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The Answer to Highway Propaganda

HIGHWAY PROPAGANDA CAMPAIGN

A militant campaign of propaganda that must be costing a large sum of money has been initiated by the National Highway Users Conference and carried on most energetically by certain individual manufacturers of highway equipment, by the American Trucking Associations and others. Under date of December 15, 1938, there was issued from the Highway Users Conference a public statement by the Advisory Committee of that Conference, which insists that any solution of the transportation problem "must not restrict or penalize highway transportation." There is added:

"To the end that this shall not be done, highway users should use every facility at their command to combat railroad propaganda and other activities directed against highway transportation."

What is this National Highway Users Conference? The following is the Conference's own statement of its objectives and activities and the officers and committees:

"NATIONAL HIGHWAY USERS CONFERENCE

What It Is, Its Objectives and Its Activities

The National Highway Users Conference, organized in 1932, is a fact-finding, information-giving and coordinating agency, acting in behalf of the development of highway transportation in the public interest. It is devoted exclusively to advancing the utility of the highway as an instrumentality of transportation. It acts as a clearing house for the collection and dissemination of information concerning present and proposed legislation.

It serves as a meeting ground for the discussion and development of policies of taxation and regulation on an economic and constructive basis, as well as problems of promoting an adequate highway transportation system. It is not a direct-acting agency. It works by cooperating with its members and affiliates, themselves, in most cases, direct-acting groups. It is not a substitute for any other organization. On the contrary, it serves to strengthen the effectiveness of all existing organizations, as well as individual units of business and industry who are concerned with the use of the highway for the transportation of either passengers or goods.

Among the broad objectives of the Conference are the following:

1. Establishment of an equitable system of taxation, both with respect to the total cost levied and the distribution of the cost among the different groups involved.
2. Dedication of highway taxes solely to highway purposes.
3. Regulation to be such as to recognize, preserve and promote the inherent advantages of highway transportation for both public and

private use, on its own factual basis, irrespective of competitive methods.

4. Development of a continuing program of highway construction looking to the future, from the standpoint of both maintenance and use, based on economic needs and consistent with the ability to pay.

The activities of the Conference have borne fruit. Its views on taxation, diversion, regulation and construction have gained wide public recognition, notably among governmental and research agencies, educators and editors. The combined efforts of Conference groups have accomplished direct results of substantial benefit to all classes of highway users.

Further work and increased vigilance on the part of the Conference and its affiliates are necessary to extend and consolidate the results already achieved."*

The following comments are made on the National Highway Users Conference and its supporting interests:

(a) It is to be noted that the Conference is a research and coordinating agency and claims to be "acting in behalf of the development of highway transportation in the public interest."

(b) It is to be noted, further, that the Conference claims that its activities have borne fruit and its views on taxation, diversion, regulation and construction have gained wide public recognition.

(c) Reference is made to "conference groups" and this reference is to state and local organizations throughout the country.

(d) It is apparent that the most powerful interests supporting the Conference have no direct connection with, or responsibility for, transportation service by highway.

This Highway Users Conference issued under date of December 15, 1938, a pamphlet entitled "Highway Taxation, Finance and Administration" as a general outline of policies, and under date of March 7, 1939, the Conference issued a public statement charging the railroads with "an ever broadening attack upon highway transportation" and

* The present official personnel and the interests represented are shown from the same statement:

"NATIONAL HIGHWAY USERS CONFERENCE

OFFICERS

Chairman: ALFRED P. SLOAN, JR., Chairman of the Board, General Motors Corp.
Vice-Chairman: THOMAS P. HENRY, President, American Automobile Assn.
Secretary-Treasurer: L. J. TAYLOR, Master, The National Grange.

ADVISORY COMMITTEE

H. E. BARCOCK, President, Cooperative G. L. F. Products, Inc.
A. N. BENSON, General Manager, National Automobile Dealers Association.
ROBERT F. BLACK, Chairman, Motor Truck Committee, Automobile Manufacturers Assn.
AXTELL J. BYLES, President, American Petroleum Institute.
WILLARD T. CHEVALIER, Vice-President McGraw-Hill Publishing Co.
LEW HAHN, Retailers' National Council.
ARTHUR M. HILL, President, National Association of Motor Bus Operators.

constantly reiterated "misstatements of fact directed against the use of highway transportation."

Under date of January 12, 1939, the Conference issued a broad-side criticism of the report of the Committee of Six, with the title "The Transportation Problem."

The American Trucking Associations has from time to time circulated pamphlets in behalf of the trucking industry and in criticism of the railroads. Among the documents issued by them are "Let 'Em Roll," "The Open Road," "3½ Million," "Truck Facts at a Glance" (cartoons), "Little Trips to Truckville," and "Trucks Win on Service."

The specific charges and misstatements of fact which occur in the various pamphlets referred to above are answered here.

JOINT AGREEMENT

In the summer of 1932 there was organized a Joint Committee of Railroads and Highway Users, with six members selected from among railroad executives representing the Association of Railway Executives and six members selected by the recently formed National Highway Users Conference.

