

SECOND
ANNUAL REPORT
OF
The Directors
OF THE
Pennsylvania Railroad Co.
TO THE
STOCKHOLDERS,

October 31, 1848.

PHILADELPHIA :
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ANNUAL MEETING.

At an Annual Meeting of the Stockholders of the Pennsylvania Railroad Company, held in the City of Philadelphia, December 4, 1848,

Thomas P. Cope was called to the Chair, and Philip M. Price was appointed Secretary.

Samuel V. Merrick, Esq., the President of the Company, presented and read the Report of the Board of Directors.

Judge Kelly submitted a series of resolutions, which, after discussion and amendment, were adopted as follows :

Resolved, That the Report of the Directors be accepted and approved ; and that their judicious and energetic conduct of the affairs of the Company merits our most cordial commendation.

Resolved, That the City of Philadelphia, having already so liberally subscribed, in its corporate capacity, to the capital stock of this Company, no further subscription can be reasonably expected from that source, and that it be urged upon the Directors to take measures for obtaining a subscription for the balance of funds necessary to an entire completion of the work, from the Incorporated Districts of the County, public corporations and private individuals.

Resolved, That impressed with the importance of this undertaking to the citizens of Philadelphia, and having confidence in the

profitableness of the investment, we do hereby pledge ourselves to aid the Directors by additional subscriptions, and in obtaining new subscriptions, until the amount of stock, authorized by law, shall have been taken.

Adjourned.

THOMAS P. COPE,

Chairman.

PHILIP M. PRICE,

Secretary.

After the adjournment of the Stockholders, an election for Directors of the Company for the ensuing year, was held, when the following gentlemen were duly elected.

Directors of the Pennsylvania Railroad Company.

SAMUEL V. MERRICK,

GEORGE W. CARPENTER,

ROBERT F. STOCKTON,

CHRISTIAN E. SPANGLER,

DAVID S. BROWN,

THOMAS T. LEA,

STEPHEN COLWELL,

WILLIAM C. PATTERSON.

By the Mayor, Aldermen, and Citizens of Philadelphia.

JOHN WIEGAND,

MORRIS L. HALLOWELL,

GEORGE HOWELL.

By the Commissioners of the County of Allegheny.

WILLIAM WILKINS,

JOHN H. SHOENBERGER.

SECOND ANNUAL REPORT.

To the Stockholders of the
Pennsylvania Railroad Company.

- The Board of Directors, in pursuance of the requisitions of the charter, submit a brief statement of their transactions for the past year.

The Treasurer's Report herewith submitted, presents a statement of the fiscal affairs of the Company, by which it appears that up to this date, the amount received from instalments paid in, is		-	-	-	-	-	-	\$1,623,710 00
Of which, there has been expended upon the road,		-	-	-	-	-	-	1,108,269 31
Leaving a balance of		-	-	-	-	-	-	\$515,440 69
The amounts of instalments to be collected, is estimated at		-	-	-	-	-	-	1,520,000 00
Showing the funds available for the prosecution of the work, -		-	-	-	-	-	-	<u>\$2,035,440 69</u>

In the month of July last, the Board distributed to the Stockholders the Report of the Chief Engineer, J. Edgar Thomson, Esq.

In that report, Mr. Thomson gave a detail of the operations of the Engineer Department, over the portion of the line on which the location was definitely fixed, to the summit of the Allegheny, and an estimate of the cost of constructing and stocking the whole road to Pittsburgh, including and excluding the Portage Railway.

The estimate of the whole road graded for double track, with single track laid, was		-	-	-	-	-	-	\$9,150,000
For depots, shops, machinery, locomotives, and cars, -		-	-	-	-	-	-	1,990,000
Total cost of road and stock, including road over the mountain,		-	-	-	-	-	-	<u>\$11,140,000</u>

This must be understood as the whole expense of the road, with appurtenances ample to do the heaviest trade that may reasonably be expected, and which would require several years to expend, if the amount were subscribed.

The sum fixed for furnishing the road will not, probably, be all required until some years after the road is in action.

