



The **NEW YORK CENTRAL**
RAILROAD COMPANY

Annual Report 1947

BASIC in the policy guiding the management of the New York Central

- *Progressively better service to the public at lowest possible cost*
- *Fair pay and good working conditions for employes*
- *A reasonable return upon the money invested in the Company's properties*



THE NEW YORK CENTRAL RAILROAD COMPANY

Review of the Year

The financial results of the Company's operations in 1947 reflect the continued lack of economic stability which affected the nation at large throughout the year. The cost of doing business, boosted by inflation, cut sharply into revenues produced by the rates and fares received for the transportation services we performed.

Freight traffic revenue attained an all-time high, exceeding even the war years, although this was accompanied by a further decline in passenger traffic revenue which fell to a level 26 per cent below the record high of 1944.

Net income: 36 cents a share

Despite the fact that total operating revenues were \$703,340,527, up 14 per cent from 1946, net earnings were meagre, amounting to only three-tenths of one cent of every dollar taken in. Net income was \$2,306,082, equal to 36 cents a share.

This figure, non-compensatory though it was, represents a substantial improvement over 1946, when there was a net deficit of \$10,449,268. The 1947 profit figure includes \$7,350,156 of credit adjustments in taxes, while the 1946 deficit was after a carry-back tax credit of \$21,142,300 taken that year.

The outstanding factors precluding a better 1947 return were the continued decline in passenger traffic, further inflationary increases in operating costs and the inadequacy of rates and fares to meet these increased costs.

Passenger traffic revenue was \$14,921,725 lower

than in 1946, due principally to lower volume of travel in coaches. Pullman travel declined slightly, while low-revenue commutation traffic increased.

Operating expenses held in line

Operating expenses were \$48,185,364 higher than in 1946. About 80 per cent — \$38,221,873 — of this increase was due, however, to larger unit costs of fuel and other materials and higher wage rates. Otherwise it was occasioned by heavier transportation requirements, as reflected in an increase of 5.2 per cent in freight train miles and 1.2 per cent in passenger train miles.

More rate relief is essential

While our revenues were augmented by increases in freight rates averaging about 18 per cent which became effective the beginning of 1947, and by further interim increases averaging 8.9 per cent effective October 13, as well as by increased passenger fares of approximately 10 per cent and further increased compensation for carrying mail and express, the relief thus afforded was insufficient to offset increased operating costs, despite the high volume of traffic.

Encouragement for the future is found in the recognition by the Interstate Commerce Commission of the need of the carriers for more adequate revenues. In the application pending before that body for increased freight rates, which for the eastern carriers would amount to an average of approximately 31 per cent, the Commission has, effective January 5,

1948, substituted over-all interim increases of approximately 17.5 per cent for the 8.9 per cent increase allowed last October, pending final decision which it is hoped will result in permanent increases adequate to the needs of the carriers.

Net railway operating income, before other income, miscellaneous deductions and fixed charges, amounted to a total of \$24,519,561 for the year. While this is an increase of \$9,072,342 over 1946, it produces a rate of return of only 1.4 per cent on the depreciated investment in railway property of the New York Central and leased lines used in transportation, including cash, materials and supplies.

Taxes over \$50,000,000

Taxes continued to absorb a substantial part of our revenue dollar. The taxes accrued in 1947 totaled \$52,435,502, an increase of \$28,482,093, or 118.9 per cent over 1946, when the large carry-back tax credit was available. Included are payroll taxes for employe retirement and unemployment benefits of \$31,985,446, an increase of \$9,183,795, or 40.3 per cent over the previous year, largely attributable to the increase in rate from $6\frac{1}{2}$ per cent to $8\frac{3}{4}$ per cent effective January 1, 1947, as required by the Crosser Act.

Extensive improvements under way

Improvements in our facilities and equipment to meet the transportation demands of the present and the foreseeable future have been in progress for some time. This is essential if our Company is to maintain its position in the transportation field. Our program includes the expanded utilization of modern Diesel-electric motive power, a large fleet of the most modern streamlined passenger cars, thousands of new and improved freight cars and substantial improvements in roadway and facilities, coupled with an intensive employe training program.

Through such measures, and through utilization of technological improvements in the development of new efficiencies, we expect to maintain the Central's pre-eminent character in transportation.

Debt increase slight

Our improvement program necessarily involves the expenditure of substantial sums of money, but it has

been progressed with relatively little increase in the net amount of outstanding debt, and with a slight reduction in the total annual interest the Company must pay on such obligations.

During 1947 the Company retired at maturity or by purchase a total of \$24,410,054 of debt. Offsetting this reduction, there were issued \$29,400,000 of new equipment trust certificates. Interest requirements on an annual basis, however, decreased \$189,252.

Thus, at the end of the year total debt represented by capital obligations outstanding of the Central and its lessor companies was \$854,212,012, compared with \$849,222,067 at the end of 1946, a net increase of only \$4,989,946.

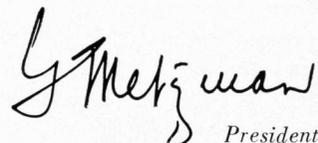
Since the end of 1932 there has been a net reduction of \$254,595,941 or 23 per cent, in the total outstanding capital obligations of the Company and its lessor companies. Interest, computed on an annual basis, on such obligations outstanding at the end of 1947, was \$14,774,146 less than at the end of 1932, a reduction of more than 31 per cent.

Future prospects favorable

The outlook for 1948 necessarily is affected by developments in the national economy. Traffic prospects appear to be good. It is estimated that the demand for freight transportation will be substantially as heavy as in 1947. With the new modern equipment which will become available during the year, passenger traffic should be stimulated.

If our expectations with respect to the volume of traffic are realized and are accompanied by adequate rate increases and a leveling off of costs, the prospects for 1948 are favorable.

However, to assure sound financial health, there must be established a more normal relationship than has been experienced in the last few years between the cost of doing business and the rates we receive for services performed. We have faith that this will be determined by enlightened public policy based on public recognition of the essential character of the railroads in a healthy national economy.


President

March 31, 1948

CENTRAL FACTS AT A GLANCE

THUMBNAIL INCOME ACCOUNT

	1947	1946
Operating revenues.	\$703,340,527	\$616,784,755
Operating expenses.	<u>606,536,857</u>	<u>558,351,493</u>
Net revenue from railway operations	\$ 96,803,670	\$ 58,433,262
Taxes	\$ 52,435,502	\$ 23,953,409
Equipment and joint facility rents	<u>19,848,607</u>	<u>19,032,634</u>
Net railway operating income	\$ 24,519,561	\$ 15,447,219
Other income, less deductions	<u>19,305,453</u>	<u>15,062,252</u>
Income available for fixed charges	\$ 43,825,014	\$ 30,509,471
Fixed charges	41,518,932	40,958,739
Net income	\$ 2,306,082	\$ 10,449,268*

*Deficit

THUMBNAIL BALANCE SHEET

DECEMBER 31, 1947

ASSETS		LIABILITIES
Investments in road, equipment and other properties	\$1,017,965,622	Bonds and equipment obligations \$ 565,604,040
Investments in affiliated and other companies.	464,407,457	Current liabilities 134,470,739
Current assets ..	215,159,258	All other liabilities
All other assets ..	34,012,742	Capital stock, outstanding
<i>Total</i> ..	<u>\$1,731,545,079</u>	Surplus
		<i>Total</i> ..
		<u>\$1,731,545,079</u>



	1947	1946	1945	1944
Rate of return on book investment (after depreciation and amortization)	1.4%	0.9%	3.0%	3.8%
Average number of employes	119,999	119,844	124,461	122,756
Total wages paid	\$393,783,304	\$372,646,206	\$337,418,287	\$337,299,617
Average wage per employe	\$ 3.282	\$ 3,109	\$ 2,711	\$ 2,748
Retirement and unemployment insurance taxes	\$ 31,985,446	\$ 22,801,651	\$ 20,253,230	\$ 20,133,547
Stockholders of record	60,099	62,717	59,926	61,460
Total dividends declared	—	—	\$ 9,671,091	\$ 9,671,091
Amount of dividend per share	—	—	\$ 1.50	\$ 1.50
Revenue freight tons	188,015,638	171,932,093	180,822,800	196,186,843
Revenue ton miles	43,570,786,753	40,215,577,150	44,363,014,939	51,921,983,273
Carloads	4,803,635	4,511,618	4,639,172	4,987,877
Revenue per ton mile	1.14¢	1.02¢	.94¢	.90¢
Revenue passengers	73,452,492	77,641,742	78,877,809	81,554,513
Revenue passenger miles	6,079,433,127	7,046,346,183	8,786,588,830	9,291,910,179
Revenue per passenger mile	2.19¢	2.10¢	1.93¢	1.95¢

233 MILLION DOLLAR

improvement program nearing completion

Like the railroad industry generally, the Central emerged from World War II needing a large amount of new motive power, rolling stock and other equipment, as well as a number of roadway and structural improvements.

