

## CHAPTER II

*The Shenandoah Valley Railroad – Organized in 1867 – How constructed – Dates of construction of the various parts of the road – Completion to Waynesboro Junction – Tripartite agreement between the Shenandoah Valley Railroad, the Norfolk and Western Railroad, and the East Tennessee, Virginia and Georgia, which constituted the Virginia, Tennessee and Georgia Air Line – Issue of new mortgage by the Shenandoah Valley Railroad Company – Interest in the Norfolk and Western in this company – Received appointed – Purchase of this company by the Norfolk and Western – Some general remarks as to effect of this purchase upon Shenandoah Valley.*

The construction and completion of the Shenandoah Valley Railroad was a new era for Shenandoah Valley, or at least that portion of it through which the road ran. Nearly all the towns along its line seemed to put on a new life, and grew larger from that date. Railroad facilities meant the establishments of industries, and as these were most likely to locate their plants at places where supplies and the like could be obtained, the values in property at the towns through which the road ran advanced in price. There is scarcely a town along the lines of this company that will not tell you that the first progress of any note occurring within their borders dated from the time of the construction of this road in their midst. We are sorry that a full history cannot be given, owing to the destruction of the records by fire at Charleston, West Virginia, where the general offices were kept in its earlier days. Many accounts have been given concerning it by several persons, but in giving the corporate history of these concerns which have played so important a part in the development of the country, we desire to use their own reports and records, or only such extrinsic evidence as bears the truth intuitively upon its face.

This company was first organized on February 23, 1867, under the laws of Maryland, West Virginia, and Virginia, the states which it traversed. Notwithstanding the fact that its organization dated back so early, twelve years elapsed before the first forty-two miles were constructed as far as Riverton; nor did this become completed until, in the year 1878 (the same year in which J. Dickinson Sergeant sent Roane the contract to sign concerning the New River Railroad and options on mineral lands), Mr. Frederick J. Kimball became actively engaged in the construction of it. In December, 1879, the first part to Riverton was opened up and traffic begun over it; in September, 1880, seventy-nine miles more were finished, and on April 18, 1881, the line was completed as far as Waynesboro Junction. It is further known that the road was built partly by private individuals, and partly by the company itself. In February, 1881, at the time that the Atlantic, Mississippi ND Ohio Railroad was purchased by Clarence H. Clark and *his associates*, there was some kind of relations existing between these gentlemen and the Shenandoah Valley Railroad Company, since in the first annual report, pages 12 and 13, we find the following announcement:

“The relations between the Norfolk and Western Railroad Company and the Shenandoah Valley Railroad Company contemplated at the time your road was purchased and reorganized are still kept in view, and negotiations are in progress looking to the consolidation and merger of the two corporations so soon as proper legislation can be had. Very favorable results are anticipated from the completion of the connections of the two roads at Roanoke Junction.”

That these relations were of the most friendly character there can be no doubt, and the object of extending the Shenandoah Valley Railroad on to Roanoke was to bring the mineral traffic from the New River Railroad north, and to form a connection with the East Tennessee, Virginia and Georgia Railroad. So in the latter part of September, 1881, a tripartite agreement was entered into between the three companies, which secured to these systems for a term of years a unified general

management, and what is known as the Virginia, Tennessee and Georgia Air-line burst into view. Work upon the Shenandoah Valley Railroad was pushed forward, and in June, 1882, the line was completed to Roanoke, where it connected with the Norfolk and Western.

On the 15<sup>th</sup> day of February, 1882, a committee was appointed, by virtue of a resolution of the Board of Directors of the Norfolk and Western Railroad Company, to consider the relations between the two companies, and to make a report to the board as early as practicable upon a plan by which the purposes of the tripartite agreement and traffic contract of 1881 would be more effectually carried out. Under these instructions the committee proceeded to work, and pending their action, questions were raised by the Shenandoah Valley Railroad as to the true intent and meaning of certain clauses in the traffic contract of September 27, 1881, respecting the establishment of freight rates and a division of the revenue derived from this joint arrangement. The Norfolk and Western Company, well knowing the advantages of an all-rail route via Hagerstown, and fearing this company as a competitor, determined to adjust every difference possible and get control of the road if practicable. Yet this must be done on the most advantageous basis for the Norfolk and Western Company, as is shown in their second annual report, page 21, which says:

“Whilst, therefore, in the development of new business your company would have *direct* advantages through the interchange of traffic between the two companies, *indirect* advantages almost equally important would accrue through the ability of your company to direct and control the distribution of through business in such a manner as will earn the most money for both companies.”

The only possible means by which the distribution of through business could be controlled by the Norfolk and Western Railroad Company was by owning a majority of the shares of the Shenandoah Valley Company, so the result of the traffic-contract investigation by the committee was, the Shenandoah Valley Railroad mortgaged its lone for \$2,500,000 for the purposes of finishing its road to connect with the Norfolk and Western Railroad at Roanoke, and the former company subscribed for thirty thousand shares of the common stock of the latter, and paid this subscription with twenty thousand of its own shares of stock, virtually giving the Norfolk and Western the controlling interest in its thirty-seven thousand six hundred and seventy-four shares – the total capital stock of the Shenandoah Valley Railroad Company. In the annual report for 1883 the Norfolk and Western states, on page 25, that:

“The share value of the capital stock of the Shenandoah Valley Railroad Company is 36,962 shares, of the par value of 100 each, representing \$3,696,200, of which 30,506 shares have been acquired by your company in accordance with the terms of the contract dated December 29, 1882, and referred to fully in the last annual report, and which were received in payment of subscriptions for 40,506 shares of the common stock of your company.”

