

The Engineers' Club of Toronto

96 KING STREET WEST

TELEPHONE MAIN 4977

Meetings for December, 1910

THURSDAY, 1st, 8 p.m.

General Business Meeting according to notice.

THURSDAY, 8th, 8 p.m.

"Methods of Rail Production by the Dominion Iron and Steel Co." Address by Mr. A. W. Sinnamon, Chief Engineer, Canada Foundry Company.

THURSDAY, 15th, 8 p.m.

"Method of construction of the Queen Street Bridge, Toronto." Illustrated address by Mr. R. E. Chadwick, Bridge Engineer, City of Toronto.

THURSDAY, 22nd, 8 p.m.

"Seven years Engineering in Burma," Illustrated address by Mr. W. G. Bligh, Toronto.

THURSDAY, 29th, 8 p.m.

Meeting of Toronto Branch, Canadian Society of Civil Engineers.

C. M. CANNIFF, President,
15 TORONTO ST.

L. J. STREET, Treasurer,
209 STAIR BLDG.

R. B. WOLSEY, Secretary,
25 LOWTHER AVE.

MR. McCREA ON RAILWAY FINANCES.*

The Pennsylvania system east of Pittsburg has cost very much more than the capitalization represents. On that capitalization it has never paid more than a fair return—less, in fact, than most other characters of investment, such as manufacturing, mining and agriculture. The results of constant increases in its business have been distributed either through reductions in rates, increases in amounts paid for wages and material, or by reinvestments in the property not capitalized. It has always been typical of good and constantly improved service—in fact, the character of service which, if I understand the American people, they desire perpetuated and improved. A railway system of this character being so capitalized and rendering a service which is not only of the highest character, but satisfactory to the public and to its patrons, deriving as it did in the year 1909 net earnings to the amount of but 5.01 per cent. of the amount actually invested in the property, it is difficult for me to understand how a system of rates which secures such results can be regarded as on too high a basis.

The Pennsylvania Railroad Company has for many years past, as a result of its operations, realized a substantial surplus in each year over and above the amount re-

*Testimony of James McCrea, president of the Pennsylvania Railroad, before the Interstate Commerce Commission, at Washington, October 12th.

quired to enable it to meet its interest charges and pay moderate dividends on its stock to its stockholders. This surplus has varied in amount from year to year. For the last ten years the average has been about \$12,000,000 a year, practically all of which has been expended on the property for the purpose of enabling the company to conduct its operations more safely, more efficiently and more cheaply.

Since the passing of the Interstate Commerce Act in 1887 the amounts expended on the property of the lines east of Pittsburgh out of the earnings and from other sources than the proceeds of the sale of bonds or stock or other securities aggregate \$262,000,000, and the company was enabled to provide almost all of this large sum out of the surplus earnings derived from the operation of its property. The Pennsylvania Railroad and many of the roads embraced in its system were built at a time when it was difficult to secure capital for such enterprises. The country through which the roads were built was at that time comparatively thinly settled and the business light. The character of the construction, which was suitable for the time and the existing conditions, was, to a large extent, unsuited to later conditions. The safety of the public and of employees required elimination of grade crossings of highways, the use of safety appliances and the use of improved material and equipment, all of which in themselves do not yield much, if any, net return, and it was to meet these conditions and to adapt its road and equipment to modern requirements that the uncanceled earnings in the form of surplus have been so freely spent. Had these earnings not been available, and had they not been expended for the purposes indicated, the Pennsylvania Railroad would to-day be a very different railway and would have been wholly unable to render the service to the public which it is to-day rendering. The accumulation of the surplus earnings which have been thus expended has only been possible because the rates of freight in force since the passing of the Interstate Commerce Act have been sufficient to realize for the company amounts in excess of its expenses, taxes, interest and dividends.

The fact that these surplus earnings were being earned in each year has not been a matter that has been concealed from the public, but, on the contrary, the existence of the surplus and the disposition made of it have not only been public property, but the method or practice pursued by the company in providing in part, at least, for the necessary additions to and improvement of its property in this manner has been generally and publicly commended and approved. It is vitally important that in the future the company should be enabled to continue to pursue the policy which has guided it in the past, and to provide in part, at least, for future additions and improvements out of surplus earnings. It is fairly to be expected that the company will be required to make as great expenditures in the future as it has made in the past. An enormous amount of work remains to be done, for which additional funds will have to be secured. The public of to-day is demanding a service of a far more costly character than ten or twenty years ago was expected or desired, and in order to make the improvements required to meet the constantly increasing demands of this character and to furnish a service which, according to modern views and standards, the public, in a sense, has a right to ask for, large expenditures must continue to be made upon the property, and if this company is to meet these conditions and is to continue to progress and not to go backward (because there is no such thing as a large railway system standing still), it must continue to derive earnings from its operations, not merely sufficient to enable it to make a fair return to its stockholders, but sufficient to earn a surplus which can be expended