

Maintenance of Way & Structures, - - - - - \$3,861,926.59

This account appears to be high. During the year ending November 30th, 1900, the Lehigh Valley expended \$3,861,926.59, or about \$2,899.00 per mile, for maintenance of its road, including its small branches to coal breakers, &c. During the same period the Erie spent about as much as the Lehigh Valley for extraordinary maintenance, but its cost per mile of line was \$2,024.00. The following statistics are submitted:

L.V. Cost per mile of line excluding all items claimed to be extraordinary,	\$1,899.00
do. Cost per mile of line including all extraordinary items,	2,899.00
Erie Cost per mile of line including all extraordinary items,	2,024.00
Lehigh Valley excess over Erie,	43%.

In general it is impossible to state whether this large excess is due to the Lehigh Valley property having been in poorer physical condition than the Erie and its being brought to a higher state of efficiency or whether higher rates were paid for material and labor, &c., &c., and less care used to see that the expenditures were judiciously made. To determine this it would be necessary to make a detailed analysis of the Lehigh Valley accounts and examination of its property.

Two items can be compared:

	<u>Lehigh Valley.</u>	<u>Erie.</u>
Superintendence, - - - - -	\$114,195.69	\$89,944.50
Superintendence per mile of road, - \$	65.72	\$ 68.66
Increase per cent., L.V. over Erie, -	Nearly 25%.	
Stationery and Printing, - - - - - \$	8,055.80	\$ 1,989.61
Increase per cent., L.V. over Erie, -	Over 305%.	

Maintenance of Equipment, - - - - - \$4,738,198.11

This account shows about the same condition of both Companies - each having made large expenditures for purchase of new equipment - cars torn down - applying Air Brakes and M.C.B. Couplers. Included in the Lehigh Valley Maintenance of Equipment expenses are the following items:

Car Trust Payments	\$530,000.00
Equipment Condemned	587,300.03
M.C.B. Couplers	173,610.77
Air Brakes	120,940.61
Total - -	\$1,411,851.41

leaving Maintenance of Equipment expenses, exclusive of the items named, \$3,326,346.70.

This account, like Maintenance of Way, depends largely on the condition of the equipment at the beginning and close of the year, and without this information and a detailed analysis of the Lehigh Valley accounts it would seem to be impossible to tell whether any saving could have been made. As to the future, the Erie would seem to be in much better condition for the reason that while the Car Trust payments are taken care of and its equipment is now provided with M.C.B. couplers and air brakes, the Lehigh Valley will expend large amounts for Car Trust payments and have yet about \$500,000.00 to expend for air brakes. Two accounts which are under the same classification can be compared:-

	<u>Lehigh Valley</u>	<u>Erie</u>
Superintendence, - - - - -	\$141,597.78	\$88,176.94
Lehigh Valley excess per cent., - - -	About 61%	
Stationery & Printing, - - - - -	\$ 9,333.13	\$ 4,492.64
Lehigh Valley excess per cent., - - -	About 108%	

	<u>Lehigh Valley</u>	<u>Erie</u>
Conducting Transportation, - - - -	\$9,909,898.52	\$9,367,898.29

This account shows well - some statistics follow --

Miles run by passenger trains - -	4,689,494	5,612,945
Miles run by freight trains - - -	7,310,561	7,221,957
Rev.tons moved per freight train -	448.42	406.87
Percentage of helping mileage frt.	16.44	11.16
Tons moved - Freight - -	8,555,250	8,479,557
Tons moved - Coal - -	8,875,220	7,598,926
Tons moved - Freight and coal -	17,430,470	16,078,483
Tons moved 1 mile - Freight -	2,089,000,446	1,786,027,089
Tons moved 1 mile - Coal - -	1,189,235,786	1,152,361,143
Tons moved 1 mile - All frt. -	3,278,236,232	2,938,388,232
Freight earnings - -	\$8,952,627.04	\$11,834,695.09
Coal earnings - -	8,804,201.84	5,863,798.58
All Freight Earnings - -	17,756,828.88	17,698,493.67
Earnings per ton per mile frt. - Mills	4.29	6.63
Earnings per ton per mile coal - Mills	7.40	5.09
Earnings per ton per mile f.& coal -"	5.42	6.02

