

SPEECH

OF

HON. JOHN M. READ,

AT THE

REGULAR QUARTERLY MEETING

OF THE

JOINT BOARD OF DIRECTORS

OF

THE UNITED DELAWARE AND RARITAN CANAL COMPANY,
CAMDEN AND AMBOY RAILROAD AND TRANSPORTATION
COMPANY, AND NEW JERSEY RAILROAD AND
TRANSPORTATION COMPANY.

HELD AT TRENTON ON THURSDAY, APRIL 20, 1871.

PHILADELPHIA:
SHERMAN & CO., PRINTERS.
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BOYD, JOHN M. READ

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S P E E C H.

ON the 4th February, 1830, the legislature of New Jersey, by two separate acts, incorporated the Camden and Amboy Railroad and Transportation Company, and the Delaware and Raritan Canal Company; and under another act, of 15th February, 1831, these companies were consolidated, with a joint board composed of the directors of each corporation, and became known as the Joint Companies. The canal owes its existence to the energy and foresight of Commodore Stockton, and the investment in it of a very large capital by his father-in-law, the late John Potter, whilst the railroad is a monument of the skill and genius of the Stevens family, represented in later years by Robert L. and Edwin A. Stevens, both men of great mechanical talent and administrative ability.

My first connection with the Joint Companies was as counsel, commencing more than a quarter of a century ago, and I argued for them the case of *Rundle v. The Delaware and Raritan Canal Company*, at Trenton and Washington, which settled the right of the canal company to the water of the Delaware River for their feeder and canal. I was also the senior counsel in the suits and claims against the railroad company growing out of the terrible accident near Burlington, on the 19th March, 1850. I became a stockholder in the Pennsylvania Railroad Company by the purchase of one share, to enable me, at the urgent request of men of character and standing in the company, to appear at a meeting of the stockholders the same evening and advocate Sunday travel, which was carried by a large stock vote.

This purchase led to other investments in the same stock, which, on my election as judge, in 1858, I sold to the Company, so as to be able to sit in causes in which they were parties. All my investments since have (with a slight exception) been in the Joint Companies, which gave me two large extra dividends and originally 12 per cent. and afterwards 10 per cent. annual dividend. Myself and immediate family and connection represent more than one per cent. of the twenty millions of stock, and I certainly represent the feelings not only of our largest stockholders, but of a very large majority of all the stock in relation to the lease. They are in favor of a long lease, with a clear annual rent of 10 per cent., in the terms of my resolution of the 24th December, 1870, but not one farthing less.

Edwin A. Stevens managed the concerns of the Joint Companies with the strictest economy, attending personally to all the details as a private individual would attend to his own property. Large dividends were made, because a large portion of the capital was money borrowed at 6 per cent. interest. The receipts were employed in construction, which reappeared in extra stock dividends, and then when money was borrowed it was given in the shape of stock to the stockholders at par. By these means the stock of all the companies in 1870 was \$20,249,500, upon which a dividend was declared of 10 per cent.,—\$2,024,885.

In 1869, the capital was only	\$17,508,700 00
And dividend declared of 10 per cent.,	1,750,865 00
The net receipts in 1869 were, within a fraction of 10 per cent.,	1,727,035 32
And in 1870 only	1,348,709 31

The balances in the two years were made up of reserves, which were entirely exhausted in our last dividend, on 18th January, and we began the year 1871 depending solely upon our actual receipts for our future dividends.

In the organization of the joint board under the consolidation act a grievous mistake was made, through a false economy, in uniting with the office of General President that

of Chief Engineer, which made him really the judge of his own plans and expenditures with the real power of providing the means of payment. *No practicing engineer ever should be the president of a railroad or canal company; he should be the subordinate of the president.* I trace many of our troubles to this source, without impugning the honesty, or capacity, or intelligence of our principal official. The two offices and their respective duties are entirely and radically incompatible.

As long as Mr. Stevens was our manager, having entire confidence in his great financial ability, I contented myself with the ordinary knowledge which a director acquires at the meetings of the board.

