The Pennsylvania Railroad’s Southern Rail Empire

In the decade of the 1870’s, the expanding Pennsylvania Railroad put together a loosely joined rail empire consisting of a dozen railroads in seven southern states stretching from Virginia to Mississippi and Tennessee. While many southerners in the postwar years had eagerly sought northern capital for their stricken railways, their entreaties up to 1870 had rarely resulted in more than visits of railroad carpetbaggers. Now, in the new decade, the Pennsylvania Railroad offered the South a pattern of railroad progress supported by the stable financial backing of a successful corporation, rather than the dreams and promises of penniless politicians and promoters.

In the postwar years, the Pennsylvania Railroad continued a prosperity well established before and during the Civil War. Both during and after the war, President John Edgar Thomson’s road paid cash dividends ranging from eight per cent to ten per cent. When the Pennsylvania started to look southward it was already a giant compared to the railways of the South. It had a capital structure (capital stock and funded debt) one quarter as large as the total railroad investment in the ten southern states from Virginia to Louisiana. The road’s gross earnings of $22,000,000 in 1872 were half as great as the total for the seventy major lines in the South. Clearly, the Pennsylvania Railroad had both the size and the financial stature necessary for an adventure in southern railroading.

The adventure started in Maryland. The Pennsylvania had earlier acquired entry into Baltimore with its acquisition of the Northern

3 Ibid., xlvii–xlviii, 566.
Central Railway, a 138-mile line extending from Baltimore via Harrisburg to Sunbury, Pennsylvania. Control of the line was obtained shortly after the election of 1860 when a monetary panic in Baltimore had forced the rival Baltimore and Ohio to dispose of its controlling interest in the road. While this new road afforded the Pennsylvania a connection with Baltimore, the Baltimore and Ohio had to be used for service to Washington. Having the only line connecting the two cities, and naturally wishing to maintain its monopoly, the Baltimore and Ohio refused to accommodate the Pennsylvania by permitting through trains, the selling of through tickets, or even the checking of baggage. The Pennsylvania retaliated by selling special tickets to passengers going from Harrisburg to Washington. Just before reaching Baltimore the conductor took up the special tickets and handed the passenger an envelope containing money for both the transfer across Baltimore and a Baltimore and Ohio ticket to Washington.

Every effort to obtain reasonable terms with the rival road having failed, the Pennsylvania decided to build an independent line from Baltimore to the nation’s capital. President Thomson and his able assistant Thomas A. Scott bought from some planters in southern Maryland the Baltimore and Potomac Railroad, a line intended to run from Baltimore to Pope’s Creek, a town forty miles south of Washington. The Maryland charter of the company permitted the construction of branches up to twenty miles in length. After obtaining Congressional permission early in 1867 to build such a branch into the District of Columbia, the Pennsylvania started construction in 1868. The nineteen-mile branch into the new depot facing “The Mall” just north of the Capitol building was completed on July 2,
1872, and the "main line" to Pope's Creek was put into operation the following summer.9

Even before his branch line reached Washington, Vice-President Tom Scott was looking farther southward. With his friend and business associate Simon Cameron back in the Senate, it was easy for Scott to obtain, in June, 1870, Federal approval for the extension of the Baltimore and Potomac across the Long Bridge over the Potomac, where it could connect with the Virginia railroads.10 Both Scott and Thomson saw this developing southern route as one which would provide a continuous railway line to all important points in the southern Atlantic states.11

Before crossing the Potomac, the Pennsylvania Railroad established a holding company for the purpose of securing control over connecting railroads to the south. Early in 1871, Tom Scott and his associates in the Pennsylvania organized the Southern Railway Security Company, one of America's earliest holding companies.12 The associates of Scott and Thomson were all men of substance and many of them were in the Pennsylvania management family. The president of the holding company, George Washington Cass, was also president of the Pittsburgh, Fort Wayne and Chicago, a road leased in 1869 by the Pennsylvania. Another member of the board, James Donald Cameron, son of Simon Cameron, had long been associated with his father in managing the Northern Central Railway. Others in the group included Henry Bradley Plant, a southerner by adoption, William T. Walters and Benjamin F. Newcomer of Baltimore, James

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9 Poor, Manual of the Railroads . . . for 1885 (New York, 1885), 362. A controversial (with the B. & O.) tunnel under Baltimore to connect the new Baltimore and Potomac with the Northern Central was finished also in 1873. President John W. Garrett of the B. & O. complained bitterly about this competition, especially since his own company was still forced to pay to the state of Maryland a special 20% tax upon the passenger revenues of its Washington branch. Forty-Ninth Annual Report of the Baltimore and Ohio Railroad Company (Sept. 30, 1875), 9. As a result of the new Pennsylvania service, the revenue of the B. & O. Washington branch dropped from $485,000 in 1871-1872 to $346,000 in 1874-1875.