When our equipment was undergoing the severe pounding of all-time record traffic during the war, it was impossible to obtain replacement in any sizable volume. Therefore, older locomotives and cars were repaired and continued in service long after it would have been more economical to replace them. This necessarily resulted in higher operating costs.

Largest railroad program

To reduce operating costs and thus help improve earning power — and at the same time keep our service up to standards which are essential in this intensely competitive age — the Central undertook the largest post-war improvement program of any railroad. The bulk is new motive power and rolling stock, but included are a substantial number of additions and betterments to our roadway and structures.

For The New York Central Railroad Company and leased lines, the program totals approximately

\$233,000,000. This includes expenditures from 1945 through 1947 for new motive power and rolling stock, and for roadway and structures improvements; commitments on orders outstanding for new motive power and rolling stock, to be received at various times in 1948 and 1949; and estimated roadway and structures improvement costs for 1948.

This post-war modernization program provides:

Nearly \$69 millions for new freight cars, of which over half had been received by the end of 1947;

More than \$62 millions for new post-war passenger cars, deliveries of which are expected to be completed this year;

More than \$45 millions for new Diesel-electric freight and passenger locomotives, of which about one-third have been received, and on which deliveries will extend until late in 1949;

More than \$6 millions for new Niagara-type steam locomotives, all of which are in service; and

Approximately \$50 millions for improvements to roadway and structures.

Virtually all of the roadway and structures improvements, and about one-fourth of our new motive power and rolling stock expenditures, are met from

The all-coach, regular-fare Pacemaker, pictured near Harmon, N. Y., started in February the Central's 1948 parade of 28 new streamliners. Twin Pacemakers run daily between New York City and Chicago





The new refrigerator cars and the new Diesel-electric locomotive which is shown drawing them near Rochester, N. Y., are among many new units received in the Central's freight improvement program

current revenues and working capital. The remaining three quarters of these new equipment expenditures are financed through equipment trust certificates, generally payable in ten annual installments.

While the preceding figures necessarily include some estimates, particularly on the cost of new equipment not yet received, they provide an overall picture of the Central's determined drive to reduce operating costs and to provide still better service. If a properly compensatory rate structure can be coupled to them, these steps should do much toward restoring the Central's earning power.

\$83 million passenger program

This is the year the Central will virtually complete its initial post-war new passenger equipment program totaling about \$83 millions — the largest investment, by far, in new passenger equipment undertaken by any railroad, anywhere.

While new passenger equipment could not be manufactured until after the war, the Central started ordering its rapidly-arriving fleet of 720 gleaming steel cars in 1944. Our own studies and surveys had shown the need; a national survey of public opinion last year produced a similar finding: "The public's major suggestion for making rail travel more attractive is to improve the equipment."

By the end of 1947, the Central had received 396 of these new cars, including all of the 213 new coaches ordered. The remaining 324 cars — includ-

ing all 263 of the various types of new sleepers — are arriving this year, two years behind original expectations.

In addition to acquiring these new passenger cars at a cost of more than \$62 millions, the Central is expending approximately \$21 millions for post-war passenger Diesel-electrics and Niagara-type steam locomotives. About two-thirds of the \$21 millions is for the Diesels, and deliveries indicate that, by spring, 29 of our important long-distance passenger trains will be drawn by this type of motive power.

What the new cars will do

The arrival of the Central's large fleet of streamlined passenger cars, designed to attract passenger business through incorporation of the newest comforts and conveniences, will make it possible to equip 28 of our leading passenger trains this year with a complete complement of post-war cars.

No. 1 on the all-new parade was the all-coach, passenger Pacemaker, in February. Before 1948 ends, there will be an all-new Twentieth Century Limited, Commodore Vanderbilt, Detroit, New England States, Ohio State Limited, and many others. A large number of new cars also will be added to other Central trains.

Receipt of the new passenger equipment will make available more cars or trains, depending upon the needs of the traveling public, in through services between the east and west coasts, or even between



New two-way FM radio systems on all of the Central's tugboats in New York Harbor help provide increased efficiency through improved communications with the office of the tug dispatcher



This full-length diner—which is operated in conjunction with an accompanying kitchen-lounge car—is one of the many new types of passenger cars already in regular service on the Central

other eastern and western points wherever a regular movement of travel provides justification. In cooperation with the various western railroads, surveys are continually being conducted to determine such service requirements.

New travel promotion aids

To encourage customer utilization of our passenger train services, the Central inaugurated new travel promotion aids in 1947.

A new rail-auto plan provides business men and pleasure seekers alike with all the advantages of both forms of transportation. The traveler gets there by train, makes his local calls by automobile—rented from garages in leading cities, and reserved in advance through the assistance of Central ticket agents.

The new Traveloan plan permits installment buying of railroad tickets and other travel expenses. It was established in cooperation with local banks. The traveler goes to a Central ticket office and arranges for tickets and reservations just as if he were paying cash. Repayments to the bank are in 12 monthly installments.

Another new Central service is the railroad credit card, for travel on the more than thirty leading railroads which jointly established the plan. Any person or company with proper credit can obtain a rail travel card by applying to the Rail Travel Agency, 436 Union Station, Chicago 6, Illinois.

Other new passenger conveniences are on the way, including such modernities as radiotelephone serv-

ice for passengers on principal Central trains between New York and Chicago and other cities.

\$100 million freight program

In its drive to reduce operating costs and improve earnings and service, the Central is engaged in a \$100 million program of new motive power and rolling stock for freight service.

This consists of approximately \$31 millions for new Diesel-electric freight locomotives, the bulk of which will be received in 1948 and 1949, and about \$69 millions for the 18,554 new freight cars which the Central has received or ordered since the start of 1945.

About half of these new freight cars had been received by the start of 1948, and most of the remainder are due this year.

Many new industries gained

Through the efforts of the Central's industrial representatives, 460 additional industrial plants were located along the System in 1947, bringing the total gained to 1,006 for 1946 and 1947. The freight traffic volume of the plants gained in 1947 is estimated at 221,670 carloads a year — equivalent to adding about a one-half month's traffic annually, based on the 1947 level of cars handled.

The Central has many services for such shippers and receivers of freight. As one of its newest conveniences, your railroad issued in 1947 a unique freight timetable as a handy guide for shippers.

The new timetable presents the post-war schedules of more than 100 fast, regularly scheduled "symbol" freight trains — led by the Diesel-electric powered freight Pacemaker, with its specially designed red and grey cars racing overnight between New York and Buffalo at speeds up to a mile a minute.

\$50 millions for roadway, structures

Modernizations are under way all along the 11,000-mile Central System. They range from new tugboat and yard two-way radio communication systems to new Diesel-electric locomotive shops; from new freight-handling facilities to new signal systems; from new passenger stations and facilities to new track layouts.

In addition to the \$100 million freight and \$83 million passenger equipment programs already described, the Central is spending approximately \$50 millions for additions and betterments to roadway and structures for 1945-48 — an expenditure benefiting both types of service.

An important Central improvement is the \$2,500,000 curve-straightening project completed last November at Little Falls, N. Y. This "Gulf Curve" project, like many others, was delayed by the war. Now, by changing the course of the Mohawk River, the curve has been reduced from about seven and one-half degrees to about one and one-half degrees, permitting train operation at regular speeds.

One of the largest roadway and structures improvements is at Toledo, O., where the Central and the Baltimore and Ohio jointly are completing an \$18,500,000 facility which will be the most modern

coal and ore docks on the Great Lakes. The new docks, to be opened this spring with the beginning of lake navigation, are on Maumee Bay at a location selected for easy access for freighters in all kinds of weather. The facility, expected to bring us substantial additional traffic, will have capacity for handling twenty million tons of coal and four and one-half million tons of ore annually.