The purpose for which the Joint Committee was organized was to agree, if possible, upon principles to govern the regulation and taxation of highway transportation which all parties would support and thus avoid public controversy. The statement of principles upon which agreement was reached and also of those principles upon

R. J. O'HARE, Chairman, Transportation Committee, International Association of Milk Dealers.
EMORY RICE, Governor, American Bakers Association.
JOHN VERECKY, President, Farmers' Educational and Cooperative Union of America.
A. L. VILES, President, Rubber Manufacturers Association, Inc.

STEERING COMMITTEE

V. P. AHEARN, Executive Secretary, National Sand & Gravel Association, Inc.
FRED BRENCHELMAN, Washington Representative, The National Grange.
R. H. GOKKEL, Secretary, Rubber Manufacturers Association.
ROBERT C. HIBBEN, Executive Secretary, International Association of Ice Cream Manufacturers.
F. C. HORNER, Assistant to the Chairman, General Motors Corporation.
PYKE JOHNSON, Vice President, Automobile Manufacturers Association.
ROWLAND JONES, Washington Representative, National Association of Retail Druggists.
A. W. KOEHLER, Secretary-Manager, National Association of Motor Bus Operators.
B. H. MARKHAM, Director, American Petroleum Industries Committee.
A. J. MONTGOMERY, Director of Public Relations, American Automobile Association.
TED V. RODGERS, President, American Trucking Associations, Inc.
FRANK T. SHEETS, President, Portland Cement Association.
C. E. STEVENS, Assistant Motor Truck Sales Manager, International Harvester Co.
JOHN VERECKY, President, Farmers' Educational and Cooperative Union of America.
HAROLD R. YOUNG, Secretary, Retailers' National Council.

DIRECTOR
CHESTER H. GRAY

ASSISTANT DIRECTOR
EDGAR MARKHAM

which opinions could not be reconciled was issued in pamphlet form under date of January 30, 1933, entitled "Regulation and Taxation of Highway Transportation."

With respect to this agreement the Highway Users Conference now charges that the railroads have not been willing to abide by it, while they, on their part, have carefully conformed to the agreement. The facts with respect to this situation are herewith set forth briefly.

(a) It was unanimously agreed that

"in principle, all those using the highways for commercial purposes in interstate and intrastate commerce should be subjected to regulation."

As to one important detail of regulation, however, the vital factor of rate regulation for common and contract trucks, the Highway Users appended a qualification—

"if and when sufficient data have been collected to indicate the desirability of such regulation in public interest."

The Conference supported its qualified position by reference to I. C. C. Ex Parte 23400 and the Commission's annual report for 1932. Since that time the Commission has given its support to such regulation, the Motor Carrier Act, 1935, has been passed and a regulatory law covering this provision is in effect in every state except New Jersey. And yet the Highway Users, through their state affiliates, opposed the regulatory bill in New York which was finally passed in 1938, have consistently opposed and are accredited with the successful opposition of every attempt to pass such a bill in the State of New Jersey.

(b) It was unanimously agreed that itinerant or merchant truckers should be regulated. A division of opinion arose as to interpretation. The rail representatives stated—

"In the above provisions (for regulation) the railroad representatives have as their purpose the control of certain operations over the highways that are demoralizing to local markets, injurious to essential established business and contrary to public interest."

The Highway Users said that they

"can not agree to any interpretation of these provisions which would limit or hamper the use of the motor truck as an instrument of transportation by the established producer, merchant, farmer or other private carrier whose operations are outside the provisions"

dealing with common and contract carriers. Subsequently the Highway Users have opposed all efforts of business interests to secure legislative action to carry out the regulatory provision agreed upon

and now charge the railroads with violation of the agreement in this respect.

(c) There was unanimous agreement as to reciprocity between the states for motor vehicle operation. The statement is brief and follows in full:

“The states should enter into reciprocal agreements for issuance of special licenses for commercial vehicles to cover states other than the home state at equitable rates to be determined by the conditions which prevail.”

The railroads are now charged with violation of this agreement where they have maintained a position in accordance with the provision stated above. On their part, the Highway Users have sponsored *free* reciprocity without “equitable rates.” They are accredited with success in securing in several instances acts granting free reciprocity. They boast in a statement issued June 28, 1939, that

“progress has been made in the liberalization of non-resident privileges and the granting of reciprocity. Reciprocal agreements have been provided or broadened in Florida, Idaho, Iowa, Maine, Montana, Nevada, New Mexico, North Dakota, Oklahoma and Tennessee.”

(d) It was unanimously agreed that railroads should have opportunity to engage

“in motor vehicle service on highways on equal terms with all others and without discrimination in favor of, or against, other transportation agencies in the same field.”

Despite this agreement, members of the Highway Users Conference have sought and obtained in the Motor Carrier Act, 1935, a provision discriminating against the railroads in highway operation. Decisions of the Interstate Commerce Commission under that Act have confined and restricted the railroads in their use of motor vehicle service on the highways.