To make the road available to the trade of the country, for the whole distance, at the earliest practicable period, and with the least expenditure of capital, the Portage Railroad will, under the Supplement of the Charter, be brought into use, and the expenditure estimated by Mr. Thomson to effect the object is, for the road, - - - - -						\$6,520,000
For locomotives, shops, depots, and cars, - - - - -						1,340,000
Total for line to Pittsburgh, in connection with Portage, -						<u>\$7,860,000</u>
Of this sum, including conditional subscriptions, there has been subscribed about - - - - -						5,250,000
Leaving to be subscribed, - - - - -						<u><u>\$2,610,000</u></u>

From the expenditures so far as the work has been put under contract, it is assumed that the final cost will not exceed the estimates.

The work you have undertaken naturally divides into two grand sections.

First. From Harrisburg to the base of the mountain, which will connect the links already made, and form a line of road to Johnstown, two hundred and eighty-two miles long.

Second. The line from the western base of the mountain to Pittsburgh, about seventy-six miles long.

The immense importance to the trade of putting the whole line under contract simultaneously, has often been pressed upon the public, but as it may result that the requisite funds cannot be engaged until the work is further developed, and its utility demonstrated by actual use, it is proper to place before you an estimate of the funds required to complete each separately.

It has been the obvious policy of the Board to devote their whole available means to the Eastern Division, in order to make each section available for dividends as fast as it is brought into action.

It will be seen by these estimates, that with very little exertion, the work may be completed in time for the opening of navigation in the Spring of 1850, to Hollidaysburg, a point at which it will command the travel and trade.

ESTIMATE OF COST ON EASTERN DIVISION, TO BE COMPLETED
1ST MARCH, 1850.

Cost of graduation and masonry,	-	-	-	-	\$1,915,200 00
Contingencies and superintendence,	-	-	-	-	240,000 00
Iron rails and superstructure,	-	-	-	-	1,556,000 00
Expenditures for interest, right of way, &c.,	-	-	-	-	355,000 00
					<hr/>
					\$4,066,200 00

To meet this cost, there has already been ex-

pended on the Eastern Division,	-	\$1,063,697 00
Funds in hand,	-	515,440 00
Instalments to be collected,	-	1,520,000 00
		<hr/>
		\$3,099,137 00
		<hr/>
Amount required to complete the Eastern Section,	-	\$967,063 00
		<hr/> <hr/>

THE SECOND DIVISION, WEST OF THE MOUNTAIN, IS ESTIMATED
AS FOLLOWS :

Graduation and masonry, - - - - -	\$1,175,000 00
Superintendence and contingencies, - - - - -	175,754 00
Interest and damages, - - - - -	249,294 00
Iron and superstructure, - - - - -	851,200 00
	<u>\$2,451,248 00</u>
Deduct already expended, - - - - -	46,004 75
	<u>\$2,405,243 25</u>

To meet which there has been subscribed by
the County of Allegheny, and specifically
pledged, - - - - - 1,000,000 00

From the City of Philadelphia, additional sub- scription, - - - - -	*1,000,000 00
Conditional subscription on the line, - - - - -	50,000 00
	<u>\$2,050,000 00</u>
Deficiency, - - - - -	<u>\$355,243 25</u>

In recapitulation therefore, the funds required beyond the present
subscription to open the road to Pittsburgh, are

To the Section east of the mountain, - - - - -	\$967,063 00
To the Section west of the mountain, - - - - -	355,243 25
	<u>\$1,322,306 25</u>

To this must be added, for the gradual increase of machinery,
cars, &c., per estimate, \$1,340,000; of which there will be required
for the ensuing year, and to prepare for the trade to Hollidaysburg,
about \$600,000.

* As the City Ordinance requires that one hundred miles of the road shall be in use before this
additional subscription is made, it will not be available in time for the Eastern Division.

A vigorous effort should now be made to obtain a subscription of *two millions*. If it is promptly made the whole road may be in action by the spring of 1851.

The trade of the city is at stake. The new avenues opened through Ohio, from Cincinnati to Sandusky, and by the Illinois Canal, have already diverted an immense amount of trade and travel from us to New York, and unless this road is soon opened the commercial relations will be so fixed in that city that it will be difficult for us to draw them again into their legitimate channel.

Strenuous efforts, also, are making by the citizens of Boston to form a new avenue, which will draw the trade of the Ohio River to that city at all seasons of the year.

