

CAPITALIZATION OF RAILROADS

Professor Adam's Basis for Computation—Valuable Summaries—Canada's Railways Estimated at Over Sixty-four Thousand Dollars Per Mile

Valuable statistics on the capitalization of American and foreign railroads have been given by Mr. Slason Thompson, manager of the bureau of railway news, Chicago. He says that the only railway capitalization of public concern is that which represents the actual money which has been invested to provide the means of transportation by steam railroads for the people and commerce of the United States. He says that the present day talk about the water in American railway capitalization is kept alive by the parade in official print of aggregate figures of which less than 80 per cent. is active capital "to be supported by freight and passenger rates."

"The crime," states Mr. Thompson, "of misrepresenting the capitalization of American railways is against the American people because the false cry of over-capitalization makes it difficult to obtain on reasonable terms the additional capital for improvements and extensions for which there is a crying necessity."

The Claim of Railway Securities on Railway Revenues.

"Following the formula adopted by Professor Adams to ascertain the only capitalization that 'measures the claim of railway securities on railway revenues,' the returns received by this bureau from 232,117 miles of operated line (190,924 owned and 41,188 rented) yield the following result for the year ending June 30, 1911:—

The following is a summary showing net capitalization of 378 companies operating 232,117 miles of line for the year ending June 30, 1911:—

Item—	Capitalization, (190,929 miles owned), 1911.
Capital stock	\$6,988,087,937
Funded debt	9,344,729,433
Receivers' certificates	12,955,503
	\$16,345,772,873
Rental 41,188 miles, \$127,267,386, capitalized at 5 per cent.	2,545,347,520
Total	\$18,891,120,393
Deductions for railway stock owned	\$3,065,378,211
Deductions for funded debt owned	1,687,838,570
	\$4,753,216,781
Net capitalization 1911 (232,117 miles)	\$14,137,903,612
Net capitalization per mile operated.....	61,340

"It is a question whether the above capitalization should not be further reduced by deducting therefrom \$809,465,180 for other stocks (\$615,048,044) and funded debt (\$194,417,136) not railway issues owned by the railway companies, and which paid \$33,272,072 into their treasuries, thereby relieving freight and passenger rates of fixed charges to that extent.

Approximation of the Net Capitalization.

"Accepting \$14,137,903,612 as the net capitalization of the 232,117 miles of line reporting to this bureau, it only remains to place a reasonable estimate on the 11,112 miles not covered by these reports to arrive at a close approximation of the net capitalization of all the railways of the United States. Estimating this at \$30,000 a mile (\$25,000 would be liberal), the account would stand as follows:—

Net capitalization, 232,117 miles represented..	\$14,137,903,612
11,112 miles at \$30,000	333,360,000
Total for 243,229 miles represented.....	\$14,471,263,612
Less assigned to "other properties" in 1910..	36,953,808
Net capitalization all railways in United States in 1911	\$14,434,309,804
Net capitalization per mile of line	59,345

"This computation includes mileage operated under trackage rights, for the sound reason that the rental for such rights is included in the capitalization item of other rentals at 5 per cent. given above.

"In 1910 the commission reported \$14,338,575,940 as the amount then outstanding in the hands of the public against 228,841 miles owned. Allowing for differences in methods of arriving at results, these figures strongly corroborate those computed from the returns to this bureau.

"Previous to 1907 the commission included in its report a valuable table giving the amount of stocks and bonds outstanding, together with the amount of both owned by railway

corporations, from which it was possible to calculate approximately their net capitalization for any given year. Under the new accounting, this statement has been omitted, although the railways are still required to furnish the data. In order to preserve the continuity of this important record, the next statement shows the gross railway capital, securities owned, net capital outstanding in the hands of the public, together with its amount per mile since 1889, when these figures were first compiled. Except those for 1911, the figures are from official reports.

Year—	Railway Securities Owned.	Net Railway Capital.	Net Railway Capital per Mile.
1911 Bureau ...	\$4,753,216,781	\$14,434,309,804	\$59,345
Official—			
1910*†	4,078,556,298	14,338,575,940	62,657
1909*	3,776,001,202	13,711,867,733	59,259
1908*	3,933,953,317	12,833,591,510	57,201
1907	3,161,794,135	12,920,352,548	58,298
1906	2,898,480,829	11,671,940,649	54,421
1905	2,638,152,129	11,167,105,992	53,328
1904	2,501,330,601	10,711,794,078	52,099
1903	2,318,391,953	10,281,598,305	51,559
1902	2,208,518,793	9,925,664,171	50,961
1901	2,205,497,909	9,482,649,182	49,925
1900	1,943,050,349	9,547,984,611	51,092
1899	1,601,913,167	9,432,041,731	51,215
1898	1,521,383,255	9,297,167,776	51,856
1897	1,466,936,176	9,168,071,898	51,396
1896	1,501,346,914	9,065,518,857	51,141
1895	1,447,181,534	8,899,572,695	51,421
1894	1,544,058,670	8,646,600,008	50,358
1893	1,563,022,233	8,331,603,006	50,293
1892	1,391,457,053	8,294,689,760	52,348
1891	1,282,925,716	8,007,989,723	50,858
1890	1,406,907,001	7,577,327,615	49,473
1889	1,151,972,901	7,422,073,841	50,013

*Does not include returns for switching and terminal companies. †In 1910 the per mile divisor was 228,841 miles owned. ‡If railway securities owned in 1908 is correct, the amount for 1909 is about \$300,000,000 below what it should be.

Railway Capital Distributed among Territorial Groups.

"The summaries in the official statistics for 1910, 1900 and 1890 distribute railway capital among the territorial groups as follows:—

Territory covered. Group—	1890.	1900.	1910.
I	\$ 377,417,302	\$ 472,329,210	\$ 799,627,536
II	2,032,242,616	2,337,874,067	3,543,053,383
III	1,309,390,715	1,490,997,662	2,414,370,374
IV	410,704,029	631,863,020	960,183,380
V	742,670,372	903,681,993	1,346,913,136
VI	1,818,588,865	2,024,541,064	3,102,203,094
VII	443,136,450	560,763,313	1,047,244,431
VIII	1,047,274,401	1,395,350,723	2,260,370,943
IX	372,982,285	511,934,132	808,905,131
X	882,876,385	1,162,599,776	2,134,260,830
Total ..*	\$9,437,343,420	\$11,491,034,960	\$18,417,132,238

Less stocks and bonds owned ..	1,406,907,001	1,943,050,349	†4,078,556,298
Net railway capital ..	\$8,030,436,319	\$9,547,984,611	\$14,338,575,940

*Includes \$453,108,804 "other forms of indebtedness" excluded in other years. †Includes \$36,953,808 assigned to "other properties."

"Owing to the complexity of ownership in which the capital issues of a railway company in one territory are owned by the companies in other groups, it is impossible to offset stocks and bonds owned against the respective groups and so arrive at their net capitalization.

American Railways' Comparatively Low Capital Cost.

"Nothing can demonstrate more clearly the comparatively low capitalization of American railways than the following statement of the capital cost, or cost of construction, of the railways of the principal foreign countries, compiled from the latest available data:

Year.	Country.	Miles of line.	Capital or cost of construction.	Per mile.
Europe—				
1910—	United Kingdom ...	23,387	\$6,421,170,080	\$274,557
1909—	Germany	36,235	4,048,810,560	111,737
1908—*	Russian Empire ...	41,888	3,294,970,000	78,661
1908—	France	25,040	3,550,874,000	141,508
1909—	Austria	13,873	1,609,853,523	116,042