(e) There was unanimous agreement with respect to diversion of highway funds to other purposes. That agreement is simple and clear:

“Special taxes levied upon motor vehicles using highways should be devoted entirely to highway purposes. There should be no diversion of such taxes in any degree to any other purpose.”

The railroads are charged by the Highway Users with sponsoring bills “to divert revenues” derived from motor vehicle taxes and fees to “non-highway purposes.” There is no such activity on the part of the railroads. The Highway Users are evidently very sensitive about paying taxes for the support of government, education or unemployment relief. By their efforts they have secured in the Hayden-Cartwright Act, the following provision in Section 12:

“Since it is unfair and unjust to tax motor vehicle transportation unless the proceeds of such taxation are applied to the construction, improvement or maintenance of highways, after June 30, 1935, Federal aid for highway construction shall be extended only to those states that use at least the amounts now provided by law for such purposes.”

Much emphasis has been laid upon diversion of taxes by representatives of the Highway Users Conference. They have not dealt at all fairly with this subject. For many years they circulated the story that \$75,000 of highway funds were being diverted in the State of Maryland for oyster beds. They made much of this story despite the fact that the law clearly said that this sum was for improving the roads to serve the wharves and represented the amount collected from taxes on gasoline consumed in motor and oyster boats. They claim “diversion” for any funds going to city streets and highways other than the ones they select. They claim “diversion” if funds have been derived from levies not laid for highway purposes. They claim “diversion” if the funds go into general funds of the state, no matter how much of the state funds are allocated to highway uses. They claim “diversion” in the State of Ohio, where a law was passed to levy a tax for school purposes on “liquid fuel.” They claim “diversion” in New York, where the state levied a one-cent gasoline tax for state purposes, and in Texas even though a Constitutional amendment has provided since 1876 that a certain portion of any excise tax shall be used for school purposes, and in Pennsylvania even though the motor vehicle fees go to the State fund in lieu of property taxes on motor vehicles. It is certainly obvious that the agreement can not be stretched to cover such a broad definition.

TAXES AND SUBSIDY

A charge is made by the highway interests that the railroads have been heavily subsidized while the trucks are more than paying their fair share of highway costs. Railroads, they say, have received extensive land grants as their subsidy. The trucks claim to have paid \$417,500,000 in 1937 while the railroads in the same year paid in taxes \$328,000,000.

The lands granted by the Federal government to encourage capital to build railroads ahead of settlement and traffic amounted in the twenty years during which grants were made, 1850 to 1870, to a total of 130 million acres of land. All members of Congress who advocated the granting of these lands were agreed that they could not be sold by the Federal government without rail transportation. They said repeatedly that the government was giving away nothing of value but

was creating value for the alternate sections retained by the government. These lands were not gifts but were transferred to the railroads on the basis of contracts stipulating that the roads would be built and operated and that in a majority of instances the Federal government would receive a reduction from the commercial rate on its traffic. Today this reduction amounts to about ten million dollars a year. This sum would have enabled the railroads to have purchased the entire acreage in annual installments in 12¼ years.

The courts have determined with respect to these land grants, calling for free use by the government of road-bed and track, that—

“ * * * The land grant made many years ago in aid of the railroad enterprise was not a mere gift or gratuity. The carriers' obligation to haul property of the United States at reduced rates was a part of the consideration for which the land grant was made.”

In addition to this, with the building of the railroads the government firmly bound the western states to the Union, eliminated all dangers from Indians and was enabled to ship its own traffic at a rate almost one-tenth of the previous cost. Settlement followed the rails, the country was developed, lands were taken up and the resources of the country were utilized.

For this encouragement to capital the people of the country received untold advantages in economic progress, in social solidarity, in national defense. The railroads became a dependable and an indispensable source of taxes, particularly for the maintenance of schools and local governments. In 1938 the railroads of the country paid \$102,200,000 in taxes for the support of public schools.

The evidence is convincing that railroads have paid many times over for the lands granted them from 70 to 90 years ago. The purpose of the grants has long since been accomplished through the settlement of the country and the adequacy of national defense. The railroads are still deprived of substantial revenues due to the reduced rates on account of these grants. The government remains a preferred shipper through the reduced rates, enjoying a privilege that is denied by law to private shippers. The Interstate Commerce Commission, in a report and recommendation transmitted to Congress by the President of the United States, suggests as one “means of immediate relief” that “appropriate amendments to existing statutes to remove their requirement for land grant reductions” be passed by Congress. This is the answer to the subsidy charge against the railroads by the trucking industry.

The truckers themselves say nothing about the fact that they have been given a right-of-way valued, as of 1919, for rural highways at 850 millions of dollars. They say nothing of the fact that they have

moved on to the highways existing at the time that their development began for which they paid nothing, and they say nothing of the fact that, in addition to this vast subsidy, the highways have received an additional subsidy of 13 billions of dollars for improvement and maintenance since 1920.

