

1893.

THIRTY-NINTH ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

OF THE

Lehigh Valley Railroad Company

TO THE

STOCKHOLDERS.

JANUARY 9th, 1894.

PHILADELPHIA:
ALLEN, LANE & SCOTT, PRINTERS,
229-231-233 South Fifth Street.

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BOARD OF DIRECTORS

Lehigh Valley Railroad Company

STOCKHOLDERS

JANUARY 31, 1893

PHILADELPHIA
JAMES L. BROWN & CO. PRINTERS

Lehigh Valley Railroad Company.

PRESIDENT,
ELISHA P. WILBUR.

VICE-PRESIDENT,
CHARLES HARTSHORNE.

SECOND VICE-PRESIDENT,
ROBERT H. SAYRE.

THIRD VICE-PRESIDENT,
JOHN B. GARRETT.

GENERAL SOLICITOR AND ASSISTANT TO PRESIDENT,
HENRY S. DRINKER.

GENERAL MANAGER,
THEODORE VOORHEES.

TREASURER,
WM. C. ALDERSON.

SECRETARY,
JOHN R. FANSHAWE.

ASSISTANT SECRETARY,
DAVID G. BAIRD.

COMPTROLLER,
ISAAC McQUILKIN.

DIRECTORS FOR THE YEAR 1893-94:

CHARLES HARTSHORNE,
WILLIAM L. CONYNGHAM,
WILLIAM A. INGHAM,
ROBERT H. SAYRE,
JAMES I. BLAKSLEE,
JOHN R. FELL,

JOHN B. GARRETT,
CHARLES O. SKEER,
ROLLIN H. WILBUR,
WILLIAM H. SAYRE,
BEAUVEAU BORIE,
HENRY S. DRINKER.

OFFICERS
OF THE
Lehigh Valley Coal Company.

PRESIDENT,
ELISHA P. WILBUR.

VICE-PRESIDENT,
CHARLES HARTSHORNE.

SECOND VICE-PRESIDENT,
WILLIAM H. SAYRE.

TREASURER,
JOHN B. GARRETT.

GENERAL SOLICITOR AND ASSISTANT TO PRESIDENT,
HENRY S. DRINKER.

GENERAL LAND AGENT,
ISRAEL W. MORRIS.

SECRETARY,
JOHN R. FANSHAWE.

GENERAL SUPERINTENDENT,
W. A. LATHROP.

ANNUAL REPORT
OF THE
Lehigh Valley Railroad Company

FOR THE FISCAL YEAR ENDING NOVEMBER 30th, 1893.

JANUARY 9th, 1894.

The total tonnage for the fiscal year ended November 30th, 1893, as compared with the previous year, was as follows:—

TOTAL TONNAGE OVER ROAD IN TONS OF 2000 POUNDS.

	1893.	1892.	INCREASE.
Anthracite coal	11,477,630	10,559,228	918,402
Bituminous coal and coke	345,830	313,671	32,159
Miscellaneous freights	4,951,782	5,653,586	Dec. 701,804
Total	16,775,242	16,526,485	248,757

TONS CARRIED ONE MILE.

	1893.	1892.	DECREASE.
Anthracite coal	1,100,454,043	1,106,066,034	5,611,991
Bituminous coal and coke	20,795,772	21,039,013	243,241
Miscellaneous freights	927,481,372	1,081,890,634	154,409,262
Total	2,048,731,187	2,208,995,681	160,264,494

AVERAGE FREIGHT RATES.

	1893.	1892.
Average rate per ton on coal	78 $\frac{2}{100}$ cents.	85 $\frac{97}{100}$ cents.
Average rate per ton per mile on coal . .	$\frac{823}{1000}$ cents.	$\frac{829}{1000}$ cents.
Average rate per ton on miscellaneous freight	121 $\frac{36}{100}$ cents.	114 $\frac{37}{100}$ cents.
Average rate per ton per mile on miscellaneous freight	$\frac{648}{1000}$ cents.	$\frac{598}{1000}$ cents.
Average rate per ton on total tonnage . .	90 $\frac{82}{100}$ cents.	95 $\frac{8}{100}$ cents.
Average rate per ton per mile on total tonnage	$\frac{744}{1000}$ cents.	$\frac{716}{1000}$ cents.