The road from Cincinnati to Cleveland, now in the course of construction, is intended to skirt the southern borders of Lake Erie, and form a junction with the New York roads to Albany.

Fortunately this road has to pass through a corner of Pennsylvania, and its construction is not yet authorized, though it has been earnestly pressed. It is hoped that a measure so suicidal to Pennsylvania interests will never be sanctioned by our State Government.

The competition for the trade of the West is vigorous, and the stake is immense. We have the shortest and the natural road to reach it; the prize is offered to us, and if we stretch out our hands we can take it; but if we have not spirit enough to seize on it ourselves, we shall have no right to complain if rival routes are made to pass our doors by more enterprising competitors.

The city of Philadelphia has already subscribed as large a proportion to the capital as would, under any circumstances, be sanctioned by the citizens, or desired by the Company. Under no con-

tingency, therefore, is it expected that its corporate subscription will be increased, but the whole of the remaining stock must be subscribed by other parties.

Although a subscription to this work has been earnestly pressed upon the business men of the community, as a means of saving and extending their trade, it may, with equal propriety, be presented to the capitalists as a sure and profitable investment.

Without making any calculations of profit, which are very apt to be fallacious, the attention of the stockholders is directed to the fact that the Columbia Railroad, although the State receives from it but a diminished share of its profits, yields about eight per cent. on its cost.

To the fact that the Harrisburg and Lancaster Road, although it has for years been oppressed by circumstances which cannot occur to us, although its locality is such that, until in connection with the Pennsylvania Road, its main source of profit is from passengers only (the trade being absorbed by the Canal), yet its profits last year were over nine per cent., and it has become, and will continue, a steady dividend paying stock.

To the further fact, that the Baltimore and Ohio Railroad, although reaching but half way to the western waters, earns *eight* per cent. per annum, which would now be divided, but for the necessity of devoting the income to the improvement and continuation of the road.

And again, to the fact, that railroads on every leading avenue in the United States have proved to be profitable investments.

With the experience of the whole country to guide and warn us against mistakes—with a determination to incur no debt in the construction of the road—with the shortest route between the waters

of the Atlantic and the Ohio—with a sure prospect of the road being continued through the rich table lands of Ohio, intersecting various roads leading from Cincinnati to the Lakes, this stock is presented to capitalists as an investment, with the most implicit confidence in the result, and an assurance of *six* per cent. per annum, until the road is opened to Pittsburgh, and steady dividends of *eight to ten* per cent. thereafter.

The work, so far, has progressed with rapidity under the direction of our distinguished Chief Engineer, J. Edgar Thomson, Esq., and his able coadjutors. The whole road is under contract as far as Logan's Narrows—distance one hundred and seventeen miles. Above Lewistown its progress is entirely satisfactory, and the whole line will be ready for the rails in the course of the ensuing summer.

Between Lewistown and Harrisburg the graduation and masonry will be completed throughout by the first of January. The contractors are now laying the ballast and preparing the road for the superstructure. About twelve miles of the rails are laid ready for use, and the superstructure of the Susquehanna bridge, above Harrisburg, is more than one-third raised, and will all be done early the next spring.

There is no impediment in the way of opening the whole distance from Harrisburg to Lewistown in the month of May, next, and of completion to Huntingdon, during the year.

To the subjoined letter from the Chief Engineer you are referred for a more detailed statement.

An opportunity occurred, by application of the leading houses engaged in transportation upon the State works, for the Board to declare the policy which would govern the Company in relation to the manner of conducting the business of the railroad.

The gentlemen who addressed the letter were informed that it was the intention of the Company, on the completion of the road, to conduct the transportation by their own machinery as much as possible, consistently with the rights reserved to individuals in the charter; but until the road is finished to Pittsburgh arrangements would be made with private individuals engaged in the business to act in concert with them in carrying the trade through.

The propriety of this policy would seem to be so evident that it would scarcely be necessary to give a reason for it at this time, were it not that attempts have been made by parties whose interests are affected to mislead the stockholders on the subject, and to question the propriety of using the capital of the Company in furnishing stock, instead of devoting the whole funds to building the road.