10 The Railroad Gazette, Jan. 21, 1871; Samuel R. Kamm, The Civil War Career of Thomas A. Scott (Philadelphia, 1940), 191; Schotter, 86-87.


Roosevelt of Hyde Park, and Richard T. Wilson, the only native southerner in the group.13

Early in 1871, Tom Scott and his friends in Virginia sought to obtain a connecting route between the Potomac River and Richmond. Although opposition from local railroad interests was intense, Scott managed to persuade the state of Virginia to charter the Washington and Richmond Railroad in March.14 However, rather than build the new road, the Pennsylvania shifted its plans to an older line, the Alexandria and Fredericksburg, an extension of which soon gave them connecting service with the Richmond, Fredericksburg and Potomac at Quantico.15

Two lines, the Richmond and Petersburg Railroad and the Richmond and Danville Railroad, both running south from Richmond, were the next concern of Scott and the Southern Railway Security Company. The significance of the twenty-five-mile-long Richmond and Petersburg was its connection at Petersburg with the expanding east and west Mahone system; moreover, it was also one of the connecting lines to Weldon, North Carolina. South of Weldon, two important lines, the Wilmington and Weldon and the Wilmington, Columbia and Augusta, earlier acquired by the Walters and Newcomer interests in Baltimore, gave the Southern Railway Security Company a firm grip on the coastal lines of the two Carolinas.16 Since the state of Virginia had decided in 1870 and 1871 to liquidate its extensive holdings of stock in Virginia railroads, it was not too difficult for Scott to acquire a controlling interest in the Richmond and Petersburg, even against the local opposition of General William Mahone.17

14 The Railroad Gazette, Feb. 25, Mar. 4 and 18, 1871.
15 Poor, Manual of the Railroads . . . for 1872-1873 (New York, 1872), 593; Poor, Manual of the Railroads . . . for 1877-1878 (New York, 1877), 349. Reports later in 1871 that the Pennsylvania also controlled the R. F. and P. were probably false. Commercial and Financial Chronicle, Dec. 23, 1871; Burgess and Kennedy, 273-274.
17 Ibid., Mar. 25, 1871; Commercial and Financial Chronicle, Apr. 1, 1871; Nelson M. Blake, William Mahone of Virginia, Soldier and Political Insurgent (Richmond, Va., 1935), 120.
The Richmond and Danville Railroad, a 190-mile line from Richmond to Greensboro, North Carolina, was a more important objective of the Scott group in Virginia. Using again the legislation which permitted the sale of Virginia-owned railroad stock, Scott purchased the controlling block of 24,000 Richmond and Danville shares from the state during the summer of 1871.\textsuperscript{18} Already one of the major railroads in the upper South, the Richmond and Danville, under the direction of Scott, became the very center of the growing Southern Railway Security Company network.

Opposition to Scott's purchase was intense, especially by local railroad groups such as William Mahone's Atlantic, Mississippi and Ohio Railroad. Stories were current that Scott had assured success of his scheme by giving James Walker, the governor's brother, 2,000 shares of the stock for his services.\textsuperscript{19} During the negotiations, Pennsylvania money available in Richmond was said to be "as plentiful as mud in the James River," and Scott was reported to have graced the parlors of a local hotel with two gigantic bowls, one filled with punch, the other with greenbacks.\textsuperscript{20} Scott was also supposed to have won his seductive way with the Virginia legislators by importing "abandoned women" from Philadelphia and New York.\textsuperscript{21} Despite such rumors of Scott's tactics, the president of the Richmond and Danville, A. S. Buford, fully endorsed the exchange in ownership and predicted that his railroad would "now go on unrestrained to the fulfillment of its high destiny of combination and development and expansion into a great thoroughfare, grander in its proportions, stronger in its resources, and more beneficent in its influences upon the commerce . . . than even its enthusiastic and sagacious originators contemplated in its inception."\textsuperscript{22} And up in Pennsylvania President Thomson was well pleased with Tom Scott and their growing southern network.\textsuperscript{23}