PASSENGER TRAFFIC.

	1893.	1892.	INCREASE.
Number of passengers carried .	6,306,039	6,018,449	287,590
Number of passengers carried one mile.	131,221,553	105,072,504	26,149,049

PASSENGER AVERAGES.

	1893.	1892.
Average mileage per passenger .	20 $\frac{45}{100}$ miles.	17 $\frac{46}{100}$ miles.
Average receipts per passenger .	41 $\frac{33}{100}$ cents.	36 $\frac{95}{100}$ cents.
Average rate per mile	1 $\frac{994}{1000}$ cents.	2 $\frac{116}{1000}$ cents.

Of the figures above given, those prior to August 1st are based upon data received from the Philadelphia and Reading Railroad Company, which have not yet been verified by our Auditing Department.

The results of the business during the eight months of the fiscal year in which the lessee was in possession, as given in the monthly statements of the Philadelphia and Reading Railroad Company, to which have been added the earnings of the

Schuylkill and Lehigh Valley Railroad for the same period, are as follow :—

TRANSPORTATION EARNINGS :

From coal	\$6,118,450 10	
“ miscellaneous freight	3,845,079 85	
“ passengers	1,567,980 78	
“ express and mail	149,591 19	
“ other items	425,510 33	
	<hr/>	
	\$12,106,612 25	
COST OF OPERATION, including rental of leased lines	8,599,427 34	
	<hr/>	
Net for eight months		\$3,507,184 91

The corresponding figures for the four months in which this Company operated the line are as follow :—

TRANSPORTATION EARNINGS :

From coal	\$3,106,577 41	
“ miscellaneous freight	2,164,340 88	
“ passengers	1,038,044 50	
“ express and mail	81,026 74	
“ other items	114,175 21	
	<hr/>	
	\$6,504,164 74	
COST OF OPERATION, including rental of leased lines	4,105,932 99	
	<hr/>	
Net for four months		\$2,398,231 75
Total net transportation earnings for the year		\$5,905,416 66
To which add income from investments and other sources		363,232 95
		<hr/>
		\$6,268,649 61
Against which should be charged :—		
General expenses, interest on floating debt, taxes, loss on Morris Canal, &c.,	\$522,376 81	
Interest on bonds (including interest on guaranteed bonds and stocks)	4,179,860 00	
	<hr/>	
		4,702,236 81
		<hr/>
		\$1,566,412 80
From which were paid dividends on preferred and com- mon stocks, April and July, 1893		1,016,342 50
		<hr/>
		\$550,070 30
		<hr/> <hr/>

The reduction in the amount credited to "income from investments and other sources," as compared with former years, is mainly due to certain items of this class being now included in "Transportation earnings."

These results are gratifying when we take into consideration the decrease, as compared with last year, of 701,804 tons of miscellaneous freight, involving about \$460,000 in revenue, and from anthracite coal freights of about \$85,000. There was also a direct loss of at least \$450,000 net revenue for November, due to the recent strike—the net income for October, 1893, having been about \$775,000, and for November, 1892, about the same amount, while that for November, 1893, was only about \$325,000.

The statement has been made in the annual report of the Philadelphia and Reading Railroad Company, presented to its stockholders on the 8th instant, that "the actual result of the operations under the lease, during the year 1892, was a loss of \$1,412,419.60." We regret that the present administration should have assumed the responsibility of reiterating this statement, which its predecessor had made a year ago, but which is known to our accounting officers to be widely inaccurate, and excessive, in the estimate of losses.

That there should have been a loss in the operation during the first year of the lease was to have been expected, as the lessee assumed the interest upon our uncompleted lines in advance of their readiness for business, and also a dividend larger than that paid to our stockholders in recent years.

So far as the earnings and expenses of the portion of the year 1893 in which the lease was operative are concerned, during most of which the present administration of the Philadelphia and Reading Railroad Company was in office, we do not question the approximate correctness of the accounting, and have made the figures published by that company the basis of the above summary statement of the business of our lines during the fiscal year now under review.

