RAILWAY RATE WAR IN SIGHT

CHICAGO-NEW YORK LINES TO BEGIN CUTTING NEXT WEEK.

Erie Refuses to Accept Arbitration Proposed by the Grand Trunk as a Means of Relieving Its Grievance Against the Michigan Central's Differential.

CHICAGO, March 2.—Chicago-New York lines will open hostilities in a rate war a week from to-morrow, as the result of the refusal of the executive officials to agree to submit the differential question to arbitration at a meeting held here this afternoon.

The failure to agree, railroad officials who attended the meeting declare, was due to the attitude of the Erie road, which refused to consent to arbitration.

The meeting was called to consider the ultimatum of the Grand Trunk, given at a meeting a few weeks ago, declaring that if the differential question was not thoroughly arbitrated before March 10, it would proceed to cut rates in its effort to protect itself against the advantage of the Michigan Central.

The failure of the executive officials to agree means that nothing will prevent the rate war, other than the overruling decision of the presidents of the various lines before whom the question will be laid.

The threatened hostilities are simply a repetition of the war of a year ago, when the Grank Trunk refused to recognize an arbitration of the differential question which gave the Michigan Central an $18 rate to New York, the same that was allowed the Grand Trunk, the Erie and, in fact, all other Chicago-New York lines except the Lake Shore and the Pennsylvania's Fort Wayne line.

At that time the rate was cut to $14 to New York and $13 to Boston before the officials interfered and a compromise was hit upon.

Railroad men to-night are predicting that the Grand Trunk will sell tickets to New York $2 cheaper than the Michigan Central.

While the differential question was being discussed the Ohio lines held a meeting and decided to put in the two cent tariffs, sell mileage books until stopped by the courts, and keep all business on the two cent basis. The statement that the law would be contested was scouted by all, although it was intimated that if the earnings were greatly decreased the statute might be attacked as confiscatory.

The Western Passenger Association also held a regular monthly meeting to-day and transacted routine business.

PRODUCE EXCHANGE MAY SELL

Meeting to Consider a Report on the Disposition of the Building.

Members of the Produce Exchange are still wondering what is to become of the proposal to sell the exchange building and after building another to invest the surplus in income producing securities. There was a big gathering of members in the executive board room yesterday afternoon, but no definite solution of the problems was arrived at.

After the meeting Grenville Perrin, president of the exchange, said that the session had been called to receive and consider the report of the special committee which was handed to the board of managers on January 9.

The special committee had been gathering information since June, 1905. It reported that while there was no legal reason why the main building should not be sold and a twenty-one story building erected on the site of the annex, the plan was not indorsed because of the belief that the organization was not fitted to run a larger property. A proposal to sell the real estate should have careful consideration, the committee held. It has been estimated that at present the site is worth between $5,000,000 and $6,000,000.

Another committee is considering the general question of reducing the expenses of the exchange.

FAMOUS JAY GOULD MINE SOLD

Chicago Men Pay Near Half a Million for Montana Gold Producer.

HELENA, Mont., March 2.—The famous Jay Gould mine near this city has been sold by the Standard Ore Company of Helena to a syndicate of Chicago capitalists, including Joseph Mohr, Jacob Bauer and A. Reed.

The purchasers are men who are already heavily interested in Montana mines, especially the Whitlatch-Union near Helena. The purchase price was not made public, but it may be stated authoritatively that the figure was in the vicinity of half a million dollars.

The Jay Gould was for years one of the leading gold producers of Montana and has paid more than a million dollars in dividends. While still a dividend payer the property was closed down because of dissensions among stockholders, and it was allowed to remain idle for a number of years.

A local company got possession of the property at a handsome profit, when negotiations for its sale to the Chicagoans interested in the Whitlatch-Union were begun. The property is considered one of the best gold mines in the State.

FINANCIAL NOTES.

The General Chemical Company has decided to issue $1,000,000 preferred stock out of the amount originally authorized. Since March 1, 1903, the company has paid out for new plant, land and stocks in other corporations over $1,800,000 and the directors, in view of their plans for further development, decided to capitalize a portion of the expenditure made for new plant, &c. Preferred and common stockholders will be offered the privilege of subscribing to the issue at par in proportion to their respective holdings as of March 22. Each stockholder will have the privilege of subscribing for five and three-quarter shares of new stock for each 100 shares of common or preferred held and the rights are worth about $25 per 100 shares.

The directors of the Railway Steel Spring Company have elected W. H. Silverthorn, former vice-president, president, to succeed J. E. French, who has been made chairman of the board. F. F. Fitzpatrick has been elected vice-president, to succeed Mr. Silverthorn, and Frank Carnahan has been elected treasurer, to succeed J. C. Beach. M. B. Parker has been reelected secretary. F. L. Chapman, Jr., and A. S. Henry have been elected assistant secretaries. Mr. Chapman has also been elected assistant treasurer.

Orlando F. Thomas, president of the Consolidated National Bank, has been elected a vice-president of the United National Bank, recently purchased by E. R. Thomas. The United National is to become a trust company.

The Gansevoort Bank, which became a branch last summer of the Fourteenth Street Bank, one of Charles W. Morse's institutions, has declared a dividend of 50 per cent.

The proxies for the annual meeting of the United States Steel Corporation on April 16 are being solicited in the names of J. P. Morgan, H. C. Frick, E. H. Gary, Norman B. Ream and Nathaniel Thayer.

Fisk & Robinson's March bulletin of investments reviews the bond situation and offers to investors a variety of standard municipal, railroad and industrial securities.

Knickerbocker Trust Co. to Increase Stock.

ALBANY, N. Y., March 2.—The Knickerbocker Trust Company of New York of which Charles T. Barney is president, to-day filed with the Secretary of State a certificate increasing its capital stock from $1,000,000 to $1,200,000. The new stock is to be issued to present shareholders at the price of $1,000 a share. The certificate states that the assets of the company are at least $70,000,000.

Pennsylvania Orders More Electric Cars.