If it were a question of profit only, it would be the evident policy of the Company to do their own work; for it is well known that where business is done in combination of public and private interest the car owner receives a far greater profit in proportion to his capital than the road and motive power. In fact, the anxiety of the transporters to retain the business proves its value and importance to the Company. In deciding this question, the Company have other important interests to subserve besides their own dividends.

They have to protect the trade from injurious variations, and to reduce the cost of transportation to a minimum price, consistent with a fair return for their capital.

This was the main object of their organization, and must never be lost sight of. The road is being built by the business community for the benefit of trade.

The charges on the Boston and Albany road, now paying respectable dividends, may be, from a similarity in the distance,

grades, and other circumstances, taken as somewhat of a standard for our government at the present moment, although we need not doubt our ability to carry at cheaper rates in consequence of the low price of fuel in Pennsylvania, for on the east of the mountains it is not probable we shall be called upon to pay an average price of more than two and one half dollars per ton for bituminous coal, which is equal to one and a quarter dollar per cord for wood, and on the west of the mountains seventy to eighty cents per ton, which is about equal to the cost of sawing and piling wood in Massachusetts. Now the maximum charges for transporting merchandise over that road is four cents per ton per mile, and the minimum (except for a few staple articles and special contracts) three cents, being an average of three and one-half cents for general merchandise. This rate would produce over the Pennsylvania Railroad eight dollars and seventy five cents per ton, or if the same was continued the whole way, twelve and one-half dollars per ton from Philadelphia to Pittsburgh, or sixty-two and one-half cents per one hundred pounds, a rate for the average about equal to the minimum charge from Philadelphia to Pittsburgh over railway and canal combined.

If, therefore, the foregoing rates afford an ample equivalent, and make good dividends on the Boston and Albany Road, and warrant constant and extensive outlay for machinery, it is very clear that with the advantages of cheap fuel we may expect as favorable results.

In the character of the trade the parallel between these roads may be fairly run, for the trade of both will consist of agricultural products from the west, and general merchandise from the east.

Let us compare these rates with the charges on the Columbia Railroad.

From the best information that can be obtained, the average charge for transportation of merchandise over that road is twenty-

five cents per hundred pounds for eighty-two miles, equal to six and one-tenth cents per ton per mile.

The average charge for toll and motive power made by the State is two and thirty-four one hundredths cents per ton per mile, including all expenses, hence the car owners received three and seventy-six one hundredths cents per ton per mile, to cover the cost of cars, conductors, use of depots, compensation, &c.

It is plain that the charges for toll and motive power on the Columbia Road are fairly remunerating, for that road earns nearly eight per cent. on its cost. It is equally plain that the charges on the Boston and Albany Road are likewise sufficient to cover toll, motive power, and cost of transportation, for the profits are about the same.

Therefore we conclude that the difference between three and one-half cents in one case and two and one-third cents in the other, is ample to cover all the cost of transportation over and above toll and motive power; hence if we deduct the one from the other we have one and sixteen one hundredths cents as an ample remuneration for a service for which the transporters on the Columbia Road charge three and seventy-six one hundredths cents per ton per mile.

Let us look at the effect that is produced on the trade. The whole tonnage upon the Columbia Road during the year 1847 was rising two hundred and thirty thousand tons, and the trade upon the main line, from Philadelphia to Pittsburgh, reached, as nearly as can be ascertained by the imperfect data furnished by the State, about two hundred and fifty thousand. With a limited allowance for the increase which must be incident to more perfect facilities, we may, therefore, fairly assume the trade upon our road when complete at two hundred thousand tons per annum.

We have for total receipts on that tonnage, at $3\frac{1}{2}$ cents per ton		
per mile on the whole distance, or \$12.50 per ton,	-	\$2,500,000
If we deduct for toll and motive power the same rates that are		
charged by the State, $2\frac{1}{10}$ cents per ton per mile,	-	1,666,000
		<hr/>
There will remain for cost of cars and expenses,	-	\$834,000
		<hr/>

A sum ample to cover them, and leave a handsome surplus profit.

