

A COMPARISON
OF THE
RESULTS OF OPERATION
OF THE SEVERAL
"Transcontinental" Railway Systems

VIZ:

Atchison, Union Pacific, Southern Pacific, Northern Pacific,
and Great Northern,

For the Year Ended June 30, 1900,

AND AN ESTIMATE OF RESULTS FOR THE YEAR ENDING JUNE 30, 1901.

LEE, HIGGINSON & CO.,

44 STATE STREET,

BOSTON.

A COMPARISON OF THE RESULTS OF OPERATION

OF THE SEVERAL

"TRANSCONTINENTAL" RAILWAY SYSTEMS

FOR THE YEAR ENDED JUNE 30, 1900

AND AN ESTIMATE OF RESULTS FOR THE YEAR ENDING JUNE 30, 1901.

FUNDED DEBT AND CAPITAL STOCK OUTSTANDING JUNE 30, 1900.

(Not including the companies' securities held in treasury or in sinking funds.)

FUNDED DEBT.

	Miles of road owned or controlled.	Bonds bearing fixed interest.	Income Bonds.	Total Bonds.	AMOUNT PER MILE OF ROAD OWNED OR CONTROLLED.		
					Bonds bearing fixed interest	Income Bonds.	Total Bonds.
Great North'n System,	5,404	\$97,046,654 (a)	—	\$97,046,654	\$17,958	—	\$17,958
Atchison System. . . .	7,746	139,890,500	\$51,346,000	191,236,500	18,060	\$6,629	24,689
Union Pacific System,	5,449	148,481,500	992,000	149,473,500	27,249	182	27,431
North'n " " "	5,696	170,950,000	—	170,950,000	30,012	—	30,012
South'n " " (b)	7,813	296,444,000	3,254,000	301,698,000	37,942	673	38,615

(a) Includes \$469,200 St. Paul, Minn. & Manitoba guaranteed six per cent stock.

(b) Not including Houston & Texas Central System. It should also be noted that the Southern Pacific's funded debt and capital stock represent not only the 7,813 miles of railroad above shown, as owned or controlled, but also a considerable investment in steamship and miscellaneous properties.

ANNUAL INTEREST ON ABOVE FUNDED DEBT.

	On Bonds Bearing Fixed Interest.	On Income Bonds.	Total Interest.	PER MILE OF RAILROAD OWNED OR CONTROLLED.			Average Rate of Interest.
				On Fixed Interest Bearing Bonds.	On Income Bonds.	Total Interest.	
Great Northern System	\$4,836,077	....	\$4,836,077	\$895	....	\$895	4.98%
Atchison System	5,697,035	\$2,053,840	7,750,875	735	\$265	1,000	4.05%
Union Pacific System,	6,515,535	46,200	6,561,735	1,196	8	1,204	4.39%
Northern Pacific System	6,515,642	....	6,515,642	1,144	....	1,144	3.81%
Southern Pacific System	13,482,727	None paid.	13,482,727	1,726	....	1,726	4.55%

CAPITAL STOCK OUTSTANDING.

	Preferred.	Common.	Total.	Per MILE OF ROAD OWNED OR CONTROLLED.		
				Preferred.	Common.	Total.
Great Northern .	\$98,413,500	—	\$98,413,500	\$18,212	—	\$18,212
Atchison . . .	114,199,530	\$102,000,000	216,199,530	14,743	\$13,168	27,911
Northern Pacific	75,000,000	80,000,000	155,000,000	13,167	14,045	27,212
Union Pacific .	98,956,400	95,645,900	194,602,300	18,161	17,552	35,713
Southern Pacific .	—	197,832,148	197,832,148	—	25,321	25,321

DIVIDEND CONDITIONS.

Dividends on Union Pacific Preferred are limited to four per cent per annum and are non-cumulative.

Northern Pacific Preferred is entitled to four per cent per annum before the common receives a dividend and shares equally with the common in any distribution after each class of stock has received four per cent. Dividends are non-cumulative. Preferred is subject to call, in whole or in part, at par, on any first day of January prior to 1917.

Dividends on Atchison Preferred are limited to five per cent per annum and are non-cumulative.

Great Northern Preferred is not limited as to the rate of dividends. The stockholders in 1898 surrendered the right to issue certain common stock, thus making all the stock "of a single class, with uniform rights and privileges."

SUMMARY — BONDS AND STOCK PER MILE OF ROAD.

