



SOME DATA ON THE OPERATIONAL RESULTS OF PRIVATE RAILWAYS IN RUSSIA IN 1901–1904

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By now, the Ministry of Finance has received reporting data on the operation of Russian private railways for the past 1904, i.e. for the year at the beginning of which the peaceful progress of economic life was disrupted so abruptly, and during the eleven months of which military operations were taking place in the Far East.

In view of this, it would not be uninteresting to compare the said reporting data for 1904 with the corresponding data for the closest preceding years.

Turning to the contemporary state of private railway business in Russia, it should be mentioned that, out of all the private railways currently in operation, all lines of common importance (about 17,000 versts*) are in the purview and responsibility of eight joint stock companies, namely the Warsaw-Vienne, Vladikavkaz, Lodz, Moscow-Vindava-Rybinsk, Moscow-Kazan, Moscow-Kiev-Voronezh, Ryazan-Ural, and Southern-Eastern Railways, in the profitability of which the State Treasury is, one way or another, interested, since under the Charters of the said companies, the Treasury receives a certain share, defined in each individual Charter, of the net profit of the corresponding Railway.

All these Companies, either evolved or formed through merges out of the old railway companies at the very end of the last century, had been engaged, since 1891, in a rather intense construction activities, thanks to which the railway grid of European Russia was enriched with several thousand versts of new railway track.

Let us now look at what the end financial results were of the operation of the said eight railway enterprises for the first year of the 1904 war, and compare these results with the data for the closest preceding three-year period of 1901–1903.

Over the period of 1901–1903, the total net profit of all these companies (after subtraction from the net income — i.e. the taxable income net of all operational costs — of all mandatory payments**) was:

Year	Million Rubles	Year	Million Rubles
1901	8.9	1903	13.9
1902	8.7	1904	15.1

which amounted to an average per-verst profit, for all the tracks operated by the aforementioned eight companies, of 605.552***), 845 and 921 rubles, respectively.

Out of these net profits, payments to the Treasury were made: to pay back the debt on the guarantees of the previous years, and to pay the Treasury's share in net profits:

Year	Million Rubles	Year	Million Rubles
1901	2.4	1903	5.9
1902	3.0	1904	7.6

and then deductions were made to pay the dividends on shares — on top of the guaranteed income — including coupon taxes.

*) Leaving out of count railways of purely local purposes, and approach tracks.

**) Interest on and payback of bond capital, loans from the Treasury, lease payments for state-owned railways; guaranteed income from shares and payments to the reserve capital; payback of non-guaranteed shares; bonuses to officers and directors, to the founders; as well as any adjustments calculated by the Royal Commission auditing annual reports of private railways.

***) A certain reduction for 1902 is explained by the fact that, in spite of a greater net income in 1902 (60.7 million rubles) as compared to 1901 (54.1 million rubles), the net profit for 1902 decreased against 1901 due to a rise in payments on bond capital in view of the commissioning, over 1901, of a significant amount (1,732 versts) of new lines, mostly in the last quarter of the year.

Year	Million Rubles	Year	Million Rubles
1901	6.5	1903	7.7
1902	5.7	1904	7.5

With respect to the share of these companies' net profit distributed to their shareholders over 1904 — which decreased somewhat as compared to 1903 in spite of a greater net profit earned and split between the Treasury and shareholders — it should be noted that such a development finds its explanation in the fact that in 1904 the net profit of those companies where the Treasury is entitled to half of the profit (the Warsaw-Vienna Railway) was somewhat smaller, while the net profit of those companies where under their Charters the share of the Treasury is equal to 3/4 of the net profit (the Vladikavkaz Railway Company), or to 9/10 of the net profit (after the deduction of a certain interest on shares to pay the debts on the guarantees) (the Southern-Eastern Railway Company), grew.

Such were the general financial results of the operation of the private railways under review in the period of 1901–1904 for the shareholders of the said eight companies.

As to the other party that is interested in these operational results, the State Treasury, it should be borne in mind that, along with a share in the net profits discussed above, the Treasury had, in the same period of 1901–1904, and in view of insufficient net incomes of some lines, to bear the costs associated with the payment of capital guarantees, which costs had been incurred by both the companies and the government, in the total amounts of:

Year	Million Rubles	Year	Million Rubles
1901	11.6	1903	7.3
1902	9.4	1904	6.5

On balance, although the railway grid operated by the eight private companies did require expenditures on the part of the Treasury in 1901, 1902 and 1903, these expenditures were consistently shrinking, amounting to:

Year	Million Rubles
1901	(11.6–2.4=) 9.2
1903	(9.4–3.0=) 6.4
1902	(7.3–5.9=) 1.4

In 1904, the Treasury made a net profit of (7.6–6.5=) 1.1 million rather than incur an expense.

The cited numerical data provide evidence that the current war did not, on the whole, get in the way of the previously observed gradual growth of the earning capacity of the eight private companies mentioned above.

There is no doubt that such quite satisfactory operational results of 1904 were to a significant extent influenced by the ample yield of crops in that year; and since not all of these crops have reached the markets yet — in part due to stock accumulation on many railways and in part because of market circumstances — these crops will have a continued influence on the profitability of railways in the current year, 1905, thanks to which the results of private railway operations will likely be favorable to both the shareholders and the Treasury in this year as well.

(*Zheleznodorozhnoe delo* [Rail business], 1906, Iss. 46, P. 497) ●

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