If we assume that the rates now charged for freight on the		
Columbia Road are continued over the whole route to Pitts-		
burgh, the amount received for the transportation of two hun-		
dred thousand tons of freight, at $\$21\frac{7}{10}$ per ton, would be	-	\$4,242,000
Deduct toll and motive power, as above,	-	1,666,000
		<hr/>
There would remain,	-	\$2,576,000
In the hands of the car owners, to cover their expenses and		
profits, exclusive of motive power.		

If the amounts reserved for that purpose under the rates charged		
on the Massachusetts Road,	-	834,000
		<hr/>
be deducted, there would remain,	-	\$1,742 000
To the carriers, as a direct and unnecessary tax on the trade, which will be		
avoided if the transportation is conducted by the Company.		

It is hoped that the propriety of the course adopted by the Board will be acquiesced in by the stockholders.

In pursuance of this policy contracts have been made for seventy-five double freight cars and three freight locomotives, upon advantageous terms, to be delivered upon the first of May next. Additions to this machinery will be made from time to time, as it may be required to supply any deficiency of stock in use by individual owners, until the whole road is done.

The importance to the interests of trade, of extending the operations of the Company over as long a line of railroad as possible,

without interruption, and of placing the whole motive power under one uniform management, early met the views of the Directors, and negotiations were entered into with the Harrisburg and Lancaster Railroad Company to effect this object, and enable them to run their motive power to the junction of the State works.

In this negotiation the Directors were met in a frank and liberal spirit by that Company, and an arrangement has been effected, to endure for twenty years, based upon an equitable division of the receipts, proportioned to the capital and expenses of both parties engaged, which cannot fail to be mutually advantageous—and add to the value of both stocks. The objects the Board had specially in view in this negotiation was not the direct profit which might be derived from the working of that road, but the public convenience which would result from a uniformity of action between the two roads, uniformity of rates on the through trade, and the economy incident to the connection, which will enable the parties to dispense with one establishment for the care of the machinery and its concurrent expense. These objects cannot be conveniently attained under separate managements.

The main features of the arrangement agreed upon are as follows :

First. This Company agree to purchase, as soon as the road is open to Lewistown, all the locomotives, cars and machinery belonging to the Harrisburg and Lancaster Railroad Company, at a valuation.

Second. The motive power of the Pennsylvania Railroad Company will be exclusively run upon the Harrisburg and Lancaster Railroad.

Third. The Harrisburg and Lancaster Railroad Company undertake to maintain their own road in repair, to replace the flat

bar with H rail during the ensuing year, and lay a second track as soon as the trade may require the same.

Fourth. The Pennsylvania Railroad Company engages to convey over the Harrisburg and Lancaster Railroad, at all times, without delay, passengers or freight cars belonging to other companies or individuals.

Fifth. The charges for the local business, or that which *does not* pass over any portion of the Pennsylvania Railroad, are to be regulated by the Harrisburg and Lancaster Company. But the charges upon all freight and passengers which *does* pass over any portion of the Pennsylvania Railroad are to be governed by the charges on the Pennsylvania Railroad.

This arrangement will very materially facilitate the trade by enabling this Company to work their time schedule to the State road within a few hours run of the City, and maintain uniform rates of charge over this additional distance.

This contract will have a beneficial bearing upon the interests of the State, as by it the whole trade of the Pennsylvania Railroad, which might otherwise have been diverted, is secured to the Columbia Railroad, a consideration of great weight with all tax payers.

The necessity of an early commencement of the Western Division of the road, with a view of completing the whole simultaneously, pressed itself seriously upon the Board, and with a view to effect this, authority was granted by the Legislature to certain corporations to subscribe to the stock of the Company in the supplement to the charter, which has already been accepted.

In pursuance of this object, the question was brought before the people of the County of Allegheny in May last, who, after a deliberate and careful examination of the subject, and its bearings

upon the interests of the community, (during which it was freely canvassed by the public press) elected delegates to a convention called to advise with the Commissioners of the County.

That convention met upon the 31st of May, and advised the Commissioners to make the subscription on behalf of the County of twenty thousand shares of stock, which has been done.

On making the subscription, the Commissioners required of the Directors of this Company assurance that the supplement to the charter had been accepted by this Company, and that under that supplement, interest on the stock would be paid to them as stockholders until the road was finished, and that this Company would accept the certificates of loan in payment of the stock.

