Forty-Second Annual Report.

OFFICE OF THE PENNSYLVANIA RAILROAD COMPANY,
PHILADELPHIA, March 1, 1889.

The Board of Directors submit herewith their report for the year 1888.

MAIN LINE AND BRANCHES, PHILADELPHIA TO PITTSBURG.

Earnings	$36,698,183 84	
Expenses	23,526,578 85	
Net earnings	$13,171,604 99	
Add interest from investments (in cash), also for use of equipment and from other items	4,714,537 63	
Total	$17,886,142 62	
Deduct rentals paid branch roads, interest on equipment, interest on bonded debt, State tax on dividends, and other items	7,916,480 86	
Net income Pennsylvania Railroad Division		$9,969,661 76

PHILADELPHIA TO NEW YORK AND BRANCHES.

Earnings	$17,100,851 52	
Expenses	13,071,485 97	
Net earnings from operating	$4,029,365 55	
Add interest from investments	699,896 82	
Total income	$4,729,262 37	
Deduct payments on account of dividends, interest on equipment, etc.	4,889,763 20	
Net loss under the lease of United New Jersey Railroad and Canal Company's property		160,500 83
Balance		$9,809,160 93

PHILADELPHIA AND ERIE RAILROAD.

Earnings	$4,873,042 30	
Expenses	2,733,088 32	
Net earnings	$2,139,953 98	
Deduct interest charged for use of equipment	168,403 75	
Net earnings payable to Philadelphia and Erie Railroad Company as rental		$1,471,550 23

SUMMARY.

Net income Pennsylvania Railroad Division	$9,969,661 76
Net loss New Jersey Division	160,500 83
Balance after deducting loss on New Jersey Division	$9,809,160 93
From this balance of income for the year	$9,809,160 93

the following amounts have been deducted, viz:—

PAYMENT TO FUND FOR THE PURCHASE OF SECURITIES GUARANTEED BY THE PENNSYLVANIA RAILROAD COMPANY	$71,120 83	
PENNSYLVANIA RAILROAD COMPANY'S CONSOLIDATED MORTGAGE BONDS, sinking fund account	324,800 00	
ALLEGHENY VALLEY RAILROAD COMPANY.		
Deficiency in meeting interest guaranteed by Pennsylvania Railroad Company	$696,115 00	
Less amount refunded by receivers, under order of court	595,385 00	
	100,730 00	
AMERICAN STEAMSHIP COMPANY.		
Interest guaranteed by Pennsylvania Railroad Company	90,000 00	
Amount advanced to the PENNSYLVANIA COMPANY during 1888, $3,000,323 56, to enable it to meet its obligations to its leased lines, and for other purposes, of which there has been charged to the income of the Pennsylvania Railroad Company	1,020,000 00	
Amount expended in extraordinary repairs and improvements, not properly chargeable to capital account	1,161,547 28	
		2,768,198 11
Balance		$7,040,962 82
Out of which was paid a dividend of five per cent		5,327,270 00
Leaving a balance of		$1,713,692 82
Deduct amount charged off in settlement of sundry accounts		93,272 01
Total amount transferred to credit of profit and loss for the year 1888		$1,620,420 81
Add amount to credit of profit and loss December 31st, 1887		17,608,947 52
Balance to credit of profit and loss December 31st, 1888		$19,229,368 33

While the preceding statements show a continued improvement in the gross revenues of each of the main divisions, yet, on account of the lower rates forced upon your Company by the severe competition that prevailed during the greater portion of the year, the profits resulting from the operation of the road were not correspondingly increased. The interest from investments being materially less in 1888 than in 1887 (when it was exceptionally large), the balance of income was $9,809,160 93, as against $10,213,295 86 for 1887. Deducting from this sum the amounts properly chargeable thereto, the net income for the year was $7,040,962 82, as compared with $7,783,738 66 for 1887. Although the causes first stated existed to an even greater extent in the territory tributary to your lines west of Pittsburg, yet the deficit of the Pennsylvania Company in meeting its fixed liabilities was inconsiderable; but that company having been required to make large expenditures for betterments and improvements of your leased properties, for which you are directly responsible, a portion of the amount advanced by your Company for that purpose has been charged directly against your income account. Notwithstanding these necessary deductions, the amount carried to the credit of profit and loss, after paying a five per cent dividend, was $1,620,420 81, making the total amount now standing to the credit of that account, $19,229,368 33.

From the tabular statement in a subsequent part of the report it will be seen that the gross earnings of all the lines embraced in your system east and west of Pittsburg amounted to $116,509,292 59, and that their operations covered the movement of 113,346,894 tons of traffic and 74,000,086 passengers. These results not only show the large annual increase in both your freight and passenger traffic, but also the magnitude of the railway system managed in your interest. It may be noted that the cost of the securities now held by your Company amounts to $109,296,039 59.