\textsuperscript{18} Commercial and Financial Chronicle, Apr. 13, 1867; The Railroad Gazette, Mar. 18, 1871; Harrison, 93-94; Southern Railway Valuation Docket No. 556, Report of Accounting Section (Richmond and Danville), II, 225, Record Group 134, National Archives.
\textsuperscript{19} Blake, 120.
\textsuperscript{20} New York Times, Aug. 30, 1889.
\textsuperscript{21} Ibid.
\textsuperscript{22} Twenty-Fourth Annual Report, Richmond and Danville Railroad Company (Richmond, Va., 1871), President's Report.
\textsuperscript{23} Twenty-Fifth Annual Report of Board of Directors, Pennsylvania Railroad (Feb. 20, 1872), 20-21.
South of Virginia, the expansion of the Pennsylvania empire was rapid. Scott's next major objective, using the Richmond and Danville as the parent line, was to create a new through-line from Richmond to Atlanta. The first step in this project was the acquisition of working control over the 223-mile North Carolina Railroad, a line that formed a crescent route from Goldsboro via Raleigh, Greensboro, and Salisbury to Charlotte. Even before the Pennsylvania had acquired the Richmond and Danville, the latter line had cast designing eyes upon its southern connection. Now, with Scott in control, the Richmond and Danville employed former Governor Thomas Bragg to help obtain a lease of the southern line. In a secret night meeting, September 11, 1871, the board of directors of the North Carolina leased their road to the Richmond and Danville for thirty years at an annual rental of $260,000.24 In justifying the lease to his stockholders, President Buford of the Richmond and Danville claimed that the lease was not only liberal and just to the North Carolina road, but also saved the Richmond and Danville $2,000,000 which would have been required to build a competing line toward Atlanta.25 The North Carolina was valuable to the growing Pennsylvania rail empire not only because it ran toward Atlanta, but because the eastern half of the road, that running from Greensboro to Goldsboro, connected with an earlier acquired line, the Wilmington and Weldon.

At Charlotte, the southwestern terminal of the North Carolina Railroad, the Southern Railway Security Company was interested in two roads. The older of the two, the Charlotte, Columbia and Augusta Railroad, as its name indicated, crossed the state of South Carolina and connected at Columbia with the second of the roads controlled by Walters and Newcomer, the Wilmington, Columbia and Augusta.26 Shortly after acquiring the North Carolina Railroad, Scott and his associates started to buy control of the Charlotte, Columbia and Augusta. Within a few months they owned 13,024 shares, a majority of the capital stock, and in 1872 both Walters and

25 Twenty-Fourth Annual Report, Richmond and Danville Railroad Company (Richmond, Va., 1871), President’s Report.
26 In the case of the Wilmington, Columbia and Augusta the route of the railroad did not live up to its name since the road ended at Columbia, S. C.
Newcomer were included in the Board of Directors of the new acquisition.27

But the more important road south and west of Charlotte was the projected Atlanta and Richmond Air-Line Railroad. Some months before the arrival of Tom Scott and his holding company, the Richmond and Danville was planning the construction of a new direct rail route from Charlotte to Atlanta.28 After obtaining the necessary charters from Georgia and the Carolinas in 1869, construction was started and more than fifty miles of the line was in operation north of Atlanta by 1871. The Richmond and Danville furnished much of the original money for the project, but the Pennsylvania was indirectly responsible as well.29 The 265-mile air line route was completed in the summer of 1873. The entire route from Richmond to Atlanta was called the Piedmont Air-Line, and the Richmond and Danville promised a sixty-six-hour service from New York to New Orleans without change of cars.30 Unfortunately for the Atlanta and Richmond Air-Line, its first year of through service coincided with the Panic of 1873. As a result, the road fell into financial difficulty and was soon in receivership.31

Long before the completion of the Atlanta and Richmond Air-Line, several members of the Pennsylvania-Southern Security group had become interested in railroads at Atlanta, specifically the Western and Atlantic Railroad. This strategically located 138-mile line connecting Atlanta and Chattanooga had been built by the state of Georgia, and during the carpetbag regime had fallen under the corrupt management of Governor Rufus B. Bullock and his henchmen. By the fall of 1870, public clamor against the graft-ridden operation of the state-owned line was so intense that the carpetbaggers sought the safety of a long-term lease of the road from the state.32