Our capital account at the close of the fiscal year stood as follows:—

Common stock (including scrip not yet converted)	\$40,335,010	
Preferred stock	106,300	
		<u>\$40,441,310</u>
First mortgage, six per cent. bonds, due in 1898 (coupon and registered)	\$5,000,000	
Second mortgage, seven per cent. bonds, due in 1910 (registered)	6,000,000	
Consolidated mortgage bonds, due (excepting sterling and annuity bonds) in 1923 :—		
Six per cent. bonds :—		
Sterling	\$1,631,000	
Coupons	1,319,000	
Registered	4,319,000	
Annuity	8,362,000	
		<u>15,631,000</u>
Four and one-half per cent. bonds :—		
Coupons	\$1,669,000	
Registered	3,093,000	
Annuity	2,538,000	
		<u>7,300,000</u>
		<u>33,931,000</u>
		<u>\$74,372,310</u>

Three hundred and two of the sterling bonds were drawn payable December 1st, 1893, leaving \$1,329,000 bearing interest from that date.

The guarantees by this Company of the bonds and stocks of affiliated companies are as follow :—

Pennsylvania and New York Canal and Railroad Company :—		
First mortgage, seven per cent. bonds, due 1896	\$1,500,000	
First mortgage, seven per cent. bonds, due 1906	1,500,000	
Five per cent. bonds, due 1939	4,000,000	
Four per cent. bonds, due 1939	3,000,000	
		<u>\$10,000,000</u>
Easton and Amboy Railroad Company, first mortgage five per cent. bonds, due 1920	6,000,000	
The Lehigh Valley Rail Way Company, first mortgage, four and one-half per cent. gold bonds, due 1940	15,000,000	
Lehigh Valley Terminal Railway Company, first mortgage, five per cent. gold bonds, due 1941	10,000,000	

The Lehigh Valley Coal Company, first mortgage five per cent. gold bonds, due 1933	\$4,000,000
The Delano Land Company, five per cent. gold bonds, due 1932	1,200,000
Morris Canal and Banking Company :—	
Preferred stock, ten per cent.	\$1,175,000
Consolidated stock, four per cent.	1,025,000
	2,200,000
	\$48,400,000

The lease to the Philadelphia and Reading Railroad Company dated February 11th, 1892, set out in the annual report for 1892, was terminated on August 8th last, and on the same day the agreement for the sale of coal by the Lehigh Valley Coal Company to the Philadelphia and Reading Coal and Iron Company was also terminated. At the time the latter agreement was entered into the Philadelphia and Reading Coal and Iron Company purchased in bulk, at market prices, all coal then in the stocking yards of the Lehigh Valley Coal Company. On February 20th, 1893, the Philadelphia and Reading Railroad Company and the Philadelphia and Reading Coal and Iron Company passed into the hands of receivers. For some time prior to the appointment of receivers the Philadelphia and Reading Coal and Iron Company had been dilatory in its monthly payments for coal. The officers of the Lehigh Valley Coal Company, deeming that its best interests, at that time, would be served by a continuance of the coal sales contract, gave and continued to give such indulgence in time as could safely be extended, until it became evident that the Philadelphia and Reading Coal and Iron Company could not dispose of the coal and make payment for it conformably to its contract. On August 8th last, by written notice in accordance with the terms of the coal sales agreement, the Lehigh Valley Coal Company terminated the said agreement because of default in payments thereunder, and on the same day the Lehigh Valley Railroad Company exercised affirmatively the option secured to it by the railroad lease, to terminate the lease if the coal sales agreement should be terminated for any reason whatsoever. The Phila-

delphia and Reading Railroad Company being at that time in the hands of receivers, petitions were on August 8th presented to the court asking for leave to re-enter, and orders were duly made by the court in accordance with the prayers of the petitions without prejudice to the rights of the Lehigh Valley Coal Company and of the Lehigh Valley Railroad Company to an accounting, the accounts to be adjusted as of August 1st, 1893.