As it would be more convenient, and facilitate the sale of these bonds, to make the interest payable in Philadelphia, it was agreed that the bonds should be issued with coupons attached, payable at the office of the Company, the interest accruing upon the stock of the Company to be applied to the payment of the coupons, so long as the Company is responsible for the interest on their stock—after which period all the dividends which may be due from the profits of the road, are to be applied to the same purpose, any excess of dividends over six per cent. per annum to be paid over to the County Commissioners, and any deficiency to be made up by them.

The Commissioners made a further condition, that the terminus of the road should be within the limits of the City of Pittsburgh.

In consequence of this condition it became necessary to secure a site of ample capacity for the trade in a suitable location, before the Board could accept the county subscription. In selecting the location for the Company's depot, the convenience of the trade and the interests of the Company required that it should be upon the

navigation, and that access should be had to it by machinery, dispensing with the use of horse power; as no private property could be purchased at a reasonable price, answering the requirements of the Company, a site was selected on the river bank belonging to the Corporation, and application was made to the City Councils for the perpetual use of it, which it was believed could be granted without interfering with the wharf revenues of the city.

The Councils favorably entertained the application, and granted the use of a lot on the river front, upon the confluence of the Allegheny and Monongahela rivers, so long as the Company might require it, two hundred feet wide and nine hundred feet long, at an annual rent of three thousand dollars for the whole, or in like proportion for the quantity of land used, the rent to commence upon the occupancy of the buildings. As the depot will be built on the slope of the river bank, one side of it will rest upon the street, while the other side will be raised on piers—thus securing to the city the free use of the landing underneath the building. As the depot will pass one of the principal streets, the right of a passage under the road was reserved for the convenience of the citizens.

The city also granted to the Company the use of the principal street on which to lay the rails, and the right to run to the depot with their cars and machinery, at a speed not exceeding four miles per hour. By this arrangement the Company have secured a location for their depot, unequaled either for their own merchandize business, or for the convenience of their customers, in the whole city plot, which will save all expense of carriage to the trade, and save the expenditure of capital to an extent of not less than one hundred and fifty thousand dollars. The condition of the subscription and of the arrangement with the City of Pittsburgh, were laid before the Board on the 28th June, 1848, and unanimously approved.

The certificates of loan are in the course of preparation, and as soon as they are received, measures will be taken for their disposition, in order to enable the Board to carry out their own desires and meet the wishes of the citizens of Allegheny, by an early commencement of the Western Division of the road.

The route on the western side of the Alleghenies has not yet been finally determined. The uneven surface of the country and other considerations, presented obstacles to the determination of this question, which required the most elaborate and careful surveys to overcome. These surveys have been prosecuted with great industry and skill, and may be expected to close during the present month. As soon as they can be compared, and an estimate made of the cost and relative advantages of each, a decision will be had.

A great spirit of liberality has been evinced by the property holders on the several lines west of the mountains, a free release having been given by nearly nine-tenths of the owners on two of the lines, and a large proportion on the third, besides a liberal conditional subscription to the stock of the Company.

The operation of the section of the supplement relating to the assessment of land damages has in the main been very satisfactory. Juries of assessment have given awards in nearly all the cases in Perry, Juniata, and Mifflin Counties, and with few exceptions they have been made upon just and fair grounds between the parties, and in those deemed too high there was an evident error in the construction of the law, in consequence of which exceptions have been filed.

The flagrant injustice done to the Company by the juries under the old law, in Dauphin County, induced the Board to appeal to the Supreme Court of the State.

The awards of the County Courts were all reversed, and an able decision by the Supreme Court, setting forth the principles upon which these awards should be made, has tended to place the subject upon such grounds as will ensure justice between the parties. When these cases are reviewed by a jury, it will be appointed under the supplement, and fair awards may be expected.

It is gratifying to observe that the exertions now making by Pennsylvania to complete a line of road from the Atlantic to the Ohio waters, is likely to be effectually seconded by our fellow citizens in Ohio and western Pennsylvania. The charter for the Pennsylvania and Ohio Railroad Company, which is an extension of our railroad through the table lands of Ohio, has been accepted, and sufficient stock subscribed along the line to organize the Company.