The truckers claim that there has been no subsidy to them in Federal aid. The basis of this claim is that they have received from the Federal government \$2,250,000,000 in the 20-year period 1917-1937 and that they have paid to the Federal government in excise taxes on oil and gas, motor vehicles and parts, \$2,574,000,000, leaving a credit to their account of \$324,000,000. The facts are, however, that from 1917 to 1927 the automobile industry contributed as a whole about \$1,143,000,000 in war excise taxes. These excise taxes applied to all transportation and communication agencies. The railroads themselves paid over \$955,000,000. For this they receive no credit from the truckers. The Federal government, 1917-1937, through appropriations and gifts of materials to public roads, contributed over \$1,450,000,000. In this period, therefore, the truckers failed to pay in excise taxes what they received in subsidies by \$309,800,000. If these payments are counted against receipts, then all war-time taxes on the automobile industry are cancelled and it stands as a specially favored industry.

Federal excise taxes were again imposed on the motor industry, oil and gasoline in 1932. In the Congressional Record for November 30, 1937, Senator Barkley said:

“Just for the record, I think it ought to be stated that when the tax on gasoline was enacted it had no direct connection with building roads.”

This sum, therefore, represents a contribution for the support of government. At the end of 1937 these taxes had reached the total of \$1,143,000,000. Since 1927, however, the Federal government, through regular aid funds and emergency relief funds, expended by the Bureau of Public Roads, has given to the highways over two billion dollars. In addition to all this, the Works Progress Administration has expended on highway improvements over \$2,448,000,000 through December 31, 1938. Even this does not include the millions expended by the Public Works Administration on highway projects. If such equating should take place, therefore, and the trucking industry should desire to escape payment for support of the Federal government, it would still be in arrears by more than three billion dollars.

The special point made by the trucking industry, however, is that trucks paid \$417,500,000 in taxes for 1937 while the railroads were taxed in the same year \$328,000,000. The figure of \$417,500,000 needs

analysis. It is that part of the trucking industry which operates for hire in over-the-road service that makes the comparison. In claiming such a sum, they are making use of a figure which is contained nowhere in a government record. It is a composite figure made up largely of estimates. Gasoline taxes, for instance, set at \$208,783,000 are calculated by assuming that every truck registered in the United States consumed 1,200 gallons of gasoline per year and paid taxes on each gallon as set by the state in which registered. There are in the country over 900,000 trucks on the farms, or 26.6 per cent of the total number of trucks registered. There are 926,000 farm tractors that consume gasoline. There are approximately 1,000,000 small trucks, such as delivery trucks, in cities and towns that consume no such amount of gasoline and do not operate on the rural roads. There are also a large number of trucks of greater size and weight operating solely within metropolitan areas. If their contribution in taxes goes to the rural roads and is to be claimed by the over-the-road trucker, then it is a subsidy to them.

The estimates for the \$417,500,000 figure run back to a study made by the Bureau of Public Roads, "The Taxation of Motor Vehicles in 1932," published in 1934. This was a national survey to determine the amount of fees and taxes paid by motor vehicles of different types and classes. It claims to be the most comprehensive study of such figures that has ever been made. In it will be found data to support the claim frequently used by truckers that they represent 13-14 per cent of the total vehicles and pay 25-27 per cent of taxes. Percentages set up in this study are still used and underlie the \$417,500,000.

There is a table in this study (pages 25-6) which sets up a column entitled "Percentages of Fees and Taxes" that are paid by various types and sizes of motor vehicles. Trucks are shown separately and are indicated as representing a little over 25 per cent of the total.

From this table it is possible to separate the trucks of different capacities. Thus, trucks of less than three tons capacity and trucks of three tons capacity and over may be treated separately. On this basis the table shows that

Trucks less than 3 tons paid 80% "all fees and taxes"
Trucks 3 tons and over paid 20% "all fees and taxes"

That part of the trucking industry which operates trucks for-hire must speak generally for the second class, those of three tons and over. They could not, therefore, have paid more than 20 per cent of the total figure, or \$83,500,000, as a group.

But not all of these operate over the highways in commercial hauling. According to their own calculation "more than two-thirds of them work in cities and towns; less than one-third in intercity competitive traffic." On this basis, therefore, the fees and taxes paid

by trucks three tons and over in intercity competitive traffic could not be more than one-third of \$83,500,000 or \$27,830,000. The railroads are taxed to the extent of more than \$35,000,000 for highway improvement, or about \$8,000,000 more than these truckers.

Wherever a careful study has been made, trucks have been found to be greatly subsidized. In New York the subsidy runs from \$289 to \$1,224 per truck per year. An official study in Missouri shows that the subsidy runs from \$231 to \$615 per truck per year. An official and comprehensive study in Illinois shows that subsidies to trucks run up to \$996 per truck per year.