SPRINGFIELD, Mass., March 2.—The Wason Car Manufacturing Company has received another order from the Pennsylvania Railroad for eleven large electric cars, to be used on the line between Atlantic City and Camden. The contract calls for five electric passenger cars and six mail and baggage cars built on the same plan as the other cars. It is a $75,000 order, and is the second from the railroad in a few months.

FINANCIAL. FINANCIAL.

THE PENNSYLVANIA RAILROAD COMPANY.

GENERAL OFFICE, BROAD STREET STATION.

PHILADELPHIA, 28th February, 1906.

The Board of Directors submit herewith to the Stockholders of The Pennsylvania Railroad Company a synopsis of their Annual Report for the year 1905:—

The gross earnings of all lines directly operated were		$133,921,992 28
Operating expenses		93,390,410 28
Net earnings from operation		$40,531,582 00
Deduct rentals paid roads operated on basis of net earnings		7,662,810 19
Net operating earnings of The Pennsylvania Railroad Company		$32,868,771 81
To which add:		
Interest from investments	$10,285,989 05	
Rental of equipment, and other items	1,750,928 52	
		12,036,917 57
Gross income		$44,905,689 38
Deduct:		
Fixed rentals of leased roads	$4,683,944 23	
Interest on bonded debt	5,489,946 90	
Interest on mortgages and ground rents, interest on car trusts, taxes, &c.	4,629,281 48	
		14,803,172 61
Net income		$30,102,516 77
From this amount the following deductions have been made:		
Payments account Sinking and Trust Funds and principal of Car Trusts	$3,563,657 90	
Extraordinary expenditures	8,424,881 37	
		11,988,539 27
Balance		$18,113,977 50
Dividend of 6 per cent		18,113,977 50
Amount to credit of Profit and Loss December 31st, 1904		$24,725,484 86
Received from Trustees of Consolidated Mortgage Sinking Fund, etc	$7,500,000 00	
Deduct amount applied toward construction of New York Passenger Terminal	$5,000,000 00	
Deduct discount on Convertible Bonds	2,500,000 00	
	$7,500,000 00	
Amount to credit of Profit and Loss December 31st, 1905		24,725,484 86

GENERAL BALANCE SHEET. (Condensed.)

DECEMBER 31st, 1905.

ASSETS.		
Cost of road, equipment, and real estate		$232,518,519.22
Cost of securities owned		239,566,659.26
Securities received with the lease of the U. N. J. R. R. and C. Co		3,283,461.25
CURRENT ASSETS.		
Due from controlled companies for advances for construction and other purposes	$30,681,487.80	
Due from agents	8,411,472.18	
Bills receivable and miscellaneous assets	19,773,756.29	
Materials	9,015,464.79	
Cash	26,734,301.11	
		94,616,482.17
Sinking Funds, Trust Fund, and Insurance Fund		7,090,703.43
Total		$577,070,325.33

LIABILITIES.		
Capital stock		$302,547,850.00
Funded debt (including mortgages and ground rents)		191,852,447.49
Guaranteed stock and bonds of the Harrisburg, Portsmouth, Mt. Joy and Lancaster R. R. Co		1,882,550.00
Securities received with the lease of the U. N. J. R. R. and C. Co		3,283,461.25
CURRENT LIABILITIES.		
Pay rolls, vouchers and net traffic balances	$20,037,747.67	
Due controlled companies other than traffic balances	16,276,082.47	
Due Saving Fund, Relief Fund, and Insurance Fund	703,412.56	
Interest accrued, matured, and uncollected and dividends uncollected	1,584,712.59	
Miscellaneous liabilities	5,328,336.29	
		43,930,291.58
Sinking Funds and Trust Fund		8,849,240.65
Profit and loss		24,725,484.36
Total		$577,070,325.33

FUNDED DEBT.

The amount of funded debt, including mortgages, real estate, and ground rents, December 31st, 1905, was $191,852,447.49, being an increase of $74,670,440.25.

The amount of Consolidated Mortgage Bonds shows a reduction of $27,414,220, due to the fact that $28,000 of the bonds maturing May 1st, 1943, were retired under the Sinking Fund provisions of the Mortgage, and that, of the $27,480,020 of Bonds heretofore issued under said Mortgage and which matured June 15th and July 1st, 1905, $27,386,220 had been presented for payment up to December 31st, leaving $93,800 outstanding. The funds necessary for the payment of the Consolidated Mortgage Bonds were obtained from the proceeds of the Convertible Bonds heretofore authorized by the Shareholders.

Under the authority referred to, an issue was made of one hundred million dollars of these securities, under date of October 2d, 1905, bearing interest at 3½ per cent., maturing in ten years, and convertible at any time after December 1st, 1905, into capital stock at the rate of $75 per share. They are subject to redemption at par on December 1st, 1910, or at any subsequent interest period on ninety days' notice, but when called may be converted into stock up to thirty days prior to the date named for redemption. Of these bonds $5,500 had been so converted up to December 31, 1905, leaving outstanding $99,994,500. Conversions were also made of $212,500 of the ten-year 3½ per cent. convertible bonds issued November 1st, 1902, the amount outstanding being $20,480,000.

There also appear on the Balance Sheet as a result of the absorption of the Pittsburgh, Virginia and Charleston Railway the $6,000,000 of Bonds theretofore issued by that Company.

In consequence of the maturity of the Consolidated Mortgage Bonds, already referred to, there was a reduction in the amount to be set apart out of the net income for the redemption of the outstanding bonds secured by that mortgage, to $126,450. This sum was placed to the credit of the Trustees of the Sinking Fund, for investment under the terms of the mortgage. There were $1,865,462.75 in securities and cash in the fund at the close of the year. The assets released through the payment of the bonds maturing June and July, 1905, amounting to $8,089,746.76, were turned over to your treasury, and appear on the Balance Sheet. Against the credit to Profit and Loss resulting therefrom, were charged the discount on the Convertible Bonds not taken by the Shareholders under the option given them in March last, and which were subsequently sold in the open market, viz. $2,500,000, and also the sum of $5,000,000, which was appropriated toward the cost of your terminal passenger station in New York, the balance being applied in reduction of the value of securities and outstanding accounts, and against advances made to the Western New York and Pennsylvania Railway and other subsidiary companies.

