

COMPARISON BETWEEN EASTERN RY.CO. OF MINNESOTA AND

ST. PAUL & DULUTH RR. CO.

I t e m.	Eastern Ry. of Minn.		St. Paul & Duluth RR. Co.	
	Inc. or Dec. Over Last Year	Year Ended June 30, 1897	Inc. or Dec. Over Last Year	
NOTE: Inc. Black; Dec. Red				
Miles of Road Operated				
Owned	-- -- -- --	72.39	175.00	-- -- -- --
Leased	-- -- -- --	112.61	69.45	-- -- -- --
Total	-- -- -- --	185.00	244.45	-- -- -- --
EARNINGS:				
Freight	\$ 193.85	\$1,686,952.50	\$1,187,223.65	\$17,861.89
Passenger	35,259.94	142,098.73	327,860.95	41,621.59
(On St. P. & D. basis)	22.15	7,356.64	25,562.15	.29
Mail	488.37	4,142.38	22,500.00	0.00
Express	8,376.62	14,986.48	957.67	.96
Miscellaneous				
Gross Earnings	\$43,908.93	\$1,869,536.73	\$1,564,104.42	\$23,758.45
OPERATING EXPENSES:				
Conducting Transportation	\$21,760.50	\$ 537,965.53	\$ 636,564.62	\$16,571.56
Maintenance of Equipment	15,510.86	96,243.51	1174,448.81	1,706.11
Maintenance of Road & Structures	589.15	185,185.78	254,159.35	92,133.95
General Expenses	3,848.85	95,154.73	82,790.88	2,197.78
Total	\$32,833.36	\$ 914,549.55	\$1,147,963.66	\$76,054.06
NET EARNINGS	\$76,742.29	\$ 940,987.18	\$ 416,140.76	\$52,295.61
TAXES	74.24	52,733.48	55,087.16	1,419.45
SURPLUS EARNINGS	\$76,816.53	\$ 888,253.70	\$ 361,053.60	\$53,715.06
OTHER INCOME:				
Interest and Exchange Dividends	600.00	-- -- -- --	5,750.65	416.16
on Stocks Owned	-- -- -- --	3,000.00	33,181.00	17,889.00
Rentals	4,693.19	12,181.89	20,961.02	733.21
Interest	-- -- -- --	10,500.00	-- -- -- --	-- -- -- --
on Bonds Owned	-- -- -- --	30,748.57	-- -- -- --	-- -- -- --
Elevator Profit (Net)	6,597.15	723.34	-- -- -- --	-- -- -- --
Other Items	3,101.31			
Total Income	91,808.18	\$ 943,960.82	\$ 420,946.27	\$35,508.01







I t e m.		Eastern Ry. of Minn.	St. Paul & Duluth RR.	Inc. or Dec.
NOTE: Inc. Black; Dec. Red		Inc. or Dec. Over Last Year	Year Ended June 30, 1897	Over Last Year
<u>Principal Commodities:</u>				
Tons of Grain	62,024	1,249,359	245,808	84,247
Flour	57,412	206,774	189,985	12,422
Other Mill Products	6,802	64,079	37,770	16,913
Hay	4,435	9,058	12,843	1,467
Fruit & Vegetables	6,080	7,575	54,078	21,513
Dressed Meats	175	880	4,921	1,292
Hard Coal	37,082	112,711	85,805	23,521
Soft Coal	47,266	486,448	138,623	15,036
Stone, Sand, etc.	4,427	24,303	17,503	2,928
Lumber	2,794	103,619	137,736	11,696
Wood	10,130	12,916	94,798	43,280
Other Forest Products	129,513	40,752	29,964	3,068
Merchandise	6,133	41,985	80,962	1,552
Ice	---	---	14,682	21,771

No Train or Car Mileage Statistics published  
in St. Paul & Duluth RR. Report.

LAND DEPARTMENT.

Acres sold during the year	32,088.73	9,871.70
Amount sold for	\$153,230.60 <sup>5</sup>	\$45,962.95 <sup>5</sup>
Average price per acre	4.77	.07
Gross Receipts of Land Dep't	\$142,893.79	\$143,960.44
Expenses of Land Dep't including Immigration	58,475.85	5,895.80
Surplus of Land Dep't	\$104,417.96	138,064.64
Balance of Land Dep't Income Account	Nil.	\$15,277.81
	Having all been trans- ferred to RR Income.	

