

GALVESTON WHARVES

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(see center of p. 4 for Cotton Concentration Co.)

GALVESTON WHARVES. The Galveston wharves were founded on February 4, 1854, as the Galveston Wharf and Cotton Compress Company. The name was shortened to the Galveston Wharf Company on February 11, 1860. After the wharves became a city utility in 1940, they were governed by the Board of Trustees of the Galveston Wharves. The island and harbor that came to be named Galveston had long been recognized for its potential as a natural port. Used by pirate [Jean Laffite](#) from 1818 to 1821, it was soon thereafter used as a common port, principally for the growing Austin colony. In a petitioning letter to the Mexican Congress, [Stephen F. Austin](#) called Galveston the "best natural harbor the colony of Texas has to offer." As part of his father's colonization efforts, Stephen F. Austin promoted Galveston's port potential and succeeded in gaining official designation as a port of entry from the Mexican government in 1825. A customhouse was later built, and a small group of soldiers were garrisoned there to collect customs duties by 1830. After the [Texas Revolution](#) (1836), Anglo-American settlers poured into the new republic. They came by land through East Texas^{qv}, and by sea through various ports, some of which had been established long before Galveston as supply points for the [Spanish missions](#) of early Texas. Matagorda, Velasco, Aransas, Corpus Christi, and Indianola all competed fiercely with Galveston in the race to become the "Gateway port to the west." Of these settlements, Indianola remained the main contender through the 1850s as the United States Army port depot and as the Texas headquarters for the dominant [Morgan Lines](#). But the Indianola wharves were destroyed by two major storms and not rebuilt, since the Morgan Lines moved its central operations nearer to Houston by 1886.

Hindering port development and shipping on the Texas coast were the unpredictably shallow sandbars and shifting openings into its bays. The deep-keeled sailing ships of the day often had trouble getting across sandbars where as little as five to ten feet of water could be counted on. More often than not, a process known as lightering required ships to unload their cargoes onto smaller boats (lighters) to get into the harbor. This added greatly to the expense and difficulty of shipping into Texas. After his entry into the Texas shipping scene in the early 1830s, Charles Morgan^{qv} overcame this problem. By using a fleet of shallow-hulled schooners in concert with his larger ships out of New Orleans, Morgan was able effectively to monopolize the Texas shipping trade. In 1837 he put his first steamship into service between Galveston and New Orleans. By May of 1837, forty sailing vessels were regularly carrying cargo and passengers to and from Texas, with daily arrivals at Galveston by 1838. In March 1839 the first cargo from England had been conveyed on the English bark *Ambassador*. By 1839 Galveston was handling over a million dollars a year in trade.

The first commercial wharves in Galveston were built by [Ephraim W. McLean](#), who established his Kuhn's Wharf at the foot of Eighteenth Street in 1839. Samuel May Williams and [Thomas](#)

[McKinney](#) opened their wharf at Twenty-fourth and Galveston Channel the same year. Other mercantile and trading firms followed with their own piers to serve their firms. By 1840, with a growing population of more than 3,000, Galveston was the largest city in Texas and a main destination point for European immigrants. From 1845 to 1854 Galveston's ship traffic grew from 251 to 600 a year. The growing demand for wharf facilities prompted Galveston's founder and developer, [Michel B. Menard](#), to organize his associates, Ebenezer B. Nichols, [Henry Howell Williams](#), and others to form the Galveston Wharf and Cotton Compress Company in 1854 with three wharves. By 1859 the company had merged with seven other piers formerly known as the Palmetto, the Central, the Brick, the Western, the Labadie, the Commercial, and the Merchants (or Hutchings). In this manner the ownership of the wharf company was spread among many previously independent owners. This consolidation of management was an improvement that was lauded by the local paper.