On August 8th the indebtedness of the Philadelphia and Reading Coal and Iron Company to the Lehigh Valley Coal Company was estimated at \$1,236,000. The amount of coal in our various stocking yards, the control of which was necessary in the conduct of the business, largely exceeded in value this debt. To secure this control and to discharge this debt, as well as to enable the Coal Company at once to meet the demands of its customers, all this coal was bought by the Lehigh Valley Coal Company at market rates. Under the contract for its purchase the excess value over and above the debt due to the Lehigh Valley Coal Company became payable monthly as the coal was sold. The larger part has already been sold, and the indebtedness to the Philadelphia and Reading Coal and Iron Company for the excess value proportionately discharged.

In regard to the railroad lease, the payments of rental applicable to dividends on our stock and interest on our bonded debt were made, up to and including the installments due and payable August 1st. Certain accounts connected with the lease necessarily remained open until the data were available, and these are now in process of adjustment.

During the strike, hereafter more fully referred to, which ended December 6th last, we found it impossible to continue to run our freight trains between Jersey City and Roselle over the tracks of the Central Railroad Company of New Jersey. That company first positively declined to furnish pilots for our trains, and subsequently gave us such hesitating and qualified assurance of aid as to be practically of no avail; and although every effort was made by us to put trains over their line between the points named, little could

be done owing to the hostility of their employés and the apparent indifference of their operating officers.

In this emergency the new line, between Roselle and our Jersey City terminal, being available for additional traffic, was used, and our freight is now being moved over that line.

The same causes have made it necessary to restore our passenger business to the stations of the Pennsylvania Railroad Company in Jersey City and New York.

An arrangement has been effected with the receiver of the Pennsylvania, Poughkeepsie and Boston Railroad, by which the portion of its line between Slatington, Pennsylvania, and Hainsburg Junction, New Jersey, is operated by this Company. This secures to us an outlet for coal shipments to the territory adjacent to above line and to that of the Bangor and Portland Railway and its connections.

The Easton and Northern Railroad Company, in which this Company owns a controlling interest, has leased its line to the Bangor and Portland Railway Company for a term of five years from August 1st, 1893. This was prompted by the impracticability of operating this line as a part of the Lehigh Valley System so long as there is no physical connection with our line.

The extension of the Williamsport and North Branch Railroad, referred to in our last report, has been completed to our line at Satterfield Junction, where traffic in both directions is being interchanged.

So much of the double tracking of the mountain cut-off as lies between Avoca and Jenkins Junction, the crossing of the Wilkesbarre and Eastern Railroad, has been authorized, and will be completed during the present season. At Jenkins Junction coal and other freights are transferred to and from points on the New York, Susquehanna and Western Railroad and its connections.

Arrangements have been effected during the past autumn for the interchange of business with the New York, New Haven and Hartford Railroad by transfer of cars on floats between Jersey City and the Harlem River. This opens to the operators on our line a large and valuable territory for deliv-

ery of coal direct from the mines in cars throughout the New England States, in addition to that previously accessible by the Poughkeepsie Bridge route. Miscellaneous freights between New England and the West are also being interchanged by the same route.

About the time your management undertook the construction of the new lines to Buffalo and New York Harbor, and the purchase and improvement of the terminals at tidewater and Buffalo, your attention was directed to the loss of revenue from the transportation of anthracite coal and the consequent necessity of increasing other kinds of traffic by new connections and enlarged facilities. So great has been the loss referred to, that while in 1888 the total anthracite coal tonnage was 8,650,826 tons, the gross revenue from which was \$10,319,804, in 1893, with a total tonnage of 11,477,630 tons, the revenue was \$9,084,319.52, a loss of \$1,235,489 revenue, with an increase in total tonnage of 2,826,804 tons. The following table exhibits the course of this business during the past six years, and shows that while the tons carried one mile have in this period increased between four and five per cent., the resultant revenue has decreased nearly twelve per cent. :—

ANTHRACITE COAL TRAFFIC.

