

**AIDS, GIFTS, GRANTS AND
DONATIONS TO RAILROADS
INCLUDING OUTLINE OF
DEVELOPMENT AND SUCCESSION IN
TITLES TO RAILROADS IN MICHIGAN**

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Aids, Gifts, Grants and Donations to Railroads Including Outline of Development and Succession in Titles to Railroads in Michigan by Michigan Railroad Commission

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MICHIGAN RAILROAD COMMISSION

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BY AUTHORITY

LANSING, MICHIGAN
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Hon. Albert E. Sleeper, Governor:

The following report relative to aids, gifts, grants and donations to railroads and outline of the development of railroads in Michigan, prepared by the statistical department of the Michigan Railroad Commission contains so much information of interest and value to the public that it is deemed advisable that it be preserved by being printed and appropriately bound.

The information contained in the report has been drawn from various documents, records, and numerous other sources and carefully compiled. It will be of permanent value to the State in its relations with the carrier corporations, especially as continued regulation is likely to be a factor in State government. The Commission has recommended that five hundred copies be printed.

The report might be furnished to persons desiring it at a price practically equaling the cost of printing and binding.

MICHIGAN RAILROAD COMMISSION.

A. A. KEISER,
Chairman.

C. L. GLASGOW.

C. S. CUNNINGHAM.

REPORT.

To the Michigan Railroad Commission:

In July, 1914, the Honorable Charles A. Prouty, Director of Valuation of the Interstate Commerce Commission, suggested the practicability of this Commission co-operating with the national body in the collection of data pertaining to aids, gifts, grants and donations to the carriers by the States or municipal subdivisions of the States, to aid in the construction of the various railroads. This request received the favorable consideration of this Commission, and under instructions from the late Hon. Lawton T. Hemans, then Chairman of the Commission, the writer undertook the research suggested by Mr. Prouty.

The routine work in statistics and kindred phases of the Commission's duties have made it necessary that this research be subordinated to the regular work of the office. For this reason report upon the subject has been so long delayed. This research was taken up in August, 1914, and a preliminary study of the subject disclosed that if the results were to be of practical value, not only the subject of aids, gifts, grants and donations required attention, but that the historic connection of the corporate entities receiving such financial assistance in the years of railroad development should be traced to the companies now possessing and operating the railroads of the State.

Since taking up the matter, such time each year as regular work permitted, has been devoted to this subject. The results of the work is herewith presented.

Public support of railroad enterprises in Michigan has been given in diverse ways and has been a factor in their development from time to time, almost from the beginning. The people of Michigan, when it was yet a Territory, were quick to appraise the value of railroads as a factor in the economic development of the State, and they first turned to corporate organizations as the means of promoting their construction. As early as July 31, 1830, the Legislative Council of the Territory authorized the incorporation of the "President, Directors and Company of the Pontiac and Detroit Railway Company" and granted it a franchise along the "United States' road, commonly called the Saginaw Road * * * from the Village of Pontiac to the City of Detroit." This was the first railway charter granted in the State. It does not appear that any use was ever made of this franchise. On June 29, 1832, the "Detroit and St. Joseph Railroad Company" was authorized and became the germ of the present Michigan Central Railroad main line. On April 16, 1833, "The Romeo and Mt. Clemens Railroad Company" was authorized, but failed to make progress.

On April 22, 1833, "The Erie and Kalamazoo Railroad Company" was incorporated and still remains active. This company was the first to place its road in operation within the State and is generally stated to be the first railroad company beginning operations west of Schenectady,

New York. Its road was leased to the Michigan Southern Railroad Company in 1849 and is still operated by the New York Central Railroad Company under that lease. On March 7, 1834, the "Detroit and Pontiac Railroad Company" was incorporated and finally built and operated its road. It is today a part of the Grand Trunk Railway System. On March 4, 1834, "The Shelby and Detroit Railroad Company" was authorized and seems to have constructed its road according to the methods of that time and carried on traffic to Milwaukee Junction, Detroit, for a time with horse power, but unsuccessfully. After many years this road was finally utilized as a part of the Detroit and Bay City Railway, now Bay City Division of the Michigan Central Railroad. During the year 1835 the Legislative Council authorized four other railroad corporations, none of which seem to have made any progress in carrying out their purposes. Of these ten corporations authorized during the last six years of territorial government, four partially or fully carried out their purposes and their property has passed to the existing railroads of the carriers.

