

# Illinois Central Improvements Cost \$50,000,000

Net in 1923 Slightly Less Than in 1922 But Dividends Are Earned Practically Twice Over

**T**HE ILLINOIS CENTRAL annual report for 1923 again gives evidence of that property's outstanding able management, favored financial position and earning power. For the year the road handled the largest business in its history. It showed the usual ability to earn a substantial margin over its dividends. The really striking feature of the year's operations, however, was the unusually large sum spent for additions and betterments, nearly twice as much

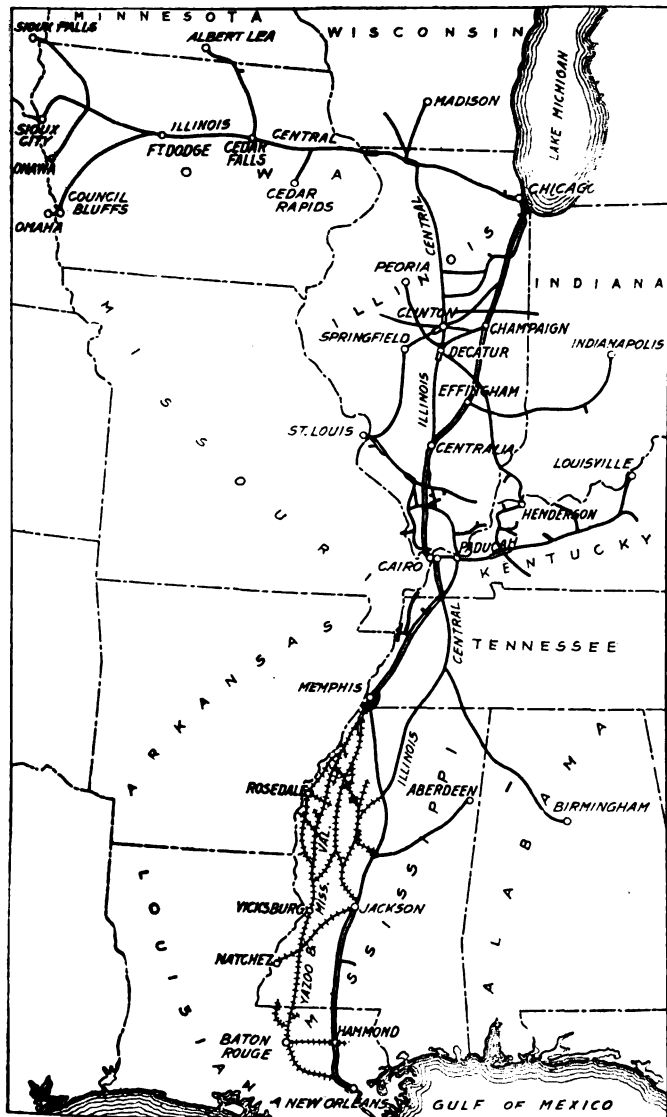
The Illinois Central annual report covers only the 4,840 miles of the parent company. The earnings of the Yazoo & Mississippi Valley and the other subsidiary companies are included under other income. The parent company's net operating income, or net after equipment and joint facility rents in 1923 was \$22,906,244 or \$1,005,955 less than in 1922. An outstanding characteristic of Illinois Central operations has been the remarkable manner in which it recovered from the adverse conditions of the war and federal control periods and also the marked increase in its traffic and net income in the past four or five years. A good measure of comparison is with the standard return for operations during the period of federal control—or the average net operating income for the three years ended June 30, 1917. The Illinois Central standard return was \$16,282,374. The 1923 net operating income was no less than 141 per cent of this amount. Of course, there has been a substantial increase in the property investment in the intervening period. Unfortunately the Illinois Central does not show in its annual report a figure of the percentage return on its property. The increase in the property investment account since 1917 has been 79 per cent.

