

# PHILADELPHIA RAPID TRANSIT COMPANY

## ANNUAL REPORT OF THE PRESIDENT

To the Stockholders of the Philadelphia Rapid Transit Company:

P. R. T. has been built up by the present management, with co-operation of its men, so that its net earnings are now sufficient to meet its normal needs. See letter of W. C. Dunbar, financial Vice-President, pages 6 and 7.

P. R. T. dividend of 6% for 1922, with present earnings, is assured, unless prevented by disruption of the present effective combination of men and management.

P. R. T. was formed in 1902 in the interest of Union Traction, and in order to guarantee to Union a dividend it could not earn for itself.

P. R. T. in 1911, at the end of nine troublous years, had spent its entire \$30,000,000 capital and was approaching bankruptcy.

P. R. T. and Union Traction stockholders then united in an appeal for help, and T. E. Mitten was given full charge of the property, at which time an entire change of policy was inaugurated.

P. R. T. in the eleven years that followed, 1911-1921, earned a surplus of \$11,595,494. Of this total \$5,846,514 has been paid in dividends, and \$5,748,980 has been put back into the property.

During this period, 1911-1921, the only new capital available has been the proceeds of a \$10,000,000 bond issue, guaranteed by Union Traction in 1912. For this guarantee Union demanded, and received, absolute title to every asset that P. R. T. had, including Market Street EL.

Further financing has been accomplished through car trusts, principal and interest on which have been paid out of earnings, and when, two years ago, P. R. T. sought to raise \$3,000,000 more capital by a re-arrangement of its car trust issues, Union Traction refused its required assent, unless P. R. T. should make over to it absolutely, everything it had acquired since the turnover of 1911. This unfair condition was not met, and the plans for extensions had to be abandoned.

Certain directors, headed by Mr. J. J. Sullivan, a member of the board of P. R. T., as well as president and director of Union Traction, have publicly stated their unwillingness that T. E. Mitten, and his group of experts forming the Mitten Management, should continue to direct P. R. T. affairs, and have appealed for proxies to be voted for a board of directors that will substitute some other directing force.

P. R. T. men and management have worked strenuously through eleven years of co-operative effort, to build up P. R. T. property so that its proved value, before Public Service Commission, is now sufficient to insure a continued return, ample to pay present rentals to underlying companies and 6% upon the \$30,000,000 of paid-in capital.

P. R. T. stockholders have been enriched by new values, created by co-operation of men and management, who have thus earned the right to demand that the result of their co-operative effort be not destroyed, nor the management changed to endanger the continuation of their forward progress.

Men and management, co-operating for economic accomplishment, justify the continuation of the present co-operative combination, because of the substantial assurance given to the permanency of dividends to stockholders, by insurance against strikes, and through the direct interest of every employe in producing economies and added income, which each expects to share.

P. R. T. employes' saving fund already contains \$1,000,000 of P. R. T. bonds and car trusts. P. R. T. employes collectively own more than 30,000 shares of P. R. T. stock, which evidences their belief in P. R. T. future prosperity, with present management.

P. R. T. operating costs will be reduced by extra effort of men and management, and this without any lessening of service. The payment to P. R. T. employes for super co-operation during 1922 is proposed, in an amount not to exceed 10% of P. R. T. payroll, after paying 6% dividends to P. R. T. stockholders.

President Mitten's agreement covering direction of P. R. T. affairs, unchanged since 1911, expires March 31, 1922, and will be continued, providing that P. R. T. stockholders now assent to the proposed financial participation by P. R. T. employes in the result of further co-operative accomplishment.

P. R. T. stockholders, by forwarding their proxies to support the present management, will encourage employes in their new responsibility, and thus insure the payment of a 6% dividend for 1922. Those whose stock is with brokers should insist that it be voted to support the present management, which will produce the dividend.

The enclosed proxies, returned in sufficient number, will be accepted as evidencing stockholders' endorsement of the proposed policy, and will insure the election of a board of directors to support Mitten Management, which, with 10,000 co-operating employes, may be depended upon to supply uninterrupted service to the public, as well as dividends to P. R. T. stockholders.

T. E. MITTEN,  
President.

February 25, 1922.

T. E. MITTEN, President:

I respectfully submit herewith Income Account and Balance Sheet for 1921, which have been approved by Messrs. Vollum, Fernley & Vollum, certified public accountants, in agreement with Messrs. Lybrand, Ross Brothers and Montgomery, which latter firm acts for the City Controller under the terms of the 1907 city agreement.

In accordance with the published Policy and Program for 1921, the net income of \$1,807,292 was spent to improve the condition of the property. Deferred maintenance, due to wartime conditions, was overcome during the year, and the reserve fund for renewals re-established at \$1,671,679 as against the amount of \$1,500,000 set up as per your requirement in 1911.