SECURITIES OF OTHER CORPORATIONS.

The entire cost of the securities of other corporations held by your Company December 31st, 1905, was $236,604,457.15, and the direct revenue received therefrom during the year was $10,018,026.32, being nearly 4½ per cent. upon the cost thereof.

It will be noted that your holdings of Pennsylvania Company stock show an increase of $20,000,000, it having been deemed advisable to broaden the stock basis of that Company, in order to enable it to provide the betterments and improvements required by the largely increased traffic of your western system.

CAR TRUSTS.

There were no Car Trust securities issued during the year.

The total number of Car Trust cars now in service is 54,963, and the Car Trust certificates outstanding December 31st, 1905, aggregate $33,100,000.

TRAFFIC.

The number of tons of freight moved on the four grand divisions east of Pittsburgh and Erie in 1905 was 157,003,767, an increase of 23,537,342, or 17.64 per cent.; the number of passengers was 55,781,809, an increase of 4,018,439, or 7.76 per cent.

The other Railroad Companies east of Pittsburgh and Erie in which your Company is interested show satisfactory results. Detailed statements of their operations will be found in their respective annual reports, as well as in the full report of your Company.

PENNSYLVANIA LINES WEST OF PITTSBURGH.

PENNSYLVANIA COMPANY.

Gross earnings of all lines directly operated		$40,596,439 59
Operating expenses		29,038,787 87
Net earnings from operation		$11,557,651 72
Rentals paid roads operated on basis of net earnings		1,970,195 45
Net operating earnings		$9,587,456 27
Dividends and interest received from investments		6,756,003 24
Gross income		$16,343,459 51
Deduct payments, fixed rentals of leased roads, interest on funded debt, car trust cars, &c.		10,289,028 10
Net income		$6,054,431 41
Deduct:		
Payment of 1334 Pennsylvania Company 3½ per cent. Gold Loan Certificates of 1901	$1,334,000 00	
Contributions to Sinking Fund Guaranteed Trust Certificates, Series "A," "B" and "C"	177,163 75	
Contribution to Sinkng Fund for redemption of Third Mortgage Bonds of Pittsburgh, Fort Wayne and Chicago Ry. Co	145,000 00	
Dividend of 5 per cent. on capital stock	2,000,000 00	
		3,656,163 75
		$2,398,267 66
Deduct amount transferred to Extraordinary Expenditure Fund		2,000,000 00
Balance transferred to credit of Profit and Loss		$398,267 66
Amount to credit of Profit and Loss, December 31st, 1904	$6,716,136 90	
Amount charged off in reduction of value of securities and adjustment of sundry old accounts	234,610 47	
		6,481,526 48
Balance to credit of Profit and Loss, December 31st, 1905		$6,879,794 09

PITTSBURGH, CINCINNATI, CHICAGO AND ST. LOUIS RAILWAY COMPANY.

Gross earnings of all lines directly operated		$31,417,095 40
Operating expenses		23,519,385 82
Net earnings from operation		$7,897,709 58
Deduct:		
Rentals paid roads operated on basis of net earnings		565,253 29
Net Operating Earnings		$7,332,456 29
To which add:		
Dividends and Interest from investments	$91,646 90	
Interest, general account	38,864 08	
Miscellaneous income	89,992 09	
		220,503 07
Gross income		$7,552,959 36
Deduct:		
Fixed rental of leased roads	$702,621 50	
Rental paid for use of tracks and road of other companies	137,482 84	
Interest on funded debt	2,344,754 31	
Proportion of payments on account of Car Trust cars, including interest and expenses	783,083 23	
Advances to Cincinnati, Richmond and Ft. Wayne Railroad Co	10,868 28	
		3,978,760 16
Net income		$3,574,199 20

The following amounts have been deducted, viz:—			
Contribution to Sinking Fund for consolidated mortgage bonds		$455,400 00	
Amount of net earnings applicable to and declared as dividends:			
Four per cent. on preferred stock	$1,098,196 00		
Three per cent. on common stock	743,400 00		
		1,841,596 00	
			2,296,996 00
			$1,277,208 20
Deduct Extraordinary Expenditures in revising grades and alignment and other outlay not properly chargeable to capital account			1,000,000 00
Balance transferred to credit of Profit and Loss			$277,208 20
Amount to credit of Profit and Loss, December 31st, 1904		$3,759,925 27	
Amount paid in settlement of old accounts		255,467 13	
			3,504,458 14
Balance to credit of Profit and Loss, December 31st, 1905			$3,781,661 34

VANDALIA RAILROAD COMPANY.

Gross earnings of all lines directly operated		$7,845,222 56
Operating expenses		6,150,054 03
Net earnings from operation		$1,095,168 53
Dividends and Interest received from investments		84,271 22
Gross income		$1,729,439 75
Deduct rentals, and interest on funded debt		743,973 97
Net income		$985,465 78
The following amounts have been deducted, viz:—		
Dividend of four per cent. on capital stock	$564,282 00	
Amount transferred to Extraordinary Expenditure Fund	325,000 00	
		889,282 00
Balance transferred to credit of Profit and Loss		$96,183 78
Amount to credit of Profit and Loss, January 1st, 1905	$1,196,168 25	
Deduct amount paid in settlement of old accounts of constituent companies, &c	84,620 86	
		1,111,547 39
Balance to credit of Profit and Loss, December 31st, 1905		$1,207,731 17

CAPITAL STOCK AND FUNDED DEBT.—LINES WEST OF PITTSBURGH.