There is nothing particularly disappointing in the fact that the Illinois Central's 1923 net return was not quite as great as that of 1922. First, the decrease was small and second, 1922 was the best year in the company's history. As a matter of fact the decrease is readily explained by the large sums spent for maintenance—particularly maintenance of way. Expenses charged to the latter account in 1923 were 3,868,081 greater than in 1922, an increase of 18.83 per cent.

## Handled Largest Business in History

The Illinois Central in 1923 handled the largest business in its history. Revenue ton-miles were 6.49 per cent greater than in 1922. They were 10 per cent greater than in 1920; 65 per cent greater than in 1916; nearly double the totals of 1913 or 1914. There are few if any roads that have had such a marked expansion in their traffic. The increase in ton-miles has not been due to increased mileage because the mileage today is only about 80 miles greater than it was in 1914. It has been due presumably to the gradually increasing industrial importance of the South, to the growing traffic at the port of New Orleans, to the normal growth generally of the Illinois Central territory and the sustained ability of the property to handle expeditiously the traffic that was offered to it.

The Illinois Central will be remembered as not having been bothered as seriously as most roads by the railway shopmen's strike of 1922; it had rather better success than most roads in holding its men on the job. It also handled practically its normal tonnage of coal. In other words, bituminous coal constituted the usual approximate 40 per cent of its total revenue tonnage. The mines in Illinois Central territory were union mines and were closed during the strike; that the road was able to handle a practically normal coal traffic notwithstanding this fact was because it was not bothered by the shopmen's strike. Equipment was in such condition that it was in a position to handle coal from non-union territory that its neighbors were not in a position at the time to carry. There were some observers who thought that possibly the property was assisted by some such special advantage as this and that this was the principal reason that it was able to handle the record-breaking traffic in that year. The road



The Illinois Central

as in any previous year and nearly equivalent to the total spent in the three immediately preceding years.

Net after charges in 1923 was \$15,485,074 covering the 6 per cent preferred dividends (\$642,204) and the 7 per cent common dividends (\$7,666,438) nearly twice. The 1923 net was \$604,602 less than the figure for 1922 which was \$16,089,676. The 1922 net was the largest in the company's history. There has been only one other year in Illinois Central history besides 1922 in which the net reported for 1923 has been exceeded and that was in 1916.

was, of course, favored in 1922, but the fact that the traffic record was again broken in 1923 indicates that it was a permanent condition that assisted it and not a temporary advantage alone.

**Increased Maintenance Expenses**

Total operating revenues in 1923 amounted to \$165,626,982, 6.95 per cent above those of 1922 and the greatest in the company's history. The total operating expenses were \$132,429,231, the greatest in the company's history with the exception of 1920, when they were about \$2,000,000 greater due to the high cost situation ruling at that time. The 1923 operating expenses exceeded those of 1922 by 11.16 per cent.

There were increases of 18.83 per cent in maintenance of way expenses; of 8.86 per cent in maintenance of equipment expenses and of 10.82 per cent in transportation. The operating ratio was 80, which seems slightly higher than might be expected. The transportation ratio—percentage of transportation expenses to total operating revenues—was 37.4 which also seems a bit higher than one might expect in view of the other conditions.

The large increase in maintenance of way expenses is attributed in part to the increased traffic and to the extensive road and Chicago terminal work carried on during the year. The increase in maintenance of equipment expenses of 8.86 per cent, while sizeable enough, was much smaller than the per cent of increase reported for the railroads of the country as a whole. The increase is attributed to the heavier traffic. It amounted to about \$3,200,000. There was an increase of \$2,646,000 in repairs to freight, passenger, and switching locomotives, of \$593,000 in repairs to freight cars and of \$579,000 in repairs to passenger cars. Other increases in the depreciation accounts were compensated for by a reduction in the item of "Other Expenses" which, in 1922, amounted to \$2,004,000 but in 1923 to but \$113,000. This item reflected the cost of the shopmen's strike.