The Harsimus Cove property was purchased in 1867 without the knowledge of the stockholders, as I said in 1869. "I was a director, and never was consulted in any way; and heard of it only by accident.

"The purchase was made in 1867. The plan laid before the joint board in 1868 foreshadowed an expenditure of six millions, which was proposed to be met by borrowing on a mortgage of the New Jersey Railroad six millions of dollars. This was not agreed to, and it was finally determined to borrow the amount necessary to secure the property, the right of way, and the grant from the State of New Jersey."

Here we have most wisely stopped. The acquisition is a valuable one, and gives us an admirable terminus on the Hudson, but we cannot afford to improve it without practically ruining our stockholders. The Connecting Railroad was absolutely necessary, but it is a heavy annual drain, and its terminus is in the hands of the Pennsylvania Railroad Company, with whom we have a running arrangement from which we derive no profit, and, I believe, have sustained an actual loss. This is perhaps unavoidable, as we are the tail end of a long line of several thousand miles, stretching from the Pacific to New York Bay.

On the 17th March, 1870, the legislature of New Jersey passed "An act to enable the United Railway and Canal Companies to consolidate their stock, and to consolidate or connect with other companies," which invested the stockholders with the power to lease their roads and canal, and all

their property. This law became, in fact, a part of their chartered rights. A series of informal negotiations took place between members of the United Companies and of the Pennsylvania Railroad Company, and through our officers, Mr. Thomson was placed in possession of an accurate and detailed knowledge of our actual condition, which produced the following letter from him of the 19th December, 1870 :

PENNSYLVANIA RAILROAD COMPANY,
PRESIDENT'S OFFICE, PHILADELPHIA, Dec. 19th, 1870.

GENERAL R. F. STOCKTON.

DEAR SIR: In accordance with your request, I give you the following terms, upon which I think that the Pennsylvania Railroad Company will agree to lease for 999 years all of the railways, canals, and other property owned, leased, or controlled by the Joint Railroad and Canal Companies between Philadelphia and New York.

First. The Pennsylvania Railroad Company to pay for the use of the property to be leased and controlled the sum of two million eight hundred thousand dollars annually, in quarterly payments of seven hundred thousand dollars, beginning three months after the date when said properties are transferred to this Company.

Secondly. The amount of said payments to be applied: 1st. To the interest accruing upon the debts against said railroads, canals, and other property of said Joint Companies; 2d, To the annual contributions required by the sinking funds of said Joint Companies, and to any other annual obligations of these companies, except the taxes imposed upon said property and the tonnage transported over their railways; and the remainder as the directors of said companies may determine.

(Signed)

Yours, truly,

J. EDGAR THOMSON,
President.

Which was laid before the joint board at their meeting of the 24th of the same month, when the following resolutions were passed:

Extract from Minutes of Joint Board, December 24, 1870.

After discussion Mr. Taylor offered the following preamble and resolution, which were adopted:

Whereas, A communication from J. E. Thomson, President of the Pennsylvania Railroad Company, on behalf of the Pennsylvania Railroad Company, having been read to this board, proposing to lease our works, it is

Resolved, That the officers of these companies be requested to communicate with the officers of the Pennsylvania Railroad Company, and report to this board as to what arrangements can be made with that Company to utilize the Harsimus Cove property, and to permit their trains to run over our works; and also, the best terms on which they will lease our property, and such facts and figures as will enable us to judge as to the advisability of entering into any further arrangements or agreements with the said Pennsylvania Railroad Company.

Judge Read offered the following resolution, which was adopted:

Resolved, That the basis of any lease to the Pennsylvania Railroad Company should be a lease of our roads and canals, and a transfer of all our assets, subject to all our debts and liabilities of every description, which are to be assumed by said Company. In consideration of which, there should be equal to a clear yearly dividend of ten per cent., payable quarterly, secured and paid to our stockholders.