The Norfolk and Western now held a complete controlling share in the Shenandoah Valley Railroad, giving the former the indirect advantages arising through the ability to direct and control the distribution of through business between the two companies – just what the committee deemed most advantageous for the interests of the Norfolk and Western. What was the actual cost to the Norfolk and Western Railroad Company to obtain this control? The second annual report of the Norfolk and Western Railroad, page 25, after setting forth the traffic contract – the financial bargain and all – says:

“A contract on these terms was executed under the direction of your board on the 29<sup>th</sup> of December, 1882, and it is believed that the important advantages which it contemplates will be secured with but little, if any, actual cost to this company.”

The report of the Shenandoah Valley Railroad for the year 1883 was a very flattering one as to its condition, and so forth. In accordance with the terms of the contract the Norfolk and Western agreed to advance it two hundred thousand dollars per annum, and from this source and from the sale of its bonds the Shenandoah Valley Railroad Company was enabled, in addition to meeting all its fixed charges, to make many desirable improvements and pay for the rolling stock urgently needed. Its net income was \$192,257.58, and the prospects for another year much brighter. The result of its operations, since it was opened on June, 1882, were mentioned as very flattering and encouraging.

But the year 1884 brought a different state of affairs, for the depression in business and want of traffic so reduced the income of the company at the end of the year 1884 that upon January 1, 1885, default was made in payment of the interest, and a like result in April and July. The Fidelity Insurance Trust, and Safe-Deposit Company, of Philadelphia, being the trustee of a general mortgage issued to secure the indebtedness of the company, upon default in payment of its interest, filed its bill for the appointment of a receiver, which was done by order of court, and Sidney F. Tyler was appointed to that post, and duly took charge. The road was operated by the receiver until October, 1890, when, under decree of court, a sale was made, and the Norfolk and Western Railroad Company became the purchaser of the Shenandoah Valley Railroad Company for \$7,100,000, with all its roadway, equipments, property, rights, and franchises. Although the company was in the hands of a receiver for five years, yet that did not affect the advantages derived from the construction and operation of it to the country through which it ran, and the towns along its lines continued to develop.

The purchase of the Shenandoah Valley Railroad by the Norfolk and Western has already had a good effect along the lone of the former company. The developing policy of the Norfolk and Western, and its interest in the general welfare and progress of the towns and country along its route, cause these to hail its advent with delight, and there was a general spirit of joy pervading Shenandoah Valley when it was announced that the road through the Valley had been purchased by the Norfolk and Western. Already many enterprises are springing up and industries coming in, feeling a spirit of confidence in their future since this company, which has done so much materially for the Southwest, has charge. The connection of the Washington and Western Railroad – now being located – with the Shenandoah Valley branch in this country not only secures a long-coveted entrance into Washington by the Norfolk and Western Railroad, but will give a new impetus to the whole country, and be if infinite advantage to the connecting point. The charter of the former road further gives power and authority to this company to locate, construct, and equip a railroad from some point on the Shenandoah Valley Railroad into the coal regions of West Virginia, which road will be of more importance to the iron interests of the Valley than can be well calculated, as it will place the coking fields almost at the feet of the Shenandoah Valley. In all of these undertakings the people will be glad to know that the Norfolk and Western is the prime moving power, so great is its effect upon the country through which it passes.

The whole country traversed by the Shenandoah branch of the Norfolk and Western company is one capable of the highest state of deployment. The road starts from Hagerstown, Maryland, connecting there with the Cumberland Valley road for Philadelphia and points north, and with the Western Maryland for Baltimore. Coming south, it passes the lovely rich valley bordering the Potomac; crossing into West Virginia, it connects with the main line of the Baltimore and Ohio at Shenandoah Junction, pursuing then its line through the charming Shenandoah Valley at Charlestown, Berryville, Front Royal, Luray, Shenandoah, and Basic City, terminating its route at Roanoke City, a distance of 293.3 miles through as productive and beautiful a country as ever the sun shone upon. This road has been most beneficial in its results towards developing the whole section, and all along the line people acknowledge it.

Notwithstanding the fact that the road was placed in the hands of a receiver, it has been a great success, and has certainly been conducted well under the management of D.W. Flickwir, superintendent, and O. Howard Royer, general passenger and freight agent. Its equipment is good and the service all that could be desired. Had the road been opened up in the past four years, and not when it was – during a period of depression – it would never have passed into the hands of a receiver, but would have met its liabilities promptly. Within the past four years there has been a marvelous increase in the passenger and freight traffic. There is no doubt that it has played a very important part in not only the development of Shenandoah Valley, but Southwest Virginia as well.