	Bonds bearing Fixed Interest.	Income Bonds.	Total Bonds.	Preferred Stock.	Common Stock.	Total Stock.	Total Bonds and Stock.
Great Northern	\$17,958	—	\$17,958	\$18,212	—	\$18,212	\$36,170
Atchison . . .	18,060	\$6,629	24,689	14,743	\$13,168	27,911	52,600
Northern Pacific	30,012	—	30,012	13,167	14,045	27,212	57,224
Union Pacific .	27,249	182	27,431	18,161	17,552	35,713	63,144
Southern Pacific	37,942	673	38,615	—	25,321	25,321	63,936

RESULTS OF OPERATION.

The following statements are for the fiscal year ended June 30, 1900:—

Atchison system, — average miles of road operated	7,341
Union Pacific system, " " "	5,428
Southern Pacific system, " " "	7,545
Northern Pacific system, " " "	4,714
Great Northern system, " " "	5,076

INCOME.

The income of the several systems, as reported and condensed, was as follows: —

	Gross Earnings.	Operating Expenses and Taxes.	Net Earnings.	Miscellaneous Income.	Total Income.
Atchison	\$46,282,078	\$29,065,100	\$17,166,978	\$266,821	\$17,433,799
Union Pacific	38,308,420	20,616,840	17,691,580	2,772,090	20,463,670
Southern Pacific	60,817,109	40,623,330	20,193,779	4,508,036	24,701,815
Northern Pacific	30,021,317	15,245,218	14,776,099	685,521	15,461,620
Great Northern	28,910,789	15,868,376	13,042,413	2,582,526	15,624,939

	CHARGES.			Surplus Earned for Stock.	Betterments and New Equipment, Charged Against Income of the Year.	Balance Applicable to Dividends.
	Interest and Rentals.	Other Deductions.	Total.			
Atchison	\$7,627,859	\$66,635	\$7,694,494	\$9,739,305	—	\$9,739,305
Union Pacific	6,923,191	1,392,890	8,316,081	12,147,589	—	12,147,589
Southern Pacific	16,012,496	1,706,692	17,719,188	6,982,627	\$3,063,996	3,918,631
Northern Pacific	5,977,801	—	5,977,801	9,483,819	3,000,000	6,483,819
Great Northern	5,038,348	—	5,038,348	10,586,591	1,800,000	8,786,591

In the above statement, the "gross earnings" and "net earnings" are those of the rail lines only. The *net earnings* of the water lines of the Southern Pacific ("Morgan Line"), Union Pacific (O. R. & N. steamers), and Great Northern (Northern Steamship Co.) are included in "Miscellaneous Income."

The Union Pacific, in the year ending June 30, 1900, set aside \$2,000,000, out of its accumulated income, for betterments and improvements, but did not treat this as a charge against the *income of that year*, and this item is not, therefore, included in the above statement.

It should be explained, in connection with the Income Account of the Great Northern Railway System above given, that the annual report of that Company does not show a consolidated income account for its operated system, but only for the Great Northern Railway Company proper, and that, accordingly, the above figures for that system are the result of analysis made *by us*, chiefly from information given in the Company's report. The "Miscellaneous Income" has been made to include the income of the Spokane Falls and Northern System, Minneapolis Union Railway, Minneapolis Western Railway, Duluth Terminal Railway, and Northern Steamship Company, which companies, although controlled by the Great Northern, are not treated in its reports as a part of the System proper. Furthermore, we have omitted from the year's income as reported by the Company, the sum of \$689,076, representing profit from the sale of Oregon Railroad and Navigation Company Preferred Stock, which is essentially creditable to Profit and Loss account rather than to income for the year.

The following statement compares the rates of dividend now being paid with the rates of *income* applicable to dividends in the year ending June 30, 1900, as above shown: —

	PRESENT DIVIDEND RATES.		INCOME APPLICABLE TO DIVIDENDS, YEAR ENDING JUNE 30, 1900.			
			After Deducting Betterments.		Before Deducting Betterments.	
	On Preferred.	On Common.	On Preferred.	On Common.	On Preferred.	On Common.
Atchison	5%	None.	5%	3.95%	5%	3.95%
Union Pacific	4%	4%	4%	8.51%	4%	8.51%
Southern Pacific	No preferred.	None.	—	1.98%	—	3.53%
Northern Pacific	4%	4%	4.18%	4.18%	6.12%	6.12%
Great Northern	7%	No common.	8.93%	—	10.76%	—

In view of the wide differences in the accounting methods of several of the companies named, — especially in the matter of relative charges to operating expenses or to current income, for maintenance of, and betterments to, their properties, — it is self-evident that the above statement can not be taken at its face value. The importance of the differences referred to is indicated by the following statements: —