The [Civil War](#) left Galveston with her one railroad to Houston and her wharves in poor shape, but otherwise intact. By 1869 Galveston was again emerging from [Reconstruction](#) to resume its effort to become the busiest port in Texas. Providing the leadership to this effort were the successful partners in the banking and former mercantile firm of George Ball, John H. Hutchings, and brothers John and George Sealy^{qv}. Their business acumen and financial resources soon made them the most influential business leaders in Galveston. They owned major interests in the wharves and the Galveston, Houston and Henderson Railroad, and their banking firm, Ball, Hutchings and Company, was the strongest in Texas. Working within their positions in the wharves and the railroad, John Sealy and J. H. Hutchings formally allied both companies in 1869 to ensure cooperation and smooth service for the customers of the two companies. To cut cargo-transferring costs the wharf company strengthened the piers so that rails could be run out on them. Helping them with design advice and construction financing was Charles H. Mallory of the C. H. Mallory and Company shipping firm of New York. Mallory had opened a service between Galveston and New York City via New Orleans in 1866, and by the end of that year had completed twenty-one round-trip voyages. In 1867 he completed thirty-five. The wharf owners, however, wanted direct and regularly scheduled service to bolster the New York trade. In 1870 the wharves' directors and Mallory signed formal agreements laying out the terms for that service. The ships used in the Galveston and New York Line were uniquely designed to cope with the shallow water, yet to maintain ample cargo capacity to make the long voyage practical. The long and shallow-hulled ships would be of limited use elsewhere, should the venture fail. To further encourage Mallory to this endeavor, Ball, Hutchings, and Sealy also agreed to finance personally a quarter of the cost of the first four steamships to be put into this service, the *Ball*, the *Clyde*, the *Galveston*, and the *Houston*. In 1869 the wharf company had also agreed to settle a long-standing suit brought by the city, ostensibly over the use of street ends along the wharf property. In an unusual settlement known as the "Brazoria Decree of 1869" the company granted the city a one-third interest (6,222 shares) in nonvoting stock and its real property. The city thus gained partial ownership and a voice on the board, but lost a third of the tax base that had provided Galveston with its single largest source of revenue for many years. The quasi-public arrangement did little however, to alleviate complaints from those who were simply opposed to private control of such an important part of the Galveston economy.

As the Mallory Line began its New York-Galveston line Charles Morgan fought Mallory's entry into his market by building similarly designed ships and starting a rate war. After preferential

treatment was afforded Mallory ships at the Galveston wharves to offset the rate cuts, Morgan began efforts to locate his own wharves closer to Houston, where all traffic with Galveston had to pass. Encouraged by Houston businessmen who had long held their own dreams of a deepwater port, Morgan located a port named Clinton at a point on [Buffalo Bayou](#), built seven miles of track to Houston, and, significantly, dredged a twelve-foot-deep channel to the Gulf (*see* [HOUSTON SHIP CHANNEL](#)). Morgan also planned to ally himself with as many railroad interests as he could, and bought into as many as he could. By 1888 he had bought control of the Houston and Texas Central, the largest Texas railroad at the time.

In the late 1860s and early 1870s Houston had caused much financial harm to Galveston cotton merchants by imposing yellow fever quarantines on all shipments to and from Galveston. These quarantines coincided with the critical cotton-marketing times. Galveston's plan to secure unimpeded access to the interior was to form the Gulf, Colorado and Santa Fe Railway in 1873 to reach around the bottleneck at Houston into the interior. By 1875 the GC&SF had managed to build only fifty miles of track, had no rolling stock, and was out of money. In 1876 it was bought out of bankruptcy for \$250,000 by George Sealy, who represented a new group of Galveston businessmen determined to complete the effort so important to their own business interests. New stockholders and directors included such prominent cotton men as Harris Kempner, Leon Blum, William L. Moody^{qv}, Waters Davis, John Sealy, George Ball, Frank League, Walter Landes, P. J. Willis, and J. H. Hutchings. With experienced railroad man and financier John Sealy as president, the railroad became one of the largest and most successful in Texas and helped funnel trade and commerce from the Southwest to Galveston. In 1886 it was sold to the larger Santa Fe system.

