



**Celebrating a Century of Service  
to the Commonwealth**

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The creation of the Virginia State Corporation Commission in the early years of the 20<sup>th</sup> century was a decisive shift in the organization of state government. Regulatory decision making moved from the legislature to a permanent body which could hire specialists and conduct inquiries. The SCC was organized as a separate department of state government with its own legislative, administrative and judicial powers. As the decades went by, the Commission was given increased regulatory authority over diverse business and economic interests. Because of its unique structure and duties, it has been described as the “fourth branch of government” and “the most powerful regulatory body in America.”

The typical Virginian in 1900 lived on a farm or in a small rural community. With a population of 1.8 million, more than 81 per cent of Virginians were classified rural with transportation facilities that were about the same as they had been a century before. Richmond, with a population of 85,000, was the largest city. Oil lamps were used to light homes, and wood or coal provided heat. Horses or mules pulling carriages or wagons were the principal means of travel in rural areas with roads deep with mud in wet weather and dusty at other times. There were fewer than one million telephones in the Bell Telephone System in the entire United States. Public schools in Virginia were open for a session that lasted 119 days, or about four months. Nearly all of the schools were elementary with only a handful of four-year high schools. There was no compulsory attendance law, so that thousands of children did not bother to go to school or were put to work by their parents.

The first commercially successful electric streetcar line in the world began operations in Richmond in 1888, and by 1900 trolleys had replaced horse-drawn cars in many other cities. The new trolley network led to the development of electric utility companies that began to sell surplus power for commercial and residential use. However, only eight percent of the country had electricity service at the turn of the century.

Automobiles were a novelty and rarely ventured out of the cities. A man who considered driving a car from Staunton to Norfolk in 1900 had to ship it by freight train because of impassible roads and one county that barred

automobiles from using its roads. Railroads were developing and expanding rapidly with small independent lines being consolidated into large rail companies, but were subject to little or no control by the state or federal government. If a train trip was anticipated, the service to rural areas was irregular often with dirty and unheated coaches.

The unfair freight and passenger rates charged by the railroads in Virginia were among the chief grievances of a growing number of farmers, populists and progressives at the turn of the century. When Virginians voted in 1900 to hold a constitutional convention to

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overhaul state government, several populist leaders saw it as an opportunity to address the abuses of the

railroad companies.

The General Assembly laid out a limited number of general regulations for railroads as early as 1837, and in 1867 gave the Board of Public Works restricted authority to investigate railroad and canal companies. Virginia was the first state in the south to try to regulate railroads with the creation in 1877 of the Office of the Railroad Commissioner. But the commissioner had little power other than to supervise and recommend. Railroad lobbyists frustrated repeated efforts in the General Assembly to strengthen the railroad commission by raising fears that similar restrictions would be placed on other corporations.

When the constitutional convention convened in the old Hall of the House of Delegates at the Capitol on June 12, 1901, there was significant support for the creation of a regulatory body that would control railroad companies and fix rates to protect the people of Virginia. A. Caperton Braxton, chairman of the corporations committee at the convention, stated that if consumers ultimately bear the cost of transportation they should be protected from the greed of common carriers. He advocated the formation of a government organization with the authority to administer equal justice between the two opposite interests.

Chief credit for the establishment of the regulatory body that became the State Corporation Commission goes to Braxton. Ralph Waldo Emerson was thinking of a man like Braxton when he wrote: “An institution is the lengthened shadow of one man.” A Staunton businessman and lawyer, the politically independent Braxton had a strong belief that the government should strictly control corporations that tended toward monopoly. At the time, railroads were the wealthiest and most powerful corporations in Virginia.

The nation’s railroads were growing at a phenomenal rate and had become essential to economic expansion. Unfortunately excessive power and corruption accompanied their rapid growth. Braxton described the railroads as “grasping, selfish, tyrannical, overbearing and relentless” in their determination to maintain the status quo, pay as few taxes as possible, and discriminate in freight and passenger rates.

**U**nder Braxton’s leadership, the committee on corporations produced a report that outlined provisions for a state corporation commission with legislative, administrative and judicial powers necessary for “the vigorous and complete execution of its duty to regulate and control the operation of railroads.” Friends of the powerful railroad lobby responded with vigor during the convention sessions and in the state’s major newspapers. They argued that such a commission was unnecessary and too powerful. Regulatory functions should be exercised only by the legislature or an agency created by the legislature. An independent commission would “hamper cripple and probably bankrupt every great railroad corporation in the State.” It was “highway robbery under the forms of the law.” Braxton was personally attacked as a wild anarchist with a warped mind.

