

Erie Railroad Company,

US

October 27, 1902.

Mr. E. B. Thomas,

Chairman of the Board.

Dear Sir:

In the matter of the desired improvements to add to the earning capacity of the Erie Railroad: I beg to submit herewith a memorandum statement showing what, in my opinion, can be done from the current resources. The estimates representing the cost of improvements are given in outside figures.

The most important items in the list are the improvement of the Mahoning Division and the construction of the Pen Horn Railroad. Both of these operations should be begun forthwith, in order that the beneficial effects to be derived from their installation may become effective as soon as possible.

The suburban business has increased to such an extent that it taxes the present facilities to the utmost, and there can be no further increases in this direction with the present facilities.

So soon as the Pen Horn Railroad is in operation, the rental of \$50,000.00 per annum, now paid the Pennsylvania Railroad, can be saved. The merit of the plan submitted is,

2 Mr. E. B. Thomas
Erie Railroad Company,

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that if for commercial reasons the forecasts made are not manifest, the work can be stopped at any time. We can at all times keep within the margin of our earnings for the year and continue the payment of dividends as now.

As matters now stand, we are practically drifting, and a railroad that allows itself to drift in prosperous times like these will, in the near future, be embarrassed by reason of that course.

Will you kindly present this at the next meeting of the Executive Committee?

Yours truly,

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President.

James J. Hill Papers
Minnesota Historical Society

[Oct. 27, 1902]

MEMORANDUM CONCERNING THE ERIE RAILROAD.

The Erie Railroad Company, during the fiscal year ending June 30th, 1902, earned \$40,894,433.89, an increase of \$9,397,402.97 over the amount earned in 1897, equal to 29.8%, or a progressive increase per annum during that period of over 5%.

With a progressive increase of 5% per annum during the next five years, the gross earnings will be at the end of that period (for the year ending June 30th, 1907), \$52,000,000.00, which, at the operating ratio during the past year (68.90%) will produce net earnings of \$16,000,000.00. Deducting the present annual fixed charge of \$10,278,000.00 will leave a surplus from the operations of the railroad of \$5,894,000.00 for the year. To this may be added the income from other sources, including the Coal Companies, which last year aggregated \$1,945,000, making the surplus income from all sources \$7,800,000.00, a sufficient amount to put all classes of stock now authorized on a 4% basis, which will require \$7,080,000.00, leaving a balance of \$720,000.00 to be carried to "Profit and Loss."

The freight earnings, exclusive of coal, for the first four months of the present fiscal year show an increase of 15% over corresponding period one year ago, and there is every reason to believe that this percentage will be maintained throughout the year if the Company is able to handle the increased business which is tributary to it. The additional facilities and equipment required to handle the increased business for the ensuing five years will cost approximately \$22,000,000.00. Statement attached shows the proposed expenditures classified.

During the last fiscal year the property (railroad and Coal Companies) earned a surplus, after paying its fixed charges and a 3% dividend on First Preferred Stock, of \$2,947,000.00. It is estimated that this net surplus will be augmented at least

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\$600,000.00 per year during the next five years, and the surplus so accumulated during that period will amount to \$24,000,000.00, furnishing the funds to provide the facilities necessary for handling a business of \$52,000,000.00, gross, per year, which, as before stated, at the present operating ratio would give net earnings sufficient to pay 4% on the present stock issues.

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[Oct. 27, 1902]

Increased Yard facilities at Galien:	\$ 100,000.00
Double track and passing sidings on Meadville West Division:	100,000.00
Increased passing sidings and double track on C. & E. and Lima Divisions:	500,000.00
Renewal of Portage Viaduct:	440,000.00
New Freight House facilities at Rochester and Buffalo:	50,000.00
Increased station facilities at Paterson and Newark:	300,000.00
Increased Yard facilities, Manhattan Island:	90,000.00
100 locomotives at \$16,000 each:	1,600,000.00
5,000 freight cars:	5,000,000.00
Double track as needed:	1,500,000.00
Three new ferry boats:	700,000.00
100 cabooses:	50,000.00
50 coaches:	300,000.00
Industrial tracks:	250,000.00
Increased telegraph facilities:	50,000.00
Abolishing grade crossings:	500,000.00
Additional passing sidings, Buffalo & South Western:	50,000.00
New shop tools:	<u>200,000.00</u>
	\$21,808,142.00

STATEMENT SHOWING IMPROVEMENTS AND COST OF SAME
NECESSARY IN THE NEXT FIVE FISCAL YEARS ENDING
JUNE 30th, 1907, TO HANDLE THE NATURAL INCREASED
TRAFFIC. THIS ESTIMATE IS BASED ON THE SAME
RATIO OF INCREASE AS OBTAINED DURING THE LAST
FIVE YEARS.