The charge of the surveys on this route was entrusted to our fellow citizen, S. W. Roberts, Esq., who has been engaged since midsummer, with his characteristic energy, in prosecuting the work under his charge.

Although no reports have yet been published, sufficient information has reached us to warrant the assurance that our line will be continued through Ohio, by the time the Pennsylvania Railroad reaches Pittsburgh, thus opening an avenue more than five hundred miles long, drawing its merchandize and passengers from one of the richest portions of the western country, and opening an entire new trade to Philadelphia.

The Board have great pleasure in being able to congratulate the stockholders upon the prospect which opens to them, not only of profitable dividends on their investment, but on a large increase of trade to the city and state.

During the past year the Board have to regret the loss of two of their number by resignation, Thomas P. Cope, Esq., and Robert Toland, Esq., gentlemen whose interest in the work is unabated, and to whom the Company are deeply indebted for the efficient aid given to the enterprise, in its origin and in its permanent organization.

All of which is respectfully submitted,

By order of the Board.

S. V. MERRICK, *President.*

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Engineer Department, Pennsylvania R. R. Co.

Philadelphia, November 20, 1848.

SIR:—The Annual Meeting of our Stockholders occurs just at the period of closing our field operations, which renders it impossible for us to collate the results of our labors during the season in time to submit them in proper form for their consideration. I would, therefore, prefer omitting my Annual Report until all of the information that is desirable to embody in such a document can be prepared. I may also take this occasion to observe that the period designated for the assembling of our Stockholders will not hereafter be found to be the most convenient for the preparation of that full and detailed information in relation to their work which should always be laid before them, and I would respectfully suggest the propriety of its change to the second Tuesday in February, the accounts to be closed on the last day of the year.

The surveys of the several lines upon the Western Division, referred to in my Annual Report, will be finished by the beginning of next month.

As soon as the maps and estimates can be prepared the results of our examinations will be communicated to the Board, from which they will be enabled to decide upon the route to be adopted for that portion of their work. The question will not be one wholly dependent upon the engineering facilities of the respective routes, but it will involve financial and local considerations which they will be more competent to decide upon than their Engineer.

The location of the Eastern Division has not yet been entirely completed, but it will be closed in a few weeks. It is believed,

however, that the estimate of the whole line, contained in my last Annual Report, founded, for a large portion of the distance, upon experimental surveys, will not vary materially from the results which will be obtained from an actual location of the road.

The estimate then given may be condensed and restated as follows: Assuming the maximum gradient of the Western Division to be $52\frac{8}{10}$ feet per mile, if changed to 50 feet, the cost of that Division will be increased forty thousand dollars.

ESTIMATE.

Graduation, &c., Eastern Division, - - -	\$2,265,200	
Superstructure of Eastern Division, - - -	1,556,800	
Land damages and fencing, - - -	110,000	
Interest account, - - - -	255,000	
		\$4,187,000
Graduation, &c., Western Division, - - -	\$1,692,506	
Superstructure of Western Division, - - -	851,200	
Land damages and fencing, - - -	44,294	
Interest account, - - - -	195,000	
		\$2,783,000
Total, - - - - -		\$6,970,000

Graded for a double track and a single track laid. In my report I estimated the probable saving upon the whole line, by grading, partly for a single track, to be \$450,000. I should have added that \$340,000 of this sum is due to the Western Division. Upon the Eastern Division the work is mostly side-hill cutting and filling, where but little saving can be effected, unless the line was laid without reference to a double track hereafter.

The grading upon the Western Division, let in July, 1847, has been abandoned by the contractors, owing to the low prices at which it was taken, after payments upon it had been made, to the

amount of \$7,498—a result that has not proved injurious to the interest of the Company, as it is their evident policy, with the limited resources at our command, to confine their efforts to the Eastern Division. And when the means shall be obtained to prosecute the Western Division, it should be made a portion of the continuous line, by commencing at the Allegheny Portage Road, instead of Pittsburgh.

The work upon the Eastern Division progressed slowly, owing to the scarcity of labor, until August last, when we received a rapid increase to our force, driven to us chiefly by the embarrassments in the coal region. Since that time, the grading has advanced with much spirit, and we feel full confidence in being able to complete the road to Lewistown early in June next. But for a disappointment in receiving the amount of iron contracted for, before the close of navigation, we could finish to that point in May. About twelve miles of the superstructure is now laid, and all of the iron received will be put into the track before the Spring opens; this will be sufficient to carry the road to Millerstown, and will enable us to place it in use to that point on the completion of the Susquehanna Bridge, which if nothing untoward should occur, will be passable by the close of April.