Both the New Jersey and the Philadelphia and Erie Railroad Divisions show continued prosperity, though the expenditures on the former property continue to be exceptionally large in improving the facilities for traffic between the important commercial centers of New York and Philadelphia.

The funds for the expenditures, properly chargeable to capital account, on your main, leased, and auxiliary lines east of Pittsburg, having been obtained from the sale of $3,000,000 four per cent bonds of the Western Pennsylvania Railroad Company, guaranteed by your Company, and of Car Trust certificates held in your treasury, there was no increase of your share capital or funded debt for that purpose.

The principal of the debt due to the State of Pennsylvania on account of the purchase of the Main Line, which was charged to capital account, was reduced during the year by the payment of $383,906 40, leaving a balance of $1,232,757 43. The final payment of $635,654 94 upon this debt will be made July 31st, 1890.

Under the provisions of the consolidated mortgage of the Company there was set apart, on the first day of July last, out of the net income, $324,800 as a sinking fund for the redemption of the outstanding bonds secured by that mortgage. As their market value was too high to permit of their purchase, that amount was placed to the credit of the trustees of the sinking fund.

The aggregate amount so placed with the trustees of the fund for investment since the commencement of the trust, including the income from first mortgage upon real estate is		$3,127,616 00
of which there has been invested as follows:—		
Bonds secured by consolidated mortgage purchased to date, at par value	$1,769,070 00	
First mortgages upon real estate	1,247,900 00	
		$3,016,970 00
Cash on hand December 31st, 1888		110,646 00
		$3,127,616 00

Under an arrangement made with the Western Pennsylvania Railroad Company its general mortgage securing $5,000,000 of five per cent. bonds was cancelled, and a new mortgage created securing the same amount of bonds at four per cent. interest. Your Company having surrendered the five and six per cent. bonds held by it, aggregating $2,975,000, received, in partial payment therefor, the $3,000,000 of the new four per cent. bonds hereinbefore referred to.

The Philadelphia and Erie Railroad Company, in order to provide the means for the payment of its $3,000,000 of seven per cent. bonds, maturing July 1st, 1888, and to fund its 4½ per cent. debentures, amounting to $1,455,000, issued $4,555,000 of four per cent. bonds secured by its General Mortgage, and guaranteed by your Company.

There are now in the sinking fund, for the redemption of the obligations of the various companies forming the United New Jersey Railroad and Canal Company, securities of the par value of $5,018,400, and a cash balance, uninvested by the trustees, of $20,515 44, making an aggregate of $5,038,915 44. During the current year, $5,866,000 of the outstanding six per cent. loans of these companies will mature, making, with $154,000 of debentures that fell due last year, a total of $6,020,000, which will be provided for by the issue of four per cent. bonds under their general mortgage of April 20th, 1871.

The trustees of the sinking fund for the redemption of the trust certificates issued for the purchase of the shares of the capital stock of the Philadelphia, Wilmington and Baltimore Railroad Company were only able to purchase $85,000 certificates during the past year at the limit fixed in the trust agreement, and therefore returned to your treasury, of the amount appropriated for that purpose, $182,477 47. The total amount of these certificates purchased and cancelled to December 31st, 1888, is $1,911,000, leaving outstanding $8,089,000.

There has been expended for construction, equipment and real estate as follows:

Pennsylvania Railroad and branches	$2,446,796 84
United Railroads of New Jersey	521,444 99
Philadelphia and Trenton Railroad	45,639 63
*And for improvements and extensions on branch and auxiliary lines operated by the company	1,293,473 84
Total	$4,307,355 21
On account of these advances there has been received from some of the companies in cash	429,951 56
Total amount expended on capital account in 1888	$3,877,403 65

*On account of these advances to branch and auxiliary lines there have been received in securities of those companies, $363,800 00.

There were used on the Main Line, in construction and repairs 20,975 tons of steel rails, and 975,543 ties; on the United Railroads of New Jersey, 4393 tons of steel, and 341,918 ties; on the Philadelphia and Erie Railroad, 2349 tons of steel, and 206,864 ties,—making a total of 27,717 tons of steel, and 1,524,325 ties.

There were built at Altoona, and your other shops east of Pittsburg and Erie, for the Main Line and other roads in your interest on capital and repair account, 125 locomotives, 46 passenger cars, 11 baggage and mail cars, 2807 freight cars, and 120 cabin and maintenance of way cars.