A division of Conducting Transportation between Freight and Passenger either on facts or train mileage gives the following:-

Freight	\$7,593,166.17	
Passenger	2,316,732.35	
Cost per train per mile frt.	\$1.04	\$1.01
Cost per ton per mile frt. - Mills	2.32	2.48

It will be observed from the above that the expense of transporting and handling freight compares favorably with the Erie, although certain items, such as Fuel for Locomotives, Outside Agencies, and a few others, are high, but it would appear that the passenger business is being conducted at a loss ---

Passenger Earnings -	\$2,959,378.49
Mail and Express -	399,727.96
Dining Car Earnings -	1,754.50
News Privilege -	2,293.49
Total Pass.Train Earnings -	\$3,363,154.44

Expenses --

Passenger proportion of Conducting Transportation -	\$2,316,732.35
Repairs to Passenger Loco's. -	342,818.43
Repairs to Passenger Cns -	296,385.50
	\$2,955,936.28

Difference - - - - - \$ 407,218.16 - Not charging the passenger department with Maintenance of Way, Maintenance of Equipment, and General Expenses, items common to both Passenger and Freight business, aggregating \$5,283,021.22.

Referring again to the matter of Fuel for Locomotives. The Lehigh Valley furnishes the following figures as to coal consumed and cost of same during the year ended November 30th, 1900:-

Anthracite	-	410,801.26 tons at \$1.17 per ton
Bituminous	-	832,803.60 tons at 1.67 per ton
Total		1,243,604.86 tons at \$1.505 per ton

The average cost per ton for coal used on the Erie Division for the year ended June 30th, 1900, as shown by the Annual Performance Sheet was \$1.16. On account of the advance in prices during October, 1900, the Erie's average for the year ended November 30th, 1900, would probably be about \$1.18 per ton, or say 32 cents per ton less than the Lehigh Valley's. It would require further investigation to determine whether the higher cost was caused by the Lehigh Valley's paying higher prices for coal, using a better quality, a larger proportion of bituminous, or paying more for handling.

For the year ended November 30th, 1900, the cost of Fuel for Locomotives per freight train mile was:

Lehigh Valley	- -	17.72 cents
Erie Division	- -	13.47 "
Excess cost, Lehigh Valley	- - -	4.25 cents

As above shown, the cost per freight train mile for Conducting Transportation was three (3) cents higher on the Lehigh Valley than the Erie. Equalizing the cost of coal per train mile (and the difference would be greater per ton mile on account of the Lehigh Valley's larger train load) and the Lehigh Valley's freight train mile cost for Conducting Transportation would be 1-1/4 cents lower than the Erie Division.

Applying the excess of 4-1/4 cents, above shown, to the Lehigh Valley's freight train mileage, and we have an amount of \$310,698.84 which could be saved if the Lehigh Valley's cost per freight train mile for locomotive fuel could be reduced to the same figure as the Erie.

Included in the Lehigh Valley's cost of Conducting Transportation is an amount of \$761,713.16 for "Rent of Tracks, Yards, and Terminals", and of which the following is an analysis:-

Rental

Pennsylvania Railroad (13 bills)	\$162,500.00	
State Line & Sullivan R.R.	39,999.96	
Barclay Railroad	5,317.64	
N.Y.C. & H.R.R.R.	<u>16,999.92</u>	\$224,817.52

Trackage

National Docks Ry.	\$199,653.77	
Buffalo Creek Ry.	135,481.78	
Penn.R.R.	24,740.95	
Central R.R. of N.J.	4,979.62	
Peoples Ry.	2,875.49	
Raritan Terminal & Trans.Co.	3,858.50	
Lehigh & Wilkes Barre Coal Co.	1,131.61	
Morea Colliery	<u>259.67</u>	\$372,981.39