The fact that the Illinois Central had an increase in 1923 over 1922 of but 8.86 per cent in its maintenance of equipment expenses whereas the roads of the country as a whole had an increase of 17.1 per cent, shows how much better off the Illinois Central came through the strike than most roads. because it means that the Illinois Central had a much smaller proportion of deferred equipment maintenance to make up. With reference to equipment condition, the details show that the road began the year with 15.4 per cent of the locomotives awaiting repairs requiring over 24 hours and ended it with 10.2 per cent. Bad order cars were reduced from 6.0 per cent on January 1, 1923, to but 3.5 per cent on January 1, 1924. All of these figures indicate most unusually favorable conditions.

**Operating Statistics**

Illinois Central operating statistics, as reported to the Interstate Commerce Commission, include the Yazoo & Mississippi Valley. The trouble with these operating statistics as a whole is that they are produced in such volume that it is difficult to secure from them, at a glance, an adequate picture of favorable or adverse conditions. The Illinois Central figures are so uniformly good that conditions in its case are

somewhat different. A selection of the figures for 1923, with comparison for 1922, follows:

SELECTED ILLINOIS CENTRAL OPERATING STATISTICS  
(Including Yazoo & Mississippi Valley)

	1923	1922
Miles operated	6,190	6,190
Net ton miles (thousands)	18,359,172	16,752,921
Miles per car per day	41.1	38.7
Net tons per loaded car	28.3	28.0
Net ton miles per car day	74.6	70.7
Miles per train hour	11.3	11.3
Net tons per train	76.4	76.1
Net ton miles per train hour	8,600	8,611
Miles per locomotive day	79.3	74.7
Lb. coal per 1,000 gross ton miles	148	145

**Large Improvement Program**

One of the principal reasons that the Illinois Central has had such marked success in its operations in recent years has been its readiness and its ability to spend money where it would do the most good. Sums spent for additions and betterments have usually been heavy as shown by the following tabulation which includes figures for the subsidiary lines.

NET CHARGES FOR ADDITIONS AND BETTERMENTS

Year ended	Year ended	Year ended	Year ended
June 30	Dec. 31	Dec. 31	Dec. 31
1914	\$11,814,018	1919	\$9,444,414
1916	6,097,616	1920	17,295,943
		1921	21,120,038
		1922	17,742,565
		1923	50,729,721
Year ended Dec. 31	4,417,472		
1916	15,642,691		
1917	27,197,480		
1918			

The charges for additions and betterments in 1923 are seen to have totaled \$50,729,721, nearly twice as much in the best previous year, 1918, or nearly as much as was spent in the three years, 1920, 1921 and 1922, in none of which years were the capital improvements small. The really striking thing in the situation, however, is the program announced for 1924, which is expected to total an additional \$40,000,000. Truly, a road that is ready to expend for capital account the sum of \$90,000,000 in two years' time must be managed by optimists who have extremely good reasons for their assurance in the future growing prosperity of their property. The sum spent in 1923 was divided approximately half and half between road and equipment. The number of projects under way is unusually lengthy. It included large sums for the Chicago terminal improvement work, continuation of the large project at Markham yard between Harvey, Ill., and Homewood, an extensive amount of work in connection with double tracking at various points, of which the most important single project is between Central City, Ky., and Dawson Springs, Ky.—41 miles, various grade reduction projects, new stations at various points, new coal chutes, signals, etc. During the year 469 sidings—79 miles of track—and 160 industrial sidings were built or extended.

The amount of money spent for new equipment amounted to \$26,389,463. There were added 15 Mountain type passenger locomotives, 120 Mikado freight locomotives, 25 of the so-called "Central" or Mikado type freight locomotives, and 5 eight-wheel switching locomotives. Twenty-one Consolidation locomotives were converted into Mikados. Locomotives of various classes to the number of 55 were equipped with superheaters. Purchases of freight cars totaled 13,134 and 6,772 freight cars were retired. At the end of the year

