

ANNUAL REPORTS OF RAILWAYS.

Chicago Great Western.

In the fiscal year 1904 the Chicago Great Western transferred to the Mason City & Fort Dodge, one of its proprietary companies, a part of its mileage. The further transfer in like manner of 56 miles of road in 1905 reduced the mileage operated by the parent company to 818 miles, as against 874 miles in 1904 and 930 miles in 1903. In the company's accounts the surplus earnings of the proprietary lines continue to be added to gross earnings. The amount of this surplus last year was \$104,000. Including the miscellaneous income in question, the gross earnings and the other items of the income accounts are compared for three years in the following exhibit:

	1905.	1904.	1903.
Gross earnings	\$7,377,711	\$8,022,674	\$7,823,191
Operating expenses	5,123,093	5,904,057	5,434,680
Net earnings	2,254,618	2,118,617	2,388,561
Taxes, rentals, etc.	1,018,242	930,978	786,627
Balance for interest	1,236,376	1,187,639	1,601,934
Int. on debenture stock	1,044,976	1,044,976	1,025,693
Net divisible income	191,400	142,663	576,241
Preferred A dividend		284,310	568,620
Surplus	191,400	*141,647	7,621
* Deficit.			

The surplus revenue of 1902 and 1903, respectively, sufficed for the payment of 5 per cent dividends on the company's preferred A stock, the amount of which outstanding on June 30 last was \$11,337,000. In 1904 the surplus fell a little short of the 2½ per cent dividend that was paid on the preferred stock A. The second dividend of 1904 was passed, and no dividend was paid out of the income of 1905.

The company's expense accounts indicate fairly liberal disbursements for maintenance of the property, notwithstanding the sharp decline in earnings and a corresponding reduction in total operating costs. As compared with 1904, the outlays for maintenance of way and structures were reduced \$137,000 and for maintenance of equipment \$127,000.

On the mileage basis gross earnings increased from \$8,122 per mile in 1902 to \$8,416 in 1903 and \$9,180 in 1904, from which high point the falling off in 1905 was only to \$9,015. The report gives no explanation of the decrease in earnings, which was very large in the first two months of the year and continued until the last two months. Since May, 1905, increases have been shown. After the two proprietary lines, the Wisconsin Minnesota & Pacific and the Mason City & Fort Dodge, become better established, larger earning power for those lines and for the system as a whole should naturally follow.

The report is meager in general information, but fuller than at one time in statistical exhibits. The details of capital expenditures show the outlay of \$734,000 for additional terminals, bridges and culverts, new buildings, new rails, grade revisions, double tracking, rolling stock, etc. No great discrepancy between current accounts payable and accounts receivable is shown, even if materials and supplies be excluded from the latter.

The more important traffic statistics are compared below for three years:

FREIGHT DEPARTMENT.

	1905.	1904.	1903.
Revenue tons carried	2,816,707	2,825,601	2,768,307
Revenue ton miles	724,272,240	805,221,410	759,916,812
Freight train miles	2,446,776	2,963,082	2,741,002
Aver. revenue trainload, tons.	296.01	271.75	277.24
Ton mile revenue, mills.	7.0	7.2	7.4
Train mile earnings	\$2.08	\$1.96	\$2.05

PASSENGER DEPARTMENT.

	1905.	1904.	1903.
Passengers carried	2,009,022	1,938,340	1,933,545
Passenger miles	82,296,920	80,268,023	81,432,117
Passenger train mile earn., cts.	87.1	80.5	81.0

The subsidiary Wisconsin Minnesota & Pacific Company, operating 271 miles of line, earned \$675,000 gross, or about the same as the year before, and \$282,000 net after taxes. The average mileage of the Mason City & Fort

Dodge increased from 252 to 386 miles, and gross earnings rose from \$937,000 to \$1,466,000, and net after taxes to \$452,000, as compared with \$260,000.

Chicago Milwaukee & St. Paul.

Having operated 6,647 miles of road in 1903 and 6,829 miles in 1904, the Chicago Milwaukee & St. Paul increased the average operated mileage in 1905 to 6,908 miles. In both gross earnings and net the results of the year were, in the main, satisfactory, as appears from the following comparative income account:

	1905.	1904.	1903.
Gross earnings	\$49,884,114	\$48,330,335	\$47,662,737
Operating expenses and taxes	32,294,041	31,676,560	31,568,174
Net earnings	\$17,560,073	\$16,453,745	\$16,064,563
Other income	280,797	316,431	510,031
Total net income	\$17,820,870	\$16,770,176	\$16,574,594
Interest on funded debt	5,962,045	6,061,775	6,101,335
Net divisible income	\$11,858,825	\$10,718,401	\$10,473,259
Preferred stock dividend	3,400,523	3,345,608	3,291,883
Balance	\$8,458,802	\$7,372,793	\$7,181,376
Common stock dividend	4,072,873	4,072,873	4,363,793
Surplus	\$4,386,429	\$3,299,920	\$2,817,583

Perhaps the most noteworthy feature of the foregoing statement for 1905, in comparison with 1904, is the relative saving in operating expenses. While in 1904 gross earnings increased \$668,000, operating expenses increased \$278,000. In 1905 the gain in gross earnings was \$1,550,000 and operating expenses rose only \$400,000. In other words, as against an increase of \$390,000 in net earnings in 1904, an increase of \$1,100,000 was secured in 1905. Notwithstanding the increased volume of business done last year, as indicated both by earnings and by the traffic statistics, the cost of conducting transportation was reduced from \$18,597,000 to \$18,280,000. The largest item of the saving was in locomotive fuel, which cost the road \$4,620,000 in 1904, but only \$4,241,000 in 1905.