The $50,000,000 issue of temporary collateral obligations made by the Pennsylvania Company to meet the heavy capital expenditures on the lines West of Pittsburgh was paid off at maturity, October 1st, 1905. As heretofore noted, the capital stock of the Company was increased by an additional issue of $20,000,000, the total now amounting to $60,000,000. It will be noted that after paying a dividend of five per cent. for the past year, making large contributions to its various sinking funds, and transferring $2,000,000 to an Extraordinary Expenditure fund, the Company carried a substantial balance to the credit of its Profit and Loss account.

For the purpose of retiring $5,927,000 funded indebtedness of the St. Louis, Vandalia and Terre Haute and Terre Haute and Logansport Railway Companies, constituent organizations of the Consolidated Vandalia Railroad Company, and for other corporate purposes, an issue was made by the latter Company of $7,000,000 of its fifty-year four per cent. Consolidated Mortgage bonds, maturing February 1st, 1955.

In pursuance of an agreement with the Erie and Pittsburgh Railroad Company, under date of November 1st, 1905, your Company has arranged to provide the Sinking Fund instalments required by the General Mortgage of that Company of July 1, 1890, the Erie and Pittsburgh Railroad Company agreeing to deliver from time to time its three and one-half per cent. debentures at par to the amount of such advances, and upon the final payment of the outstanding General Mortgage bonds to exchange new Mortgage Bonds to be issued in lieu thereof, par for par, for the debentures so delivered to your Company prior thereto.

In pursuance of an agreement of consolidation, duly approved by the Boards of Directors and Shareholders of the two Companies, the Pittsburgh, Youngstown and Ashtabula and the New Castle and Beaver Valley Railroad Companies have been consolidated into the Pittsburgh, Youngstown and Ashtabula Railway Company, taking effect as of January 1, 1906. This consolidation merges into one ownership the lines leading from Kenwood, Homewood, and Alliance Junction on the Pittsburgh, Fort Wayne and Chicago Railway to Ashtabula on Lake Erie, and ensures an economical and harmonious administration of the property.

CAPITAL EXPENDITURES.

The amount of Capital Expenditures during the year on the Lines west of Pittsburgh for construction, equipment, and real estate was $10,005,924.75.

Further large expenditures were made upon the Pittsburgh, Fort Wayne and Chicago Railway in the elevation and depression of tracks to avoid grade crossings in the cities of Chicago and Allegheny, in the construction of third, fourth, and fifth tracks and of sidings at various points, and in the extension and improvement of terminal yards.

A liberal outlay was also required for double tracking, yards, docks, and other terminal facilities on the Cleveland and Pittsburgh, Pittsburgh, Youngstown and Ashtabula, and other lines in your Northwestern System. On the Southwestern System the same policy was pursued in regard to the track elevation in Chicago, the further extension of second track between Columbus and Indianapolis, the construction of other additional main tracks and sidings, and the improvement of yards at terminal points.

There was also a considerable increase in the locomotive and car equipment on both systems.

TRAFFIC.

The number of tons of freight moved on the lines west of Pittsburgh was 132,220,018, an increase of 20,603,664. The number of passengers carried was 28,841,119, an increase of 469,867.

The gross earnings of all lines east and west of Pittsburgh for the year 1905 were $266,069,597.76; operating expenses, $192,100,348.42, and net earnings, $73,969,249.34, an increase in gross earnings compared with 1904, of $28,853,177.68, and an increase in net earnings of $8,266,289.37. There were 333,011,237 tons of freight moved, being an increase of 48,191,297 tons, and 126,084,223 passengers carried, an increase of 5,668,005.

GENERAL REMARKS.

The tonnage shows an exceptional increase both in volume and mileage over that of 1904, the traffic for the year being much the heaviest in the history of the Company, and by reason of the liberal expenditures recently made in the construction of relief lines and large terminal yards and the substantial additions made to your motive power, the movement thereof has been materially improved. The gross earnings of the lines east of Pittsburgh and Erie show a large gain, and the prosperous conditions prevailing in the country are reflected throughout the entire system.

There was a slight reduction in the average rate, and also in the net earnings per ton per mile, but owing to the volume of traffic carried there was a large gain in the freight revenue. There was an increase in the expenses in all departments, and notably in that of Maintenance of Equipment, due to the outlays necessary to keep your motive power and equipment up to the requirements of the traffic. It will be seen, however, that after meeting all liabilities and paying the regular dividend of six per cent., the surplus income was sufficient to provide for the instalments due on the principal of the outstanding Car Trusts, $3,249,238.43, and for $8,424,881.37 the Extraordinary Expenditure for the year.

The heaviest outlay during the past year was upon the low grade freight line from York Haven to Glenloch. The work was prosecuted vigorously, and the sections between York Haven and Columbia and between Atglen and Parkesburg are now in service. Between Columbia and Atglen and between Thorndale and Glenloch, the grading is rapidly approaching completion, and the entire road will be finished in the early Spring.

Additional expenditures have also been made upon the yards operated at Enola in connection with this line, and facilities provided at Thorndale and Denholm on the Philadelphia and Middle Divisions through which four freight trains in each direction can be coaled and watered at the same time and the delays avoided that now result from trains having to follow each other at intervals and wait while those ahead are being served.

The yards at Harrisburg, Tyrone, Altoona, Pitcairn, and Pittsburgh have been further extended, the eastbound classification yard at Hollidaysburg enlarged, and provision made for an extensive westbound yard at the same point, for the classification of coal cars to be distributed over the Pittsburgh Division. At the Morrisville terminus of the Trenton Cut-off, liberal yard facilities are also being furnished for the accommodation of the traffic passing over the New York Division.

At Broad Street Station, Philadelphia, the express station has been rebuilt, and the widening out and lengthening of the tracks on the South side is under way.

At East Liberty, Pittsburgh, a new passenger station is being erected, which will furnish adequate accommodation for the large travel at that point. The elevated road on Duquesne Way and the car-load delivery yard have been completed and the freight houses are under construction.

