



**Record Group:** Morris Canal and Banking Company

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### Institutional History

Following the example of New York's Erie Canal, which began construction in 1817, New Jerseyans began organizing to build a canal across the northern part of their own state in the early 1820s. They hoped to promote local industry by improving transportation between the coalmines of Pennsylvania, the iron forges of Morris County, and the great marketplace of New York City. Spearheaded by George P. McCulloch, a Morristown businessman, a group of local boosters successfully lobbied the legislature in 1822 to appoint commissioners to investigate such a canal's feasibility. The resulting report endorsed the construction of a canal to connect the Delaware and Passaic rivers. The commissioners further recommended that the canal be constructed directly by the state, following the example of the New York, Pennsylvania and Ohio canal systems. But reluctant to assume such an enormous public expenditure, the legislature chose instead to delegate construction to the privately formed Morris Canal and Banking Company of 1824.

The 1824 charter gave the company right of eminent domain over both land and waterways needed for the canal, a local monopoly on canal transportation, and exemption from taxes on all canal-related property. To encourage private subscription in the company's stock, and to satisfy the demands of New York City financiers, the charter also granted banking privileges for a period of thirty-one years. Importantly, though, the law provided that the state could take possession of the canal at the end of 99 years, in return for just compensation.

Stock subscription began by the spring of 1825, and by September of that year thirty miles of the canal were under contract. To overcome changes in elevation through the hills of north Jersey, the company constructed an extensive system of locks and inclined planes. Employing up to 1,100 men at a time, the canal company completed the original Phillipsburg to Newark route in November 1831. By an amendment to its charter in 1828, the company was authorized to extend the canal's eastern terminus from Newark to Jersey City. This was completed in 1836. The following year the company constructed a feeder line to Pompton Lake and completed the Greenwood Lake Reservoir. All totaled, the finished canal traversed 109.26 miles horizontally and 2,134 feet vertically. It contained 23 inclined planes and 34 locks, with over 140 bridges and 43 spillways along its right-of-way, and 11 dams at reservoirs and elsewhere.

In its earliest years, the company managed at best a precarious existence. Originally estimated to cost \$817,000, construction expenses for the canal reached over \$2.1 million for the initial route from Phillipsburg to Newark, forcing repeated delays as the company scrambled to raise additional funds. Having exhausted equity markets, in 1836 the company was forced to mortgage the canal for \$750,000 to Wilhelm Willink Jr., a Dutch financier. Although traffic on the canal grew steadily in the years immediately following its completion, the company used its banking privileges to engage in the reckless financial speculation of the 1830s. Boom times quickly turned to bust after the panic of 1837; and when the company defaulted on its mortgage payments, Willink successfully sued in the Court of Chancery for foreclosure. Following three years of court action, the company was sold for \$1,000,000 to Benjamin Williamson, Asa Whitehead and John J. Bryant, who continued business as the "Morris Canal and Banking Company of 1844." Willink was paid \$908,403.37, and the State of Indiana, another creditor, \$91,596.63. Much reduced in value, the new company surrendered its banking privileges in 1849, in return for which the legislature reduced its capital stock from \$4,100,000 to a more realistic par value of \$1,250,000.

Thus reorganized, the canal company entered into a brief period of prosperity. Total tonnage increased steadily from 58,259 tons in 1845 to a post-war peak of almost 900,000 in 1866. To accommodate this growth, the company

embarked on an extensive improvement project, widening the canal from a base width of 20 to 25 feet, and effecting similar enlargements in all locks and inclined planes. The new improvements cost \$1,700,000, bringing total construction costs to over \$5,000,000. In the meantime, the company continually expanded the number and size of its fleet of canal boats. This was financed in part by means of the "boat loan" of 1865, whereby the company sold certificates paying 7 percent interest using its fleet of canal boats as collateral. The proceeds of the loan would cover the cost of repairing existing boats and building new ones.

