951 were \$1,044,000,000, the highest gross in the history of the company. Net income was \$26,700,000, or slightly over two dollars per share. A dividend of one dollar per share, or two per cent, was paid. The return on the investment in the railway property used in transportation service, \$2,428,000,000 after depreciation, was 2.45% — a very low rate of return indeed.

"As you will recall, the collective bargaining, negotiations, White House conferences, and other arrangements between the employes and management which were carried on in 1950 unfortunately did not reach a mutually satisfactory conclusion with the result finally that, due to a threatened strike of the conductors and trainmen, the roads were taken over by the government on August 27, 1950.

[*Note: Government control terminated May 23, 1952, after pending disputes were settled by agreement with the operating employes.*]

"Now, I would like to call your attention to the tremendous increases in our expenses in the comparatively short time since that date. The increases in wages and the increases in the cost of materials over a very short period amounted to enormous sums of money for your company.

"To bring that out, it is necessary for me to give you a few figures. In the first place, in 1951 the wages increased \$61,500,000, and the payroll taxes paid increased \$1,500,000, making an increase of \$63,000,000 over and above the level that was in effect July 1, 1950. Material prices increased \$20,000,000, so that you had a total increase of \$83,500,000 in 1951 for wages and cost of materials.

"Now, against that you had certain increases in the prices of the transportation services we have to sell: for freight, passenger, and mail and express. These totaled only \$39,450,000 in that year. That left a deficiency or difference to make up during 1951 of \$44,050,000; an enormous figure. To show you just what that means to you, it is equal to \$3.25 per share of stock.

"In 1952 as we now see it, and this is one of the encouraging features, the difference between increased costs and increased revenues will be far less. The cost of wages will have moved up because a number of those wage increases were not effective throughout 1951; and in 1952 will be effective throughout the year. Wage increases and payroll taxes move up from \$63,000,000 to what we now estimate to be \$83,900,000. The cost of materials and supplies move up to \$22,000,000 so that while we have a total of

\$105,900,000 of increased costs that we have to meet during 1952—we have been successful in obtaining increases in revenue to more nearly offset these costs. New freight rates became effective on the 2nd of this month as you probably have seen in the papers. That full increase is supposed to be 15%; in other words several increases granted in the past twelve months are supposed to add up to that total. Unfortunately, that is not really correct. For us it means only about 13.6%. However, it does improve our situation, and we now have increases that will result in about \$101,600,000 for the year 1952. So we now face a deficiency between increased costs and increased revenues of about \$4,300,000. If you compare that with the figure last year of \$44,000,000, which we had to make up, it is, to that extent, encouraging.

Railroad Charges Are Low

“Now, I want to say this to you: many of us are told that the railroads are moving up their prices and getting way beyond the levels in other industries. That is not true. Our freight rates are up, including this increase of May 2nd, about 80%. Our passenger fares are up about 52%. And wages are up—this is over 1939 figures I am giving you, because that is before the war, before any of these increases took place—our wages are up 137½% and our materials and supplies are up 117½%.

Expiration Set by I. C. C.

“One of the disappointing facts, though, we want you to fully understand, is this: the rates that were granted in April and

became effective on the 2nd of May have an expiration clause. They will expire on February 28, 1954. That is a very unfortunate provision which the Commission put in. We objected to it as much as we could at the time of the hearings, and we still propose to continue to object to it. It is very unfortunate, as I have said, because no other industry but the railroad industry has had that kind of temporary action. In other words, when other industries have had increases in their prices, there is no time limit and no expiration date.

Equipment Program

“Last year I told you something about new equipment, and I would just like to say a word more at this time, because the company has been going through with a very strong program, and it is of great importance to us. Last year we mentioned the fact that our equipment program which was well under way by the end of 1948 was \$534,000,000. We have increased that, and this year the total is \$658,000,000. The total amount of cash required is \$178,000,000.

“Now, we have actually spent towards the completion of that work—some of it has been financed, which I will mention in a minute—about \$558,000,000. So that we have a little less than \$100,000,000 to spend to complete the program. That will be largely completed this year, and we hope that it will be finished by the end of this year or in the first part of next year, barring some delay in producing the equipment. So far the cash we have put into that equipment is \$152,000,000.

"We believe that this developing program has and will, as I will show you in a minute, help us to better our operating efficiency.