On the Pittsburgh Division, the four track system has been finally completed between Bolivar and Blairsville Intersection, and work is being pushed between Beatty and Donohoe, and on the revised line between Beatty and Southwest Junction. The second track on the Western Pennsylvania Division between Tunnelton and Saltsburg has been completed. A jumpover has also been constructed at Ehrenfeld to prevent interference by the South Fork coal traffic with the Main Line movement.

On the Middle Division, the four track system on the Canal line at Newport has been put in service, and the stone arch bridges constructed over the Juniata on the new four track line between Granville and Mayes.

On the Philadelphia Division, the elevation above high water of the tracks along the Susquehanna River between White House Road and Harrisburg has been completed.

One of the most important matters which received attention during the past year was the providing of a sufficient water supply for present and future needs. Owing to the largely increased demand arising from the growth of the traffic, the former sources of supply had become inadequate, and on the lines traversing the coal districts the quality of the water was rapidly becoming unfit for locomotive use. Arrangements have now been made, through contracts with companies organized and owned by your Company, to secure an adequate supply of good water at all points on your Main Line between Pittsburgh and New York, and also on the more important branches, and for the construction of the reservoirs and the piping of the water to your lines, whence it will be distributed along the right-of-way to the necessary points. The cost of this undertaking will be large, but it will be of incalculable value, while the difficulty in obtaining water in sufficient quantity and of good quality shows that this step could not have been longer delayed. It is proposed to obtain the funds for this outlay by an issue of special securities maturing at short periods, and as there will be a large saving both in cost of water and in boiler repairs, the principal and interest thereof can be met, without undue burden, out of your current income.

On the United Railroads of New Jersey Division the principal items of outlay, outside of the Greenville Yard, were in the improvement of your pier and yard facilities at New York and Harsimus, the extension of the Waverly Yard, the reconstruction of the Princeton Branch, the erection of the Trenton Shops, and the elevation of your tracks in Camden.

The improvement of the Greenville Yard was further continued, and a large sum expended in filling, dredging the channel, construction of lighterage and coal piers, and furnishing other facilities.

It was found absolutely necessary also to largely increase your motive power in order to meet the exceptional demands of your traffic. Substantial additions were made to your passenger equipment, and arrangements concluded for the building of a large number of standard freight cars, to replace equipment of small capacity no longer adapted to the exigencies of your service. It was deemed wise to make these replacements at once, instead of distributing them over a period of years. And while the equipment absolutely owned by your Company will show a temporary decrease until the maturity of the Car Trusts under which the standard equipment is built, the number of cars available for service is not diminished, while the tonnage capacity is largely increased. Contracts have also been let covering the addition of twenty thousand cars to the freight equipment of your system, under the usual car trust arrangements.

The aggregate expenditures for construction, equipment, and real estate during the year upon your main line between New York and Pittsburgh, including $3,514,238.43 paid on account of the principal of Car Trusts, were $38,797,057.97, of which $27,122,938.17 was charged to Capital Account, and $11,674,119.80 against the income of the year.

The outlay upon your branch and auxiliary lines operated as a part of the four Grand Divisions East of Pittsburgh and Erie, amounted to $4,429,102.37, and the funds therefor were supplied by the respective Companies making the improvements, out of surplus income or from other sources.

On the latter lines the largest expenditure was upon the Cambria and Clearfield, Cherry Tree and Dixonville, Western New York and Pennsylvania, and Allegheny Valley Railways. The main items upon the first named road were the construction of the Barnesboro tunnel for second track, and the improvements to the line between Amsbry and Irvona to accommodate the business of the New York Central lines. The outlay on the Cherry Tree and Dixonville road was in the construction of track sidings and branches necessary to provide for the joint business handled by your own and the New York Central interests, in accordance with existing contracts. The construction of a branch is now under way from West Brownsville Junction up the valley of the Monongahela, a distance of 4½ miles, where it will connect with the Pennsylvania, Monongahela and Southern Railroad, which is being built to further develop the Monongahela Valley.

On the Western New York and Pennsylvania Railway, the principal expenditure was upon yards and shops at Olean, on the canal and dock facilities at South Buffalo, on the Ebenezer Yard, and on right of way and real estate. On the Allegheny Valley Railway the outlay was mainly on the second track from Rimerton to Phillipston, on the Coleman, Phillipston and Cochran yards, and on sidings, right of way, and real estate.

The expenditures for the current year will include the extension of the four track system on the Middle and Pittsburgh Divisions, and the necessary revision of the alignment and grades connected therewith. This work, which is being pushed as rapidly as practicable, will complete the four tracks between New York and Pittsburgh with the exception of two three track sections, one of seven miles between Spruce Creek and Tyrone Forge, and one of 3½ miles immediately east of Conemaugh. This will, however, not obviate the necessity for the construction of additional relief lines for the Pittsburgh and New York Divisions. As already stated, the low-grade freight line between York Haven and Glenloch will be placed in service in a few months, and will then furnish an entirely independent route, with maximum grades of three-tenths per cent. against the Eastbound and six-tenths per cent. against the Westbound traffic between Marysville and Morrisville, a distance of 137 miles. Another double-track relief line is in operation between the eastern end of the Allegheny Mountain tunnels and Petersburg, on the Middle Division, a distance of 47 miles. These two lines will amply provide not only for the prompt movement of the present traffic between the points named, but for a large increase; but it will be necessary to proceed at once with the contruction of an additional freight line about fifty miles long, between Morrisville and Newark, and of one between Glenloch and Philadelphia about twenty miles in length, and also to relieve the Pittsburgh Division by building an independent line between Pitcairn and Blairsville, 43 miles, and between Johnstown and Altoona, 39 miles. Whether the latter lines should be for passenger or freight service is a question that is now being carefully studied; but whether for passenger or freight it is deemed best, from an operating standpoint, that the relief lines shall be entirely independent rather than that two additional tracks shall be laid alongside of an existing four track railroad. The necessity for the prompt construction of these relief lines will be apparent when it is stated that the average daily movement of freight cars over the Allegheny Mountain summit for October, November, and December, 1905, and January, 1906, was 5,669 cars, with a maximum movement in twenty-four hours of 6,974 cars; that there is a daily average passenger movement of 28 trains in each direction, that freight trains require two assisting locomotives on the Eastern and one on the Western slope, and that on the Eastern slope passenger trains also must have an assisting locomotive. The daily average number of independent train units passing over the Eastern slope during the months named, including assisting locomotives when descending without trains, but not counting them as separate units when attached to trains ascending the mountain, was 168 in each direction. In this connection it should also be noted, as indicating the provision that should be made for the future, that the increase in the tonnage of your line between New York and Pittsburgh during the last five years was 40 per cent., and in the ton-mileage, 32 per cent.