The figures above given are a very good illustration of the results of efforts to get business by cutting rates.

The tons hauled one mile by the St. Paul & Duluth, increased nearly 16-1/2 per cent, while the revenue increased but 1-1/2 per cent. The Report says:

"The increased tonnage as above indicated over the previous year "caused an increase in the cost of 'Conducting Transportation' of "\$16,571.56".

While it is not so stated, it is only fair to assume that the increase of \$1,706.11 in "Maintenance of Equipment" came from the same cause. It will be noted that these two items amount to more than the increase in Freight Revenue.



Upon referring to commodities hauled, it will be seen that there was a decrease in the tonnage of every class of high rate freight hauled, while with but two exceptions all the low rate freight increased. The exceptions are hard and soft coal and it is rather strange to note that the line that first cut, or caused the Coal rates to be cut, reaped no benefit from it. It will further be seen that the increased tonnage was all long haul, substantially the length of the line. The rates which were made to secure new and hold old competitive traffic, must have been very low as they reduced the average revenue per ton per mile on the entire traffic, both local and competitive, 13 per cent. The report states that had the previous year's average been maintained, the Gross earnings would have been over \$200,000 greater.

The Eastern of course did the same. Note the increase in Flour, Millstuffs and Lumber, cut rate commodities, and in soft Coal, which is handled at a very low rate and with switching and other charges to absorb. On the other hand there was an increase in some high grade freight. The decrease in Grain is all on account of the smaller Wheat crop. The falling off in Wheat was 157,000 tons and \$75,229.21 in revenue, and on account of the hauling of Wheat between Minneapolis and the head of the Lakes, this amount is less than it would otherwise have been. The earnings from other Grain increased about \$80,000.00, offsetting the loss from Wheat. That is, the increased earnings from the longer haul offset the loss in tonnage. There is a heavy falling off in "Other Forest Products" on account of but little logging business being done last winter. In Coal there is a net increase of 10,000 tons hauled, but the revenue from Coal was \$48,000 less than last year.

In some respects the Passenger showing made by the St. P. & D. is better than that of the Eastern. Last year the Duluth's Passenger earnings (proper) were something over twice those of the Eastern's, but this year's decrease is but \$2,400.00 more than the Eastern's. In other words, the Eastern's Passenger earnings have decreased twice what they should have. In the Sleeping Car Earnings it is the other way; the Duluth's have decreased three times what they should have. Does this come from furnishing free sleeping car berths to people who buy tickets? The Duluth is doing better than the Eastern in both Chair Car and Excess Baggage earnings. The Eastern's Chair Car earnings do not show up as they should. Would it not pay to make them free to ladies and secure an increase in ticket sales? There would be but little loss.

The Duluth probably has an Express Contract with a minimum in it. The Eastern's Express Earnings are lower on account of smaller Express business. The falling off in the Eastern's miscellaneous earnings is largely in switching.

The place on the Duluth road that caught all the falling off in earnings, and the effect of lower rates, was the roadbed. The charge

to "Maintenance of Road and Structures" was

\$92,133.95
39,695.60
<u>\$131,829.55</u>

less than last year, a total of less expended on the Property than a year ago, and handling a heavier traffic. How much of this can they stand?

The Report says that will take to reduce grades and to equip Freight with Air Brakes and Couplers making a total that should be spent very soon of

\$100,000.00
175,000.00
<u>\$275,000.00</u>

In the miscellaneous income there is a falling off of \$17,839.00 in Dividends received. This probably represents but little money and is most likely a book-keeping account.

The Report would indicate that if no improvement in the rate situation is made soon, the fiscal year ending June 30, 1898 will be the last one in which Dividends amounting to five per cent are paid on the Preferred Stock. It will probably be paid during that year.