A recent study by Professor C. B. Breed, of the Massachusetts Institute of Technology, shows that for a 28-year period, 1909-1936, there was a subsidy to motor vehicles in Massachusetts of \$301,827,000; in Connecticut of \$135,882,000; in Rhode Island of \$70,775,000. For the year 1936 the subsidies were, for Massachusetts \$22,782,000, for Connecticut \$13,432,000, for Rhode Island \$4,128,000. Subsidies per truck range from \$26 for a $\frac{3}{4}$ -ton truck to \$1,064 for trucks over 5 tons in Massachusetts, from \$40 to \$1,063 in Connecticut and from \$33 to \$1,264 in Rhode Island.

Figures for the country as a whole have been computed in a recent study by three outstanding engineers, Messrs. Breed, Older and Downs, and published by the Association of American Railroads in a pamphlet entitled "Highway Costs." These figures show a subsidy to trucks of three tons and over of \$198,000,000 in 1932 and by the same ratio of \$201,000,000 in 1937.

The heavy over-the-road haulers for-hire, constituting the group that particularly supports the present propaganda, are also the group that is destroying the best highways in the State of Illinois, according to a recent official study. It is the group very largely for which there is required, according to the data furnished the House Roads Committee January, 1938 (Hearings, H. R. 8838), "immediately" on our "main or principal highways" \$1,607,000,000 to rebuild 57,755 miles, \$683,000,000 to widen 21,494 miles, \$978,800,000 to relocate 19,000 miles and \$394,400,000 to widen and strengthen bridges. Here is a total of more than \$3,650,000,000. This appears to be conclusive evidence that all the sums paid by the truckers and all the sums contributed by Federal, State and local governments fall far short of meeting the requirements of highway improvement and maintenance.

In the face of these facts, it comes with ill grace from the trucking industry to speak of subsidy. The claim of that industry that it is paying its fair share and more of highway costs is clearly unfounded.

Nobody knows what property taxes the trucking industry pays on its equipment. The study by the Bureau of Public Roads for 1932 indicates that they have failed to pay on a fair valuation of their property by at least \$35,000,000 annually.

EMPLOYMENT AND WAGES

The trucking industry claims employment for 3.5 million men. This is for the entire trucking industry, including farm operations and local service in and around cities. The latter services are not new services. They were there before the motor vehicles were developed. The men employed in these operations are, therefore, not new men in the sense that no one before the motor vehicle ever was occupied in that field of service. The fact is, of course, that the motor industry displaced the wagon and buggy industries and revolutionized the farm machinery industry. It displaced harness, saddle and allied industries. In all of these, men were employed before the motor vehicle.

One of the strongest selling points for the truck has been its labor saving ability. It should be remembered that it displaced animal labor as well as human labor. The farmer has felt keenly the loss of his great market for feed stuff.

Comparison is made between these alleged 3,500,000 persons employed in the trucking industry and 940,000 men employed in the railroad industry. Obviously, the persons employed in farm service and local city service should be deducted from the total number alleged to be employed in the trucking industry. The for-hire truckers themselves claim about 600,000 drivers and 400,000 "others," or a total of a million men to handle five per cent of the country's traffic. On this basis it would require twenty million men to handle all of it or upward of one-half the total gainfully employed in all business.

The annual payroll for these one million men is set at one billion dollars, or one thousand dollars per year on the average for each employe. On this basis it would require twenty billion dollars for labor alone to handle all business by truck.

The railroads in 1937 employed 1,114,663 men and their payroll was \$1,985,446,718. This is an average annual compensation per employe of \$1,781.72, as compared with the alleged \$1,000 per employe in the trucking industry.

With subsidy and low wages the trucking industry claims an annual revenue of two billion dollars on five per cent of the traffic. The railroads handled 65 per cent of the freight traffic for \$3,378,000,000. Proportionately, to handle all the railroad traffic, trucks would require revenues of thirteen times the two billion dollars, or twenty-six billion dollars. Could traffic move under such a burden?

SERVICE

The trucking industry lays claim to being a primary, indispensable medium of transportation. That the railroads are indispensable, it says, is a mere matter of opinion. Lieutenant Colonel Hartle is quoted with approval as saying, "War can be conducted without railroads but not without roads." He did not, however, say what kind of war would be conducted nor how successfully. The truckers claim that 48,492 communities, comprising 7,844,509 persons, are served exclusively by motor trucks.

In all matters of service the railroads are perfectly willing to be adjudged by results. There is no responsible dissenting opinion with respect to the statement that railroads are indispensable in peace and in war save only that of the trucking industry. They appear to be much in the minority. Successive Presidents of the United States, Members of the Cabinet, including the War Department, other public officials, the Interstate Commerce Commission, the motor manufacturing industry and organizations of shippers, all reiterate the indispensable character of railroad service.

That a large number of small communities—48,492, comprising 7,844,509 persons, an average of 162 per community—are served exclusively by motor trucks should not be surprising. These communities had other than railroad service before the motor vehicle. Railroads are mass transportation agencies and always left a margin for retail collection and distribution. These communities are not on main highways either, for these main highways parallel the railroads. If truckers continue to have their way about highway costs, such communities will furnish their own improved roadways out of their own taxes to be used by the trucks.