System companies, affiliates active

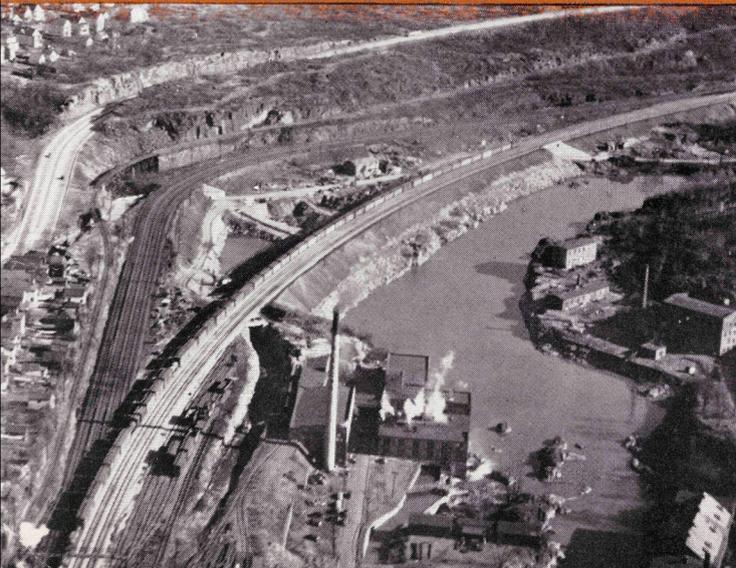
In addition to the extensive modernization program of the Central and its leased lines, similar improvements are being made by other Central System companies and affiliates. Of these the major companies are the Pittsburgh and Lake Erie and Indiana Harbor Belt Railroads, Merchants Despatch Transportation Corp. and Northern Refrigerator Line, Inc.

Including their 1945-48 expenditures and commitments on the same basis as for the Central and leased lines, their program totals more than \$39 millions. About three-fourths of this is for new freight cars of various types and most of the balance is for motive power.

Adding these \$39 millions to the \$233 millions for the Central and leased lines brings the post-war improvements program total for the Central System and for these affiliated companies to approximately \$272 millions.

Major and minor, all improvements were undertaken to fulfill specific needs and to provide the improved efficiencies which make for lower operating costs and better earnings and better service, and all underline the "New" in New York Central.

A freight train is shown in operation over the Central's new tracks at Little Falls, N. Y., after the completion of a major curve-straightening project along the Mohawk River last fall



This general view shows the Maumee Bay location at Toledo, O., where the New York Central and the Baltimore & Ohio railroads now are completing an improved coal and ore handling facility



EMPLOYEE TRAINING is expanded

In a nationwide poll of public opinion about the railroads, a leading research organization found:

“More courtesy and a generally better grade of service are the chief improvements the public would like to see made.”

The Central long has realized that its business success depends on the quality of its service — its only product. That service, to a substantial degree, is based on the courtesy and willingness of the employees. That's why your railroad is constantly placing such great emphasis on various types of public relations training for employees.

New correspondence course started

The Central's newest effort further to improve courtesy and service to the traveling and shipping public is a correspondence course in public relations for employees.

It brings out such points as the value of courtesy to employees both on and off the job; numerous practical hints for improving relations with the public and other people; and provides basic knowledge about the workings and economics of the company and the relationships of its customers, employees, management and investors.

There are four short, well-illustrated sections which compose the new course. Each unit ends with

a list of questions, and all employees who achieve an average of 75 per cent or better for the course receive certificates in recognition of their public relations interest and ability.

More public relations classes

The new correspondence course supplements the public relations conference classes being held for several years at many points on the Central's 11,000-mile, eleven-state system.

The number of employees who have attended those classes now has passed the 50,000 mark, and additional groups are being organized regularly. Generally, they are limited to between 15 and 20 people, drawn from various departments at the particular locations. This enables all to participate in the informal discussions, which are held under guidance of trained group leaders. It also makes for closer understanding and improved cooperation between the various departments.

These classes remain the basic public relations training activity on the Central. Some employees, however, have been unable to attend because of unusual working hours or varying working locations, particularly in train service.

The correspondence course was initiated, therefore, to reach such employees, and to provide addi-

Public relations conference classes, which have been in operation several years at numerous locations along the Central, are being supplemented by correspondence courses in public relations for employees



tional training for those who already have received their "Certificate of Merit" for successful completion of their classwork.

Intensive dining car training

Another of our intensive training programs is for our dining car employees. Since the spring of 1947 about 2,500 of them, or virtually every employe in this type of service, have received this continuing training. An individual crew is covered each day, and a standard dining car is set aside exclusively for this activity.

One phase of the program includes instruction in sanitation, preparation and handling of food, use of equipment, and practical demonstrations of proper methods of service. Each session culminates in a regular meal served to members of the class by several waiters whose performance is observed by the others. Constructive criticisms are made whenever they are found necessary.

As another phase, conference meetings are held regularly for instructions in and discussions of courtesy to the public, and for informative talks by people prominent in the hotel and restaurant fields. Supervisors also are on the road constantly, making personal checkups on results which we believe generally are very good.

Freight training, too

In addition to continuing other training programs — which range from classroom instructions and practical wire-recorded "playback" demonstrations in telephone courtesy to apprentice training for mechanical crafts — the Central inaugurated in 1947 an extensive freight station training program.

The object is continued progress in eliminating causes of loss and damage to less-than-carload freight shipments, to the benefit of the freight shipper and receiver, and to the benefit of the railroad as well.

Every major freight station on the System is participating, and the program is being extended to the smaller stations. At each of 60 key locations a service committee, whose members represent the various jobs performed in each freight house, assists the agent in bringing the instruction to all of the freight station service employes.

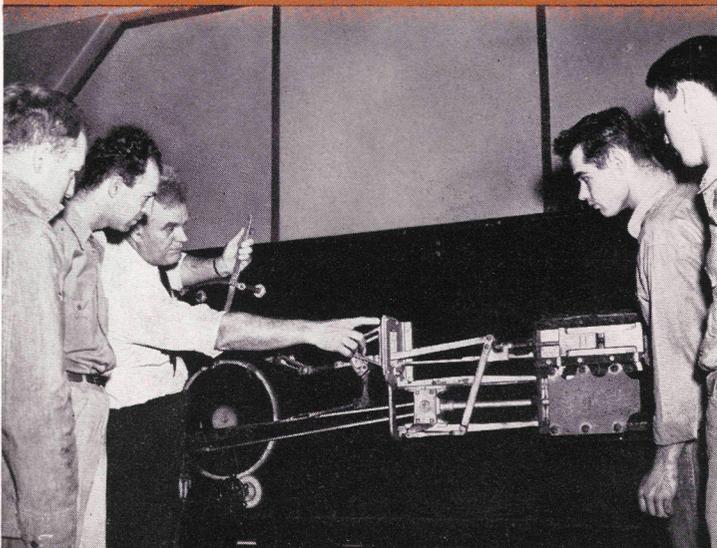
To extend this program and others of a similar nature, the Central is building instruction cars. The first, due shortly, will seat 54 persons, will be fully equipped for visual education — motion and sound-slide pictures, charts, diagrams — and will be staffed with trained instructors in various fields.