"I would just like to say that practically all passenger service today is being handled either by electric engines or by diesel engines. At the end of this program, this will be true to the extent of about 96½%. At that time, our freight road service will be dieselized or handled by electric locomotives to the extent of 81½%, and our switching will be 91.1%. That is a tremendous improvement to have converted within a comparatively short time to this new type of equipment. We will have a total of 2,611,000 diesel horsepower when the program is completed.

"It may be interesting to you to know that of the total amount of \$658,000,000, \$512,000,000 is for freight diesels and freight cars. The balance, \$146,000,000, is for the passenger diesels and passenger cars. It is also, I think, interesting to know, that this involves 68,000 freight cars, including 32,000 new cars and 36,000 cars given heavy repair. Now, to give you some idea of the extent of these improvements, there are only five other roads in the United States that own more than 60,000 freight cars. So it is a very big program, and it is going forward in good shape.

Debt and Interest

"Largely through these equipment expenditures there has resulted an increase in our equipment obligations of \$320,000,000 since January 1, 1939. I am going back to before the war period so as to

include the whole picture. Therefore, in spite of a reduction in our bonded debt in the hands of the public of \$273,000,000, or 25.95%, since January 1, 1939, our total debt, including the bonded debt and equipment obligations, has increased over that period by \$47,131,000. That is 4.22%.

"I think you may be interested to look at the picture a little further when you have the time. It is brought out very plainly by the chart on page 20 of the annual report.

"There is an advantage here because the equipment obligations are a relatively short time indebtedness, and a part is paid off each year out of the cash derived from the depreciation charges on our equipment. Furthermore, this type of obligation carries a lower rate of interest, so that the total interest for 1952, as compared with 1939, in spite of the increased indebtedness, will show a reduction of \$7,191,000, or 15.3%. That is brought out by the chart on page 21.

"Now, please understand that while great progress has been made in the equipment program, it is not yet complete. Also, we have other improvements, such as Morrisville Yard and the ore pier at Philadelphia, and yard changes at other places which will produce additional traffic as well as prove more economical and speed up the service.

Management Organization

"We have certain changes in the personnel in top positions which I think may interest you. We regret Mr. Clement

reached the age of 70 during December and retired, but fortunately he is willing to continue as a member of the Board.

"Mr. Symes, who was formerly operating vice president, has now been made executive vice president, effective last January 1st. Mr. Newell, who was formerly assistant operating vice president is now vice president in charge of operations. David C. Bevan has been appointed vice president in charge of finance to succeed Mr. Pabst, who retired on January 1st. Mr. Patchell, formerly general manager at Pittsburgh, has been appointed vice president in charge of real estate and taxation to succeed Mr. Morse, who retired on January 1st. Ralph C. Champlin has been appointed to a new position of vice president in charge of public relations. Mr. Prizer has been appointed general counsel to succeed Mr. John Dickinson, who unfortunately passed away in April, 1952.

"I thought you would be interested in knowing that, of the ten top positions in the company, six new men have been appointed to those positions during the last twelve months. All of these men are younger, and I think are ready to produce extraordinarily good results.

Stockholder Suggestions

"Last year at the meeting there were a number of questions asked and a number of suggestions made, and I would like to review some of those so that you may know that we paid attention to what was brought out here.

"In the first place, questions were asked about the mail pay situation. Fortunately

we have been able to work out a plan with the government so that we have obtained substantially what we have asked for, but it is still not adequate, because of the increases that have occurred since the request was first made. Even the Commission said that although they gave us substantially what we have asked for, it isn't enough; and we will have to go back to have further adjustments.

"Questions were also asked about the Trenton Station, and whether we were going to make improvements there. We are now going forward with these improvements. The work has been started and will be completed this year, including two escalators and changes in certain parts of the station.

"The suggestion was also made that in the annual report where certain figures are shown, earnings, taxes and other figures, they should be shown on a per share basis. That has been done, and the 1951 annual report, as you see, carries forward that suggestion.

"Questions were asked about the property resulting from the abandonment of Broad Street Station. We told you that we expected to have the station abandoned by the middle of 1952. It was actually closed on April 27th. We expect to save about a million dollars in operating expenses per year through closing old Broad Street Station.

"Now, there was one phase of our closing ceremonies that I would like to mention. The Philadelphia Orchestra made the suggestion that they would like to participate in some ceremonies on that occasion.

Surprisingly, they said, and we checked it, they had used that station 885 times for trips made by their organization.