The Board having decided to complete the Eastern Division with the least possible delay consistently with the judicious expenditure of their means, we caused the heaviest portions of the work above Lewistown to be prepared for contract last year. These, consisting of a long deep cut back of Newton Hamilton, and a tunnel through a point of Tussey's Mountain, have progressed very satisfactorily. The latter, which it was thought would prove the greatest source of delay, now makes such regular daily advances, that the time of its completion can be computed with much certainty. We apprehend no difficulty from these sources, in finishing the road to Huntingdon

by the close of next year, and to Hollidaysburg during the following Spring, the periods heretofore promised.

The road bed is now under contract, continuously from Harrisburg to Logan's Narrows, a distance of 117 miles, leaving still to be contracted for, to reach Hollidaysburg, about 20 miles, upon which there is no *very* heavy work.

It will be perceived, by comparing the estimate of the cost of the work, with the subscription list, that there is still a deficiency of means applicable to the Eastern Division, to enable us to reach the Allegheny Portage Railroad. All the iron necessary for this division was contracted for at an early date. Contracts for the other portions of the work have been made from time to time, until the amount of obligations for road construction, yet to be incurred to complete the division, has been reduced to about \$400,000. Adding this amount to the estimated saving (\$110,000) for a single track, and deducting the sum from the estimated cost of the division, it will be seen that our present obligations (including land damages and interest) have been extended to more than \$3,600,000.

To fill up the deficiency in the stock list, to enable us to complete the work unembarrassed by debt, the Board have doubtless a safe reliance upon the enterprise and resources of the citizens of Philadelphia, and the adjoining districts. The money is not required for a work of doubtful issue, either in the direct returns it promises to the shareholder, or, its equally important bearing upon the continued prosperity of the city, to which it is essential.

The acknowledged superiority of her route to the West, both as regards its directness and gradients, and the admitted advantages of railroad transportation over all other artificial means of commercial intercourse, presents now to Philadelphia the opportunity of regain-

ing her former pre-eminence, in the contest with her sister cities for the western trade. The advantages she possesses over her rivals in this contest, are of a real and substantial character, such as must insure success, and are sufficient to enlist the united efforts of the whole of the citizens of the city and districts, to the extent found necessary to carry the work into complete and successful operation. With an abiding confidence in the result, strengthened by my own convictions of the profitableness and importance of the enterprise, I recommend an appeal to them for further subscriptions, at the earliest convenient moment.

Very respectfully,

Your obedient servant,

J. EDGAR THOMSON,

Chief Engineer.

To S. V. MERRICK, Esq.,

President.

THE TREASURER REPORTS

AMOUNT RECEIVED FROM STOCKHOLDERS IN PAYMENT OF

First instalment.....	\$317,515
Second ".....	310 495
Third ".....	309,935
Fourth ".....	299,980
Fifth ".....	290,335
Sixth " <i>in advance</i>	41,345
Seventh " ".....	15,995
Eighth " ".....	12,805
Ninth " ".....	12 660
Tenth " ".....	12,645

\$1,623,710

AMOUNT EXPENDED ON EASTERN DIVISION.

For graduation and masonry.....	\$546,855 19
For superstructure, iron rails, cross ties, sills, bridges, &c., &c.....	312,112 74
For Engineer Department.....	65,760 42
For land damages, fencing, real estate, &c., &c..	58,701 60
For organization and expenses.....	23,683 65

\$1,007,113 60

WESTERN DIVISION.

Graduation.....	\$7,498 00
Land and fencing.....	8,014 96
Engineer Department.....	30,491 79
Construction.....	46,004 75
Cars.....	50,390 96
Balance in hands of Agents.....	4,760 00
Balance in hands of Treasurer...	\$31,866 77
	483,573 92

515,440 69

\$1,623,710

E. E. PHILADELPHIA, *October 31, 1848.*

GEORGE V. BACON,

Treasurer.