With the completion of the relief lines referred to you will have a double-track railroad between Pittsburgh and Philadelphia and New York entirely independent of your four track road, with the exception of the section on the Middle Division between Petersburg and Marysville, 96 miles, and the short section between Parkesburg and Thorndale on the Philadelphia Division. But it is believed that the first of these sections will not require relief for some years, as its very low grades admit of heavy trains and a consequent relatively small number of train units.

The construction of the tunnel line into and through the city of New York has been steadily prosecuted during the year. All the real estate required for the terminal station has been purchased and also the greater portion of that needed for the terminal yard in Long Island City. On the section between Newark and the Hudson River, the draw-bridge over the Hackensack River is under contract, and the work on the Bergen Hill tunnel, which is being driven from both ends, is to be further expedited through the central shaft from which headings are driven in both directions. In the North River tunnels, the shields are at work on both sides of the stream, and it is confidently expected that they will be connected and the iron lining in place before the end of the year.

The excavation for the station site and the building of the retaining walls are steadily progressing; the power house, from which the terminal station will be operated is under construction, and the tunnels under the city of New York are being driven westward from the main shaft at First Avenue and also in both directions from the intermediate shafts located on Thirty-second and Thirty-third Streets between Fourth and Madison Avenues.

On the East River section, the shields on the Manhattan side are in place and working towards the river; and, while the shafts on the Long Island side are not yet completed, a considerable amount of work has been done between those shafts and the eastern portal of the tunnels in Long Island City. The power house in that city is in service and is supplying the electric lines of the Long Island Railroad.

Nothing has occurred to seriously delay the progress of the work or to suggest any special difficulties in carrying out the general scheme of construction.

Large expenditures were also necessary upon the Philadelphia, Baltimore and Washington, Northern Central, Long Island, and West Jersey and Seashore Railway systems, in the elimination of grade crossings, construction of additional tracks, erection of stations and other terminal facilities, improvement of bridges, electrification of lines, and the increase of motive power and equipment. On the West Jersey and Seashore Railroad, it has been determined to electrify the line via Newfield to Atlantic City and thus furnish increased facilities for reaching that important seaside resort.

In pursuance of the policy heretofore authorized, your Company has placed its guaranty upon a further issue of $5,691,000 of the four per cent. refunding bonds of the Long Island Railroad Company, and in conjunction with the other companies, which are co-owners with it in the line between Washington and Richmond, has guaranteed an additional $2,000,000 of the Richmond-Washington Company's four per cent. Collateral Trust Bonds.

The charges to Capital Account during the year were as follows:

COST OF ROAD:		
Being expenditure on Low Grade Freight line from York Haven to Glenloch, on Pitcairn, Enola, Hollidaysburg, Morrisville and other yards, Duquesne Way Elevated road, extension of four track system on Main Line, shops, stations and other facilities	$18,151,688 23	
Cost of Pittsburgh, Virginia and Charleston Railway, absorbed April 1st, 1905	11,618,019 93	
		$29,769,708 16
EQUIPMENT:		
Five hundred and forty-seven locomotives	$7,087,867 50	
Freight equipment	265,000 00	
	$7,352,867 50	
Less credits	29,164 99	
		7,323,702 51
REAL ESTATE		1,647,547 43
Total charges to Capital Account for 1905		$38,740,958 10

The increase of CAPITAL STOCK during the year was as follows:—	
Issued in exchange for Convertible Bonds of 1902	$151,300
In exchange for Convertible Bonds of 1905	3,500
In exchange for Capital Stock of Southwest Pennsylvania Railway Company	1,106,600
In exchange for Capital Stock of Pittsburgh, Virginia and Charleston Railway Co	150
In conversion of Dividend Scrip May 31st, 1893	150
	$1,261,700

In pursuance of the action taken by the Shareholders at the last Annual Meeting, the Pittsburgh, Virginia and Charleston Railway was merged into the Main Line on the first day of April, 1905, and your Balance Sheet shows the changes resulting therefrom.

Your Company having been the owner of more than two-thirds of the capital stock of the South West Pennsylvania Railway, which was built as a feeder to your system, and which, branching from your Main Line at Greensburg, extends through the coke region to Connellsville and Uniontown and to a connection with your Monongahela Division, it was deemed wise to acquire the small amount held by outside parties; and it is proposed to also consolidate this road with your Main Line, under the provisions of the Act of Assembly of the Commonwealth of Pennsylvania of March 22d, 1901. There will be submitted for your approval at the annual meeting the necessary resolutions to this effect; and like resolutions will also be submitted covering the absorption of the York Haven and Rowenna Railroad and the Allegheny Valley Railway.

The York Haven and Rowenna Railroad is a link about five and a half miles long in the freight line which is nearly completed from York Haven on the Northern Central Railway via Columbia to Glenloch on the Main Line, as hereinbefore fully explained. As it does not lie in one of the counties through which your road passes and therefore could not be built under your branching powers, a separate charter had to be taken out for its construction until it could be absorbed as herein stated.