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Pen Horn Railroad, as proposed:	\$1,600,000.00
Two new draw bridges over Hackensack River, one on Main Line and one on Newark Branch:	630,000.00
New elevated passenger station at Jersey City:	280,000.00
Elevating and readjusting tracks leading to new station:	120,000.00
New ferry slips and bulkheads:	270,000.00
New ferry houses at Chambers and 23rd Sts:	100,000.00
Completion of 3rd and 4th tracks between Allendale and Ridgewood, already authorized:	318,142.00
Change of grade and reduction of Cochen and Greycourt summits:	1,300,000.00
Completion of 3rd track between Fort Jervis and Otisville:	300,000.00
Additional passing tracks on the Delaware Division:	50,000.00
Additional passing tracks on the Susquehanna Division:	120,000.00
Increased yard facilities, Susquehanna:	100,000.00
41 miles second track, Allegheny Division:	1,230,000.00
Increased yard facilities at Salamanca:	100,000.00
Increased facilities, Bradford Division:	50,000.00
Double track on Meadville Division, East:	200,000.00
Increased yard facilities at Meadville:	80,000.00
Grade reduction in connection with Stony Creek summit:	1,000,000.00
Double track from Sharpesville to Youngstown:	500,000.00
Increased yard facilities at Youngstown, Sharon and Ferrona:	500,000.00
Increased passing facilities, Mahoning Division:	40,000.00
Increased yard facilities at Cleveland and Randall:	500,000.00
Double track from Leavittsburg to Kent:	600,000.00
Increased yard facilities at Kent:	40,000.00

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ERIE RAILROAD COMPANY
CLASSIFICATION OF EARNINGS
FISCAL YEARS 1897 to 1902, INCLUSIVE.

	1897	1898	1899	1900	1901	1902	INCREASE 1902 OVER 1897	PER CENT.	AVERAGE YEARLY INCREASE
FREIGHT:	\$16,609,449.14	\$18,081,022.54	\$17,817,941.76	\$20,152,762.44	\$20,247,910.85	\$20,955,607.66	\$4,346,158.52	26.17	\$669,231.704
COAL:	6,867,134.68	7,359,881.12	7,191,481.83	8,675,226.09	9,037,085.90	9,235,506.54	2,368,371.86	34.49	473,674.372
PASSENGER:	5,742,807.35	5,957,703.80	6,310,443.87	6,905,224.28	7,278,053.75	8,075,726.16	2,332,918.81	40.62	466,583.762
MAIL:	464,980.14	486,351.53	486,019.74	492,171.46	491,920.38	468,901.31	3,921.17	.84	784.234
EXPRESS:	574,180.20	586,221.15	592,612.97	616,029.57	677,319.79	777,838.80	203,658.60	35.47	40,731.720
RENTS:	132,477.39	119,948.26	131,108.84	130,985.77	136,256.47	162,247.95	29,770.56	22.47	4,954.112
MISCELLANEOUS:	1,106,002.02	1,149,731.76	1,223,094.91	1,330,632.27	1,233,755.70	1,218,605.47	112,603.45	10.18	24,520.690
TOTAL:	\$31,497,030.92	\$33,740,860.16	\$33,752,708.92	\$38,293,031.87	\$39,102,302.42	\$40,894,433.89	\$9,397,402.97	29.84	\$1,879,480.594
INCREASE OVER PREVIOUS YEAR:		2,243,829.24	11,843.76	4,540,327.95	809,270.55	1,792,131.47	INCREASE OVER PREVIOUS YEAR		
PER CENT:		7.12	.04	13.45	2.11	4.58	PER CENT		