

Annual Reports

Delaware, Lackawanna & Western Railroad Company

New York, April 1st, 1929.

TO THE STOCKHOLDERS OF

THE DELAWARE, LACKAWANNA AND WESTERN RAILROAD COMPANY:

A report of the operations of your Company, for the calendar year 1928, with accompanying statements showing comparisons with the preceding year, is herewith respectfully submitted.

The gross transportation receipts of the year 1928 were approximately four per cent less than those earned in the year 1927.

At the beginning of the year under consideration there seemed to be reasonable prospects of an early recovery from the decline in freight traffic that marked the close of the year 1927, and it was then anticipated that better traffic conditions would prevail throughout the spring and summer months of 1928, but this hope was not realized until the late fall and winter months of the year, when the freight revenues began to show improvement over those of the previous year.

Proportionately greater than the decrease in freight revenues was the reduction in revenues from passenger business, which was due to the inroads made upon this class of transportation by bus lines and private automobiles on improved highways paralleling the entire mileage operated by your Company. As a result of the diversion to bus lines and private automobiles during the year 1928, your Company carried 1,016,000 less passengers than in the year 1927, and in this loss, together with the diversion of vehicular traffic from the ferry lines to the Holland Vehicular Tunnel, is found the cause for practically one-half of the decrease in your Company's gross revenues.

Although your Management views with disappointment the reduction in gross receipts, it derives some satisfaction from the fact that a further reduction in cost of operation approximately proportionate to the falling off in gross revenues was accomplished, so that the percentage of operating expenses to revenues for the year was only fractionally in excess of that for the year 1927, and the net railway operating income but slightly less than that earned in the previous year, notwithstanding the substantial decrease in gross revenues.

Your Company enjoyed its fair share of the traffic moving in trunk line territory during the year 1928, and its relations with its patrons continue to be agreeable and satisfactory.

Operating results, as set forth in various detailed statements included in this report, are further explained and commented upon as follows:

Transportation Revenues

The aggregate revenues from all sources of transportation, in 1928, amounted to \$81,135,181.

Downward adjustments in rates and the Company's proportion of divisions with other carriers resulted in slightly reducing the freight revenues earned per unit of service below like earnings of the year 1927. Taken individually these reductions do not appear to be serious, but their cumulative effect from year to year is to progressively reduce the Company's revenues.

Revenue earned from Transportation of Anthracite Coal, in 1928, was \$19,857,920, a decrease of \$661,863 when compared with the previous year.

The total tonnage of this commodity transported during the year was approximately the same as in 1927, and the reduction in gross receipts is accounted for by changes in distribution of the tonnage which resulted in a somewhat shorter average haul and less favorable divisions with connections for this class of traffic than was enjoyed in the previous year.

There can be no doubt, however, that the tonnage of anthracite coal would have been substantially greater during 1928 were it not for the extremely moderate weather that prevailed throughout the winter months in most of the territory where anthracite fuel is distributed for consumption.

Revenues from Transportation of Passengers during the year 1928 amounted to \$12,003,361, a decrease of \$1,003,572 under similar revenues of 1927.

The benefits of improved highways paralleling your Railroad, and toward the construction and maintenance of which the Company has contributed materially through taxation, are

utilized by competing bus lines that pay comparatively little toward their construction and upkeep, and have practically no expense for maintenance of either right-of-way or station and other facilities, such as signals and interlockers, costly train control and other safety devices which the railroads are obliged to furnish and maintain for safe and expeditious transportation.

Revenues from transportation of United States Mail, in 1928, amounted to \$1,084,019, an increase over the previous year of \$102,338. Of this increase approximately \$62,000 is attributable to increased rates of pay for mail transportation that became effective August 1st, 1928. The Railway Mail Pay Rate Case, mentioned in the last annual report, and upon which a decision by the Interstate Commerce Commission was then pending, was decided by an Order of the Commission dated July 10th, 1928, increasing mail transportation rates an average of 15% with certain changes in units of measurement for baggage car service that resulted, for your Company, in a net increase of approximately 14%. The Order also granted a flat increase of 15% in rates of mail pay from the date the petition was filed, May 9th, 1925, to August 1st, 1928, the effective date of the Order. The pay accruing to your Company for the back period herein mentioned amounts to \$465,000, but the Post Office Department has declined to make settlement for the retroactive period awaiting decision of the Court of Claims in a similar case that was pending. This Court has now decided the case in favor of the Carriers, but the Post Office Department has carried the case to the U. S. Supreme Court where it is scheduled to be heard in March.