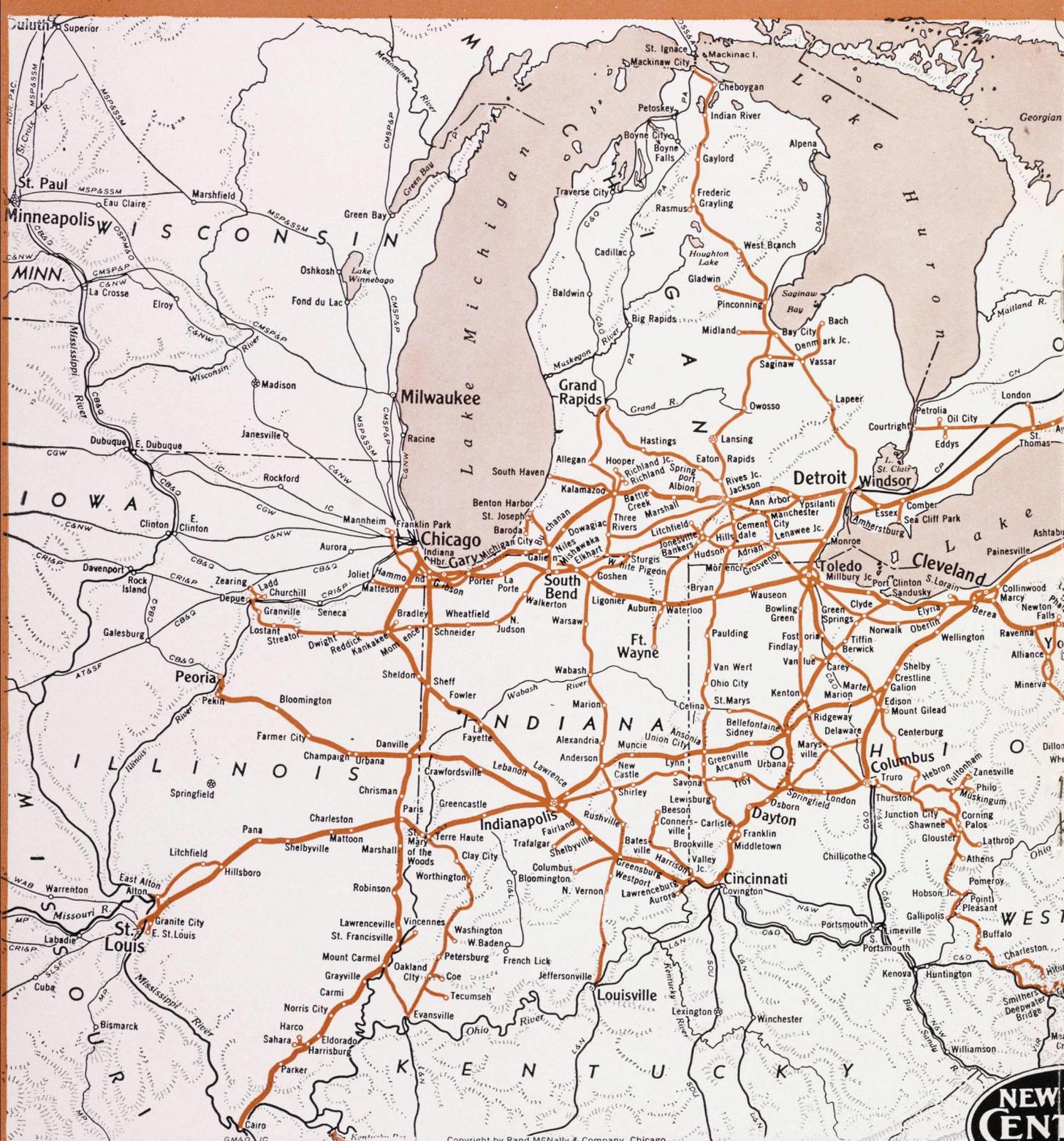


The Central's dining car training, for an individual crew each day, covers such important subjects as courtesy, food handling



Other training includes "playback" demonstration in telephone courtesy (above) and apprentice classes for mechanical crafts





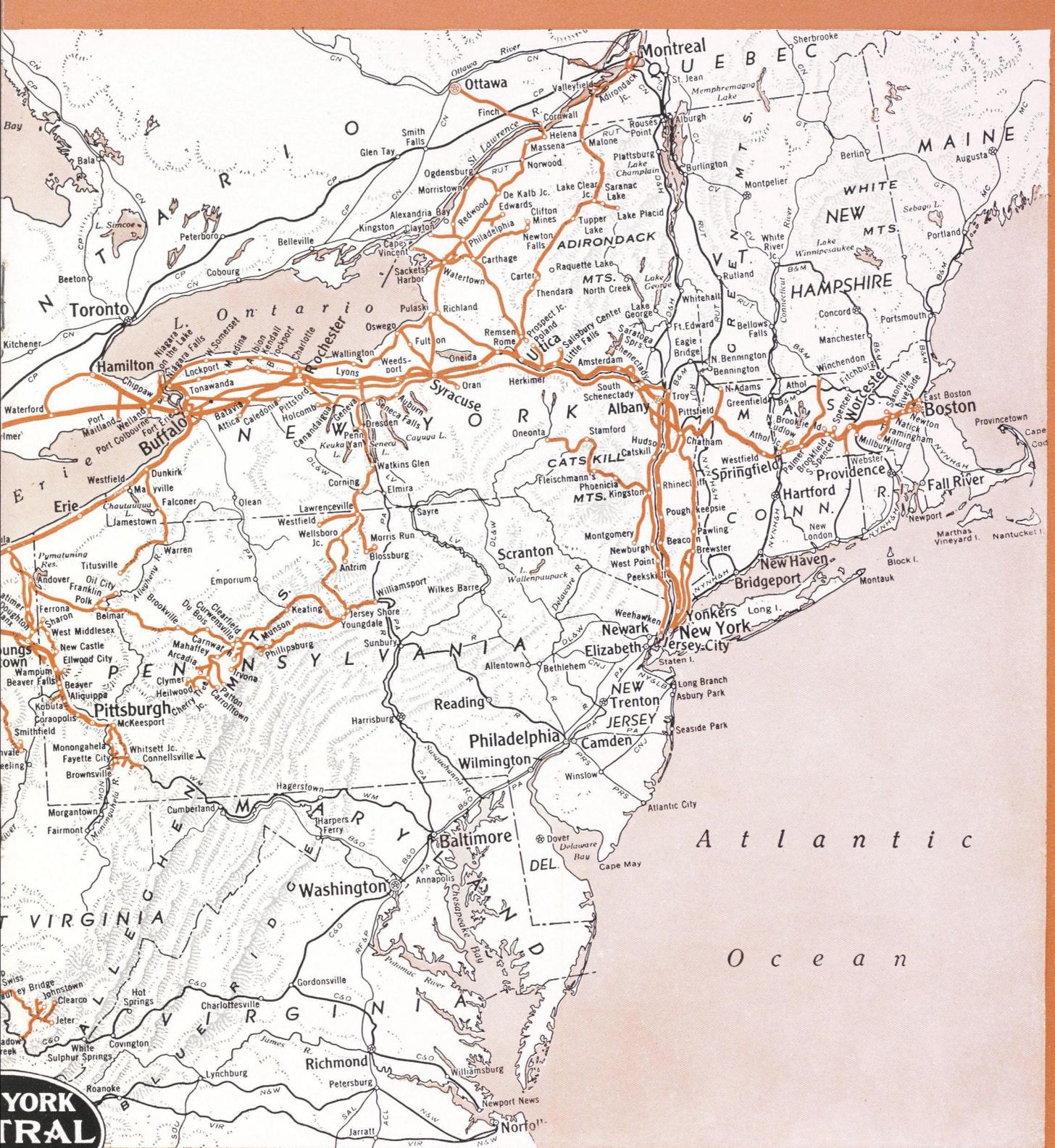
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THE WATER

The New York Central System operates 11,000 miles of line in Canada in the great commercial and industrial regions of the West and the Mississippi Valley, providing the highest quality of service.

NEW YORK CENTRAL • MICHIGAN CENTRAL • BOSTON CENTRAL



NEW YORK CENTRAL SYSTEM

LEVEL ROUTE

10,000 miles of railroad in eleven states and territorial area between the Atlantic Seaboard and the Great Lakes. Highest type of passenger and freight service.

& ALBANY • BIG FOUR • PITTSBURGH & LAKE ERIE

OPERATIONS AT HIGH LEVEL —

freight traffic reaches peacetime peak

The Central in 1947 overcame many obstacles to carry the largest volume of freight traffic recorded in any peacetime year.

Important among the obstacles was the shortage of freight cars throughout the country resulting from the retirement for obsolescence and other reasons of more cars than manufacturers were able to replace with new ones.

Although many new locomotives, both steam and Diesel-electric, were acquired and placed in service during and since the war years, these additions to our motive power were insufficient in number for the most efficient movement of the unusually heavy freight traffic volume handled.

Sleeping car service, which has declined far less in volume than travel in coaches, has suffered from the failure to obtain delivery of the Central's fleet of various types of new sleeping cars, which have been on order for several years.

Following the coal strike in the spring of 1947, and with an unusually heavy demand for coal throughout the country, our fuel supply included considerable coal of a quality below our normal standard. This resulted in some impairment of the performance of coal-burning locomotives.