Under the Car Trust system a further issue of $3,000,000 of four per cent certificates was authorized for the equipment of your roads and affiliated lines. Under this authority, and that heretofore conferred, there were furnished during the year 100 box, 6 refrigerator, and 2000 hopper gondola cars for the Main Line, 500 long gondolas for the lines in which your Company is interested west of Pittsburg, 500 long gondolas, subleased to the Northern Central Railway Company, 500 long gondolas, subleased to the Philadelphia, Wilmington and Baltimore Railroad Company, and 500 hopper gondolas, subleased to the Bell's Gap Railroad Company.

The outstanding certificates of Series C, D, E and F of the Railway Car Trust of Pennsylvania were paid and cancelled during the year. These certificates represented 1000 box cars and 1500 hopper gondolas for your Main Line, at an original cost of $1,435,000, and 1000 box cars for the Pennsylvania Company, at an original cost of $375,000, and upon their cancellation the equipment became the property respectively of your lines east and west of Pittsburg.

The 25,671 cars placed on your lines east of Pittsburg, through the system of Car Trusts, represent a cost of		$13,389,305 00
The 15,705 cars west of Pittsburg		7,947,995 00
The cars subleased to affiliated lines, viz.:—		
3706 cars Northern Central Railway Company	$1,827,200 00	
250 cars Allegheny Valley Railroad Company	137,500 00	
200 cars New York, Philadelphia and Norfolk Railroad Company	100,000 00	
500 cars Philadelphia, Wilmington and Baltimore Railroad Company	235,000 00	
500 cars Bell's Gap Railroad Company	250,000 00	
		2,549,700 00
Total, 46,482 cars		$23,887,000 00
Total amount of certificates redeemed to December 31st, 1888, as follows:—		
Amount paid in full payment of 15,714 cars	$8,337,000 00	
Amount paid on account of 30,768 cars	5,325,000 00	
		13,662,000 00
Balance of certificates outstanding December 31st, 1888		$10,225,000 00

COMPARISONS WITH 1887.

EARNINGS AND EXPENSES OF ALL LINES EAST OF PITTSBURG AND ERIE.

	Gross Earnings.	Expenses.	Rental and Interest on Equipment	Net Earnings.
1888	$58,172,077 66	$39,331,153 14	$5,201,038 19	$13,639,886 33
1887	55,671,313 13	37,086,564 80	4,816,128 55	13,768,599 78
Increase	$2,500,764 53	$2,244,588 34	$474,909 64	
Decrease				$218,713 45

The gross earnings per mile received from the Main Line (358 miles) in 1888 were	$77,634 84
In 1887 were	76,625 66
Showing an increase of	$1,009 18

The percentage of operating expenses to earnings on all lines east of Pittsburg and Erie was 67 61-100 for 1888 and 66 62-100 for 1887, showing an increase for the year 1888 of 99-100 per cent.

The aggregate coal and coke shipments amounted to 21,040,918 tons, as against 17,796,708 tons in 1887, a gain of 3,244,210 tons, or 18.23 per cent.

The total shipments of oil during the year 1888 amounted to 3,942,266 barrels, against 3,038,138 barrels in 1887, showing an increase of 904,128 barrels.

The following table shows the revenue and cost per ton per mile on each Division operated by the Company, as compared with 1887:—

	Average Earnings per ton per mile from transportation of freight.		Average cost of transporting each ton of freight one mile.		Average profit per ton per mile.		Length of Road. (Miles.)	
	1888.	1887.	1888.	1887.	1888.	1887.	1888.	1887.
Main Line and branches	0 634/1000	0 670/1000	0 412/1000	0 426/1000	0 222/1000	0 244/1000	1617.46	1591.85
United Railroads of New Jersey	1 220/1000	1 285/1000	1 064/1000	1 103/1000	0 156/1000	0 182/1000	464.70	466.93
Philadelphia and Erie Railroad	0 519/1000	0 543/1000	0 320/1000	0 324/1000	0 199/1000	0 219/1000	287.56	287.56
All lines east of Pittsburg and Erie	0 693/1000	0 730/1000	0 482/1000	0 497/1000	0 211/1000	0 233/1000	2369.72	2346.34

From the above table it will appear that the result upon all lines east of Pittsburg and Erie was a reduction in the earnings per ton per mile of 37-100 of a mill, a reduction in expenses of 15-100 of a mill, and a decrease of 22-100 of a mill per ton per mile in the net profit from freight.

TABLE SHOWING TONNAGE AND PERCENTAGE OF THROUGH AND LOCAL FREIGHT.