Critics for the city assert that the present upkeep appropriations are too high; meanwhile, other critics contend that they are too low.

Mr. Charles Hansel, Consulting Valuation Engineer for the Pennsylvania R. R., the Reading Railway and the Central R. R. of N. J., and member of the Engineering Committee for all Class 1 railroads dealing with Federal valuation of railroads, and Mr. George W. Fuller, a recognized authority on public utilities, who are thought to represent the best experience in such matters, have spent nearly two years in careful inspection of P. R. T. property in greatest detail. These eminent engineers have certified that the property is maintained in an appropriate operating condition and that present appropriations are necessary to maintain its present condition.

P. R. T. annual net earning capacity, with present wage reductions, now approximates \$3,000,000, after paying all operating expenses, fixed charges and taxes. This will provide \$1,800,000 for the 6% dividend on P. R. T. stock, leaving upwards of a million dollars otherwise applicable to payment of back dividends, which must now be used to finance expenditures for betterments and improvements. There is no other source from which to draw, until P. R. T. credit, made worth-while by continued payment of dividends, is sufficiently established to make P. R. T. guarantee good, so that track extensions and other additions to property may be thereafter financed under the terms of the 1907 city agreement.

P. R. T. proved property value, before Public Service Commission, is sufficient to insure a continued return, ample to pay present rentals to underlying companies and 6% upon the \$30,000,000 of P. R. T. paid-in capital. Expert testimony has been presented, showing that the accomplishments of men and management represent an annual saving to the car riders of over \$16,000,000. It is safe to say that nothing less than a 10c fare would have been required, had only ordinary operating methods prevailed. The earnings, efficiencies and economies effected by co-operative effort can be summarized as follows:

Passenger receipts approximating \$7,000,000, induced by superior salesmanship—producing a net revenue of.....	\$2,400,000
Advertising receipts attributable to better marketing of available space.....	300,000
Saving in operating cost due to scientific car scheduling and routing; and increased speed aided by skip stop.....	8,350,000
Increased energy production per unit of fuel consumed and saving in power demand account lighter weight of Nearside cars.....	1,800,000
Accident prevention work and enlightened policy of claim settlements.....	1,500,000
Developed production in car repair shops, refinements in methods of painting and maintenance of car bodies and equipment.....	900,000
Accelerated track relaying and repair.....	140,000
Improved fare collection and station methods on subway elevated.....	210,000
Benefits derived from low ratio of labor turnover.....	160,000
Savings account bulk purchases, standardization and reduced handling of supplies.....	260,000
Reduction in fire insurance premium rate in recognition of improved housekeeping and fire prevention methods.....	100,000
	<u>\$16,120,000</u>

Only 1,606 suits against P. R. T. are now pending for unsettled accidents, as against 4,953 unsettled suits inherited in 1911 from former management. 2.55% of operating revenue was required in 1921 for accident costs, as against 6.21% required in 1910.

\$1,807,292 net income earned in 1921 compares with the deficit of former management of \$1,222,735 in 1910. Fixed charges now represent but 23.27% of operating revenue, while 46.27% was required in 1910.

\$5,748,980 undistributed surplus, 1911-1921, has been spent for improvements, and the equities produced by this expenditure have been preserved to P. R. T. stockholders. This surplus of \$5,748,980 compares with the deficit of \$1,118,609 in 1910.

W. C. DUNBAR,

February 25, 1922. Vice-President, Finance & Accounting.

### PHILADELPHIA RAPID TRANSIT COMPANY

#### BALANCE SHEET

DECEMBER 31, 1921

<b>ASSETS</b>	
Road and Equipment Expenditures for Leased Lines.	
Real Estate, Sinking Funds, etc.....	\$52,861,880.01
Reserve Funds for Renewals.....	
Cash.....	\$1,250,000.00
Securities.....	421,679.11
	<u>1,671,679.11</u>
Cash.....	756,866.23
Material and Supplies, Accounts Receivable, etc.....	2,145,728.05
Deferred Assets and Unadjusted Debits.....	2,400,819.75
	<u>\$59,536,973.15</u>
<b>LIABILITIES</b>	
Capital Stock, Authorized \$30,000,000..... Paid in	\$29,991,660.00
Funded Debt.....	16,432,000.00
Audited Accounts, and other Current Liabilities.....	751,571.43
Accrued Rentals, Interest and Taxes.....	3,672,236.99
	<u>\$50,847,468.42</u>
Reserve Accounts:	
Renewal and Depreciation.....	2,258,555.23
Accident.....	566,095.37
Other Reserves.....	110,873.29
Surplus.....	5,748,980.84
	<u>\$59,536,973.15</u>