Included in the operating expenses of both years were considerable sums disbursed for additions to the property—\$620,000 last year and \$707,000 the year before.

The usual details of the improvements in the physical condition of the road are presented in the report. Part of the funds came from surplus earnings and part from new capital. During the year \$120,000 was expended in the reduction of grades on the Chicago & Council Bluffs division in Iowa, \$238,000 for track elevation in Chicago and \$399,000 for shop improvements at Milwaukee, Dubuque and Minneapolis. The expenditures for additions and improvements charged to capital account amounted, all told, to \$2,867,000. Of this total \$864,000 went for new equipment, \$271,000 for the construction of new lines and the remainder for miscellaneous betterments.

The financial operations included the issue of \$953,000 of preferred stock in exchange for convertible bonds, and a reduction of \$928,000 in funded debt. The funded debt now stands at \$17,677 per mile of road and the total capitalization at \$33,232.

The following statement makes the customary comparisons of traffic and transportation results:

FREIGHT DEPARTMENT.

	1905.	1904.	1903.
Revenue tons carried	23,303,908	21,267,370	21,304,638
Revenue ton miles	4,081,408,559	3,938,402,556	4,021,755,419
Freight train miles	15,423,550	16,045,761	16,466,822
Revenue trainload tons	264.62	245.45	244.23
Ton mile revenue, mills.	8.813	8.908	8.652
Train mile revenue	\$2.332	\$2.186	\$2.113

PASSENGER DEPARTMENT.

	1905.	1904.	1903.
Passengers carried	10,364,725	9,752,419	9,586,201
Passenger miles	451,460,651	419,157,387	413,261,190
Passenger train miles	11,687,034	11,395,796	10,458,912
Passenger mile revenue, cents.	2.243	2.305	2.309
Train mile revenue, cents.	86.65	81.78	91.24

The increase in the average freight trainload, as above, was equivalent to 7.81 per cent. At the same time the average loaded carload increased 3.31 per cent. The gain in the revenue from freight per freight train mile was

equivalent to 6.68 per cent. The tonnage statement shows that agricultural products comprised 22.60 per cent of the movement last year, as compared with 23.99 per cent the previous year.

Chesapeake & Ohio.

The Chesapeake & Ohio's report for the year ended on June 30 last reflects the continuation of the prosperity observable a year ago. With an increase of 37 miles in present extent of line, bringing the total up to 1,708, and with an average of 1,672 miles operated in 1905, as against 1,651 miles in 1904 and 1,638 miles in 1903, the following income account was developed in comparison with the two years next preceding:

	1905.	1904.	1903.
Gross earnings.....	\$20,724,371	\$19,297,525	\$16,711,602
Operating expenses.....	13,250,966	12,783,190	11,052,723
Net earnings.....	\$ 7,473,405	\$ 6,514,335	\$ 5,658,879
Other income.....	177,286	169,272	190,374
Total net income.....	\$ 7,650,691	\$ 6,683,607	\$ 5,849,253
Fixed charges.....	4,779,052	4,739,098	4,429,649
Net divisible income.....	\$ 2,871,639	\$ 1,944,511	\$ 1,419,604
Dividends.....	627,904	627,904	605,269
Balance.....	\$ 2,243,735	\$ 1,316,607	\$ 814,305
Special appropriations.....	1,952,477	1,311,366	741,012
Surplus.....	\$ 291,258	\$ 5,241	\$ 73,293

As indicated above, gross earnings increased last year \$1,427,000. Of this gain \$1,170,000 accrued in the freight department.

No increase occurred in the capital stock, the amount of which outstanding is \$62,799,400. On this share capital the surplus applicable to dividends was equivalent to about 4½ per cent, while 1 per cent dividends are paid. The integrity of the reported net earnings hardly will be questioned in view of the continuance of liberal expenditures for maintenance. In 1905 the outlay for maintenance of way and structures averaged about \$1,309 per mile, as against \$1,397 per mile in 1904, \$1,330 in 1903 and \$1,345 in 1902. In connection with these figures for maintenance it may be pointed out that freight density amounted to 2,244,000 tons carried one mile per mile of road last year, as compared with 1,917,000 ton miles per mile of road the year before. The disbursements per piece for repairs and renewals of equipment have been no less noteworthy, as appears from the following suggestive exhibit:

	1905.	1904.	1903.	1902.
Locomotives.....	\$2,330	\$2,066	\$1,857	\$1,626
Passenger cars.....	893	1,013	849	744
Freight cars.....	94	81	61	70

The company's coal tonnage increased 26 per cent in 1905, and other freight tonnage 1.5 per cent. The average freight trainload continues to rise. The figures of chief interest in the exhibit of operating and traffic results are compared below:

FREIGHT DEPARTMENT.