The difficulties involved in every abandonment case before the Interstate Commerce Commission, including even small branch lines, clearly indicate that the people in small communities and large that are served by railroads want that service continued.

The railroads agree that trucks have an important and useful place in the transportation field. There has always been a supplemental service to be performed. It is not, however, in public interest for trucks to duplicate essential rail service on the basis of a vast subsidy, or for them to enter long distance transportation, for which they are not suited, which they cannot perform without government subsidy, and where their attempt to do it only injures essential rail service.

RAILROAD OPERATION

The truckers charge that the railroads are subsidized in passenger service by shippers of freight and cite a Statement No. 37150, I. C. C. Bureau of Statistics to the effect that deficits in passenger service 1930-1936 amount to \$736,618,528.

This so-called deficit was calculated by formula, arbitrary in character, set up by the Commission itself for allocation of all costs of service as between freight and passenger. There is nowhere to be found a statement by the Commission, or by anyone else except the truckers, that passenger revenues have not paid out-of-pocket costs. Freight rates have been determined upon the basis of freight rates as being just and reasonable. The deficit in the passenger service is due to the failure of such revenue to pay their full share of overhead return on investment arbitrarily assigned to passenger service by formula. That deficit, so far as it exists, has been suffered by investors and not by shippers.

The deficit, so-called, is due to depression and subsidized competition. There is and there can be no subsidy in it.

The Interstate Commerce Commission has definitely settled this point. Railroads are under the responsibility of affording adequate transportation facilities, both passenger and freight, and it is from the combined revenues of all traffic that these facilities are to be afforded. The Commission stated the case in "Revenues in Western District," 113 I. C. C. 3 (22), as follows:

"Whatever is contributed by the passenger business may reduce correspondingly the burden which the freight traffic would otherwise bear.

"••• The freight and passenger service are both essential and both may be subjected to reasonable rates and charges to produce the fair aggregate return authorized by law even though thereby a higher rate of return may be exacted from the one than from the other."

(cf. also The Fifteen Per Cent Case, 1931, 178 I. C. C. 539 (565) and The Fifteen Per Cent Case, 1937 226 I. C. C. 41 (54).)

The truckers charge that the wastefulness in excess transportation facilities in the country is due solely to excess railroad facilities. As proof, railroad mileage now in bankruptcy is cited.

Railroads compete with transportation agencies created and supported by taxation—the highway, the waterway and the airway. Such

agencies that are supported by taxation can not go bankrupt until and unless the power of taxation is exhausted, and that power is exhausted only when all property within the taxing authority is taxed to the uttermost limit. It may be that motor vehicle fees and taxes are pledged to pay highway bonds. But in case they fail, as they did in Arkansas, the property of the state must stand behind them. How can an improved waterway, an improved highway or an airport supported by taxes, go bankrupt? Obviously it can not unless government goes bankrupt.

The railroads are a private investment all the way through, roadway and carrying facilities. Highway, waterway and airway are government investment as to "roadway." A private investment is supported out of earnings. A government investment is supported out of taxation. If earnings were available upon the investment in waterways, private capital would be interested and eager to furnish improved rivers and canals as it once did, to furnish highways for commerce as it did in toll roads, to furnish landing fields for air service. Earnings are not there. Private credit for such investment is as dead as a dodo. Hence, there is reliance on taxation.

Private investment dependent on earning power can not long compete with government investment dependent upon taxing power. That is why railroads go bankrupt and highways and waterways do not. How many waterways would remain out of the hands of the court if they relied solely on earning power? How many highways would remain solvent if they relied solely on earning power?

PRACTICES AND POLICIES

A

In a pronouncement issued by the Highway Users Conference, March 7, 1939, reference is made to a

"direct violation of a railroad-highway user agreement that no legislation should be enacted which has for its purpose the stifling of any legitimate form of transportation."

It is charged that the railroads have been guilty of such violation. The charge cites a pamphlet issued by the Department of Agriculture under the title "Barriers to Internal Trade in Farm Products."

This study deals with—

- (a) Health and sanitary measures covering dairy products;
- (b) Oleomargarine legislation;
- (c) Legislation covering alcoholic beverages;

- (d) Railroad and motor vehicle regulation;
- (e) Merchant truckers;
- (f) Grades, standards and labelling;
- (g) Quarantines; and
- (h) State financed advertising of farm products.

It is in connection with railroad and motor vehicle regulation that the charge is made of railroad violation of the agreement. In this section motor vehicle regulation covering port-of-entry laws, size, weight, speed regulation, safety, license fees and gasoline taxes are dealt with. The inspiration and the subject matter very largely run back to a report made by the Highway Users Conference in January, 1938, under the title "State Barriers to Highway Transportation."

The pamphlet of the Department of Agriculture does charge that the railroads have supported port-of-entry laws and state regulation of size, weight and speed. Much has been made of this fact by the Highway Users Conference and widespread publicity has been given the whole subject of so-called state barriers. The persuasive effectiveness of an ingenious slogan, "Balkanizing the States," has brought the entire subject into a somewhat unthinking national discussion. There is undoubtedly some good and some bad in the situation.