The first resolution was spoken of as one of a harmless, inoffensive character, although prepared by or under the direction of the General President; and the second one was spoken of by him as the real one, which he evidently had thought very deeply about, as he made many valuable and pertinent suggestions about the lease and its provisions. Our committee consisted of the General President, the Presidents of the Camden and Amboy and New Jersey Railroads, and Delaware and Raritan Canal Company, and the Engineer and Superintendent of the last-mentioned work.

At the election of the Directors of the Philadelphia and Trenton Railroad Company, on Monday, 9th January last, the General President showed me the following letter of the 6th of that month, from Mr. Thomson, which he said he would lay before the Executive Committee at a meeting to be called for the next day.

PENNSYLVANIA RAILROAD COMPANY,
PRESIDENT'S OFFICE, PHILADELPHIA, January 6, 1871.

MY DEAR SIR: I have concluded to submit to the Board of Directors of the Pennsylvania Railroad Company, and advocate the adoption by it, of a lease of the railroads and canals, and all property owned by the Joint Companies, between Philadelphia and New York, or elsewhere, and that of either of the companies forming the Consolidated Company, for the term of 999 years; and to pay therefor the amount required to divide to your shareholders a dividend of ten per cent. per annum, together with the interest upon the mortgage and other debts of the Company, according to the schedule of theirs furnished to me.

I think that it would be advisable for your Board to appoint a Committee to confer with a Committee of the Board of Directors of this Company, in relation to the lease and its details.

Yours, very respectfully,

J. EDGAR THOMSON,
President.

To ASHBEL WELCH, Esq.,
General President.

At this meeting, I understood, the Committee decided to have this letter laid before the joint board, at their quarterly meeting, to be held on Thursday, the 19th January. On Saturday, the 14th, I went to Trenton to meet the Dividend Committee, of which I was the chairman; and the General President, and the President of the Camden and Amboy were both there. The General President told me that he and Mr. Scudder were preparing the lease, which would be submitted to the board on the 19th, and spoke in such a manner as induced me to believe it would be put in a formal shape for action. Mr. Welch I considered unfriendly to the lease, but I knew Mr. Gatzmer had been in favor of it, and I was not aware of any change in his opinions, up to Wednesday, the 18th. Mr. Thomson had by his letter of the 6th accepted virtually the terms of my resolution. On that day Messrs. Welch and Gatzmer, a minority of the Committee, without the knowledge of their colleagues, called on Mr. Thomson, and he wrote the letter of the 18th January, which was kept secret and never com-

municated to their colleagues, who were entirely ignorant of its existence until the meeting of the board on the 19th. I had heard on the afternoon of Wednesday that there was a letter, but what its contents were I did not know. At the meeting, when inquiries were made, the paper prepared by the General President and Mr. Scudder had been accidentally left at home or mislaid, and could not be produced; and instead of the letter of the 6th, with its plump offer, being laid before the board to be submitted to our masters the stockholders, the letter begged out of Mr. Thomson by an unauthorized minority was laid before us, and resolutions accepting it as a basis for action were attempted to be carried.

PENNSYLVANIA RAILROAD COMPANY,

PRESIDENT'S OFFICE, PHILADELPHIA, January 18th, 1871.

DEAR SIR: I cannot see that I can add anything further to my proposition for a lease of your lines of railways and canals. The details of which (if the proposition is acceptable to your board and that of the Pennsylvania Railroad Company) must be arranged between our attorneys.

This Company would entertain a proposition for the use of your main line of railway, as mentioned by you, if the details of the contract could be satisfactorily arranged. I am not prepared to say what would be the proper proportion of our receipts it would be right for us to pay to your Company for the use of its railways; but I think that from forty to fifty would be fair. This, however, could be arranged, I think, with less difficulty than the details of a contract to carry out such an arrangement.

Yours truly,

J. EDGAR THOMSON,

President.

To ASHBEL WELCH, Esq.,

General President.

The first paragraph is Mr. Thomson's clear and explicit, repeating the 10 per cent. offer of the 6th inst. The second is that of the two unauthorized members of the Committee.