	NET TONS ONE MILE.	PER NET TON PER MILE.	EARNINGS.
1888	1,051,967,822	.981 cent.	\$10,319,804 33
1889	1,001,194,520	.849 "	8,500,141 47
1890	937,363,086	.841 "	7,883,223 55
1891	1,025,069,657	.832 "	8,528,579 55
1892	1,106,066,034	.829 "	9,169,287 42
1893	1,100,454,044	.826 "	9,084,319 52

During the same period the miscellaneous freight tonnage increased from 3,633,178 tons in 1888 to 4,951,782 tons in 1893, and the revenue thereon from \$3,645,022.87 to \$6,009,420.73, notwithstanding the loss of 706,000 tons and \$460,000 revenue from this source, as heretofore stated, compared with 1892,

due to the extreme depression in railroad traffic common to all through lines, and to the strike.

The following statement shows the course of this business, and the large increase both in tons carried one mile and in the resultant revenue, this development being due to the extension of our lines and the encouragement given to miscellaneous freights between the seaboard and the West:—

MISCELLANEOUS FREIGHT TRAFFIC.

	NET TONS ONE MILE.	PER NET TON PER MILE.	EARNINGS.
1888	421,877,647	.864 cent.	\$3,645,022 87
1889	594,201,206	.730 "	4,337,668 80
1890	744,550,288	.701 "	5,219,297 52
1891	846,678,263	.702 "	5,943,681 41
1892	1,081,890,634	.598 "	6,469,705 99
1893	927,022,609	.648 "	6,009,420 73

Our equipment was increased to provide for this large additional tonnage, as stated in the annual reports from year to year, at a cost for the past seven years of about \$10,000,000. All these expenditures for construction and equipment are represented in the statement of capital accounts, there being no car trusts or other like liens upon any of your property.

The attention of the stockholders is called to the significant fact that a strike was precipitated on our system in November last, with no complaint on the part of our employes regarding wages or discipline, but solely because of refusal on the part of our management to accede to a peremptory demand for recognition of the so-called Federated Union. In a circular issued to our employes by Grand Master Sargent, under date of November 18th, he states "the principal grievances consisting of the injustice of officials to in any manner recognize or treat with the grand officers or committees representing any of the organizations referred to in this circular in the matter of grievances of their members." Our employes were

thus misled by foreign influences into voting in favor of a strike, and 3222 left the service of the Company.

The above-mentioned circular and the evidence given in the President's special report, dated December 12th, 1893, which has already been published, show that the strike was not the result of any grievance complained of by our men, but that it was deliberately fomented and forced by the leaders of certain labor organizations foreign to our lines for the purpose of obtaining from our Company formal recognition of such organizations. We have never objected to our men belonging to any organization they wish, but we have always refused, and have now emphasized our refusal, to discuss any questions affecting our employés with the representatives of organizations. Our policy has been and is to deal directly and only with our men, and in dealing with them to refuse to discuss questions affecting any one branch of the service with any committee or representatives from several branches of the service, for the reason given in our published bulletin of November 21st last, viz., that such mixed committee can never fairly represent specific grievances. Engineers cannot represent telegraph men, nor can firemen properly represent conductors. This position was consistently maintained, and though the strike entailed on the Company a considerable loss in damage to equipment, and a larger loss in business, no other course could have been pursued without practically surrendering control of our property and delegating vital questions as to its discipline and management to irresponsible and alien influences, and without entailing a much larger ultimate loss.

The following additions have been made to the Company's equipment during the past year:—

BUILT AT OUR OWN SHOPS.

Locomotives	8
Passenger cars	12
Mail and baggage car	1
Express car	1
Box cars	2
Platform cars	2
Stock cars	2
Derrick cars	2

Snow plows	2
Tool cars	3
Cabin cars	27
Supply truck	1
Dumps	2

PURCHASED.

Coal cars	61
Rotary snow plow	1

Our equipment on November 30th, 1893, was as follows:—

Locomotives	663
Chair cars	12
Passenger cars	221
Combination cars	54
Special cars	4
Emigrant cars	2
Mail, baggage, and express cars	57
Fruit cars	12
Freight cars	16,032
Coal cars, eight-wheeled	9,141
Coal cars, four-wheeled	25,394
Cars used in transportation and roadway department	1,709

The length of lines embraced in the Lehigh Valley System, including second track, branches, &c., was as follows, November 30th, 1893:—