ILLINOIS CENTRAL RESULTS, 1914 TO 1923

Years ended Dec. 31	Mileage	Revenue tons carried	Revenue ton-miles	Tons one mile per mile of road	Average ton-mile, haul	Revenue per ton-mile, cents	Revenue train load	Revenue car load	Total operating revenues	Total operating expenses	Net operating revenue	Net after charges
1914	4,771	\$31,595,884	\$7,634,507,000	1,600,284	242	0.558	423	23.81	\$64,339,820	\$49,401,009	\$14,938,810	.....
1915	4,767	32,412,182	7,738,180,000	1,623,138	239	0.552	480	23.91	63,804,079	49,019,942	14,784,138	.....
1916	4,767	37,046,832	9,156,871,000	1,920,972	247	0.540	550	24.09	73,740,266	52,843,149	20,897,117	\$17,627,202
1917	4,766	42,460,189	11,230,070,000	2,356,268	264	0.520	623	26.94	87,144,787	62,339,834	24,804,952	15,191,326
1918	4,778	45,853,934	12,441,048,000	2,603,672	271	0.637	639	28.73	107,320,261	90,252,035	17,068,226	10,956,702
1919	4,793	38,235,714	9,994,435,000	2,085,119	261	0.759	649	27.01	107,886,835	99,262,712	8,624,123	12,168,919
1920	4,799	49,233,079	13,724,283,000	2,859,549	279	0.774	660	30.06	145,154,272	134,181,514	10,972,758	13,571,122
1921	4,799	40,415,089	11,084,094,000	2,309,489	274	0.966	634	28.62	141,127,066	116,852,333	24,274,733	9,700,794
1922	4,784	47,670,424	14,151,817,000	2,957,834	297	0.817	700	28.14	154,860,387	119,129,269	35,731,118	16,089,676
1923	4,840	55,110,674	15,069,986,000	3,113,473	273	0.843	681	28.41	165,626,982	132,429,231	33,197,751	15,485,074

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the company owned 1,768 locomotives or 166 more than at the end of 1922. The total tractive effort was 71,082,703 lb., or 9,150,000 lb. more than at the beginning of the year. The freight cars owned at the end of the year totaled 72,249 or 6,423 more than at the beginning of the year and the total carrying capacity of 3,040,245 tons represented an increase of 285,675 tons.

A comparison showing the increase in Illinois Central equipment follows:

	EQUIPMENT IN SERVICE		
	June 30, 1914	December 31, 1918	December 31, 1923
Locomotives, number .....	1,448	1,570	1,768
Locomotive tractive effort, lb.....	43,893,766	54,214,989	71,082,703
Freight cars .....	60,161	65,654	72,249
Freight cars, tons capacity.....	2,467,995	2,737,780	3,040,245

The Illinois Central's plans are to spend \$45,000,000 for capital improvements in 1924. This amount includes \$10,000,000 on the Chicago terminal project, more than \$6,000,000 on new lines, \$1,146,000 for bridges, \$1,000,000 for grade reparation projects, \$1,389,000 for heavier track materials and approximately \$10,400,000 for the rebuilding of equipment. In addition it has carried over \$8,000,000 unexpended from 1923, for the last named purpose and \$3,400,000 for roadway improvements of which \$1,580,000 is for second track. The \$6,000,000 for new lines mentioned in the 1924 budget includes principally the first year's work on the new cut-off from Edgewood, Ill., to Fulton, Ky., 169 miles, one of the largest projects of its kind now under way in the United States.

# Private Operation Recommended for Germany

## Dawes Committee Sees Great Revenue Possibilities in Railways If Efficiently Operated

**T**HE GOVERNMENT-OWNED and operated railways of Germany have recently undergone a reorganization\* which has placed their management in the hands of a public corporation, the organization of which resembles as nearly as possible that of a private corporation, but if the report of the Dawes committee on reparations is accepted and put into operation, the railways will be turned over entirely to private operation with some government participation and control.