Unfortunately, the newly built railroads began cutting deeply into the canal's business. In 1861, the Morris and Essex Railroad constructed an extension to Phillipsburg, siphoning off freight from the canal—particularly in the winter months when freezes made boat traffic impossible. Realizing that it could not beat the railroad competition, the company decided to join with its adversaries instead. In 1871, it executed a ninety-nine-year lease of the entire canal to the Lehigh Valley Railroad Company, receiving "rent" in the form of guaranteed annual dividends. The L.V.R.R. Co. in turn, hoped to use the canal as an extension to its rail network in Pennsylvania. But it quickly realized the futility of profitable canal operation, and decided instead to construct its own rail extension, named the Easton and Amboy Railroad. By the late 1880s, long-distance traffic on the Morris Canal had ceased altogether. Thereafter, the L.V.R.R. Co. paid for its rent out of the proceeds of the sale of non-canal property, as provided for in its lease. It also earned income by providing water and water rights to north Jersey's growing urban communities. In practice, the distinction between the two corporations gradually eroded, because the L.V.R.R. Co. eventually purchased all of the canal company's capitol and preferred stock.

The first movements toward abandoning navigation on the canal occurred in 1888, when a legislative act offered any canal company the opportunity to surrender its franchise in exchange for waiving its exemption from taxation. The state, in turn, would relinquish its charter right to take over company property. The Morris Canal and Banking Company refused the offer, however, and the Lehigh Valley Railroad Company, as required by its lease and the canal company's original charter, continued to maintain the canal despite deficit operation.

As evidence of the canal's obsolescence mounted, L.V.R.R. itself began to press for the right to abandon its money-losing canal operation. The legislature appointed committees in 1903 and 1912 to study the canal's economic condition and legal status. Although the ensuing reports of both committees advocated abandonment of the canal, the legislature failed to act on their recommendations because they were judged to be too favorable to L.V.R.R. Co., and injurious to the interests of local municipalities, water authorities, and property holders. Pressure to compromise was intensified when, in 1918, the canal and railroad companies brought suit in the Court of Chancery against the North Jersey Water Supply Commission, protesting the commission's plan to divert water from the canal to supply the City of Newark.

On 11 March 1922, the legislature passed an act authorizing the acquisition of the canal by the state in part or in its entirety. In an effort to avoid partisan wrangling over local interests, the act appointed a nonpartisan commission to negotiate terms of settlement with the canal and railroad companies. The resulting settlement, called "Sommer's Agreement" after commissioner Frank H. Sommer, transferred all property, stock, bonds, and rights of the Morris Canal and Banking Company to the State of New Jersey, with the exception of canal property in Phillipsburg and Jersey City (save the Little Basin). L.V.R.R. Co. was also required to pay the state \$875,000. The railroad company was to operate and maintain the canal until 1 March 1923, when their lease would be cancelled, and all documents, surveys, deeds, and other records would be delivered to the state.

With the state's acquisition of the canal company's extensive real estate holdings, Governor Silzer appointed a special committee on 24 April 1923 to make recommendations for the disposition or use of the land. The committee, commonly referred to as the "Morris Canal Commission," thoroughly investigated and inspected the properties, legal status and economies of the canal company. Its recommendations were enacted by the legislature without significant change as the "Canal Acts" of 1923-1925. Under these laws, the Morris Canal and Banking Company would continue to exist as a legal entity (in reality a state agency under the direction of the Board of Conservation and Development), operation of the canal would cease, the canal company's lake properties would be retained for public use, and the remaining property would be sold with the associated canal works dismantled.

Cornelius C. Vermeule was appointed consulting and directing engineer for the dismantlement project to prepare the necessary surveys, plans, specifications, and contract documents, and to help establish values for the properties to be sold. Vermeule retired on 11 April 1928, and was succeeded by his son, Cornelius C. Vermeule Jr., who presented his final report to the president and board of directors of the company on 29 June 1929. The total cost of dismantlement and reconstruction of the canal was \$1,781,858.93.

While dismantlement was underway, Henry B. Kümmel, as general manager of the canal company and director of the Department of Conservation and Development, began selling real estate along the former canal right-of-way, and administering and managing the properties retained by the State under the "Canal Acts." The last land on the banks of the canal was sold in 1928. Kümmel was succeeded as director by Charles P. Wilber, who continued to carry on

the administration and management of the Morris Canal and Banking Company. This entailed mostly the rental and routine maintenance of the retained properties at Greenwood Lake (Ringwood Manor State Park), Saxton Falls (Stephens State Park), Cranberry Lake, Lake Musconetcong and Lake Hopatcong (Lake Hopatcong State Park), and the Little Basin, Jersey City. The Department of Environmental Protection, as the successor of the Department of Conservation and Development, continued to manage the properties until 1974.

## **Bibliography**

Public Laws, 1824. p. 158.

Public Laws, 1828, p. 35.

Public Laws, 1836, c. 262.

Public Laws, 1849, p. 33.

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