

constructed, was being encroached upon and absorbed by rival companies, who extended their lines and purchased coal lands for the purpose of diverting tonnage to their own roads. The Lehigh Valley Railroad Co. had purchased controlling interests in large estates near Ashland, and becoming the owners of the Quakake Railroad, extended the latter through the entire northern section of the Mahanoy coal fields as far as Mount Carmel, where a junction was effected with the railway system of the Pennsylvania Railroad Co., who, through the Northern Central Railroad, entered the same coal field from the west, and in the neighborhood of Shamokin had acquired large interests in coal property. The same company, through its ownership in the Northern Central Railroad Co., had obtained control of the Summit Branch Railroad Co. and of the Lykens Valley coal region, which forms the western extremity of the northern fork of the southern coal field.

In addition to these, the Lehigh Valley Railroad Co., the Delaware, Lackawanna and Western Railroad Co., and the Central Railroad of New Jersey, then in friendly alliance, had united to locate and construct a line of railway entering the southern coal field at Tamaqua and extending westward to the centre of the region, and were actually engaged in preliminary examinations preparatory to purchasing coal lands to supply the new line with tonnage. The capital and debt of the Philadelphia and Reading Railroad Co. at this time were over \$36,000,000, the safety of all of which depended upon coal tonnage, and, in addition to this amount of invested capital, the company was paying an annual rental equal to interest upon Ten Millions of Dollars upon leased lines of branch railroads located within the coal fields.

Imminent as was the danger to the business and capital of the company, from the aggressions of other lines, and the consequent absorption of the lands which produced the tonnage from which its profits were to be derived, there was, however, another and equally serious cause which, in the course of a few years, would have made it an absolute necessity for the company to acquire the control and management of coal lands, for the purpose of securing tonnage for its lines.

No one at all conversant with the history of mining in Pennsylvania could have failed to notice that the result of the two different systems of corporation and individual mining was so greatly in favor of the former that any transportation company, dependent for its tonnage upon the product of the latter, must be left far behind in the struggle for traffic.

In the upper or Wyoming coal fields, where large companies, with abundant capital, owned the land and worked their own mines, the system of mining was carried to the highest perfection, and economical results obtained which were unknown in the Schuylkill region, where the lands were divided into small holdings, and worked almost entirely by tenants, whose only object was to secure, during the terms of their leases, as large a profit as possible, without regard to the condition in which they left the property of the landowner at the expiration of their tenancy. It therefore followed that some of the best lands of the lower coal fields were almost absolutely destroyed and rendered unproductive by a system of mining that could not have prevailed had the owner of the land himself been interested in the working of the mine. In addition to this, as it was practically impossible for the great number of individual miners, to form any organization for self protection, the Schuylkill region became not only the hot bed of Trades-unionism, but the resort of a secret association, which, for many years, controlled and terrorized the entire laboring population. The facility with which the price of labor was raised and controlled by means of strikes, too often, it is feared, connived at by some of the coal operators themselves, with a view of securing higher prices for their product, led to a series of turnouts, which, in many cases, for months deprived the company of any coal tonnage, and resulted in the establishment of a social system in the coal regions fraught with the greatest possible

danger to every interest connected with the production or transportation of coal, and which, if it had not been eradicated, would have ultimately given the control of all property and of every interest of value to a secret association, such as desolated some of the best portions of Ireland during the reign of ribbonmen and other kindred societies.

Perhaps no better comparison of the result of individual mining by tenants; and that of large corporations can be drawn than is furnished by the statistics of the increase of production and population in the Schuylkill and Wyoming regions during the twenty years in which the principal coal mining companies grew into existence. The production of Schuylkill coal in 1850 was 1,782,936 tons, against 827,823 tons in the Wyoming region. In 1870 the Schuylkill region produced 3,853,016 tons, or an increase of 116 per cent.; while in the same year the production of the Wyoming region had grown to 7,825,128 tons, or an increase of 833 per cent., and while the population of Schuylkill county in the same twenty years had increased but 91 per cent., that of Luzerne county, in which the Wyoming region is situated, had increased nearly 187 per cent. Indeed the productive capacity of the regions developed by corporations had grown so large that at the close of the war the entire demand for anthracite coal in the United States could have been supplied without the out-put of a single ton from the region which supplied the Reading Railroad with tonnage; and there could have been but one end to a competition for the control of the markets between the product offered by the corporations who united all the profits of landlord, miner, transporter and merchant, and that on which the landlord first required a royalty, the tenant a profit as the miner, the railroad company some compensation for transportation, and which eventually only reached the consumer through the hands of a factor or middleman, who levied upon the business, as his share of the profits, a sum which, in times of active competition, would alone have sufficed the corporation.

