

The Rivalry Between the Schuylkill Canal and the Reading Railroad for the Anthracite Trade

Spiro G. Patten

Pennsylvania State University, Berks Campus

This paper reexplores the dimensions and weapons of this rivalry, originally presented 70 years ago by C. L. Jones [7, pp. 126-58]. Generally, the introduction of a railroad which paralleled a canal usually meant a swift and decisive demise for the canal. However, the Schuylkill Canal held on tenaciously for some 30 years after the introduction of the railroad.

The Schuylkill Canal became operable in 1827, after some 17 years of legislative and engineering gymnastics. Its primary source of revenue was the hauling of anthracite from the mines of southern Schuylkill County in Pennsylvania to the entrepot of Philadelphia. The early company reports clearly reveal the role of that commodity. In 1827 the canal carried 31,630 tons of coal, 49 percent of total tonnage. In 1840, 452,291 tons of coal were carried, or 69 percent of total tonnage. The canal had undisputed control of the coal trade in that region and according to Jones was the most profitable of all the anthracite canals [7, pp. 126-39; and 9].

Meanwhile a group of financiers and merchants from Philadelphia and Reading petitioned the Pennsylvania Legislature for a rail line to connect the two points. On 4 April 1833 such a petition was granted, but it was not until 5 December 1839 that the first successful run between Philadelphia and Reading was made [6, pp. 15-16]. However, this line merely marked the opening volley. By 1844, two tracks had been laid, running between Philadelphia and Mount Carbon, 108 miles to the northwest in the heart of the anthracite fields. These lines paralleled the canal; in some places the railroad lay less than a mile away from the canal. A quote from the 26 January 1842 edition of the *U.S. Register* reveals the objective of the railroad: "We penetrate the mountains to bring out treasures to add to your comfort and prosperity" [7, p. 122].

The canal had mixed views toward the railroad. The Schuylkill had already witnessed the damaging impact of the Philadelphia and Columbia Railroad on the Union Canal, which entered the Schuylkill Canal at Reading from the Susquehanna. A major factor behind the

Union Canal's demise was its narrow width [8]. The Schuylkill took special care in enlarging and maintaining its bed. On the other hand, the canal viewed the railroad as sheer folly. It would not be profitable, the canal maintained [7, pp. 134-37; and 9]. The Schuylkill also proudly displayed its performance record. Since 1835, it had yielded nearly 25 percent return on its stock, the highest rate allowed by law. Towns along its route, especially Pottsville, Reading, and Norristown, had developed considerable economic activity. Hotels, taverns, and merchants based their existence on the canal.

However, the canal quickly discovered its supposedly entrenched monopoly was in jeopardy. First, the canal had incurred the animosity of many of the local mine operators, who accused the canal of "unfair and monopolistic rates" [2, p. 139]. The railroad had set its initial rates even lower than the canal's, at levels considered unprofitable by most observers. But the railroad felt that such price-cutting would attract business [7, pp. 136-37]. The railroad also pursued nonprice competition. A typical train could haul at least twice as much as a typical 50-ton canal boat and made the round trip to Philadelphia in 24 hours as opposed to 60 hours for a canal boat. The railroad went directly to the Philadelphia docks, while the coal hauled by the canal had to be transferred to wagon to get to the docks, at considerable cost [2, pp. 140-41].

In 1842, the first year of the railroad's operation, the canal hauled 643,598 tons of freight, two-thirds of that total in anthracite. The railroad carried 49,938 tons of coal and little else except passengers. Three years later the railroad proudly announced it had captured the majority share of the anthracite market. In that year the railroad hauled 573,000 tons of coal versus 442,000 tons for the canal. The canal had not only lost its marginal passenger business to the railroad, but had also lost 20 percent of its coal business in only three years! The rapid deterioration of its market position reflected the type of tactics used by the canal in combatting the railroad. Beginning in 1843 the canal opted not to pay dividends to its shareholders, devoting all available capital to waterway improvement [7, p. 138]. The canal also attempted financial sabotage, unsuccessfully. The railroad was here to stay [6, pp. 23-34].

With the announcement in 1846 that the railroad had hauled over one million tons of coal, more than double that of the canal, the Schuylkill changed its strategy, its very existence now being in question. In 1847 Frederick Fraley became head director of the canal, a post he would hold for the next 30 years. A staunch supporter of the canal, Fraley believed the canal could compete with the railroad on a purely economic basis without resorting to "dirty tactics." Fraley's first move was to enlarge the canal beds to handle 180-ton boats, the largest of

any canal in the East [2, p. 137]. In order to stabilize the market and to provide needed capital, Fraley and the railroad agreed to a schedule of rates for hauling anthracite in 1849. This move eliminated the possibility of a price war which would not only damage the canal, but also hurt the railroad's ability to expand its track [7, p. 139].

The Fraley strategy had some success. Between 1847 and 1870, the canal carried an average of over one million tons of coal, its best period. In the 1850s canal coal tonnage lagged only 250 to 600 tons behind railroad tonnage. Fraley had taken advantage of a tremendous surge in demand for anthracite, a surge which the railroad could not handle on its own. Conditions were so good that the canal resumed dividend payments in 1855 [2, p. 140; and 7, p. 141].

But the growth in nonmerchandise traffic brought about by general economic development sharply increased railroad traffic. Between 1850 and 1870, railroad tonnage rose from 1.7 million to over 7 million overall, while coal tonnage rose from 1.3 million to 4.6 million tons. While canal traffic had peaked, railroad traffic accelerated and new lines were being added to the system [3].

In actuality, canal's revival lasted until 1863. The railroad, due to the demands of war, had demonstrated its value in carrying war material for the Union Army. To accomplish this task, the railroad had to limit its space for coal. The railroad and canal agreed that year to a 55/45 split of the coal market, respectively, close to the split which had existed during the 1850s. The arrangement proved mutually beneficial. But in 1869 a flood seriously damaged the canal bed. Lacking funds to repair the bed, the canal offered itself to the railroad with a 999-year lease in 1870. The canal's activity slowly diminished and the bed was left to deteriorate [9].

The presentation has only touched the outline of the story. I suggest three areas for further exploration: (1) Details on the attempts at financial sabotage made by the canal; (2) Details on the position of the mine operators with respect to the canal and railroad; and (3) Insight into the personality of Frederick Fraley and his attempts to keep the canal solvent.

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