I regret deeply this transaction, and that two gentlemen of high character should, for the sake of their salaries and the patronage of their offices, attempt to prevent the owners of twenty millions of stock from giving their votes in favor of a

clear yearly 10 per cent. dividend for nine hundred and ninety-nine years, which they would doubtless accept.

The natural result of this unwarranted hostility of the two principal officers of the joint board to the lease which had been offered by the President of the Pennsylvania Railroad Company was a statement in the report of the directors of that corporation and signed by Mr. Thomson to their stockholders at their annual meeting on the 21st of February last. "The rate at present demanded is greater than the Joint Companies have derived from the net profits of their lines for some years," a fact which was true as to 1870, and which was perfectly well known to him when he made the offer of the 19th of December, 1870, and the positive one of the 6th of January last, which was improperly withheld from the joint board, though laid before the Executive Committee. This known hostility and determination to defeat the lease stirred up an official of the Joint Companies and the employees of the United Companies to get up petitions for the repeal of the enabling act of 1870, which was really a part of our charter and invested our stockholders with very large powers over *their own property*.

I find the following in the "Daily State Gazette" of Tuesday, 21st February, 1871.

"SENATE.

TRENTON, February 21st, 1871.

Petitions.

By Mr. Little, from citizens, asking the repeal of the act authorizing the United Railway and Canal Companies to consolidate with some other company, signed by Charles S. Olden, Richard Stockton, and others."

Of the signers there was one gentleman of high character who held seven shares in one company in trust—the treasurer of the Joint Companies, the contractor for towing on the canal, an employee of the companies, and our oldest director, for whom I have the greatest respect and esteem, but whose judgment I think was warped by a laudable state pride and

an irresistible desire to live and die a member of the joint board.

The employees of the Company in the pay of our stockholders were used nothing loth to circulate these petitions and to procure signatures. On the 22d of February the General President issued the following order :

To the Officers and Employees of the United Companies of New Jersey :

A negotiation is pending for the lease of our works to the Pennsylvania Railroad Company. Should suitable terms be offered by that Company, our Board of Directors will undoubtedly submit them to the stockholders for acceptance or rejection.

This is a question for the stockholders themselves, and not for their agents. No official interference one way or the other can, therefore, be allowed.

ASHBEL WELCH,

General President United Companies.

TRENTON, February 22d, 1871.

Notwithstanding this order, a bill to repeal the enabling act was reported and pressed in the Senate, until it was negatived by a unanimous vote, thus vindicating the good sense of that body, and its entire freedom from paltry state prejudice. This effort was very injurious to our interests as stimulating and encouraging our enemies, and embarrassing a negotiation of vital importance to our stockholders, which proceeded so far that the exact terms of the lease had been settled by the counsel of the respective companies. Our position for the last few years has been very discouraging from the persistent efforts both at Trenton and Washington to procure charters for a competing road, whether air-line or national, which have been defeated by the skill, intelligence, and industry of our agents at both points. These efforts will be renewed next winter at Washington, aided by a former friend, the Baltimore and Ohio Railroad, and must be watched for six months at least; and the same must be done at Trenton for nearly half that period. All these matters involve expense and draw off our attention from the careful and economical management of our roads and canal.

The net earnings of our main line of road have borne a very small proportion to our gross receipts. Last year our net profits were not quite 7 per cent. The anthracite coal trade from the Schuylkill and Lehigh regions is stopped up to this time, and the business of the country has not increased, whilst our debt has run up to \$17,583,526.75, and our capital has increased, demanding an increase of earnings to pay the increased interest and a 10 per cent. dividend of \$2,024,885.00.

The very unwise proposition of the General President is simply that of an engineer, not the head of a great company, as will be seen by the two paragraphs of Mr. Thomson's letter of the 18th of January. The Pennsylvania Railroad Company have the entire control of the southern terminus of our main line, and we are the lessees at a heavy expense of the connecting road. Give them the use of our railway on their own terms, and an interest in Harsimus, and they would practically have the northern terminus and the main line, and we would be made entirely subordinate to the interests of another company, which would be every day more antagonistic to ours.