"I wish you could have all been there to hear the remarkable performance of the Philadelphia Orchestra. The acoustics were splendid. Their playing of the *Stars and Stripes Forever* was a tremendously moving thing. And when the last train pulled out Mr. Ormandy, the leader of the Orchestra, with some of his musicians, stood on the rear platform playing *Auld Lang Syne*, and the people all joined in the singing of that wonderful song. It was really a very moving ceremony, and I think all those five thousand people who attended, and many more who listened over the radio, would agree that it was. We owe the Orchestra great thanks for having made that suggestion to us.

"There were some comments last year on the use of roomettes, and at that time I said something about the public's preferences in the matter. I just want to say today that that accommodation is still the most popular one. They are used to the extent of about 75% of capacity, whereas the next most popular room, the bedroom, is about 65%.

"You also made the suggestion last year that there should be a woman member of the Stockholders Committee, and we are very glad to report to you that Mrs. Douglas Horton, whom you may know and may recall as Mildred McAfee, the head of the Waves, said she would be willing to serve, and has accepted. We are very happy to have her as a member of the Stockholders Committee. She attended the meeting on May 1st, and I am confident will be helpful

to that Committee. Unfortunately, she has a speaking engagement in the west today, so that she could not be here. That engagement was made some months ago.

"You also, of course, passed a resolution last year asking the Board of Directors to hold the election for directors immediately following the annual meeting. The Board has agreed to do that and the election will take place immediately following this meeting.

Railroad Regulation

"I just want to say a word about two bills that are pending before the Congress. As a matter of fact, I am sure the Stockholders Committee will bring out something about those two bills, but when they do, I wish you would have two things in mind about them. The first one is a bill which a number of railroads have endorsed, and we have done what we can to impress the Senate Committee with its importance. That bill will remove the opportunity for the Commission to delay necessary rate increases.

"The other bill before Congress which I wish to mention would simply remove one feature of the Act as it now stands, and that is where the Commission takes into consideration their right or their privilege of judgment as to what will result from the increases in rates as against management's judgment. In other words, they say: if you put these rates in, you will get less revenue than if you do not make the changes. We want that part of the Act removed. We want railroad management to take the responsibility, as they should. These two bills are important.

Passenger Study

"I want to mention, also, a study that is going on in connection with the passenger service. An over-all study is being made by an outside group, and I think really with the possibility of having very good results. I think so mainly because our top officers are sitting down and giving their time to that study; and as a result, as the study is going on we are knowing how it is progressing. We are putting some of the developments into effect immediately instead of waiting and getting a report a foot thick and then questioning what is going to be done about it. Your top officers are right in this job, and I believe they are going to produce something that is going to be very beneficial. It may take some time, but it ought to come through as we go along.

Outlook for 1952

"Now, I would like to say just a word more on what is going on in 1952. We have a little reason for encouragement here. The situation is this: in the first three months, the first quarter, where we have closely estimated figures which can be considered substantially as final, we had record revenue of \$258,800,000. That is an increase of about \$19,000,000 over last year, and is the best first quarter we have ever had.

"With this showing, we are going forward not only with the equipment program that I mentioned to you, but with a larger rail program. We are planning to put in 85,000 tons of rail this year, new rail, as against 50,000 tons last year and 50,000 tons the year before. We hope to get that

in unless there is some question about the volume of business dropping off.

"As a matter of interest, in this quarter we have had an increase of about fifteen million and a half dollars from rate changes. So that they have been very helpful to us.

"One of the disappointing things is that the net ton miles—that is really the volume of your freight business and which is very, very important, shows a decrease in the first three months of about four-tenths of one percent. It isn't much, but it is just an indication that the business volume may be slackening.

"And that is particularly so when you look at March, where the net ton miles are down 5.9%. There were some things in there to account for this, some things that occurred, but even so, volume is down a little more than we like to see it.

"As far as the expenses are concerned, they are up about \$5,300,000, but I want you to recognize that they are up only that much in spite of the fact that we had wage increases of \$10,527,000. So that you see we did fairly well there. We are improving efficiency, absorbing a good part of those increases. It takes time, but it can be done, and we are confident we will work it out.

"The net income for the first quarter this year was \$3,271,000. That is the best net income we have had in seven years; not good, but it is encouraging, because it is coming along better.