	Through Freight.		Through Freight.		Local Freight		Local Freight.		Increase.	
	Tons.		Percentage of Total.		Tons.		Percentage of Total.		Tons.	
	1888.	1887.	1888.	1887.	1888.	1887.	1888.	1887.	Through	Local.
Main Line and branches	2,240,282	2,315,460	6.48	7.51	32,328,804	28,582,175	93.52	92.49	Dec75,178	3,796,629
United Railroads of New Jersey	3,295,913	2,979,359	26.05	26.09	9,354,720	8,442,083	73.95	73.91	316,554	912,637
Philadelphia & Erie railroad	1,074,205	983,809	12.66	12.67	7,414,122	6,780,411	87.34	87.33	90,396	633,711
All lines east of Pittsburg and Erie	6,610,400	6,278,628	11.87	12.55	49,097,646	43,754,669	88.13	87.45	331,772	5,342,977

On the Main Line and branches the through freight east-bound decreased one-half of one per cent., and west-bound 8 82-100 per cent.

The local freight shows an increase of 16 73-100 per cent., east-bound, and 7 82-100 per cent. west-bound. It will be noted that on the Main Line and branches the local tonnage represents about ninety-three and one-half per cent. of the entire traffic.

The following table shows the earnings and cost per passenger per mile on each of the Divisions as compared with 1887:—

	Average Earnings from each passenger per mile.		Average Cost of transporting each passenger per mile.		Average Profit per passenger per mile.		Length of Road. (Miles.)	
	1888.	1887.	1888.	1887.	1888.	1887.	1888.	1887.
Main Line and branches	2 214/1000	2 263/1000	1 680/1000	1 728/1000	0 534/1000	0 535/1000	1617.46	1591.85
United Railroads of New Jersey	1 934/1000	1 953/1000	1 370/1000	1 393/1000	0 564/1000	0 560/1000	464.70	466.93
Philadelphia and Erie Railroad	2 574/1000	2 605/1000	2 028/1000	2 034/1000	0 546/1000	0 571/1000	287.56	287.56
All lines east of Pittsburg and Erie	2 092/1000	2 125/1000	1 543/1000	1 577/1000	0 549/1000	0 548/1000	2369.72	2346.34

It will be seen from the above that the result upon all lines east of Pittsburg and Erie was a decrease in earnings per passenger per mile of 33-100 of a mill, a decrease of 34-100 of a mill in expenses, and an increased profit of 1-100 of a mill.

The average distance traveled by each passenger in 1888 over the Main Line and branches was 18 1-10 miles, and in 1887 was 18 8-10 miles, a decrease of 7-10 of a mile.

The following tables show the gross earnings, expenses, and net earnings of the coal companies in which your Company is interested, for 1888, as compared with 1887, and also the amount of coal mined and sold, and the price received for same at point of sale:—

	Gross Earnings. 1888.	Expenses. 1888.	Net Earnings. 1888.
Totals	$10,243,580 59	$9,225,723 51	$1,017,857 08
Increase as compared with previous year	1,422,861 66	1,249,353 03	173,508 63

Total tons mined in 1888, 2,792,612.04. Increase compared with previous year, 405,558.05 tons.

The average receipts per ton at point of sale, aggregating the results of the four coal companies for 1888, were $3 59 3-10, as against $3 59 4-10 in 1887.

LINES WEST OF PITTSBURG.

The following statement gives the result of the lines west of Pittsburg operated by the Pennsylvania Company and the Pittsburg, Cincinnati and St. Louis Railway Company:—

		1888.
The total earnings of the PENNSYLVANIA COMPANY on lines operated directly by it were	$19,679,177 48	
Expenses	13,016,817 09	
Leaving net earnings	$6,562,360 39	
From this deduct: Rental, interest, and liabilities of all kinds chargeable thereto	6,637,351 02	
Net loss on Pennsylvania Company's lines		$74,890 63
The total earnings of the PITTSBURG, CINCINNATI AND ST. LOUIS RAILWAY COMPANY on lines operated by it were	$7,821,233 88	
Expenses	6,151,580 63	
Leaving net earnings	$1,669,703 25	
From this deduct: Rental, interest, and liabilities of all kinds chargeable thereto	1,746,218 98	
Net loss on Pittsburg, Cincinnati and St. Louis Railway Company's lines		76,515 73
Net loss on lines west of Pittsburg		$151,406 36
Comparative decrease on lines west of Pittsburg for 1888		$1,351,592 59

The other lines west of Pittsburg, on account of which your Company has assumed direct obligations, or in which it is largely interested through ownership of securities, but which are operated through their own organizations, are, the Chicago, St. Louis and Pittsburg Railroad, and roads operated through its organization; St. Louis, Vandalia and Terre Haute Railroad; Grand Rapids and Indiana Railroad, and roads operated through its organization; East St. Louis and Carondelet Railway; Cincinnati and Muskingum Valley Railway; and the Waynesburg and Washington Railroad.