DIVISION.	MAIN LINE.		BRANCHES AND SIDINGS. MILES.	TOTAL MILES.
	SINGLE TRACK. MILES.	SECOND TRACK. MILES.		
Easton and Amboy R. R., including all Lines east of Phillipsburg	95.34	85.85	155.13	336.32
Lehigh Division	54.61	48.23	121.73	224.57
Wyoming Division	141.49	54.45	110.67	306.61
Beaver Meadow Division	16.53	10.59	23.81	50.93
Hazleton Division	26.11	12.92	77.20	116.23
Mahanoy Division	80.40	42.99	75.22	198.61
Pottsville Division	40.70	. . . . .	12.05	52.75
North Branch Division	123.41	88.30	124.57	336.28
Buffalo and Seneca Divisions	250.14	181.53	136.39	568.06
Auburn Division	159.75	. . . . .	36.87	196.62
Penna., Pough. and Boston R. R.	26.55	. . . . .	4.77	31.32
Easton and Northern R. R.	8.04	. . . . .	2.11	10.15
Total	1,023.07	524.86	880.52	2,428.45

The operations of the Lehigh Valley Coal Company for the fiscal year ended November 30th, 1893, summarized from the report of W. A. Lathrop, General Superintendent, compared with two preceding years, were as follow :—

	1893.	1892.	1891.
	Tons.	Tons.	Tons.
Amount of coal shipped from collieries owned and operated by this Company	1,748,545	1,454,262	1,385,463
Amount of coal shipped by tenants of this Company	3,157,932	3,096,271	3,277,632
Total	4,906,477	4,550,533	4,663,095
From Wyoming region	1,705,738	1,523,771	1,598,069
“ Lehigh “	1,207,503	1,157,543	1,278,387
“ Pottsville “	178,256	116,687	86,464
“ Mahanoy “	1,814,980	1,752,532	1,700,175
Total	4,906,477	4,550,533	4,663,095

The business of the Lehigh Valley Coal Company during the past year has resulted satisfactorily. The sales of anthracite coal produced by this Company and purchased from individual operators have amounted to 3,118,444 tons, in addition to 360,010 tons sold on commission for other operators. The earnings of the Coal Company are not included in the foregoing statements of the earnings of the Railroad Company for the past year.

Of the bonds of the Coal Company secured by the mortgage of 1892 for \$12,000,000, as stated in the report a year ago, \$4,000,000 have been guaranteed by the Railroad Company. \$1,500,000 of these have been sold to individual coal operators, at par and interest. The remaining \$2,500,000, and the balance of the issue under the mortgage, \$8,000,000 (\$10,500,000 in all), have been bought by the Lehigh Valley Railroad Company in discharge of indebtedness of the Coal Company. These bonds form a valuable asset of the Railroad

Company, available for future extensions and developments of our railway lines and auxiliary properties. A part of these are in use as collateral for the floating debt of the Railroad Company, which amounted at the close of the fiscal year without deduction of cash on hand, to \$3,870,000.

Dr. Robert A. Lamberton, one of the most valued members of our Board, died September 1st last. The following minute was made by the Directors in recognition of his many services and in remembrance of his kindly fellowship:—

“ Dr. Robert A. Lamberton, a member of this Board since
 “ September 11th, 1883, suddenly departed this life on the
 “ evening of the 1st instant. His large experience in affairs
 “ and knowledge of the law made him a valued counselor, and
 “ his earnest interest in the entire business of the Company and
 “ in all that would promote its prosperity prompted him to
 “ devote to it whatever time and thought were required for
 “ the full discharge of his duties as a Director. A genial dis-
 “ position and general intelligence were added to these business
 “ qualifications, and made him an agreeable and welcome asso-
 “ ciate in the counsels of the Board. His loss to the Company
 “ becomes a keen personal one to his fellow-members.”

During the year Mr. Beauveau Borie was elected a Director of the Company in place of Mr. George C. Thomas, resigned, and Mr. Henry S. Drinker in place of Dr. Robert A. Lamberton, deceased.

To those loyal officials and employés who remained with the Company during the recent strike, the hearty thanks of our management are given for their faithful and self-sacrificing services, in sharp contrast with the disloyalty of those who ill-advisedly and voluntarily left the service of the Company.

By order of the Board of Directors,

E. P. WILBUR,

President.



