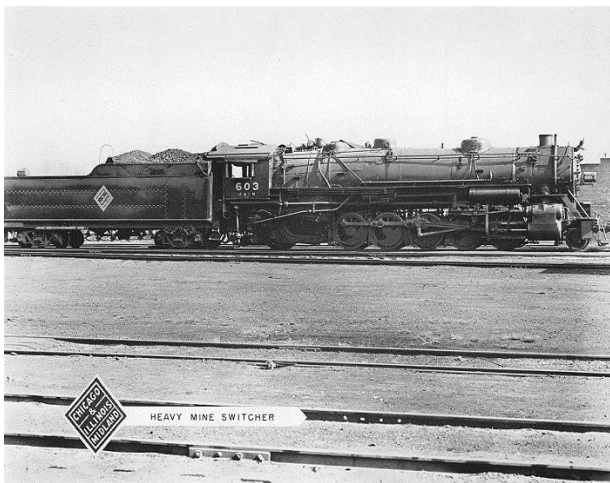


Following the Tracks

Peabody's role in the railroad industry

By Mark Dyer, Community Outreach

In the era around the turn of the last century, businesses operated with much less oversight and regulation than they do today. It was not uncommon for businessmen to try to control as much of their particular marketplace as possible, buying out competitors or making it nearly impossible for new companies to enter certain industries. Ultimately, this led to many of the federal business reforms that were enacted by Congress to regulate commerce and industry under which we operate today.



Francis Stuyvesant Peabody made his fortune in the mining and sale of coal, building Peabody Coal Company from a very small coal brokerage firm founded in 1883 into one of the largest coal suppliers in the country. Initially, the company bought coal from the owners of coal mines; it was then shipped to Chicago and ultimately sold at the retail level to individual businesses and homes. In the 1890s, Peabody Coal was able to buy coal-rich land in Illinois and subsequently open its own mines. The company could now guarantee its customers a steady stream of high quality coal.

One of Peabody Coal's commercial customers was the fledgling company of Chicago Edison (predecessor of the Commonwealth Edison Company), which was opening up new coal-fired power plants throughout the city in order to provide electricity to the citizens of Chicago. The then president of Chicago Edison was Samuel Insull, who realized that his company needed a dependable source of coal for its power plants. In 1903 Chicago Edison and the Peabody Coal Company agreed to a long-term contract for Peabody Coal to supply Chicago Edison with all the coal it would need at cost, plus a reasonable profit. With the guarantee of these large-volume contracts, the Illinois Midland Coal Company (a subsidiary of Peabody Coal) was then able to buy more coal-rich land and continue to open more and more mines throughout Illinois. It became a very strong partnership for both companies, allowing each of them to invest more money into expanding their core businesses.

As time went on, the need for electricity exploded and Chicago Edison opened more and larger generating stations. As the use of electricity grew, the cost of delivering it to its customers continued to drop, making it even more affordable for families, resulting in even more growth. To meet this additional demand, Peabody Coal also expanded its operations by purchasing mines in coal-rich areas around the country.

One of the other major concerns for both Chicago Edison and Peabody Coal was transporting the coal from the mines and coal fields of central and southern Illinois up to the Chicago power plants. By its inherent nature, coal is bulky, dirty, and extremely heavy. In that era, transporting it was done either by barge or railroad. If there was a hitch in the transportation chain, Chicago Edison's power plants would potentially have to shut down.

Recent research by our volunteers has revealed that the two companies worked out a solution to avoid that problem. In 1905, the bankrupt Pawnee railroad was purchased by Chicago Edison, with fifty percent ownership by F. S. Peabody. Naming it the Chicago & Midland Illinois Railway Company it was used to haul the coal from central and southern Illinois to Springfield, from where it was transported by barge to Chicago. Over the next few years the railroad was extended, improved, and upgraded to reach Chicago and handle the heavy weights of freight loads of coal. As new mines were developed, spur lines were run to these mines so that the coal could be loaded directly into the coal cars and transported north to the Chicago power plants. The Chicago & Illinois Midland Railway Company became a large fixture of Illinois coal transportation for the next 70+ years until it was sold in 1987.



This was not the only railroad venture by F. S. Peabody. In 1901 he had developed another railroad in Southern Illinois –the Coal Belt Electric Railway. This railway was built primarily to move passengers from Spillerton through Marion to Carterville and Herrin. These towns provided labor to the coal mines that Peabody was developing in southern Illinois. Before the widespread acceptance of automobiles, workers needed a way to get back and forth to work. The electric railway connected the mines with the workforce needed to operate the mines.

This information on the creation and ownership of railroads was unknown until recently and shows how Francis Stuyvesant Peabody was much more diversified in his business holdings than just his assets of the Peabody Coal Company. Both his and Samuel Insull's interest in striving to control each aspect of the road between "coal in the ground and the light bulb" shows how gilded-age businessmen tried to maximize their profits through what is called vertical integration.

This line of research has not been exhausted yet and will hopefully yield more information in the future about the business interests of F. S. Peabody. It is exciting to see how our knowledge of the story of Mayslake Peabody Estate's founder keeps expanding, hence giving us a small and personal window into a past to which we are all connected.