Whatever support has been given in states by the railroads is based upon the joint agreement that motor trucks should pay their way, that reciprocity should be based upon a fair charge for the use of roads in other states and that the merchant trucker, that demoralizes standards, grades and market prices, should be reasonably regulated. The Department of Agriculture report by no means carries a full and detailed study of these subjects. There is just enough abuse in the situation for exploitation and such has been done.

There is nowhere to be found in the entire discussion any reference to regulations that have been imposed by states upon railroads. No mention is made of such state barriers as train limit laws or full crew laws or of the multitudinous exactions made upon rail carriers by states and communities.

There is nowhere mention made, for example, of the Commodity Control Board in the Department of Agriculture that, in applying its enforcement to marketing of watermelons, for instance, strictly controls the movement by railroad and lets truckers escape over the state border with grades that are prohibited to rail carriers. There is no reference to inspection rigidly applied to rail shipments that is escaped by highway carriers. There is no thorough-going discussion of the demoralizing effect upon market prices, standards and grades of commodities brought about by unrestricted operation of merchant truckers. Very little is said with respect to these free lances, of false grades, false standards, false weights, the harmful effects upon estab-

lished marketing agencies and the general exploitation of their freedom by roaming the highways at will. Yet much information is readily available. Why is this so?

While railroads are mentioned in the report by the Department of Agriculture, and conspicuously, it takes a gimlet eye to discover the fine print footnote at the bottom of page 51 which reads as follows:

“Of course, automobile and trucking interests have also done what they could to bring about state legislation favorable to themselves.”

Why has the Department of Agriculture not gone forward in a fair and open manner to investigate and enumerate what trucking interests have done to bring about state legislation favorable to themselves and the effect of such efforts upon the public welfare?

Considerable attention is given in the report to variations in state laws respecting sizes and weights of motor vehicles permitted to operate over the state-owned highways. The position that the railroads have taken in respect to this matter, as set forth in the Joint Agreement, is that:

“Believing that weights and lengths are matters that should be left to the proper state regulatory authority, as they may find to be in the public interest, the railroads are unable to make any definite recommendations for uniform application.”

The obvious and convincing argument in support of this position is that sizes and weights of motor vehicles on any such standard as set by recommendations of highway users require standard highways, adequately designed for them to operate over, but no such standard of design and construction has been achieved. Is a posted bridge too weak to bear heavy loads a barrier to interstate commerce? Is a posted highway not adequately constructed for heavy motor trucks a barrier to interstate trade? Shall a state, whatever its financial straits, whatever its lack of resources, whatever its lack of need for them, be compelled to build highways of such design and strength as its neighboring states have built in order that freight-car-sized motor vehicles may operate freely over them? Who, in the final analysis, shall pay the bill for the destruction of highways that are overstressed by heavy trucks?

Reference has already been made to the immediate need on the main and principal highways of the country for the gigantic sum of over \$3,650,000,000 in order to accommodate the heavy commercial trucks. How is such a sum to be raised? Strangely enough, not a word of this phase of the matter, the preservation of this costly public property, occurs either in the discussion by the Department of Agriculture or in any pronouncement of the Highway Users, when considering “state barriers.”

B

There is a fundamental difference in general policy between the railroads and motor trucks as the position of the latter is voiced and interpreted by the Highway Users Conference. The new policy recently announced by the Highway Users Conference clearly demonstrates this difference.

Railroads believe that it has been fully demonstrated that highway users are heavily subsidized. They have published reports from various disinterested studies which indicate this fact.

The railroads believe that all the rural roads and the city streets within a state should be considered in the light of a single public utility. From this public utility concept will naturally and clearly develop a fair and just set of principles by which costs and payments can reasonably and equitably be determined. This idea has been set forth in detail in "Highway Costs" by Messrs. Breed, Older and Downs.

The Highway Users in their announcement of a new policy have followed an entirely different idea. They undertake to classify highways within a state and as to each and every classification the motor vehicle operators are not charged with the full cost.

There are the main trunk interstate highways constituting the Federal aid highway system of about 223,000 miles of rural road. Under the new policy the Highway Users say that these roads are

"vital to the national welfare and defense and, therefore, a continuing participation in their cost is a fair charge against the general revenue of the Federal government."

They thus place upon the general taxpayers a substantial portion of the costs of their roadway. But railroads are universally admitted to be vital to the national welfare and defense. What is the Federal Government to do for them out of general revenue?

The second classification of roads by the Highway Users Conference is the main trunk state highways. No mileage is given for this class but it may be presumed that it constitutes the remainder, outside the Federal aid portion, of the state highway systems, about 335,000 miles. With respect to these rural roads it is held that while they should be supported mainly by special motor vehicle imposts, yet "through their growing service to industry and agriculture, a portion of their costs should be paid out of general revenue of the Federal government." Again, the trucking industry is to escape substantial costs.