Braxton skillfully and persuasively defended his report during the 10 months of convention deliberations. He was determined to detach the control of the railroads from the General Assembly. He also wanted to give the SCC all the powers of a court of

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record, which could be done only by constitutional provision. Braxton later wrote: “The vast superiority of the railroad managers over the general legislature in mobility and quickness of action enabled them to design and execute plans to evade the law faster than the legislature could establish new laws to defeat their new plans.” Even the Richmond newspapers, some of his harshest critics, expressed admiration for Braxton’s defense of his proposals. The constitutional article on corporations was passed with only minor revisions. The convention adjourned on June 26, 1902, and the new constitution was proclaimed to be in effect two weeks later. The new State Corporation Commission would replace the Board of Public Works and the Office of Railroad Commissioner.

**T**he 1902 constitution authorized the appointment of three commissioners by the Governor and confirmed by the General Assembly for the regulation of transportation and transmission companies. Historian Virginius Dabney maintains that the establishment of the State Corporation Commission represented an entirely new departure in the machinery of government and conferred on the Commission a wider jurisdiction than enjoyed by any similar state agency in the country, before or since. Instead of applying the accepted doctrine of the separation of powers in government, the framers of the constitution authorized an organization with its own legislative, administrative and judicial powers. The Commission could make its own rules and enforce them. No state court except the Virginia Supreme Court could review or reverse any of its rulings.

The railroad lobby’s dire predictions of chaos and economic decline never materialized. The authority and constitutionality of the Commission were challenged in a series of complicated cases in state and federal courts. Ultimately in 1908 the Supreme Court of the United States sustained the right of the SCC to fix intrastate rates. Historian Allen W. Moger wrote that from the beginning the Commission followed a policy of conciliation where possible. Moger added that although the Commission was subjected to its share of criticism, in general it protected the interests of both the public and the corporations.

When the General Assembly convened in January 1903, Governor Andrew J. Montague presented the

names of three distinguished Virginians to serve as commissioners. They were Richmond attorney Beverly T. Crump, Russell County farmer and cattle breeder Henry C. Stuart and a retired railroad construction contractor from Loudoun County, Henry Fairfax. All had previously served in the General Assembly. The legislature provided \$500 for the Commission to prepare offices and authorized it to hire a clerk, a first assistant clerk, a bailiff and a stenographer “who shall also be a typewriter.”

**O**n March 2, 1902, the three commissioners gathered in the office formerly occupied by the Railroad Commissioner in the State Library, then located in the old Finance Building in Capitol Square, to be sworn in by James Keith, the President of the Virginia Supreme Court of Appeals. In the organizational meeting that followed, Crump was elected chairman, John A. Upshur was named as the clerk and J. W. Williams was selected as bailiff. Two months later B. J. Wysor was appointed first assistant clerk and Joseph W. Neely was selected as the stenographer.

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The Commission moved into its first permanent offices in July 1903 on the fourth floor of the Richmond City Hall on the north side of Capitol Square. The five rooms were described as “commodious and ample” in the SCC’s first annual report. Almost immediately it began to regulate the rates and services of railroads, telephone and telegraph companies as well as grant charters, issue orders and assess corporate property.

The Commission’s first formal order was issued on March 30, 1903 and involved allowing certain concessions in rates by the Chesapeake and Ohio Railway Company. The body of the order was a letter from Chairman Crump to the railroad. The order stated that the Commission had no objection to allowing one-half rates on material for the building of a church in Mineral. The Commission also had no objection to granting free transportation on packages consigned to the Confederate Bazaar to be held in Richmond in April 1903. In the third issue, the SCC would not give official sanction to a rebate in rates in a case in which there might be interference with legitimate competition. The third issue involved shipping construction materials to Clifton Forge to build

50 homes for railroad company workers. No local builder was willing to undertake the construction job, and the railroad wanted to use an outside contractor. The Commission suggested the railroad resolve the issue on rebates with the town of Clifton Forge.

The first charter was issued on May 23, 1903 to the Virginia-Carolina Stave and Lumber Company, Inc. of Richmond. R. H. Bruce was listed as the president of the company. He also was listed as the vice president of the second company to get a charter that day, the Virginia Telephone Company of Amelia.

In the first year of service, the Commission reported that it granted 482 charters for corporations and generated \$488,271 in revenue for the Commonwealth while spending a budget of under \$24,000. Processing consumer complaints was a significant Commission activity from the very beginning the SCC reported. “A very large number of complaints against railroads were

informally brought to the attention of the Commission...and all...were promptly taken up by the Commission and proper relief given in all cases in which the complaints were just founded.” Although the exact

date is unclear, the commissioners were soon referred to as “judges.” The 1902 constitution had given the SCC the powers of a court of record and stated at least one commissioner “possess the qualifications prescribed for judges of the Supreme Court of Appeals.”

