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Nº 35 WALL STREET.  
NEW YORK.

May 20, 1897.

JAMES J. HILL, Esq.,

St. Paul, Minn.

My dear Mr. Hill:-

Many thanks for your letter of May 17th with its enclosures at hand this morning.

You can assure Mr. Farrington that Mr. Gray has instructions to co-operate with him in every way possible in obtaining a uniform practice in computing train mileage.

At my suggestion Mr. Gray has applied for membership in the Accounting Officers Association and if he can be spared from the office will attend the approaching Convention of the Association in Richmond.

Enclosed I send you some additional figures that I have had prepared for the purpose of showing the relative results of operation of our two Railway Systems. As stated in my previous letter, my purpose is to obtain some reliable data to which I can refer in conversation with interested parties here as having been compiled in this office. Before using these figures, however, I want to be assured that those pertaining to your System are approved by your Accounting Department and that the deductions drawn therefrom are justifiable and meet with your approval. Should they lack anything for a proper representation of comparison, kindly give me such material as will enable me to correct any such omissions.

Sincerely yours,

*Edward D. Adams*

COMMENTS ON COMPARATIVE STATEMENT OF  
INCOME and TRAFFIC STATISTICS of NORTHERN PACIFIC  
and GREAT NORTHERN Lines, Fiscal Year  
ending June 30, 1896.

The difference in Total Operating Income is comparatively small-  
GREAT NORTHERN shows an excess of

Freight Receipts	\$	866,616 ✓
Other           "		73,180

<u>TOTAL</u>	\$	<u>939,796</u>
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NORTHERN PACIFIC shows an excess of

Passenger Receipts		1,377,218
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EXCESS OF NORTHERN PACIFIC OPERATING INCOME	\$	<u>437,422</u>
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The Great Northern, however, gets its Income at an expenditure of about \$2,000,000 less than the Northern Pacific. How is this accounted for ?

The Great Northern ran 471,175 less freight train miles ( assuming the basis of computation of the train mile to be the same in both Companies) than the Northern Pacific, and at the same time carried 305,919,000 (about 25%) more tons one mile with this smaller train mileage.

The fact that rates are the same on both roads, and that these statistics do not show the larger freight Income which the above tons one mile would justify, indicates one of two things- either:-

(a) The Great Northern has a larger quantity of cheap freight business than Northern Pacific; or

(b) In the compilation of statistics the Great Northern



allows arbitrary or constructive mileage to certain lines, and parts of the same lines, and this swells its total tons one mile by adding in for statistics the arbitraries so figured.

Probably both causes contribute in showing these results, but principally the latter (b).

NOTE THE TONS HAULED:

Northern Pacific	4,287,524
Great Northern	7,521,159
APPARENT SURPLUS OF GREAT NORTHERN	3,233,635

but the Great Northern System is divided into the following lines, all of which keep separate statistics, viz:

- a-d- and  
kept as one*
- (a) Great Northern Railway Co.
  - (b) Eastern Railway Co. of Minnesota
  - (c) Montana Central
  - (d) Duluth, Watertown & Pacific
  - (e) Wilmar & Sioux Falls.

It is evident, therefore, that the tons intercharged are counted as tons hauled on each of these roads, thus swelling the total number of tons by counting the same traffic on each of these roads and adding them for the total results. <sup>3</sup> (a) and (b) and the Total are shown separately in the attached statement. In the same way, tons hauled one mile would be increased by the allowance of arbitrary mileage, and counting for statistics both the real and the arbitrary mileage. *Ho. No arbitrary ton mileage allowed.*

This would account also for a part of the apparent greater density of traffic of the Great Northern, viz:

*Ho.*

3.

TONS ONE MILE PER MILE OF ROAD.

Great Northern	371,012
Northern Pacific	299,013
EXCESS OF GREAT NORTHERN (24%)	72,000

This showing is not justified by the results shown in Freight Earnings per mile of Road, viz:-

Great Northern	\$3,619
Northern Pacific	3,398
EXCESS OF GREAT NORTHERN (6%)	\$ 221

4210.  
3398  
812  
74 0/10

It is, therefore, apparent that the statistics of the two Roads are not compiled in the same way.

This would also account for the apparent greater length of haul and greater rate per ton mile on the Northern Pacific .

That the train mileage statistics are not upon the same basis, is shown by the following analysis:

TONS PER TRAIN MILE.

Great Northern	256.20
Northern Pacific	193.52
EXCESS OF GREAT NORTHERN (32%)	62.68

256.20  
193.52  
62.68

This, at one cent per ton mile, should show that Great Northern would earn 62.6 cents per train mile more than Northern Pacific. The statistics of REVENUE PER FREIGHT TRAIN MILE show different results, viz:-

Great Northern	\$2.55
Northern Pacific	2.20
EXCESS OF GREAT NORTHERN (16%)	\$0.35

2.55  
2.20  
.35

Reverting, however, to the question propounded above, What



is the cause of the Great Northern, on about the same volume of traffic, operating for \$2,000,000 per annum less than Northern Pacific ?