	1888.	1888.	1887.	1887.
The aggregate gross earnings of these roads were	$10,493,908 50	.....	$11,253,840 99	
Expenses	8,219,985 62	.....	7,919,035 13	
Net earnings	$2,273,922 68	.....	$3,340,805 86	
Deduct rental and interest	2,511,400 70	.....	3,184,251 40	
Loss	.....	$37,478 02	.....	Profit, $156,554 46
Of this your Company, under existing contracts, is responsible for	.....	18,739 01	.....	Profit, 78,277 24
Which, added to the loss shown in the above statement	.....	151,406 36	.....	Profit, 1,200,186 23
Leaves a net loss on all lines west of Pittsburg for 1888	.....	170,145 37	.....	Profit, $1,278,463 47
Net profit on all lines west of Pittsburg for 1887	.....	1,278,463 47		
Showing a comparative decrease for 1888, compared with 1887, of	.....	$1,448,608 84		

It will be noted that your western lines show a comparative decrease in net results of $1,448,608 84 as compared with 1887. While the freight movement shows a gain of 1,062,051 tons, and the passenger travel an increase of 1,655,521 in the number carried, there was a general reduction in the rates on all classes of traffic. Large expenditures were made in the purchase of real estate and in the increase of facilities at terminal points, the renewal of bridges, the construction of branches and sidings, and upon freight and passenger stations and new equipment. The condition of the properties was fully maintained.

The amount expended during the year on capital account on the lines west of Pittsburg was $2,047,095 02.

There were used in construction and repairs on the northwestern lines operated directly in your interest 8,444 tons, and on the southwestern lines 10,674 tons of new steel rails.

There have been redeemed through the sinking fund $1,321,000 of the issue of $3,200,000 of the Pennsylvania Company's six per cent. bonds, secured by Pittsburg, Fort Wayne and Chicago Railway Company stock as collateral, leaving the amount outstanding $1,879,000. There was a further issue of $2,500,000 of its four and a half per cent. bonds for the purpose of providing for construction and other capital accounts on the lines west of Pittsburg, so that the entire issue to date is $17,500,000. Of this amount $533,000 had been retired through the operations of the sinking fund, leaving outstanding at this date $16,967,000.

The report made by the trustees of the sinking funds of the first and second mortgages of the Pittsburg, Fort Wayne and Chicago Railway Company shows that the regular annual payment of $104,100 was made thereto. They redeemed during the year $68,500 of the first mortgage and $135,500 of the second mortgage bonds, making the total amount redeemed to December 31st, 1888:—

First mortgage bonds	$1,753,000 00
Second mortgage bonds	2,154,000 00

With a balance of cash in the hands of the trustees, uninvested, December 31st, 1888:—

On account of first mortgage sinking fund	$688,958 32
On account of second mortgage sinking fund	448,691 11

The further amount of $148,587 was also added to the sinking funds provided for the redemption of the existing mortgages of the Cleveland and Pittsburg Railroad Company, in addition to the amounts contributed directly to other sinking funds by the individual companies.

The earnings of the Grand Rapids and Indiana Railroad Company, owing to a reduction in rates, were not quite sufficient to meet the interest on its entire funded debt and the losses on its leased lines. The land department made sales of 6,078 acres of farm lands and 10,889 acres of pine lands for $360,807 38, being an average price of $21 27 per acre. The amount sold to the close of the year, after deducting cancelled contracts, was 474,355 acres, and the aggregate price received therefor was $5,983,329 91, an average of $12 61 per acre. No bonds could be purchased by the trustees during the year out of the proceeds of such land sales, and there are now outstanding $3,934,000 of the guaranteed and $505,000 of the unguaranteed first mortgage land-grant bonds of the company.

The assets on hand December 31st, 1888, applicable to the redemption of the first mortgage land-grant bonds were:—

Cash in the hands of the trustees	$1,394,751 28
Cash in the hands of cashier	44,541 25
Bills and accounts receivable in hands of cashier	260,028 46
Bills receivable and securities in hands of trustees	227,171 00
Total	$1,926,491 99

It will be noted that the sinking funds of the Pittsburg, Fort Wayne and Chicago Railway and Grand Rapids and Indiana Railroad Companies, in which your Company is deeply interested, contain over three millions of dollars, which the trustees are unable to invest in the securities for the redemption of which they are pledged.