If we are to remain in our old position, we must have great and immediate reforms in our management, and we must begin with the head. The offices of General President and Chief Engineer must be entirely separated and held by different persons. No man can read the various addresses of the General President without seeing it is the engineer speaks, and not the financial manager who has to provide the means to meet our engagements from our revenues from our canal and railroads. If the advice of the General President had, since consolidation, been taken, we should have been irretrievably in debt.

The joint board never hear of the engineering expenses of works which may be necessary, but which should certainly be reported to us, such as the alterations of the Delaware bridge, and the new bridge over the Passaic, at Newark.

Then new departments are created involving unnecessary expenses, clerical and others, such as the purchasing department, which should be immediately abolished, and all unnecessary officers in the employ of the Companies removed forth-

with. We cannot carry on the business profitably without a large reduction of our expenditure.

In the management of the canal towing from New Brunswick there should be an entire change. The towing from Fairmount to Bordentown is done by contractors, who relieve us from all responsibility; and the towing on the canal is done by one of our directors under a contract which I have never seen; and the towing to New York should be done by contract, relieving us from all responsibility, and giving us at least one hundred thousand dollars clear profit for the privilege.

This would get rid of the whole of our steamtugs, steamboats, and barges engaged in towing from New Brunswick to New York, and of course of all repairs and other expenses attending their employment. The blowing up and sinking of a single boat with loaded barges (in tow) we know cost us perhaps from \$40 to \$60,000.

Another constant drain are our five repair shops, with their five entire separate organizations of officers and men. They should be reduced to two, of which one should be at Jersey City or Hoboken.

1. The Great Repair Shop at Bordentown employs 340 men of whom the wages annually are	\$228,926.36
2. South Amboy Shop 215 men at	134,897.36
3. Belvidere Shop at Lambertville averages men 160, wages,	84,000.00
4. Jersey City, men 220 to 230, wages,	156,000.00
5. Hoboken Shop, men and boys 87, wages,	58,864.00

Making a grand total of, for repair wages alone, \$662,687.72

At these shops are built annually at least ten locomotives, also passenger cars and steamboats, all of which should be contracted for, as the Hudson River Ferry boats are; and all repairs of steamboats and tugs should also be contracted for. I have grouped these items, in none of which has there ever been the slightest movement for reduction, retrenchment, or reform of any kind. Offices have been created, but none have ever been abolished.

The time has arrived when our masters—the stockholders,

the owners of twenty millions of stock and of the whole of our valuable railroad and canal property—must be heard. The issue is between a few railroad officials and their sovereigns, the stockholders.

Who shall govern, the agents or their principals? That is the real question.

I have performed a very unpleasant duty in laying bare the workings of our management, but it was absolutely necessary for our future prosperity. With proper reforms we can readily make ten per cent. clear profit, if not more, and I consider our stock really worth 20 per cent. more than its price in the market to-day.

ONE THING IS CERTAIN, OUR OFFICIAL HEAD, THE GENERAL PRESIDENT, MUST NOT BE AN ENGINEER.

RESOLUTIONS.

Resolved, That the offices of General President and Chief Engineer are entirely incompatible and must be separated and be held by different persons, conforming to the rule adopted in all large railroad and canal companies.

Resolved, That it is not the interest of the United Companies to engage in any manufacturing business not absolutely essential for the successful and profitable management of their railroads and canal.

Resolved, That the number of repair shops should be diminished, and those retained should be confined to their legitimate objects.

Resolved, That locomotives, steamboats and passenger cars should be contracted for and purchased for the companies.

Resolved, That the towing from New Brunswick to New York should be let by contract to the highest and best bidder.

Resolved, That in the present state of our receipts, our expenditures should be kept within the most restricted limits.

A P P E N D I X.