Freight traffic up 8% from 1946

Despite those conditions, the volume of freight traffic reached a new peacetime peak, 8.3 per cent higher than in 1946, and only 20.7 per cent under the all-time record movement in 1943. This was accomplished chiefly by bettering the average turn-around time of cars, in which the railroads were greatly aided by the splendid cooperation of shippers and receivers of freight, despite the prevalence, almost universally in industry, of a five-day week.

There was greater utilization of the limited supply of freight cars available, through a substantial reduction of the average time consumed between the initial placement of a car for loading and its availability for subsequent use.

The average freight train turned out more net ton miles of transportation service for each hour it was on the road, reflecting heavier loading of cars and

increased train speed as well as more efficient operations in yards and terminals.

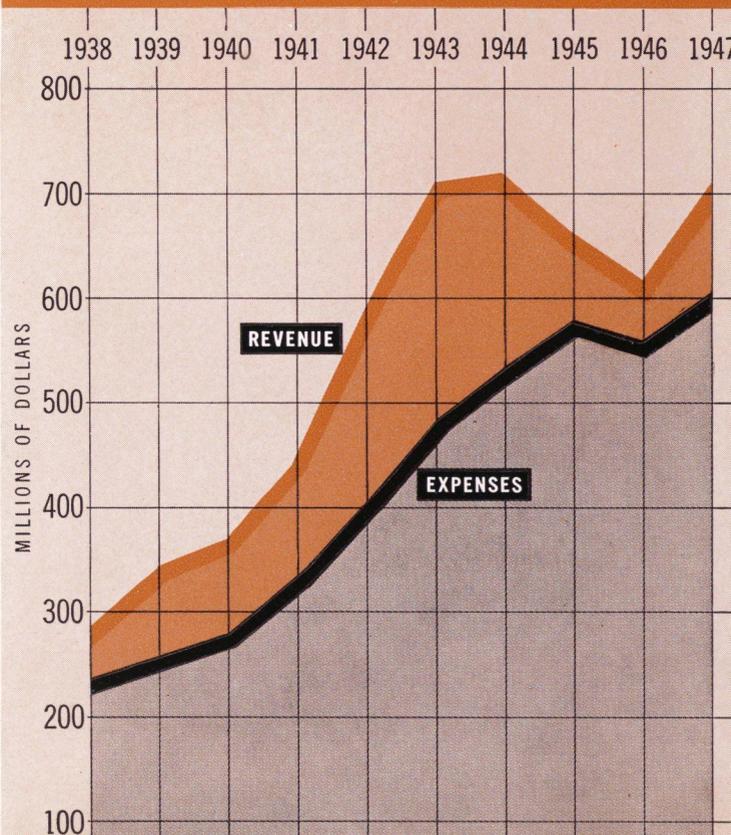
Operating revenues near record

Operating revenues, reflecting higher freight rates and passenger fares, and increased compensation for carrying mail and express, totaled \$703,340,527, only 1.6 per cent under the record high of 1944.

Freight revenue of \$496,734,880 was at an all-time high, up 21.4 per cent from 1946. Passenger revenue of \$133,187,177 was, however, 26.4 per cent under the peak year of 1944 and 10.1 per cent less than in 1946. We received 36.1 per cent more for carrying mail and 266.4 per cent more for handling express than in 1946. Other operating revenues increased 1.6 per cent.

The average revenue for transporting a ton of

RAILWAY OPERATING REVENUE AND EXPENSES



freight a distance of one mile was 1.14 cents, compared with 1.02 cents for 1946, while the average revenue for transporting a passenger a distance of one mile was 2.19 cents, compared with 2.10 cents for 1946.

Freight traffic in 1947, measured by the number of tons moved one mile, totaled 43,570,786,753 ton miles or 8.3 per cent more than in the previous year. Passenger traffic, measured by the number of passengers carried one mile, was 6,079,433,127 passenger miles or 13.7 per cent less than in 1946.

Operating expenses up

Despite improved operating efficiency, railway operating expenses were \$48,185,364 higher than in 1946, an increase of 8.6 per cent. This was occasioned largely by higher unit costs of fuel and other materials, and increased wage rates.

The cost of fuel and other materials and supplies increased 13.7 per cent over 1946. At the end of 1947 the cost of coal had increased to an average of \$4.45 per ton, compared with \$3.51 per ton at the end of 1946, and fuel oil had increased to 8.2 cents per gallon from 6.8 cents at the end of 1946.

The total required for wages, salaries, pensions and payroll taxes increased over 1946 by 7.8 per

cent. With personnel employed at substantially the same level as in 1946 this increase is due to higher wage rates and higher payroll tax rates. In May, 1946, employes were granted an increase of 2½ cents an hour in addition to the 16 cents an hour which became effective at the beginning of that year. The 1947 payroll costs reflected this 2½ cents additional increase for the full year, as well as further increases which became effective during 1947.

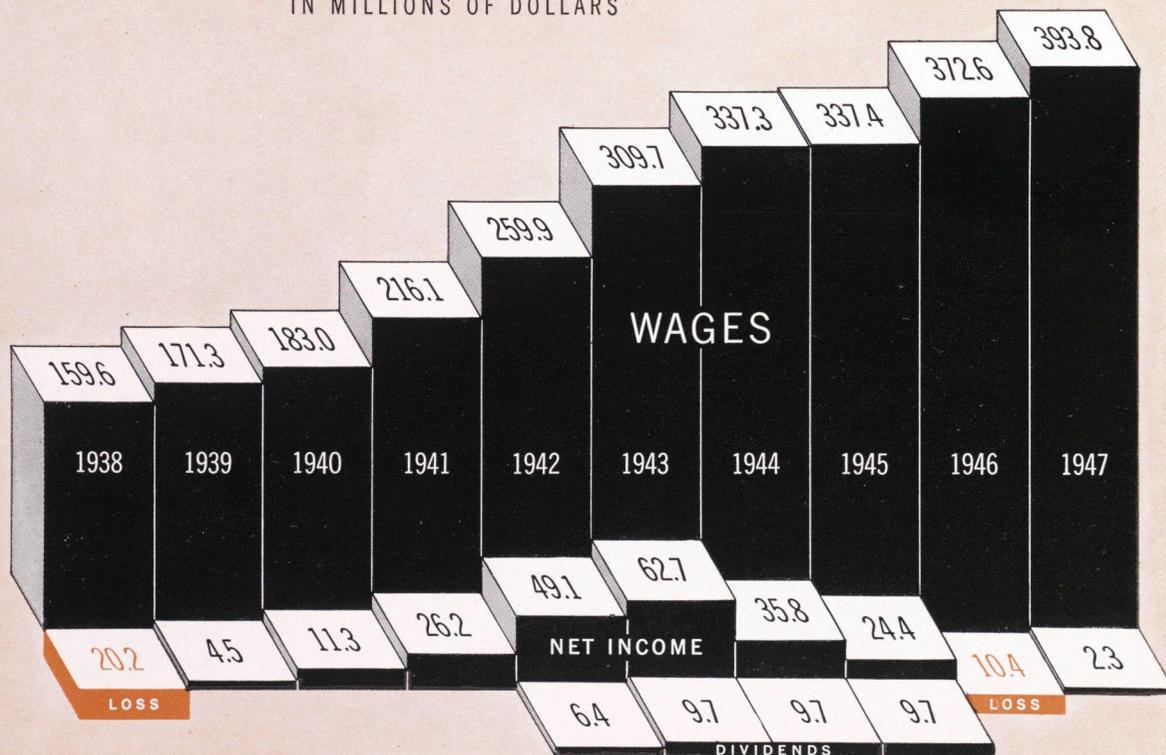
A wage increase of 15½ cents an hour, effective September 1, was awarded to non-operating employes by an arbitration board. The conductors and trainmen subsequently accepted in settlement of their demands the same wage increase to take effect November 1, the agreement including also the adjustment of certain working rules.

The enginemen, firemen and switchmen declined to settle on this basis and continued to demand a 30 cents an hour pay increase with a minimum increase of \$3.00 a day, together with costly changes in working rules. On January 27, 1948 the President of the United States appointed an emergency fact-finding board to pass upon their demands.

The so-called Crosser Act, effective January 1, 1947, increased from 3½ per cent to 5¾ per cent the Federal Tax payable by both employer and em-

ANNUAL WAGES, NET INCOME AND DIVIDENDS

IN MILLIONS OF DOLLARS



ploye under the Railroad Retirement Act. This requirement substantially increased our payroll taxes. The 3 per cent tax for unemployment insurance, paid by the Company alone, continued in effect.