SUMMARY OF LINES OWNED OR CONTROLLED EAST AND WEST OF PITTSBURG.

	1888.	1887.	Increase.
Gross earnings, from traffic	$116,509,292 59	$115,515,506 19	$993,786 40
Gross expenses, including rentals, interest, dividends, &c.	80,737,335 53	77,238,082 23	3,499,253 30
Showing net earnings	$35,771,957 06	$38,277,423 96	D.2,505,466 90

FREIGHT TRAFFIC.

	1888.		1887.	
	Number of Tons.	Number of Tons one Mile.	Number of Tons.	Number of Tons one Mile.
Lines east of Pittsburg and Erie	78,512,723	7,114,512,509	72,356,095	6,415,642,576
Lines west of Pittsburg	34,834,171	3,388,670,389	33,772,120	3,506,424,458
Totals	113,346,894	10,503,182,898	106,128,215	9,922,067,034

PASSENGER TRAFFIC.

	1888.		1887.	
	Number of Passengers.	Number of Passengers one Mile.	Number of Passengers.	Number of Passengers one Mile.
Lines east of Pittsburg and Erie	58,924,787	1,049,909,660	54,733,927	1,014,127,797
Lines west of Pittsburg	15,075,299	413,630,338	13,419,778	368,645,197
Totals	74,000,086	1,463,539,998	68,153,705	1,382,772,994

The aggregate amount of new steel rails used in construction and repairs in 1888 on all lines owned, controlled or operated by your Company east and west of Pittsburg was 61,842 tons.

GENERAL REMARKS.

There has been appropriated to the Managers of the Trust created October 9th, 1878, from the creation of the Trust to December 31st, 1888, the sum of $3,907,140 58, which, with the income of $2,243,970 45, has been invested in securities amounting at par to $6,069,950, yielding an interest of 6 86-100 per cent. for the year. There was appropriated to that Trust for the year 1888 the sum of $71,120 83.

The assets of the Insurance Fund on hand at the end of the year were $2,072,111 61, being an increase over the previous year of $257,667 11.

It is gratifying to note the increasing traffic on your Main Line between New York and Pittsburg, although large expenditures were required to properly provide therefor. The amount thus expended during the year was $3,013,881 37, the principal items of which were additional locomotives, passenger and freight cars, the extension of third and fourth tracks, and increased facilities at terminal points.

In view of the probable increase of traffic, it will be necessary to continue this policy during the coming year, and especially in increasing the facilities in Philadelphia and Jersey City, and providing for the safer transportation of traffic through the larger cities. It is confidently hoped that within a short time your New York Division will, like your Main Line, be entirely relieved from grade crossings within the city of Philadelphia.

There was also a considerable amount expended in the extension of branch and auxiliary lines, necessary for the proper development of the traffic tributary to your system. The principal expenditures upon these lines were:—on the Pittsburg, Virginia and Charleston Railway, in the purchase of additional real estate, and construction of double track, with the view of transferring to that road a portion of the traffic now passing through Pittsburg, and thus relieving both your Main Line and the streets of that city from the annoyance and delay attendant thereon; on the South West Pennsylvania Railway, in the development and extension of branches, and the completion of a new connection with your Main Line; on the Western Pennsylvania Railroad, in extending the double track; on the Schuylkill Valley, in the extension of tracks and settlements for right of way; and in the construction of the Cambria and Clearfield Railroad in the bituminous coal region. The aggregate outlay therefor was $1,293,473 84, on account of which your Company has received from those lines in cash $429,951 56. It may be noted in this connection, that the revenues of the Pennsylvania Schuylkill Valley Road, built for the purpose of securing a fair share of the local traffic of that territory, were more than sufficient during the past year to pay the interest on its entire funded debt.

Among the new undertakings contemplated during the present year, are:—the construction of a bridge over the Ohio River immediately west of Pittsburg, for the purpose of further avoiding the very expensive and dangerous transfer of the constantly increasing volume of traffic through the cities of Pittsburg and Allegheny, the cost of which will probably amount in the aggregate to $1,500,000:—the providing of necessary yards and transfer facilities at a point about fourteen miles east of Pittsburg, where the traffic to and from your western lines will naturally be transferred from and to the Main Line, the land for which was purchased many years since, and its improvement commenced during the past year;—the change of grade as already noted through some of the important cities on your line to avoid the dangers of street crossings:—and the erection of locomotive shops at Altoona, to be devoted exclusively to the building of new engines, the time having arrived when the present shop facilities at that point are inadequate to properly care for the motive power and supply the additional locomotives required by the increasing traffic, the outlay for which will probably be $1,000,000.