**MAINTENANCE AND IMPROVEMENT OF ROADWAY AND STRUCTURES, OUT OF
INCOME FOR YEAR ENDING JUNE 30, 1900.**

	CHARGED OPERATING EXPENSES.		ADDITIONAL RESERVATIONS OUT OF THE YEAR'S INCOME.		TOTAL.	
	Per Mile of Road.	Per Mile Run by Cars and Locomotives.	Per Mile of Road.	Per Mile Run by Cars and Locomotives.	Per Mile of Road.	Per Mile Run by Cars and Locomotives.
		Cents.		Cents.		Cents.
Northern Pacific	\$1,034	1.835	\$500	0.888	\$1,534	2.723
Southern Pacific	1,095	1.758	273	0.438	1,368	2.196
Great Northern	853	1.761	355	0.732	1,208	2.493
Atchison	865	1.369	—	—	865	1.369
Union Pacific	736	1.159	—	—	736	1.159

**MAINTENANCE AND IMPROVEMENT OF EQUIPMENT, OUT OF INCOME FOR YEAR
ENDING JUNE 30, 1900.**

It is well understood that there can be no absolute unit for measurement of expenses for maintenance of equipment, as between several systems operated under varying conditions. Nevertheless it is believed that a fairly useful comparison may be obtained by averaging the expenses upon the basis of wheelage, reducing such wheelage to the basis of *freight car mileage*, by allowing two freight car miles for each passenger car mile and ten freight car miles for each locomotive mile, those being about the normal ratios of the relative cost of repairs of the several classes of equipment per mile run. Upon that basis the following comparison is made: —

	Maintenance of Equipment Charged Operating Expenses, per Freight Car Mile.	Additional Reser- vations for Equip- ment out of the Year's Income, per Freight Car Mile.	Total per Freight Car Mile.
	Cents.	Cents.	Cents.
Southern Pacific	0.751	0.115	0.866
Union Pacific	0.645	—	0.645
Northern Pacific	0.500	0.144	0.644
Atchison	0.621	—	0.621
Great Northern	0.522	—	0.522

The wide differences shown in the above statements emphasize the fact that a reasonable approximation of the comparative earning power, in 1900, of the several companies named, can be had only by placing their respective expenses for maintenance of way and equipment upon as nearly equal a basis as possible, having due regard to any essential differences in location, physical conditions and volume of traffic.

While it is well understood that no fixed units of measure can be arrived at, which could properly be applied to the maintenance expenses of all railroad companies, so as to demonstrate absolutely the comparative sufficiency or insufficiency of such expenses, it is, nevertheless, believed to be fair to assume that there need be no important differences in the average scale of maintenance expenses upon systems of such size and relative location as the Union Pacific, Atchison, Northern Pacific and Great Northern, when considered in proportion both to their respective mileage of line operated and to the mileage of engines and cars upon each. In the case of the Southern Pacific some allowance should be made for the relatively high cost of labor and material generally on the Pacific slope, where a relatively large proportion of that system's lines are located.

In the first place, it should be remembered that all of the companies named have in the past few years expended large amounts for the betterment of the physical condition of their properties, and it is reasonable to assume that in 1900 all were in fairly good and efficient condition physically.

It is believed that the expenses of the Union Pacific in 1900 for maintenance of way (\$736 per mile of road) were at a rate lower than will be required for normal average maintenance and renewal of its roadway and structures. Probably a rate of from \$800 to \$850 per mile would represent average requirements for Maintenance of Way and Structures upon such a system as the Union Pacific under the conditions of traffic that existed in 1900. On the other hand that Company's expenses for maintenance of equipment were somewhat higher in 1900 than should normally be required, especially in respect of repairs and renewals of locomotives, upon which the average expenditure was at the high rate of \$2,549 per locomotive. It is believed that, taking Maintenance of Way and Maintenance of Equipment *as a whole*, the Union Pacific's expenses for maintenance in 1900 were about sufficient for normal requirements, under the then existing conditions of traffic.