It may be accounted for thus:

- |  |  |
|--|--|
| 1st. Greater expenditures in Maintenance of Way of Northern Pacific, which during the year under comparison included large expenditures for Betterments and Renewals.  | \$ 931,205   |
| 2nd. Greater expenditures for Maintenance of Equipment, which included expenditures for enlarging cars, replacing equipment destroyed in previous years, etc.  | 309,248  |
| 3rd. Greater general expenses- because of the property being in the hands of Receivers.  | 80,503   |
| 4th. Saving in train mileage, based upon the excess revenue per train mile of Great Northern- say 35 tons per train, or a saving of 1,040,000 train miles at 40¢. per train mile as the actual cost of transportation. | <div style="text-align: right;">           702,000<br/>           - 416,000<br/>           -----<br/>           286,000         </div> |

*Nothing left.*  
*1,885,264*  
 Between this amount and \$2,000,000, the difference (about \$264,000) is represented by the additional cost of performing the increased passenger business.

The passenger statistics show for themselves, and reveal the superiority of the Northern Pacific in this Department.

New York, May 20, 1897.

*Fact that the Northern Pacific is one of the best lines in consequence has more large hauls. This leads to a greater mail business. Express traffic from local passengers.*

EXPENDITURES account CAPITAL A/C by the

GREAT NORTHERN RAILWAY COMPANY.

	Construc'n	Equip't	Total
Eastern Ry. Co. of Minnesota	174,361.31	257,895	437,615
Montana Central (principally Equipment)			288,355
Wilmar & Sioux Falls			879
Duluth Terminal			7,045
Minneapolis Union			2,791
			736,685

The charges above seem to be normal, and there is no evidence that Expenses have been capitalized.

New York May 10. 1897.

James J. Hill  
Minneapolis



# COMPARATIVE STATISTICS

Fiscal Year Ending June 30, 1896.

	Northern Pacific System	Great Northern System	Chicago and Northwestern	St. Paul	Omaha	Soo Line
Miles Operated	4,404.34	4,374.19	5,003.78	6,187.92	1,492.23	1,188.71
<u>TRAIN MILEAGE</u>						
Passenger	3,258,752.	2,971,338.	9,523,858.	7,788,709.	1,785,097.	929,528.
Freight	6,363,464.	5,680,711.	16,384,370.	13,526,151.	2,673,568.	1,482,068.
Mixed	662,151.	653,468.	896,567.	970,799.	526,680.	251,407.
* Total Revenue Train Mileage	10,284,367.	9,305,517.	26,804,795.	22,285,659.	4,985,345.	2,663,003.
Construction and other	504,128.	372,101.	905,455.	609,991.	168,287.	83,922.
Switching		1,166,330.	7,088,431.	4,005,550.	1,236,761.	318,515.
Total Mileage	10,788,495.	10,843,948.	34,798,681.	26,901,200.	6,390,393.	3,065,440.
<u>FREIGHT TRAFFIC</u>						
Tons hauled	4,287,524.	7,521,159.	17,274,779.	12,210,055.	3,405,769.	2,067,979.
Tons hauled 1 mile (add 000)	1,316,958.	1,622,877.	2,425,598.	2,381,668.	522,432.	475,608.
Tons hauled 1 mile per						
mile of Road	299,013.	371,012.	482,151.	384,890.	350,101.	400,105.
Average Tons per train mile	193.12	256.2	140.36	167.10	163.25	285.
" " " car "	10.68	13.08	10.52	10.90	11.39	14.
" <u>CARS PER TRAIN-</u>						
" Loaded	18.12	19.58	13.34	15.33	14.33	20.
" Empty	6.82	6.89	5.83	6.48	4.93	6.
" Total	24.94	26.47	19.17	21.81	19.26	26.
" haul (miles)	307.	215.7	140.	195.	153.	230.
<u>REVENUE</u>						
Per Freight Train Mile	\$ 2.20	\$ 2.55	\$ 1.45	\$ 1.68	\$ 1.92	\$ 1.80
" Passenger "	1.34	1.16	.93	1.07	1.13	.70
" Passenger & Freight						
Train Mile	1.95	2.10	1.27	1.45	1.63	1.40
Expenses per Pasgr. & Frt.						
Train Mile	1.18	1.10	.78	.83	1.01	.87
Net Revenue per Pasgr. & Frt.						
Train Mile	.77	1.00	.49	.632	.62	.53
Earnings per ton mile	¢ 1.135	¢ 0.976	¢ 1.02	¢ 1.	¢ 1.127	¢ 0.633
" " pass'r "	2.596	2.67	2.06	2.37	2.49	2.127

\* These figures are the bases of calculation of statistics which follow:

A Train Mile on Northern Pacific is based on Engine Mileage, deducting Switching Mileage, Construction and other non revenue producing mileage, but including pushers and helpers.

C. & N. W. Train Mile means a conductor's trip one way. The Omaha is probably the same.  
Basis of the others, not given.

Above statistics compiled from the following sources:

GREAT NORTHERN- from Annual Report of the Company for fiscal year ending June 30, 1896.

OTHER ROADS- from the Report of the Railroad and Warehouse Commission, State of Minnesota for fiscal year ending June 30, 1896.