The railroads afford a vital service to industry and agriculture, why should not a portion of their costs be paid out of general revenue of the Federal Government?

The third classification is intermediate highways. No mileage is

given in connection with this classification but these highways are said to constitute the feeders of the main trunk highway system and include farm-to-market roads. Their mileage could not be greater than 450,000 miles. Under the new policy it is claimed that to the extent the service of these highways to agriculture may affect the general welfare a charge of a part of their cost to the general revenue of the Federal Government is justified. On the other hand, to the extent that they are of local use they should be paid for out of property taxes raised by the county. It is passing strange that the Master of the National Grange and the President of the Farmers Union should thus join in burdening land with additional taxes for highway improvement.

The railroads are compelled to support their feeder lines out of their own revenues.

The last classification is "land service" roads, which constitute the remaining rural roads of the country and must, therefore, comprise over 2,000,000 miles out of the total rural road mileage. Under the new policy, it is held that, in the main, they give access to land and the traffic is local and, therefore, their cost

"should be paid for exclusively by revenues raised by the county (or comparable political subdivision of the state) other than special motor vehicle imposts."

Here again is an imposition of costs upon the farmer joined in by the Master of the Grange and the President of the Farmers Union.

The railroads are taxed over \$35,000,000 annually for improvement of roads and bridges.

The final classification has to do with city streets, which are subdivided into two classes, namely, those carrying through traffic connecting with main trunk highways and other streets. Under the new policy as announced by the Highway Users Conference partial payment only for the first sub-class should be made by motor vehicles and as for the rest payment is to be made out of assessment on property.

Under this policy a vast mileage of rural roads, certainly considerably more than two million out of the total of three million miles, is to be improved, if improved at all, out of taxes on farm lands. In addition to this burden, a substantial share of the cost of improvement of other rural highways is to be allocated to land owners. The Master of the National Grange and the President of the Farmers Union apparently sanctioned this in behalf of their organizations for no dissent is recorded. The Bureau of Public Roads has stated the policy set forth by the Highway Users Conference in these words:

“But how are the lesser roads to be built if all the motor vehicle’s contribution is devoted to the main state highways? The answer is: By means of taxes on land.”

With the theory of imposing upon agriculture and upon railroad property this vast burden of providing roads which commercial truckers may use, for all highways are open to them,* the railroads have not agreed. They believe that the public utility concept, which considers all rural roads and city streets as a single utility, is a sounder and fairer position and will do more adequate justice to land which can not escape taxation. These improvements of the highway have been made for transportation service. They should be paid for by those who utilize the highways for such service. The railroads themselves are operating commercial vehicles on the improved highways and they are willing to submit to these principles. It is on this basis that the railroads have submitted their case to the American public.

C

An even more fundamental difference in concept exists between the railroads and their competitors on the highways. This difference appears in the new outline of policy as announced by the Highway Users Conference. It has to do with social and business values in connection with highway improvement.

The new policy of the Highway Users states that certain distinct benefits flowing from the improvement of highways are recognized and that these benefits extend to government, to business, to other forms of transportation, to land owners and to highway users. The principle is then stated that—

“Recipients of these benefits have a definite responsibility for a share of the cost of highways.”

This principle is economically absurd. There is no social or economic benefit emanating from improved highways which have been improved for the purpose of transportation that can not be matched and more than matched by social and economic benefits emanating from railroad operation. All benefits derive from transportation, whether by highway or by rail. These transportation benefits by rail as by highway accrue to government, to business, to other forms of transportation and to land owners. The benefits arise solely from the fact that highways and railways are used for transportation. In this respect highway users are no different from railway users.

Highways are improved for transportation just as railways are built for transportation and neither government nor business nor land

* “Get the picture! Rolling wheels by the hundreds of thousands, night and day, over every road in America! Loads of freight rolling from somewhere to somewhere else!”—*Let 'Em Roll*, page 3.

owners nor other agencies of transportation can realize any benefit whatsoever from highway improvements or from railroad construction except through the use of these facilities for transportation. Highway users are those who make use of the improved highways for transportation service to government, to business, to other forms of transportation and to land owners.

The principle, therefore, as stated here, implies the absurdity that the owner of land, for example, because he is benefitted by an improved highway, should pay a part of the cost of the improvement and then, in addition, should pay to the highway users who utilize the improvement for highway transportation service. There is just as much reason that a land owner whose property has been enhanced in value due to the proximity of rail transportation should pay something to the railroad in addition to the charge for transportation service. There is just as much reason to say that the land owner whose property has been decreased in value should be continuously paid by highway users.

The fact is that unless highways are considered as public utilities and every user of the improved highways is charged fairly for his use of these facilities, we are headed directly for a socialized industry. Every public utility contributes social and economic values. That is their sole justification. When departure is made from the strict principle of each user paying fairly or adequately for his use of such utility, then we are placing upon the general taxpayer the burden of furnishing it. This applies not only to highways but to railways, electric light, gas and water plants. The government is then in the business. The country is stepping toward socialism.