Revenues in 1928 from Express privileges, under contract with the American Railway Express Company, amounted to \$1,722,520, or \$61,459 less than those of the preceding year. The gradual decrease from year to year in railway express business is due to the diversion of short-haul traffic to auto trucking companies, and the increasing use of the parcel post.

Revenues from the Transportation of Milk and Cream during the year 1928 amounted to \$2,325,219, or practically the same amount as that earned in the year 1927. The outlook for this class of traffic continues to be promising.

The decrease in Other Transportation Revenues is fully accounted for by a substantial reduction in earnings from vehicular traffic formerly patronizing the ferries of your Company, but diverted to the Holland Tubes when that thoroughfare opened November 14th, 1927.

The decrease in Incidental Revenues of \$78,417 is in part due to discontinuing the operation of the Company's restaurants at Scranton, Binghamton and Buffalo, and leasing same to the Union News Company. The reduction in revenues effected by this change was approximately \$48,000, but a reduction of a greater amount was brought about in operating expenses, as the cost to the Company for operating these restaurants exceeded the revenues derived therefrom. The balance is made up of minor decreases in revenues from dining cars, station privileges and demurrage.

Operating Expenses

A statement, by primary accounts, of the total cost of maintaining and operating your Railroad, during the year 1928, showing increases and decreases, in comparison with similar expenses of the previous year, is included on pages 19 to 22 of this report.

The total operating expenses, for the year 1928, amounted to \$57,975,287, a decrease of \$2,207,774, compared with the operating costs of 1927.

A statement of the causes for the more important increases and decreases, in comparison with the previous year, is as follows:

Maintenance of Way and Structures

There was expended for repairs and renewals of roadway and structures, in 1928, \$7,954,233, or \$155,857 less than like costs of the year 1927.

The established standards of maintenance for fixed property were continued throughout the year 1928, resulting in practically the same expenditures therefor as in previous years.

A serious washout of an embankment in the vicinity of Dansville, N. Y., caused considerable additional cost in roadway maintenance.

There was laid in replacement during the year, 220,012 treated and 7,515 untreated cross ties.

New rail laid in replacement during 1928 aggregated 20,523 tons, or 3,158 tons in excess of the tonnage laid in 1927. A comparative statement showing tonnages by weight sections laid in replacement, by years from 1920 to 1928, inclusive, is as follows:

Year	Tonnage 130 Lbs. to Yard	Tonnage 118 Lbs. to Yard	Tonnage 105 Lbs. to Yard	Tonnage 80 Lbs. to Yard	Total Tonnage All Weights
1920			16,297	2,944	19,241
1921			19,572	1,283	20,855
1922			11,604	1,245	12,849
1923			14,199	2,308	16,507
1924		9,515	6,232	620	16,367
1925	7,378	4,501	880	36	12,795
1926	13,541	26	3,634	723	17,924
1927	13,623	44	3,298	400	17,365
1928	15,398	7	5,113	5	20,523

The increase in cost of Telegraph and Telephone Lines and Signals and Interlockers was mainly due to relocation and adjustments made necessary by change in approaches to the new Hackensack River Bridge, and the installation of third and fourth tracks Boonton to East Dover, N. J.

Repairs and renewals were made as the need for same became apparent, and the various units of fixed property were in a good state of preservation and usefulness at the end of the year.

Maintenance of Equipment

The total expenditures for maintaining rolling stock and floating equipment, in 1928, were \$13,795,757, a decrease of \$840,755 under similar expenditures of the preceding year.

Following the substantial reduction effected in 1927, and previous years, in repair costs of locomotives and freight train cars, a further reduction in this class of expenditure was accomplished in 1928, resulting in a decrease of \$269,213 in steam locomotive repairs, and \$156,405 in freight train car repairs.

The savings effected in the foregoing repair costs, and in other operating costs incident to maintaining equipment, demonstrates the wisdom of the policy adopted and pursued by your Company, of retiring old and light capacity locomotives and freight cars, when the cost of maintaining same becomes excessive.

During the year 1928, there were retired from service, 24 locomotives and 1,073 freight train cars.

The amount of depreciation charged to the appropriate primary accounts in Maintenance of Equipment, to provide a reserve for ultimate retirements, aggregated \$2,731,276, or \$50,649 more than the provisions of the preceding year.

All classes of rolling stock were adequately maintained, and in good serviceable condition at the close of the year.

The substantial reduction in the cost of floating equipment repairs, amounting to \$258,090, was due to the comparatively few units of ferry and freight floating equipment that required complete overhauling or heavy repairs during the year.