Net railway operating income, after the payment of taxes and equipment and joint facility rents, was \$24,519,561, up 59 per cent from 1946 when it was \$15,447,219, and the operating ratio (ratio of expenses to revenues) for 1947 improved to 86.24 from the 90.53 figure for 1946. This produced a return on depreciated investment of only 1.4 per cent.

Official changes

At the annual meeting of the stockholders of the Company, held on May 28, 1947, William H. Vanderbilt, a former Governor of Rhode Island, was elected a director to succeed Bertram Cutler who retired as a member of the board at his own request after 27 years of service in that capacity. Joseph M. O'Mahoney, Secretary of the Company since 1936 and in the employ of the Company for 47 years, was elected a director to succeed Myron C. Taylor, who retired at his own request after 23 years as a member of the board.

After more than 47 years of service, Alfred H. Wright, Vice President, retired on November 30, 1947, pursuant to the provisions of the Company's retirement regulations.

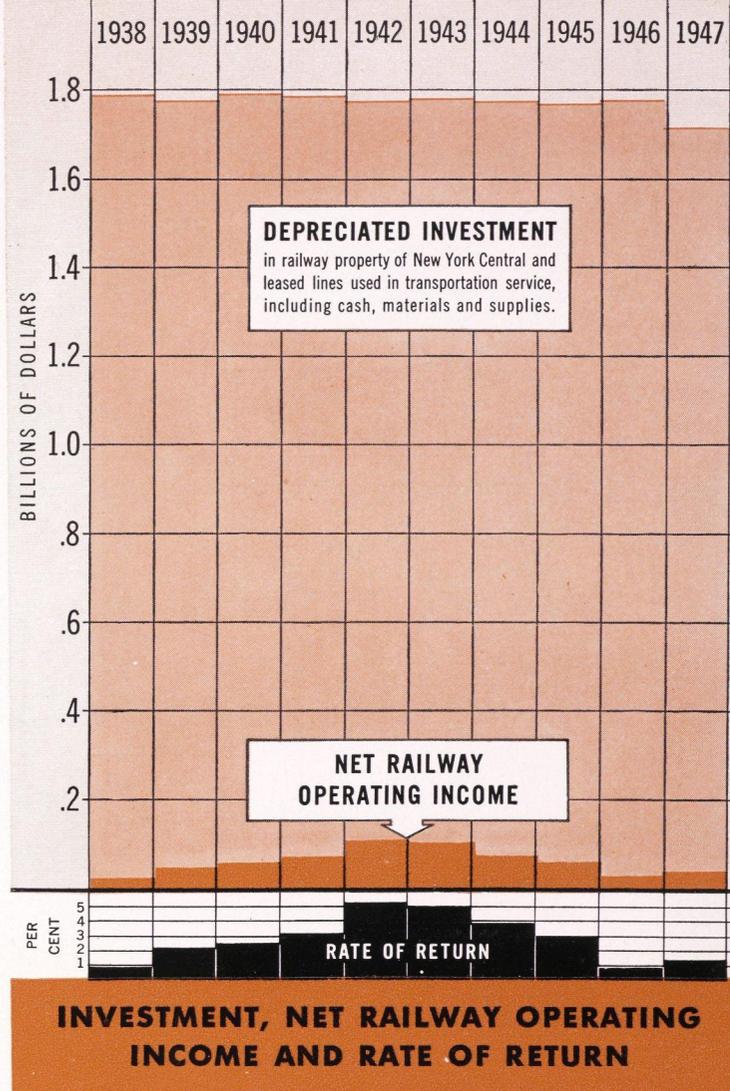
Raymond D. Starbuck, Executive Vice President, also retired under the same regulations on December 31, 1947, after 45 years of service.

Employee loyalty is high

The army of 119,999 men and women who make up the New York Central organization was a vital force in our transportation performance for 1947. In engine cabs, in machine shops, in signal towers, in yards and terminals, in dispatchers' offices, along the right of way and in countless other places, their vigilance, skill and loyalty contributed immeasurably to the big job we had to do. We are proud of these men and women who did so much to uphold New York Central standards of service through adverse weather and other trying conditions.

We are especially pleased to honor three employes to whom the Central's coveted Valor Medals were awarded during the year for unusual acts of heroism. They are:

John Buttler Reynolds and Chester Joseph Rowe, section foremen on the Michigan Central, whose exceptional efforts, at extreme risk to themselves, succeeded in saving the life of one of two youths



walking in the path of an approaching train at Wyandotte, Mich.; and

John Van Dover, deckhand on a New York Central tug, who dove into New York Harbor's waters and saved a man from drowning.

Executives highly honored

Two of the Company's officers were signally honored during the year by distinguished national societies. Richard E. Dougherty, Vice President — Assistant to President, was elected President of the American Society of Civil Engineers. Paul W. Kiefer, Chief Engineer, Motive Power and Rolling Stock, was awarded the American Society of Mechanical Engineers Medal for 1947 — the highest honor conferred by that Society — for "outstanding achievement in railway transportation."

PUBLIC POLICY a key to the future

Throughout 1947, the railroads individually and through the Association of American Railroads made a concerted effort to bring about greater recognition of the need for adequate railroad earnings, both in the public interest and as necessary to encourage the further investment of private capital in the industry. They have gone to the public with the facts about this vital industry.

In the final analysis, what the railroads are permitted to earn is a question to be determined by public policy and, in turn, by the public which the railroads serve. The rate of return earned by the railroads clearly has been inadequate and is only about half of what the Supreme Court of the United States has held to be a fair and reasonable rate of return for regulated utilities.

The Interstate Commerce Commission during the past year gave practical expression to its recognition of the pressing need of the carriers for increased revenues. The Commission expedited consideration of applications for relief and acted promptly to authorize increased interim freight charges pending final decision on the carriers' application for rate advances to offset higher operating costs. The Commission also, with most helpful effect, approved

increased passenger fares and compensation for carrying United States mail as well as higher rates for express service.

Adequate earnings are needed

The public wants improved rail service, and the railroads are anxious to supply it. However, this calls for physical improvements in the properties of the railroads on a major scale and large expenditures of capital. Revenues must be sufficient to enable them to finance these improved facilities from earnings or from credit which the earnings will support.

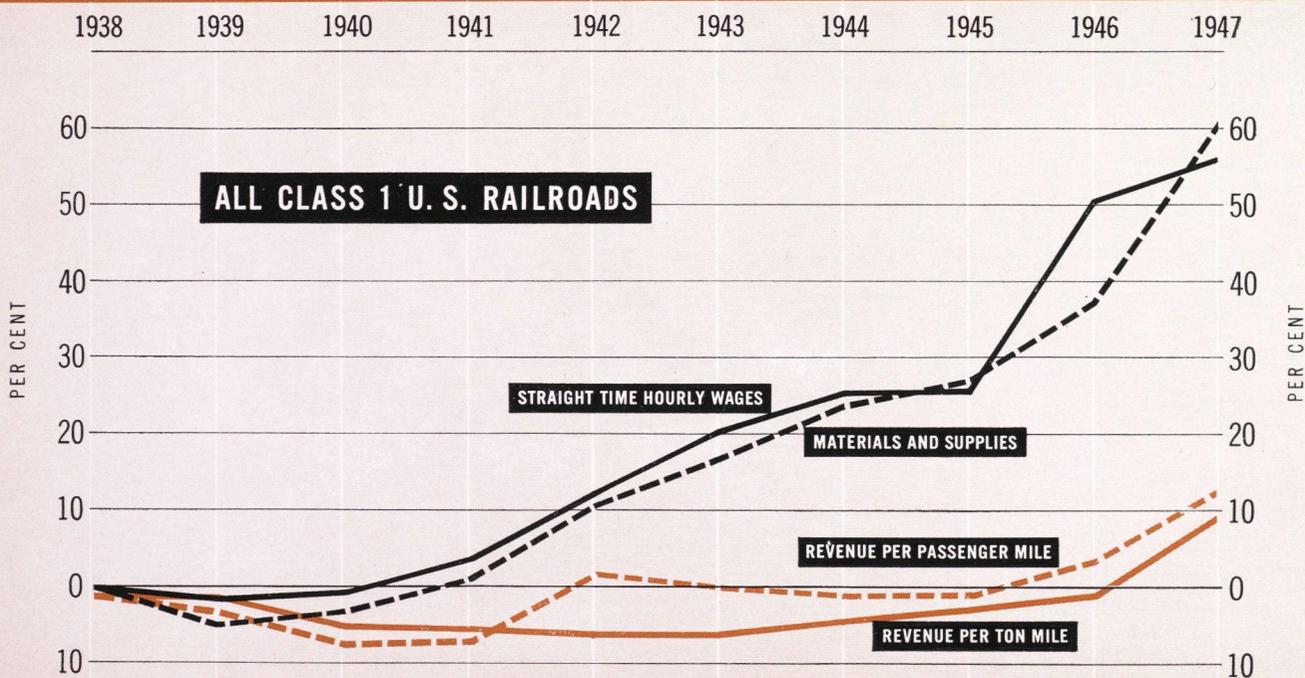
Railroad earnings are, however, influenced importantly by considerations other than the charges they are authorized to make for transportation services. Some of these considerations can be dealt with only by Congress, to which the railroads must look for constructive legislation to equalize competitive conditions within the transportation field and to correct other discriminatory regulations affecting the industry.