Sundries

National Storage Company, Terminal charges	\$110,739.04	
National Docks Ry. Express Tolls, etc.	1,230.34	
N.Y.C. & H.R.R.R. Proportion cost operation Peanut Branch	12,460.37	
Wabash R.R. use connection,	<u>12.50</u>	\$131,417.25
Twenty-seventh Street Station, New York (Special-will not occur again)		<u>32,500.00</u>
		<u>\$761,716.16</u>

This list is given for the purpose of calling attention to the amount and in order that the facilities furnished may be examined (a description being given on page 49 of the Report) with a view to substituting the Erie's tracks and facilities when possible, so that the rentals paid may be to other roads in the same general system as the Lehigh Valley, instead of to outside interests like the Pennsylvania and New York Central and Hudson River Railroad.

General Expenses - - - - - \$732,398.25

The classification of some of these items is different, so that in arriving at a comparison we must include some Conducting Transportation items in both statements:

	<u>L.V.R.R.</u>	<u>Erie R.R.</u>
C.T. Superintendence,	\$100,565.56	\$314,391.59
Clerks & Office Expenses,	174,085.29	
Salaries General Officers and Clerks,	390,272.36	373,402.56
General Office Expenses and Supplies,	<u>51,104.06</u>	<u>25,161.98</u>
	<u>\$716,027.27</u>	<u>\$712,956.13</u>

In the Erie statement is included the entire expenses of all the general offices in New York, including entire accounting and claim offices, &c., &c. Only the Cleveland office is charged to Nypeno and C. & E.

Income Account.

The Income Account shows an increase of \$234,489.97 in amount charged during the year to "Interest Payable, General Account". Of this \$200,000.00 is interest on the \$5,000,000.00 National Storage Co. Trust Certificates issued during the year for the purchase of property. This interest was handled in the manner mentioned instead of being included in Fixed Charges, for policy reasons, but the charge may be considered as a fixed charge and one that will not be reduced in the future. The balance of the increase was interest on floating liabilities.

General Remarks.

If the Lehigh Valley Co. had received the same rate per ton per mile as the Erie for all freight (coal and merchandise both) it would have had practically no deficit even with its present apparently high operating expenses; but as its coal business is more lucrative than the Erie's, if the Lehigh Valley had its same operating expenses and passenger and coal earnings and had received the Erie revenue per ton per mile on merchandise freight, it would, instead of showing a deficit, have shown a surplus of \$2,819,645.98, and this notwithstanding the fact that its passenger business appears to be unprofitable.

In the Report of the Lehigh Valley R.R.Co. the Lehigh Valley Coal Co. has been treated as an entirely distinct corporation and its income account shows that it lost during the year \$869,847.44. The Coal Co's. balance sheet shows that it has sufficient assets to take care of this deficit, but if the same policy was to be continued for a few years and the Coal Company continued to show such large deficits, its surplus assets would be absorbed and it would then be necessary for the Railroad to absorb the deficit of the Coal Company, otherwise it would be obliged to carry in its accounts an asset of the amount advanced to the Coal Company which would be uncollectible.

Total adjustments made during year, - - - - -	\$1,291,048.76
Deduct amount applying on 1899 business, - - - - -	<u>301,335.52</u>
Amount applying on 1900 business, - - - - -	\$ 989,713.24

(This includes \$85,000.00 not yet paid out, but held in reserve pending presentation of claims.)

Estimated amount to be paid in 1901 on account of 1900 business, in addition to the \$85,000. above mentioned	<u>175,000.00</u>
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Total estimated adjustment on 1900 business, - -	<u>\$1,164,713.24</u>
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Earnings from Miscellaneous Freight Traffic for 1900, as per Annual Report, Page 53, - - - - -	\$8,952,627.04
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Add deductions made during year, - - -	<u>1,291,048.76</u>
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Gross Earnings from Miscellaneous Traffic during year	<u>\$10,243,675.80</u>
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Per Cent. of adjustment to Gross Earnings, - - -	11.4
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