All repairs and renewals of parts necessary to keep the equipment in good working condition were promptly made, but there is necessarily more or less fluctuation from year to year in the cost of maintaining floating equipment, due to the fewer units employed, as compared with rolling stock, and the longer periods elapsing between heavy repair requirements.

Practically all floating equipment repairs were made by the Company's forces in the Brighton Marine Repair Yard, operated jointly for the benefit of your Company and the Lehigh Valley Railroad Company.

Transportation Expenses

The cost of performing Transportation Service, in the year 1928, was \$31,792,793, a decrease of \$1,272,234 under similar cost of the previous year.

There was transported, in 1928, 27,575,131 tons, or 1.9 per cent less than the tonnage handled in 1927. The revenue freight train miles required to handle this tonnage were 6,454,623, or 3.6 per cent less than in 1927, and the division between east and westbound tonnage handled was approximately the same as in the preceding year.

The decrease in compensation of station employees is due to handling less L. C. L. tonnage than in the year 1927, and the reduction of station forces to a minimum consistent with good service.

The decrease of \$262,823 in Enginehouse Expenses—Yard and Train, is the further result of the adjustment and rearrangement of enginehouse facilities, and the reorganization of forces employed therein, which was made in the latter part of the year 1927.

The cost of Fuel used for Yard and Train Locomotives, in 1928, was \$47,703 more than similar cost in 1927.

There was a decrease in fuel used, in 1928, of 45,105 tons,

or approximately 2½ per cent less than in 1927, but the fuel prices per ton were higher in 1928, which fully accounts for the increased operating cost.

The decrease in compensation of Enginemen and Trainmen is due to the reduced train and locomotive mileage required to handle the traffic, and also to a reduction in payments for punitive overtime resulting from the use of the motive power units of increased capacity installed in 1926 and 1927.

Loss and Damage-Freight payments decreased \$40,278, or 9.3 per cent less than in the previous year. This is a very satisfactory showing and evidences the continued cooperation of shippers with the employes of your Company in endeavoring to reduce loss and damage to shipments at stations and in transit to the minimum by proper packing and loading, as well as careful handling enroute. The steady progress that has been made from year to year in the reduction of loss and damage payments is illustrated by the following percentages of such payments to gross freight revenues:

Year 1928	Year 1927	Year 1926	Year 1925
.66%	.70%	.72%	.74%

The cost to your Company for Injuries to Persons, caused by transportation accidents during the year 1928, was \$362,335, being \$267,682, or 42½ per cent less than the corresponding payments of the previous year. This substantial reduction in casualties is especially gratifying to your Management, and it will be viewed with satisfaction by all who are interested in reducing to the minimum the distressing accidents that occur all too frequently at grade crossings, or from other causes incident to transportation operations. In this connection it seems appropriate to inform you that your Company has been unanimously awarded a Certificate of Honorable Mention by, and received the congratulations of, the E. H. Harriman Memorial Awards Committee of the American Museum of Safety, New York, for "Conspicuous recognized safety and accident prevention work" for the year 1927.

Valuation Expenses

Since the effective date of the Valuation Section of the Act to Regulate Commerce, March 1st, 1913, your Company has been obliged to maintain an organization of Valuation Engineers, Land Attorneys and Accountants, the direct cost of which has aggregated \$1,191,936. The expenses, by calendar years, of complying with the requirements of the Interstate Commerce Commission in its efforts to carry out the provisions of the Act are as follows:

1913	\$ 434.55	1921	\$151,340.62
1914	34,393.16	1922	90,228.35
1915	45,037.64	1923	77,456.11
1916	33,465.87	1924	75,418.45
1917	35,762.80	1925	74,222.36
1918	50,673.88	1926	81,612.01
1919	104,030.38	1927	87,273.53
1920	154,739.68	1928	95,846.71
		Total	\$1,191,936.10

Agriculture and Industry

The economic condition of the farming communities served by your Company is generally satisfactory, and has shown improvement during the past year.

The muck crop farmers had a very successful season, and were able to dispose of their produce at profitable prices. Practically all farmers engaged in producing muck crops enjoyed a prosperous year, and an increase in acreage for this class of farming is under preparation in anticipation of a larger crop in 1929.

The production of cabbage, although materially reduced in 1928, due to unfavorable weather conditions, was sold at exceptionally good prices.

Dairy farmers in New York State enjoyed a prosperous year with increased profits. In certain periods of the year the increased demand of the large cities for fluid milk has not been met by the producers, and the Agriculturist employed by your Company is a member of a Committee appointed to study this situation with a view to making remedial recommendations. The studies thus far made reveal that while the total annual production of milk is sufficient to meet the demands, there is a falling off in the months of October and November to a point of insufficiency. With the information now obtained, the Committee is engaged in formulating a program of educational work with a view to influencing the farmers to so shift their production that the supply of milk may be more uniform throughout the year.