Despite the improvements it made to the waterfront at no cost to the city, the company suffered periodic criticisms and accusations that divided the city and its business leaders. Among other charges, the wharf company was said to pay fantastic dividends and charge shippers exorbitant rates, thus discouraging competitive business. For the most part the company, at least publicly, ignored the charges, secure in the knowledge that dividends paid out never exceeded 6 percent and that its rates were comparable to those in other ports. However, the unanswered bad press cost Galveston much-needed regional support and divided the city itself. A city-backed lobbying effort through the Deep Water Committee to attract federal funds for deepening the harbor was turned down due to lack of support from other Texas cities. The Deep Water Committee finally succeeded in 1888 with help from the owner of the Galveston *News*, [A. H. Belo](#), and successful cotton merchants Harris Kempner and William L. Moody^{qv}, who combined their personal influence to garner enough political support in Congress and the administration to pass the Galveston Harbor Bill. The \$6,200,000 appropriation paid for the deepening of the harbor to twenty-two feet and construction of five miles of protective jetties to keep it open.

In 1898 George Sealy became head of the wharf company. That same year he persuaded C. P. Huntington of the Southern Pacific Railroad, which had by then bought the Morgan Lines, to locate competing facilities adjacent to the wharf company's. Including the enlargements made after the [Galveston hurricane of 1900](#), the Southern Pacific spent more than \$3 million on its facilities. Under Sealy's direction a large grain elevator was built to attract the growing grain-export business and diversify away from cotton. By 1899 Galveston was the world's foremost cotton port and the fifth most important port in the United States. Innovative ideas like the high

density compression of cotton developed at Galveston kept the wharves competitive (*see* COTTON COMPRESS INDUSTRY). In 1900 exports from Galveston were valued at more than \$85 million.

The devastating hurricane of 1900 brought national interest and called attention to the city's precarious position close to the sea. The wharves were repaired at a cost of \$382,673 and reopened within two weeks, but the massive rebuilding effort and need for borrowed capital focussed local attention on the poor state of the city's finances. When city council members began considering default on the city's bonded indebtedness, a group of business leaders moved to reorganize the city government in the commission form^{qv}. They also began to negotiate the refinancing of debt so as to preserve the city's credit rating and ability to borrow for the massive grade-raising and rebuilding effort ahead. George Sealy and Harris Kempner made many trips to New York in this effort. During the last of these, Sealy died en route. His nephew [John Hutchings Sealy](#) was named to succeed him in 1901. In 1904, while Galveston was busy with its project to elevate the level of the east end of the island and build a seventeen-foot-high protective seawall, nearby Texas City opened its own deepwater wharves.

Nevertheless-and even after Houston opened its deepwater channel in 1916-Galveston continued to prosper. **In 1910, the Cotton Concentration Company was formed** on wharf company property as an independent company to alleviate complaints from customers about the vagaries in classifying and handling cotton. George Sealy II^{qv} was its first president. The original shareholders in the \$50,000 capital were Hutchings, Sealy and Company (\$15,000), D. W. Kempner (7,500), Adoue and Lobit (7,500), W. L. Moody (7,500), [Robert Waverly Smith](#) (7,500), and C. H. Moore (5,000). This company became the largest feeder of cotton to the wharves and brought much-needed uniformity in handling this important commodity. It did most of the cotton compressing and exporting until the compress industry moved inland.

In 1911 the wharves came under the jurisdiction of the [Railroad Commission](#) as a common carrier. In 1912 Galveston was the number-two port in the nation in total value of imports and exports; that year it exported 4,045,495 bales of cotton. In 1914 the city threatened to build its own wharves across the harbor on Pelican Island^{qv} and to dismember the wharf company. Nothing came of the idea, however, but more hard feelings between the wharf company and its detractors. The port prospered during [World War I](#) with the shipments of troops and war supplies to France, but the business slump after the war hurt the cotton business and caused unemployment in Galveston. A longshoremen's strike that began in New York City carried over to the wharves in 1920. Dockworkers demanded a twenty-five-cent hourly pay increase and the right to bargain collectively through the [International Longshoremen's Association](#). At the request of the Galveston Chamber of Commerce, Gov. [W. P. Hobby](#) sent six Texas Rangers^{qv} to provide some law and order. On January 19, 1921, the strike was settled when the longshoremen, faced with the prospect of replacement by other capable dockworkers, were forced to settle for a seven-cent raise.