During these six years a growing interest in railroads was evident, especially among the public and businessmen of the State. The end of railroad development was even then proven to those pioneers. The means at first employed, however, were not adequate to reach this end as rapidly as the restless ambitions of those pioneers demanded. In 1835 the Legislative Council commenced the policy of making the railroad companies banking corporations as well, and requiring these banking institutions to hold the stock of the allied railroad corporations "as a security for the redemption of all notes and debts of said bank" as a condition precedent to exercising their banking function. This plan was merely a phase of the banking practices of the time, which has become famous in our history as the era of "wild cat" banking. In the succeeding years several such banks were authorized on this plan among the then struggling railroad companies. It does not appear that the plan was really of much value in promoting railroad development and eventually contributed much to the financial disasters that ensued in 1837 and succeeding years. It was merely an incident in the many plans advanced to hasten internal development of the State.

After the admission of Michigan as a State the means of securing railroad development continued the leading subject of public interest, and new plans were being advanced. In 1838 two acts were passed authorizing the State to, in effect, guarantee certain issues of stock of the "Detroit & Pontiac Railroad Company" and "The Palmyra & Jacksonburg Railroad Company," and two further acts passed authorized a State loan of \$100,000 each to the "Allegan and Marshall Railroad Company" and "The Ypsilanti and Tecumseh Railroad Company." These acts were the first instances of public support directly to the many railroad projects then sought to be promoted. While these measures were not direct aids, they materially advanced the prospects of those companies, as they involved the State in their financial affairs and ultimately lead to the State assuming control of the property of all of them except the Detroit & Pontiac Railroad. All of them except the Ypsilanti and Tecumseh Railroad became, and are today, a part of our railroad systems.

Act No. 67, approved March 20, 1837, authorized the Board of Com-

missioners of Internal Improvements to undertake the construction of railroads on the "Northern," "Central" and "Southern" routes described in the act. Subsequent acts extended the support of these State projects. The "Northern" never reached a very advanced stage of construction. The two latter, however, were gradually constructed by the Board from the water connections at Detroit River and River Raisin, respectively, westerly; but not without discouragement, some mismanagement, and innumerable unforeseen difficulties. The operation of these roads never proved them good investments for the State, and they quickly deteriorated because of the use of materials of construction not capable of resisting the traffic to be borne nor the elements. Gradually public sentiment came to oppose or greatly to obstruct the carrying out of the original projects. Finally in 1846 the State passed acts incorporating the "Michigan Central Railroad Company" and "The Michigan Southern Railroad Company" and authorized the sale to the respective entities of the Central and Southern Railroads. The sales were made, the State receiving for the Central Railroad \$2,000,000 and for the Southern Railroad \$500,000 in accordance with the terms of the acts authorizing the transactions. During and after the Legislative session of 1842 it seems to have been the policy of the Legislature to disengage the State from its financial entanglements with railroads, yet even in the acts incorporating the Michigan Central and Michigan Southern companies, perhaps in deference to the practice in the early charters, sections were included specifying a time and method by which the State could re-acquire these properties.

The State's experience in the operation and construction of railroads was not one of unqualified success, but, no doubt, it served to fix across the southern part of the State two of the important easterly and westerly lines of the country. The Michigan Southern has been and continues to be one of the great railroads of the United States, while the Michigan Central has enjoyed an unbroken history of financial and operating success and promises to be of greater and greater relative importance to the State as time advances.