Further progress was made in the production of miscellaneous crops, and, taken as a whole, the farming industry in territory through which your Company operates is in a satisfactory condition.

During the year 1928, the Industrial Department of your

Company influenced the location of sixty-four new industries at various points served by the railroad, and it is anticipated that these industries will contribute 6,720 cars per annum of general traffic.

Financial

Pursuant to appropriate action taken by the Managers of each Company, and authorization by the Interstate Commerce Commission in Finance Docket No. 6616, decided March 13th, 1928, your Company acquired the property of The Lackawanna and Montrose Railroad Company, a line of single track railroad extending from its junction with your Railroad at Alford, Pa., to Montrose, Pa., a distance of 9.93 miles. Under the terms of this merger, your Company was authorized to issue \$130,500 of its capital stock, consisting of 2,610 shares of a par value of \$50 each, in exchange for an equal number of shares of a like par value of the capital stock of The Lackawanna and Montrose Railroad Company. All of the capital stock of The Lackawanna and Montrose Railroad Company, excepting two shares, was owned and held in the treasury of your Company at the date of the merger.

Welfare Expenditures

Under the pension system adopted by your Company, effective June 1st, 1902, there was paid to retired employes, during the year 1928, \$401,543, an increase of \$31,902, or 8.63 per cent, over the pension payments in 1927.

The progressive increases in the Company's pension disbursements is indicated by the appended statements of payments, by calendar years, from 1902 to 1928, inclusive.

Calendar Year	Amount	Calendar Year	Amount	Calendar Year	Amount
1902	\$ 6,360.94	1911	\$ 85,092.24	1920	\$187,299.98
1903	16,202.85	1912	93,521.50	1921	213,625.49
1904	24,619.09	1913	103,607.95	1922	223,587.23
1905	31,681.05	1914	111,089.68	1923	245,071.48
1906	45,196.13	1915	122,828.46	1924	260,213.20
1907	51,412.95	1916	134,969.98	1925	302,040.85
1908	57,620.24	1917	154,009.42	1926	347,161.36
1909	71,322.42	1918	153,577.12	1927	369,641.42
1910	80,580.15	1919	160,958.05	1928	401,543.04
			Total	\$4,054,834.27	

Statistical information in respect of pensioned employes on the rolls, December 31st, 1928, is as follows:

Effective since June 1st, 1902

Total Number on List, December 31st, 1928.....	611
Greatest Length of Service.....	62 yrs. 9 months
Number of Pensioners who served 50 years and over.....	81
Number of Pensioners who served between 40 and 50 years.....	243
Number of Pensioners who served between 25 and 40 years.....	275
Number of Pensioners who served less than 25 years.....	12
Average number of years in employ of Company.....	40 yrs. 3 months
Average age at retirement.....	67 yrs. 3 months
Average age at present time.....	72 yrs. 9 months
Died during the year.....	76
Number of names added to list during year.....	94
Average pension payroll per month.....	\$33,461.92
Total number pensioned to December 31st, 1928.....	1,658
Total Pensions Paid, June 1, 1902 to December 31, 1928.....	\$4,054,834.27

Group Insurance

Pursuant to the plan authorized and made effective February 1st, 1922, your Company paid as its proportion of the premiums assessed for the year 1928, \$228,651.92.

A statement of the transactions under the plan, during the year 1928, and the number of beneficiaries at the close thereof, together with other important details, follow:

Effective February 1st, 1922

Number Insured December 31st, 1928.....	17,654
Total Insurance, December 31st, 1928.....	\$35,239,000
Deaths during the Year 1928.....	222
Permanent Disability Claims, Year 1928.....	24
Insurance Company paid account Death Claims during 1928.....	\$445,000
Insurance Company paid account Disability Claims during 1928.....	\$46,000
Number of Employees insured for \$10,000 as of December 31st, 1928.....	231
Number of Employees insured for \$5,000 as of December 31st, 1928.....	70
Number of Employees insured for \$2,000 as of December 31st, 1928.....	15,226
Number of Employees insured for \$1,000 as of December 31st, 1928.....	2,127

Premiums paid for the Year 1928, were as follows:

Employees paid 46.29 per cent of Premiums.....	\$197,094.00
Company paid balance of 53.71 per cent.....	\$228,651.92
Employees insured for \$10,000 and \$5,000 (entire premiums paid by employees).....	\$34,127.20
Average monthly payment by the Company.....	\$19,054.33
Number of Death Claims, Feb. 1st, 1922 to Dec. 31st, 1928.....	1,067
Number paid Permanent Disability Benefits.....	74
Amount paid account of Death Claims, Feb. 1st, 1922 to Dec. 31st, 1928.....	\$2,067,000.00
Amount paid account of Permanent Disability Claims.....	\$140,000.00

In addition to the foregoing expenditures, your Company paid as its proportion of the 1928 deficit from the operation of the Moses Taylor Hospital, of Scranton, Penna., \$47,127.05; contributed toward the running expenses of Railroad Y. M.