Crosser Act increases burden

Pending in the present Congress are several bills designed to eliminate or modify some or all of the

HOW BASIC EXPENSES OUTDISTANCED RATES

(PER CENT OF CHANGE SINCE 1938)



fundamental and far-reaching changes in the railroad retirement and unemployment insurance systems occasioned by the passage in 1946 of the Crosser Act, which became effective January 1, 1947.

This act increased the rate of tax payable by the railroads for retirement and unemployment insurance benefits to a total of 8¾ per cent, thus still further widening the previously existing disparity between what the railroads are required to pay and what is paid by other industries for social security and unemployment benefits.

Payroll taxes heavier

The impact of these payroll taxes on the earnings of the New York Central has been heavy. The total amount required to meet them has increased progressively in each of the last ten years, from \$8,934,036 in 1938 to \$31,985,446 in 1947 — or more than 4½ cents of each revenue dollar received. The new rates imposed by the Crosser Act increased the payment on this account for 1947 alone by \$9,183,795 above 1946.

Had we been required to pay for retirement benefits only at the 1 per cent rate imposed in other industries, our payroll taxes would have been \$17,400,000 less than they actually were in 1947. Similarly, in the case of unemployment insurance taxes, the rate assessed against the railroads is substantially in excess of that imposed on industry generally.

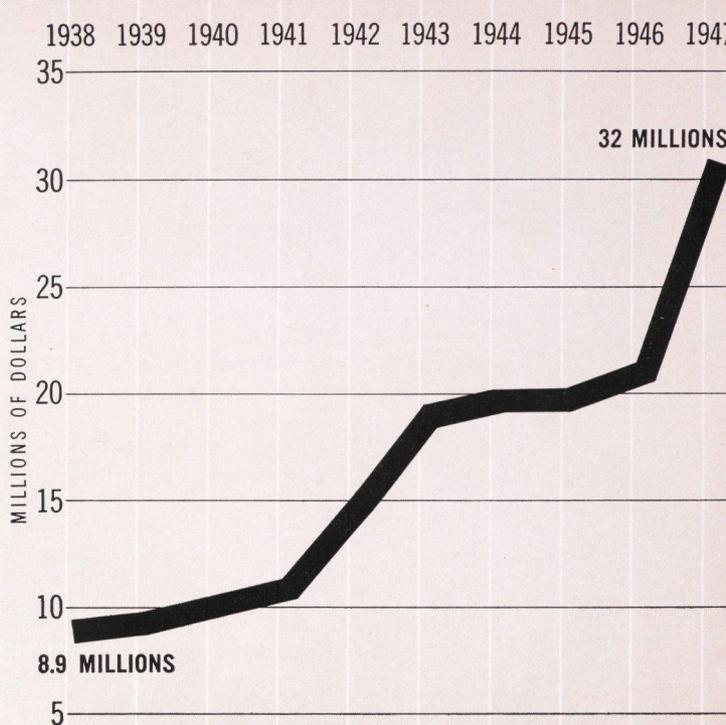
Partial relief proposed

Of the several bills now before Congress to amend the Crosser Act, the ones which seem most likely to receive consideration in the present Congress are identical bills which deal only with the unemployment insurance system. If enacted, they would eliminate the wholly unprecedented feature of providing for the payment, at the sole expense of the employer, of benefits to employes and former employes for sickness, injury and maternity, regardless of whether or not the disability has any connection with the employment.

They would substitute for the present 3 per cent tax imposed upon the railroads to finance the unemployment insurance system a sliding scale based upon the unemployment reserve fund surplus, which now exceeds \$800,000,000.

Bulwinkle-Reed Bill also pending

Another important matter affecting the railroads remains to be determined by Congress. This is the so-called Bulwinkle-Reed Bill, now before Congress,



RAILROAD RETIREMENT AND UNEMPLOYMENT TAXES

which is designed to clarify the law as to the right of the railroads to maintain joint rate bureaus and otherwise cooperate in the joint handling of matters of common concern. This legislation has the full support of both shippers and carriers, as well as of governmental authorities other than the anti-trust division of the Department of Justice.

The Bulwinkle-Reed Bill was passed by the Senate in the last session of the present Congress, and it is hoped favorable action will be taken by the House of Representatives during the present session.

The Central has faith in the essential fairness of the American people when they fully understand the issues. It is obvious to anyone familiar with the industry that the financial health and serviceability of the railroads are dependent on sound and enlightened public policies.

The effort further to inform the American people concerning the basic issues involved will be carried forward in 1948 in the hope of a brighter future, to the benefit of everyone served by and otherwise dependent on the railroads.

BALANCE SHEET AT A GLANCE

CONDENSED GENERAL BALANCE SHEET

DECEMBER 31, 1947 AND 1946

THE NEW YORK CENTRAL RAILROAD COMPANY

ASSETS

INVESTMENTS in Road, Equipment and Other Properties (after allowance for wear and use)



\$1,017,965,622

INVESTMENTS in Affiliated and Other Companies

\$464,407,457



CURRENT ASSETS

\$215,159,258

ALL OTHER ASSETS
\$34,012,742

WE OWN: \$1,731,545,079

LIABILITIES

BONDS

\$475,563,000



EQUIPMENT OBLIGATIONS

\$90,041,040

CURRENT LIABILITIES

\$134,470,739

ALL OTHER LIABILITIES

\$193,995,639

CAPITAL STOCK OUTSTANDING

\$562,332,426



SURPLUS

\$275,142,235



WE OWE: \$894,070,418

CAPITAL STOCK AND SURPLUS: \$837,474,661

ASSETS

INVESTMENTS in Road, Equipment and Other Properties

	1947	1946
Road	\$ 722,758,240	\$ 715,213,430
Equipment	504,809,380	483,355,897
Improvements on leased property	126,929,227	128,001,102
Miscellaneous physical property less depreciation..	33,145,878	34,597,363
Acquisition adjustment, donations and grants	Cr. 8,590,908	Cr. 8,598,938
Depreciation and amortization of defense projects — road and equipment	Cr.361,086,195	Cr.348,838,130
	<u>\$1,017,965,622</u>	<u>\$1,003,730,724</u>

INVESTMENTS in Affiliated and Other Companies

Affiliated companies:		
(Stocks, bonds, notes and advances)	\$ 417,016,053	\$ 407,130,940
Other investments:		
(Stocks, bonds, notes and advances)	47,391,404	47,257,616
	<u>\$ 464,407,457</u>	<u>\$ 454,388,556</u>

CURRENT ASSETS

Cash, special deposits and temporary investments..	\$ 100,887,240	\$ 124,176,744
Materials and supplies	56,709,578	41,726,568
Other current assets	57,562,440	50,138,148
	<u>\$ 215,159,258</u>	<u>\$ 216,041,460</u>

ALL OTHER ASSETS

Capital and other reserves	\$ 15,901,787	\$ 7,359,457
Deferred assets and unadjusted debits	18,110,955	16,970,364
	<u>\$ 34,012,742</u>	<u>\$ 24,329,821</u>
<i>Total</i>	<u>\$1,731,545,079</u>	<u>\$1,698,490,561</u>