28 The Railroad Gazette, July 23, 1870.
29 Ibid., Jan. 9, 1875; Commercial and Financial Chronicle, Feb. 19, 1876; Stuart Daggett, Railroad Reorganization (Cambridge, Mass., 1908), 147.
31 Commercial and Financial Chronicle, Aug. 15, 1874, Oct. 30 and Nov. 6, 1875.
Soon rival local railroad groups were preparing bids for the projected leasing arrangement. A resulting deadlock was broken only as new names were added to a compromise group, the names being those of the well-placed northern Republicans, Senator Simon Cameron and Thomas A. Scott. The road was leased in December, 1870, for twenty years to a group including not only Scott and Cameron, but also such Pennsylvania supporters as H. B. Plant and William T. Walters.33

Having thus at least a share in the control of a line reaching the railroad center of Chattanooga, Scott and the Pennsylvania Railroad next turned to the railroads of Tennessee.34 The major line in the eastern part of the state was the recently consolidated East Tennessee, Virginia and Georgia Railroad, a 269-mile road running from Dalton, Georgia, and Chattanooga to Knoxville and Bristol. By 1869, Richard T. Wilson, a southerner who had moved to New York after the war for a career in banking, was in substantial control of this road, although Colonel Thomas H. Callaway, one of the original promoters, was still president.35 Wilson succeeded Callaway as president upon the latter's death in 1870, and a year later sold a controlling interest in his company to the Pennsylvania Railroad for $1,000,000.36 The Pennsylvania paid Wilson, a member of the Southern Railway Security Company, par for his stock. Before long, General Mahone, president of the line east of Bristol, was accusing Wilson of reaping huge personal profits, having originally purchased the stock for only 30¢ to 60¢ on the dollar.37

The Pennsylvania officials also became interested in the connecting road to the west, the 270-mile Memphis and Charleston.38 Shortly after buying Wilson's stock in the East Tennessee, Virginia and Georgia, the Pennsylvania group, through the Southern Railway Security Company, started to negotiate for the western property. On March 5, 1872, they leased the Memphis and Charleston for ninety-

34 The Railroad Gazette, Jan. 21, 1871.
36 Commercial and Financial Chronicle, Sept. 24, 1870, and Nov. 4, 1871.
37 Ibid., Nov. 4, 1871; The Railroad Gazette, Nov. 23, 1872.
38 The line actually ran only from Memphis to Stevenson, Ala. It used the tracks of the Nashville and Chattanooga to reach Chattanooga.
nine years, agreeing to pay bond interest and dividends of three per cent for the first five years and six per cent thereafter. The new property never returned a profit to the Pennsylvania, even before the Panic of 1873, and in April, 1874, the lease was abrogated by the mutual consent of both parties.

While some of the property of the Southern Railway Security Company might not be profitable, the total system gained a reputation for efficiency and good management. The Memphis Appeal predicted success for the combine since not even the price of a wasted envelope was allowed to be put down to “profit and loss.” Observers noted also an increase in freight traffic and faster freight schedules over the system. President Thomson in Pennsylvania reported that a major objective of the whole southern system was to increase the north-south movement of freight by the adoption of lower competitive rates.

By 1872, the major southern holdings of the Pennsylvania-Southern Railway Security combine consisted of the eleven roads thus far reviewed and two shorter roads in South Carolina, the Cheraw and Darlington and the Northeastern of South Carolina. These two lines connected at Florence, where they also joined the Wilmington, Columbia and Augusta, one of the Walters and Newcomer roads. The thirteen lines totaled more than 2,100 miles and furnished the seven southern states with three through routes: a coastal line from the Potomac to Charleston; an internal Piedmont route from Richmond to Atlanta; and a more western line from Bristol to Memphis. The several railroads had the following mileage:

<table>
<thead>
<tr>
<th>Railroad</th>
<th>Mileage</th>
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<tbody>
<tr>
<td>Alexandria and Fredericksburg</td>
<td>26 miles</td>
</tr>
<tr>
<td>Richmond and Petersburg</td>
<td>25 miles</td>
</tr>
<tr>
<td>Wilmington and Weldon</td>
<td>181 miles</td>
</tr>
<tr>
<td>Wilmington, Columbia and Augusta</td>
<td>189 miles</td>
</tr>
<tr>
<td>Richmond and Danville</td>
<td>190 miles</td>
</tr>
<tr>
<td>North Carolina</td>
<td>223 miles</td>
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<tr>
<td>Charlotte, Columbia and Augusta</td>
<td>195 miles</td>
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40 Ibid., Mar. 21, Apr. 11, and May 2, 1874; Harrison, 751.
41 Commercial and Financial Chronicle, Aug. 24, 1872.
42 Twenty-Fifth Annual Report of the Board of Directors, Pennsylvania Railroad (Feb. 20, 1872), 20–21. In 1871 the average freight rate per ton mile on the Pennsylvania Railroad was 1.38 cents, a figure well less than half the average for the typical southern road.
Atlanta and Richmond Air-Line 263 miles
Western and Atlantic 138 miles
East Tennessee, Virginia and Georgia 269 miles
Memphis and Charleston 270 miles
Cheraw and Darlington 40 miles
Northeastern of South Carolina 102 miles

TOTAL 2,111 miles

This system, while extensive, was never really profitable to its northern owners. Although the East Tennessee line did manage to pay three per cent on its capital, the more important Richmond and Danville paid nothing. The two Wilmington roads managed by Walters and Newcomer also paid no dividends. Nor did either of the leased lines, the Memphis and Charleston and the North Carolina, ever earn more than the guaranteed rentals. The Panic of 1873 was particularly hard on some of the longer lines, especially the newly completed Atlanta and Richmond Air-Line.

Nevertheless, the parent Pennsylvania Railroad remained enthusiastic during the early 1870's about the prospects of its southern properties. In its annual reports for 1871, 1872, and 1873, President John Edgar Thomson predicted a rosy future for the rail empire south of the Potomac. In his annual report for 1874, the president changed his tune and admitted that most northern investments in southern railroads since the Civil War had proved disastrous. Thomson announced that the surplus income account of his company was sufficiently large to permit the whole expense of the southern venture to be charged off to profit and loss. The stockholders at this annual meeting were not so easily pacified, and expressed their criticism by setting up a special investigating committee of the Pennsylvania Railroad.

In its report later in 1874, the investigating committee was generally critical of the southern expansion program, claiming that the

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43 Daggett, 147-148.
45 Twenty-Seventh Annual Report of the Board of Directors, Pennsylvania Railroad (Mar. 10, 1874), 34-35. Thomson also pointed out that the same technique had been employed with bad investments after the Panic of 1857.
investments south of Baltimore had probably lost the Pennsylvania a total of $5,000,000. The committee also criticized the construction of the 92-mile Baltimore and Potomac, and claimed that it would never earn enough to pay for the investment of nearly $10,000,000. In summary, the committee contended that “from the roads south of Baltimore there is certainly but little ground to expect much better results in the future than in the past. . . .”

The critical committee report, added to the pressure of the Panic of 1873, caused the Pennsylvania Railroad and its subordinate Southern Railway Security Company to adopt a policy of retrenchment. Even before the report, in November, 1873, the Southern Railway Security Company had met in a special reorganization session to consider a retrenchment program, and the following January started to sell its holdings. Late in 1876 it was offering for sale the bulk of its remaining railroad securities. By early 1877, the Pennsylvania Railroad held securities in only two southern lines, the Alexandria and Fredericksburg and the Richmond and Danville.

While these early efforts at railroad combination in the South failed, subsequent attempts were more successful. The two Carolina coastal lines, the Wilmington and Weldon and the Wilmington, Columbia and Augusta, remained under the Walters and Newcomer management and later formed the core of the Atlantic Coast Line. West of the mountains, the East Tennessee, Virginia and Georgia soon started to expand on its own, and by the mid-1880’s boasted a system of more than a thousand miles. In Virginia, the Richmond and Danville managed to hang on to much of its Piedmont route, and under the management of the Clyde Syndicate soon was expanding rapidly. While the Pennsylvania Railroad had not succeeded in creating a permanent southern rail empire in the 1870’s, the decade of the 1880’s was to prove a period of enduring railroad consolidation.

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