Under the plan of the Dawes committee, the railways are to be used to secure the payment of reparations and this committee accordingly made a careful study of their organization and revenue-producing possibilities. The actual work of investigation in this connection was made by two railway experts, Sir William Ackworth and M. Lerverve, one British and the other French, and their recommendations were generally accepted by the committee, which reported as follows:

We have conducted, with the assistance of two eminent railway experts, a close examination of the situation of the German railways. The subject is an important one, for the railways have been operated since the armistice at a constantly increasing loss, which has involved heavy burdens upon the German budget. Most, if not all, railway systems have passed through a period of great difficulty since the war from causes which were largely beyond their control. It is clear, however, from a study of the report drawn up by the experts, that the greatest difficulties were of the Germans' own making. The German railway administration cannot but plead guilty to two serious charges. In the first place, as is proved by the reduction which it is now possible to make, they have been enormously overstaffed, even when all account is taken of the introduction of an eight-hour day and of peace treaty charges justifying temporary disorganization.

In the second place, the administration has indulged in extravagant capital expenditure, for which the official excuse is that construction was largely undertaken to ward off unemployment.

### Railways Now Organized Like Private Enterprise

It is only just to observe that the situation has now improved out of reorganization, though more remains to be done. The German government has separated the railways from the ordinary administration and assimilated them in form so far as is possible to a business concern. Capital construction has been slackened and fares have, at any rate, been raised to a point where the railways are not only self-supporting, but can provide some profit.

These measures are, however, insufficient. The capital value of the railways is estimated by the experts on a conservative basis at 26,000,000,000 gold marks (roughly 6.5 billion dollars). They are unencumbered with old debts, for their prior charges were extinguished by the depreciation of the mark, and these prior charges absorbed half the gross profits in the pre-war period, which amounted to approximately 1,000,000,000 gold marks (\$250,000,-

000), in spite of the fact that it was the custom to include in operating and maintenance charges large expenditures which might properly have been charged to capital account.

### Profits Not to Be Made at Public's Expense

The railway experts are convinced, and we share their conviction, that under proper management, under unified control, and with a proper tariff policy the railways can without difficulty earn a fair return upon their present capital value. Nor need it be thought that this improvement in profits will be made at the expense of the German people by increasing their fares and the cost of all goods transported by rail. It can be substantially provided by the more economical administration of the railways themselves.

In saying this we have not in mind inadequate wages, but rather the elimination from operating and maintenance charges of certain elements of waste and also expenditure more properly chargeable to capital account.

### No Hope from Government Ownership

The railway experts arrived, however, with considerable reluctance at the conclusion that it would be useless to expect anything approaching the full measure of improvement which is possible so long as the railways remain in the control of the government. The whole spirit of the government's ownership in the past has been directed to running the railways primarily in the interests of German industry and only secondarily as a revenue producing concern, and in their opinion a complete break with old traditions is essential.

We accept their conclusions and we recommend the conversion of the German railways into a joint stock company. It is not our intention thus to deprive Germany of the administration of her railways in favor of the Allies; on the contrary, our plan demands only a modest return on the capital cost, and so long as this return is forthcoming we do not anticipate any interference in the German management of the undertaking. We would add that if, as the German government has itself proposed, the exploitation of the railways is divided into several systems this division should not affect detrimentally their financial unity.

### Bonds and Stocks to Be Issued

The committee recommends that there should be paid from the German railways 11,000,000,000 gold marks (\$2,750,000,000) to be represented by first mortgage bonds bearing 5 per cent interest and 1 per cent sinking fund per annum. The capital cost of the German railways computed on a gold mark basis is estimated by our experts at 26,000,000,000. The net earnings of these railways before the war, after liberal and indeed exaggerated charges to operating and maintenance, were as high as 1,000,000,000. The interest and sinking fund on these debentures represents less than 3 per cent of the capital cost, which is a very modest charge on the capital investment compared with that required in many other countries of the world. Realizing that during the period of reorganization of the railways full interest and sinking fund charges should not be required, we think payments on account of interest should be as follows:

\*See item on this subject in the Foreign Railway News column.

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