**W**ithin three years the Commission’s regulatory authority was broadened by the General Assembly with the creation of the Bureau of Insurance. That same year, the SCC also was authorized to investigate cases of suspected arson. The regulation of banking was added in 1910, and fixing the rates of public utilities began in 1914. The supervision of the sale of securities (Blue Sky Law) started in 1918. The regulation of transportation by motor vehicle began in 1923.

This new form of transportation soon challenged the railroad monopoly and provided new tax revenue for the Commonwealth collected by the SCC. At one point, the motor carrier sections issued 14 different kinds of licenses authorizing public carriers. Vehicles ranging from taxicabs to charter buses to interstate trucks had to display a little oblong license issued by the SCC. Com

mission inspectors had full police powers, and in 1956 made 943 arrests.

**A**viation in Virginia came under SCC jurisdiction in 1928. The Division of Aeronautics was responsible for the licensing of pilots, aircraft and airports. Staff conducted safety investigations and supervised tax collections for the improvements of airfields.

From the beginning of the Commission, the legislature has approved more than 60 expansions of SCC authority. Some of the unusual areas of authority were the licensing of dams, the registration of laundry marks, the regulation of parachute jumping and the regulation of sight-seeing and charter party boats. The Commission even had control over the tolls charged on Richmond's Boulevard Bridge. Built in 1925 by a development company, the bridge was privately owned until 1969. When the owners wanted to reduce the toll from a dime to a nickel, they had to seek the permission of the SCC. In a 1975 *Richmond Times-Dispatch* series on the SCC, former Commissioner H. Lester Hooker was asked why the General Assembly continued to hand the regulatory agency new responsibilities. "Well, you know," he replied, "anything they didn't know what to do with, they'd give to the SCC." A former Wisconsin public service commissioner Arthur L. Padrutt testifying to a legislative panel in the 1970s offered a summary of the SCC and its activities: "One can view it only with a sense of fatigue."

As the Commission responsibilities grew, there was a need to employ a more qualified staff of clerks, accountants, examiners, investigators,

engineers and lawyers. The "commodious" offices in Richmond City Hall had become rather crowded by 1906.

That year, the Commission moved to the third floor of the State Capitol in the offices now occupied by the Governor's staff. In 1908 the Commission reported that it had a staff of 11. By 1924, the 24 Commission employees moved to the ninth floor of the new State Office Building located on the

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southeast corner of Capitol Square (now the Washington Building).

Workforce growth continued in the 1930s and 1940s compelling the Commission to scatter staff in rented offices throughout downtown Richmond. The entire workforce of approximately 250 was brought together under one roof in 1957 when the Commission occupied seven floors of the newly constructed Blanton Building (later named the Jefferson Building) next door to the State Office Building. By 1971, 369 persons were working for the SCC, and the 13-story Blanton/Jefferson Building was becoming seriously overcrowded. In the late 1970s the Bureau of Financial Institutions moved into temporary office space in the new Federal Reserve building along the James River because traveling examiners and other staff had nowhere to work when they came to Richmond. The Commission once again reunited its staff when it moved to its current location in the Tyler Building in April 1993 and now employs approximately 600 persons.

**F**rom 1903 to 1919 the commissioners were appointed by the Governor and confirmed by the General Assembly. State law was changed in 1919 to require that commissioners be elected by statewide popular vote. From 1926 to 1928, membership was once again a gubernatorial appointment. As part of a sweeping reorganization of Virginia government in 1928 backed by Governor Harry F. Byrd, Sr., the state constitution was revised to give the General Assembly the power to elect SCC commissioners for six-year terms. That process has remained in effect to this day.

One commissioner experienced all three methods of selection and served the Commonwealth for an outstanding 47 years. H. Lester Hooker was the last commissioner to be elected by popular vote when he defeated Republican D. Henry Davis in 1924. Hooker was reappointed by Governor Byrd in 1926 and was elected by the General Assembly in 1928. When he assumed the chairmanship that year, he looked for ways to streamline the Commission's work. Hooker started a policy of rotating the chairmanship annually on February 1 so that each member could have an equal understanding of the work and no one member would be overloaded. He equalized

the work by dividing the various types of regulatory activities among the members with each responsible for specific activities.

This was the operational structure of the Commission until February 1, 2002 when a change was implemented to give the chairman the dominant role in administrative matters affecting all SCC divisions. Under the new structure, the chairman assumes the role of “chief operating officer” for the agency. All SCC divisions report to the chairman who delegates administrative

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responsibilities, as required, to the other two commissioners.