Taking the maintenance expenses of the Union Pacific as a basis and computing the maintenance expenses of the other systems at the Union Pacific's average cost, — viz.: "Maintenance of Way" from the standpoint both of the average cost per mile of road and of wheelage (*i. e.*, use of track) and Maintenance of Equipment from the standpoint of the use of equipment by each Company, computed at the Union Pacific's average cost per mile run, and, in the case of the Southern Pacific, adding 10 per cent to the maintenance expenses thus arrived at, as representing, roughly, the estimated disadvantage of that Company due to the higher average cost of its labor and material used in maintenance, the income accounts of the several companies, from the standpoint of such comparison with the Union Pacific, would have shown the following results for the year ending June 30, 1900: —

	Gross Earnings.	Expenses and Taxes.	Net Earnings.	Miscellaneous Income less Miscellaneous Charges.	Total Income.	Interest and Rentals.	Surplus Earned for Stock.
Union Pacific .	\$38,308,420	\$20,616,840	\$17,691,580	\$1,379,201	\$19,070,781	\$6,923,191	\$12,147,590
Great Northern,	28,910,789	15,327,393	13,583,396	2,582,526	16,165,922	5,038,348	11,127,574
Atchison . . .	46,232,078	28,306,056	17,926,022	200,186	18,126,208	7,627,859	10,498,349
Northern Pacific,	30,021,317	14,289,330	15,731,987	685,521	16,417,508	5,977,801	10,439,707
Southern Pacific,	60,817,109	38,049,226	22,767,883	2,801,344	25,569,227	16,012,496	9,556,731

On the above basis of comparison the several companies earned on the amount of their respective stocks now outstanding:—

Union Pacific,	4 per cent on Preferred	. . .	8.51 per cent on Common.
Great Northern,	11.31 per cent on Preferred	. . .	(No Common).
Atchison . . .	5 per cent on Preferred	. . .	4.69 per cent on Common.
Northern Pacific,	6.74 per cent on Preferred	. . .	6.74 per cent on Common.
Southern Pacific (no Preferred)		. . .	4.83 per cent on Common.

It is now interesting to compare the results *per mile of road operated*, both upon the basis of the figures as reported, and upon the basis of the above revision and equalization of maintenance expenses.

INCOME PER MILE OF ROAD OPERATED.

(a) As reported:

	Average Miles Operated	Gross Earnings	Expenses and Taxes.	Net Earnings	Misc. Income, less Misc. Charges.	Total.	Interest and Rentals.	Surplus Earned for Stock.	Betterments and New Equipment.	Balance Applicable to Dividends.
Union Pacific . .	5,428	\$7,058	\$3,798	\$3,260	\$254	\$3,514	\$1,276	\$2,238	—	\$2,238
Great Northern .	5,076	5,696	3,126	2,570	509	3,079	993	2,086	\$355	1,731
Northern Pacific .	4,714	6,368	3,234	3,134	146	3,280	1,268	2,012	636	1,376
Atchison . . .	7,341	6,297	3,961	2,336	27	2,363	1,039	1,324	—	1,324
Southern Pacific .	7,545	8,061	5,385	2,676	371	3,047	2,123	924	405	519

(b) As revised for comparison:

	Gross Earnings.	Expenses and Taxes.	Net Earnings.	Misc. Income less Misc. Charges.	Total.	Interest and Rentals.	Surplus Earned for Stock.	Percent Earned on Preferred.	Percent Earned on Common.
Union Pacific . .	\$7,058	\$3,798	\$3,260	\$254	\$3,514	\$1,276	\$2,238	4.	8.51
Northern Pacific .	6,368	3,031	3,337	146	3,483	1,268	2,215	6.74	6.74
Great Northern . .	5,696	3,020	2,676	509	3,185	993	2,192	11.31	—
Atchison . . .	6,297	3,856	2,441	27	2,468	1,039	1,429	5.	4.69
Southern Pacific .	8,061	5,042	3,019	371	3,390	2,123	1,267	—	4.83

GROSS EARNINGS AND VOLUME OF TRAFFIC PER MILE OF ROAD.

	Gross Earnings per Mile of Road.	Tons one Mile per Mile of Road.	Average Rate per Ton per Mile.	Freight Earnings per Mile of Road.	Passengers one Mile per Mile of Road.	Average Rate per Passenger per Mile.	Passenger, Mail and Express Earnings per Mile of Road.
			Cents.			Cents.	
Southern Pacific . . .	\$8,061	528,600	0.957	\$5,061	89,400	2.180	\$2.527
Union Pacific . . .	7,058	488,400	1.046	5,109	59,600	2.233	1,786
Northern Pacific . . .	6,368	467,800	0.987	4,621	54,300	2.350	1,562
Atchison . . .	6,297	470,600	0.976	4,595	56,200	2.261	1,629
Great Northern . . .	5,696	493,500	0.899	4,436	38,500	2.378	1,186

The several systems are listed above in the order of the size of their gross earnings per mile of road. Aside from this, especially significant features of the above statement are:—

1. The considerable advantage of the *Union Pacific* over all the others, by reason of its higher average rate per ton per mile. This is partly due, no doubt, to its natural advantage in being the shortest route for Pacific Coast (especially San Francisco) traffic.