During the 1920s Houston, Texas City, Beaumont, Port Arthur, Orange, Freeport, Corpus Christi, and Brownsville were all benefiting greatly from the burgeoning [oil and gas industry](#) after the huge [Spindletop oilfield](#) was opened. Large cotton companies were also moving to Houston to get closer to better rail connections and farther away from the threat of hurricanes. In

1926 George Sealy II became president of the wharves. He was intimately familiar with the wharf company and had been active in its management as vice president for many years. The death of its largest stockholder, J. H. Sealy, in 1926 caused several changes that affected the wharves in subtle ways. The majority ownership of the wharves was now in the hands of the Sealy-Smith Foundation, formed to benefit [John Sealy Hospital](#) and the University of Texas Medical Branch. The wharves had always depended on the private partnership bank of Hutchings, Sealy and Company to provide essential cotton financing. The remaining partners, George Sealy and Hutchings Sealy, thought that the cotton credit requirements, often exceeding \$2 million daily, posed far too great a risk for them. The bank was rechartered as a national institution in 1926. However, as such it became restricted in the amount of lending it could concentrate on any one commodity, including cotton. To resolve the problem, in 1929 the partners formed the Galveston Corporation, a holding company for the stock of the wharf company, the cotton compress company, and other related companies. The new corporation was able to obtain a credit line with New York banks for some \$7.5 million. With the stock market soaring in 1929, several offers to buy were made to the wharves' owners. One such offer came from a New York group who eventually revealed that they were representing a partnership, one of whose principals was Shearn Moody of Galveston. The Moody family had become increasingly vocal in its criticism of the wharves' management and at every local election used sentiment against the wharf company as a political issue. With help from the Moody-owned *Galveston News*, Moody's family lawyer, Frank Anderson, attacked the wharf company in a bitter city campaign, agitating for the "municipal" ownership of the wharves. The Moody-Seagraves offer to buy the wharves themselves was for \$226 a share, only for controlling interest. Moody also offered to let up on his attacks and give a \$50,000 bonus to George Sealy for delivery of the stock. This private offer was refused and only served to increase the acrimony between the two powerful families. The stock market crash in the fall of 1929 ended interest from stock promoters.

At the beginning of the [Great Depression](#) immediate problems faced the wharves from cut-rate competition from the port of Houston and her cotton merchants. Several Houston firms had cut their compression rates by thirty cents a bale, and several old-line Galveston customers were switching to Houston. This, in addition to freight rates that already favored Houston, prompted Sealy to action. With the help of E. H. Thornton, traffic manager for the Cotton Exchange, Sealy formed the Galveston Truck Line in October 1929 with \$25,000 capital. This company bought and leased a fleet of more than 500 trucks and trailers that brought cotton and wool from as far away as El Paso and shipped sugar to Oklahoma. It operated for three years at a total loss of \$124,000.

In December 1929, Sealy initiated a meeting with the most influential cotton men in Houston to seek a resolution to the long-standing "Galveston rate differential" problem, which unfairly added cost to cotton shipments by rail to Galveston. Many unsuccessful and expensive lawsuits had been brought, yet the Railroad Commission refused to rule for fear of alienating the politically powerful Houston. At a meeting with [William L. Clayton](#) of the Anderson-Clayton Cotton Company, [Joseph Wood Evans](#), president of the Houston Chamber of Commerce, and Kenneth Womack, president of the Houston Cotton Exchange^{9v}, Sealy pointed out the successes the Houstonians had had in luring away many of Galveston's larger customers. He stated that they were entitled to whatever rate benefits were fair to equalize the effect of their fifty-mile ship

channel, but no more. At the meeting the participants compromised on an equalization of railroad rates for 100 miles around Houston. The agreement was quickly ratified by the Railroad Commission in January 1930. That, along with pressure from the trucking company, finally forced the railroads to go along and set more equal rates by 1933.