The Allegheny Valley Railway forms the connection through its river and low grade divisions between your Main Line at Pittsburgh and the Philadelphia and Erie Railroad at Driftwood, and also furnishes through its line to Oil City and your Western New York and Pennsylvania Railway a direct route to Buffalo, Rochester and other important trade centres. Its terminals at Pittsburgh are of great value, and its location along the Allegheny River makes tributary to it a territory already largely devoted to steel and other manufacturing industries, and one capable of increased development in the future.

As your Company is a guarantor upon its outstanding funded debt and owns or controls more than three-fourths of all its stock, it is deemed to your interest to acquire the comparatively small amount held by outside parties and make the road an integral part of your Main Line.

The Board have to record with deep regret the death of Mr. Sutherland M. Prevost, Third Vice-President, on Septembr 30th, 1905. Mr. Prevost's connection with lines embraced in your system had extended over a period of forty years, and since 1871 he had been continuously in your service, filling responsible positions in the operating department until February 10, 1897, when he was elected to the position which he held at the time of his death, and became the executive head of the traffic department and a member of your Board. His exceptional ability, accurate judgment and broad views on railway questions, made him specially helpful in your relations with connecting lines, while he was always quick to stimulate the feeling of comradeship and esprit de corps in your own service. The Board desire to express their keen sense, both personally and officially, of the loss resulting from the severance of the close relations that had existed unbroken for so many years.

To fill the vacancy caused by Mr. Prevost's death, Mr. Samuel Rea was elected Third Vice-President October 10th, 1905; also on the same date Mr. John B. Thayer was elected Fourth Vice-President and Mr. Henry Tatnall appointed Fifth Vice-President.

Your Board have also to record the death on February 19th, 1906, of Mr. John C. Wilson, your former Real Estate Agent, who had been retired May 1, 1902, under the operations of the Pension Department after thirty-nine years of honorable and efficient service.

Mr. Robert W. Downing, Comptroller, having after thirty-three years of honorable and faithful service been retired under the operations of the Pension Department, Mr. Max Riebenack was, on February 1st, 1906, promoted to fill the vacancy. Under an amendment of the organization, taking effect March 1st, Mr. Edward A. Stockton was appointed Assistant to Comptroller, Mr. Samuel Anderson, Auditor, and Mr. John S. Donaldson, Assistant Auditor of Miscellaneous Receipts and Accounts; Mr. Jefferson Justice, Auditor, and Mr. H. C. McKeever, Assistant Auditor of Merchandise Freight Receipts; Mr. George B. Rudduck, Assistant Auditor of Disbursements; Mr. Matthias Homer, Assistant Auditor of Passenger Receipts; and Mr. John F. Reynolds, Auditor of Empire Line, vice Mr. F. M. Bissell assigned to other duties. Mr. F. B. Hunt was appointed Assistant Superintendent of the Voluntary Relief Department, vice Mr. Homer promoted; and Mr. Daniel C. Stewart, Superintendent of Telegraph, vice Mr. Keiser transferred.

Mr. Louis H. Barker, having been assigned to other duties, Mr. A. C. Shand was appointed Assistant Chief Engineer, taking effect April 1st, and Mr. L. R. Zollinger, Engineer of Maintenance of Way, vice Mr. Shand promoted.

Under further amendments to the organization, Mr. Robert H. Large was appointed Coal Freight Agent, taking effect February 15th, 1905; Mr. Thomas W. Hulme an additional Assistant Real Estate Agent, taking effect May 1st, and taking effect June 15th, Mr. Robert H. Groff, an additional Assistant Treasurer and Registrar of Bonds, Mr. John W. Marshall, Assistant to Treasurer and Assistant Registrar of Bonds, both located in New York; Mr. G. Blight Robinson, Assistant Registrar of Bonds, located in Philadelphia; Mr. Henry C. Lawser, Assistant Cashier; Mr. Montgomery Smith, an additional Assistant Purchasing Agent, and Mr. George H. Grone, Assistant to Purchasing Agent.

The Board desire to express to the officers and employees their acknowledgments of the efficiency and fidelity with which their duties have been performed during the past year.

By order of the Board.

Attest: LEWIS NEILSON, *Secretary.* A. J. CASSATT, *President.*

STOCKHOLDERS CAN OBTAIN COPIES OF THE REPORT IN PAMPHLET FORM ON AND AFTER 6th MARCH, 1906, BY ADDRESSING THE SECRETARY OR BY PERSONAL APPLICATION AT HIS OFFICE, ROOM 271 BROAD STREET STATION, PHILADELPHIA.

COPPER, TIN AND LEAD.

The Domestic Copper Industry Is Active—Pig Tin and Lead Markets Are Quiet.

The position of the copper working industries is active from one end of the country to the other. For lake and electrolytic the demand is steady and in large volume. The principal producers quote 18⅝@18¾c. for future delivery. The market for casting copper has been good all the week. For the best brands sellers ask 18¼@18½c. Several selling agencies are negotiating with the largest electrical apparatus syndicate in Germany for June delivery of an immense lot of electrolytic. From Great Britain two local agencies report large orders for May delivery. In Europe the stocks of copper are still a diminishing quantity, estimated by the *British Mining World* at 12,235 tons as the total visible supply, of which there is available as standard 2,999 tons. Europe, noting the defeat of the London metal bears' campaign for low prices of copper, now looks to pay high level prices till the period when the great growth of American production or the coming of dull times in business will bring quotations tumbling down. For standard copper warrants London quotes spot, £79 2s. 6d.; futures, £77 12s. 6d.

The domestic pig tin market is quiet. Quotations for spot are 36@36¼c.

The London market is, spot, £163; three months, £162 10s. The amount afloat for all American ports is 3,500 tons. The world's total visible supply is estimated at 14,485 tons. The prospect of a long period of high prices is stimulating the opening of new mines in the Carn Brea and Tincroft mining section of Cornwall, and is taking British capital into Chinese tin ore mines.

Lead in foreign markets has been unduly depressed by operators who have gained advantages from the dull markets. The position of the metal is sound, as will be shown when business improves. In the domestic markets the demand is light and prices are well sustained. For New York delivery desilverized is quoted at 5.35c. and corroding at 5.45c.