2. The comparative disadvantages of the *Great Northern* owing to its relatively low average freight rate and its relatively light volume of passenger travel.

AVERAGE TRAIN-HAUL, AND FREIGHT AND PASSENGER EARNINGS PER TRAIN MILE.

	AVERAGE NUMBER OF TONS OF FREIGHT.		Average Rate per Ton per Mile.	Average Earnings per Freight Train Mile.	Average Length of Freight Haul.	Average Number of Passengers per Train.	Passenger, Mail and Express Earnings per Passenger Train Mile.
	Per Loaded Car Mile.	Per Freight Train Mile.					
			Cents.		Miles.		
Northern Pacific . . .	13.42	328	0.987	\$3.24	309	68	\$1.95
Great Northern . . .	16.03	357	0.899	3.21	217	46	1.22
Union Pacific . . .	13.88	276	1.046	2.89	—	42	1.24
Southern Pacific . . .	14.78	251	0.957	2.40	331	59	1.65
Atchison . . .	12.67	221	0.976	2.16	349	43	1.23

The systems are listed above in the order of the relative amounts of freight earnings per freight train mile.

It will be noted that while the *Great Northern* had the largest haul of freight per freight train mile, the *Northern Pacific* shows slightly higher earnings per freight train mile, owing to the fact that its average rate per ton per mile was about ten per cent higher than that of the *Great Northern*.

It is, of course, understood that, in the matter of average freight train haul the *Northern Pacific* and *Great Northern* have a distinct natural advantage over any of the other systems named, owing to the fact that the length of their main lines of heavy traffic forms a relatively large percentage of their total mileage.

In respect to average earnings per passenger train mile, the *Northern Pacific* with an average of \$1.95, is far ahead of any of the other systems named.

(In all of the statements of freight traffic given above, the figures cover commercial freight only, and exclude the earnings from and tonnage of Company's material.)

GROSS EARNINGS, OPERATING EXPENSES AND TAXES AND NET EARNINGS PER MILE RUN BY REVENUE-EARNING TRAINS.

	GROSS EARNINGS.	OPERATING EXPENSES AND TAXES.						NET EARNINGS.	
		Maintenance of Way and Equipment.		Conducting Transportation and General Expenses.	TAXES.	Total Expenses and Taxes.		As Reported.	As Revised for Comparison.
		As Reported.	As Revised for Comparison.			As Reported.	As Revised for Comparison.		
Northern Pacific,	\$2.86	\$0.68	\$0.59	\$0.69	\$0.08	\$1.45	\$1.36	\$1.41	\$1.50
Great Northern .	2.62	0.58	0.54	0.76	0.09	1.43	1.39	1.19	1.23
Union Pacific .	2.24	0.47	0.47	0.66	0.07	1.20	1.20	1.04	1.04
Southern Pacific,	2.22	0.54	0.45	0.88	0.06	1.48	1.39	.74	.83
Atchison . . .	1.88	0.46	0.43	0.63	0.06	1.15	1.12	.68	.71

In the light of the comparative statistics heretofore given, the reasons for the wide differences in the ratios of operating expenses to gross earnings seem sufficiently clear.

RATIOS OF OPERATING EXPENSES AND TAXES TO GROSS EARNINGS.

	MAINTENANCE OF WAY AND EQUIPMENT.		Conducting Transportation and General Expenses.	Taxes.	TOTAL EXPENSES AND TAXES.	
	As Reported.	As Revised for Comparison.			As Reported.	As Revised for Comparison.
Northern Pacific .	23.67%	20.49%	24.28%	2.83%	50.78%	47.60%
Great Northern . .	22.29	20.42	29.17	3.43	54.89	53.02
Union Pacific . . .	20.88	20.88	29.76	3.18	53.82	53.82
Atchison	25.14	23.50	34.39	3.34	62.87	61.23
Southern Pacific .	24.39	20.15	39.65	2.76	66.80	62.56

For the current fiscal year to date the Atchison, Union Pacific and Southern Pacific show considerable gains both in gross and net earnings. On the other hand, the failure of last year's wheat crop in Minnesota, Dakota and Manitoba has caused considerable temporary losses to the Great Northern and Northern Pacific, which have offset what those companies have gained in Pacific coast traffic. A comparison of results for the year ended June 30, 1900, which was one of general prosperity for each of the systems named, is therefore much fairer than a similar comparison for this year.

