Its official name was the Duluth & Northern Minnesota Railway on the charter, but most people in northeastern Minnesota simply know it as the "Alger line." The common name comes from the railroad's parent company, the Alger - Smith Lumber Company of Detroit, Michigan. Russell A. Alger was a Civil War general who went on to become a U. S. senator, Governor of Michigan, the Secretary of War in President William McKinley's cabinet, and a lumber baron. He also established one of the very first logging railroads in the country in 1868. In an odd twist of fate, it was one of Alger's employees from his logging railroad in Michigan (The Manistique) that assassinated President McKinley in 1901.

By the late 1890's the big timber in Michigan was all but gone. The main focus now became the north shore where the company had acquired timberlands earlier in anticipation of continuing logging here. In May 1898 they began to move their operation across the lake to Knife River. The sinking of the USS Maine in Havana Harbor had provoked the Spanish American War just the month before, but Secretary of War Alger was not dissuaded in making the move anyway.

The first locomotive was sent by barge from Grand Marais, Michigan. The engineer, Joe Rabey, kept the engine steamed up on its trip across the lake. Upon landing at Knife River, track construction began in earnest directly in front of engine number one. Building track would continue nonstop for the next 21 years as the mainline was lengthened and spurs were laid into new stands of timber. What started out as a small logging operation, soon turned into a giant, dwarfing any of the previous Alger railroads. It was to become one of the most colorful logging railroads of all time.