LIABILITIES

BONDS

Mortgage bonds	\$ 470,063,000	\$ 479,572,000
Debenture bonds	5,500,000	5,500,000
	<u>\$ 475,563,000</u>	<u>\$ 485,072,000</u>

EQUIPMENT OBLIGATIONS

	\$ 90,041,040	\$ 71,629,561
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CURRENT LIABILITIES (Note A)

	\$ 134,470,739	\$ 114,028,710
ALL OTHER LIABILITIES		
Amounts payable to affiliated companies (Note B) ..	\$ 43,238,047	\$ 45,416,529
Deferred liabilities and other unadjusted credits	144,428,386	142,449,362
Insurance reserves	6,329,206	5,940,252
	<u>\$ 193,995,639</u>	<u>\$ 193,806,143</u>

CAPITAL STOCK, OUTSTANDING

(6,447,410 Shares without Par Value)	\$ 562,332,426	\$ 562,332,426
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SURPLUS

Unearned surplus	\$ 35,213	\$ 25,838
Earned surplus appropriated	9,479,398	8,565,143
Earned surplus unappropriated (Note C)	265,627,624	263,030,740
	<u>\$ 275,142,235</u>	<u>\$ 271,621,721</u>
<i>Total</i>	<u>\$1,731,545,079</u>	<u>\$1,698,490,561</u>

Note A—After deduction in 1946 of \$23,254,712, representing estimated refunds of Federal taxes paid in prior years.
Note B—Comprises liability to lessor companies for which the New York Central is obligated to make settlement.
Note C—Includes \$29,405,935 transferred from earned surplus accounts of companies consolidated January 1, 1915.

This balance sheet does not include the assets or liabilities of lessor, affiliated, terminal or other companies, nor the liability of The New York Central Railroad Company as guarantor or under leases or otherwise with respect to the securities or obligations of other companies.

INCOME ACCOUNT

THE NEW YORK CENTRAL RAILROAD COMPANY

RAILWAY OPERATING REVENUES:

	1947	1946
Freight	\$496,734,880	\$409,199,396
Passenger	133,187,777	148,109,502
Mail	20,618,542	15,150,635
Express	10,717,836	2,924,923
All other	42,081,492	41,400,299
<i>Total</i>	<u>\$703,340,527</u>	<u>\$616,784,755</u>

RAILWAY OPERATING EXPENSES:

Maintenance of way and structures (<i>Note A</i>)	\$ 96,276,653	\$ 92,676,937
Maintenance of equipment (<i>Note B</i>)	145,933,566	132,566,900
Traffic	11,177,010	10,456,569
Transportation	319,631,654	290,364,318
General and all other	33,517,974	32,286,769
<i>Total</i>	<u>\$606,536,857</u>	<u>\$558,351,493</u>

NET REVENUE FROM RAILWAY OPERATIONS

Operating ratio	86.24	90.53
Railway tax accruals	52,435,502	23,953,409
Net debits for equipment and joint facility rents	19,848,607	19,032,634

NET RAILWAY OPERATING INCOME

Other income: (<i>Note C</i>)	\$ 24,519,561	\$ 15,447,219
Miscellaneous rent income	\$ 4,279,936	\$ 4,086,857
Separately operated properties	1,501,183	2,493
Dividend income	6,692,465	4,056,573
Income from funded securities	4,354,558	4,164,294
Miscellaneous	4,389,251	4,719,740
<i>Total</i>	<u>\$ 21,217,393</u>	<u>\$ 17,029,957</u>

TOTAL INCOME

Miscellaneous deductions from income	1,911,940	1,967,705
Income available for fixed charges	\$ 43,825,014	\$ 30,509,471
Fixed Charges:		
Rent for leased roads and equipment (<i>Note C</i>)	\$ 19,575,066	\$ 18,998,372
Interest on funded debt	21,102,395	21,273,929
Interest on unfunded debt	750,973	618,889
Amortization of discount on funded debt	90,498	67,549
<i>Total</i>	<u>\$ 41,518,932</u>	<u>\$ 40,958,739</u>

NET INCOME TRANSFERRED TO EARNED SURPLUS

.....	\$ 2,306,082	\$ 10,449,268*
<i>Note A</i> — Includes amortization and depreciation on roadway property	\$ 10,208,066	\$ 10,146,560
<i>Note B</i> — Includes amortization and depreciation of equipment	\$ 21,976,376	\$ 20,464,425
Also includes depreciation of power-plant machinery	\$ 890,931	\$ 860,008
<i>Note C</i> — Included in other income and rent for leased roads are certain inter-company transactions representing credits and corresponding debits amounting to	\$ 3,251,961	\$ 3,070,482
Other income also includes interest and dividends amounting to	\$ 1,456,715	\$ 1,455,980

*Deficit

EARNED SURPLUS ACCOUNT

THE NEW YORK CENTRAL RAILROAD COMPANY

BALANCE TO CREDIT OF EARNED SURPLUS JANUARY 1, 1947 \$263,030,740

ADDITIONS:

Net income for the year 1947.....	\$2,306,082	
Excess over cost of principal amount of bonds acquired.....	2,038,594	
Profit from sale of property.....	279,314	
Sundry items	<u>962,270</u>	<u>5,586,260</u>
		\$268,617,000

DEDUCTIONS:

Surplus appropriated for investment in physical property.....	\$ 914,255	
Prior service accrual — Funded Contributory Retirement Plan.....	1,645,063	
Retirement of road property.....	583,144	
Service loss on leased equipment not covered by depreciation.....	Cr. 221,928	
Sundry items	<u>68,842</u>	<u>2,989,376</u>

BALANCE TO CREDIT OF EARNED SURPLUS DECEMBER 31, 1947 \$265,627,624

MATURING OBLIGATIONS

Of the total funded debt of The New York Central Railroad Company and its lessor companies outstanding on December 31, 1947, the following amounts, including

amounts due the State of New York in connection with certain grade crossing eliminations, mature within the succeeding ten years.

Year	Equipment Obligations	Bonds and Miscellaneous	Total	Year	Equipment Obligations	Bonds and Miscellaneous	Total
1948	\$13,405,280	\$ 558,372	\$ 13,963,652	1954	7,890,000	558,372	8,448,372
1949	13,405,280	558,372	13,963,652	1955	6,340,000	558,372	6,898,372
1950	12,505,280	4,616,372	17,121,652	1956	4,710,000	17,851,372	22,561,372
1951	11,465,280	5,910,372	17,375,652	1957	<u>2,940,000</u>	<u>2,058,372</u>	<u>4,998,372</u>
1952	8,875,280	14,025,372	22,900,652				
1953	8,504,640	3,360,372	11,865,012	<i>Total</i>	<u>\$90,041,040</u>	<u>\$50,055,720</u>	<u>\$140,096,760</u>

D I R E C T O R S

Harold S. Vanderbilt	New York	James A. Farley	New York
Robert F. Loree	New York	Carl P. Dennett	Boston
Edward B. Greene	Cleveland	Lawrence N. Murray	Pittsburgh
George Whitney	New York	Sidney C. Murray	Chicago
William E. Levis	Toledo	Gustav Metzman	New York
Malcolm P. Aldrich	New York	Alexander C. Nagle	New York
Raymond D. Starbuck	New York	William H. Vanderbilt	Williamstown
Joseph M. O'Mahoney		New York	

O F F I C E R S

Gustav Metzman	<i>President</i>	New York
Richard E. Dougherty	<i>Vice President—Assistant to President</i>	New York
Jesse L. McKee	<i>Vice President—Assistant to President</i>	Chicago
Martin J. Alger	<i>Vice President, Traffic</i>	New York
Jacob Aronson	<i>Vice President and General Counsel</i>	New York
Lawrence W. Horning	<i>Vice President, Personnel and Public Relations</i>	New York
Frank J. Jerome	<i>Vice President, Operations and Maintenance</i>	New York
Willard F. Place	<i>Vice President, Finance</i>	New York
John J. Brinkworth	<i>Vice President</i>	Chicago
Fred A. Dawson	<i>Vice President</i>	New York
Carl L. Jellinghaus	<i>Vice President</i>	Detroit
Joseph M. O'Mahoney	<i>Secretary</i>	New York
Gustave H. Howe	<i>Treasurer</i>	New York
Edward A. Clancy	<i>Comptroller</i>	New York