"Now, we have some estimated figures for April, and we did a little better in April. The gross was not as good as anticipated, but because of our control of expenses we did produce, as we now estimate

it, something over \$1,000,000 for net income as against \$300,000 last year. That means that for the first four months we again have a record in the gross of the company, \$343,000,000. We have an increase of only about three million three in our expenses against an increase in wages of eleven million nine, but we also have a little better operating results, and that has resulted in our producing a net income for the four months of four million four. That really is about twelve million dollars ahead; we are about twelve million dollars better off than we were at this time last year—the end of the four months.

Car Shortage Met

“At the meeting last year in discussing the equipment program, I called attention to the car shortages. Apparently the action the railroads have taken in building new cars and in repairing old cars has largely eliminated the car shortages; at least for the time being. There may be a few in the fall, when the crop moves; there may be a few now and then, but I think the railroads generally have gotten that situation by, and they seem to be meeting that condition.

“As just an indication of what has been done, we on the Pennsylvania had serviceable equipment on January 1, 1950, of 156,000 cars. Today we have just under 180,000. Our situation is better, but it is still not what we want. We have cars in need of repair of a little over 9%, and we are working on that and hope to bring it down by the end of the year to about 6.5%. It ought to be about 6% or lower. And if the business holds and we have the volume, we are expecting to do that job.

“We believe that a period of even more intensive competition is ahead of us. In order to take full advantage of the improvements in the property and to make our organization more alert to the need of meeting our competition, we held a meeting of all of our officers from all departments in Pittsburgh last month. We expect the results of that meeting will not only increase our efficiency, the operating job, but we are confident that it should enable us to obtain a better share of the competitive traffic.

“We are going forward with a personnel program that is just starting out and is moving forward in good shape, and I believe will be very beneficial to us.

“You may be interested to know that we are going to issue an employees' magazine known as *The Pennsy*. It is going to be, I think, an outstanding job, and we hope that will be very beneficial.

“Now, generally speaking, results so far this year continue to be encouraging, as I have tried to bring out from the few figures that I have given you. It is now a question of whether the general business will continue on about the level that prevailed prior to the steel difficulty. We have better equipment, both motive power and cars, and we have a better price structure. The slow-down in steel caused by the strike affected April, and will affect our May earnings to some extent. We are confident we have better control over our expenses. However, if we have further inflation, it will undoubtedly result in increased costs before the end of the year. Our present

estimate is for better results in 1952, although not what should be produced from our very high level of gross revenue.

"Thank you very much."

ELECTION OF DIRECTORS

The Chairman then announced that the next business would be the nomination of Directors and stated that there were 9,657,733 shares or 73.34% of the outstanding stock represented by proxy.

The three Directors whose terms expire this year, Messrs. M. W. Clement, C. Jared Ingersoll and Harry B. Higgins, all of whom were present at the meeting, were nominated for re-election to the Board of Directors, and at the Annual Election conducted immediately following the meeting were re-elected for the four-year term expiring in 1956.

REPORT OF COMMITTEE OF STOCKHOLDERS

At the request of Mr. J. Newcomb Blackman, a member of the Committee of Stockholders, a report of that Committee, was read by the Secretary as follows:

"The Committee of Stockholders met on May 1, 1952, and reviewed and discussed important problems in the field of government regulations and labor relations. The following members of the Committee were present: Mr. Hugh L. Adams, Mr. Ralph B. Ashenfelter, Mr. J. Newcomb Blackman, Mrs. Douglas Horton, Mr. Whitney W. Irons, Mr. W. Heyward Myers, Jr., and Mr. Jacques L. Vauclain.

Mr. Lemuel B. Schofield, the remaining member of the Committee, was prevented from attending by illness.

"In accordance with the resolution establishing the Committee of Stockholders, which was adopted at the Annual Meeting April 8, 1947, representatives of Management reviewed for the Committee important developments falling within the Committee's area of concern, and members of the Committee commented and advised on the course of Company action as follows:

1) On the question of government regulations affecting adjustments in rates and fares—

"It was established that The Pennsylvania Railroad Company, along with other railroads, has been injured by severe financial losses due to the lag in time required to secure the approval of the Interstate Commerce Commission for adjustments in rates made necessary by the increase in costs resulting from the inflationary spiral. While a recent decision finally has granted authority to increase freight rates substantially as requested to compensate for increased costs, which were largely incurred during the year 1950, and while no further petitions have been filed by the railroads for further increases in freight rates at this time, it was developed that there remain threatening factors in this area which are serious. A full and satisfactory solution to the problem of adjusting freight rates promptly and adequately would require changes in the regulations under which railroads are required to operate and changes in the favors and subsidies granted competing forms of transportation.