Universal Security Co. Incorporated.

The Universal Securities Company was incorporated yesterday in New Jersey with a capital stock of $1,000,000 to hold invest, underwrite, trade and deal in stocks, bonds and options and to guarantee the dividends and interest on any shares of capital stock, bonds and notes of other corporations. The articles of corporation as filed with County Clerk Rotherham in Jersey City, set forth that the incorporators are C. M. McKeever, G. P. Stacy and M. E. Finch, all of 259 Washington street that city, the registered office of the company.

Prairie Telephone Co. Gets a Charter.

The Prairie Telephone Company secured a New Jersey charter yesterday permitting it to construct and operate telephone lines outside of the State. The capital stock is $200,000 and the incorporators are James A. Plotner and C. M. B. Chase, both of Kansas City, and Fred H. Brown of Parsons, Kan.

CAR FACTORY MERGER GIVEN UP.

Owners of Some Plants Objected to the Terms Imposed by the Bankers.

The proposed merger of the leading street car plants of the country has been definitely abandoned, according to a statement made yesterday by Kean, Van Cortlandt & Co., the managers of the syndicate which was to underwrite the consolidation. The syndicate obtained an option on eighteen of the largest car building plants and these options expired yesterday. The official explanation given for the failure of the merger is as follows:

A short time ago the success of the plan seemed assured, a number of very strong outside financial interests having consented to participate, based upon the owners of the plants taking part payment in what the bankers and their friends considered a reasonable proportion of securities. Some of the owners of the plants, however, were unwilling to accede to the required terms, and negotiations have, therefore, been abandoned.

Most of the companies on which options were secured agreed to the financial terms desired by the bankers, but a few of the companies raised strong objections. G. Martin Brill of the Brill Company of Philadelphia was to have been president. The merger was to have had a capitalization of $56,000,000. The original promoters of the scheme were Edward H. Power and William T. Van Brunt, president of the Furnaceville Iron Co., of Harriman-Odell fame.

STANDARD OIL CASE WAITS.

Wollman Hopeful That H. H. Rogers Will Decide to Answer.

The taking of further testimony in the case of the State of Missouri against the Standard Oil Company has been continued by consent of all parties to March 15, and consequently the daily sessions merely for the purpose of continuance, made necessary by the refusal of the Standard Oil Company to consent to a postponement for a fixed period, are not longer required.

After the adjournment yesterday Henry Wollman, New York counsel for the State of Missouri, said:

"It seems reasonable to believe that the Standard Oil Company must by this time recognize the futility of its efforts not to reveal the ownership of the stock in the three companies which are respondents in the Missouri proceeding, and I would not, therefore, be surprised if at the hearing on March 15, Mr. Rogers answered, without further efforts at delay, all the questions relating to stock ownership which he has hitherto declined to answer."

South Shore and Quebec Sale Stands.

OTTAWA, Ont., March 2.—The Supreme Court to-day decided that the sale of the South Shore and Quebec Southern Railroads to Senator Beique for the Delaware and Hudson Railroad will stand. Strong efforts were made to declare the sale illegal.

WALLACE'S NEW PLACE.

Will Head a Westinghouse Company, but Will Not Get $50,000 a Year.

John F. Wallace, formerly chief engineer of the Panama Canal Commission, is to become president of a new and very important company which is now being organized by George Westinghouse. The details of the new company will not be completed for several weeks yet, but it is announced that the new corporation will be a large concern and of unusual importance in the electrical world. An announcement concerning its scope will be made in about a month.

According to a report from Pittsburg yesterday, Mr. Wallace is to assist the Westinghouse interests in building electric traction lines to parallel steam railroads in many parts of the country. This report is wholly incorrect.

The statement that Mr. Wallace will receive $50,000 a year salary is exaggerated. Rumors have been current for some time that Mr. Wallace had left the Panama Canal Commission to accept the place with the Westinghouse company, but the arrangement was not completed until after Mr. Wallace had finished his testimony before the Senate committee. Before joining the Panama Canal Commission Mr. Wallace was chief engineer of the Illinois Central Railroad.

Business Troubles.

A petition in bankruptcy has been filed against the Holland Metal Recovery Company of 42 Broadway by these creditors: Robert Irwin Plomert, $300 for services; Frank M. Andrews of Cincinnati, $12,865, on a note, and William M. Greenwood, $3,650, money loaned. The company was incorporated on May 29, 1905, with a capital stock of $100,000, to mine metals.

A petition in bankruptcy has been filed against the Penn Manufacturing Company, manufacturers of gummed cloth for bookbinding, with offices at 9 Franklin street. Judge Holt of the United States District Court appointed George F. Darrell receiver of the assets, fixing his bond at $1,000.

Dexter B. Horton of 34 Pine street has filed a petition in bankruptcy, with liabilities of $26,867 and no assets. The debts were contracted in 1898 for building materials and on bond and mortgages. He is also liable on bond and mortgages aggregating over $170,000 on property at 251, 257 and 259 West Ninety-eighth street and 3281 to 3289 Broadway, in case there should be foreclosure.

Deputy Sheriff Murray has received two executions against the W. H. Furniss Company, importers of mahogany, of 391 Avenue A, aggregating $3,144 in favor of Irwin & Sellers on two accepted bills of exchange. A keeper was put in the place.

Deputy Sheriff McCourt has received an attachment against the Waldorf Stable Company of 103 and 105 West Fifty-third street and Joseph H. Reilly, who was treasurer of it, for $3,674 in favor of John S. Ferguson, on a claim for rent, taxes and water rates. Mr. Ferguson has held as security for the rent a chattel mortgage on the horses, wagons and carriages. At the time the chattel mortgage was made it covered sixty-nine horses and eighty-one carriages and wagons. Mr. Ferguson was put in possession of the stable on February 7, through legal proceedings and said he found only two horses and thirty-three carriages and wagons. The Sheriff served the attachment on two lawyers.