There was contributed to the Employes' Relief Fund, by your Company and affiliated lines during the year, $55,901 50 for operating expenses, and in addition thereto the sum of $8,137 80 for extra benefits to members of the Fund whose disability had continued over fifty-two weeks, and who were, therefore, no longer entitled to regular benefits from the Fund. The amount contributed by your employes was $341,620 03, and the receipts from interest were $8,739 24, which, with the contributions by the companies, as stated above, $64,039 30, made a total of $414,398 57. This added to the balance on hand at the beginning of the year, $192,157 56, aggregated $606,556 13. Out of this fund there was paid to the families of employes in death benefits, and for sickness and accidents, the sum of $283,512 10, and for expenses, $55,901 50, leaving a balance of $267,142 53. After deducting therefrom the amount of outstanding unadjusted claims, and setting aside a proper reserve fund to meet liabilities growing out of the increasing age of the members, there remained a net surplus of $170,532 06. The number of persons receiving death benefits was 250, making an average in each case of $523 27. There were 19,332 members of the Fund at the close of the year.

The Employes' Saving Fund referred to in the last annual report is now in successful operation; and during the year, 1,807 of your employes availed themselves of the opportunity to become depositors therein. The amount of deposits received during the year was $421,191, and the balance remaining at the close of the year was $364,390 66. Of this amount $300,000 have been invested in the four per cent. bonds of the Philadelphia and Erie Railroad Company.

The rates received for freight traffic show a continued annual decrease, even more marked in 1888 than in previous years; the partial failure of the crops in the West, having affected the volume of through traffic, and stimulated an active competition among the western roads for that business at unremunerative rates. This disastrous competition finally extended to the eastern trunk lines, and found expression in an open and severe reduction in the west-bound tariff by one of the principal Railway Companies, to meet what it believed to be the secret rates of some of its competitors. Your management, not unmindful of the advantages that have accrued to your properties from the conservative policy uniformly adopted by it, endeavored to maintain rates at a just and remunerative standard; but were reluctantly compelled to meet the tariffs made by other responsible lines, in order to protect the commercial and manufacturing industries situated upon your roads, and prevent a severe depletion of the volume of your traffic.

The continuance of this unfortunate condition of affairs induced a widespread feeling of uneasiness, not only in financial but in general business circles; and has called forth a renewed endeavor on the part of those entrusted with the management of railways to arrive at some method, in harmony with the Inter-State Commerce Law, that will regulate such competition. That law having now been in operation for nearly two years, an opportunity has been afforded to judge, in some measure, of its effect upon the interests of the public and the railways. While in many respects it has been beneficial, yet it has tended to complicate and render more difficult the management of the transportation interests of the country, since it has undertaken to regulate and prescribe the manner in which the public should be served by the transportation companies, but has failed to provide any method which would ensure the maintenance of just and uniform rates, and properly protect the railway interests.

The difficulties attending the profitable management of railways have been further aggravated by the reckless construction of competitive lines not necessary for the accommodation of the public, but built largely for speculative profit. The capital for these enterprises has been frequently furnished by shareholders in the existing railways, and by financial agencies that in promoting their construction were unmindful of the fact that they were destroying the properties in which they were already interested. Until the different States cease to authorize the building of such lines, or the evils resulting therefrom prevent the furnishing of capital for their construction, the responsibility for the present complication must justly rest elsewhere than upon the managers of railways.

The enactment of hasty and unjust laws in many of the Western States is seriously affecting the value of railway property in that section, and seems plainly to indicate that no further investments should be made by your Company in those States, except to protect capital already invested, until a more liberal and just policy is pursued toward the existing roads.

Your Company lost, by resignation, on June 30th, the services of Mr. Edmund Smith, your First Vice-President, who had been connected with your Company for over forty-one years, and had in that time filled many responsible positions. Mr. Smith's familiarity with your system and thorough devotion to your interests had earned for him the confidence and high esteem of his associates, and made the severance of his official relations with your Company an occurrence to be deeply regretted.

Mr. Frank Thompson, formerly Second Vice-President, was promoted to fill the vacancy thus caused, Mr. J. N. Du Barry promoted to be Second-Vice President, and Mr. John P. Green to be Third Vice-President.

Mr. John S. Wilson, your General Freight Traffic Agent, having resigned that position October 1st, Mr. William H. Joyce was promoted to fill the vacancy thus caused, and Mr. John Whittaker appointed Assistant General Freight Agent.

It is with great regret that your Board have to record the death, on September 17th, 1888, of Mr. John Price Wetherill, who had been one of your Directors for over ten years. His ability and devotion to your interests made him a trusted and valued adviser, and in his death his colleagues lost a warm personal friend. Mr. Amos R. Little, of Philadelphia, a gentleman long identified with the mercantile interests of the city, was elected to fill the vacancy thus created.