2) *On the question of legislation to remove the time lag from rate adjustments—*

“The Senate Committee on Interstate & Foreign Commerce held extensive hearings on various phases of domestic transportation, which were concluded toward the end of 1950. On October 19, 1951, this Senate Committee released a ‘progress report’ which described inequities in many phases of government regulation of different forms of transportation; the public subsidies enjoyed by highway, air and waterway carriers; and special economic problems which the railroads face as a result of these Federal policies.

“During the early days of the present session of Congress, numerous bills were introduced in the Senate, some of which were designed to enact into law part of the recommendations developed in the Committee’s ‘progress report’. One of the bills so introduced; namely, S. 2518; is designed to protect the railroads from financial losses suffered during the time lag between increases in their costs for wages and materials and the date of decisions by the Interstate Commerce Commission to allow compensating increases in rates. This bill would allow the railroads to adjust their rates promptly whenever increases in costs reduce net earnings below a fair level. Such an adjustment would be discretionary with the railroads. Under the provisions of this bill, the Interstate Commerce Commission would have authority to review the new rates after they have become effective, and if as the result of hearings the Commission determined that such rates were discriminatory, or were not reasonable, it could disallow the increases.

“The Stockholders’ Committee commended the Management on its stand in this matter and for its efforts to gain public and Congressional support to change the outmoded and unfair regulations which cause these costly delays.

3) *On the question of legislation to return full responsibility to Management for decisions to establish rates—*

“Another bill introduced in the present session of Congress is designed to carry out one other important part of the recommendations in the ‘progress report’ of the Senate Committee on Interstate & Foreign Commerce. This bill known as S. 2519 would change the Interstate Commerce Act to remove that part of the Act which the Commission has taken as its authority for considering the amount of business which might be lost to the railroads in determining the proper rates to be allowed. The Management of the Pennsylvania Railroad appeared before the Senate Committee in support of these bills and the Stockholders’ Committee agreed that such support was desirable in the national interest as well as in the interest of those who own the nation’s railroads.

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“In view of the special importance of the two pieces of legislation mentioned above, the Committee agreed to recommend to the stockholders at the Annual Meeting a resolution favoring the enactment of legislation represented by the two bills—S. 2518 and S. 2519.

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4) *On the question of Labor Relations and continuing Government operation of the railroads—*

"In order to forestall a strike by certain operating employes the Federal Government seized control of the principal railroads of the country in August 1950. No agreement has yet been reached with the unions representing engineers and firemen although the offer of the railroads embodies the full increase in wages and the changes in working rules recommended by a Presidential fact-finding board, and although other employes have accepted the terms of that finding; with the result that the government continues in control of the railroads.

[*Note: Government control of the railroads was terminated on May 23, 1952, following agreement upon all pending unsettled disputes with operating employes.*]

Meanwhile, certain of the Brotherhoods are insisting that the government take over actual operation of the railroad systems, *retain the net revenue from such operation* and pay so-called 'reasonable' wage rates to the employes. This suggestion has been embodied in a bill, designated S. 2937 which has been introduced in Congress by Senator Murray of Montana. The effect of the adoption of that bill would be to place at the disposal of government representatives the stockholders' investment in the railroads, for possible dissipation in meeting Labor's demands, thereby imposing a destructive burden upon railroad investors whenever all demands, upon which the labor unions insist, are not met in full.

"The Stockholders' Committee believes that this bill is extremely dangerous and unfair, and agreed to oppose its passage and recommend accordingly to the stockholders at the Annual Meeting.

5) *On the question of subsidies to competing forms of transportation—*

"It was reported by Management that some progress has been made in awakening the American public to the damage to the public highways and the costly and dangerous congestion of traffic caused by increasing numbers of large sized and over-weight trucks. Certain attempts to increase the weights and sizes permitted for such trucks have been defeated. In some respects a part of the fair share of the cost of maintaining the highways has been assigned to trucks. Nevertheless in many ways the trucks are far from paying their full fair share of these costs. The Committee urged the Management to continue its efforts to obtain necessary support for legislation to correct this injustice to our railroads.