During the year ending June 30, 1896 the net receipts of the Land Department were \$242,482.60 and there was standing to the credit of "Land and Stumpage Income" from prior years 80,956.05 making a total of \$323,438.65

To pay Dividends during the year ended June 30, 1895, the Land Dep't had been robbed of \$84,142.95 and in 1896 there was no old credit available in "Profit and Loss" on the Railway books. The net Income from Operation applicable to Dividends for the year ended June 30, 1896 was \$51,096.66 but

So there was transferred from "Land and Stumpage Income"

308,160.84 308,160.84  
\$359,257.50 \$15,277.81

This made a total of  
which paid the 1896 Dividends of \$239,505.00  
AND PROVIDED FOR THE FIRST  
DIVIDEND IN 1897

119,752.50 359,257.50

The net Income from Operation applicable to Dividends for the year ended June 30, 1897

\$121,783.50

This was enough to pay the SECOND Dividend of the year (that of March 1, 1897)

119,752.50  
\$ 2,031.00

The net surplus of the Land Dep't, for the year ended June 30, 1897, was

104,417.96

This amount and the balance in "Land and Stumpage Income", making a total of  
was transferred to the Railroad Income account, producing a total of  
from which has been declared the FIRST Dividend (September 1, 1897) of the fiscal year ending June 30, 1898, and leaving a balance of

119,695.77 119,695.77  
\$121,726.77

119,752.50  
\$ 1,974.27

This balance is all they have to bring forward.

It will be seen that the balance in "Land and Stumpage Income" is Nil. Consequently future Dividends must be paid from amounts earned by both the Railway and Land Dep't, within the year. Probably the earnings will be more than enough to provide for the Dividend that is due March 1, 1898, but unless there is a very decided improvement in both Railway and Land Income the Dividend due September 1, 1898 will only be partially provided for.

We know that the rate situation on Flour etc., since July 1st. has been worse than it was a year ago; from which we would look for smaller gross earnings with increased efforts to encourage immigration and

Last year they made unusual efforts to encourage immigration and land sales, yet the sales made decreased \$43,962.95 as compared with the previous year and the surplus of the Land Dep't decreased \$138,064.64.

Now that the Anderson bill has been upheld and Taxes may have to be paid on the granted lands, the indications are that the surplus of "Land and Stumpage Income" will be smaller each year.

The only possible hope seems to be in not spending any money on the road, but in letting it run down. Then it will take the surplus earnings for a series of years to put the road in shape, and the chances are that if the Dividends on the Preferred Stock are reduced or passed, it will be a long time before they are restored. From the point of view of a holder of Preferred Stock, the situation is grave, and what value the holder of Common Stock can see in his certificate depends upon his imagination.



The following shows the amount of "Land and Stumpage Income" used to pay Dividends since July 1, 1888:

Year Ended June 30.	Amount of Land Sales	Surplus of Land Dep't	Amount of Land & Stumpage Income used to pay Dividends.
1889	\$ 17,562.53 *	\$ 49,245.20	\$ 96,784.65 #
1890	188,639.73	192,848.56	---
1891	15,157.39	249,545.90	192,154.62
1892	36,893.62	128,756.51	75,207.21
1893	76,651.97	168,329.42	---
1894	91,418.40	114,856.03	59,923.75
1895	145,405.46	116,652.45	90,628.68
1896	197,193.55	242,482.60	308,160.84
1897	153,230.60	104,417.96	119,695.77 #
* Sales for 6 Mos. only. # Balancing out Land & Stumpage Income account.			

The total collections of the Land Dep't for nine years amount to \$1,367,134.63, to which should be added \$47,539.45, balance from prior years, making a total of \$1,414,674.08  
 Of this amount there has been used for retiring Preferred Stock-- In 1892 \$303,789.14  
 In 1893 168,329.42

A total of \$472,118.56  
 And for payment of Dividends on Preferred Stock 942,555.52 1,414,674.08

In view of the above, the following from page 8 of the Report, is rather amusing:

"\*.\*.\* and also the amount of 'Land and Stumpage' money expended by the prior management for 'Improvements, Construction and 'Equipment', which should have been used for the retirement of 'Preferred Stock.'"

If it was illegitimate to use "Land and Stumpage" money to improve the property, one would think it was still worse to use it to pay Dividends with, and it is a question if the holders of Preferred Stock would not have been better off if the \$942,555.52 had been paid to them in reduction of the principal of their Stock, instead of in Dividends. The Assets and Liabilities are stated on the General Balance Sheet in a way that is somewhat misleading.