Your Board desire to acknowledge the efficiency and fidelity with which the duties entrusted to the officers and employes have been discharged during the past year.

By order of the Board.

G. B. ROBERTS,
President.

Wash Goods Department.

100 new styles arrived this week of Anderson and fine American ginghams; choice novelty combinations in imported zephyrs.

MWFSU HUGUS & HACKE.

Bargains in Portieres.

Greatest variety, beautiful designs, from $3 to $8 50 a pair. Extra large, all chenille, $10 to $12, own importation; best values ever offered.

ROSENBAUM & CO.

B. & B.

65 and 75 cents to-day for 27-inch India silks—choicest bargains—pay you to see these new styles. BOGGS & BUHL.

RAINING IN BUCKETS.

Continued from First Page.

stubby rooms, no bigger than a box, easily command $25 a night.

Waiters who are rejoiced at $5 a week and perquisites now can start modest bank accounts on the tips they receive. It is a knock-down-and-drag-out fight to get into dining rooms, and in some of the hotels a constant flow of cash must be on tap to get anything. The waiters are working 20 hours out of the 24, but there are only a few instances of surliness. They work ahead with dogged steadiness, spurred on by lavish tips.

CONGRESS A HOLY SHOW.

The galleries of the Senate and House were a spectacle. They were crowded to the doors, and there were thousands struggling for the place of every departing visitor. The guides reaped young fortunes in showing the visitors about, when they could get through the jam.

Washington is no place for people without money. All the favored ones can have the earth, but they have to pay roundly for it. Prince Harry New, with his friends from Indianapolis, are a striking example of this. They have apartments provided by Prince Harry, and all the dainties, but there will be a frightful hole made in the young man's pile because of the lavishness.

There has been a great outcry all day because the public buildings were not open. They would have given shelter to more struggling thousands who were perforce thrown into the streets. People who can have slabs thrown over a bathtub and rest their weary bones on them think themselves particularly fortunate. It is not an extraordinary sight to see a traveler stop in a doorway and change his collar and cuffs from the satchel he carries.

Another great army came in to-night, and they added to the general demoralization of nearly everything and everybody. The most encouraging sight that greeted them was the signs of the sausage peddlers.

YOUR FILL FOR 10 CENTS.

But there will be only one night of the general misery. To-morrow, after the inaugural ceremony on Capitol Hill, there will be a mad rush for the cars. It will be the climax of the jam.

O'MARA SHOWING THEM HOW.

The 500 extra policemen sworn in on Wednesday are a travesty. They could no more handle the crowds than a little dumpling girl could defy the Prussian army. The local detectives are out in force, and they have plenty of work keeping track of the regiments of crooks. Bob Pinkerton, of New York, and Roger O'Mara, chief of the Pittsburg detectives, are showing them how. There are detectives here from all the big eastern cities, and squads of them are detailed to the railroad depots.

Some of the hackmen are fully alive to

Hunting for Lodgings at 2 A. M.

the situation. Several of them are in jail because of their superior animation. Ladies who came to town alone have handed them $20 bills and received no change. When arrested the hackmen were mighty anxious to refund the money, in view of the harvest to them on every side, but they have been incontinently jugged just the same.

But with all the miseries of the day, it is doubtful if there are many substantial regrets at being on hand for the great ceremony. It is a thoroughly American army, disposed to make the best of the situation, and forget the pains and aches of weariness and hunger in contemplation of the grand spectacle of the morrow. All day long organizations, military and civil, have been arriving, and they got out their bands and paraded around the streets, and are doing it to-night. The came from nearly every city in the Union.

A UNIQUE ARRIVAL.

The corn palace train was one of the unique arrivals of the day. It came from Sioux City, and was intended to demonstrate the progressiveness of the people of that corn-growing country. Nailed to the cars were different samples and shades of corn in the cob, in the kernel, the stalk, the brown, silken tassels, the cob and the husks, and they are so blended in color and arranged as to bring forth the prettiest specimens of rustic art that can be imagined.

But one of the funniest exhibitions is the Bucktail Club of the Twenty-second Assembly district of New York. There are a couple hundred of them, all with deertails hanging from their derby hats, and when a squad of them wheels into line and fetches up at a bar with the utmost precision, the tails are in the line and the symmetry maintained as they lean over and tell the barkeeper of their wants.

But there are other interesting sights than the visiting organizations. George Washington's chair is here. General Harrison is to occupy the chair before he takes the oath of office. Every brass-headed tack which f