C. A.'s, located at various points along the line, \$30,449.27, and in addition, there has been erected a new and modern three story brick Railroad Y. M. C. A. at Elmira, N. Y., for the accommodation of the employes, at a cost of \$73,610.

Taxes

Tax assessments during the past fourteen years are indicated by the following:

Calendar Years	Total Tax Assessments	Taxes per Dollar of Gross Revenue Cents	Taxes per Dollar of Revenue after Operating Expenses Cents
1915.....	\$2,115,333.84	4.72	12.42
1916.....	2,517,882.68	4.88	12.82
1917.....	3,584,917.49	6.27	18.35
1918.....	3,922,872.54	5.71	20.85
1919.....	5,159,802.72	7.18	32.74
1920.....	4,539,785.14	5.45	47.79
1921.....	4,979,439.57	5.80	28.01
1922.....	4,894,466.10	6.56	44.72
1923.....	5,995,697.51	6.80	32.02
1924.....	6,900,101.85	7.96	31.02
1925.....	6,832,652.72	8.17	32.16
1926.....	7,671,403.68	8.64	29.03
1927.....	7,457,093.11	8.81	30.43
1928.....	6,392,638.37	7.88	27.60

The substantial reduction in the requirements for taxes, in 1928, is due to a reduction in the rate for Federal Income Taxes from 13½ per cent to 12 per cent, and a reduction in income subject to Federal Taxation.

Additions and Betterments

Charges to the Investment Account, for Road and Equipment of your Company and its leased lines, less credits for property retired from service during the year 1928, were \$4,431,451.17, a classified statement of which appears on page 23.

Some of the projects that were either completed, or upon which substantial expenditures were made during the year, are as follows:

1. Erection of new four-span bridge on concrete piers at Millington, N. J.
2. Completing the strengthening of side walls and applying concrete and brick lining in Oxford Tunnel, at Oxford Furnace, N. J.
3. Completing elimination of grade crossings at Barclay and Mill Streets, construction of new passenger station, with express and milk station facilities, also relocation of main tracks and grading, in preparation for third and fourth tracks, at Paterson, N. J.
4. Completing addition of third and fourth main tracks, between Boonton and East Dover, N. J.
5. Completing construction of new vertical lift steel bridge over the Hackensack River.
6. Construction of new brick passenger station, new driveway adjacent to new street, platform, ramps and concrete curbs, Lyndhurst, N. J.
7. Renewing two deck plate girder spans and reinforcing steel members on bridge at Changewater, N. J.
8. Addition of new sub-structure, consisting of piles, caps and grillage, also addition of stone paving with concrete base at Fourteenth Street Ferry Terminal, Hoboken, N. J.—90 per cent completed.
9. Acquisition of land in Jersey City, N. J., for new warehouse and terminal facilities.
10. Additions and betterments to Signal and Interlocking plants at Hoboken, N. J.
11. Completing the installation of automatic train control between Elmira, N. Y., and Scranton, Pa., a distance of 132 miles of road, double track.
12. Addition of 200-ton track scale, Tobyhanna, Pa.
13. Addition of 50,000 gallon water tank, 10" water crane and 3,500 lineal feet of cast iron water line, Clarks Summit, Pa.
14. Elimination of grade crossing of State Highway Route No. 517, Portland, Pa.
15. Realignment of main track to provide right of way for construction of improved highway, between West Nanticoke and Hunlocks Creek, Pa., 20 per cent completed.
16. Addition of three story brick Railroad Y. M. C. A. Building, Elmira, N. Y.
17. Realignment of main line tracks including the necessary excavation, extension to culverts, etc., Dansville, N. Y., to provide against land slides.
18. Extension of concrete arch carrying highway over tracks to provide a width of 60 lineal feet with more gradual slopes at Mill Creek, Dansville, N. Y.
19. Construction of two tracks in the Abbott Road Yard, Buffalo, N. Y., to supply additional yard capacity.
20. Extending the Elk Street team yard to Michigan Street, Buffalo, N. Y., including concrete paving with drainage, to provide increased team track facilities.