The 1930s brought prolonged hard times for the wharves because of a long and severe drought in the main cotton and grain farming areas of the Southwest. Economic conditions were further depressed by the lingering world depression and Roosevelt's "New Deal" policies, which expressly discouraged the growing of cotton in favor of other crops. Cotton exports fell dramatically from seven million bales annually in the United States to 262,567 bales by 1942. In 1930 the largest grain elevator on the coast in the nation, Elevator B, with six million bushels of storage capacity, was opened on the wharves. Under the Reconstruction Finance program, headed by Houstonian [Jesse H. Jones](#), federal funds were being loaned at low rates to other port cities to stimulate the capital improvements in their wharves. Though Corpus Christi, Beaumont, Port Arthur, and Houston were embarking on substantial improvements to their municipally owned wharves, they were not burdened with paying taxes or expected to put aside funds for maintenance or shareholder dividends. As a mostly private entity, the Galveston wharves could neither share in those funds nor refuse to continue paying taxes on the wharves' \$17 million tax value. In 1938 earnings for the wharves were but \$167,442, while taxes paid were \$294,591. In the late 1930s the city annually received about \$150,000 in tax revenue from the wharves. Between 1900 and 1940 total federal, state, county, and city taxes paid were \$6,785,926.

Efforts to interest the railroads in buying the wharves were unsuccessful, and in 1939 they were sold to the city for \$6,293,001. The sale was consummated on November 29, 1940, after a citywide vote ratifying the terms. During its years as a private entity the Galveston Wharf Company had four general managers: J. E. Bailey, J. J. Davis, E. E. Gossrou, and F. W. Parker. George Sealy remained as president of the wharves until his death in 1944. During [World War II](#) the wharves were kept busy handling the large volume of supplies to troops and afterwards the huge volume of food relief to former United States allies and enemies alike. In 1946 the wharves consisted of six miles of concrete dockage, a six-million-bushel grain elevator, forty-seven miles of railroad track, assets of \$12 million, corporate surplus of \$5 million, and bonded indebtedness of \$2.5 million. By 1967 the port had undergone two major expansion projects costing over \$45 million. With its sales offices in New York and Houston, the port remained competitive as one of the few with complete service under one management. It was capable of docking thirty-eight modern steamships simultaneously. Since its change to a city utility the wharves still suffered from the normal wide swings in its operating revenues, but on the average its return on asset value was positive at about 5 percent. In 1975 the Galveston ship channel was deepened to forty feet by the United States Army Corps of Engineers. The wharves were still the largest cotton-storage center in the world. Major exports of the time were cotton, flour, sulfur, fertilizer, chemicals, and grain. Imports were crude oil, raw sugar, fruit, frozen meat, dairy products, tea, plywood, and manufactured iron and steel products. In 1981 the wharves handled 8.5 million tons of cargo and reported net earnings of \$2,881,222.

By 1990 port facilities included ten modern open-dock ship berths and twenty berths with shipside warehouses of 1,866,000 square feet. The Galveston Railway provided terminal connections to the Atchison, Topeka and Santa Fe Railway, the Burlington Northern, the

Southern Pacific, and the Union Pacific. Bulk-liquid storage tanks and tanker berths are located on Pelican Island, along with former dry-dock facilities of the Todd Shipyard, which the port purchased for \$6 million in 1993. In 1993 more than 6.6 million tons of cargo was shipped through the port; grain accounted for 3,965,372 tons, a 190 percent increase over 1992. The contribution to the local economy was estimated to be more than \$140 million. In 1994 the wharves announced their first net profit in five years-\$619,499 on revenues of \$14.65 million-contrasted to a loss in 1992 of \$946,320. Port general manager and director Doug Marchand reported that the gains were the results of long-term efforts in improving operating results. In addition to exporting and importing, the wharves are the site of the Texas Seaport Museum and the home of the *Elissa*, a restored historic sailing vessel, as well as of shops, restaurants, cruise ships, and party boats. George Sealy II, president of the wharves from 1926 to 1944, wrote, "When the President of the Republic of Texas was in Galveston awaiting the news of San Jacinto in 1836, there were but a few wooden trestles extending to the natural channel of Galveston Bay skirting the northern border of the city-these structures, as flimsy as they were, constituted the foundation upon which this great Port was to be built."

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