	1905.	1904.	1903.
Revenue tons carried.....	13,304,791	11,550,017	9,548,531
Revenue ton miles.....	3,754,388,306	3,166,958,166	2,631,297,190
Freight train miles.....	6,743,296	6,233,592	5,333,101
Revenue trainload, tons.....	557	508	493
Ton mile revenue, mills.....	4.27	4.70	4.75
Train mile earnings.....	\$2.38	\$2.39	\$2.36

PASSENGER DEPARTMENT.

	1905.	1904.	1903.
Passengers carried.....	3,438,030	3,277,113	2,952,963
Passenger miles.....	192,838,400	176,075,028	170,012,343
Passenger train miles.....	3,480,216	3,358,716	3,255,918
Passenger mile revenue, cents.....	2.02	2.07	2.04
Train mile earnings.....	\$1.31	\$1.29	\$1.25

Construction operations continue, and one consequence is found, as a year ago, in a moderate floating debt. The funded debt was increased last year \$2,025,000, of which amount \$1,500,000 appears in an issue of general mortgage 4½ per cent bonds for special construction and second track and \$525,000 in Paint Creek branch 4s issued for the purchase of the Kanawha & Pocahontas, formerly operated under lease. The special construction fund went chiefly toward the payment for extensions of various branch lines. The

special appropriations of surplus income included \$735,000 principal of equipment trusts paid off and \$1,217,000 disbursed for betterments and new equipment.

The directors have authorized the building of 55 miles of additional second track.

The report states that the Chesapeake & Ohio has joined with the other five owners of the Richmond-Washington Company in approving the making of an \$11,000,000 mortgage, the proceeds of the bonds to be used to pay for the double tracking and other improvements now under way. The bonds have the guarantee of the six parent corporations.

Norfolk & Western.

A considerable part of the Norfolk & Western's annual report for 1905 is devoted to an account of the new construction and betterments in progress. Reference is made to the completion last winter of the Big Sandy low grade line from Kenova to Naugatuck, W. Va. This cutoff, 59 miles in length, is operated in connection with the old line as a double track proposition. Its cost to June 30, 1905, was \$4,668,000. Details are presented of the progress of the work on the Iaeger & Southern, Clear Fork, Radford, Speedwell, Big Stone, Big Creek and Guyandot & Tug River branches. The Norfolk & Western lately acquired the Columbus Terminal & Transfer Railroad at Columbus, O.

The company operated 1,799 miles in 1905, as against 1,723 miles in 1904 and 1,713 miles in 1903, and the income accounts of the three years were as follows:

	1905.	1904.	1903.
Gross earnings.....	\$24,039,260	\$22,718,977	\$21,160,675
Operating expenses.....	14,614,434	13,673,328	12,217,211
Net earnings.....	\$ 9,474,826	\$ 9,045,649	\$ 8,943,464
Other income.....	210,572	147,232	148,259
Total net income.....	\$ 9,685,398	\$ 9,192,881	\$ 9,091,723
Fixed charges.....	3,851,944	3,504,578	3,051,534
Net divisible income.....	\$ 5,833,454	\$ 5,688,303	\$ 6,040,189
Dividends.....	2,853,606	2,853,600	2,848,894
Balance.....	\$ 2,979,848	\$ 2,834,703	\$ 3,191,295
Special appropriations.....	2,529,853	2,410,984	3,006,233
Surplus.....	\$ 449,995	\$ 393,719	\$ 185,042

Owing to "changes made on July 1, 1904, in the classification of accounts entering into net income," the foregoing revised statement of net income for 1904 differs from that published last year by \$131,000. The reports as now made to conform to the Pennsylvania style give no comparative income account below the item of surplus applicable to dividends. A continuation of the official comparisons through dividends and disposition of surplus would be desirable.

The net income available for dividends in 1905, amounting to \$5,833,000, was equivalent to the full 4 per cent dividends on the \$23,000,000 of preferred stock and to 7.45 per cent on the \$66,000,000 of common stock. The dividend rate on the common shares now prevailing is 3 per cent per annum.

During the year the company sold \$690,000 of first consolidated mortgage bonds and applied the proceeds to reimbursing the treasury in part for capital expenditures made previously. Of the divisional first lien and general mortgage bonds authorized by the stockholders in June, 1904, \$8,000,000 have been sold for similar purposes. A new series of 4 per cent equipment trust certificates, amounting to \$2,000,000, was issued, payable in annual instalments of \$200,000, each beginning on April 1 next. The money will pay for 17 freight locomotives and 2,000 hopper bottom gondola cars. None of this equipment had been received at the close of the fiscal year.

The general balance sheet shows \$8,157,000 of current assets, including \$6,330,000 cash, as against \$3,797,000 of current liabilities, exclusive of the several betterment funds amounting in the aggregate to \$4,700,000. The report notes