With the sale of the Central and Southern railroads, the State's immediate interest in railroad development ceased although as late as 1853 it was still taking measures to settle financial matters wherein its credit had been pledged by the acts of 1838. During the period of public ownership it had authorized and invested in railroad properties the following public funds:

	Total amount appropriated.	Total amount expended
Central Railroad (a)	\$1,957,833 57	\$1,954,308 28
Southern Railroad (b)	949,908 77	948,234 20
Northern Railroad	150,638 00	110,596 71
Havre Branch Railroad	20,000 00	952 34

(Senate Document No. 8, 1848.)

(a) Presumably the railroad property of the Allegan and Marshall Railroad Company and Ypsilanti and Tecumseh Railroad Company was included in this statement.

(b) Presumably the cost of the Palmyra and Jacksonburg Railroad, River Raisin and Lake Erie Railroad and La Plaisance-Bay Harbor property are included in this statement.

The reversal of public interest in the railroads dates from 1842. Following the sale of the Central and Southern, in 1846, up until 1855,

when the first general railroad law was enacted, but seven new railroad companies were chartered by the Legislature and all of these were projects to extend or construct branches to the then existing railroads, viz.: The Michigan Central, The Michigan Southern and the Detroit & Pontiac Railroads.

Of these, only one, the St. Joseph Valley Railroad Company, had constructed its line by the time of the enactment of the General Railroad Law. Three of the other projects were realized after many years. During these years no active governmental financial support of the railroads seems to have been given by the State, and evidently railroad enterprise was largely regarded as a purely private enterprise. So thoroughly had public sentiment changed as a result of the unfortunate experiences from 1836 to 1846 that the Constitution of 1850 contained four prohibitions of practices that had been in vogue in the years of public encouragement and ownership, viz.: Sections 6, 7, 8 and 9 of Article XIV of that constitution. During the years following 1846, railroad development went slowly forward and on surer ground than the State had found in its efforts from 1836 to 1846. The main lines of the Central and Southern were extended westerly under corporate management and by 1852 had both reached Chicago. They with other lines then developing quickly proved their usefulness to the territories traversed and renewed public interest in railroad enterprise was quickened throughout the country.

During the period of State construction and ownership of railroads, as appropriations of State funds became difficult or were withheld, the public domain was turned to as a means of furthering the development of the various works of internal improvement undertaken. On September 4th, 1841, Congress made a general grant of 500,000 acres of public land to each of several states, including Michigan, for purposes of internal improvement. The act provided that \$1.25 per acre should be the minimum price at which the lands might be sold and stipulated that they be "faithfully applied to objects of internal improvement" within the States, such as "roads, railways, bridges, canals," etc., and it further stipulated that such works "when made or improved, shall be free for the transportation of the United States mail, and munitions of war, and for the passage of their troops, without the payment of any toll whatever." (5 U. S. Statutes at Large 455.)

From time to time these lands were appropriated by the Legislature of this State to the construction of the railroads. The Central Railroad received 150,000 acres by Act No. 25 of 1843, 64,000 acres by Act No. 50 of 1844, 20,000 acres by Act No. 15 of 1845 and 20,000 acres by Act No. 67 of 1846. The Palmyra and Jacksonburg Railroad (Southern) received 10,000 acres by Act No. 14 of 1845. This use of the public domain directly to advance the public interest was a forerunner of the later policy of grants to corporations to accomplish the same purpose.

In the Act of June 3, 1856—11 U. S. Statutes at Large, 21,—Congress "granted to the State of Michigan to aid in the construction of railroads from Little Bay de Noquet to Marquette, and thence to Ontonagon, and from the two last named places to the Wisconsin State line; and also from Amboy, by Hillsdale and Lansing and from Grand Rapids to some points on or near Traverse Bay; also from Grand Haven and Pere Marquette to Flint and thence to Port Huron every alternate section of land designated by odd numbers; for six sections in width on each side of