ESTIMATE OF RESULTS FOR YEAR ENDING JUNE 30, 1901.

The following estimates are based upon the earnings and expenses so far as reported for the period since July 1, 1900, and are upon the assumption that the net earnings of the remainder of the fiscal year to June 30, 1901, will equal those of the same months of the previous year:—

	Reported Increase or Decrease in Gross Earnings.	Increase or Decrease in Net Earnings.	Estimated Increase in Charges for the Year.	Estimated Increase or Decrease in Net Income for Year ending June 30, 1901
Northern Pacific .	8 mos., Inc., (a) \$1,267,904	8 mos., Inc., \$207,640	(a) \$700,000	Dec., \$492,000
Great Northern .	8 mos., Dec., 724,888	8 mos., Dec., (b) 500,000	—	Dec., (b) 500,000
Union Pacific .	8 mos., Inc., 3,018,239	8 mos., Inc., 932,676	(c) 60,000	Inc., 872,000
Atchison . . .	8 mos., Inc., 4,415,022	8 mos., Inc., 2,063,725	563,000	Inc., 1,500,000
Southern Pacific .	8 mos., Inc., 4,607,764	8 mos., Inc., 2,465,795	400,000	Inc., 1,566,000

(a) Figures for current year include St. Paul & Duluth.

(b) Estimated at seventy per cent of the reported decrease in gross. Great Northern does not report monthly net earnings.

(c) Not including interest which will accrue from May 1, 1901, on the \$40,000,000 ten-year convertible 4s recently authorized. This will probably be more than offset by income likely to be derived from the investment in Southern Pacific stock.

Adding or deducting the above estimates of this year's increase or decrease to the "surplus earned for stock" for the year ending June 30, 1900 (as heretofore shown on page 3), gives an estimate of the results for the fiscal year ending June 30, 1901, as follows:—

	Estimated Net Income Applicable to Dividends.	PER CENT ON CAPITAL STOCK.		
		Per Cent on Preferred.	Per Cent on Common.	Per Cent on Total Capitalization.
Northern Pacific . .	\$8,992,000	5.80	5.80	5.80
Great Northern . .	10,086,000	10.25	—	10.25
Union Pacific . . .	13,020,000	4.00	9.43	6.66
Atchison	11,240,000	5.00	5.42	5.20
Southern Pacific . .	8,548,000	—	4.35	4.35

The above rough estimates necessarily leave out of account any changes in "Miscellaneous Income," which cannot be determined until after the close of the year.

The present encouraging outlook for traffic would warrant the expectation of moder-

ate increases in earnings for the four months, March to June, 1901, inclusive, for all of the Companies named, even as compared with the very large earnings of the same months of 1900. The results for the current year will, therefore, probably be somewhat better than the above estimates.

Since July 1, 1900, the Union Pacific Company has arranged for the issue of \$40,000,000 First Lien Convertible Ten-year Four Per Cent bonds, to bear interest from May 1, 1901, to provide funds for its purchase of a control of Southern Pacific; the Southern Pacific has issued \$15,000,000 Two-Five Years, Four and One-half Per Cent Collateral Trust Gold bonds, bearing interest from Dec. 1, 1900, to reimburse the treasury for the cost of a controlling interest in Pacific Mail and of other securities; and the Great Northern is arranging to issue \$25,000,000 additional stock to provide funds for the acquisition of upwards of 500 miles of additional railroad and of the ocean steamships of the Great Northern Steamship Company.

The full effect of these recent acquisitions upon the income accounts of the several companies named will not be apparent until after the current fiscal year. Generally speaking, it would seem likely that the Union Pacific will receive sufficient income, either directly or indirectly, from its investment in Southern Pacific stock, to more than offset the interest upon the \$40,000,000 new convertible 4s. So far as we are advised, there are as yet no facts available which will warrant an estimate as to whether or not the Great Northern's new acquisitions will prove so remunerative as to earn dividends at the present rate of seven per cent upon the \$25,000,000 additional Great Northern stock which is to be issued to take rank with the existing stock as of Aug. 1, 1901. On the other hand, it should be borne in mind that the Great Northern has earned a considerable margin above the present seven per cent dividend during the past two years, and that its present rate of earnings is more than sufficient to pay annual seven per cent dividends upon the entire amount of stock when increased as proposed.

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APRIL 2, 1901.