Extract from a speech of John M. Read, before the Joint Board, in Feb., 1869.

“The Lehigh Coal and Navigation Company was one of the most profitable works in Pennsylvania, and a large feeder of our canal. A great flood destroyed their works down to Mauch Chunk, and they could have substituted, by agreement, the Lehigh Valley Railroad Company for their carriers without expending any capital. Instead of that, they quarrelled with that company, and under the advice and urgent promptings of their engineer, they commenced an entirely unnecessary road, failed in negotiating a loan, became practically insolvent, and were obliged to change their whole management, and their gold loan is 10 per cent. below par, and they cannot declare a dividend for the next ten years.

“Their stock, which was largely above par, higher than ours, sank under 20, and is now about 30 for 50 paid, or 40 per cent. below par. Whole families have been deprived of their incomes, and all because an engineer desired to make a first-rate railway, *and a name.*”

The result has been that the Lehigh Coal and Navigation Company, on the 27th March, 1871, leased this road and its branches to the Central Railroad Company of New Jersey, with the option of leasing the Lehigh Canal at a net annual rent of \$300,000, assuming in connection therewith the lease of the Delaware Division canals; and thus, through the wild extravagance of an engineer, will pass out of existence one of the oldest and most profitable companies in Pennsylvania.

A day or two ago the Lehigh Valley Railroad Company, in return, leased the Morris Canal. Our General President and the President of the Camden and Amboy are stockholders, and, I believe, directors of the Lehigh, and, of course, were parties to the lease, and approving of it.

Thirty-six years ago, the Joint Companies obtained the control of the Philadelphia and Trenton Railroad companies, and one-third of our main line is run over two Pennsylvania roads, controlled, and practically owned by the United Companies of New Jersey; and our capital, to a very large amount, has been supplied by Philadelphia and New York, and is now owned by their citizens. What an absurdity to talk of state pride in such matters.

STOCKHOLDER DIRECTORS OF THE JOINT BOARD OF THE
UNITED COMPANIES OF NEW JERSEY, WITH NUMBER OF
SHARES OF STOCK IN THE FOUR COMPANIES HELD BY
EACH DIRECTOR, MARCH, 1871.

March 1, 1871.	New Jersey Railroad.	Camden and Amboy.	Delaware and Raritan Canal.	Phila. & Trenton Railroad.	Total.
CAMDEN AND AMBOY RAILROAD.					
Samuel Welsh,	22	155	54	145	376
Wm. H. Gatzmer,	5	30	200	30	265
Benjamin Fish,	12	230	107	64	413
Cambridge Livingston,	6	129	41	14	190
Ashbel Welch,	2	174	109	15	300
Charles Macalester,		9	13	24	46
Wm. G. Cook,		100	100		200
DELAWARE AND RARITAN CANAL.					
R. F. Stockton and others, trustees,	60				60
John M. Read,		579	470	12	1062
Moses Taylor,	100		116		216
John G. Stevens,		7	238	1	246
R. G. Conover, Guardian,	18	341	399	24	782
W. W. Shippen,		13	10		23
A. W. Markley,		6	7	10	23
John Jacob Astor,		27	100		127
G. M. & John Dorrance,			46	430	476
NEW JERSEY RAILROAD.					
A. L. Dennis,	700				700
Hamilton Fish,	425	40	50	9	524
D. S. Gregory,	100				100
Henry R. Remsen,	100				100
George R. Chetwood,	104				104
Martin A. Howell,	100				100
Ferdinand Suydam,	585				585
Isaac W. Scudder,	72	118	21		211
Nehemiah Perry,	41				41
State Directors:					7270
David B. Gill, Canal. George Richards, Railroad.					
Wm. B. Astor,	1625	2153	1339	55	5172
John M. Read, administrator, in trust, &c.,		536	235	209	980
Moses Taylor & Co., in trust,		231			231
Remsen Family,	1837				1837
Suydam Family,	5263				5263

These large stockholders have each Directors in the Board representing them.