The longevity of service by judges and employees has been a hallmark of the SCC. The independence of the agency has provided better continuity of staffing and leadership. The early successes of the Commission established a tradition of public service. Commissioner Preston C. Shannon contributed 25 years of service and Ralph T. Catterall served for 24 years. Thomas P. Harwood, Jr. completed 19 years. William Meade Fletcher served 16 years. In 2003, Theodore V. Morrison, Jr. began his fifteenth year as commissioner.

**N**orvell W. Atkinson was hired as a messenger for the Commission in July 1903 and stayed on for 58 years. Atkinson was known around the Capitol in Richmond for speedy deliveries and eagerness from his duties as a page at the General Assembly. The energetic messenger was soon promoted to the position of assessment clerk, and then first assistant clerk. In 1930, Atkinson was named as Clerk of the Commission and served in that capacity until 1961. Francis W. Garthright served almost as long as Atkinson in the Clerk’s Office. She was employed for 50 years, starting in March 1928 and retiring in June 1978 as assistant clerk.

Two commissioners, Henry C. Stuart and George C. Peery, were later elected governor, and Joseph E. Willard was elected lieutenant governor. Robert R. Prentis, Louis S. Epes, and Elizabeth B. Lacy became

justices of the Virginia Supreme Court. Lacy still serves today. Harvey B. Apperson served as Virginia’s attorney general. William F. Rhea and George C. Peery also served in the U.S. House of Representatives.

With its impact on so many business and economic interests in Virginia, the SCC confronted its share of controversy in its first century. During the first decade, there were continual disputes between shippers and railroads. In 1918, the SCC was criticized by one of its own commissioners, Christopher B. Garnett, for having an inadequate staff for complex regulatory tasks. Garnett’s criticism reflected a persistent challenge for the Commission. As new problems arose with new industries, there was a need for new regulations, and the Commission was given more authority. Controversy was often followed by a period of stability.

**I**n 1947, the SCC was ordered by Governor William Tuck to operate power and telephone utilities to avert strikes. In the early 1970s, inflation resulted in higher insurance and utility rates and hostile consumer groups assailed the Commission. The banking crisis in 1980s and early 1990s challenged the safety and soundness of Virginia chartered banks. Recent changes in the insurance, banking and securities industries required new regulatory strategies. The current introduction of market forces and competition into the utility industries is transforming traditional public utility regulation.

Whenever there were periods of public criticism of the SCC, ideas of reorganization surfaced to disperse some of the Commission’s authority to other areas of state government. Critics questioned how the agency could keep up and make intelligent decisions about the diverse activities of vast and complex businesses. Supporters maintained that the SCC represented a compact organization that provided cost-efficient regulation instead of a sprawling, wasteful bureaucracy. At other times there were calls for the popular election or increasing the number of commissioners. For the most part, the independence and flexibility of the Commission were sustained while the organization adapted to the shifting political world and varying economic conditions.

Changes in technology, population and economics in the second half of the 20<sup>th</sup> century brought about changes in Virginia government when citizens approved a new constitution, which became effective in 1971. While much of the specific language relating to the SCC’s fixing of rates of transportation and transmission companies

was removed, the new constitution preserved the independence of the SCC. There was no change in the basic structure of the Commission except the General Assembly was given the power to increase the size from three to five members. Another provision was added guaranteeing that interests of consumers are represented in proceedings before the SCC.

Since the 1970s there have been several initiatives to reorganize Virginia government, and some SCC responsibilities have changed. The state fire marshal's office, which administered fire safety standards and investigated arson, was transferred to the Virginia State Police in 1978. On July 1, 1979, the SCC's Division of Aeronautics became the Department of Aviation, an executive branch agency under the Secretary of Transportation. In 1995, The General Assembly passed legislation to move the SCC's authority over motor carrier operations to the Department of Motor Vehicles and the Virginia State Police.

Virginia in the beginning of the 21<sup>st</sup> century has a population of more than seven million, and over 70 percent of the people live in urban or suburban areas. Our expanding technology has brought electricity and

telephone service to practically all of the 2.2 million occupied housing units in the Commonwealth. Use of the Internet has exploded over the last five years with 70 percent of the population now reporting that they have access.

Despite the dramatic industrial, social and demographic transformation in Virginia, the bedrock foundation of the State Corporation Commission has not changed since the first three commissioners took the oath of office on March 2, 1903. It remains an independent department of state government that promotes and protects the public interest. It continues to be vested with legislative, administrative, and judicial authority. No other state in the country consolidates so many regulatory functions into one organization. While always open to adapting to change, the stability of the SCC provides an opportunity for all to be heard on any matter, and to do so in an efficient and timely manner. The tasks may be highly technical in nature, but the SCC has maintained a simple structure to meet the demands of an evolving regulatory environment. As Ralph Waldo Emerson wrote, "Nothing is more simple than greatness; indeed, to be simple is to be great."

