

[1901] [?]

Memorandum for Mr. Robert Bacon.

To fix a policy for the Northern Pacific Company which will enhance the value of the shares of that Company, the first consideration is to increase the net earnings applicable to dividends upon its stock.

This can be done in two ways: First - To see that the Railway is put in a position where it can handle its traffic at the lowest cost, or, in other words, that it shall be able to save the largest possible proportion of its gross earnings.

Second - That its net income from traffic earnings and all other sources is wisely husbanded, so as not to reduce the amount otherwise available for dividends.

The Company has large terminal facilities, both improved and unimproved, at most if not all of its principal towns. These terminals at all points should be kept ample to provide for future expansion of the Company's traffic.

The Company's equipment, engines and cars, must be kept up to the requirements of its traffic.

The change which is now being made on most railways from light to heavy engines and from wood to steel in the construction of cars is all in the right direction.

Present purchases of equipment, particularly of freight cars, should be limited to the least actual requirements until a good steel car can be found which will take the place of the present wooden equipment. It is reported that the Company has bought Five thousand wooden freight cars this year, which is fully Three thousand more than they need at present.

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In regard to the first named condition, the closest attention should be given to the location of the present lines, with the object of reducing grades, curvature, and other conditions which increase Operating Expenses. These improvements should be made to a full extent and within reasonable expenditure. Quite a large amount of the work already done on the Northern Pacific's permanent way will have to be done again, and it is also probable that parts of lines which have been considered permanent must be abandoned and rebuilt on other locations. It may be worth while to remember that the Pennsylvania Railroad between Philadelphia and Pittsburg has been in places rebuilt three times. When the Northern Pacific and Great Northern are both in position to handle their traffic at rates which would bankrupt any of the other transcontinental lines, their respective stocks will not fail to reflect this strength in their market value.

During the past five years the Great Northern has not built any new lines in territory common to both Companies, and it has not built or acquired any new mileage which does not pay a good return on its investment. The object of bringing the respective interests of both Companies together is to secure mutual support and co-operation and to avoid all policies which will in any manner injure the property or business of either. This can only be secured by establishing the greatest harmony and cordiality between those who are actually handling the properties.