"An important effort to expand the public subsidy to waterborne freight is now before Congress as a bill, which is supported by the President of the United States, to approve construction of the so-called St. Lawrence Seaway Project. The Senate Foreign Relations Committee has reported such a bill, known as S.J. Res. 27, but without specific recommendation either for or against passage. The House Committee on Public Works is considering a resolution substantially similar, designated as H.J. Res. 337. The passage of these

bills would mean that public funds would be committed to build and operate this waterway — another competing means of transportation that would not only be provided by taxpayers' money but when built would be free from payment of the taxes which the railroads are required to pay. While both these bills contemplate that the users of the waterway would pay toll charges, it is evident that income from those charges would be far below the full cost of providing such service, and thereby enable competitors of the railroads to obtain traffic by rates which benefit by a subsidy from public money and by tax exemption.

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"We believe that every stockholder will wish to consider the danger to his or her investment and income involved in the problems reviewed by the Stockholders' Committee. We also believe that individual stockholders will wish to exercise their privilege to express views on these important subjects, and therefore we have prepared three brief resolutions directed to legislation now before the Congress of the United States, and recommend their adoption by the Annual Meeting, as follows:

"RESOLVED, that the stockholders of The Pennsylvania Railroad Company *urge* the passage of legislation by Congress in substantially the form of bills known as S. 2518 and S. 2519, which are now before the Senate Committee on Interstate and Foreign Commerce, and which would enable the railroads to obtain prompt and adequate adjustments in rates to cover increases in wage costs and material prices; and be it

"FURTHER RESOLVED, that the stockholders of The Pennsylvania Railroad Company *are vigorously opposed* to the passage of S. 2937, introduced by Senator Murray, of Montana, which would permit the Federal Government to take over the revenues of railroads and to pay the owners only token compensation whenever labor unions threaten to strike for the purpose of enforcing demands which have been found unreasonable by impartial fact-finding boards, and be it

"FURTHER RESOLVED, that the stockholders of The Pennsylvania Railroad Company *are opposed* to the extension or continuation of any and all forms of public subsidy or support to transportation agencies which are in competition with the railroads, a particularly harmful example of such public aid being the bills known as S.J. Res. 27 and H.J. Res. 337, now pending in Congress, to authorize construction and operation of the St. Lawrence Seaway Project, which would be opened to the use of water carriers at toll charges entirely inadequate to cover the cost of construction and operation of this waterway.

* * * * *

"We urge the Management to call to the attention of all our stockholders the action taken on these resolutions at the Annual Meeting, with the hope and expectation that not only those present but many stockholders unable to attend the Meeting will also express their views directly to their elected representatives in both Houses of Congress, and to other people who are willing to support free enterprise but may not be aware of the legislation which is needed to restore and preserve such freedom for the railroad industry."

Mr. Blackman moved the adoption of the three resolutions and the motion was seconded and, after discussion, unanimously carried.

Mr. Blackman then addressed the stockholders present on the dangers inherent in government control of business and other socialistic trends and stressed the importance of protecting corporate properties for the stockholders. "We are suffering," he said, "from a socialistic cancer which is destroying our way of life. * * * I want you to sit down and if you believe in these resolutions, say what you think to your Congressman and your Senator—that you oppose this or favor that. You have got your chance."

SUGGESTIONS AND INQUIRIES

Stockholders offered the following suggestions:

Two individuals, stating that they represented other stockholders, inquired as to the nature of certain expenditures appearing in the Statistical Statement under the heading "Law Expenses" and "Other Expenses". The Chairman arranged with the Comptroller to meet with these individuals and review the information requested.

Other stockholders made suggestions that wider publicity be given to the industrial development along the Delaware River; and that cigarette vending machines be installed in the center of passenger cars instead of at the end.

In response to other inquiries, the Chairman stated that information as to the holdings of Directors who are candidates for election is shown in the Proxy Statement each year; that the Directors

do not feel that they are in a position to pay dividends on a quarterly basis because the uncertainty of railroad revenues and traffic volume make it impossible to forecast future earnings; that the Company was not entitled to tax exemption by reason of government control, since the government did not actually operate the properties of the Company; that car retarders are being installed wherever it is found to be profitable and physically possible; that telephone service is available on certain passenger trains; and that the Company has intensified its safety program.

Various other inquiries and comments made by stockholders, relating principally to operating matters, have been referred to the officers directly concerned.

Should any stockholder desire additional information regarding the Annual Meeting or Election, he should address his request to the Secretary.

The stockholders are the owners of the Company and it is important that they take the opportunity to vote, whether they hold many shares or only a few. To the holders of more than 73% of the outstanding stock who signed and returned proxies this year, the Directors and officers express their sincere appreciation of the loyal support these stockholders have given them.

J. TANEY WILLCOX,
Secretary.

MAY 28, 1952.