To those entrusted with the management of the property of the company, and who were responsible to the stockholders for the faithful performance of their trusts, there seemed no other way to extricate the company from the dangers which threatened it than to become purchasers of coal lands. And this policy once adopted, it became necessary not only to buy sufficient to supply the present tonnage, but to acquire such a control of lands in the first and second coal fields as practically to render abortive the attempts of any other transportation company to secure sufficient property in either to warrant the construction of a rival line of railroad, as it was undoubtedly better to pay interest upon the large amount of property not required for present uses, than to suffer the greater loss resulting from a division of the merchandise and passenger business of the company, which would inevitably have followed the construction of a rival line of railway connecting the seaboard cities with the coal fields now controlled by the company.

The Philadelphia and Reading Coal and Iron Co. was, therefore, organized and supplied with means to acquire such an ownership of the lands of the two lower coal fields as effectually to secure the tonnage for the Reading Railroad.

It was at first supposed that, by improving and exercising a rigid system of inspection over the collieries the product might be mined by tenants paying a royalty to the company, but the experience of one year proved this hope to be delusive, and it became necessary to obtain control of the collieries, as well as of the lands, and to place the property in such a condition for efficient working as would enable the company to produce coal at such a price as to compete with the product of other regions in the principal markets of the country. It is almost impossible for any one not thoroughly conversant with the subject fully to appreciate the magnitude of the task thus undertaken. The entire social condition and business relations of two great coal regions had to be

changed and overturned. The whole system of mining at 100 collieries, whose workings embraced nearly 200 miles of underground openings had to be revolutionized and half of the collieries themselves remodelled and improved so as to introduce changes which would result in the more economical production of coal, and save the body of the lands from the destruction which had followed the wasteful and extravagant system of tenant mining. A landed estate of 250 square miles had to be taken from the control of an irresponsible trades union, and its inhabitants rescued from the domination of an oath-bound association of murderers which for years had held the life and property of every one engaged in any industrial pursuit subject to a secret tribunal, whose infamous decrees were carried into effect by the assassin and the incendiary. After more than four years of the most earnest and unremitting labor the company has been entirely successful in reclaiming its property. The Labor Unions have been practically dissolved, and it is truly believed that the great majority of miners and laborers of the coal fields have been changed from enemies into friends and adherents of the company. The secret association of Molly Maguires has been broken up and every prominent leader of that infamous association, who is not a fugitive from justice, is to day either under sentence and awaiting execution in prison, at penal servitude, or held in custody for future trial. In addition to all this the entire system of mining has been changed. Many unproductive collieries have been abandoned, new ones built to take their places, and others so changed and improved, that it is confidently believed there is now no coal property in the State in better order for economical working than that owned by the company. Much of the cost of this work had to be charged to ordinary working expenses, but, in addition to the interest upon the cost of the property, the entire loss of the Coal and Iron Co. from the period of its creation until December 31, 1875, was but \$297,443 59; and this amount, together with the interest upon the cost of the lands up to December 31, 1875, and the commissions and discounts upon the loans issued by the Railroad Co. to secure the money to purchase them, has been charged to the capital account of coal lands on the books of the Coal and Iron Co.

The increased value of the estate, due to the result of the operations of the company, may be best judged by the fact that the cost of mining coal per ton has been gradually reduced from \$2 51 in 1873, to \$2 44 8-10 in 1874, \$1 86 7-10 in 1875, and \$1 35 4-10 in 1876, and it is expected that during the coming year the cost will not greatly exceed \$1 per ton, a rate which was reached during each of the last three months of the past year.

Annexed to this report will be found the balance sheet of the Coal and Iron Co., as of November 30, 1876, together with the report of the Chief Engineer of that company and several tables of statistics and valuable maps and plans, to which the stockholders are referred. There will also be found a detailed statement of the business of that company for the eleven months ending November 30, 1876, that period having been selected for closing the books, so as to correspond with the date to which the accounts of the Railroad Co. are made up, and hereafter the yearly workings of the Coal and Iron Co. will be presented to the stockholders of the Railroad Co. at their annual meeting.

It will be seen that the loss in the year's business is \$203,642 59, after charging off for depreciation of the stock of coal on hand at the dissolution of the Coal Association the very large sum of \$931,745 45. This loss in the year's business of \$203,642 59 is increased to the sum of \$653,359 03, the amount shown upon the balance sheet by the following items:

Bad debts, charged off, &c.....	\$138,391 36
Depreciation of various property and stock of iron on hand, and loss on contracts for manufacture of iron..	311,325 08
The unfair working of the association of coal	